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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended 31 December 2011

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Anheuser-Busch InBev SA/NV**

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

**Belgium**

(Jurisdiction of incorporation or organization)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class

Name of each exchange on which registered

Ordinary shares without nominal value

New York Stock Exchange\*

American Depositary Shares, each representing one ordinary

share without nominal value	New York Stock Exchange
9.750% Notes due 2015 (November 2010)	New York Stock Exchange
Floating Rate Notes due 2014 (January 2011)	New York Stock Exchange
2.875% Notes due 2016 (January 2011)	New York Stock Exchange
4.375% Notes due 2021 (January 2011)	New York Stock Exchange
Floating Rate Notes due 2014 (July 2011)	New York Stock Exchange
1.500% Notes due 2014 (July 2011)	New York Stock Exchange

\* Not for trading, but in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

**None**  
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

**None**  
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.  
1,606,071,799 ordinary shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer       Accelerated filer       Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP       International Financial Reporting Standards as issued  
by the International Accounting Standards Board       Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. N/A  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the

Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. N/A  Yes  No

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## GENERAL INFORMATION

In this annual report on Form 20-F (“**Form 20-F**”) references to:

- “we,” “us” and “our” are, as the context requires, to Anheuser-Busch InBev SA/NV or Anheuser-Busch InBev SA/NV and the group of companies owned and/or controlled by Anheuser-Busch InBev SA/NV (including Anheuser-Busch Companies, Inc., now Anheuser-Busch Companies, LLC, for all periods following the closing of the acquisition of Anheuser-Busch by InBev on 18 November 2008);
- “AB InBev Group” are to Anheuser-Busch InBev SA/NV and the group of companies owned and/or controlled by Anheuser-Busch InBev SA/NV;
- “we,” “us” and “our” or the “AB InBev Group” for periods prior to the closing of the Anheuser-Busch acquisition are to InBev and/or the InBev Group, respectively, as existing prior to the closing of the Anheuser-Busch acquisition;
- “InBev” or the “InBev Group” are to InBev SA/NV or InBev SA/NV and the group of companies owned and/or controlled by InBev SA/NV, as existing prior to the closing of the Anheuser-Busch acquisition;
- “Anheuser-Busch Companies” are to Anheuser-Busch Companies, LLC, a Delaware limited liability company (formerly Anheuser-Busch Companies, Inc., a Delaware corporation, converted to Anheuser-Busch Companies, LLC, pursuant to Section 266 of the Delaware General Corporation Law and Section 18-214 of the Delaware Limited Liability Company Act; such conversion became effective on 1 October 2011);
- “Anheuser-Busch” are to Anheuser-Busch Companies and the group of companies owned and/or controlled by Anheuser-Busch Companies, LLC, as the context requires; and
- “Ambev” are to Companhia de Bebidas das Américas—Ambev, a Brazilian company listed on the New York Stock Exchange and on the São Paulo Stock Exchange.

## PRESENTATION OF FINANCIAL AND OTHER DATA

We have prepared our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and in conformity with International Financial Reporting Standards as adopted by the European Union (“IFRS”). The financial information and related discussion and analysis contained in this item are presented in U.S. dollars except as otherwise specified. Unless otherwise specified, the financial information analysis in this Form 20-F is based on our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011.

Prior to 1 January 2009, we used the euro as our financial statements presentation currency. Effective 1 January 2009, we changed the presentation currency of our consolidated financial statements from the euro to the U.S. dollar, reflecting the post-Anheuser-Busch acquisition profile of our revenue and cash flows, which are now primarily generated in U.S. dollars and U.S. dollar-linked currencies. We believe that this change provides greater alignment of our presentation currency with our most significant operating currency and underlying financial performance. Unless otherwise specified, all financial information included in this Form 20-F has been stated in U.S. dollars.

For financial periods ending after the date of consummation of the Anheuser-Busch acquisition on 18 November 2008, InBev and its subsidiaries and Anheuser-Busch and its subsidiaries have been consolidated into a common group. Therefore, our actual consolidated financial statements after the date of consummation of the Anheuser-Busch acquisition differ materially from the actual historical financial statements of InBev prior to the consummation of the Anheuser-Busch acquisition.

Following the Anheuser-Busch acquisition and the resulting increased leverage, we completed a series of assets disposals in 2009 and have utilized certain of the proceeds from such disposals to repay indebtedness incurred to finance the Anheuser-Busch acquisition. Accordingly, the scope of our business after the completion of the series of asset disposals differs materially from the scope of our business presented in this Form 20-F for 2009.

All references in this Form 20-F to (i) “euro” or “EUR” are to the common currency of the European Union, (ii) “U.S. dollar,” “\$,” or “USD” are to the currency of the United States, (iii) “CAD” are to the currency of Canada, (iv) “R\$,” “real” or “reais” are to the currency of Brazil, and (v) “GBP” (pounds sterling) are to the currency of the United Kingdom.

Unless otherwise specified, volumes, as used in this Form 20-F, include both beer and non-beer (primarily carbonated soft drinks) volumes. In addition, unless otherwise specified, our volumes include not only brands that we own or license, but also third-party brands that we brew or otherwise produce as a subcontractor, and third-party products that we sell through our distribution network, particularly in Western Europe. Our volume figures in this Form 20-F reflect 100% of the volumes of entities that we fully consolidate in our financial reporting and a proportionate share of the volumes of entities that we proportionately consolidate in our financial reporting, but do not include volumes of our associates or non-consolidated entities. Our pro rata share of volumes in Grupo Modelo, S.A.B. de C.V. (“Grupo Modelo”) and Tsingtao Brewery Co., Ltd. (“Tsingtao”) (the latter of which we disposed of in June 2009) are not included in the reported volumes.

Certain monetary amounts and other figures included in this Form 20-F have been subject to rounding adjustments. Accordingly, any discrepancies in any tables between the totals and the sums of amounts listed are due to rounding.

## **PRESENTATION OF MARKET INFORMATION**

Market information (including market share, market position and industry data for our operating activities and those of our subsidiaries or of companies acquired by us) or other statements presented in this Form 20-F regarding our position (or that of companies acquired by us) relative to our competitors largely reflect the best estimates of our management. These estimates are based upon information obtained from customers, trade or business organizations and associations, other contacts within the industries in which we operate and, in some cases, upon published statistical data or information from independent third parties. Except as otherwise stated, our market share data, as well as our management's assessment of our comparative competitive position, has been derived by comparing our sales figures for the relevant period to our management's estimates of our competitors' sales figures for such period, as well as upon published statistical data and information from independent third parties, and, in particular, the reports published and the information made available by, among others, the local brewers' associations and the national statistics bureaus in the various countries in which we sell our products. The principal sources generally used include Plato Logic Limited and AC Nielsen, as well as Beer Institute and SymphonyIRI (for the United States), the Brewers Association of Canada (for Canada), CCR (for Ecuador, Paraguay and Peru), CIES (for Bolivia), AC Nielsen (for Argentina, Brazil, Germany, Russia and Ukraine), FECU (for Chile), Belgian Brewers (for Belgium), Seema International Limited (for China), the British Beer and Pub Association (for the United Kingdom), Centraal Brouwerij Kantoor—CBK (for the Netherlands), Association des Brasseurs de France (for France), Associazione degli Industriali della Birra e del Malto (for Italy), Fédération des Brasseurs Luxembourgeois (for Luxembourg), and other local brewers' associations. You should not rely on the market share and other market information presented herein as precise measures of market share or of other actual conditions.



## FORWARD-LOOKING STATEMENTS

There are statements in this Form 20-F, such as statements that include the words or phrases “*will likely result*,” “*are expected to*,” “*will continue*,” “*is anticipated*,” “*estimate*,” “*project*,” “*may*” or similar expressions that are forward-looking statements. These statements are subject to certain risks and uncertainties. Actual results may differ materially from those suggested by these statements due to, among others, the risks or uncertainties listed below. *See also* “Item 3. Key Information—D. Risk Factors” for further discussion of risks and uncertainties that could impact our business.

These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside our control and are difficult to predict, that may cause actual results or developments to differ materially from any future results or developments expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among others:

- local, regional, national and international economic conditions, including the risks of a global recession or a recession in one or more of our key markets, and the impact they may have on us and our customers and our assessment of that impact;
- limitations on our ability to contain costs and expenses;
- our expectations with respect to expansion, premium growth, accretion to reported earnings, working capital improvements and investment income or cash flow projections;
- our ability to continue to introduce competitive new products and services on a timely, cost-effective basis;
- the effects of competition and consolidation in the markets in which we operate, which may be influenced by regulation, deregulation or enforcement policies;
- changes in consumer spending;
- changes in applicable laws, regulations and taxes in jurisdictions in which we operate, including the laws and regulations governing our operations, changes to tax benefit programs as well as actions or decisions of courts and regulators;
- changes in pricing environments;
- volatility in the prices of raw materials, commodities and energy;
- difficulties in maintaining relationships with employees;
- the monetary and interest rate policies of central banks, in particular the European Central Bank, the Board of Governors of the U.S. Federal Reserve System, the Bank of England, *Banco Central do Brasil* and other central banks;
- continued availability of financing and our ability to achieve our targeted coverage and debt levels and terms, including the risk of constraints on financing in the event of a credit rating downgrade;
- financial risks, such as interest rate risk, foreign exchange rate risk, commodity risk, asset price risk, equity market risk, counterparty risk, sovereign risk, liquidity risk, inflation or deflation;
- regional or general changes in asset valuations;

- greater than expected costs (including taxes) and expenses;
- the risk of unexpected consequences resulting from acquisitions;
- tax consequences of restructuring and our ability to optimize our tax rate;
- the outcome of pending and future litigation and governmental proceedings;
- changes in government policies;
- natural and other disasters;
- any inability to economically hedge certain risks;
- inadequate impairment provisions and loss reserves;
- technological changes; and
- our success in managing the risks involved in the foregoing.

Our statements regarding financial risks, including interest rate risk, foreign exchange rate risk, commodity risk, asset price risk, equity market risk, counterparty risk, sovereign risk, inflation and deflation, are subject to uncertainty. For example, certain market and financial risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market or financial risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

We caution that the forward-looking statements in this Form 20-F are further qualified by the risk factors disclosed in “Item 3. Key Information—D. Risk Factors” that could cause actual results to differ materially from those in the forward-looking statements. Subject to our obligations under Belgian and U.S. law in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

#### A. DIRECTORS AND SENIOR MANAGEMENT

Not applicable.

#### B. ADVISERS

Not applicable.

#### C. AUDITORS

Not applicable.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

#### A. OFFER STATISTICS

Not applicable.

#### B. METHOD AND EXPECTED TIMETABLE

Not applicable.

### ITEM 3. KEY INFORMATION

#### A. SELECTED FINANCIAL DATA

The selected historical financial information presented below as of 31 December 2011, 2010, 2009, 2008 and 2007, and for the five years ended 31 December 2011 has been derived from our audited consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and in conformity with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

The selected historical financial information presented in the tables below should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements and the accompanying notes. The audited consolidated financial statements and the accompanying notes as of 31 December 2011 and 2010 and for the three years ended 31 December 2011 have been included in this Form 20-F.

Effective 1 January 2009, we changed the presentation currency of our consolidated financial statements from the euro to the U.S. dollar, reflecting the post-Anheuser-Busch acquisition profile of our revenue and cash flows, which are now primarily generated in U.S. dollars and U.S. dollar-linked currencies. We believe that this change provides greater alignment of our presentation currency with our most significant operating currency and underlying financial performance. Unless otherwise specified, all financial information included in this Form 20-F has been stated in U.S. dollars.

	Year ended 31 December				
	2011	2010	2009	2008	2007
	<i>(USD million, unless otherwise indicated)</i>				
	<b>(audited)</b>				
<i>Income Statement Data</i>					
Revenue <sup>(1)</sup>	39,046	36,297	36,758	23,507	19,735
Profit from operations	12,329	10,897	11,569	5,340	5,872
Profit	7,959	5,762	5,877	3,126	4,167
Profit attributable to our equity holders	5,855	4,026	4,613	1,927	3,005
Weighted average number of ordinary shares (million shares) <sup>(2),(6)</sup>	1,595	1,592	1,584	999	976
Diluted weighted average number of ordinary shares (million shares) <sup>(3),(6)</sup>	1,614	1,611	1,593	1,000	981
Basic earnings per share (USD) <sup>(4),(6)</sup>	3.67	2.53	2.91	1.93	3.08
Diluted earnings per share (USD) <sup>(5),(6)</sup>	3.63	2.50	2.90	1.93	3.06
Dividends per share (USD)	1.55	1.07	0.55	0.35	3.67
Dividends per share (EUR)	1.20	0.80	0.38	0.28	2.44

	As of 31 December				
	2011	2010	2009	2008 (adjusted) <sup>(7)</sup>	2007
	<i>(USD million, unless otherwise indicated)</i>				
<i>Financial Position Data</i>					
Total assets	112,427	114,342	112,525	113,748	42,247
Equity	41,044	38,799	33,171	24,431	21,949
Equity attributable to our equity holders	37,492	35,259	30,318	22,442	20,057
Issued capital	1,734	1,733	1,732	1,730	559
<i>Other Data</i>					
Volumes (million hectoliters)	399	399	409	285	271

Notes:

- (1) Turnover less excise taxes and discounts. In many jurisdictions, excise taxes make up a large proportion of the cost of beer charged to our customers (see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Excise Taxes”).
- (2) Weighted average number of ordinary shares means, for any period, the number of shares outstanding at the beginning of the period, adjusted by the number of shares canceled, repurchased or issued during the period multiplied by a time-weighting factor.
- (3) Diluted weighted average number of ordinary shares means the weighted average number of ordinary shares, adjusted by the effect of share options issued.
- (4) Earnings per share means, for any period, profit attributable to our equity holders for the period divided by the weighted average number of ordinary shares.
- (5) Diluted earnings per share means, for any period, profit attributable to our equity holders for the period divided by the diluted weighted average number of ordinary shares.
- (6) In accordance with IAS 33, we adjusted historical data per share for the year ended 31 December 2007 by an adjustment ratio of 0.6252 as a result of the capital increase pursuant to the rights offering we completed in December 2008 to restate (i) the weighted average number of ordinary shares; (ii) the diluted weighted average number of ordinary shares; (iii) the basic earnings per share; and (iv) the diluted earnings per share.
- (7) In 2009, the company completed the purchase price allocation of the Anheuser-Busch acquisition in accordance with IFRS 3. IFRS 3 requires the acquirer to retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date. As such, total assets have been adjusted to reflect the final purchase price adjustments.

**B. CAPITALIZATION AND INDEBTEDNESS**

Not Applicable.

**C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not Applicable.

## **D. RISK FACTORS**

*Investing in our shares involves risk. We expect to be exposed to some or all of the risks described below in our future operations. Such risks include, but are not limited to, the risk factors described below. Any of the risk factors described below, as well as additional risks of which we are not currently aware, could also affect our business operations and have a material adverse effect on our business activities, financial condition, results of operations and prospects and cause the value of our shares to decline. Moreover, if and to the extent that any of the risks described below materialize, they may occur in combination with other risks which would compound the adverse effect of such risks on our business activities, financial condition, results of operations and prospects. Investors in our shares and American Depositary Shares (“ADSs”) could lose all or part of their investment.*

*You should carefully consider the following information in conjunction with the other information contained or incorporated by reference in this document. The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or of the potential magnitude of their financial consequences.*

### **Risks Relating to Our Business**

***We are exposed to the risks of an economic recession, credit and capital market volatility and economic and financial crisis, which could adversely affect the demand for our products and adversely affect the market price of our shares and ADSs.***

We are exposed to the risk of a global recession or a recession in one or more of our key markets, credit and capital market volatility and an economic or financial crisis, which could result in lower revenue and reduced profit. For example, recent concerns regarding the eurozone sovereign debt crisis have led to increased volatility in global credit and capital markets and may lead to reduced economic growth in Europe and elsewhere. Any such development could adversely affect demand for beer, which could result in a deterioration in our results of operations.

Beer and soft drinks consumption in many of the jurisdictions in which we operate is closely linked to general economic conditions, with levels of consumption tending to rise during periods of rising per capita income and fall during periods of declining per capita income. Additionally, per capita consumption is inversely related to the sale price of our products.

Besides moving in concert with changes in per capita income, beer consumption also increases or decreases in accordance with changes in disposable income.

Currently, disposable income is low in many of the developing countries in which we operate compared to disposable income in more developed countries. Any decrease in disposable income resulting from an increase in inflation, income taxes, the cost of living, unemployment levels, political or economic instability or other factors would likely adversely affect demand for beer. Moreover, because a significant portion of our brand portfolio consists of premium beers, our volumes and revenue may be impacted to a greater degree than those of some of our competitors, as some consumers may choose to purchase value or discount brands rather than super-premium, premium or core brands. For additional information on the categorization of the beer market and our positioning, see “Item 4. Information on the Company—B. Business Overview—2. Principal Activities and Products—Beer.”

Capital and credit market volatility, such as that experienced recently, may result in downward pressure on stock prices and credit capacity of issuers. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on our ability to access capital, on our business, results of operations and financial condition, and on the market price of our shares and ADSs.

***Our results of operations are affected by fluctuations in exchange rates.***

Although we report our consolidated results in U.S. dollars, in 2011, we derived approximately 62.5% of our revenue from operating companies that have non-U.S. dollar functional currencies (in most cases, in the local currency of the respective operating company). Consequently, any change in exchange rates between our operating companies' functional currencies and the U.S. dollar will affect our consolidated income statement and balance sheet when the results of those operating companies are translated into U.S. dollars for reporting purposes. Decreases in the value of our operating companies' functional currencies against the U.S. dollar will tend to reduce those operating companies' contributions in dollar terms to our financial condition and results of operations.

In addition to currency translation risk, we incur currency transaction risks whenever one of our operating companies enters into transactions using currencies other than their respective functional currencies, including purchase or sale transactions and the issuance or incurrence of debt. Although we have hedge policies in place to manage commodity price and foreign currency risks to protect our exposure to currencies other than our operating companies' functional currencies, there can be no assurance that such policies will be able to successfully hedge against the effects of such foreign exchange exposure, particularly over the long-term. In particular, concerns regarding the eurozone sovereign debt crisis may result in increased volatility of euro exchange rates and make it more difficult for us to successfully hedge the effects of our euro foreign exchange exposure.

Moreover, although we seek to match borrowing currency liabilities to functional currency cash flows, following the Anheuser-Busch acquisition, much of our debt is denominated in U.S. dollars, while a significant portion of our cash flows are denominated in currencies other than the U.S. dollar. From time to time we enter into financial instruments to mitigate currency risk, but these transactions and any other efforts taken to better match the effective currencies of our liabilities to our cash flows could result in increased costs.

See "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Market Risk, Hedging and Financial Instruments" and note 28 to our audited financial information as of 31 December 2011 and 2010, and for the three years ended 31 December 2011, for further details on our approach to hedging commodity price and foreign currency risk.

***Changes in the availability or price of raw materials, commodities and energy could have an adverse effect on our results of operations.***

A significant portion of our operating expenses are related to raw materials and commodities, such as malted barley, wheat, corn grits, corn syrup, rice, hops, flavored concentrate, fruit concentrate, sugar, sweetener, water, glass, polyethylene terephthalate ("PET") and aluminum bottles, aluminum or steel cans and kegs, labels, plastic crates, metal and plastic closures, folding cartons, cardboard products and plastic films.

The supply and price of raw materials and commodities used for the production of our products can be affected by a number of factors beyond our control, including the level of crop production around the world, export demand, quality and availability of supply, speculative movements in the raw materials or commodities markets, currency fluctuations, governmental regulations and legislation affecting agriculture, trade agreements among producing and consuming nations, adverse weather conditions, natural disasters, economic factors affecting growth decisions, political developments, various plant diseases and pests.

We cannot predict future availability or prices of the raw materials or commodities required for our products. The markets in certain raw materials or commodities have experienced and may in the future experience shortages and significant price fluctuations. The foregoing may affect the price and availability of ingredients that we use to manufacture our products, as well as the cans and bottles in which our products are packaged. We may not be able to increase our prices to offset these increased costs or increase our prices without suffering reduced volume, revenue and operating income. To some extent, derivative financial instruments and the terms of supply agreements can protect against increases in materials and commodities costs in the short term. However, derivatives and supply agreements expire and upon expiry are subject to renegotiation and therefore cannot provide complete protection over the medium or longer term. To the extent we fail to adequately manage the risks inherent in such volatility, including if our hedging and derivative arrangements do not effectively or completely hedge against changes in commodity prices, our results of operations may be adversely impacted. In addition, it is possible that the hedging

and derivative instruments we use to establish the purchase price for commodities in advance of the time of delivery may lock us into prices that are ultimately higher than actual market prices at the time of delivery. See “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Market Risk, Hedging and Financial Instruments” for further details on our approach to hedging commodity price risk.

The production and distribution of our products require material amounts of energy, including the consumption of oil-based products, coal and electricity. Energy prices have been subject to significant price volatility in the recent past and may be again in the future. High energy prices over an extended period of time, as well as changes in energy taxation and regulation in certain geographies, may result in a negative effect on operating income and could potentially challenge our profitability in certain markets. There is no guarantee that we will be able to pass along increased energy costs to our customers in every case.

The production of our products also requires large amounts of water, including water consumption in the agricultural supply chain. Changes in precipitation patterns and the frequency of extreme weather events may affect our water supply and, as a result, our physical operations. Water may also be subject to price increases in certain areas, and changes in water taxation and regulation in certain geographies may result in a negative effect on operating income which could potentially challenge our profitability in certain markets. There is no guarantee that we will be able to pass along increased water costs to our customers in every case.

***We may not be able to obtain the necessary funding for our future capital or refinancing needs and we face financial risks due to our level of debt and uncertain market conditions.***

We may be required to raise additional funds for our future capital needs or refinance our current indebtedness through public or private financing, strategic relationships or other arrangements. There can be no assurance that the funding, if needed, will be available on attractive terms, or at all. We may be required to issue additional equity under unfavorable conditions, which could dilute our existing shareholders. See “—Risks Related to Our Shares and American Depositary Shares—Future equity issuances may dilute the holdings of current shareholders or ADS holders and could materially affect the market price of our shares or ADSs.” Furthermore, any debt financing, if available, may involve restrictive covenants.

We incurred substantial indebtedness in connection with the Anheuser-Busch acquisition. We financed the Anheuser-Busch acquisition in part with a fully committed USD 45 billion senior debt facility (the “**2008 Senior Facilities Agreement**”) (of which USD 44 billion was ultimately drawn). On 26 February 2010, we entered into USD 17.2 billion of senior credit agreements, including a USD 13 billion senior facilities agreement (the “**2010 Senior Facilities Agreement**”) (of which USD 10.1 billion was ultimately drawn), which, together with the proceeds from a series of debt capital markets offerings enabled us to fully refinance and repay the remaining debt outstanding under the 2008 Senior Facilities Agreement. On 25 July 2011, we amended the USD 8 billion five-year revolving credit facility under the 2010 Senior Facilities Agreement. In connection with the amendment, we fully prepaid and terminated, the Term Facility under the 2010 Senior Facilities Agreement. The terms of the 2010 Senior Facilities Agreement, as well as its intended use, are described under “Item 10. Additional Information—C. Material Contracts.”

The portion of our consolidated balance sheet represented by debt will remain significantly higher as compared to our historical position.

Our continued increased level of debt could have significant consequences, including:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- impairing our ability to obtain additional financing in the future;
- requiring us to issue additional equity (possibly under unfavorable conditions); and
- placing us at a competitive disadvantage compared to our competitors that have less debt.

Further, a credit rating downgrade could have a material adverse effect on our ability to finance our ongoing operations or to refinance our existing indebtedness. In addition, if we fail to comply with the covenants or other terms of any agreements governing these facilities, our lenders will have the right to accelerate the maturity of that debt.

Following the closing of the Anheuser-Busch acquisition, priority has been given to deleveraging, with surplus free cash flow being used to reduce the level of outstanding debt. Deleveraging remains a priority and may continue to restrict the amount of dividends we are able to pay.

We have reduced the amount of dividends paid in the first years after the closing of the Anheuser-Busch acquisition and may continue to restrict the amount of dividends we will pay as a result of our level of debt and our strategy to reduce our leverage.

Our ability to repay and renegotiate our outstanding indebtedness will depend upon market conditions. In 2011, the global credit markets experienced significant price volatility, dislocations and liquidity disruptions that caused the cost of debt financings to fluctuate considerably. The markets also put downward pressure on stock prices and credit capacity for certain issuers without regard to those issuers' underlying financial strength. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors reduced, and in some cases, ceased to provide funding to borrowers. If such uncertain conditions persist, our costs could increase beyond what is anticipated. Such costs could have a material adverse impact on our cash flows, results of operations or both. In addition, an inability to refinance all or a substantial amount of our debt obligations when they become due, or more generally a failure to raise additional equity capital or debt financing or to realize proceeds from asset sales when needed, would have a material adverse effect on our financial condition and results of operations.

***Our results could be negatively affected by increasing interest rates.***

We use issuances of debt and bank borrowings as a source of funding and, following the Anheuser-Busch acquisition, our level of debt has increased significantly. Nevertheless, pursuant to our capital structure policy, we aim to optimize shareholder value through cash flow distribution to us from our subsidiaries, while maintaining an investment-grade rating and minimizing cash and investments with a return below our weighted average cost of capital.

Some of the debt we have issued or incurred was issued or incurred at variable interest rates, which exposes us to changes in such interest rates. As of 31 December 2011, after certain hedging and fair value adjustments, USD 9.9 billion, or 24.5%, of our interest-bearing financial liabilities (which include loans, borrowings and bank overdrafts) bore a variable interest rate, while USD 30.3 billion, or 75.5%, bore a fixed interest rate. Moreover, a significant part of our external debt is denominated in non-U.S. dollar currencies, including the euro, pounds sterling, Brazilian real and the Canadian dollar. Although we enter into interest rate swap agreements to manage our interest rate risk, and also enter into cross-currency interest rate swap agreements to manage both our foreign currency risk and interest-rate risk on interest-bearing financial liabilities, there can be no assurance that such instruments will be successful in reducing the risks inherent in exposures to interest rate fluctuations. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Market Risk, Hedging and Financial Instruments" and note 28 to our audited financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011, for further details on our approach to foreign currency and interest-rate risk.

***Certain of our operations depend on independent distributors or wholesalers to sell our products.***

Certain of our operations are dependent on government-controlled or privately owned but independent wholesale distributors for distribution of our products for resale to retail outlets. See "Item 4. Information on the Company—B. Business Overview—7. Distribution of Products" and "Item 4. Information on the Company—B. Business Overview—11. Regulations Affecting Our Business" for further information in this respect. There can be no assurance as to the financial affairs of such distributors or that these distributors, who often act both for us and our competitors, will not give our competitors' products higher priority, thereby reducing their efforts to sell our products.



In the United States, for instance, we sell substantially all of our beer to independent wholesalers for distribution to retailers and ultimately consumers. As independent companies, wholesalers make their own business decisions that may not always align themselves with our interests. If our wholesalers do not effectively distribute our products, our financial results could be adversely affected.

In addition, contractual restrictions and the regulatory environment of many markets may make it very difficult to change distributors in a number of markets. In certain cases, poor performance by a distributor or wholesaler is not a sufficient reason for replacement. Our consequent inability to replace unproductive or inefficient distributors could adversely impact our business, results of operations and financial condition.

***There may be changes in legislation or interpretation of legislation by regulators or courts that may prohibit or reduce the ability of brewers to own wholesalers and distributors.***

In certain countries we have interests in wholesalers and distributors, and such interests may be prohibited if legislation or interpretation of legislation changes. For example, pursuant to recent Illinois legislation effective as of May 2011, only very small brewers may self-distribute beer. Although Illinois regulatory authorities have not determined whether the new law would prohibit us from holding a minority ownership stake in a distributor, any limitation imposed on our ability to purchase or own any interest in distributors could adversely impact our business, results of operations and financial condition.

***Competition could lead to a reduction of our margins, increase costs and adversely affect our profitability.***

We compete with both brewers and other drinks companies and our products compete with other beverages. Globally, brewers, as well as other players in the beverage industry, compete mainly on the basis of brand image, price, quality, distribution networks and customer service. Consolidation has significantly increased the capital base and geographic reach of our competitors in some of the markets in which we operate, and competition is expected to increase further as the trend towards consolidation among companies in the beverage industry continues. Consolidation activity has also increased along our distribution channels – in the case of both on-trade points of sale, such as pub companies, and off-trade retailers, such as supermarkets. Such consolidation could increase the purchasing power of players in our distribution channels.

Competition may divert consumers and customers from our products. Competition in our various markets and increased purchasing power of players in our distribution channels could cause us to reduce pricing, increase capital investment, increase marketing and other expenditures, prevent us from increasing prices to recover higher costs, and thereby cause us to reduce margins or lose market share. Moreover, because we rely on only a limited number of brands across a limited number of markets for the majority of our sales, any dilution of our brands as a result of competitive trends could also lead to a significant erosion of our profitability. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations. Innovation faces inherent risks, and the new products we introduce may not be successful, while competitors may be able to respond quicker than we can to emerging trends, such as the increasing consumer preference for “craft beers” produced by smaller microbreweries.

Additionally, the absence of level playing fields in some markets and the lack of transparency, or even certain unfair or illegal practices, such as tax evasion and corruption, may skew the competitive environment in favor of our competitors, with material adverse effects on our profitability or ability to operate.

***The ability of our subsidiaries to distribute cash upstream may be subject to various conditions and limitations.***

To a large extent, we are organized as a holding company and our operations are carried out through subsidiaries. Our domestic and foreign subsidiaries’ and affiliated companies’ ability to upstream or distribute cash

(to be used, among other things, to meet our financial obligations) through dividends, intercompany advances, management fees and other payments is, to a large extent, dependent on the availability of cash flows at the level of such domestic and foreign subsidiaries and affiliated companies and may be restricted by applicable laws and accounting principles. In particular, 41.8% (USD 16.3 billion) of our total revenue of USD 39.0 billion in 2011 came from our Brazilian listed subsidiary Companhia de Bebidas das Américas—Ambev (“**Ambev**”), which is not wholly-owned and is listed on the São Paulo Stock Exchange and the New York Stock Exchange. Certain of our equity investments (such as our investment in Grupo Modelo S.A.B. de C.V.) contribute cash flow to us through dividend payments but are not controlled by us, and our receipt of dividend payments from these entities is therefore outside our control. In addition to the above, some of our subsidiaries are subject to laws restricting their ability to pay dividends or the amount of dividends they may pay. See “Item 5. Operating and Financial Review—G. Liquidity and Capital Resources—Transfers from Subsidiaries” and “Item 10. Additional Information—F. Dividends and Paying Agents” for further information in this respect.

If we are not able to obtain sufficient cash flows from our domestic and foreign subsidiaries and affiliated companies, this could adversely impact our ability to pay the substantially increased debt resulting from the Anheuser-Busch acquisition or our ability to pay dividends, and otherwise negatively impact our business, results of operations and financial condition.

***An inability to reduce costs could affect profitability.***

Our future success and earnings growth depend in part on our ability to be efficient in producing, advertising and selling our products and services. We are pursuing a number of initiatives to improve operational efficiency. Failure to generate significant cost savings and margin improvement through these initiatives could adversely affect our profitability and our ability to achieve our financial goals.

***We are exposed to emerging market risks.***

A substantial proportion of our operations, representing approximately 47.1% of our 2011 revenue, are carried out in emerging markets, including Brazil (which represents 28.7% of our revenue), Argentina, China, Russia, Bolivia, Paraguay, and Ukraine. We also have equity investments in brewers in China and Mexico.

Our operations and equity investments in these markets are subject to the customary risks of operating in developing countries, which include potential political and economic uncertainty, application of exchange controls, nationalization or expropriation, crime and lack of law enforcement, political insurrection, external interference, financial risks, changes in government policy, political and economic changes, changes in the relations between the countries, actions of governmental authorities affecting trade and foreign investment, regulations on repatriation of funds, interpretation and application of local laws and regulations, enforceability of intellectual property and contract rights, local labor conditions and regulations. Such factors could affect our results by causing interruptions to our operations or by increasing the costs of operating in those countries or by limiting our ability to repatriate profits from those countries. Financial risks of operating in emerging markets also include risks of liquidity, inflation (for example, Brazil, Argentina and Russia have periodically experienced extremely high rates of inflation), devaluation (for example, the Brazilian and Argentine currencies have been devalued frequently during the last four decades), price volatility, currency convertibility and country default. These various factors could adversely impact our business, results of operations and financial condition. Due to our geographic mix, these factors could affect us more than our competitors with less exposure to emerging markets, and any general decline in emerging markets as a whole could impact us disproportionately compared to our competitors.

***We may not be able to successfully carry out further acquisitions and business integrations or restructuring.***

We have made in the past and may make in the future acquisitions of, investments in, and joint venture and similar arrangements with, other companies and businesses. We cannot make such further transactions unless we can identify suitable candidates and agree on the terms with them. Such transactions also involve a number of risks. We may not be able to successfully complete such transactions. After completion of a transaction, we may be required to integrate the acquired companies, businesses or operations into our existing operations. In addition, such transactions may involve the assumption of certain actual or potential, known or unknown, liabilities, which may

have a potential impact on our financial risk profile. Further, the price we may pay in any future transaction may prove to be too high as a result of various factors, such as a significant change in market conditions, the limited opportunity to conduct due diligence prior to a purchase or unexpected changes in the acquired business.

***An impairment of goodwill or other intangible assets would adversely affect our financial condition and results of operations.***

As a result of the Anheuser-Busch acquisition, we recognized USD 32.9 billion of goodwill on our balance sheet and recorded several brands from the Anheuser-Busch business (including brands in the Budweiser brand family, the Michelob brand family, the Busch brand family and the Natural brand family) as intangible assets with indefinite life with a fair value of USD 21.4 billion. As of 31 December 2011, goodwill amounted to USD 51.3 billion and intangible assets with indefinite life amounted to USD 22.5 billion. If our business does not develop as expected, impairment charges may be incurred in the future that could be significant and that could have an adverse effect on our results of operations and financial condition.

***We rely on the reputation of our brands.***

Our success depends on our ability to maintain and enhance the image and reputation of our existing products and to develop a favorable image and reputation for new products. The image and reputation of our products may be reduced in the future; concerns about product quality, even when unfounded, could tarnish the image and reputation of our products. An event, or series of events, that materially damages the reputation of one or more of our brands could have an adverse effect on the value of that brand and subsequent revenues from that brand or business. Restoring the image and reputation of our products may be costly and may not be possible. Moreover, our marketing efforts are subject to restrictions on the permissible advertising style, media and messages used. In a number of countries, for example, television is a prohibited medium for advertising alcoholic beverage products, and in other countries, television advertising, while permitted, is carefully regulated. Any additional restrictions in such countries, or the introduction of similar restrictions in other countries, may constrain our brand building potential and thus reduce the value of our brands and related revenues.

***Negative publicity may harm our business.***

Media coverage, and publicity generally, can exert significant influence on consumer behavior and actions. If the social acceptability of beer or soft drinks were to decline significantly, sales of our products could materially decrease. In recent years, there has been increased public and political attention directed at the alcoholic beverage and food and soft drink industries. This attention is the result of health concerns related to the harmful use of alcohol, including drunk driving, binge drinking and underage drinking, as well as health concerns such as obesity and diabetes related to the overconsumption of food and soft-drinks. Negative publicity regarding alcohol or soft drink consumption, publication of studies that indicate a significant health risk from consumption of alcohol or soft drinks, or changes in consumer perceptions in relation to alcohol or soft drinks generally could adversely affect the sale and consumption of our products and could harm our business, results of operations, cash flows or financial condition as consumers and customers change their purchasing patterns. For example, the United Nations' High Level Meeting (HLM) on Non-Communicable Diseases (NCDs) in September 2011 raised the profile of health risks related to tobacco use, poor diet, physical inactivity and the harmful use of alcohol. The United Nations' NCD Declaration calls for nations to implement policies and strategies to reduce risk factors for NCDs. Similarly, the Russian and Ukrainian authorities are considering legislative changes linked to concerns about the harmful use of alcohol. Russia adopted bans on the sale of beer in kiosks and the sale of beer between the hours of 11:00 pm and 8:00 am, a ban on beer advertisements on television and radio and certain outdoor beer advertisements, limitations on print advertisements and a further increase in excise taxes by 20%, 25% and 20% in 2012, 2013 and 2014 respectively. Other legislative proposals discussed in Russia include a ban on PET packaging, stricter regulations on the ingredients and definition of "beer" and new labelling and health warning requirements. Ukraine is considering a ban on the sale of beer in kiosks, a ban on beer advertising, implementation of permits for the consumption of beer with consumption limited to licensed premises and in private accommodations and a further increase of excise and other beer related taxes, such as taxes on the development of viticulture, horticulture and hop-growing. Concerns over alcohol abuse and underage drinking have also caused governments, including Argentina, Brazil, Russia, the United Kingdom and the United States, to consider measures such as increased taxation, legislation regarding minimum alcohol pricing or restrictions upon our commercial freedoms.

Key brand names are used by us, our subsidiaries, associates and joint ventures, and are licensed to third-party brewers. To the extent that we, one of our subsidiaries, associates, joint ventures or licensees are subject to negative publicity, and the negative publicity causes consumers and customers to change their purchasing patterns, it could have a material adverse effect on our business, results of operations, cash flows or financial condition. As we continue to expand our operations into emerging and growth markets, there is a greater risk that we may be subject to negative publicity, in particular in relation to labor rights and local work conditions. Negative publicity that materially damages the reputation of one or more of our brands could have an adverse effect on the value of that brand and subsequent revenues from that brand or business, which could adversely impact our business, results of operations, cash flows and financial condition.

***Demand for our products may be adversely affected by changes in consumer preferences and tastes.***

We depend on our ability to satisfy consumer preferences and tastes. Consumer preferences and tastes can change in unpredictable ways due to a variety of factors, such as changes in demographics, consumer health and wellness, concerns about obesity or alcohol consumption, product attributes and ingredients, changes in travel, vacation or leisure activity patterns, weather, negative publicity resulting from regulatory action or litigation against us or comparable companies or a downturn in economic conditions. Consumers also may begin to prefer the products of competitors or may generally reduce their demand for products in the category. Failure by us to anticipate or respond adequately either to changes in consumer preferences and tastes or to developments in new forms of media and marketing could adversely impact our business, results of operations and financial condition.

***Seasonal consumption cycles and adverse weather conditions may result in fluctuations in demand for our products.***

Seasonal consumption cycles and adverse weather conditions in the markets in which we operate may have an impact on our operations. This is particularly true in the summer months, when unseasonably cool or wet weather can affect sales volumes. Demand for beer is normally more depressed in our major markets in the Northern Hemisphere during the first and fourth quarters of each year, and our consolidated net revenue from those markets is therefore normally lower during this time. Although this risk is somewhat mitigated by our relatively balanced footprint in both hemispheres, we are relatively more exposed to the markets in the Northern Hemisphere than to the markets in the Southern Hemisphere, which could adversely impact our business, results of operations and financial condition.

***Climate change, or legal, regulatory or market measures to address climate change, may negatively affect our business or operations, and water scarcity or poor quality could negatively impact our production costs and capacity.***

There is a growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. In the event that such climate change has a negative effect on agricultural productivity, we may be subject to decreased availability or less favorable pricing for certain agricultural commodities that are necessary for our products, such as barley, hops, sugar and corn. In addition, public expectations for reductions in greenhouse gas emissions could result in increased energy, transportation and raw material costs and may require us to make additional investments in facilities and equipment due to increased regulatory pressures. As a result, the effects of climate change could have a long-term, material adverse impact on our business and results of operations.

We also face water scarcity risks. The availability of clean water is a limited resource in many parts of the world, facing unprecedented challenges from climate change and the resulting change in precipitation patterns and frequency of extreme weather, overexploitation, increasing pollution, and poor water management. As demand for water continues to increase around the world, and as water becomes scarcer and the quality of available water deteriorates, we may be affected by increasing production costs or capacity constraints, which could adversely affect our business and results of operations.

***If any of our products is defective or found to contain contaminants, we may be subject to product recalls or other liabilities.***

We take precautions to ensure that our beverage products are free from contaminants and that our packaging materials (such as bottles, crowns, cans and other containers) are free of defects. Such precautions include quality-control programs and various technologies for primary materials, the production process and our final products. We have established procedures to correct problems detected.

In the event that contamination or a defect does occur in the future, it may lead to business interruptions, product recalls or liability, each of which could have an adverse effect on our business, reputation, prospects, financial condition and results of operations.

Although we maintain insurance policies against certain product liability (but not product recall) risks, we may not be able to enforce our rights in respect of these policies, and, in the event that contamination or a defect occurs, any amounts that we recover may not be sufficient to offset any damage we may suffer, which could adversely impact our business, results of operations and financial condition.

***We may not be able to protect our intellectual property rights.***

Our future success depends significantly on our ability to protect our current and future brands and products and to defend our intellectual property rights, including trademarks, patents, domain names, trade secrets and know-how. We have been granted numerous trademark registrations covering our brands and products and have filed, and expect to continue to file, trademark and patent applications seeking to protect newly developed brands and products. We cannot be sure that trademark and patent registrations will be issued with respect to any of our applications. There is also a risk that we could, by omission, fail to renew a trademark or patent on a timely basis or that our competitors will challenge, invalidate or circumvent any existing or future trademarks and patents issued to, or licensed by, us.

Although we have taken appropriate action to protect our portfolio of intellectual property rights (including trademark registration and domain names), we cannot be certain that the steps we have taken will be sufficient or that third parties will not infringe upon or misappropriate proprietary rights. Moreover, some of the countries in which we operate offer less efficient intellectual property protection than is available in Europe or the United States. If we are unable to protect our proprietary rights against infringement or misappropriation, it could have a material adverse effect on our business, results of operations, cash flows or financial condition, and in particular, on our ability to develop our business.

***We rely on key third parties, including key suppliers, and the termination or modification of the arrangements with such third parties could negatively affect our business.***

We rely on key third-party suppliers, including third-party suppliers for a range of raw materials for beer and soft drinks such as malted barley, corn grits, corn syrup, rice, hops, water, flavored concentrate, fruit concentrate, sugar and sweetener, and for packaging material, such as glass, PET and aluminum bottles, aluminum or steel cans and kegs, labels, plastic crates, metal and plastic closures, folding cartons, cardboard products and plastic films.

We seek to limit our exposure to market fluctuations in these supplies by entering into medium- and long-term fixed-price arrangements. We have a limited number of suppliers of aluminum cans, and glass bottles. Consolidation of the aluminum can industry, and glass bottle industry in certain markets in which we operate has reduced local supply alternatives and increased the risk of disruption to aluminum can, and glass bottle supplies. Although we generally have other suppliers of raw materials and packaging materials, the termination of or material change to arrangements with certain key suppliers, disagreements with suppliers as to payment or other terms, or the failure of a key supplier to meet our contractual obligations or otherwise deliver materials consistent with current usage would or may require us to make purchases from alternative suppliers, in each case at potentially higher prices than those agreed with this supplier, and this could have a material impact on our production, distribution and sale of beer and soft drinks and have a material adverse effect on our business, results of operations, cash flows or financial condition.

A number of key brand names are both licensed to third-party brewers and used by companies over which we do not have control. However, we monitor brewing quality to ensure our high standards. For instance, our global brand Stella Artois is licensed to third parties in Algeria, Australia, Bulgaria, Croatia, Czech Republic, Hungary, Israel, New Zealand, and Romania, and another global brand, Beck's, is licensed to third parties in Algeria, Bulgaria, Croatia, Hungary, Turkey, Australia, New Zealand, Romania, Serbia, Tunisia and Montenegro. Finally, Budweiser is licensed to third parties in, amongst other countries, Argentina, India, Japan, South Korea, Panama, Italy, Ireland and Spain. See "Item 4. Information on the Company—B. Business Overview—8. Licensing" for more information in this respect. To the extent that one of these key brand names or our joint ventures, investments in companies in which we do not own a controlling interest and our licensees are subject to negative publicity, it could have a material adverse effect on our business, results of operations, cash flows or financial condition.

For certain packaging supplies and raw materials, we rely on a small number of important suppliers. If these suppliers became unable to continue to meet our requirements, and we are unable to develop alternative sources of supply, our operations and financial results could be adversely affected.

***The consolidation of retailers may adversely affect us.***

The retail industry in Europe and in other countries in which we operate continues to consolidate. Large retailers may seek to improve profitability and sales by asking for lower prices or increased trade spending. Although retailers purchase products from wholesalers (including in a number of markets, from our wholesaler operations), rather than directly from us, the efforts of retailers could result in reduced profitability for the beer industry as a whole and indirectly adversely affect our financial results.

***We could incur significant costs as a result of compliance with, and/or violations of or liabilities under, various regulations that govern our operations.***

Our business is highly regulated in many of the countries in which we or our licensed third partners operate. The regulations adopted by the authorities in these countries govern many parts of our operations, including brewing, marketing and advertising (in particular to avoid exposure to persons under the legal drinking age), transportation, distributor relationships and sales. We may be subject to claims that we have not complied with existing laws and regulations, which could result in fines, penalties or loss of operating licenses. We are also routinely subject to new or modified laws and regulations with which we must comply in order to avoid claims, fines and other penalties, which could adversely impact our business, results of operations and financial condition. We may also be subject to laws and regulations aimed at reducing the availability of beer products in some of our markets to address alcohol abuse and other social issues. There can be no assurance that we will not incur material costs or liabilities in connection with compliance with applicable regulatory requirements, or that such regulation will not interfere with our beer or soft drinks businesses.

The level of regulation to which our businesses are subject can be affected by changes in the public perception of beer and soft drinks consumption. In recent years, there has been increased social and political attention in certain countries directed at the alcoholic beverage and soft drinks industries, and governmental bodies may respond to any public criticism by implementing further regulatory restrictions on advertising, opening hours, drinking ages or marketing activities (including the marketing or selling of beer at sporting events). Such public concern and any resulting restrictions may cause the social acceptability of beer or soft drinks to decline significantly and consumption trends to shift away from these products, which would have a material adverse effect on our business, financial condition and results of operations. For common regulations and restrictions on us, see "Item 4. Information on the Company—B. Business Overview—11. Regulations Affecting Our Business" and "Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Governmental Regulations."

***We are exposed to the risk of litigation.***

We are now and may in the future be party to legal proceedings and claims and significant damages may be asserted against us. See “Item 8. Financial Information—A. Consolidated Financial Statements and Other Financial Information—Legal and Arbitration Proceedings” and “Item 5. Operating and Financial Review—H. Contractual Obligations and Contingencies—Contingencies” and note 31 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for a description of certain material contingencies which we believe are reasonably possible (but not probable) to be realized. Given the inherent uncertainty of litigation, it is possible that we might incur liabilities as a consequence of the proceedings and claims brought against us, including those that are not currently believed by us to be reasonably possible.

Moreover, companies in the alcoholic beverage industry are, from time to time, exposed to collective suits (class actions) or other litigation relating to alcohol advertising, alcohol abuse problems or health consequences from the excessive consumption of alcohol. As an illustration, certain beer and alcoholic beverage producers from Brazil, Canada, Europe and the United States have been involved in class actions and other litigation seeking damages for, among other things, alleged marketing of alcoholic beverages to underage consumers. If any of these types of litigation were to result in fines, damages or reputational damage for us, this could have a material adverse effect on our business, results of operations, cash flows or financial position.

See “Item 8. Financial Information—A. Consolidated Financial Statements and Other Financial Information—Legal and Arbitration Proceedings” for additional information on litigation matters.

***The beer and beverage industry may be subject to adverse changes in taxation.***

Taxation on our beer and non-beer products in the countries in which we operate is comprised of different taxes specific to each jurisdiction, such as excise and other indirect taxes. In many jurisdictions, such excise and other indirect taxes make up a large proportion of the cost of beer charged to customers. Increases in excise and other indirect taxes applicable to our products either on an absolute basis or relative to the levels applicable to other beverages tend to adversely affect our revenue or margins, both by reducing overall consumption of our products and by encouraging consumers to switch to other categories of beverages. These increases also adversely affect the affordability of our products and our profitability. Recently, Bolivia, Brazil, Russia, the United Kingdom and Ukraine have all adopted proposals to increase beer excise taxes. On 1 January 2010, Russia implemented an increase in the excise tax on regular-strength beer by 200% and, in 2009, Ukraine almost doubled the excise taxes on all beers. In May 2010, the excise tax in Ukraine was further increased by 23% and the water tax by 400%. As of 1 January 2011, water tax in Ukraine further increased by 65%. In late 2011, the Russian Parliament again passed a law to index excise taxes from 2012 to 2014. Excise on beer will be at 12 rubles per litre in 2012 and increase by 3 rubles in each of 2013 and 2014. These taxes have resulted in significant price increases in both countries, and continue to cause pressures on our sales of beer. See “—Negative publicity may harm our business.”

Similarly, the United States brewing industry is subject to significant taxation. The U.S. federal government currently levies an excise tax of USD 18 per barrel (equivalent to 1.1734776 hectoliters) on beer sold for consumption in the United States. All states also levy excise and/or sales taxes on alcoholic beverages. From time to time, there are proposals to increase these taxes, and as a result of the current economic climate and the fiscal difficulties of some states, these proposals have become more prevalent. In 2011, the State of Connecticut passed a 20% increase across all alcohol products, as part of an overall tax bill that raised taxes across a multitude of categories, including an increase in the sales tax rate, hotels, rental cars, cosmetic surgery and others. In addition, although no legislation has been introduced to this effect, there have been proposals to increase federal excise taxes on alcohol to raise revenue to pay the costs of health care proposals. Increases in excise taxes on alcohol could adversely affect our United States business and its profitability.

Proposals to increase excise or other indirect taxes, including legislation regarding minimum alcohol pricing, may result from the current economic climate and may also be influenced by changes in the public perception regarding the consumption of alcohol and soft drinks. To the extent that the effect of the tax reforms described above or other proposed changes to excise and other indirect duties in the countries in which we operate is to increase the total burden of indirect taxation on our products, the results of our operations in those countries could be adversely affected.

In addition to excise and other indirect duties, we are subject to income and other taxes in the countries in which we operate. There can be no assurance that the operations of our breweries and other facilities will not become subject to increased taxation by national, local or foreign authorities or that we and our subsidiaries will not become subject to higher corporate income tax rates or to new or modified taxation regulations and requirements. Any such increases or changes in taxation would tend to adversely impact our results of operations.

***We are exposed to antitrust and competition laws in certain jurisdictions and the risk of changes in such laws or in the interpretation and enforcement of existing antitrust and competition laws.***

We are subject to antitrust and competition laws in the jurisdictions in which we operate, and in a number of jurisdictions we produce and/or sell a significant portion of the beer consumed. Consequently, we may be subject to regulatory scrutiny in certain of these jurisdictions. For instance, our Brazilian listed subsidiary, Ambev, has been subject to monitoring by antitrust authorities in Brazil (see “Item 8. Financial Information—A. Consolidated Financial Statements and Other Financial Information—Legal and Arbitration Proceedings—Ambev and its Subsidiaries—Antitrust Matters”). There can be no assurance that the introduction of new competition laws in the jurisdictions in which we operate, the interpretation of existing antitrust or competition laws or the enforcement of existing antitrust or competition laws, or any agreements with antitrust or competition authorities, against us or our subsidiaries, including Ambev, will not affect our business or the businesses of our subsidiaries in the future.

***Our operations are subject to environmental regulations, which could expose us to significant compliance costs and litigation relating to environmental issues.***

Our operations are subject to environmental regulations by national, state and local agencies, including, in certain cases, regulations that impose liability without regard to fault. These regulations can result in liability which might adversely affect our operations. The environmental regulatory climate in the markets in which we operate is becoming stricter, with a greater emphasis on enforcement.

While we have budgeted for future capital and operating expenditures to maintain compliance with environmental laws and regulations, there can be no assurance that we will not incur substantial environmental liability or that applicable environmental laws and regulations will not change or become more stringent in the future.

***We operate a joint venture in Cuba, in which the Government of Cuba is our joint venture partner. Cuba has been identified by the U.S. Department of State as a state sponsor of terrorism and is targeted by broad and comprehensive economic and trade sanctions of the United States. Our operations in Cuba may adversely affect our reputation and the liquidity and value of our securities.***

We own indirectly a 50% equity interest in Cerveceria Bucanero S.A., a Cuban company in the business of producing and selling beer. The other 50% equity interest is owned by the Government of Cuba. Cerveceria Bucanero S.A. is operated as a joint venture in which we appoint the general manager. Cerveceria Bucanero S.A.’s main brands are Bucanero and Cristal. In 2011, Cerveceria Bucanero S.A. sold 1.2 million hectoliters, representing about 0.29% of our global volume of 399 million hectoliters for the year. Although Cerveceria Bucanero S.A.’s production is primarily sold in Cuba, a small portion of its production is exported and sold by certain of our non-U.S. affiliates in other countries outside Cuba (but not the United States). Cerveceria Bucanero S.A. also imports and sells in Cuba a quantity of Beck’s branded products produced by one of our German subsidiaries that is less than 6,000 hectoliters.

Cuba has been identified by the United States government as a state sponsor of terrorism, and the U.S. Treasury Department’s Office of Foreign Assets Control and the U.S. Commerce Department together administer and enforce broad and comprehensive economic and trade sanctions based on U.S. foreign policy towards Cuba. Although our operations in Cuba are quantitatively immaterial, our overall business reputation may suffer or we may face additional regulatory scrutiny as a result of our activities in Cuba based on Cuba’s identification as a state sponsor of terrorism and target of U.S. economic and trade sanctions. In addition, there are initiatives by federal and state lawmakers in the United States, and certain U.S. institutional investors, including pension funds, to adopt laws, regulations or policies requiring divestment from, or reporting of interests in, or to facilitate divestment from, companies that do business with countries designated as state sponsors of terrorism, including Cuba. If investors decide to liquidate or otherwise divest their investments in companies that have operations of any magnitude in Cuba, the market in and value of our securities could be adversely impacted.



In addition, the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996 (known as the “**Helms-Burton Act**”) authorizes private lawsuits for damages against anyone who traffics in property confiscated without compensation by the Government of Cuba from persons who at the time were, or have since become, nationals of the United States. Although this section of the Helms-Burton Act is currently suspended by discretionary presidential action, the suspension may not continue in the future. Claims accrue notwithstanding the suspension and may be asserted if the suspension is discontinued. The Helms-Burton Act also includes a section that authorizes the U.S. Department of State to prohibit entry into the United States of non-U.S. persons who traffic in confiscated property, and corporate officers and principals of such persons, and their families. In 2009, we received notice of a claim purporting to be made under the Helms-Burton Act relating to the use of a trademark by Cerveceria Bucanero S.A., which is alleged to have been confiscated by the Cuban government and trafficked by us through our ownership and management of Cerveceria Bucanero S.A. Although we have attempted to review and evaluate the validity of the claim, due to the uncertain underlying circumstances, we are currently unable to express a view as to the validity of such claims, or as to the standing of the claimants to pursue them.

***We may not be able to recruit or retain key personnel.***

In order to develop, support and market our products, we must hire and retain skilled employees with particular expertise. The implementation of our strategic business plans could be undermined by a failure to recruit or retain key personnel or the unexpected loss of senior employees, including in acquired companies. We face various challenges inherent in the management of a large number of employees over diverse geographical regions. Key employees may choose to leave their employment for a variety of reasons, including reasons beyond our control. The impact of the departure of key employees cannot be determined and may depend on, among other things, our ability to recruit other individuals of similar experience and skill. It is not certain that we will be able to attract or retain key employees and successfully manage them, which could disrupt our business and have an unfavorable material effect on our financial position, income from operations and competitive position.

***We are exposed to labor strikes and disputes that could lead to a negative impact on our costs and production level.***

Our success depends on maintaining good relations with our workforce. In several of our operations, a majority of our workforce is unionized. For instance, a majority of the hourly employees at our breweries in several key countries in different geographies are represented by unions. Our production may be affected by work stoppages or slowdowns as a result of disputes under existing collective labor agreements with labor unions. We may not be able to satisfactorily renegotiate our collective labor agreements when they expire and may face tougher negotiations or higher wage and benefit demands. Furthermore, a work stoppage or slowdown at our facilities could interrupt the transport of raw materials from our suppliers or the transport of our products to our customers. Such disruptions could put a strain on our relationships with suppliers and clients and may have lasting effects on our business even after the disputes with our labor force have been resolved, including as a result of negative publicity.

Our production may also be affected by work stoppages or slowdowns that affect our suppliers, distributors and retail delivery/logistics providers as a result of disputes under existing collective labor agreements with labor unions, in connection with negotiations of new collective labor agreements, as a result of supplier financial distress, or for other reasons.

A strike, work stoppage or slowdown within our operations or those of our suppliers, or an interruption or shortage of raw materials for any other reason (including but not limited to financial distress, natural disaster, or difficulties affecting a supplier) could have a material adverse effect on our earnings, financial condition and ability to operate our business.

***Information technology failures could disrupt our operations.***

We increasingly rely on information technology systems to process, transmit, and store electronic information. A significant portion of the communication between our personnel, customers, and suppliers depends on information technology. As with all large systems, our information systems may be vulnerable to a variety of interruptions due to events beyond our control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers or other security issues.

We depend on information technology to enable us to operate efficiently and interface with customers, as well as to maintain in-house management and control. We have also entered into various information technology services agreements pursuant to which our information technology infrastructure is outsourced to leading vendors.

In addition, the concentration of processes in shared services centers means that any technology disruption could impact a large portion of our business within the operating zones served. If we do not allocate, and effectively manage, the resources necessary to build and sustain the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, loss of customers, business disruptions, or the loss of or damage to intellectual property through security breach. As with all information technology systems, our system could also be penetrated by outside parties intent on extracting information, corrupting information or disrupting business processes.

We take various actions with the aim of minimizing potential technology disruptions, such as investing in intrusion detection solutions, proceeding with internal and external security assessments, building and implementing disaster recovery plans and reviewing risk management processes. Notwithstanding our efforts, technology disruptions could disrupt our business. For example, if outside parties gained access to confidential data or strategic information and appropriated such information or made such information public, this could harm our reputation or our competitive advantage. More generally, technology disruptions could have a material adverse effect on our business, results of operations, cash flows or financial condition.

***Natural and other disasters could disrupt our operations.***

Our business and operating results could be negatively impacted by social, technical or physical risks such as earthquakes, hurricanes, flooding, fire, power loss, loss of water supply, telecommunications and information technology system failures, political instability, military conflict and uncertainties arising from terrorist attacks, including a global economic slowdown, the economic consequences of any military action and associated political instability.

***Our insurance coverage may not be sufficient.***

The cost of some of our insurance policies could increase in the future. In addition, some types of losses, such as losses resulting from wars, acts of terrorism, or natural disasters, generally are not insured because they are either uninsurable or it is not economically practical to obtain insurance. Moreover, insurers recently have become more reluctant to insure against these types of events. Should an uninsured loss or a loss in excess of insured limits occur, this could adversely impact our business, results of operations and financial condition.

**Risks Related to Our Shares and American Depositary Shares**

***The market price of our shares and ADSs may be volatile.***

The market price of our shares and ADSs may be volatile as a result of various factors, many of which are beyond our control. These factors include, but are not limited to, the following:

- market expectations for our financial performance;
- actual or anticipated fluctuations in our results of operations and financial condition;

- changes in the estimates of our results of operations by securities analysts;
- potential or actual sales of blocks of our shares or ADSs in the market by any shareholder or short selling of our shares or ADSs. Any such transaction could occur at any time or from time to time, with or without notice;
- the entrance of new competitors or new products in the markets in which we operate;
- volatility in the market as a whole or investor perception of the beverage industry or of our competitors; and
- the risk factors mentioned in this section.

The market price of our shares and ADSs may be adversely affected by any of the preceding or other factors regardless of our actual results of operations and financial condition.

***Our controlling shareholder may use its controlling interest to take actions not supported by our minority shareholders.***

As of the last date we were notified of its shareholding, 29 August 2011, our controlling shareholder (Stichting Anheuser-Busch InBev) owned 41.30% of our shares (and Stichting Anheuser-Busch InBev and certain other entities acting in concert with it held, in the aggregate, 52.46% of our shares), in each case based on the number of our shares outstanding on 29 August 2011 (see “Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders”). Stichting Anheuser-Busch InBev has the ability to effectively control or have a significant influence on the election of our Board of Directors and the outcome of corporate actions requiring shareholder approval, including dividend policy, mergers, share capital increases, going-private transactions and other extraordinary transactions. See “Item 10. Additional Information—B. Memorandum and Articles of Association and Other Share Information—Description of the Rights and Benefits Attached to Our Shares” for further information in this respect. The interests and time horizons of Stichting Anheuser-Busch InBev may differ from those of other shareholders. As a result of its influence on our business, Stichting Anheuser-Busch InBev could prevent us from making certain decisions or taking certain actions that would protect the interests of our other shareholders. For example, this concentration of ownership may delay or prevent a change of control of Anheuser-Busch InBev SA/NV, even in the event that this change of control may benefit other shareholders generally. Similarly, Stichting Anheuser-Busch InBev could prevent us from taking certain actions that would dilute its percentage interest in our shares, even if such actions would generally be beneficial to us and/or to other shareholders. These and other factors related to Stichting Anheuser-Busch InBev’s holding of a controlling interest in our shares may reduce the liquidity of our shares and ADSs and their attractiveness to investors.

***Fluctuations in the exchange rate between the U.S. dollar and the euro may increase the risk of holding our ADSs and shares.***

Our shares currently trade on Euronext Brussels in euros and our ADSs trade on the New York Stock Exchange (“**NYSE**”) in U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and the euro may result in temporary differences between the value of our ADSs and the value of our ordinary shares, which may result in heavy trading by investors seeking to exploit such differences. In particular, uncertainty regarding the ability of eurozone governments to resolve the eurozone sovereign debt crisis, including the possibility of an exit by one or more eurozone countries from the single currency, could lead to euro exchange rates becoming highly volatile and unpredictable. It is possible that this will trigger sharply increased trading and consequent market fluctuations, which would increase the volatility of, and may have an adverse effect upon, the price of our shares or ADSs.

In addition, as a result of fluctuations in the exchange rate between the U.S. dollar and the euro, the U.S. dollar equivalent of the proceeds that a holder of our ADSs would receive upon the sale in Belgium of any shares withdrawn from the American Depositary Receipt (“**ADR**”) depositary and the U.S. dollar equivalent of any cash dividends paid in euros on our shares represented by the ADSs could also decline.

***Future equity issuances may dilute the holdings of current shareholders or ADS holders and could materially affect the market price of our shares or ADSs.***

We may in the future decide to offer additional equity to raise capital or for other purposes. Any such additional offering could reduce the proportionate ownership and voting interests of holders of our shares and ADSs, as well as our earnings per share or ADS and net asset value per share or ADS, and any offerings by us or our main shareholders could have an adverse effect on the market price of our shares and ADSs.

***Investors may not be able to participate in equity offerings, and ADS holders may not receive any value for rights that we may grant.***

Our constitutional documents provide for preference rights to be granted to our existing shareholders unless such rights are disappplied by resolution of our shareholders' meeting or the Board of Directors. Our shareholders' meeting or Board of Directors may disapply such rights in future equity offerings. In addition, certain shareholders (including those in the United States, Australia, Canada or Japan) may not be entitled to exercise such rights even if they are not disappplied unless the rights and related shares are registered or qualified for sale under the relevant legislation or regulatory framework. As a result, there is the risk that investors may suffer dilution of their shareholding should they not be permitted to participate in preference right equity or other offerings that we may conduct in the future.

If rights are granted to our shareholders, but the ADR depositary is unable to sell rights corresponding to shares represented by ADSs that are not exercised by, or distributed to, ADS holders, or if the sale of such rights is not lawful or reasonably practicable, the ADR depositary will allow the rights to lapse, in which case ADS holders will receive no value for such rights.

***ADS holders may not be able to exercise their right to vote the shares underlying our ADSs.***

Holders of ADSs may exercise voting rights with respect to the shares represented by our ADSs only in accordance with the provisions of the deposit agreement. The deposit agreement provides that, upon receipt of a notice of any meeting of holders of our shares, the depositary will, if we so request, distribute to the ADS holders a notice which shall contain (i) such information as is contained in the notice of the meeting sent by us, (ii) a statement that the ADS holder as of the specified record date shall be entitled to instruct the ADR depositary as to the exercise of voting rights and (iii) a statement as to the manner in which instructions may be given by the holders.

Holders of ADSs may instruct the ADR depositary to vote the shares underlying their ADSs, but only if we ask the ADR depositary to ask for their instructions. Otherwise, ADS holders will not be able to exercise their right to vote, unless they withdraw our shares underlying the ADSs they hold. However, ADS holders may not know about the meeting far enough in advance to withdraw those shares. If we ask for the instructions of ADS holders, the depositary, upon timely notice from us, will notify ADS holders of the upcoming vote and arrange to deliver our voting materials to them. We cannot guarantee ADS holders that they will receive the voting materials in time to ensure that they can instruct the ADR depositary to vote their shares. In addition, the ADR depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that ADS holders may not be able to exercise their right to vote, and there may be nothing they can do if the shares underlying their ADSs are not voted as requested.

***ADS holders may be subject to limitations on the transfer of their ADSs.***

ADSs are transferable on the books of the depositary. However, the ADR depositary may refuse to deliver, transfer or register transfers of ADSs generally when the books of the ADR depositary are closed or if such action is deemed necessary or advisable by the ADR depositary or by us because of any requirement of law or of any government or governmental body or commission or under any provision of the deposit agreement. Moreover, the surrender of ADSs and withdrawal of our shares may be suspended subject to the payment of fees, taxes and similar charges or if we direct the ADR depositary at any time to cease new issuances and withdrawals of our shares during periods specified by us in connection with shareholders' meetings, the payment of dividends or as otherwise reasonably necessary for compliance with any applicable laws or government regulations.

***Shareholders may not enjoy under Belgian corporate law and our articles of association certain of the rights and protection generally afforded to shareholders of U.S. companies under U.S. federal and state laws and the NYSE rules.***

We are a public limited liability company incorporated under the laws of Belgium. The rights provided to our shareholders under Belgian corporate law and our articles of association differ in certain respects from the rights that you would typically enjoy as a shareholder of a U.S. company under applicable U.S. federal and/or state laws. In general, the Belgian Corporate Governance Code is a code of best practice applying to listed companies on a non-binding basis. The Code applies a “comply or explain” approach, that is, companies may depart from the Code’s provisions if, as required by law, they give a reasoned explanation of the reasons for doing so.

We are relying on a provision in the NYSE Listed Company Manual that allows us to follow Belgian corporate law and the Belgian Corporate Governance Code with regard to certain aspects of corporate governance. This allows us to continue following certain corporate governance practices that differ in significant respects from the corporate governance requirements applicable to U.S. companies listed on the NYSE. In particular, the NYSE rules require a majority of the directors of a listed U.S. company to be independent while, in Belgium, only three directors need be independent. Our board currently comprises four independent directors and eight non-independent directors. As of 25 April 2012, the mandate of one of our independent directors, Peter Harf, will come to an end. See “Item 6. Directors, Senior Management and Employees—Directors and Senior Management—Board of Directors.” The NYSE rules further require that each of the nominating, compensation and audit committees of a listed U.S. company be comprised entirely of independent directors. However, the Belgian Corporate Governance Code recommends only that a majority of the directors on each of these committees meet the technical requirements for independence under Belgian corporate law. All voting members of the Audit Committee are independent under the NYSE rules and Rule 10A-3 of the Securities Exchange Act of 1934. Our Nomination Committee and Remuneration Committee have members who would not be considered independent under NYSE rules, and therefore our Nomination Committee and Remuneration Committee would not be in compliance with the NYSE Corporate Governance Standards for domestic issuers in respect of independence of these committees. However, both our Nomination Committee and Remuneration Committee are composed exclusively of non-executive directors who are independent of management and whom we consider to be free of any business or other relationship which could materially interfere with the exercise of their independent judgment. See “Item 6. Directors, Senior Management and Employees—C. Board Practices—General—Information about Our Committees.”

Under Belgian corporate law, other than certain limited information that we must make public, our shareholders may not ask for an inspection of our corporate records, while under Delaware corporate law any shareholder, irrespective of the size of his or her shareholdings, may do so. Shareholders of a Belgian corporation are also unable to initiate a derivative action, a remedy typically available to shareholders of U.S. companies, in order to enforce a right of Anheuser-Busch InBev, in case we fail to enforce such right ourselves, other than in certain cases of director liability under limited circumstances. In addition, a majority of our shareholders may release a director from any claim of liability we may have, including if he or she has acted in bad faith or has breached his or her duty of loyalty, provided, in some cases, that the relevant acts were specifically mentioned in the convening notice to the shareholders’ meeting deliberating on the discharge. In contrast, most U.S. federal and state laws prohibit a company or its shareholders from releasing a director from liability altogether if he or she has acted in bad faith or has breached his or her duty of loyalty to the company. Finally, Belgian corporate law does not provide any form of appraisal rights in the case of a business combination.

For additional information on these and other aspects of Belgian corporate law and our articles of association, see “Item 10. Additional Information—B. Memorandum and Articles of Association and Other Share Information.” As a result of these differences between Belgian corporate law and our articles of association, on the one hand, and U.S. federal and state laws, on the other hand, in certain instances, you could receive less protection as a shareholder of our company than you would as a shareholder of a U.S. company.

***As a “foreign private issuer” in the United States, we are exempt from a number of rules under the U.S. securities laws and are permitted to file less information with the SEC.***

As a “foreign private issuer,” we are exempt from certain rules under the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), that impose certain disclosure obligations and procedural requirements for

proxy solicitations under Section 14 of the Exchange Act. In addition, our officers, directors and principal shareholders are exempt from the reporting and “short-swing” profit recovery provisions under Section 16 of the Exchange Act. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. Accordingly, there may be less publicly available information concerning us than there is for U.S. public companies.

***It may be difficult for investors outside Belgium to serve process on or enforce foreign judgments against us.***

We are a Belgian public limited liability company. Certain of the members of our Board of Directors and Executive Board of Management and certain of the persons named herein are non-residents of the United States. All or a substantial portion of the assets of such non-resident persons and certain of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons or on us or to enforce against them or us a judgment obtained in U.S. courts. Original actions or actions for the enforcement of judgments of U.S. courts relating to the civil liability provisions of the federal or state securities laws of the United States are not directly enforceable in Belgium. The United States and Belgium do not currently have a multilateral or bilateral treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, in civil and commercial matters. In order for a final judgment for the payment of money rendered by U.S. courts based on civil liability to produce any effect on Belgian soil, it is accordingly required that this judgment be recognized or be declared enforceable by a Belgian court pursuant to the relevant provisions of the 2004 Belgian Code of Private International Law. Recognition or enforcement does not imply a review of the merits of the case and is irrespective of any reciprocity requirement. A U.S. judgment will, however, not be recognized or declared enforceable in Belgium if it infringes upon one or more of the grounds for refusal which are exhaustively listed in Article 25 of the Belgian Code of Private International Law. In addition to recognition or enforcement, a judgment by a federal or state court in the United States against us may also serve as evidence in a similar action in a Belgian court if it meets the conditions required for the authenticity of judgments according to the law of the state where it was rendered.

***Shareholders in jurisdictions with currencies other than the euro face additional investment risk from currency exchange rate fluctuations in connection with their holding of our shares.***

Any future payments of dividends on shares will be denominated in euro. The U.S. dollar — or other currency — equivalent of any dividends paid on our shares or received in connection with any sale of our shares could be adversely affected by the depreciation of the euro against these other currencies.

## ITEM 4. INFORMATION ON THE COMPANY

### A. HISTORY AND DEVELOPMENT OF THE COMPANY

We are the world's largest brewing company by volume, and one of the world's five largest consumer products companies. As a consumer-centric, sales-driven company, we produce, market, distribute and sell a strong, balanced portfolio of well over 200 beer brands. These include global flagship brands Budweiser, Stella Artois and Beck's; multi-country brands such as Leffe and Hoegaarden; and many "local champions" such as Bud Light, Michelob, Skol, Brahma, Antarctica, Quilmes, Jupiler, Hasseroder, Klinskoye, Sibirskaya Korona, Chernigivske, Harbin and Sedrin. We also produce and distribute soft drinks, particularly in Latin America.

Our brewing heritage and quality are rooted in brewing traditions that originate from the Den Hoorn brewery in Leuven, Belgium, dating back to 1366, and those of Anheuser & Co. brewery, established in 1852 in St. Louis, U.S.A. As of 31 December 2011, we employed approximately 116,000 people, with operations in 23 countries across the world. Given the breadth of our operations, we are organized along seven business zones or segments: North America, Latin America North, Latin America South, Western Europe, Central & Eastern Europe, Asia Pacific and Global Export & Holding Companies. The first six correspond to specific geographic regions in which our operations are based. As a result, we have a global footprint with a balanced exposure to developed and developing markets and production facilities spread across our six geographic regions.

Following completion of the combination with Anheuser-Busch in 2008, we now have significant brewing operations within the developed markets of North America. The North America business zone accounted for 31.3% of our consolidated volumes for the year ended 31 December 2011. We also have significant exposure to fast-growing emerging markets in Latin America North (which accounted for 30.1% of our consolidated volumes in the year ended 31 December 2011), Asia Pacific (which accounted for 14.0% of our consolidated volumes in the year ended 31 December 2011) and Latin America South (which accounted for 8.7% of our consolidated volumes in the year ended 31 December 2011).

Our 2011 volumes (beer and non-beer) were 399 million hectoliters and our revenue amounted to USD 39.0 billion.

#### Registration and Main Corporate Details

Anheuser-Busch InBev SA/NV was incorporated on 2 August 1977 for an unlimited duration under the laws of Belgium under the original name BEMES. It has the legal form of a public limited liability company (*naamloze vennootschap/société anonyme*). Its registered office is located at Grand-Place/Grote Markt 1, 1000 Brussels, Belgium, and it is registered with the Register of Legal Entities of Brussels under the number 0417.497.106. Our global headquarters are located at Brouwerijplein 1, 3000 Leuven, Belgium (tel.: +32 16 27 61 11). Our agent in the United States is Anheuser-Busch InBev Services LLC, 250 Park Avenue, 2nd Floor, New York, NY 10177.

We are a publicly traded company, listed on Euronext Brussels under the symbol ABI. ADSs representing rights to receive our ordinary shares trade on the NYSE under the symbol BUD.

#### History and Development of the Company

Our roots can be traced back to Den Hoorn in Leuven, which began making beer in 1366. In 1717 Sébastien Artois, master brewer of Den Hoorn, took over the brewery and renamed it Sébastien Artois.

In 1987, the two largest breweries in Belgium merged: Brouwerijen Artois NV, located in Leuven, and Brasserie Piedboeuf SA, founded in 1853 and located in Jupille, resulting in the formation of Interbrew SA ("**Interbrew**"). Following this merger, Interbrew acquired a number of local breweries in Belgium. By 1991, a second phase of targeted external growth began outside Belgium's borders. The first transaction in this phase took place in Hungary with the acquisition of Borsodi Sörgyar in 1991, followed in 1995 by the acquisition of John Labatt Ltd. in Canada and then in 1999 by a joint venture with SUN Brewing in Russia.

Interbrew operated as a family-owned business until December 2000, the time of its initial public offering on Euronext Brussels.

The last decade has been marked by increasing geographical diversification, seeing Interbrew move into new areas or strengthen its operations in countries or regions in which it had previously acquired a foothold. In 2000, Interbrew acquired Bass Brewers and Whitbread Beer Company in the United Kingdom, and in 2001 it established itself in Germany with the acquisition of Brauerei Diebels GmbH & Co KG. This was followed by the acquisition in 2002 of Brauerei Beck GmbH & Co KG, and of the Gilde Group. In 2002, Interbrew strengthened its position in China by acquiring stakes in the K.K. Brewery and the Zhujiang Brewery. In 2004, Interbrew acquired Spaten-Franziskaner Bräu KGaA.

2004 marked a significant event in our history: the combination of Interbrew and Ambev, a Brazilian company listed (and currently still listed) on the New York Stock Exchange and on the São Paulo Stock Exchange, resulting in the creation of InBev. At the time of the combination, Ambev was the world's fifth largest brewer, with a significant presence in the Brazilian market, as well as strong positions throughout Latin America. As of 31 December 2011, we had a 74.05% voting interest in Ambev, and a 61.9% economic interest.

In 2003, we also acquired, through Ambev, our initial 50.64% interest in Quilmes Industrial S.A. ("**Quinsa**") as part of the Interbrew-Ambev combination, thereby strengthening our foothold in Argentina, Bolivia, Chile, Paraguay and Uruguay. Following a series of transactions as a result of which Ambev's equity interest in Quinsa increased to approximately 91%, on 28 December 2007 Ambev launched a voluntary offer to purchase the outstanding shares of Quinsa that were not owned by Ambev or its subsidiaries, and continued to increase its voting and economic interest in Quinsa through subsequent purchases by Ambev subsidiaries from Quinsa's minority shareholders. During 2010, as part of an offshore restructuring, Quinsa was liquidated and Labatt Holding A/S became the direct owner of shares representing 99.99% of the corporate capital and votes in Quilmes International (Bermuda) Ltd. On 20 October 2011, Labatt Holding A/S exercised its right under Bermuda law to acquire the totality of shares held by the remaining minority shareholders of Quilmes. This resulted in Ambev, through Labatt Holding A/S, increasing its equity interest in Quilmes to 100% of issued shares as of 20 October 2011. These restructurings had no impact on our Zone structure.

The Ambev and Quinsa transactions allowed InBev to position itself in the Latin American beer market and also to gain a presence in the soft drinks market (as Ambev is one of PepsiCo's largest independent bottlers in the world).

In 2004, InBev acquired the China brewery activities of the Lion Group.

In August 2004, InBev and Sun Trade (International) Ltd. ("**Sun Trade**"), the controlling shareholders of Sun Interbrew Ltd. reached an agreement whereby InBev acquired Sun Trade's voting and economic interests in Sun Interbrew Plc (then known as "**Sun Interbrew Ltd.**"). Furthermore, in January 2005, InBev reached an agreement with Alfa-Eco, whereby InBev acquired all of Alfa-Eco's holding of voting and non-voting shares in Sun Interbrew Ltd. On completion of the above transaction, and taking into consideration market purchases performed in 2005, InBev owned a 99.8% economic interest in Sun Interbrew Ltd.

In 2006, InBev acquired Fujian Sedrin Brewery Co. Ltd., the largest brewer in the Fujian province of China, making InBev a major brewer in China, the world's largest beer market by volume. The acquisition of the Sedrin brand also allowed InBev to strengthen its Chinese products portfolio.

In 2007, Labatt Brewing Company Limited ("**Labatt**") acquired Lakeport Brewing Income Fund in Canada, securing a strong presence in the growing value category in Ontario. 2007 also marked the acquisition of Cervejarias Cintra Indústria e Comércio Ltda ("**Cintra**") by Ambev, thereby enabling Ambev to expand production capacity to meet the continuing increase in demand in the beer and soft drink markets in Brazil. The initial transaction did not include the brands and distribution assets of Cintra. In January 2008, Ambev reached an agreement for the purchase of the Cintra brands, and these brands were subsequently sold to the Brazilian brewer Schincariol in May 2008.



In May 2007, InBev announced a long-term joint venture agreement with the RKJ group, a leading beverage group operating in India. As of 1 April 2009, the joint venture vehicle began selling, marketing and distributing Budweiser in India. We expect that the venture will build a meaningful presence in India over time.

In March 2008, InBev reached an agreement with its Chinese partner in the InBev Shiliang (Zhejiang) Brewery to increase InBev's stake in this business to 100%. The deal was approved by the relevant authorities in June 2008. This step enabled InBev to strengthen its position in the Zhejiang province in China.

On 13 July 2008, InBev and Anheuser-Busch announced their agreement to combine the two companies by way of an offer by InBev of USD 70 per share in cash for all outstanding shares of Anheuser-Busch. The total amount of funds necessary to consummate the Anheuser-Busch acquisition was approximately USD 54.8 billion, including the payment of USD 52.5 billion to shareholders of Anheuser-Busch, refinancing certain Anheuser-Busch indebtedness, payment of all transaction charges, fees and expenses and the amount of fees and expenses and accrued but unpaid interest to be paid on Anheuser-Busch's outstanding indebtedness. InBev shareholders approved the Anheuser-Busch acquisition at InBev's extraordinary shareholders meeting on 29 September 2008 and, on 12 November 2008, a majority of Anheuser-Busch shares voted to approve the transaction at a special shareholders meeting of Anheuser-Busch. The Anheuser-Busch acquisition was completed, and the certificate of merger filed, on 18 November 2008. For further details of the Anheuser-Busch acquisition, see "Item 10. Additional Information—C. Material Contracts."

In November 2008, InBev agreed to divest the assets of InBev USA LLC as a condition for clearance from the U.S. Department of Justice for our acquisition of Anheuser-Busch. On 13 March 2009, we announced that we had completed the sale of the assets of InBev USA LLC (d/b/a Labatt USA) to an affiliate of KPS Capital Partners, LP. Under the terms of the agreement announced on 23 February 2009, KPS Capital Partners, LP acquired the assets of Labatt USA and an exclusive license, granted by Labatt, (i) to brew Labatt branded beer in the United States or Canada solely for sale for consumption in the United States; (ii) to distribute, market and sell Labatt branded beer for consumption in the United States; and (iii) to use the relevant trademarks and intellectual property to do so. On 11 August 2009, the U.S. District Court for the District of Columbia gave final approval to the settlement proposed by the U.S. Department of Justice in connection with our acquisition.

Beginning in 2003, Anheuser-Busch participated in a strategic alliance with Tsingtao, one of the largest brewers in China and producer of the Tsingtao brand. Through the Anheuser-Busch acquisition, we acquired Anheuser-Busch's 27% economic ownership interest and a 20% voting interest in Tsingtao. On 30 April 2009, we completed the sale of a 19.9% minority stake in Tsingtao to Asahi Breweries, Ltd. As a result of the transaction, Asahi Breweries, Ltd became Tsingtao's second largest shareholder. Tsingtao Brewery Group remained the largest shareholder in Tsingtao. On 8 May 2009, we announced that we had entered into an agreement with a private investor, Mr. Chen Fashu, to sell our remaining 7% stake in Tsingtao. On 5 June 2009, we announced that the transaction had closed.

On 24 July 2009, we completed the sale of our South Korean subsidiary, Oriental Brewery, to an affiliate of Kohlberg Kravis Roberts & Co. L.P. for USD 1.8 billion, which resulted in USD 1.5 billion of cash proceeds and receipt of a USD 0.3 billion note receivable at closing. On 12 March 2010, the note receivable was sold for USD 0.3 billion in cash. Under the terms of the agreement, we will continue our relationship with Oriental Brewery through granting Oriental Brewery exclusive licenses to distribute certain brands in South Korea including Budweiser, Bud Ice and Hoegaarden, and by having an ongoing interest in Oriental Brewery through an agreed earn-out. In addition, we have the right, but not the obligation, to reacquire Oriental Brewery five years after the closing of the transaction based on predetermined financial terms.

On 29 September 2009, we completed the sale of our Tennent's Lager brand and associated trading assets in Scotland, Northern Ireland and the Republic of Ireland (part of InBev UK Limited) to C&C Group plc for a total enterprise value of GBP 180 million. Included in the sale were the Glasgow Wellpark Brewery in Scotland, where Tennent's Lager is brewed, rights to the Tennent's Lager brand itself, Tennent's Ales and assets located in Scotland, Northern Ireland and the Republic of Ireland. As part of the agreement, we appointed C&C Group as distributor of certain of our brands in Scotland, Northern Ireland and the Republic of Ireland, and C&C Group granted us a license to use the Tennent's Super and Tennent's Pilsner brands in certain jurisdictions.

On 1 October 2009, we completed the sale of four metal beverage can and lid manufacturing plants from our U.S. metal packaging subsidiary, Metal Container Corporation, to Ball Corporation for approximately USD 577 million. The divested plants were primarily responsible for the production of cans for soft drinks. In connection with this transaction, Ball Corporation entered into a long-term supply agreement to continue to supply us with metal beverage cans and lids from the divested plants and committed, as part of the acquisition agreement, to offer employment to each active employee of the plants.

On 1 December 2009, we completed the sale of our indirect wholly-owned subsidiary, Busch Entertainment Corporation, to an entity established by Blackstone Capital Partners V L.P. for up to USD 2.7 billion. The purchase price was comprised of a cash payment of USD 2.3 billion and a right to participate in Blackstone Capital Partners' return on its initial investment, which is capped at USD 400 million.

On 2 December 2009, we completed the sale of our Central European operations to CVC Capital Partners for an enterprise value of USD 2.2 billion, of which USD 1.6 billion was cash, USD 448 million was received as an unsecured deferred payment obligation with a six-year maturity and USD 165 million represents the estimated value to minorities. On 15 July 2011, the deferred payment obligation, including accrued interest, was sold for USD 0.5 billion in cash. We also received additional rights to a future payment up to USD 800 million contingent on CVC's return on its initial investments. As a result of the sale, we recorded a capital gain of approximately USD 1.1 billion. Under the terms of the agreement, our operations in Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Montenegro, Romania, Serbia and Slovakia were sold. The business we sold to CVC Capital Partners in 2009 has rights to brew and/or distribute Stella Artois, Beck's, Löwenbräu, Hoegaarden, Spaten and Leffe in the above countries under license from us. On 3 April 2012, CVC announced plans to sell the business to Molson Coors Brewing Company. None of the contingent future consideration from our sale to CVC to which we may be entitled has yet been paid. Any payments will depend on the return on CVC's investment following closing of the announced Molson Coors deal and thereafter.

By the end of 2009, we had completed our formal divestiture program resulting from the Anheuser-Busch acquisition, exceeding our target of USD 7 billion, with approximately USD 9.4 billion of asset disposals of which approximately USD 7.4 billion were realized cash proceeds. We may continue to dispose of additional assets or businesses within the normal course of business, and expect to utilize the proceeds, in part, from any such disposals to repay indebtedness incurred to finance the Anheuser-Busch acquisition.

On 20 October 2010, Ambev and Cerveceria Regional S.A. closed a transaction pursuant to which they combined their businesses in Venezuela, with Regional owning an 85% interest and Ambev owning the remaining 15% in the new company, which may be increased to 20% over the next four years. This transaction was not material to us. Additionally, in 2010, we did not make any acquisitions or disposals that were material to us.

On 28 February 2011, we closed a transaction with Dalian Daxue Group Co., Ltd and Kirin (China) Investment Co., Ltd to acquire a 100% equity interest in Liaoning Dalian Daxue Brewery Co., Ltd., which is among the top three breweries in Liaoning province. Daxue brews, markets and distributes major beer brands including "Daxue", "Xiao Bang" and "Da Bang" which are popular beer brands in the south of Liaoning province, with a total sales volume of over 2 million hectoliters in 2010. This transaction is not material to us.

On 1 May 2011, we acquired Fulton Street Brewery LLC, also known as Goose Island, a Midwest craft brewer in the United States. Goose Island brews ales, such as 312 Urban Wheat Ale, Honkers Ale, India Pale Ale, Matilda, Pere Jacques, Sofie and a wide variety of seasonal draft only and barrel-aged releases, including Bourbon County Stout, the original bourbon barrel-aged beer. This transaction is not material to us.

On 31 May 2011, we closed a transaction with Henan Weixue Beer Group Co. Ltd to acquire its brands (Weixue and JiGongshan), assets and business, including its Xinyang brewery, Zhengzhou brewery and Gushi Brewery. This transaction is not material to us.

On 30 December 2011, we acquired Premium Beers of Oklahoma in Oklahoma City, United States, a major wholesaler in that territory.

For further details of our principal capital expenditures and divestitures, see “Item 5. Operating and Financial Review—G. Liquidity and Capital Resources—Investments and Disposals.”

## B. BUSINESS OVERVIEW

### 1. STRENGTHS AND STRATEGY

#### Strengths

We believe that the following key strengths will drive the realization of our strategic goals and reinforce our competitive position in the marketplace:

#### *Global platform with strong market positions in key markets*

We are the world’s largest brewing company and believe we hold leading positions in the majority of our key markets. We have strong market positions based on strong brands and benefit from scale. We believe this positions us well to deploy significant resources in sales and marketing to build and maintain our brands, achieve attractive sourcing terms, generate cost savings through centralization and operate under a lean cost structure. Our global reach provides us with a strong platform to grow our global and multi-country brands, while developing local brands tailored to regional tastes. We benefit from a global distribution network which, depending on the location, is either owned by us or is based on strong partnerships with wholesalers and local distributors.

We believe that in 2011 the approximate industry volumes and our approximate market shares by volume in the world’s six largest beer markets by volume are as follows:

	Total industry volume (million hectoliters) <sup>(1)</sup>	Our market share (%)
China	432	12.3
United States	237	47.7
Brazil	123	69.0
Russia	91	16.8
Germany	59	9.4
United Kingdom	43	20.7

Note:

- (1) Total industry volume figures are based on total beer industry sales or consumption volumes in the relevant market, except for the China volume figures, which are based on total industry production volumes, and both Russia and Brazil volume figures, which are based on retail audits. Sources: China—Seema International Limited; United States—Beer Institute and Symphony IRI; Brazil—AC Nielsen Audit Retail; Russia—AC Nielsen; Germany—AC Nielsen (off-trade beer volume); United Kingdom—British Beer and Pub Association.

Since the completion of the Anheuser-Busch acquisition and the combination of InBev and Anheuser-Busch, we have been the global leader in the brewing industry by volume and, measured by EBITDA, as defined, for 2011, we are ranked among the top five consumer products companies worldwide. The Anheuser-Busch acquisition significantly enhanced our position in the United States, one of the most stable and profitable beer markets in the world, and in China, the world’s largest beer market by volume. Management believes that it can realize significant upside potential by continuing to roll out Anheuser-Busch InBev’s brands using our global distribution platform.

### ***Geographical diversification***

Our geographically diversified platform balances the growth opportunities of emerging markets with the stability and strength of mature markets. With significant operations in both the Southern and Northern Hemispheres, we benefit from a natural hedge against market, economic and seasonal volatility. Mature markets represented approximately 49.6% of our 2011 operating profit and emerging markets represented 50.4% of our 2011 operating profit.

### ***Strong brand portfolio with global, multi-country and local brands***

Our strong brand portfolio addresses a broad range of demand for different types of beer and offers a range of international and local brands in our Zones in three brand categories:

- *Global brands:* Capitalizing on common values and experiences which appeal to consumers across borders, our global flagship brands of Budweiser, Stella Artois and Beck's have the strength to be marketed worldwide;
- *Multi-country brands:* With a strong consumer base in their home market, our multi-country brands of Leffe and Hoegaarden bring international flavor to selected markets, connecting with consumers across continents; and
- *Local brands:* Offering locally popular tastes, local brands such as Bud Light, Michelob, Skol, Brahma, Antarctica, Quilmes, Jupiler, Hasseroder, Klinskoye, Sibirskaia Korona, Chernigivske, Harbin and Sedrin connect particularly well with consumers in their home markets.

Our strategy is to focus our attention on the core to premium brands. As a result, we undertake clear brand choices and seek to invest in those brands that build deep connections with consumers and meet their needs. We seek to replicate our successful brand initiatives and best practices across geographic markets.

### ***Strong innovation and brand development capabilities***

As a consumer-centric, sales-driven company, we continue to strive to understand the values, lifestyles and preferences of both today's and tomorrow's consumers, building fresh appeal and competitive advantage through innovative products and services tailored to meet those needs. We believe that consumer demand can be best anticipated by a close relationship between our innovation and insight teams in which current and expected market trends trigger and drive research processes. Successful examples of recently developed products include Stella Artois Cidre (United Kingdom), alcohol-free Quilmes Lieber (Argentina), Harbin Ice GD (China), Beck's Lime (Germany), Shock Top Raspberry Wheat (United States), Leffe Ruby, Leffe Printemps and Hoegaarden 0.0 (Belgium), Chernigivske Chezz (Ukraine), and Franziskaner Royal and Lowenbrau Dunkel (Germany).

We believe that our excellence programs, including our "World Class Commercial Program," are one of our competitive advantages. As part of our consumer-centric, sales-driven approach, we have established an integrated marketing and sales execution program, the "World Class Commercial Program," which is designed to continuously improve the quality of our sales and marketing capabilities and processes by ensuring they are understood and consistently followed.

### ***Strict financial discipline***

World-class efficiency has been, and remains, a long-term objective across all lines of business and markets as well as under all economic circumstances. Avoiding unnecessary costs is a core competency within our culture. We distinguish between "non-working" and "working" expenses, the latter having a direct impact on sales volumes or revenues. We currently have a greater focus on reducing non-working expenses, given that they are incurred independently from sales volumes or revenues and without immediate benefit to customers or consumers. By maintaining strict financial discipline and turning non-working expenses into working expenses, our "Cost—Connect—Win" model aims to fund sustainable sales and marketing efforts throughout an economic cycle in order to connect with our customers and win by achieving long-term, profitable growth. We have a number of group-wide cost efficiency programs in place, including:

- *Zero-Based Budgeting or ZBB:* Under ZBB, budget decisions are unrelated to the previous year's levels of expenditure and require justification starting from a zero base each year. Employee compensation is closely tied to delivering on zero-based budgets. ZBB has been successfully introduced into all of our major markets, as well as our global headquarters.

- *Voyager Plant Optimization or VPO*: VPO aims to bring greater efficiency and standardization to our brewing operations and to generate cost savings, while at the same time improving quality, safety and the environment. VPO also entails assessment of our procurement processes to maximize purchasing power and to help us achieve the best results when purchasing a range of goods and services. Behavioral change towards greater cost awareness is at the core of this program, and comprehensive training modules have been established to assist our employees with the implementation of VPO in their daily routines.

In addition, we have set up business service centers across our business zones which focus on transactional and support activities within our group. The centers help standardize working practices and identify and disseminate best practices.

We estimate the Anheuser-Busch acquisition generated at least USD 2.25 billion of cost savings from the time of acquisition to the end of 2011. USD 250 million of cost saving synergies were delivered in 2008, USD 1.11 billion in 2009, USD 620 million in 2010, and the balance in 2011.

The cost savings fall into four categories:

- implementation of ZBB and Blue Ocean cost saving programs (as defined below);
- benefits of scale resulting in lower procurement costs;
- manufacturing best practices resulting in more efficient use of existing capacity; and
- other, including the benefit of synergies in China and the United Kingdom.

The estimated cost savings are calculated by comparing the Anheuser-Busch U.S. cost base before the Anheuser-Busch acquisition, corrected for inflation, to the costs of our U.S. operations for the years 2009-2011 since the Anheuser-Busch acquisition. We perform this comparison by benchmarking activities at a low level of granularity, down to the level of individual cost centers for the current budget year. The synergies figures represent amounts estimated to be achieved by the combined businesses in the relevant period. For 2009-2011, we estimated the value of the synergies obtained by comparing the cost base of Anheuser-Busch for the full year 2009 to the full year 2008, the full year 2010 to the full year 2009 and the full year 2011 to the full year 2010, respectively. For 2008, we compared the cost base for the fourth quarter of 2008 to the fourth quarter of 2007. The 2009-2011 savings mainly resulted from the implementation of ZBB, with some savings from procurement, manufacturing best practices and other activities in the United Kingdom and China. The 2008 savings mainly resulted from savings triggered by the Blue Ocean program implemented by Anheuser-Busch in anticipation of the acquisition and by some ZBB savings.

In addition to the aforementioned cost synergies, management believes that the Anheuser-Busch acquisition has added and will continue to add substantial value through the exchange of best practices in areas such as sales, distribution, marketing and corporate social responsibility. We believe that the disciplined programs of sales and marketing execution of our group companies can be combined to achieve a best-in-class commercial program. Anheuser-Busch's Blue Ocean program is a cost reduction initiative commenced by Anheuser-Busch prior to the completion of the acquisition, which is aimed at cost savings and process improvements across all areas of that company, including through process benchmarking in Anheuser-Busch's breweries, energy and environmental initiatives to reduce its reliance on natural gas and fuel oil, supply chain savings, improved materials usage, business

process redesign using technology to further centralize Anheuser-Busch's brewing control rooms and automation of its warehouse functions, the implementation of a new early retirement program for salaried Anheuser-Busch employees, reorganizations aimed at enhancing efficiency and effectiveness, reducing overhead growth and achieving widespread reductions in non-salary spending.

***Experienced management team with a strong track record of delivering synergies through business combinations***

During the last two decades, our management (or the management of our predecessor companies) has executed a number of merger and acquisition transactions of varying sizes, with acquired businesses being successfully integrated into our operations, realizing significant synergies. Notable examples include:

- the creation of Ambev in 2000 through the combination of Brahma and Antarctica. Between 2000 and 2004, operating income after financial income and financial expense increased from 331.7 million reais to 2,163.3 million reais;
- the acquisition of Beck's in 2002, which today is the number one German beer in the world, with distribution in over 80 countries;
- the combination of Ambev and Quilmes in 2003, where Quilmes' operating profit increased substantially from 2003 to 2008;
- Ambev gaining control of Labatt in 2004, where profitability increased by approximately 10% within the first three years;
- the creation of InBev in 2004, through the combination of Ambev and Interbrew, where operating profit margin has increased from 11.9% on a standalone basis in 2003 to 22.7% in 2008; and
- our successful merger and integration of the Anheuser-Busch and InBev businesses to date.

Our strong track record also extends to successfully integrating portfolios of brands such as Spaten-Löwenbräu in 2003 and leveraging cross-selling potential and distribution networks such as the distribution of Stella Artois through Ambev's channels in Latin America.

**Strategy**

***Our strategy is based on our dream to be “the Best Beer Company in a Better World”***

The guiding principle for our strategy is a dream to be “the Best Beer Company in a Better World” by uniting strong brand development, sales execution and best-in-class efficiency with the role of a responsible global corporate citizen. The “Best Beer Company” element relates primarily to our aim of maintaining highly profitable operations in all markets with leading brands and market positions where we operate. The term “Better World” articulates our belief that all stakeholders will benefit from good corporate citizenship, finding its expression in our work to promote responsible enjoyment of our products, protecting the environment and giving back to the communities in which we operate. We discourage consumers from excessive or underage drinking through marketing campaigns aimed at moderate and legal consumption, as outlined in our Commercial Communications Code.

***Four pillars are fundamental to our future strategic positioning***

First, we aim to win consumers and secure loyalty through our strong brand portfolio.

- In a rapidly changing marketplace, we seek to continue to focus on understanding customer needs. We aim to achieve high levels of customer orientation in our brand portfolio by positioning it to deliver on consumer demands.

- Our goal is to deliver volume growth in excess of market growth through brand strength, continued premiumization of our brand portfolio, and sales and marketing investment. We aim to grow revenue ahead of volume growth.
- We intend to further strengthen brand innovation in order to stay ahead of market trends and maintain consumer appeal.

Second, we intend to win points of connection with consumers through world-class consumer programs.

- In partnership with distributors, off-trade retailers and on-trade points of sale, we seek to further improve the combination of brand appeal and purchasing experience for the consumer, driven by sustainable marketing investments.
- We intend to further enhance our focus on sales management and marketing by responsibly connecting with new classes of consumers of legal drinking age.
- We have established a number of consumer-dedicated activities, such as specific outdoor events, which are designed to provide consumers with a brand experience that exceeds the pure enjoyment of beer.
- We leverage social media platforms to reach out to existing and potential consumers. Social media is becoming increasingly important to the development of our brands.

Third, we strive to continuously improve efficiency and to continue our strong track record in margin enhancements by unlocking the potential for variable and fixed cost savings.

- We aim to maintain long-term cost increases at below inflation, benefiting from the application of cost efficiency programs such as ZBB and VPO, as well as from our scale and from hedging commodity prices.
- Our management believes cost savings are not yet fully realized across all geographies, and remains committed to its target of long-term margin improvement.

Finally, we seek to continue to drive external growth opportunities through selected acquisitions.

- Our management has repeatedly demonstrated its ability to successfully integrate acquisitions and drive revenue growth ahead of our competitors. External growth will remain a cornerstone of our strategic focus.
- The combination of Anheuser-Busch and InBev has provided us with significant global scale.
  - We see significant opportunities to continue to internationalize Anheuser-Busch's key brands, build on greater scale in the North American market and benefit from significant cost synergies.
  - Our management anticipates that our combined company will continue to be highly cash-generative which, along with diligent use of capital and active working capital management, is expected to contribute to our objective of rapid de-leveraging.

***General factors facilitate the implementation of our corporate strategy***

We have identified certain key tools which we believe will enable us to implement our corporate strategy, including:

- a disciplined approach to innovation at all levels, aimed at revitalizing the beer category and increasing our market share;

- a strong company culture, investing in people and maintaining a strong target-related compensation structure; and
- best-in-class financial discipline spread throughout the whole organization.

## 2. PRINCIPAL ACTIVITIES AND PRODUCTS

We produce, market, distribute and sell a strong, balanced portfolio of well over 200 beer brands and have a global footprint with a balanced exposure to mature and emerging markets and production facilities spread across our six geographic regions.

We are a consumer-centric, sales-driven company. Consequently, our production facilities and other assets are predominantly located in the same geographical areas as our customers. We set up local production when we believe that there is substantial potential for local sales that cannot be addressed in a cost efficient manner through exports or third-party distribution into the relevant country. Local production also helps us to reduce, although it does not eliminate, our exposure to currency movements.

The table below sets out the main brands we sell in the markets listed below.

<u>Market</u>	<u>Global brands</u>	<u>Multi-country brands</u>	<u>Local brands</u>
<b>North America</b>			
Canada	Beck's, Budweiser, Stella Artois	Hoegaarden, Leffe	<b>Beer:</b> Alexander Keith's, Bass, Bud Light, Kokanee, Labatt, Lakeport, Lucky, Oland
Mexico (Grupo Modelo)	Budweiser		<b>Beer:</b> Corona, Bud Light
United States	Beck's, Budweiser, Stella Artois	Hoegaarden, Leffe	<b>Beer:</b> Bass, Brahma, Bud Light, Busch, Michelob, Natural Light
<b>Latin America</b>			
Argentina	Budweiser, Stella Artois	Hoegaarden, Leffe	<b>Beer:</b> Andes, Brahma, Norte, Patagonia, Quilmes <b>Soft drinks:</b> 7UP, Pepsi, H2OH!
Bolivia	Stella Artois	—	<b>Beer:</b> Ducal, Paceña, Taquiña <b>Soft drinks:</b> 7UP, Pepsi
Brazil	Budweiser, Stella Artois	Hoegaarden, Leffe	<b>Beer:</b> Antarctica, Bohemia, Brahma, Skol <b>Soft drinks:</b> Guaraná Antarctica, Pepsi
Chile	Budweiser, Stella Artois	—	<b>Beer:</b> Baltica, Becker, Brahma
Dominican Republic	Budweiser	—	<b>Beer:</b> Brahma <b>Soft drinks:</b> Pepsi, 7UP, Red Rock
Ecuador	Budweiser	—	<b>Beer:</b> Brahma
Guatemala	Budweiser	—	<b>Beer:</b> Brahva
Paraguay	Budweiser, Stella Artois	—	<b>Beer:</b> Baviera, Brahma, Ouro Fino, Pilsen
Peru	Stella Artois	—	<b>Beer:</b> Brahma, Zenda <b>Soft drinks:</b> Concordia, Pepsi, 7UP, Triple Kola
Uruguay	Budweiser, Stella Artois	—	<b>Beer:</b> Pilsen, Norteña, Patricia <b>Soft drinks:</b> 7UP, Pepsi, H2OH
<b>Western Europe</b>			
Belgium	Beck's, Budweiser, Stella Artois	Hoegaarden, Leffe	<b>Beer:</b> Belle-Vue, Jupiler, Vieux Temps
France	Beck's, Budweiser, Stella Artois	Hoegaarden, Leffe	<b>Beer:</b> Belle-Vue, Boomerang, Loburg
Germany	Beck's	—	<b>Beer:</b> Diebels, Franziskaner, Haake-Beck, Hasseröder, Löwenbräu, Spaten, Gilde



<u>Market</u>	<u>Global brands</u>	<u>Multi-country brands</u>	<u>Local brands</u>
Luxembourg	Beck's, Stella Artois	Hoegaarden, Leffe	<b>Beer:</b> Diekirch, Jupiler, Mousel
Netherlands	Beck's, Stella Artois	Hoegaarden, Leffe	<b>Beer:</b> Dommelsch, Jupiler, Hertog Jan
United Kingdom	Beck's, Budweiser, Stella Artois	Hoegaarden, Leffe	<b>Beer:</b> Bass, Boddingtons, Brahma, Whitbread, Mackeson
Italy	Beck's, Budweiser, Stella Artois	Hoegaarden, Leffe	<b>Beer:</b> Franziskaner, Löwenbräu, Spaten
<b>Central &amp; Eastern Europe</b>			
Russia	Beck's, Bud, Stella Artois	Hoegaarden, Leffe	<b>Beer:</b> Bagbier, Brahma, Klinskoye, Löwenbräu, Sibirskaya Korona, T, Tolstiak
Ukraine	Beck's, Stella Artois	Hoegaarden, Leffe	<b>Beer:</b> Chernigivske, Rogan, Yantar
<b>Asia Pacific</b>			
China	Beck's, Budweiser, Stella Artois	Hoegaarden, Leffe	<b>Beer:</b> Double Deer, Harbin, Jinling, Jinlongquan, KK, Sedrin, Shiliang

The table below sets out our sales broken down by business zone for the periods shown:

<u>Market</u>	<u>2011</u>		<u>2010</u>		<u>2009</u>	
	<u>Revenue<sup>(1)</sup></u> <u>(USD million)</u>	<u>Revenue</u> <u>(% of total)</u>	<u>Revenue<sup>(1)</sup></u> <u>(USD million)</u>	<u>Revenue</u> <u>(% of total)</u>	<u>Revenue<sup>(1)</sup></u> <u>(USD million)</u>	<u>Revenue</u> <u>(% of total)</u>
North America	15,304	39.2%	15,296	42.1%	15,486	42.1%
Latin America North	11,524	29.5%	10,018	27.6%	7,649	20.8%
Latin America South	2,704	6.9%	2,182	6.0%	1,899	5.2%
Western Europe	3,945	10.2%	3,937	10.8%	4,312	11.7%
Central & Eastern Europe	1,755	4.5%	1,619	4.5%	2,492 <sup>(2)</sup>	6.8%
Asia Pacific	2,317	5.9%	1,767	4.9%	1,985	5.4%
Global Export & Holding Companies	1,496	3.8%	1,479	4.1%	2,936	8.0%
<b>Total</b>	<b>39,046</b>	<b>100%</b>	<b>36,297</b>	<b>100%</b>	<b>36,758</b>	<b>100%</b>

Notes:

- (1) Gross revenue (turnover) less excise taxes and discounts. In many jurisdictions, excise taxes make up a large proportion of the cost of beer charged to our customers.
- (2) On 2 December 2009, we sold our operations in Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Montenegro, Romania, Serbia and Slovakia, which accounted for USD 921 million, or 37%, of our 2009 Central and Eastern Europe revenue. From 2 December 2009, our Central & Eastern Europe zone consists of our Russian and Ukrainian operations.

For a discussion of changes in revenue, see “Item 5. Operating and Financial Review—E. Results of Operations—Year Ended 31 December 2011 Compared to Year Ended 31 December 2010—Revenue” and “Item 5. Operating and Financial Review—E. Results of Operations—Year Ended 31 December 2010 Compared to Year Ended 31 December 2009—Revenue.”

The table below sets out the breakdown between our beer and non-beer volumes and revenue. Based on our actual historical financial information for these periods, our non-beer activities accounted for 11.5% of consolidated volumes in 2011, 11.5% of consolidated volumes in 2010 and 10.8% of consolidated volumes in 2009. In terms of revenue, our non-beer activities generated 11.0% of consolidated revenue in 2011, compared to 10.1% in 2010 and 12.3% in 2009 based on our actual historical financial information for these periods.

	Beer			Non-Beer <sup>(3)</sup>			Consolidated		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Volume <sup>(1)</sup> (million hectoliters)	353	353	365	46	46	44	399	399	409
Revenue <sup>(2)</sup> (USD million)	34,747	32,616	32,228	4,299	3,681	4,530	39,046	36,297	36,758

Notes:

- (1) Volumes include not only brands that we own or license, but also third-party brands that we brew or otherwise produce as a subcontractor and third-party products that we sell through our distribution network, particularly in Western Europe. Our pro-rata shares of volumes in Grupo Modelo and Tsingtao (the latter of which we disposed of in June 2009) are not included in this table.
- (2) Gross revenue (turnover) less excise taxes and discounts. In many jurisdictions, excise taxes make up a large proportion of the cost of beer charged to our customers.
- (3) The non-beer category includes soft drinks and certain other beverages, such as Stella Artois Cidre.

## Beer

We manage a portfolio of well over 200 brands of beer. In terms of distribution, our beer portfolio is divided into global, multi-country and local brands. Our brands are our foundation and the cornerstone of our relationships with consumers. We invest in our brands to create a long-term, sustainable and competitive advantage, by meeting the various needs and expectations of consumers around the world and by developing leading brand positions around the globe.

On the basis of quality and price, beer can be differentiated into the following categories:

- Premium brands;
- Core brands; and
- Value, discount or sub-premium brands.

Our brands are situated across all these categories. For instance, a global brand like Stella Artois generally targets the premium category across the globe, while a local brand like Lakeport targets the value category in Canada. We have a particular focus on core to premium categories, but will be present in the value segment if the market structure in a particular country necessitates.

We make clear category choices and, within those categories, clear brand choices. Examples of these choices include the focus on the core Quilmes brand in Argentina, on the core category in Brazil, on the light and premium categories in Canada, on core and premium brands in Russia and on the international premium, domestic premium and core categories in China. The majority of our resources are directed to our “focus brands,” those brands that we believe have the greatest growth potential in their relevant consumer categories. In 2011, our focus brands accounted for almost 70% of our volume.

From the early 2000s through 2007, we observed a trend where the premium category drove growth in the beer industry. Based on this trend, we established a strategy to select focus brands in certain markets (such as our North America, Western Europe and Central & Eastern Europe business zones) within the core and premium categories. Consumer preferences can change over time, especially in the face of challenging economic circumstances, such as those faced in many markets between 2008 and 2011. However, we believe we are well placed to deal with short-term trend changes from a portfolio perspective, particularly in key countries like the United States, while continuing our long-standing strategy of accelerating growth in the core and premium beer

categories. Our own United States business saw positive mix change in 2011. We aim to continue our strategy of focusing on selected brands, which seeks to address consumers' desire to trade up from value to core and from core to premium. Another trend is the growing need for consumer choice. Again, with our strong brand portfolio and best practice sharing, we believe we are well-placed to take advantage of this opportunity.

Our portfolio includes three global beers with worldwide distribution:

- Budweiser, which we consider to be the United States' first truly national beer brand, had an 8% share of the U.S. market (based on Beer Marketer's Insights estimates). Budweiser is our number one global flagship brand with global volumes returning to growth in 2010 after many years of decline. This trend continued in 2011, due in part to the August 2011 launch of Budweiser in Brazil. Global Budweiser volumes grew 3.1% in 2011, and the brand accounted for 9.4% of our total company volumes. Budweiser has confirmed its sponsorship of the 2014, 2018 and 2022 FIFA World Cups™. Budweiser will also sponsor the FA Cup in the United Kingdom for the next three years.
- Stella Artois, the number one Belgian beer in the world according to Plato Logic Limited. Stella currently is distributed in over 70 countries worldwide and has strong global potential. The brand can rely on a heritage dating back to our foundations in 1366. Stella Artois is a premium lager. In April 2011, building upon the strength of the brand in the United Kingdom, we launched Stella Artois Cidre, achieving a 16% share of the premium cider market by the end of 2011. In 2011, Stella Artois (including non-beer Cidre volumes) accounted for 2.4% of our total company volumes.
- Beck's, the number one German export beer in the world according to Plato Logic Limited, which is distributed in over 80 countries. Beck's has been brewed using only four key natural ingredients for over 125 years and according to the traditional German *Reinheitsgebot* (purity law). In 2011, Beck's and its line extensions accounted for 1.7% of our total company volumes.

In addition, we have a multi-country portfolio of brands, which increasingly transcend the distinction between global and local. The key multi-country brands include:

- Leffe, a rich, full bodied beer that hails from Belgium, available in over 60 countries worldwide, with sales volumes that have more than doubled over the last decade; and
- Hoegaarden, a high-end Belgian wheat (or "white") beer. Based on a brewing tradition which dates back to 1445, Hoegaarden is top fermented, then refermented in the bottle or keg, leading to its distinctive cloudy white appearance.

More locally, we manage numerous well-known "local champions," which form the foundation of our business. The portfolio of local brands includes:

#### ***North America***

- Bud Light, originating from the United States and the official sponsor of the NFL (National Football League), having signed a six year sponsorship agreement in 2011. In the United States, its share of the core category is approximately 40%, more than the combined share of the next two largest core brands (excluding Budweiser).
- Bud Light Lime, a high-end brand extension of Bud Light introduced in 2008. Based on Bud Light Lime shipments, it became one of the top 25 U.S. beer brands by volume in its first year. In 2011, it was the number 21 U.S. beer brand according to Beer Marketer's Insights.
- In November 2011, we announced the introduction of Bud Light Platinum, a 6% ABV, blue cobalt bottle line extension aimed at the party time/night-life occasion, which we began to roll out in January 2012.

- Michelob ULTRA, which was rolled out nationally in 2002, estimated to be the number 12 brand in the United States according to Beer Marketer's Insights.
- Natural Light, the largest sub-premium (value) brand in the United States, with a 16% share of the sub-premium category in 2011 based on Natural Light shipments compared to Beer Marketer's Insights sub-premium volume estimates. On the same basis, Busch Light and Busch are the #2 and #3 sub-premium brands, respectively, and all our sub-premium brands combined have a 54% market share in this category in the United States.
- Import and domestic craft beers, led by Stella Artois, Hoegaarden, Leffe, Beck's, Land Shark and Shock Top. Stella Artois grew 24% in the United States in 2011, while Shock Top grew by over 96% in 2011.

### ***Latin America***

- Skol, the leading beer brand in the Brazilian market according to Plato Logic Limited. We have invested in pioneering and innovation of the Skol brand, creating new market trends and involvement in entertainment initiatives, such as music festivals.
- Brahma, the second most consumed beer in Brazil according to Plato Logic Limited. It was one of the Brazilian official sponsors of the 2010 FIFA World Cup™.
- Antarctica, the third most consumed beer in Brazil according to Plato Logic Limited.
- Bohemia, the leading brand in the premium category in Brazil according to Plato Logic Limited.
- Quilmes, the leading beer in Argentina in 2011 according to Nielsen, representing 46.9% of the beer market, and a national symbol with its striped light blue and white label linked to the colors of the Argentine national flag and football team.

### ***Western Europe***

- Jupiler, the market leader in terms of sales volumes in Belgium and the official sponsor of the highest Belgian football division, the Jupiler League. It is also the sponsor of the Belgian national football team.
- Hasseröder, a leading brand in eastern Germany, gained country-wide exposure following national marketing campaigns and by leveraging of global assets such as the 2010 FIFA World Cup™ sponsorship.
- In the first-half of 2011, we introduced two non-alcoholic line extensions in Belgium: Jupiler Force and Hoegaarden 0.0.

### ***Central & Eastern Europe***

- Sibirskaya Korona, developed from a local brand in Western Siberia into a full-fledged national premium brand sold throughout Russia.
- Klinskoye, having its home market in Moscow.
- Chernigivske, Ukraine's best selling brand.

### *Asia Pacific*

- Harbin, a well known national brand with its roots in the northeast of China
- Sedrin, a strong regional brand from the southeast of China.

The branding and marketing of our global brands, Budweiser, Stella Artois and Beck's, is managed centrally within our group. Multi-country brands are managed with more flexibility at the local level for branding and marketing, while the marketing and branding of our local brands is generally managed at a local level. See “—B. Business Overview—9. Branding and Marketing” for more information on brand positioning, branding and marketing.

In certain markets, we also distribute products of other brewers.

### **Non-Beer**

#### *Soft Drinks*

While our core business is beer, we also have a presence in the soft drink market in Latin America through our subsidiary Ambev and in the United States through Anheuser-Busch. Soft drinks include both carbonated soft and non-carbonated soft drinks.

Our soft drinks business includes both our own production and agreements with PepsiCo related to bottling and distribution. Ambev is one of PepsiCo's largest independent bottlers in the world. Major brands that are distributed under these agreements are Pepsi, 7UP and Gatorade. Ambev has long-term agreements with PepsiCo whereby Ambev has the exclusive right to bottle, sell and distribute certain brands of PepsiCo's portfolio of carbonated and non-carbonated soft drinks in Brazil. The agreements will expire on 31 December 2017 and are automatically extended for additional ten-year terms unless terminated prior to the expiration date by written notice by either party at least two years prior to the expiration of their term or on account of other events, such as a change of control or insolvency of, or failure to comply with material terms or meet material commitments by, our relevant subsidiary. Ambev also has agreements with PepsiCo to bottle, sell, distribute and market some of its brands in the Dominican Republic and in some regions of Peru, including the north and the Lima regions. Through our Latin America South operations, Ambev is also PepsiCo's bottler for Argentina, Bolivia and Uruguay.

Apart from the bottling and distribution agreements with PepsiCo, Ambev also produces, sells and distributes its own soft drinks. Its main carbonated soft drinks brand is Guaraná Antarctica.

In the United States, Anheuser-Busch also produces non-alcoholic malt beverage products, including O'Doul's and O'Doul's Amber, energy drinks and related products. On a limited basis, we have also entered into arrangements under which other non-alcoholic products and spirits, including Hansen energy drinks (such as Monster Energy), are distributed and sold in select markets through the Anheuser-Busch distribution network.

### **3. MAIN MARKETS**

We are a global brewer, with sales in over 120 countries across the globe.

The last two decades have been characterized by rapid growth in fast-growing emerging markets, notably in regions in Latin America North, Latin America South, Central & Eastern Europe and Asia-Pacific, where we have significant sales. The table below sets out our total volumes broken down by business zone for the periods shown:

<u>Market</u>	<u>2011</u>		<u>2010</u>		<u>2009</u>	
	<u>Volumes (million hectoliters)</u>	<u>Volumes (% of total)</u>	<u>Volumes (million hectoliters)</u>	<u>Volumes (% of total)</u>	<u>Volumes (million hectoliters)</u>	<u>Volumes (% of total)</u>
North America	125	31.3%	129	32.5%	135	33.0%
Latin America North	120	30.1%	120	30.1%	110	26.9%
Latin America South	35	8.7%	34	8.5%	33	8.2%
Western Europe	31	7.7%	32	8.0%	33	8.2%
Central & Eastern Europe	26	6.4%	27	6.7%	40 <sup>(1)</sup>	9.8%
Asia Pacific	56	14.0%	50	12.6%	53	12.8%
Global Export & Holding Companies	7	1.8%	7	1.6%	5	1.2%
<b>Total</b>	<b>399</b>	<b>100%</b>	<b>399</b>	<b>100%</b>	<b>409</b>	<b>100%</b>

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Note:

- (1) On 2 December 2009 we sold our operations in Bosnia & Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Montenegro, Romania, Serbia and Slovakia, which together accounted for 13.2 million hectoliters, or 32.8%, of our 2009 Central & Eastern Europe volumes. From 2 December 2009, our Central & Eastern Europe zone consists of our Russian and Ukrainian operations.

On an individual country basis, our ten largest markets by volume during the year ended 31 December 2011 were the United States, Brazil, China, Argentina, Russia, Ukraine, Canada, the United Kingdom, Germany and Belgium. Each market has its own dynamics and consumer preferences and values. Given the breadth of our portfolio, we believe we are well placed and can launch, relaunch, market and ultimately sell the beer that best addresses consumer choice in the various categories (premium, core and value) in a given market.

Our marketing approach is supported by three solid pillars: brands, connections and renovation/innovation. We are committed to innovation generated from consumer and shopper insights. Through this approach, we seek to understand the values, lifestyles and preferences of today's and tomorrow's consumers and shoppers, with a view to building fresh appeal and competitive advantage through innovative products and services tailored to meet those needs. We have advanced our ability to deliver these innovative products and tailored services through globally deployed tools. See “—B. Business Overview—10. Intellectual Property; Research & Development” for further information.

#### 4. COMPETITION

Historically, brewing was a local industry with only a few players having a substantial international presence. Larger brewing companies often obtained an international footprint through direct exports, licensing agreements and joint venture arrangements. However, the last couple of decades have seen a transformation of the industry, with a prolonged period of consolidation. This trend started within the more established beer markets of Western Europe and North America, and took the form of larger businesses being formed through merger and acquisition activity within national markets. More recently, consolidation has also taken place within emerging markets. Over the last decade, the global consolidation process has accelerated, with brewing groups making significant acquisitions outside of their domestic markets and increasingly looking to purchase other regional brewing organizations. Recent examples of this trend include SABMiller's acquisition of Bavaria in 2005, the acquisition of Scottish & Newcastle by Carlsberg and Heineken in 2008, Heineken's acquisition of FEMSA Cerveza in April 2010, SABMiller's acquisition of Foster's in 2011 and Kirin's acquisition of Schincariol in Brazil, also in 2011. As a result of this consolidation process, the absolute and relative size of the world's largest brewers has increased substantially. Therefore, today's leading international brewers have significantly more diversified operations and have established leading positions in a number of international markets.

We have participated in this consolidation trend, and have grown our international footprint through a series of mergers and acquisitions described in “—A. History and Development of the Company—History and Development of the Company,” which include:

- the acquisition of Labatt in 1995;
- the acquisition of Beck's in 2002;
- the combination of Ambev and Quilmes Industrial S.A. in 2003;
- the creation of InBev in 2004, through the combination of Interbrew and Ambev; and
- the Anheuser-Busch acquisition in November 2008.

The ten largest brewers in the world in 2010 in terms of volume were as set out in the table below.

Rank	Name	Volume (million hectoliters) <sup>(1)</sup> <sub>(2)</sub>
1	AB InBev	349.2
2	SABMiller	254.0
3	Heineken	199.9
4	Carlsberg	119.6
5	Tsingtao (Group)	63.5
6	Molson Coors Brewing Company	53.5
7	Modelo	51.9
8	Beijing Yanjing	50.3
9	Kirin	32.4
10	Asahi	30.3

Notes:

- (1) Source: Plato Logic Limited. AB InBev volumes indicated here are Plato Logic Limited's estimates of our beer-only pro forma volumes for 2010 after disposals, and do not include volumes of associates. Our own determination is that our adjusted beer volumes treating all divestitures as if they had closed as of 1 January 2010 would have been 352.9 million hectoliters.
- (2) Calendar year basis.

In each of our regional markets, we compete against a mixture of national, regional, local and imported beer brands. In Latin America, we compete mainly with local players and local beer brands. In North America, Western Europe, Eastern Europe and Asia Pacific, we compete primarily with large leading international or regional brewers and international or regional brands.

## 5. WEATHER AND SEASONALITY

For information on how weather affects consumption of our products and the seasonality of our business, see "Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Weather and Seasonality."

## 6. BREWING PROCESS; RAW MATERIALS AND PACKAGING; PRODUCTION FACILITIES; LOGISTICS

### Brewing Process

The basic brewing process for most beers is straightforward, but significant know-how is involved in quality and cost control. The most important stages are brewing and fermentation, followed by maturation, filtering and packaging. Although malted barley (malt) is the primary ingredient, other grains such as unmalted barley, corn, rice or wheat are sometimes added to produce different beer flavors. The proportion and choice of other raw materials varies according to regional taste preferences and the type of beer.

The first step in the brewing process is making wort by mixing malt with warm water and then gradually heating it to around 75°C in large mash tuns to dissolve the starch and transform it into a mixture, called "mash," of maltose and other sugars. The spent grains are filtered out and the liquid, now called "wort," is boiled. Hops are added at this point to give a special bitter taste and aroma to the beer, and help preserve it. The wort is boiled for one to two hours to sterilize and concentrate it, and extract the flavor from the hops. Cooling follows, using a heat exchanger. The hopped wort is saturated with air or oxygen, essential for the growth of the yeast in the next stage.

Yeast is a micro-organism that turns the sugar in the wort into alcohol and carbon dioxide. This process of fermentation takes five to eleven days, after which the wort finally becomes beer. Different types of beer are made using different strains of yeast and wort compositions. In some yeast varieties, the cells rise to the top at the end of fermentation. Ales and wheat beers are brewed in this way. Lagers are made using yeast cells that settle to the bottom. Some special Belgian beers, called lambic or gueuze, use yet another method where fermentation relies on spontaneous action by airborne yeasts.

During the maturation process the liquid clarifies as yeast and other particles settle. Further filtering gives the beer more clarity. Maturation varies by type of beer and can take as long as three weeks. Then the beer is ready for packaging in kegs, cans or bottles.

### **Raw Materials and Packaging**

The main raw materials used in our beer production are malted barley, corn grits, corn syrup, rice, hops, and water. For non-beer production (mainly carbonated soft drinks) the main ingredients are flavored concentrate, fruit concentrate, sugar, sweetener and water. In addition to these inputs into our products, delivery of our products to consumers requires extensive use of packaging materials such as glass, PET and aluminum bottles, aluminum or steel cans and kegs, labels, plastic crates, metal and plastic closures, folding cartons, cardboard products and plastic films.

We use only our own proprietary yeast, which we grow in our facilities. In some regions, we import hops to obtain adequate quality and appropriate variety. We purchase these ingredients through the open market and through contracts with suppliers. We also purchase barley and process it to meet our malt requirements at our malting plants.

Prices and sources of raw materials are determined by, among other factors:

- the level of crop production;
- weather conditions;
- export demand; and
- governmental regulations.

We are reducing the number of our suppliers in each region to develop closer relationships that allow for lower prices and better service, while at the same time ensuring that we are not entirely dependent on a single supplier. We hedge some of our commodities contracts on the financial markets and some of our malt requirements are purchased on the spot market. See “Item 11. Quantitative and Qualitative Disclosures about Market Risk—Market Risk, Hedging and Financial Instruments” and note 28 to our audited financial information as of 31 December 2011 and 2010, and for the three years ended 31 December 2011, for further details on commodities hedging.

We have supply contracts with respect to most packaging materials as well as our own production capacity as outlined below in “—Production Facilities.” The choice of packaging materials varies by cost and availability in different regions, as well as consumer preferences and the image of each brand. We also use aluminum cansheet for the production of beverage cans and lids.

Hops, PET resin, soda ash for our own glass plant and, to some extent, cans are mainly sourced globally. Malt, adjuncts (such as unmalted grains or fruit), sugar, steel, cans, labels, metal closures, plastic closures, preforms and folding cartons are sourced regionally. Electricity is sourced nationally, while water is sourced locally, for example, from municipal water systems and private wells.

We use natural gas as our primary fuel, and we believe adequate supplies of fuel and electricity are available for the conduct of our business. The energy commodity markets have experienced, and can be expected to continue to experience, significant price volatility. We manage our energy costs using various methods including supply contracts, hedging techniques, and fuel switching.



## Production Facilities

Our production facilities are spread across our six geographic regions, giving us a balanced geographical footprint in terms of production and allowing us to efficiently meet consumer demand across the globe. We manage our production capacity across our geographic regions, countries and plants. We typically own our production facilities free of any major encumbrances. We also lease a number of warehouses and other commercial buildings from third parties. See “Item 4. Information on the Company—B. Business Overview—11. Regulations Affecting Our Business” for a description of the environmental and other regulations that affect our production facilities.

## Beverage Production Facilities

Our beverage production facilities comprised 137 breweries and/or soft drink plants as of 31 December 2011 spread across our six geographic regions. Of these 137 plants, 108 produced only beer, 12 produced only soft drinks and 17 produced both beer and soft drinks. Except in limited cases (for example, our Hoegaarden brewery in Belgium), our breweries are not dedicated to one single brand of beer. This allows us to allocate production capacity efficiently within our group.

The table below sets out, for each of our geographic zones in 2011, the number of our beverage production plants (breweries and/or soft drink plants) as well as the plants’ overall capacity and production volumes.

Business zone	Number of plants	2011 volumes		Annual engineering capacity as of 31 December 2011	
		Beer (khl)	Soft drinks (khl)	Beer (khl)	Soft drinks (khl)
North America	19	124,900	—	144,200	—
Latin America North	34	87,000	33,350	115,800	51,900
Latin America South	20	21,600	13,000	30,470	23,300
Western Europe <sup>(1)</sup>	17	30,900	—	48,754	—
Central & Eastern Europe	12	25,700	—	46,019	—
Asia Pacific <sup>(2)</sup>	35	56,000	—	113,001	—
<b>Total<sup>(3)</sup></b>	<b>137</b>	<b>346,100</b>	<b>46,350</b>	<b>498,244</b>	<b>75,200</b>

Notes:

- (1) Includes cider volumes.
- (2) Excludes our joint venture in Hyderabad, India.
- (3) Excludes Global Export & Holding Companies with 2011 beer volumes of 7 million hectoliters.

## Non-Beverage Production Facilities

Our beverage production plants are supplemented and supported by a number of plants and other facilities that produce raw materials and packaging materials for our beverages. The table below provides additional detail on these facilities as of 31 December 2011.

Type of plant / facility	Number of plants / facilities	Countries in which plants / facilities are located
Malt plants	13	Brazil, Argentina, Uruguay, Russia, United States
Rice mill	1	United States
Corn grits	6	Brazil, Argentina, Bolivia
Hop farms	2	Germany, United States
Hop pellet plant	1	Argentina
Guaraná farm	1	Brazil
Glass bottle plants	3	United States, Brazil, Paraguay
Bottle cap plants	1	Brazil
Label plant	1	Brazil
Can plants	6	Bolivia, United States
Can lid manufacturing plants	2	United States
Crown and closure liner material plant	1	United States
Syrup plant	1	Brazil

In addition to production facilities, we also maintain a geographical footprint in key markets through sales offices and distribution centers. Such offices and centers are opened as needs in the various markets arise.

### **Capacity Expansion**

We continually assess whether our production footprint is adequate in view of existing or potential customer demand. Footprint optimization by adding new plants to our portfolio not only allows us to boost production capacity, but the strategic location often also reduces distribution time so that our products reach consumers rapidly and efficiently. Conversely, footprint optimization can lead to the divesting of plants through sales to third parties, or to plant closures.

Additional production facilities can be acquired from third parties or through greenfield investments in new projects. For example, in 2010, we announced the construction of a new brewery in the Sichuan province of China. Its location should help sustain demand for our national brands (Budweiser and Harbin) in southwest China and yield improved logistics savings in China. The brewery became operational mid-2011. Similarly, following an increased demand for our products in the northeast of Brazil, a decision was made to construct a greenfield plant in Pernambuco state which opened in the fourth quarter of 2011 in time to support year-end peak season activities and the long term growth of the region. In addition to building or acquiring additional facilities, we also upgrade and expand capacity in our existing operations.

In 2012, we expect to invest in new capacity projects in China and Brazil to meet our future demand expectations in these countries. Our capital expenditures are primarily funded through cash from operating activities and are for production facilities, logistics, improving administrative capabilities, hardware and software in our operational zones, and investments in growth regions such as Brazil and China.

We also outsource, to a limited extent, the production of items which we are unable to produce in our own production network (for example, due to a lack of capacity during seasonal peaks) or for which we do not yet want to invest in new production facilities (for example, to launch a new product without incurring the associated full start-up costs). Such outsourcing mainly relates to secondary repackaging materials that we cannot practicably produce on our own, in which case our products are sent to external companies for repackaging (for example, gift packs with different types of beers).

### **Logistics**

Our logistics organization is composed of (i) a first tier, which comprises all inbound flows into the plants of raw materials and packaging materials and all the outbound flows from the plants into the second drop point in the chain (for example, distribution centers, warehouses or wholesalers) and (ii) a second tier, which comprises all distribution flows from the second drop point into the customer delivery tier (for example, pubs or retailers).

Transportation is mainly outsourced to third-party contractors, although we do own a small fleet of vehicles in certain countries.

Each of our breweries has a warehouse which is attached to its production facilities. In places where our warehouse capacity is limited, external warehouses are rented. We strive to centralize fixed costs, which has resulted in some plants sharing warehouse and other facilities with each other.

Where it has been implemented, the VPO program has had a direct impact on our logistics organization, for example, in respect of scheduling, warehouse productivity and loss prevention actions.

## **7. DISTRIBUTION OF PRODUCTS**

We depend on effective distribution networks to deliver products to our customers. We review our priority markets for distribution and licensing agreements on an annual basis. The focus markets will typically be markets with an interesting premium category and with sound and strong partners (brewers and/or importers). Based on these criteria, focus markets are then chosen.

In addition, the distribution of beer varies from country to country and from region to region. The nature of distribution reflects consumption patterns and market structure, geographical density of customers, local regulation, the structure of the local retail sector, scale considerations, market share, expected added-value and capital returns, and the existence of third-party wholesalers or distributors. In some markets brewers distribute directly to customers (for example, in Belgium), while in other markets wholesalers may, for legal reasons (for example, in certain U.S. states and Canada where there may be legal constraints on the ability of a beer manufacturer to own a wholesaler), or because of historical market practice (for example, in China, Russia and Argentina), play an important role in distributing a significant proportion of beer to customers. In some instances, as is currently the case in Brazil, we have acquired third-party distributors to help us self-distribute our products. The products we brew in the United States are sold to approximately 500 wholesalers for resale to retailers. As at the end of 2011, we owned 13 of these wholesalers and have ownership stakes in another four of them. The remaining wholesalers are independent businesses. In Mexico, Budweiser, Bud Light and O'Doul's are imported and distributed by a wholly-owned subsidiary of Grupo Modelo. Under the distribution agreement with Grupo Modelo, it has exclusive distribution rights to those brands in all of Mexico. In return it agrees not to sell Budweiser, Bud Light and O'Doul's outside of Mexico, and not to sell in Mexico any other beer that is brewed outside of Mexico without our consent. In certain countries, we enter into exclusive importer arrangements and depend on our counterparties to these arrangements to market and distribute our products to points of sale. In certain markets we also distribute the products of other brewers.

We generally distribute our products through (i) direct distribution networks, in which we deliver to points of sale directly, and (ii) indirect distribution networks, in which delivery to points of sale occurs through wholesalers and independent distributors. Indirect distribution networks may be exclusive or non-exclusive and may, in certain business zones, involve use of third-party distribution while we retain the sales function through an agency framework. We seek to fully manage the sales teams in each of our markets. In case of non-exclusive distributorships, we try to encourage best practices through wholesaler excellence programs.

See "Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Distribution Arrangements" for a discussion of the effect of the choice of distribution arrangements on our results of operations.

As a customer-driven organization, we have, regardless of the chosen distribution method, programs for professional relationship building with our customers in all markets. This happens directly, for example, by way of key customer account management, and indirectly by way of wholesaler excellence programs.

We seek to provide media advertising, point-of-sale advertising, and sales promotion programs to promote our brands. Where relevant, we complement national brand strategies with geographic marketing teams focused on delivering relevant programming addressing local interests and opportunities.

## **8. LICENSING**

In markets where we have no local affiliate, we may choose to enter into license agreements or, alternatively, international distribution and/or importation agreements, depending on the best strategic fit for each particular market. License agreements entered into by us grant the right to third-party licensees to manufacture, package, sell and market one or several of our brands in a particular assigned territory under strict rules and technical requirements. In the case of international distribution and/or importation agreements, we produce and package the products ourselves while the third party distributes, markets and sells the brands in the local market.

Stella Artois is licensed to third parties in Algeria, Australia, Bulgaria, Croatia, Czech Republic, Hungary, Israel, New Zealand, and Romania, while Beck's is licensed to third parties in Algeria, Bulgaria, Croatia, Hungary, Turkey, Australia, New Zealand, Romania, Serbia, Tunisia and Montenegro.

In Japan, Budweiser is brewed and sold through license and distribution agreements with Kirin Brewery Company, Limited. A licensing agreement allows Guinness Ireland Limited to brew and sell Budweiser and Bud Light in the Republic of Ireland. Budweiser is also brewed under license and sold by brewers in Spain (Sociedad Anonima Damm), India (RKJ Group) and Panama (Heineken). Compañía Cervecerías Unidas, a subsidiary of Compañía Cervecerías Unidas S.A., a leading Chilean brewer, brews and distributes Budweiser under license in Argentina and distributes Budweiser in Chile. In Italy, Budweiser is brewed and packaged by Heineken under a brewing contract agreement. We also sell various brands, including Budweiser, by exporting from our license partners' breweries to other countries.

On 24 July 2009, we sold our South Korean subsidiary, Oriental Brewery, to an affiliate of Kohlberg Kravis Roberts & Co. L.P. See "Item 5. Operating and Financial Review—G. Liquidity and Capital Resources—Investments and Disposals." Under the terms of the sale agreement, we granted Oriental Brewery exclusive distribution rights over certain brands in South Korea including Budweiser, Bud Ice and Hoegaarden.

On 2 December 2009, we sold our Central European operations to CVC Capital Partners. See "Item 5. Operating and Financial Review—G. Liquidity and Capital Resources—Investments and Disposals." The business we sold to CVC Capital Partners in 2009 has rights to brew and/or distribute, under license from us, Stella Artois, Beck's, Löwenbräu, Hoegaarden, Spaten and Leffe in Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Kosovo, Montenegro, Romania, Serbia and Slovakia. On 3 April 2012, CVC announced plans to sell the business to Molson Coors Brewing Company. As of 31 December 2011, we retain rights to brew and distribute Staropramen in Ukraine and Russia and to distribute Staropramen in Germany, Canada and Italy.

See "Item 3. Key Information—D. Risk Factors—Risks Relating to our Business—We rely on key third parties, including key suppliers, and the termination or modification of the arrangements with such third parties could negatively affect our business."

We also manufacture and distribute other third-party brands. Ambev, our listed Brazilian subsidiary, and some of our other subsidiaries have entered into agreements with PepsiCo. Pursuant to the agreements between Ambev and PepsiCo, Ambev is one of PepsiCo's largest independent bottlers in the world. Major brands that are distributed under this agreement are Pepsi, 7UP and Gatorade. See "—B. Business Overview—2. Principal Activities and Products—Non-Beer—Soft Drinks" for further information in this respect. Ambev also has a license agreement with Anheuser-Busch, Inc. allowing it to exclusively produce, distribute and market Budweiser in Brazil and Canada. Ambev also distributes Budweiser in Ecuador, Paraguay, Guatemala, El Salvador and Nicaragua.

## **9. BRANDING AND MARKETING**

Our brands are our foundation, the cornerstone of our relationships with consumers and the key to our long-term success. Our brand portfolio, its enduring bonds with consumers and its partnerships with customers are our most important assets. We invest in our brands to create long-term, sustainable, competitive advantage by seeking to meet the beverage needs of consumers around the world and to develop leading brand positions in every market in which we operate.

Our brand portfolio consists of global flagship brands (Budweiser, Stella Artois and Beck's), multi-country brands (Leffe and Hoegaarden) and many "local champions" (Jupiler, Skol, Quilmes, Bud Light, Sibirskaia Korona and Harbin to name but a few). We believe this global brand portfolio provides us with strong growth and revenue opportunities and, coupled with a powerful range of premium brands, positions us well to meet the needs of consumers in each of the markets in which we compete. For further information about our focus brands, see "—B. Business Overview—2. Principal Activities and Products—Beer."

We have established a “focus brands” strategy. Focus brands are those in which we invest the majority of our resources (money, people, and attention). They are a small group of brands which we believe have the most growth potential within each relevant consumer group. These focus brands include our three global brands, key multi-country brands and selected “local champions.” In 2011, our focus brands accounted for almost 70% of our beer volume.

We seek to constantly strengthen and develop our brand portfolio through enhancement of brand quality, marketing and product innovation. Our marketing team therefore works together closely with our research & development team (see “—B. Business Overview—10. Intellectual Property; Research & Development” for further information).

We continually assess consumer needs and values in each geographic market in which we operate with a view to identifying the key characteristics of consumers in each beer category (that is, premium, core and value). This allows us to position our existing brands (or to introduce new brands) in order to address the characteristics of each category.

Our marketing approach is based on a “value-based brands” approach. A value-based brands proposition is a single, clear, compelling values based reason for consumer preference. We have defined 37 different consumer values (such as ambition, authenticity or friendship) to establish a connection between consumers and our products. The value-based brands approach first involves the determination of consumer portraits, secondly brand attributes (that is, tangible characteristics of the brand that support the brand’s positioning) and brand personality (that is, the way the brand would behave as a person) are defined, and finally a positioning statement to help ensure the link between the consumer and the brand is made. Once this link has been established, a particular brand can either be developed (brand innovation) or relaunched (brand renovation or line extension from the existing brand portfolio) to meet the customers’ needs. We apply zero-based planning principles to yearly budget decisions and for ongoing investment reviews and reallocations. We invest in each brand in line with its local or global strategic priority and, taking into account its local circumstances, seek to maximize profitable and sustainable growth.

We own the rights to our principal brand names and trademarks in perpetuity for the main countries where these brands are currently commercialized.

## **10. INTELLECTUAL PROPERTY; RESEARCH & DEVELOPMENT**

Innovation is one of the key factors enabling us to achieve our strategy. We seek to combine technological know-how with market understanding to develop a healthy innovation pipeline in terms of production process, product and packaging features as well as branding strategy. In addition, as beer markets mature, innovation plays an increasingly important role by providing differentiated products with increased value to consumers.

### **Intellectual Property**

Our intellectual property portfolio mainly consists of trademarks, patents, registered designs, copyright, know-how and domain names. This intellectual property portfolio is managed by our internal legal department, in collaboration with a selected network of external intellectual property advisors. We place importance on achieving close cooperation between our intellectual property team and our marketing and research & development teams. An internal stage gate process promotes the protection of our intellectual property rights, the swift progress of our innovation projects and the development of products that can be launched and marketed without infringing any third party’s intellectual property rights. A project can only move on to the next step of its development after the necessary verifications (for example, availability of trademark, existence of prior technology/earlier patents and freedom to market) have been carried out. This internal process is designed to ensure that financial and other resources are not lost due to oversights in relation to intellectual property protection during the development process.

Our patent portfolio is carefully built to gain a competitive advantage and support our innovation and other intellectual assets. We currently have more than 100 patent families, meaning that more than 100 different technologies are protected by patents. The extent of the protection differs between technologies, as some patents are protected in many jurisdictions, while others are only protected in one or a few jurisdictions. Our patents may relate, for example, to brewing processes, improvements in production of fermented malt-based beverages, treatments for improved beer flavor stability, non-alcoholic beer development, filtration processes, beverage dispensing systems and devices or beer packaging.

We license in limited technology from third parties. We also license out certain of our intellectual property to third parties, for which we receive royalties.

## **Research & Development**

Given our focus on innovation, we place a high value on research and development (“**R&D**”). In 2011, we spent USD 175 million (USD 184 million in 2010 and USD 159 million in 2009) in the area of market research and on innovation in the areas of process optimization and product development at our Belgian R&D center and across our zones.

R&D in process optimization is primarily aimed at capacity increase (plant debottlenecking and addressing volume issues, while minimizing capital expenditure), quality improvement and cost efficiency. Newly developed processes, materials and/or equipment are documented in best practices and shared across business zones. Current projects range from malting to bottling of finished products.

R&D in product innovation covers liquid, packaging and draft innovation. Product innovation consists of breakthrough innovation, incremental innovation and renovation (that is, implementation of existing technology). The main goal for the innovation process is to provide consumers with better products and experiences. This includes launching new liquids, new packaging and new draft products that deliver better performance both for the consumer and in terms of financial results, by increasing our competitiveness in the relevant markets. With consumers comparing products and experiences offered across very different beverage categories and with choice increasing, our R&D efforts also require an understanding of the strengths and weaknesses of other beverage categories, spotting opportunities for beer and developing consumer solutions (products) that better address consumer needs and deliver better experiences. This requires first understanding consumer emotions and expectations in order to guide our innovation efforts. Sensory experience, premiumization, convenience, sustainability and design are all central to our R&D efforts.

Knowledge management and learning make up an integral part of R&D. We seek to continuously increase our knowledge through collaborations with universities and other industries.

Our R&D team is briefed annually on our business zones’ priorities and approves concepts which are subsequently prioritized for development. Launch time, depending on complexity and prioritization, usually falls within the next calendar year.

In November 2006, we opened our Global Innovation and Technology Centre in Leuven, Belgium. This state of the art building accommodates the Packaging, Product, Process Development teams and facilities such as Labs, Experimental Brewery and the European Central Lab, which also includes Sensory Analysis.

In addition to our Global Innovation and Technology Centre, we also have Product, Packaging and Process development teams located in each of our six geographic regions focusing on the short-term needs of such regions.

## **11. REGULATIONS AFFECTING OUR BUSINESS**

Our worldwide operations are subject to extensive regulatory requirements regarding, among other things, production, distribution, importation, marketing, promotion, labeling, advertising, labor, pensions and public health, consumer protection and environmental issues. In the United States, federal and state laws regulate most aspects of the brewing, sale, marketing, labeling and wholesaling of our products. At the federal level, the Alcohol & Tobacco

Tax & Trade Bureau of the U.S. Treasury Department oversees the industry, and each state in which we sell or produce products, and some local authorities in jurisdictions in which we sell products, also have regulations that affect the business conducted by us and other brewers and wholesalers. It is our policy to abide by the laws and regulations around the world that apply to us or to our business. We rely on legal and operational compliance programs, as well as local in-house and external counsel, to guide businesses in complying with applicable laws and regulations of the countries in which we operate.

See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—Certain of our operations depend on independent distributors or wholesalers to sell our products,” “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—Negative publicity may harm our business,” “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—We could incur significant costs as a result of compliance with, and/or violations of or liabilities under, various regulations that govern our operations,” “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—Our operations are subject to environmental regulations, which could expose us to significant compliance costs and litigation relating to environmental issues,” “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—We operate a joint venture in Cuba, in which the Government of Cuba is our joint venture partner. Cuba has been identified by the U.S. Department of State as a state sponsor of terrorism and is targeted by broad and comprehensive economic and trade sanctions of the United States. Our operations in Cuba may adversely affect our reputation and the liquidity and value of our securities.” and “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Governmental Regulations.”

Production, advertising, marketing and sales of alcoholic beverages are subject to various restrictions around the world. These range from a complete prohibition of alcohol in certain countries and cultures through the prohibition of the import of alcohol, to restrictions on the advertising style, media and messages used. In a number of countries, television is a prohibited medium for advertising alcoholic products, and in other countries, television advertising, while permitted, is carefully regulated. Media restrictions may constrain our brand building potential. Labeling of our products is also regulated in certain markets, varying from health warning labels to importer identification, alcohol strength and other consumer information. Specific warning statements related to the risks of drinking alcoholic products, including beer, have also become prevalent in recent years. Introduction of smoking bans in pubs and restaurants may have negative effects on on-trade consumption (that is, beer purchased for consumption in a pub or restaurant or similar retail establishment), as opposed to off-trade consumption (that is, beer purchased at a retail outlet for consumption at home or another location).

The distribution of our beer products may also be regulated. In certain markets, alcohol may only be sold through licensed outlets, varying from government or state operated monopoly outlets (for example, in the off-trade channel of certain Canadian provinces) to the common system of licensed on-trade outlets (for example, licensed bars and restaurants) which prevails in many countries (for example, in much of the European Union). In the U.S., states operate under a three-tier system of regulation for beer products from brewer to wholesaler to retailer, meaning that we must work with licensed third-party distributors to distribute our products to the points of connection.

In the United States, both federal and state laws generally prohibit us from providing anything of value to retailers, including paying slotting fees or holding ownership interests in retailers. Some states prohibit us from being licensed as a wholesaler for our products. State laws also regulate the interactions among us, our wholesalers and consumers by, for example, limiting merchandise that can be provided to consumers or limiting promotional activities that can be held at retail premises. If we were found to have violated applicable federal or state alcoholic beverage laws, we could be subject to a variety of sanctions, including fines, equitable relief and suspension or permanent revocation of our licenses to brew or sell our products.

Governments in most of the countries in which we operate also establish minimum legal drinking ages, which generally vary from 16 to 21 years, impose minimum prices on beer products or impose other restrictions on sales, which affect demand for our products. Moreover, governments may respond to public pressure to curtail alcohol consumption by raising the legal drinking age, further limiting the number, type or operating hours of retail outlets or expanding retail licensing requirements. We work both independently and together with other brewers and alcohol beverage companies to limit the negative consequences of inappropriate use of alcoholic products and actively promote responsible sales and consumption.

Similarly, we may need to respond to new legislation curtailing soft drink consumption at schools and other government-owned facilities.

We are subject to antitrust and competition laws in the jurisdictions in which we operate and may be subject to regulatory scrutiny in certain of these jurisdictions. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—We are exposed to antitrust and competition laws in certain jurisdictions and the risk of changes in such laws or in the interpretation and enforcement of existing antitrust and competition laws.”

In many jurisdictions, excise and other indirect duties, including legislation regarding minimum alcohol pricing, make up a large proportion of the cost of beer charged to customers. In the United States, for example, the brewing industry is subject to significant taxation. The United States federal government currently levies an excise tax of USD 18 per barrel (equivalent to 1.1734776 hectoliters) of beer sold for consumption in the United States. All states also levy excise taxes on alcoholic beverages. Proposals have been made to increase the federal excise tax as well as the excise taxes in some states. Recently, Bolivia, Brazil, Russia, the United Kingdom and Ukraine have all adopted proposals to increase beer excise taxes. Rising excise duties can drive up our pricing to the consumer, which in turn could have a negative impact on our results of operations. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—The beer and beverage industry may be subject to adverse changes in taxation.”

Our products are generally sold in glass or PET bottles or aluminum or steel cans. Legal requirements apply in various jurisdictions in which we operate, requiring that deposits or certain ecotaxes or fees are charged for the sale, marketing and use of certain non-refillable beverage containers. The precise requirements imposed by these measures vary. Other types of beverage container-related deposit, recycling, ecotax and/or extended producer responsibility statutes and regulations also apply in various jurisdictions in which we operate.

We are subject to different environmental legislation and controls in each of the countries in which we operate. Environmental laws in the countries in which we operate are mostly related to (i) the conformity of our operating procedures with environmental standards regarding, among other things, the emission of gas and liquid effluents and (ii) the disposal of one-way (that is, non-returnable) packaging and (iii) noise. We believe that the regulatory climate in most countries in which we operate is becoming increasingly strict with respect to environmental issues and expect this trend to continue in the future. Achieving compliance with applicable environmental standards and legislation may require plant modifications and capital expenditure. Laws and regulations may also limit noise levels and the discharge of waste products, as well as impose waste treatment and disposal requirements. Some of the jurisdictions in which we operate have laws and regulations that require polluters or site owners or occupants to clean up contamination.

Our facilities in the United States are subject to federal, state and local environmental protection laws and regulations. We comply with these laws and regulations or are currently taking action to comply with them. Our expenditures in connection with complying with such laws and regulations are not expected to materially affect our earnings or competitive position.

Certain U.S. states and various countries have adopted laws and regulations that require deposits on beverages or establish refillable bottle systems. Such laws generally increase beer prices above the costs of deposit and may result in sales declines. The United States Congress and other states continue to consider similar legislation, the adoption of which would impose higher operating costs on us while depressing sales volume.

The amount of dividends payable to us by our operating subsidiaries is, in certain countries, subject to exchange control restrictions of the respective jurisdictions where those subsidiaries are organized and operate. See also “Item 5. Operating and Financial Review—G. Liquidity and Capital Resources—Transfers from Subsidiaries.”



## 12. INSURANCE

We maintain comprehensive insurance policies with respect to casualty, property and certain specialized coverage. Our insurance program is mainly divided into two general categories:

- *Assets*: these insurance policies cover our physical properties and include global property and business interruption; and
- *Liabilities*: these insurance policies cover losses due to damages caused to third parties and include general and product liability, executive risks (risks related to our board and management) and driver's insurance (which is taken out in accordance with local requirements).

We believe we have adequate insurance cover taking into account our market capitalization and our worldwide presence. We further believe that the level of insurance we maintain is appropriate for the risks of our business and is comparable to that maintained by other companies in its industry.

## 13. SOCIAL AND COMMUNITY MATTERS

Our dream is to be the Best Beer Company in a Better World. In all we do, we strive to ensure that we produce the highest quality products, provide the best consumer experience, and maximize shareholder value by building the strongest competitive and financial position. We aim to use this increasing financial capacity and our global reach to deliver on our Better World commitment. Our Better World actions focus on three key areas — responsible drinking, environment, and community.

### Responsible Drinking

As a leader in the beer industry, our primary responsibility is to provide the highest-quality products and to encourage consumers to enjoy them responsibly at all times. That means we are adamantly opposed to the harmful use of alcohol, including drunk driving, underage drinking and binge drinking.

We promote responsible drinking and discourage alcohol abuse by informing and educating consumers through focused campaigns and marketing activities that support our position on responsible drinking. These programs include:

- Communicating regularly on topics such as the importance of designated drivers, the role parents play in helping prevent underage drinking by talking with their children, and encouraging young people to respect drinking-age laws
- Promoting our position and beliefs internally through our employee responsible drinking policies
- Promoting education for bar, restaurant and store staff to help them learn how to properly check a patron's age to prevent underage sales and to discourage binge drinking
- Supporting the enforcement of blood alcohol content (BAC) laws to help prevent drunk driving around the world

To be effective, our responsible drinking initiatives require a significant commitment and we have been investing in these initiatives since 1982. Our push for responsible drinking is a significant component of our Better World initiatives. In 2011, we developed and promoted responsible drinking programs in our 23 key markets, often expanding their reach across the countries where we operate. Where possible, we established partnerships with governments, community organizations, educators and law enforcement agencies, focusing on preventing drunk driving, high-risk drinking and underage-drinking to maximize these efforts. In 2011, we issued global responsible drinking goals to be achieved by the end of 2014 in many of these key areas, and will be reporting annually on our progress. Our global responsible drinking goals are:

1. Reach at least 100 million adults with programs developed by subject matter experts that help parents talk with their children about underage drinking;
2. Provide ID-checking materials and other educational information to at least half-a-million bars, clubs, restaurants and grocery stores to help them prevent sales to minors;
3. Provide training on responsible alcohol beverage sales to at least 1 million bartenders, waiters, grocery store clerks, and others who serve and sell alcohol;

4. Reach at least half-a-billion consumers of legal age to increase awareness of the importance of using a designated driver or safe ride home;
5. Invest at least USD 300 million in advertising and programs to help remind and educate consumers about the importance of responsible drinking; and
6. Continue to celebrate Global Be(er) Responsible Day annually to promote the importance of responsible drinking among our employees, retail customers and consumers.

## **Environment**

Beer is a product of natural ingredients, and the stewardship of our natural environment—land, water and air—is fundamental to the quality of our brands in the long term. To be a responsible and resource-efficient global brewer, we must continually look for ways to incorporate practices that help us make the most of our raw materials, while also reducing the impact of our packaging and transportation on the environment.

Environmental key performance indicators and targets are fully integrated into our VPO global management system. It is designed to bring greater efficiency to our brewery operations, generate cost savings and improve environmental management, in accordance with our Environmental Policy and Strategy.

In 2010, we announced global companywide targets on key measures, such as water and energy use, as well as carbon emission reductions, which we will strive to achieve by the end of 2012. Our 2012 targets are:

- Increase our waste and byproduct recycling to 99 percent
- Reduce water use for beer and soft drinks plants to an industry-leading 3.5 hectoliters of water per hectoliter of product (hl/hl)
- Reduce energy use per hectoliter by 10 percent
- Reduce CO<sub>2</sub> emissions per hectoliter by 10 percent

Beyond operations management, we are also engaged with the international community and local groups to support key environmental initiatives. We are a signatory to the CEO Water Mandate, a public-private initiative of the United Nations Global Compact, which focuses on developing corporate strategies to address global water issues. We were also active participants in the United Nations Environment Program's annual World Environment Day, through which we engaged with many community stakeholders around the world.

Energy conservation has been a strategic focus for us for many years, especially with the unpredictable cost of energy and evolving climate change regulations. Our continued progress is based on the importance we place on sharing best technical and management practices across our operations.

We work with suppliers, wholesalers and procurement companies, as well as packaging experts, to help make decisions that minimize the cost and environmental impact of packaging materials. We use many types of product packaging, from bulk packaging (i.e., beer kegs, crates and pallets), which is almost always returnable and reusable, to cardboard boxes, glass bottles, aluminum cans and PET bottles, which are recyclable. We also continue the light-weighting of packaging to reduce material costs, minimize the use of natural resources, reduce waste and lessen our transportation fuel consumption. We are continually exploring new forms of packaging that meet consumer needs with fewer resources.

Operating ethically is also part of our environmental mission. We have a Responsible Sourcing Policy that includes standards on labor issues and business conduct. We are committed to operating ethically and with high integrity, maintaining our commitment to quality, and encouraging similar conduct for our business partners.

## Community

We make significant contributions to the well-being of the communities where we do business, around the world. This occurs through the jobs we provide, the salaries and wages we pay, the taxes we contribute to local and national governments, and the community support we provide in the form of donations and volunteer activities. For example, we have been involved in supporting Hope Schools in poverty-stricken areas in China, constructing temporary houses in Uruguay and Paraguay, supporting education and community development programs in Argentina and Russia, and contributing water to victims in disaster stricken areas in the United States.

## Our People

It takes great people to build a great company. That's why we focus on attracting and retaining the best talent. Our approach is to enhance our people's skills and potential through education and training, competitive compensation and a culture of ownership that rewards people for taking responsibility and producing results. Our ownership culture unites our people, providing the necessary energy, commitment and alignment needed to pursue our dream—to be the Best Beer Company in a Better World.

Having the right people in the right roles at the right time—aligned through a clear goal-setting and rewards process—improves productivity and enables us to continue to invest in our business and strengthen our social responsibility initiatives.

## C. ORGANIZATIONAL STRUCTURE

Anheuser Busch InBev S.A./N.V. is the parent company of the AB InBev Group. Our most significant subsidiaries (as at 31 December 2011) are:

<u>Subsidiary Name</u>	<u>Jurisdiction of incorporation or residence</u>	<u>Proportion of ownership interest</u>	<u>Proportion of voting rights held</u>
<b>Anheuser-Busch Companies, LLC</b> One Busch Place St. Louis, MO 63118	Delaware, U.S.A.	100%	100%
<b>Companhia de Bebidas das Américas—Ambev<sup>(1)</sup></b> Rua Dr. Renato Paes de Barros 1017 4° Andar (parte), cj. 44 e 42—Itaim Bibi São Paulo	Brazil	61.90%	74.05%

Note:

- (1) The difference between economic interest and voting interest for Ambev results from the fact that Ambev has issued common shares (with voting rights) and preferred shares (without voting rights).

For a more comprehensive list of our most important financing and operating subsidiaries see note 35 of our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011.

## D. PROPERTY, PLANTS AND EQUIPMENT

For a further discussion of property, plants and equipment, see “Item 3. Key Information—D. Risk Factors—Our operations are subject to environmental regulations, which could expose us to significant compliance costs and litigation relating to environmental issues”, “Item 4. Information on the Company—B. Business Overview—6. Brewing Process; Raw Materials and Packaging; Production Facilities; Logistics—Capacity Expansion,” “Item 5. Operating and Financial Review—G. Liquidity and Capital Resources—Capital Expenditures” and “Item 5. Operating and Financial Review—J. Outlook and Trend Information.”

#### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 5. OPERATING AND FINANCIAL REVIEW**

*The following is a review of our financial condition and results of operations as of 31 December 2011 and 2010, and for the three years ended 31 December 2011, and of the key factors that have affected or are expected to be likely to affect our ongoing and future operations. You should read the following discussion and analysis in conjunction with our audited consolidated financial statements and the accompanying notes included elsewhere in this Form 20-F.*

*Some of the information contained in this discussion, including information with respect to our plans and strategies for our business and our expected sources of financing, contain forward-looking statements that involve risk and uncertainties. You should read “Forward-Looking Statements” for a discussion of the risks related to those statements. You should also read “Item 3. Key Information—D. Risk Factors” for a discussion of certain factors that may affect our business, financial condition and results of operations.*

*We have prepared our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union (“IFRS”). The financial information and related discussion and analysis contained in this item are presented in U.S. dollars except as otherwise specified. Unless otherwise specified the financial information analysis in this Form 20-F is based on our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011.*

*See “Presentation of Financial and Other Data” for further information on our presentation of financial information.*

#### **A. KEY FACTORS AFFECTING RESULTS OF OPERATIONS**

We consider acquisitions, divestitures and other structural changes, economic conditions and pricing, consumer preferences, our product mix, raw material and transport prices, the effect of our distribution arrangements, excise taxes, the effect of governmental regulations, foreign currency effects and weather and seasonality to be the key factors influencing the results of our operations. The following sections discuss these key factors.

##### **Acquisitions, Divestitures and Other Structural Changes**

We regularly engage in acquisitions, divestitures and investments. We also engage in start-up or termination of activities and may transfer activities between business zones. Such events have had and are expected to continue to have a significant effect on our results of operations and the comparability of period-to-period results. Significant acquisitions, divestitures, investments and transfers of activities between business zones in the years ended 31 December 2011, 2010 and 2009 are described below.

Events in the year ended 31 December 2011 that have scope effects on our results include:

- On 28 February 2011, we closed a transaction with Dalian Daxue Group Co. Ltd and Kirin (China) Investment Co. Ltd to acquire a 100% equity interest in Liaoning Dalian Daxue Brewery Co. Ltd., which is among the top three breweries in Liaoning province. Daxue brews, markets and distributes major beer brands including “Daxue”, “Xiao Bang” and “Da Bang” which are popular beer brands in the south of Liaoning province, with a total sales volume of over 2 million hectoliters in 2010.
- On 1 May 2011, we acquired Fulton Street Brewery LLC, also known as Goose Island, a Midwest craft brewer in the United States. Goose Island brews ales, such as 312 Urban Wheat Ale, Honkers Ale, India Pale Ale, Matilda, Pere Jacques, Sofie and a wide variety of seasonal draft only and barrel-aged releases, including Bourbon County Stout, the original bourbon barrel-aged beer.

- On 31 May 2011, we closed an agreement with Henan Weixue Beer Group Co. Ltd (China) to acquire its brands (Weixue and JiGongshan), assets and business, including its Xinyang brewery, Zhengzhou brewery and Gushi Brewery.
- On 30 December 2011, we acquired Premium Beers of Oklahoma distributor in Oklahoma City, United States, a major wholesaler in that territory.

Events in the year ended 31 December 2010 that have scope effects on our results include:

- On 20 October 2010, Ambev and Cerveceria Regional S.A. closed a transaction pursuant to which they combined their businesses in Venezuela, with Regional owning an 85% interest and Ambev owning the remaining 15% in the new company, which may be increased to 20% over the coming years.
- The sale of a series of non-core activities in North America.
- The acquisition of a local distributor in the U.S.

Events in the year ended 31 December 2009 that have scope effects on our results include:

- In February 2009, we concluded the sale of our integrated distribution network, CafeIn, in France.
- On 13 March 2009, we completed the sale of InBev USA, the exclusive importer of Labatt branded beer in the United States, to an affiliate of KPS Capital Partners, LP to satisfy requirements imposed by the U.S. Department of Justice in connection with its clearance of our acquisition of Anheuser-Busch.
- In March 2009, we purchased a Pepsi bottler in Bolivia and, in April 2009, we acquired Budweiser distribution rights in Paraguay.
- On 30 April 2009, we completed the sale of 19.9% of Tsingtao to Asahi Breweries, Ltd. for USD 667 million. We used the net proceeds from this divestiture to repay part of the 2008 Senior Facilities we incurred to finance the Anheuser-Busch acquisition. On 8 May 2009, we announced that we had entered into an agreement with a private investor, Mr. Chen Fashu, to sell our remaining 7% stake in Tsingtao for USD 235 million. The sale was completed on 5 June 2009.
- On 24 July 2009, we completed the sale of Oriental Brewery, South Korea's second largest brewery, to an affiliate of Kohlberg Kravis Roberts & Co. L.P. for USD 1.8 billion, which resulted in USD 1.5 billion of cash proceeds and receipt of a USD 0.3 billion note receivable at closing. On 12 March 2010, the note receivable was sold for USD 0.3 billion in cash. We expect to continue our relationship with Oriental Brewery through the exchange of best practices, by granting Oriental Brewery exclusive distribution rights over certain brands in South Korea including Budweiser, Bud Ice and Hoegaarden, and by having an ongoing contingent interest in Oriental Brewery through an agreed earn-out. In addition, we will have the right, but not the obligation, to reacquire Oriental Brewery five years after the closing of the transaction based on predetermined financial terms. The divestiture of Oriental Brewery was part of our ongoing deleveraging program and allowed us to repay debt incurred as a result of the Anheuser-Busch acquisition.
- On 29 September 2009, we completed the sale of our Tennent's Lager brand and associated trading assets in Scotland, Northern Ireland and the Republic of Ireland (part of InBev UK Limited) to C&C Group plc for a total enterprise value of GBP 180 million. Included in the sale are the Glasgow Wellpark Brewery in Scotland, where Tennent's Lager is brewed, rights to the Tennent's Lager brand itself, Tennent's Ales and assets located in Scotland, Northern Ireland and the Republic of Ireland. As part of the agreement, we appointed C&C Group as distributor of certain of our brands in Scotland, Northern Ireland and the Republic of Ireland, and C&C Group granted us a license to use the Tennent's Super and Tennent's Pilsner brands in certain jurisdictions.

- On 1 October 2009, we completed the sale of four metal beverage can and lid manufacturing plants from our U.S. metal packaging subsidiary, Metal Container Corporation, to Ball Corporation for an aggregate purchase price of USD 577 million. In connection with this transaction, Ball Corporation has entered into a long-term supply agreement to continue to supply us with metal beverage cans and lids from the divested plants, and has committed, as part of the acquisition agreement, to offer employment to each active employee of the plants.
- On 1 December 2009, we completed the sale of our indirect wholly-owned subsidiary, Busch Entertainment Corporation, to an entity established by Blackstone Capital Partners V L.P., for up to USD 2.7 billion. The purchase price was comprised of a cash payment of USD 2.3 billion and a right to participate in Blackstone Capital Partners' return on its initial investment, which is capped at USD 400 million.
- On 2 December 2009, we completed the sale of our Central European operations to CVC Capital Partners for an enterprise value of USD 2.2 billion, of which USD 1.6 billion was cash, USD 448 million was received as an unsecured deferred payment obligation with a six-year maturity and USD 165 million represents the estimated value to minorities. On 15 July 2011, the note receivable plus accrued interest was sold for USD 0.5 billion in cash. We also received additional rights to a future payment up to USD 800 million contingent on CVC's return on its initial investments. As a result of the sale, we recorded a capital gain of USD 1.1 billion. Under the terms of the agreement, our operations in Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Kosovo, Montenegro, Romania, Serbia and Slovakia were sold. The business we sold to CVC Capital Partners in 2009 has rights to brew and/or distribute Stella Artois, Beck's, Löwenbräu, Hoegaarden, Spaten and Leffe in the above countries under license from us. On 3 April 2012, CVC announced plans to sell the business to Molson Coors Brewing Company. None of the contingent future consideration from our sale to CVC to which we may be entitled has yet been paid. Any payments will depend on the return on CVC's investment following closing of the announced Molson Coors deal and thereafter. As of 31 December 2011, we retain rights to brew and distribute Staropramen in Ukraine and Russia and to distribute Staropramen in Germany, Canada and Italy.
- In 2009, following the amendment of certain U.S. pensions and post-retirement healthcare benefits as part of the Anheuser-Busch integration, we realized a curtailment gain of USD 240 million, which was USD 178 million higher than similar items reported in 2008.

In addition to the acquisitions and divestitures described above, we may acquire, purchase or dispose of further assets or businesses in our normal course of operations. Accordingly, the financial information presented in this Form 20-F may not reflect the scope of our business as it will be conducted in the future.

### **Economic Conditions and Pricing**

General economic conditions in the geographic regions in which we sell our products, such as the level of disposable income, the level of inflation, the rate of economic growth, the rate of unemployment, exchange rates and currency devaluation or revaluation, influence consumer confidence and consumer purchasing power. These factors, in turn, influence the demand for our products in terms of total volumes sold and the price that can be charged. This is particularly true for developing countries in our Latin America North, Latin America South, Central & Eastern Europe and Asia Pacific business zones, which tend to have lower disposable income per capita and may be subject to greater economic volatility than our principal markets in North America and Western Europe. The level of inflation has been particularly significant in our Latin America North, Latin America South and Central & Eastern Europe business zones. For instance, Brazil has periodically experienced extremely high rates of inflation. In 1993, the annual rate of inflation, as measured by the National Consumer Price Index (*Índice Nacional de Preços ao Consumidor*), reached a hyper-inflationary peak of 2,489.1%. As measured by the same index, Brazilian inflation

was 6.5% in 2011. Similarly, Russia and Argentina have, in the past, experienced periods of hyper-inflation. Due to the decontrol of prices in 1992, retail prices in Russia increased by 2,520% in that year, as measured by the Russian Federal State Statistics Service. Argentine inflation in 1983 was 4,923.6% according to the *Instituto Nacional de Estadística y Censos*. As measured by these institutes, in 2011, Russian inflation was 6.1% and Argentine inflation was 9.5%. Consequently, a central element of our strategy for achieving sustained profitable volume growth is our ability to anticipate changes in local economic conditions and their impact on consumer demand in order to achieve the optimal combination of pricing and sales volume.

In addition to affecting demand for our products, the general economic conditions described above may cause consumer preferences to shift between on-trade consumption channels, such as restaurants and cafés, bars, sports and leisure venues and hotels, and off-trade consumption channels, such as traditional grocery stores, supermarkets, hypermarkets and discount stores. Products sold in off-trade consumption channels typically generate higher volumes and lower margins per retail outlet than those sold in on-trade consumption channels, although on-trade consumption channels typically require higher levels of investment. The relative profitability of on-trade and off-trade consumption channels varies depending on various factors, including costs of invested capital and the distribution arrangements in the different countries in which we operate. A shift in consumer preferences towards lower margin products may adversely affect our price realization and profit margins.

### **Consumer Preferences**

We are a consumer products company, and our results of operations largely depend on our ability to respond effectively to shifting consumer preferences. Consumer preferences may shift due to a variety of factors, including changes in demographics, changes in social trends, such as consumer health concerns, product attributes and ingredients, changes in travel, vacation or leisure activity patterns, weather or negative publicity resulting from regulatory action or litigation.

### **Product Mix**

The results of our operations are substantially affected by our ability to build on our strong family of brands by relaunching or reinvigorating existing brands in current markets, launching existing brands in new markets and introducing brand extensions and packaging alternatives for our existing brands, as well as our ability to both acquire and develop innovative local products to respond to changing consumer preferences. Strong, well-recognized brands that attract and retain consumers, for which consumers are willing to pay a premium, are critical to our efforts to maintain and increase market share and benefit from high margins. See “Item 4. Information on the Company—B. Business Overview—2. Principal Activities and Products—Beer” for further information regarding our brands.

### **Raw Material and Transport Prices**

We have significant exposure to fluctuations in the prices of raw materials, packaging materials, energy and transport services, each of which may significantly impact our cost of sales or distribution expenses. Increased costs or distribution expenses will reduce our profit margins if we are unable to recover these additional costs from our customers through higher prices (see “—Economic Conditions and Pricing”).

The main raw materials used in our beer production are malted barley, corn grits, corn syrup, rice, hops and water, while those used in our non-beer production are flavored concentrate, fruit concentrate, sugar, sweetener and water. In addition to these inputs into our products, delivery of our products to consumers requires extensive use of packaging materials, such as glass, PET and aluminum bottles, aluminum or steel cans and kegs, labels, plastic crates, metal and plastic closures, folding cartons, cardboard products and plastic films.

The price and supply of the raw and packaging materials that we use in our operations are determined by, among other factors, the level of crop production (both in the countries in which we are active and elsewhere in the world), weather conditions, supplier’s capacity utilization and governmental regulations and legislation affecting agriculture and trade. Many of the commodities used in our operations experienced price recovery in 2011 and some had peak levels similar to or above those seen in 2008. We expect that commodities will continue to experience

price volatility. We are exposed to increases in fuel and other energy prices through our direct and indirect distribution networks and production operations. Increases in the prices of our products could affect demand among consumers, and thus, our sales volumes and revenue.

As further discussed under “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Market Risk, Hedging and Financial Instruments,” we use both fixed-price purchasing contracts and commodity derivatives to minimize our exposure to commodity price volatility when practicable. Fixed-price contracts generally have a term of one to two years although a small number of contracts have a term up to five years. See “Item 4. Information on the Company—B. Business Overview—6. Brewing Process; Raw Materials and Packaging; Production Facilities; Logistics—Raw Materials and Packaging” for further details regarding our arrangements for sourcing of raw and packaging materials.

## Distribution Arrangements

We depend on effective distribution networks to deliver our products to our customers. Generally, we distribute our products through (i) direct distribution networks, in which we deliver to points of sale directly, and (ii) indirect distribution networks, in which delivery to points of sale occurs through wholesalers and independent distributors. Indirect distribution networks may be exclusive or non-exclusive and may, in certain business zones, involve use of third-party distribution while we retain the sales function through an agency framework. We use different distribution networks in the markets in which we operate, as appropriate, based on the structure of the local retail sectors, local geographic considerations, scale considerations, regulatory requirements, market share and the expected added-value and capital returns.

Although specific results may vary depending on the relevant distribution arrangement and market, in general, the use of direct distribution networks or indirect distribution networks will have the following effects on our results of operations:

- *Revenue.* Revenue per hectoliter derived from sales through direct distribution tends to be higher than revenue derived from sales through third parties. In general, under direct distribution, we receive a higher price for our products since we are selling directly to points of sale, capturing the margin that would otherwise be retained by intermediaries;
- *Transportation costs.* In our direct distribution networks, we sell our products to the point of sale and incur additional freight costs in transporting those products between our plant and such points of sale. Such costs are included in our distribution expenses under IFRS. In most of our direct distribution networks, we use third-party transporters and incur costs through payments to these transporters, which are included in our distribution expenses under IFRS. In indirect distribution networks, our distribution expenses are generally limited to expenses incurred in delivering our products to relevant wholesalers or independent distributors in those circumstances in which we make deliveries; and
- *Sales expenses.* Under fully indirect distribution systems, the salesperson is generally an employee of the distributor, while under our direct distribution networks and indirect agency networks, the salesperson is generally our employee. To the extent that we deliver our products to points of sale through direct or indirect agency distribution networks, we will incur additional sales expenses from the hiring of additional employees (which may offset to a certain extent increased revenue gained as a result of direct distribution).

In addition, in certain countries, we enter into exclusive importer arrangements and depend on our counterparties to these arrangements to market and distribute our products to points of sale. To the extent that we rely on counterparties to distribution agreements to distribute our products in particular countries or regions, the results of our operations in those countries and regions will, in turn, be substantially dependent on our counterparties’ own distribution networks operating effectively.



## Excise Taxes

Taxation on our beer and non-beer products in the countries in which we operate is comprised of different taxes specific to each jurisdiction, such as excise and other indirect taxes. In many jurisdictions, such excise and other indirect taxes make up a large proportion of the cost of beer charged to customers. Increases in excise and other indirect taxes applicable to our products either on an absolute basis or relative to the levels applicable to other beverages tend to adversely affect our revenue or margins, both by reducing overall consumption and by encouraging consumers to switch to lower-taxed categories of beverages. These increases also adversely affect the affordability of our products and our ability to raise prices. For example, see the discussion of taxes in the United States, Brazil, Russia and Ukraine in “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—The beer and beverage industry may be subject to adverse changes in taxation.”

## Governmental Regulations

Governmental restrictions on beer consumption in the markets in which we operate vary from one country to another, and in some instances, within countries. The most relevant restrictions are:

- Legal drinking ages;
- Global and national alcohol policy reviews and the implementation of policies aimed at preventing the harmful effects of alcohol misuse (including, among others, relating to underage drinking, drinking and driving and binge drinking);
- Restrictions on sales of alcohol generally or beer specifically, including restrictions on distribution networks, restrictions on certain retail venues, requirements that retail stores hold special licenses for the sale of alcohol, restrictions on times or days of sale and minimum alcohol pricing requirements;
- Advertising restrictions, which affect, among other things, the media channels employed, the content of advertising campaigns for our products and the times and places where our products can be advertised, including in some instances, sporting events;
- Restrictions imposed by antitrust or competition laws;
- Deposit laws (including those for bottles, crates and kegs);
- Heightened environmental regulations and standards, including regulations addressing emissions of gas and liquid effluents and the disposal of one-way packaging, compliance with which imposes costs; and
- Litigation associated with any of the above.

Please refer to “Item 4. Information on the Company—B. Business Overview—11. Regulations Affecting Our Business” for a fuller description of the key laws and regulations to which our operations are subject.

## Foreign Currency

Our financial statements presentation and reporting currency is the U.S. dollar. A number of our operating companies have functional currencies (that is, in most cases, the local currency of the respective operating company) other than our reporting currency. Consequently, foreign currency exchange rates have a significant impact on our consolidated financial statements. In particular:

- Changes in the value of our operating companies’ functional currencies against other currencies in which their costs and expenses are priced may affect those operating companies’ cost of sales and operating expenses, and thus negatively impact their operating margins in functional currency terms. Foreign currency transactions are accounted for at exchange rates prevailing at the date of the transactions, while monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date.

Except for exchange differences on transactions entered into in order to hedge certain foreign currency risk and exchange rate differences on monetary items that form part of the net investment in the foreign operations, gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities in currencies other than an operating company's functional currency are recognized in the income statement. Historically, we have been able to raise prices and implement cost saving initiatives to partly offset cost and expense increases due to exchange rate volatility. We also have hedge policies designed to manage commodity price and foreign currency risks to protect our exposure to currencies other than our operating companies' respective functional currencies. Please refer to "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Market Risk, Hedging and Financial Instruments" for further detail on our approach to hedging commodity price and foreign currency risk.

- Any change in the exchange rates between our operating companies' functional currencies and our reporting currency affects our consolidated income statement and consolidated statement of financial position when the results of those operating companies are translated into the reporting currency for reporting purposes. Assets and liabilities of foreign operations are translated to the reporting currency at foreign exchange rates prevailing at the balance sheet date. Income statements of foreign operations are translated to the reporting currency at exchange rates for the year approximating the foreign exchange rates prevailing at the dates of transactions. The components of shareholders' equity are translated at historical rates. Exchange differences arising from the translation of shareholders' equity into the reporting currency at year-end are taken to other comprehensive income (that is, in a translation reserve). Decreases in the value of our operating companies' functional currencies against the reporting currency tend to reduce their contribution to, among other things, our consolidated revenue and profit.

For further details regarding the currencies in which our revenue is realized and the effect of foreign currency fluctuations on our results of operations see "—F. Impact of Changes in Foreign Exchange Rates" below.

### **Weather and Seasonality**

Weather conditions directly affect consumption of our products. High temperatures and prolonged periods of warm weather favor increased consumption of our products, while unseasonably cool or wet weather, especially during the spring and summer months, adversely affects our sales volumes and, consequently, our revenue. Accordingly, product sales in all of our business zones are generally higher during the warmer months of the year (which also tend to be periods of increased tourist activity) as well as during major holiday periods.

Consequently, for most countries in the Latin America North and Latin America South business zones (particularly Argentina and most of Brazil), volumes are usually stronger in the fourth quarter due to year-end festivities and the summer season in the Southern Hemisphere, while for countries in North America, Western Europe, Central & Eastern Europe and Asia Pacific business zones, volumes tend to be stronger during the spring and summer seasons in the second and third quarters of each year.

Based on 2011 information, for example, we realized 54% of our total 2011 volumes in Western Europe in the second and third quarters, compared to 46% in the first and fourth quarters of the year, whereas in Latin America South, we realized 41% of our sales volume in second and third quarters, compared to 59% in the first and fourth quarters.

Although such sales volume figures are the result of a range of factors in addition to weather and seasonality, they are nevertheless broadly illustrative of the historical trend described above.

### **B. SIGNIFICANT ACCOUNTING POLICIES**

The U.S. Securities and Exchange Commission (the "SEC") has defined a critical accounting policy as a policy for which there is a choice among alternatives available, and for which choosing a legitimate alternative would yield materially different results. We believe that the following are our critical accounting policies. We consider an accounting policy to be critical if it is important to our financial condition and results of operations and

requires significant or complex judgments and estimates on the part of our management. For a summary of all of our significant accounting policies, see note 3 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 included in this Form 20-F.

Although each of our significant accounting policies reflects judgments, assessments or estimates, we believe that the following accounting policies reflect the most critical judgments, estimates and assumptions that are important to our business operations and the understanding of its results: revenue recognition, accounting for business combinations and impairment of goodwill and intangible assets; pension and other post-retirement benefits; share-based compensation; contingencies; deferred and current income taxes; and accounting for derivatives. Although we believe that our judgments, assumptions and estimates are appropriate, actual results may differ from these estimates under different assumptions or conditions.

### **Revenue Recognition**

Our products are sold for cash or on credit terms. In relation to the sale of beverages and packaging, we recognize revenue 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. Our sales terms do not allow for a right of return.

Our customers can earn certain incentives, which are treated as deductions from revenue. These incentives primarily include volume-based incentive programs, free beer and cash discounts. In preparing the financial statements, management must make estimates related to the contractual terms, customer performance and sales volume to determine the total amounts recorded as deductions from revenue. Management also considers past results in making such estimates. The actual amounts ultimately paid may be different from our estimates. Such differences are recorded once they have been determined and have historically not been significant.

In many jurisdictions, excise taxes make up a large proportion of the cost of beer charged to our customers. The aggregate deductions from revenue recorded by us in relation to these taxes was approximately USD 10.1 billion, USD 9.2 billion and USD 8.4 billion for the years ended 31 December 2011, 2010 and 2009, respectively.

### **Accounting for Business Combinations and Impairment of Goodwill and Intangible Assets**

We have made acquisitions that included a significant amount of goodwill and other intangible assets, including the acquisition of Anheuser-Busch. Our acquisition of Anheuser-Busch was accounted for using the purchase method of accounting under IFRS and, in 2009, we completed the purchase price allocation in compliance with IFRS 3.

As of 31 December 2011, our total goodwill amounted to USD 51.3 billion and our intangible assets with indefinite life amounted to USD 22.5 billion.

We exercise significant judgment in the process of identifying tangible and intangible assets and liabilities, valuing such assets and liabilities and in determining their remaining useful lives. We generally engage third-party valuation firms to assist in valuing the acquired assets and liabilities. The valuation of these assets and liabilities is based on the assumptions and criteria which include, in some cases, estimates of future cash flows discounted at the appropriate rates. The use of different assumptions used for valuation purposes including estimates of future cash flows or discount rates may have resulted in different estimates of value of assets acquired and liabilities assumed. Although we believe that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

We test our goodwill and other long-lived assets for impairment annually or whenever events and circumstances indicate that the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those items. Our cash flow estimates are based on historical results adjusted to reflect our best estimate of future market and operating conditions. Our estimates of fair values used to determine the resulting impairment loss, if any, represent our best estimate based on forecasted cash flows, industry trends and reference to market rates and transactions. Impairments can also occur when we decide to dispose of assets.

The key judgments, estimates and assumptions used in the fair-value-less-cost-to-sell calculations are as follows:

- The first year of the model is based on management's best estimate of the free cash flow outlook for the current year;
- In the second to fourth years of the model, free cash flows are based on our strategic plan as approved by key management. Our strategic plan is prepared per country and is based on external sources in respect of macroeconomic assumptions, industry, inflation and foreign exchange rates, past experience and identified initiatives in terms of market share, revenue, variable and fixed cost, capital expenditure and working capital assumptions;
- For the subsequent six years of the model, data from the strategic plan is extrapolated generally using simplified assumptions such as constant volumes and variable cost per hectoliter and fixed cost linked to inflation, as obtained from external sources;
- Cash flows after the first ten-year period are extrapolated generally using expected annual long-term consumer price indices, based on external sources, in order to calculate the terminal value, considering sensitivities on this metric. For the United States and Brazil, the two main cash generating units, the terminal growth rate applied a range between 0.0% and 2.0% for the United States and 0.5% and 4.5% for Brazil;
- Projections are made in the functional currency of the business unit and discounted at the unit's weighted average cost of capital ("WACC"), considering sensitivities on this metric. The WACC ranged primarily between 6.0% and 13.1% in U.S. dollar nominal terms for goodwill impairment testing conducted for 2011. For the two main cash generating units, the WACC applied in U.S. dollar nominal terms ranged between 6.0% and 8.0% for the United States and 7.0% and 11.0% for Brazil; and
- Cost to sell is assumed to reach 2% of the entity value based on historical precedents.

The above calculations are corroborated by valuation multiples, quoted share prices for publicly-traded subsidiaries or other available fair value indicators.

Impairment testing of intangible assets with an indefinite useful life is primarily based on a fair value approach using the same methodology as described above or by 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 additional information on goodwill, intangible assets, tangible assets and impairments, see notes 13, 14, and 15 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011.

### **Pension and Other Post-Retirement Benefits**

We sponsor various post-employment benefit plans worldwide. These include pension plans, both defined contribution plans, and defined benefit plans, and other post-employment benefits. Usually, pension plans are funded by payments made both by us and our employees, taking into account the recommendations of independent actuaries. We maintain funded and unfunded plans.

#### ***Defined contribution plans***

Contributions to these plans are recognized as expenses in the period in which they are incurred.

### ***Defined benefit plans***

For defined benefit plans, liabilities and expenses are assessed separately for each plan using the projected unit credit method. The projected unit credit method takes into account each period of service as giving rise to an additional unit of benefit to measure each unit separately. Under this method, the cost of providing pensions is charged to the income statement during the period of service of the employee. The amounts charged to the income statement consist of current service cost, interest cost, the expected return of any plan assets, past service costs and the effect of any settlements and curtailments.

The net defined benefit plan liability recognized in the statement of financial position is measured as the current value of the estimated future cash outflows using a discount rate equivalent to high quality corporate bond yields with maturity terms similar to those of the obligation, less any past service cost not yet recognized and the fair value of any plan assets. Past service costs result from the introduction of a new plan or changes to an existing plan. They are recognized in the income statement over the period the benefit vests. Where the calculated amount of a defined benefit plan liability is negative (an asset), we recognize such asset to the extent of any unrecognized past service costs plus any economic benefits available to us either from refunds or reductions in future contributions.

Assumptions used to value defined benefit liabilities are based on actual historical experience, plan demographics, external data regarding compensation and economic trends. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our pension obligation and our future expense. Actuarial gains and losses consist of 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 fully recognized in equity. For further information on how changes in these assumptions could change the amounts recognized see the sensitivity analysis within note 24 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011.

A significant portion of our plan assets is invested in equity and debt securities. The equity and debt markets have experienced volatility, which has affected the value of our pension plan assets. This volatility may make it difficult to estimate the long-term rate of return on plan assets. Actual asset returns that differ from our assumptions are fully recognized in equity.

### ***Other post-employment obligations***

We and our subsidiaries provide health care benefits and other benefits to certain retirees. The expected costs of these benefits are recognized over the period of employment, using an accounting methodology similar to that used for defined benefit plans.

### **Share-Based Compensation**

We have various types of equity settled share-based compensation schemes for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments as at the date of grant. Fair value of stock options is estimated by using the binomial Hull model on the date of grant based on certain assumptions. Those assumptions are described in note 25 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 included in this Form 20-F and include, among others, the dividend yield, expected volatility and expected life of the stock options. The binomial Hull model assumes that all employees would immediately exercise their options if our share price were 2.5 times above the option exercise price. As a consequence, no single expected option life applies, whereas the assumption of the expected volatility has been set by reference to the implied volatility of our shares in the open market and in light of historical patterns of volatility. In the determination of the expected volatility, we excluded the volatility measured during the period 15 July 2008 to 30 April 2009 given the extreme market conditions experienced during that period.

## **Contingencies**

The preparation of our financial statements requires management to make estimates and assumptions regarding contingencies which affect the valuation of assets and liabilities at the date of the financial statements and the revenue and expenses during the reported period.

We disclose material contingent liabilities unless the possibility of any loss arising is considered remote, and material contingent assets where the inflow of economic benefits is probable. We discuss our material contingencies in note 31 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011.

Under IFRS, we record a provision for a loss contingency when it is probable that a future event will confirm that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur and typically those events will occur over a number of years in the future. The accruals are adjusted as further information becomes available.

As discussed in “Item 8. Financial Information—A. Consolidated Financial Statements and Other Financial Information—Legal and Arbitration Proceedings,” and in note 31 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011, legal proceedings covering a wide range of matters are pending or threatened in various jurisdictions against us. We record provisions for pending litigation when we determine that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates.

## **Deferred and Current Income Taxes**

We recognize deferred tax effects of tax loss carry-forwards and temporary differences between the financial statement carrying amounts and the tax basis of our assets and liabilities. We estimate our income taxes based on regulations in the various jurisdictions where we conduct business. This requires us to estimate our actual current tax exposure and to assess temporary differences that result from different treatment of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we record on our consolidated balance sheet. We regularly review the deferred tax assets for recoverability and will only recognize these if we believe that it is probable that there will be sufficient taxable profit against any temporary differences that can be utilized, based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. We reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available. If the final outcome of these matters differs from the amounts initially recorded, differences may positively or negatively impact the income tax and deferred tax provisions in the period in which such determination is made.

We are subject to income tax in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. Some of our subsidiaries are involved in tax audits and local enquiries usually in relation to prior years. Investigations and negotiations with local tax authorities are ongoing in various jurisdictions at the balance sheet date and, by their nature, these can take considerable time to conclude. In assessing the amount of any income tax provisions to be recognized in the financial statements, estimation is made of the expected successful settlement of these matters. Estimates of interest and penalties on tax liabilities are also recorded. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period such determination is made.

## Accounting for Derivatives

Our risk management strategy includes the use of derivatives. The main derivative instruments we use are foreign currency rate agreements, exchange traded foreign currency futures, interest rate swaps, cross currency interest rate swaps, exchange traded interest rate futures, commodity swaps, exchange traded commodity futures and equity swaps. Our policy prohibits the use of derivatives in the context of speculative trading.

Derivative financial instruments are recognized initially at fair value. Fair value is the amount for which the asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Subsequent to initial recognition, derivative financial instruments are remeasured to fair value at balance sheet date. For derivative financial instruments that qualify for hedge accounting, we apply the following policy: for fair value hedges, changes in fair value are recorded in the income statement and for cash flow and net investment hedges, changes in fair value are recognized in the statement of comprehensive income and/or in the income statement for the effective and/or ineffective portion of the hedge relationship, respectively.

The estimated fair value amounts have been determined by us using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. The fair values of financial instruments that are not traded in an active market (for example, unlisted equities, currency options, embedded derivatives and over-the-counter derivatives) are determined using valuation techniques. We use judgment to select an appropriate valuation methodology and underlying assumptions based principally on existing market conditions. Changes in these assumptions may cause us to recognize impairments or losses in future periods.

Although our intention is to maintain these instruments through maturity, they may be realized at our discretion. Should these instruments be settled only on their respective maturity dates, any effect between the market value and estimated yield curve of the instruments would be eliminated.

## C. BUSINESS ZONES

Both from an accounting and managerial perspective, we are organized along seven zones: North America, Latin America North (which includes Brazil, the Dominican Republic, Guatemala, Ecuador, and Peru), Latin America South (which includes Bolivia, Paraguay, Uruguay, Argentina and Chile), Western Europe (which also includes Cuba), Central & Eastern Europe, Asia Pacific and Global Export & Holding Companies. Since the acquisition of Anheuser-Busch in November 2008, the Anheuser-Busch businesses have been reported according to their geographic presence in the following zones: the U.S. beer business and Grupo Modelo are reported in zone North America; the U.K. business is reported in zone Western Europe; the Harbin and Budweiser China business and the Tsingtao business, until its disposal in 2009, are reported in zone Asia Pacific; and the Export and Packaging businesses and the Entertainment business (until its disposal in 2009) are reported in Global Export & Holding Companies.

The financial performance of each business zone, including the business zone's sales volume and revenue, is measured based on our product sales within the countries that comprise that business zone rather than based on products manufactured within that business zone but sold elsewhere. The Global Export & Holding Companies business zone includes our headquarters and the countries in which our products are sold only on an export basis and in which we do not otherwise have any operations or production activities, as well as, as of 2010, certain intra-group transactions, which were previously recorded in the zones.

In 2011, North America accounted for 31.3% of our consolidated volumes, Latin America North for 30.1%, Asia Pacific for 14.0%, Latin America South for 8.7%, Western Europe for 7.7%, Central & Eastern Europe for 6.4% and Global Export & Holding Companies for 1.8%. A substantial portion of our operations is carried out through our two largest subsidiaries, Anheuser-Busch (wholly-owned) and Ambev (61.9% owned as of 31 December 2011) and their respective subsidiaries.

Throughout the world, we are primarily active in the beer business. However, we also have non-beer activities (primarily consisting of soft drinks), within certain countries in our Latin America business zones, in particular, Brazil, the Dominican Republic, Peru, Bolivia, Uruguay and Argentina. Both the beer and non-beer volumes comprise sales of brands that we own or license, third-party brands that we brew or otherwise produce as a subcontractor and third-party products that we sell through our distribution network.

#### D. EQUITY INVESTMENTS

As of 31 December 2011, we held a 35.31% direct interest in Grupo Modelo, Mexico's largest brewer and producer of the Corona brand, and a 23.25% direct interest in Grupo Modelo's operating subsidiary Diblo, S.A. de C.V. ("Modelo"). Our direct investments in Grupo Modelo and Diblo, S.A. de C.V. give us an approximate (direct and indirect) 50.35% equity interest in Modelo. We hold nine of 19 positions on Grupo Modelo's board of directors (with a controlling shareholders trust holding the other ten positions) and also have membership on the Executive Committee. However, we do not have voting or other effective control of either Diblo or Grupo Modelo and consequently account for our investments using the equity method.

See note 16 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for further details on our equity investments.

#### E. RESULTS OF OPERATIONS

##### Year Ended 31 December 2011 Compared to Year Ended 31 December 2010

##### Volumes

Our reported volumes include both beer and non-beer (primarily carbonated soft drinks) volumes. In addition, volumes include not only brands that we own or license, but also third-party brands that we brew or otherwise produce as a subcontractor and third-party products that we sell through our distribution network, particularly in Western Europe. Volumes sold by the Global Export & Holding Companies businesses are shown separately. Our pro rata share of volumes in Grupo Modelo is not included in the reported volumes.

The table below summarizes the volume evolution by zone.

	Year ended <u>31 December 2011</u>	Year ended <u>31 December 2010</u>	<u>Change</u> <u>(%)<sup>(1)</sup></u>
	(thousand hectoliters)		
North America	124,899	129,476	(3.5)
Latin America North	120,340	120,056	0.2
Latin America South	34,565	33,854	2.1
Western Europe	30,887	31,833	(3.0)
Central & Eastern Europe	25,690	26,750	(4.0)
Asia Pacific	55,980	50,268	11.4
Global Export & Holding Companies	7,004	6,681	4.8
<b>Total</b>	<b><u>399,365</u></b>	<b><u>398,918</u></b>	<b><u>0.1</u></b>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

Our consolidated volumes for the year ended 31 December 2011 increased 0.4 million hectoliters, or 0.1%, to 399.4 million hectoliters compared to our consolidated volumes for the year ended 31 December 2010.



The results for the year ended 31 December 2011 reflect the performance of our business after the completion of certain acquisitions and disposals we undertook in 2010 and 2011. The 2010 acquisitions and disposals include the acquisition of certain distribution rights in the United States and the transaction entered into between Ambev and Cerveceria Regional S.A in Venezuela. The 2011 acquisitions include the acquisitions in China of Liaoning Dalian Daxue Brewery Co. Ltd (“Daxue”) and Henan Weixue Beer Group Co. Ltd (“Weixue”), and the acquisitions in the United States of Fulton Street Brewery LLC (“Goose Island”) and certain distribution rights. Furthermore, our volumes were impacted by the progressive termination of the transitional supply agreement to brew and supply Labatt branded beer to KPS Capital Partners, L.P. following the disposal of InBev USA in 2009 and the termination of certain Staropramen brewing and distribution rights in 2011. These transactions impacted positively our volumes by 1.3 million hectoliters (net) for the year ended 31 December 2011 compared to the year ended 31 December 2010. For further details of these acquisitions and dispositions, see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”

Excluding volume changes attributable to the acquisitions and disposals described above, our own beer volumes remained basically flat in the year ended 31 December 2011 compared to our volumes for the year ended 31 December 2010, with a difficult comparison with the 2010 volumes which saw strong growth in certain zones driven by the FIFA World Cup™. Our focus brands, which globally represented approximately 70% of our total beer volume in 2011, grew 0.8% in year ended 31 December 2011 as compared to 2010 led by Quilmes in Argentina, Antarctica in Brazil, and Budweiser and Harbin in China and Bud in Russia. On the same basis, in the period ended 30 December 2011, our non-beer volumes increased by 1.5% compared to the same period in 2010. Third party volumes decreased by 29.5% year on year due to the termination of legacy third-party commercial products contracts in Western Europe.

### ***North America***

In the year ended 31 December 2011, our volumes in North America declined by 4.6 million hectoliters or 3.5% compared to the year ended 31 December 2010. Excluding the acquisitions and disposals described above, our total volume would have decreased by 3.1%. Shipment volumes in the United States declined 3.2% with domestic United States beer sales-to-retailers adjusted for the number of selling days decreasing 3.0% for the year ended 31 December 2011 compared to 31 December 2010.

In the United States, industry volumes were impacted by weak consumer confidence, as well as poor weather and high gas prices during the second quarter of 2011. We estimate both that the industry volumes as a whole, and our market share, declined in the year ended 31 December 2011 in comparison to 2010. We estimate that we gained share with Michelob Ultra and our high end portfolio (led by Stella Artois and Shock Top) and that we maintained share with Bud Light, but as anticipated, we continued to experience market share loss in the sub-premium segment following the implementation of our strategy to close the price gap between our sub-premium and premium brands in the last quarter of 2010. We estimate that Budweiser lost market share during 2011, but that the rate of decline continued to decelerate.

In Canada, our beer volumes fell 1.3% during the year ended 31 December 2011, partly attributable to the benefit of the Winter Olympics in the first quarter of 2010, as well as industry weakness at the beginning of 2011. During the second half of 2011, the industry showed some recovery, but remained soft. We believe that Budweiser continued to consolidate its position as the country’s number one brand, gaining market share in 2011.

### ***Latin America North***

In the year ended 31 December 2011, our volumes in Latin America North remained flat compared to the same period in 2010. Excluding the transaction related to Venezuela described above, our total volumes would have increased by 0.7%, with beer volume increasing 0.5% and soft drink increasing 1.1% on the same basis. In Brazil, we estimate that industry beer volumes grew by 1.8% with our beer volume remaining basically flat for the year ended 31 December 2011, compared to the same period in 2010, following our decision to focus more on revenue management and profitability, rather than volume. Additionally, volumes in 2011 reflect difficult comparables with the strong beer growth experienced during the year ended 31 December 2010 compared to the same period in 2009, when our beer and soft drink volumes in Brazil grew by 10.7% and 7.9% respectively helped by the FIFA World Cup™, successful innovation launches and market share gains. Low growth in real disposable income in the zone also impacted our volumes in 2011.

We estimate that our market share for the year 2011 was the second highest level in the last ten years.

### ***Latin America South***

Latin America South volumes for the year ended 31 December 2011 increased by 0.7 million hectoliters, or 2.1%, with beer and non-beer volumes increasing 3.0% and 0.6%, respectively, compared to the same period in 2010. Beer volumes in Argentina grew 4.7% in the year ended 31 December 2011 compared to the same period in 2010 as a result of industry growth and market share gains. Stella Artois continued to deliver a strong performance in the premium segment. We saw growth in the Quilmes brand in 2011, supported by product innovations, including the launch of the aluminum bottle in the night-life channel.

### ***Western Europe***

Own beer volume for the year ended 31 December 2011 increased 0.4%. Our volumes, including subcontracted volumes and excluding the acquisitions and disposals described above, for the year ended 31 December 2011 decreased by 2.8%, compared to the year ended 31 December 2010, following the termination of third-party legacy commercial products contracts in the United Kingdom in March 2011. We estimate that third party products volumes in the United Kingdom represented approximately 6% of our total Western Europe volumes for the year ended 31 December 2011, down from nearly 10% in 2010.

In Belgium, own beer volume grew 1.6% in year ended 31 December 2011 mainly driven by positive industry dynamics, with market share marginally ahead of last year. The increase was partially offset by an exceptionally cold and rainy summer period. In Germany, own beer volumes increased 5.2% in the year ended 31 December 2011 driven by the relisting of our products by a major retail customer and a strong performance from our focus brands. We estimate that our market share in Germany reached its second highest level in history. In the United Kingdom, own beer volumes declined 6.0% in the year ended 31 December 2011, impacted by poor summer weather and with a difficult comparison with the growth experienced in the first half of 2010, which was driven by the FIFA World Cup™ and the re-launch of Budweiser.

### ***Central & Eastern Europe***

Our volumes for the year ended 31 December 2011 decreased 4.0% compared to the year ended 31 December 2010. In Russia, beer volumes fell 5.6% for the year ended 31 December 2011 as market conditions continued to be challenging and with difficult volume comparisons due to an exceptionally hot summer in 2010. We estimate we gained market share in value terms as a consequence of our premiumization strategy, driven by a strong performance of our super premium brands Bud, Hoegaarden and Stella Artois.

In Ukraine, beer volumes decreased 1.4% for the year ended 31 December 2011 driven by lower industry volumes, which were partially offset by market share gains following several product and packaging innovations supporting our main brand Chernigivske, including Chernigivske Gold Premium and Chezz.

### ***Asia Pacific***

For the year ended 31 December 2011, our volumes grew 5.7 million hectoliters, or 11.4%, compared to the same period in 2010. Excluding the acquisitions described above, our total volume would have increased by 6.6%. Beer volumes in China grew 6.4% for the year ended 31 December 2011 compared to the same period in 2010. Our three “focus brands” in China, Budweiser, Harbin and Sedrin, which represent almost 70% of our volume in China, grew by double digits with all three brands contributing to growth, benefiting from further geographic expansion and product innovations.

### ***Global Export & Holding Companies***

For the year ended 31 December 2011, Global Export & Holding Companies volume increased 0.3 million hectoliters, or 4.8%, compared to the same period in 2010. Excluding the transfer of activities from North America, volumes for the year ended 31 December 2011 would have increased by 3.4%.

## **Revenue**

Revenue refers to turnover less excise taxes and discounts. See “—A. Key Factors Affecting Results of Operations—Excise Taxes.”

The following table reflects changes in revenue across our business zones for the year ended 31 December 2011 as compared to our revenue for the year ended 31 December 2010.

	<u>Year ended</u> <u>31 December 2011</u>	<u>Year ended</u> <u>31 December 2010</u>	<u>Change</u> <u>(%)<sup>(1)</sup></u>
	<i>(USD million)</i>		
North America	15,304	15,296	0.1
Latin America North	11,524	10,018	15.0
Latin America South	2,704	2,182	23.9
Western Europe	3,945	3,937	0.2
Central & Eastern Europe	1,755	1,619	8.4
Asia Pacific	2,317	1,767	31.1
Global Export & Holding Companies	1,496	1,479	1.1
<b>Total</b>	<u><b>39,046</b></u>	<u><b>36,297</b></u>	<u><b>7.6</b></u>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

Our consolidated revenue was USD 39,046 million for the year ended 31 December 2011. This represented an increase of USD 2,749 million, or 7.6%, as compared to our consolidated revenue for the year ended 31 December 2010. The results for the year ended 31 December 2011 reflect the performance of our business after the completion of certain acquisitions and disposals we undertook in 2010 and 2011 and currency translation effects.

- The 2010 acquisitions and disposals include the acquisition of certain distribution rights in the United States, the transaction entered into between Ambev and Cerveceria Regional S.A in Venezuela and the disposal of certain non-core assets in the United States (collectively the “2010 acquisitions and disposals”). The 2011 acquisitions include the acquisitions in China of Daxue and Weixue, and the acquisitions in the United States of Goose Island and certain distribution rights. Furthermore, the 2011 volumes were impacted by the progressive termination of the transitional supply agreement to brew and supply Labatt branded beer to KPS following the disposal of InBev USA in 2009 (collectively the “2011 acquisitions and disposals” and together with the 2010 acquisitions and disposals, the “2010 and 2011 acquisitions and disposals”). These acquisitions and disposals negatively impacted our consolidated revenue by USD 137 million (net) for the year ended 31 December 2011 compared to the year ended 31 December 2010. For further details of these acquisitions and dispositions, see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”
- Our consolidated revenue for the year ended 31 December 2011 also reflects a favorable currency translation impact of USD 1,137 million mainly arising from currency translation effects in Latin America North, Western Europe, North America (Canada) and Asia Pacific.

Excluding the effects of the business acquisitions and disposals described above, currency translation effects and the conversion in 2011 of certain sales expenses into discount programs in Asia Pacific, our revenue would have increased 4.6% for the year ended 31 December 2011 compared to the year ended 31 December 2010. On the same basis, revenue per hectoliter improved 5.0%. The increase was driven by the consistent execution of our brand-building strategies across our markets, the implementation of revenue management best practices, as well as selective price increases in the latter part of the year in anticipation of higher commodity costs in 2012. Our consolidated revenue for the year ended 31 December 2011 was partly impacted by the developments in volume discussed above.

The main business zones contributing to growth in our consolidated revenues were Latin America North, driven by price adjustments implemented in Brazil and higher direct distribution volumes, partially offset by the impact of the federal tax increase on beer and soft drinks which took effect in April 2011; Latin America South as a result of industry growth in Argentina; Asia Pacific supported by improved brand mix, package mix and selective price increases; and estimated growth in market share by value terms in Central and Eastern Europe during 2011 driven by the performance of our super premium brands Bud, Hoegaarden and Stella Artois.

## Cost of Sales

The following table reflects changes in cost of sales across our business zones for the year ended 31 December 2011 as compared to the year ended 31 December 2010:

	Year ended 31 December 2011	Year ended 30 December 2010	Change (%) <sup>(1)</sup>
	<i>(USD million)</i>		
North America	(6,726)	(6,946)	3.2
Latin America North	(3,738)	(3,410)	(9.6)
Latin America South	(1,040)	(842)	(23.5)
Western Europe	(1,652)	(1,883)	12.3
Central & Eastern Europe	(984)	(857)	(14.8)
Asia Pacific	(1,319)	(1,008)	(30.9)
Global Export & Holding Companies	(1,174)	(1,206)	2.7
<b>Total</b>	<b>(16,634)</b>	<b>(16,151)</b>	<b>(3.0)</b>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

Our consolidated cost of sales was USD 16,634 million for the year ended 31 December 2011. This represented an increase of USD 483 million, or 3.0%, compared to our consolidated cost of sales for the year ended 31 December 2010. The results for the year ended 31 December 2011 reflect the performance of our business after the completion of certain acquisitions and disposals we undertook in 2010 and 2011 and currency translation effects.

- The 2010 and 2011 acquisitions and disposals described above positively impacted our consolidated cost of sales by USD 139 million (net) for the year ended 31 December 2011 compared to the year ended 31 December 2010. For further details of these acquisitions and dispositions, see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”
- Our consolidated cost of sales for the year ended 31 December 2011 also reflects a negative currency translation impact of USD 389 million mainly arising from currency translation effects in Latin America North, Western Europe, North America (Canada) and Asia Pacific.

Excluding the effects of the business acquisitions and disposals described above, currency translation effects, and the effect of the review of the useful lives of certain of our fixed assets performed in 2010 on depreciation expenses, our cost of sales would have increased by 1.6%. Our consolidated cost of sales for the ended 31 December 2011 was partly impacted by the developments in volume discussed above. On the same basis, cost of sales increased 1.7% on a per hectoliter basis as compared to the year ended 31 December 2011, primarily driven by higher input and production costs in Central and Eastern Europe, Latin America South and Asia Pacific. This increase was partially offset by favorable currency hedges and lower aluminum can costs in Latin America North, procurement savings and the implementation of best practice programs in North America, and the benefits of terminating legacy third-party commercial product contracts in Western Europe.

## Operating Expenses

The discussion below relates to our operating expenses, which equal the sum of our distribution expenses, sales and marketing expenses, administrative expenses and other operating income and expenses (net), for the year ended 31 December 2011 as compared to the year ended 31 December 2010. Our operating expenses do not include exceptional charges, which are reported separately.

Our operating expenses for the year ended 31 December 2011 were USD 9,805 million, representing an increase of USD 824 million, or 9.2% compared to our operating expenses for the same period 2010.

### Distribution expenses

The following table reflects changes in distribution expenses across our business zones for the year ended 31 December 2011 as compared to the year ended 31 December 2010:

	Year ended 31 December 2011	Year ended 31 December 2010	Change (%) <sup>(1)</sup>
	<i>(USD million)</i>		
North America	(807)	(774)	(4.3)
Latin America North	(1,332)	(1,128)	(18.1)
Latin America South	(227)	(180)	(26.1)
Western Europe	(409)	(393)	(4.1)
Central & Eastern Europe	(224)	(191)	(17.3)
Asia Pacific	(193)	(140)	(37.9)
Global Export & Holding Companies	(120)	(106)	(13.2)
<b>Total</b>	<b>(3,313)</b>	<b>(2,913)</b>	<b>(13.7)</b>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

Our consolidated distribution expenses were USD 3,313 million for the year ended 31 December 2011. This represented an increase of USD 400 million, or 13.7%, as compared to the year ended 31 December 2010. The results for the year ended 31 December 2011 reflect a negative currency translation impact of USD 133 million.

Excluding the effects of the currency translation effects described above, the increase in distribution expenses would have been 9.2%, resulting primarily from Latin America North, as a result of higher transportation costs in Brazil due to the temporary transfer of products between geographies in advance of new capacity coming on stream and a higher mix of direct distribution; Latin America South, due to labor cost increases above inflation; Central & Eastern Europe, led by higher transport tariffs in Russia and Ukraine at the beginning of the year; and Asia Pacific, as a result of higher volumes and fuel costs.

### Sales and marketing expenses

Marketing expenses include all costs relating to the support and promotion of brands, including operating costs (such as payroll and office costs) of the marketing departments, advertising costs (such as agency costs and media costs), sponsoring and events and surveys and market research. Sales expenses include all costs relating to the selling of products, including operating costs (such as payroll and office costs) of the sales department and sales force.

The following table reflects changes in sales and marketing expenses across our business zones for the year ended 31 December 2011 as compared to the year ended 31 December 2010:

	Year ended 31 December 2011	Year ended 31 December 2010	Change (%) <sup>(1)</sup>
	<i>(USD million)</i>		
North America	(1,640)	(1,565)	(4.8)
Latin America North	(1,263)	(1,238)	(2.0)
Latin America South	(272)	(228)	(19.3)
Western Europe	(760)	(716)	(6.1)
Central & Eastern Europe	(420)	(353)	(19.0)
Asia Pacific	(588)	(439)	(33.9)
Global Export & Holding Companies	(200)	(174)	(14.9)
<b>Total</b>	<b><u>(5,143)</u></b>	<b><u>(4,712)</u></b>	<b><u>(9.1)</u></b>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

Our consolidated sales and marketing expenses were USD 5,143 million for the year ended 31 December 2011. This represented an increase of USD 431 million, or 9.1%, as compared to our sales and marketing expenses for the year ended 31 December 2010. The results for the year ended 31 December 2011 reflect the performance of our business after the completion of certain acquisitions and disposals we undertook in 2010 and 2011 and currency translation effects.

- The 2010 and 2011 acquisitions and disposals described above positively impacted our consolidated sales and marketing expenses by USD 11 million (net) for the year ended 31 December 2011 compared to the year ended 31 December 2010. For further details of these acquisitions and dispositions, see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”
- Our consolidated sales and marketing expenses for the year ended 31 December 2011 also reflect a negative currency translation impact of USD 167 million.

Excluding the effects of the business acquisitions and disposals described above, currency translation and the conversion in 2011 of certain sales expenses into discount programs in Asia Pacific, our overall sales and marketing expenses for the year ended 31 December 2011 would have increased 4.1%, as greater brand investments across our business more than offset savings in non-working money, specifically in North America.

### Administrative expenses

The following table reflects changes in administrative expenses across our business zones for the year ended 31 December 2011 as compared to the year ended 31 December 2010:

	Year ended 31 December 2011	Year ended 31 December 2010	Change (%) <sup>(1)</sup>
	<i>(USD million)</i>		
North America	(475)	(526)	9.7
Latin America North	(535)	(518)	(3.3)
Latin America South	(85)	(75)	(13.3)
Western Europe	(305)	(291)	(4.8)
Central & Eastern Europe	(108)	(109)	0.9
Asia Pacific	(221)	(148)	(49.3)
Global Export & Holding Companies	(314)	(292)	(7.5)
<b>Total</b>	<b><u>(2,043)</u></b>	<b><u>(1,960)</u></b>	<b><u>(4.3)</u></b>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

Our consolidated administrative expenses were USD 2,043 million for the year ended 31 December 2011. This represented an increase of USD 83 million, or 4.3%, as compared to our consolidated administrative expenses for the year ended 31 December 2010. The results for the year ended 31 December 2011 reflect the performance of our business after the completion of certain acquisitions and disposals we undertook in 2010 and 2011 and currency translation effects.

- The 2010 and 2011 acquisitions and disposals described above negatively impacted our consolidated administrative expenses by USD 1 million (net) for the year ended 31 December 2011 compared to the year ended 31 December 2010. For further details of these acquisitions and dispositions, see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”
- Our consolidated administrative expenses for the year ended 31 December 2011 also reflect a negative currency translation impact of USD 78 million.

Excluding the effects of the business acquisitions and disposals and the currency translation effects described above, administrative expenses would have increased by 0.2%, as continued fixed cost savings in the United States were offset by expansion costs in Brazil and China and salary increases.

### Other operating income/(expense)

The following table reflects changes in other operating income and expenses across our business zones for the year ended 31 December 2011 as compared to the year ended 31 December 2010:

	<u>Year ended</u> <u>31 December 2011</u>	<u>Year ended</u> <u>31 December 2010</u>	<u>Change</u> <u>(%)<sup>(1)</sup></u>
	<i>(USD million)</i>		
North America	54	61	(11.5)
Latin America North	462	359	28.7
Latin America South	1	(8)	(112.5)
Western Europe	37	83	(55.4)
Central & Eastern Europe	2	7	(71.4)
Asia Pacific	90	47	91.5
Global Export & Holding Companies	48	54	(11.1)
<b>Total</b>	<b>694</b>	<b>604</b>	<b>14.9</b>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

The net positive effect of our other operating income and expenses for the year ended 31 December 2011 was USD 694 million. This represented an increase of USD 90 million, or 14.9%, compared to the year ended 31 December 2010. The results for the year ended 31 December 2011 reflect the performance of our business after the completion of certain acquisitions and disposals we undertook in 2010 and 2011 and currency translation effects.

- The 2010 and 2011 acquisitions and disposals described above negatively impacted our consolidated other operating income and expenses by USD 7 million (net) for the year ended 31 December 2011 compared to the year ended 31 December 2010. For further details of these acquisitions and dispositions, see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”
- Our consolidated other operating income and expenses for the year ended 31 December 2011 also reflect a positive currency translation impact of USD 35 million.

Excluding the effects of these business acquisitions and disposals and the currency translation effects described above, and the effect of the net present value adjustment of long-term fiscal incentives performed in 2010 in Latin America North, other operating income and expenses would have increased 25.5% for the year ended 31 December 2011 as compared to the same period in 2010 due mainly to tax incentives related to our operations in Brazil and China.

### Exceptional Items

Exceptional items are items which, in our management’s judgment, need to be disclosed separately by virtue of their size and incidence in order to obtain a proper understanding of our financial information. We consider these items to be of significance in nature, and accordingly, our management has excluded these items from their segment measures of performance.

For the year ended 31 December 2011, exceptional items consisted of restructuring charges, business and asset disposals, and acquisition costs of business combinations. Exceptional items were as follows for the year ended 31 December 2011 and 2010:

	<u>Year ended</u> <u>31 December 2011</u>	<u>Year ended</u> <u>31 December 2010</u>
	<i>(USD million)</i>	
Restructuring (including impairment losses)	(351)	(252)
Business and asset disposal (including impairment losses)	78	(16)
Acquisitions costs business combinations	(5)	—
<b>Total</b>	<b><u>(278)</u></b>	<b><u>(268)</u></b>

### *Restructuring*

Exceptional restructuring charges (including impairment losses) amounted to a net cost of USD 351 million for the year ended 31 December 2011 as compared to a net cost of USD 252 million for the year ended 31 December 2010. The 2011 charges are primarily related to organizational alignments and outsourcing activities in Western Europe, North America, China and Latin America South in order to eliminate overlapping or duplicative processes and activities across functions and zones and which are intended to provide us with a lower cost base, a stronger focus on our core activities, quicker decision-making and improvements to efficiency, service and quality, as well as the closure of the a malt plant in the United States.

### *Business and asset disposal*

Business and asset disposals (including impairment losses) amounted to a net benefit of USD 78 million for the year ended 31 December 2011 compared to a net cost of USD 16 million for the same period in 2010. USD 45 million represents mainly the net effect of the collection in July 2011 of the deferred consideration related to the disposal of the Central European operations in 2009, USD 21 million was realized on the sale of non-core assets in



Brazil and USD 11 million relates to a reversal of exceptional impairment loss on current assets. See “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”

### *Acquisition costs business combinations*

Acquisition costs of USD 5 million for the year ended 31 December 2011 were incurred in connection with the acquisition of Daxue on 28 February 2011, the acquisition of Weixue on 31 May 2011, the acquisition of Goose Island on 1 May 2011 and the acquisition of Premium Beers of Oklahoma distributorship on 30 December 2011.

### **Profit from Operations**

The following table reflects changes in profit from operations across our business zones for the year ended 31 December 2011 as compared to the year ended 31 December 2010:

	Year ended 31 December 2011	Year ended 31 December 2010	Change (%) <sup>(1)</sup>
	<i>(USD million)</i>		
North America	5,521	5,309	4.0
Latin America North	5,139	4,049	26.9
Latin America South	1,076	841	27.9
Western Europe	733	683	7.3
Central & Eastern Europe	21	118	(82.2)
Asia Pacific	77	88	(12.5)
Global Export & Holding Companies	(238)	(191)	24.6
<b>Total</b>	<b>12,329</b>	<b>10,897</b>	<b>13.1</b>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

Our profit from operations increased to USD 12,329 million for the year ended 31 December 2011. This represented an increase of USD 1,432 million, or 13.1%, as compared to our profit from operations for the year ended 31 December 2010.

- The 2010 and 2011 acquisitions and disposals described above positively impacted our consolidated profit from operations by USD 21 million (net) for the year ended 31 December 2011 compared to the year ended 31 December 2010. For further details of these acquisitions and dispositions, see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”
- Our consolidated profit from operations for the year ended 31 December 2011 also reflects a positive currency translation impact of USD 425 million.
- Our profit from operations for the year ended 31 December 2011 was impacted negatively by USD 278 million of certain exceptional items, as compared to a negative impact of USD 268 million for the year ended 31 December 2010. See “— Exceptional Items” above for a description of the exceptional items during the year ended 31 December 2011 and 2010.

See note 5 to our consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for additional information on our 2011 profit from operations.

## EBITDA, as defined

The following table reflects changes in our EBITDA, as defined, for the year ended 31 December 2011 as compared to the year ended 31 December 2010:

	Year ended 31 December 2011	Year ended 31 December 2010	Change (%)(1)
	<i>(USD million)</i>		
Profit	7,959	5,762	38.1
Net finance cost	3,137	3,736	16.0
Income tax expense	1,856	1,920	3.3
Share of result of associates	(623)	(521)	19.6
<b>Profit from operations</b>	<b>12,329</b>	<b>10,897</b>	<b>13.1</b>
Depreciation, amortization and impairment	2,783	2,788	0.2
<b>EBITDA, as defined(2)</b>	<b>15,112</b>	<b>13,685</b>	<b>10.4</b>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

A performance measure such as EBITDA, as defined, is a non-IFRS measure. The financial measure most directly comparable to EBITDA, as defined, presented in accordance with IFRS in our consolidated financial statements, is profit. EBITDA, as defined, is a measure used by our management to evaluate our business performance and is defined as profit from operations before depreciation, amortization and impairment. EBITDA, as defined, is a key component of the measures that are provided to senior management on a monthly basis at the group level, the zone level and lower levels. We believe EBITDA, as defined, is useful to investors for the following reasons.

We believe EBITDA, as defined, facilitates comparisons of our operating performance across our zones from period to period. In comparison to profit, EBITDA, as defined, excludes items which do not impact the day-to-day operation of our primary business (that is, the selling of beer and other operational businesses) and over which management has little control. Items excluded from EBITDA, as defined, are our share of results of associates, depreciation and amortization, impairment, financial charges and corporate income taxes, which management does not consider to be items that drive our company's underlying business performance. Because EBITDA, as defined, includes only items management can directly control or influence, it forms part of the basis for many of our performance targets. For example, certain options under our share-based compensation plan were granted such that they vest only when certain targets derived from EBITDA, as defined, are met.

We further believe that EBITDA, as defined, and measures derived from it, are frequently used by securities analysts, investors and other interested parties in their evaluation of our company and in comparison to other companies, many of which present an EBITDA performance measure when reporting their results.

EBITDA, as defined, does, however, have limitations as an analytical tool. It is not a recognized term under IFRS and does not purport to be an alternative to profit as a measure of operating performance, or to cash flows from operating activities as a measure of liquidity. As a result, you should not consider EBITDA, as defined, in isolation from, or as a substitute analysis for, our results of operations. Some limitations of EBITDA, as defined, are:

- EBITDA, as defined, does not reflect the impact of financing costs on our operating performance. Such costs are significant in light of our increased debt;
- EBITDA, as defined, does not reflect depreciation and amortization, but the assets being depreciated and amortized will often have to be replaced in the future;
- EBITDA, as defined, does not reflect the impact of charges for existing capital assets or their replacements;
- EBITDA, as defined, does not reflect our tax expense; and
- EBITDA, as defined, may not be comparable to other similarly titled measures of other companies because not all companies use identical calculations.

Additionally, EBITDA, as defined, is not intended to be a measure of free cash flow for management's discretionary use, as it is not adjusted for all non-cash income or expense items that are reflected in our consolidated statement of cash flows.

We compensate for these limitations, in addition to using EBITDA, as defined, by relying on our results calculated in accordance with IFRS.

Our EBITDA, as defined, increased to USD 15,112 million for the year ended 31 December 2011. This represented an increase of USD 1,427 million, or 10.4%, as compared to our EBITDA, as defined, for the year ended 31 December 2010. The results for the year ended 31 December 2011 reflect the performance of our business after the completion of the acquisitions and disposals we undertook in 2010 and 2011 discussed above and currency translation effects. Furthermore, our EBITDA, as defined, was negatively impacted by USD 245 million (before impairment losses) of certain exceptional items in the year ended 31 December 2011, as compared to a negative impact of USD 185 million (before impairment losses) during the year ended 31 December 2010. See "—Exceptional Items" above for a description of the exceptional items during the year ended 31 December 2011 and 2010.

See note 5 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for further performance measures used by our management. Also see note 10 to our audited consolidated financial statement as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for additional information regarding the allocation of our depreciation, amortization and impairment charges.

### *Net Finance Cost*

Our net finance cost items were as follows for the year ended 31 December 2011 and 2010:

	Year ended <u>31 December 2011</u>	Year ended <u>31 December 2010</u>	<u>Change</u> <u>(%)<sup>(1)</sup></u>
	<i>(USD million)</i>		
Net interest expense	(2,333)	(2,714)	14.0
Accretion expense	(209)	(159)	(31.4)
Other financial results	(55)	62	(188.7)
<b>Net finance costs before exceptional finance costs</b>	<b>(2,597)</b>	<b>(2,811)</b>	<b>7.6</b>
Mark-to-market adjustment on derivatives	(246)	(733)	66.4
Accelerated accretion expense	(77)	(192)	59.9
Other financial results	(217)	—	—
<b>Exceptional finance costs</b>	<b>(540)</b>	<b>(925)</b>	<b>41.6</b>
<b>Net finance costs</b>	<b>(3,137)</b>	<b>(3,736)</b>	<b>16.0</b>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

Our net finance cost for the year ended 31 December 2011 was USD 3,137 million, as compared to USD 3,736 million for the year ended 31 December 2010, or a decrease of USD 599 million.

Net finance cost for the year ended 31 December 2011 included exceptional finance costs of USD 540 million resulting from incremental accretion expenses of USD 77 million, mark-to-market adjustment on derivatives of USD 246 million, and fair value adjustments of USD 217 million. These expenses are a result of the repayment and refinancing of our 2010 senior bank facilities, as certain interest rate swaps hedging borrowings under our 2010

senior bank facilities became ineffective as a result of the repayment and refinancing of these facilities, the early redemption of USD 1.25 billion notes that occurred in the third quarter of 2011, as well as the early repayment of USD 500 million securities in the last quarter of 2011. While the accretion expense is a non-cash item, the cash equivalent of the negative mark-to-market adjustment will be spread over the period from 2011 to 2014. For the year ended 31 December 2010, exceptional finance costs were USD 925 million.

Excluding these exceptional finance costs, net finance costs decreased by USD 301 million to USD 2,597 million for the year ended 31 December 2011 compared to the same period in 2010. Net interest expenses reached USD 2,333 million for the year ended 31 December 2011 compared to USD 2,714 million for the same period in 2010, mainly as a result of reduced net debt levels. Other financial results for the year ended 31 December 2011 amount to a net cost of USD 55 million primarily due to gains from derivative contracts entered into to hedge risks associated with different share-based payment programs, unfavorable effects arising from intra-group currency translation fluctuations, as well as the payment of bank fees and taxes in the normal course of business.

#### ***Share of result of associates***

Our share of result of associates for the year ended 31 December 2011 was USD 623 million as compared to USD 521 million for the year ended 31 December 2010, attributable to the results of our investment in Grupo Modelo in Mexico.

#### ***Income Tax Expense***

Our total income tax expense for the year ended 31 December 2011 amounted to USD 1,856 million, with an effective tax rate of 20.2% (as compared to 26.8% for the year ended 31 December 2010). The decrease in our effective tax rate for the year ended 31 December 2011 resulted from changes of profit mix between countries with lower marginal tax rates, incremental income tax benefits in Brazil, as well as favorable outcomes on tax claims. Additionally, the effective tax rate for the year ended 31 December 2010 was unfavorably impacted by the non-deductibility of certain exceptional financial charges associated with the refinancing of our 2008 senior facilities. In 2011 and 2010 we recognized the benefit at the Ambev level from the impact of interest on equity payments and tax deductible goodwill resulting from the merger between InBev Holding Brasil S.A. and Ambev in July 2005 and the acquisition of Quinsa in August 2006. See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Ambev Special Goodwill Reserve.” The impact of the tax deductible goodwill resulting from the merger between InBev Holding Brasil S.A. and Ambev in July 2005 was to reduce income tax expense for the year ended 31 December 2011 by USD 211 million and the impact of the tax deductible goodwill resulting from the acquisition of Quinsa in August 2006 was to reduce income tax expense for the year end 2011 by USD 65 million. In December 2011, Ambev received a tax assessment related to the goodwill amortization resulting from the merger between InBev Holding Brasil S.A. and Ambev. In the event Ambev is required to pay these amounts, we shall reimburse Ambev the amount proportional to the benefit received by us pursuant to the merger protocol, as well as the respective costs. See “Item 8. Financial Information—A. Consolidated Financial Statements and Other Financial Information—Legal and Arbitration Proceedings— Ambev and its Subsidiaries—Special Goodwill Reserve” for further information.

#### ***Profit Attributable to Non-Controlling Interests***

The profit attributable to non-controlling interests was USD 2,104 million for the year ended 31 December 2011, an increase of USD 368 million from USD 1,736 million for the year ended 31 December 2010, as a result of the strong performance of Ambev as well as currency translation effects.

#### ***Profit Attributable to Our Equity Holders***

Profit attributable to our equity holders for the year ended 31 December 2011 was USD 5,855 million with basic earnings per share of USD 3.67, based on 1,595 million shares outstanding, representing the weighted average number of shares outstanding during the year ended 31 December 2011. Excluding the exceptional items discussed above, profit attributable to our equity holders for the year ended 31 December 2011 would have been USD 6,449 million and basic earnings per share would have been USD 4.04.

## Year Ended 31 December 2010 Compared to Year Ended 31 December 2009

### Volumes

The table below summarizes the volume evolution by zone for the year ended 31 December 2010 as compared to volumes for the year ended 31 December 2009.

	<u>Year ended 31 December 2010</u>	<u>Year ended 31 December 2009</u>	<u>Change</u>
	<i>(thousand hectoliters)</i>		<i>(%)<sup>(1)</sup></i>
North America	129,476	134,644	(3.8)
Latin America North	120,056	109,794	9.3
Latin America South	33,854	33,319	1.6
Western Europe	31,833	33,306	(4.4)
Central & Eastern Europe	26,750	40,178	(33.4)
Asia Pacific	50,268	52,486	(4.2)
Global Export & Holding Companies	6,681	4,875	37.0
<b>Total</b>	<b><u>398,918</u></b>	<b><u>408,603</u></b>	<b><u>(2.4)</u></b>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

See “—Year Ended 31 December 2011 Compared to Year Ended 31 December 2010—Volumes” above for more information about our volumes.

Our consolidated volumes for the year ended 31 December 2010 decreased 9.7 million hectoliters, or 2.4%, to 398.9 million hectoliters compared to our consolidated volumes for the year ended 31 December 2009.

The results for the year ended 31 December 2010 reflect the performance of our business after the completion of certain acquisitions and disposals we undertook in 2009 and 2010:

- The 2009 acquisitions and disposals include the acquisitions of Budweiser distribution rights in Paraguay and a Pepsi bottler in Bolivia and the disposals of Oriental Brewery, the Tennent’s Lager brand and associated trading assets and our Central European operations. The 2010 disposals include the transaction entered into between Ambev and Cerveceria Regional S.A. related to their business in Venezuela. Collectively, these acquisitions and disposals negatively impacted our volumes by 18.0 million hectoliters (net) for the year ended 31 December 2010 compared to the year ended 31 December 2009. For further details of these acquisitions and dispositions, see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”

Excluding volume changes attributable to the acquisitions and disposals described above and certain changes in consolidation scope in Asia Pacific, our consolidated volumes would have increased by 8.3 million hectoliters, or 2.0%, and our own beer volumes would have increased by 2.1% for the year ended 31 December 2010 compared to our volumes for the year ended 31 December 2009. The increase in volumes results mainly from continued strong performances in certain key brands led by Antarctica, Brahma and Skol in Brazil, Harbin and Budweiser in China, and Budweiser in the United Kingdom. On the same basis, in the year ended 31 December 2010, our non-beer volumes grew by 3.8% compared to our volumes for the year ended 31 December 2009.

## **North America**

In the year ended 31 December 2010, our volumes in North America declined by 5.2 million hectoliters, or 3.8%, compared to the year ended 31 December 2009, impacted in part by a transfer of activities to our Global Export & Holding Companies zone. Excluding this transfer of activities, our total volumes would have declined by 3.1% from 2009 to 2010. Shipment volumes in the United States declined 3.0% with domestic United States beer sales-to-retailers adjusted for the number of selling days decreasing 3.2% in the year ended 31 December 2010 compared to 2009. In the United States, the high levels of unemployment continued to be the main driver of industry volume decline, affecting the sub-premium and premium categories in particular. Full year 2010 market share fell by almost half a percentage point from last year driven mainly by losses in our sub-premium and non-Focus brands where we made a decision to rebalance our brand portfolio.

In Canada, our beer volumes fell 3.9% during the year ended 31 December 2010. Demand across the industry continued to be weak, leading to a second straight year of industry decline, down 1% in 2010, after 10 years of growth. Market share fell in 2010 as compared to 2009 as we continued to focus on balancing volume with profitability.

## **Latin America North**

In the year ended 31 December 2010, our volumes in the Latin America North zone grew by 10.3 million hectoliters, or 9.3%, compared to 2009. Excluding the transaction related to Venezuela described above our total volumes would have increased by 9.6%, with beer volume growth of 10.5% and soft drink growth of 7.3% on the same basis. In Brazil, beer volume grew by 10.7% in 2010 driven by strong industry growth as well as market share gains driven by product and packaging innovations, such as Antarctica Sub Zero, the roll-out of 1 Liter packaging and Skol 360.

## **Latin America South**

Latin America South volumes for the year ended 31 December 2010 increased by 0.5 million hectoliters, or 1.6%, compared to 2009. This increase includes volumes from our acquisition of Budweiser distribution rights in Paraguay and a Pepsi bottler in Bolivia in 2009. Excluding the effect of these acquisitions, our total volumes would have increased by 0.7%, as solid growth of our beer operations of 3.9% was partly offset by a 4.2% decline in our non-beer activities as a consequence of industry weakness in Argentina. Beer volumes in Argentina grew 1.7% in 2010 as compared to 2009, reflecting a weak industry performance during the first half of 2010 and improvements in the second half.

## **Western Europe**

Our volumes for the year ended 31 December 2010 declined by 1.5 million hectoliters, or 4.4%, compared to the year ended 31 December 2009. Excluding the disposals of the Tennent's Lager brand and associated trading assets described above, our own beer volumes declined 1.6%, while total volumes, including subcontracted volumes, declined 2.5% in the year ended 31 December 2010 compared to 2009. Volume growth in the United Kingdom was offset by volume declines in Germany and Belgium.

In Belgium, our own beer volume fell 4.9% between 2009 and 2010 due to social actions in January 2010, increased competition in the off-trade and the impact of severe winter weather on transport and consumption in the fourth quarter. In Germany, our own beer volumes declined 9.0% in 2010 as compared to 2009, mainly driven by a weak industry performance and a very competitive, price-driven off-trade environment, resulting in market share loss. In the United Kingdom, excluding the disposals described above, our own beer volumes grew 3.4% in the year ended 31 December 2010 compared to 2009, driven by a strong performance by Budweiser with growth in the year of 36.1%. Our United Kingdom business achieved market share gains in both the on-trade and off-trade channels, driven by Budweiser's FIFA World Cup sponsorship in addition to continued growth of Beck's Vier in the on-trade.

## Central & Eastern Europe

Our volumes for the year ended 31 December 2010 declined by 13.4 million hectoliters, or 33.4%, compared to the year ended 31 December 2009. Excluding the disposal of our Central European operations described above, our volumes decreased 0.9% between 2009 and 2010. In Russia, volumes fell 1.7% year on year reflecting industry weakness at the beginning of 2010 following inventory build-up by distributors and retailers in the fourth quarter of 2009 in anticipation of the excise tax increase that took effect in January 2010. Market share gains were achieved behind the launch of Bud in May, and the strong performance of our Focus Brand Kliskoye with growth of 5.3% in 2010. In Ukraine, beer volumes grew by 0.4% for the year ended 31 December 2010 compared to the same period in 2009, following the launch of new national campaigns for our brands Chernigivske and Rogan in the last two months of 2010.

## Asia Pacific

For the year ended 31 December 2010, our volumes declined 2.2 million hectoliters, or 4.2%, compared to the year ended 31 December 2009. Excluding the disposal of Oriental Brewery and changes in consolidation scope in the zone, our volumes in China increased by 6.0% year on year driven by the growth of our Focus brands and the successful launch of Budweiser Lime in major cities across China.

## Global Export & Holding Companies

For the year ended 31 December 2010, our Global Export & Holding Companies volume increased 1.8 million hectoliters, or 37% compared to the year ended 31 December 2009, primarily due to a transfer of activities from North America.

## Revenue

Revenue refers to turnover less excise taxes and discounts. See “—A. Key Factors Affecting Results of Operations—Excise Taxes.”

The following table reflects changes in revenue across our business zones for the full year ended 31 December 2010 as compared to our revenue for the full year ended 31 December 2009.

	Year ended 31 December 2010	Year ended 31 December 2009	Change (%) <sup>(1)</sup>
	<i>(USD million)</i>		
North America	15,296	15,486	(1.2)
Latin America North	10,018	7,649	31.0
Latin America South	2,182	1,899	14.9
Western Europe	3,937	4,312	(8.7)
Central & Eastern Europe	1,619	2,492	(35.0)
Asia Pacific	1,767	1,985	(11.0)
Global Export & Holding Companies	1,479	2,936	(49.6)
<b>Total</b>	<b>36,297</b>	<b>36,758</b>	<b>(1.3)</b>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

Our consolidated revenue was USD 36,297 million for the year ended 31 December 2010. This represented a decline of 1.3% as compared to our consolidated revenue for the year ended 31 December 2009 of USD 36,758 million. The results for the year ended 31 December 2010 reflect the performance of our business after the completion of certain acquisitions and disposals we undertook in 2009 and 2010 and currency translation effects.

- The 2009 acquisitions and disposals include the acquisitions of Budweiser distribution rights in Paraguay and a Pepsi bottler in Bolivia, offset by the disposals of InBev USA, Oriental Brewery, the Tennent's Lager brand and associated trading assets, four metal beverage can and lid manufacturing plants in the United States, Busch Entertainment Corporation, and our Central European operations (collectively, the "2009 acquisitions and disposals"). The 2010 disposals include the transaction entered into between Ambev and Cerveceria Regional S.A. related to their business in Venezuela and the disposal of certain non-core activities in North America (collectively the "2010 disposals," and together with the 2009 acquisitions and disposals, the "2009 and 2010 acquisitions and disposals"). The 2009 and 2010 acquisitions and disposals described above negatively impacted our consolidated revenue by USD 2,959 million (net) for the year ended 31 December 2010 compared to the year ended 31 December 2009. For further details of these acquisitions and dispositions, see "Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes."
- Our consolidated revenue for the year ended 31 December 2010 also reflects a favorable currency translation impact of USD 1,255 million mainly arising from currency translation effects in Latin America North.

Excluding the effects of the business acquisitions and disposals and the currency translation effects described above, our revenue would have increased 3.4% for the year ended 31 December 2010 compared to the year ended 31 December 2009. Our consolidated revenue for the year ended 31 December 2010 was partly impacted by the developments in volume discussed above. The main business zone contributing to growth in our consolidated revenues was Latin America North, where revenue growth was attributable to favorable currency translation effects, higher volumes in beer and non-beer categories and overall industry growth driven by the robust Brazilian economy. On the same basis, revenue per hectoliter grew reflecting positive momentum, in part due to selective price increases in the latter part of 2010. Such growth was partially offset by geography mix, as Latin America North, Latin America South and Asia Pacific grew faster than zones with higher revenue per hectoliter, and by the excise tax impact in Russia.

### *Cost of sales*

The following table reflects changes in cost of sales across our business zones for the full year ended 31 December 2010 as compared to the full year ended 31 December 2009:

	<b>Year ended 31 December 2010</b>	<b>Year ended 31 December 2009</b>	<b>Change</b>
	<i>(USD million)</i>		<i>(%)<sup>(1)</sup></i>
North America	(6,946)	(7,525)	7.7
Latin America North	(3,410)	(2,487)	(37.1)
Latin America South	(842)	(735)	(14.6)
Western Europe	(1,883)	(1,962)	4.0
Central & Eastern Europe	(857)	(1,194)	28.2
Asia Pacific	(1,008)	(1,052)	4.2
Global Export & Holding Companies	(1,206)	(2,243)	46.2
<b>Total</b>	<b><u>(16,151)</u></b>	<b><u>(17,198)</u></b>	<b><u>6.1</u></b>

Note:

- (1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

Our consolidated cost of sales was USD 16,151 million for year ended 31 December 2010. This represented a decrease of USD 1,047 million, or 6.1%, compared to our consolidated cost of sales for the year ended 31 December 2009. The results for the year ended 31 December 2010 reflect the performance of our business after the completion of certain acquisitions and disposals we undertook in 2009 and 2010 and currency translation effects.



- The 2009 and 2010 acquisitions and disposals described above positively impacted our consolidated cost of sales by USD 1,710 million (net) for the year ended 31 December 2010 compared to the year ended 31 December 2009. For further details of these acquisitions and dispositions, see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”
- Our consolidated cost of sales for the year ended 31 December 2010 also reflects a negative currency translation impact of USD 394 million mainly arising from currency translation effects in Latin America North and North America (Canada).

Excluding the effects of the business acquisitions and disposals and the currency translation effects described above, our cost of sales would have increased by 1.6% as compared to the year ended 31 December 2009 as higher raw material and packaging costs in Latin America North and Latin America South offset procurement savings and best practices implementation in North America and Western Europe. On the same basis, cost of sales per hectoliter decreased primarily as result of geography mix as Latin America North and Asia Pacific grew faster than zones with higher cost of sales per hectoliter.

### ***Operating expenses***

The discussion below relates to our operating expenses, which equal the sum of our distribution expenses, sales and marketing expenses, administrative expenses and other operating income and expenses (net), for the year ended 31 December 2010 as compared to the year ended 31 December 2009. Our operating expenses do not include exceptional charges, which are reported separately.

Our operating expenses for the year ended 31 December 2010 were USD 8,981 million, representing a decrease of USD 331 million, or 3.6% compared to our operating expenses for the year ended 31 December 2009.

### ***Distribution expenses***

The following table reflects changes in distribution expenses across our business zones for the full year ended 31 December 2010 as compared to the full year ended 31 December 2009:

	<u>Year ended 31 December 2010</u>	<u>Year ended 31 December 2009</u>	<u>Change (%)<sup>(1)</sup></u>
	<i>(USD million)</i>		
North America	(774)	(792)	2.3
Latin America North	(1,128)	(781)	(44.4)
Latin America South	(180)	(166)	(8.4)
Western Europe	(393)	(457)	14.0
Central & Eastern Europe	(191)	(241)	20.7
Asia Pacific	(140)	(142)	1.4
Global Export & Holding Companies	(106)	(93)	(14.0)
<b>Total</b>	<b><u>(2,913)</u></b>	<b><u>(2,671)</u></b>	<b><u>(9.1)</u></b>

Note:

- (1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

Our consolidated distribution expenses were USD 2,913 million for the year ended 31 December 2010. This represented an increase of USD 242 million, or 9.1%, as compared to the year ended 31 December 2009. The results for the year ended 31 December 2010 reflect the performance of our business after the completion of certain acquisitions and disposals we undertook in 2009 and 2010 and currency translation effects.

- The 2009 and 2010 acquisitions and disposals described above positively impacted our consolidated distribution expenses by USD 149 million (net) for the year ended 31 December 2010 compared to the year ended 31 December 2009. For further details of these acquisitions and dispositions, see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”
- Our consolidated distribution expenses for the year ended 31 December 2010 also reflect a negative currency translation impact of USD 140 million mainly arising from currency translation effects in Latin America North.

Excluding the effects of the business acquisitions and disposals and the currency translation effects described above, the increase in distribution expenses would have been 9.3% driven by higher transport tariffs in Russia and Ukraine, and higher transportation costs in Brazil and China related to geographic expansion.

### *Sales and marketing expenses*

The following table reflects changes in sales and marketing expenses across our business zones for the full year ended 31 December 2010 as compared to the full year ended 31 December 2009:

	<b>Year ended 31 December 2010</b>	<b>Year ended 31 December 2009</b>	<b>Change (%)<sup>(1)</sup></b>
	<i>(USD million)</i>		
North America	(1,565)	(1,694)	7.6
Latin America North	(1,238)	(1,016)	(21.9)
Latin America South	(228)	(182)	(25.3)
Western Europe	(716)	(798)	10.3
Central & Eastern Europe	(353)	(485)	27.2
Asia Pacific	(439)	(542)	19.0
Global Export & Holding Companies	(174)	(275)	36.7
<b>Total</b>	<b><u>(4,712)</u></b>	<b><u>(4,992)</u></b>	<b><u>5.6</u></b>

Note:

- (1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

See “—Year Ended 31 December 2011 Compared to Year Ended 31 December 2010— Sales and marketing expenses” above for more information about our sales and marketing expenses.

Our consolidated sales and marketing expenses were USD 4,712 million for the year ended 31 December 2010. This represented a decrease of USD 280 million, or 5.6%, as compared to our sales and marketing expenses for the year ended 31 December 2009. The results for the year ended 31 December 2010 reflect the performance of our business after the completion of certain acquisitions and disposals we undertook in 2009 and 2010 and currency translation effects.

- The 2009 and 2010 acquisitions and disposals described above positively impacted our consolidated sales and marketing expenses by USD 393 million (net) for the year ended 31 December 2010 compared to the year ended 31 December 2009. For further details of these acquisitions and dispositions, see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”
- Our consolidated sales and marketing expenses for the year ended 31 December 2010 also reflect a negative currency translation impact of USD 137 million.

Excluding the effects of the business acquisitions and disposals and currency translation described above and the conversion in 2010 of certain sales expenses into discount programs in Western Europe and Asia Pacific, our overall sales and marketing expenses for the year ended 31 December 2010 would have increased 2.0%, resulting from increased investments in our key brands, innovation and sponsoring activities in the early part of 2010 (e.g. FIFA World Cup), including an increase in Central and Eastern Europe to support the launch of Bud in Russia. This increase was offset in part by reductions in overhead expenses, especially in the United States.

### *Administrative expenses*

The following table reflects changes in administrative expenses across our business zones for the full year ended 31 December 2010 as compared to the full year ended 31 December 2009:

	<u>Year ended 31 December 2010</u>	<u>Year ended 31 December 2009</u>	<u>Change (%)<sup>(1)</sup></u>
	<i>(USD million)</i>		
North America	(526)	(636)	17.3
Latin America North	(518)	(551)	6.0
Latin America South	(75)	(73)	(2.7)
Western Europe	(291)	(389)	25.2
Central & Eastern Europe	(109)	(171)	36.3
Asia Pacific	(148)	(142)	(4.2)
Global Export & Holding Companies	(292)	(349)	16.3
<b>Total</b>	<u><u>(1,960)</u></u>	<u><u>(2,310)</u></u>	<u><u>15.2</u></u>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

Our consolidated administrative expenses were USD 1,960 million for the year ended 31 December 2010. This represented a decrease of USD 350 million, or 15.2%, as compared to our consolidated administrative expenses for the year ended 31 December 2009. The results for the year ended 31 December 2010 reflect the performance of our business after the completion of certain acquisitions and disposals we undertook in 2009 and 2010 and currency translation effects.

- The 2009 and 2010 acquisitions and disposals described above positively impacted our consolidated administrative expenses by USD 90 million (net) for the year ended 31 December 2010 compared to the year ended 31 December 2009. For further details of these acquisitions and dispositions, see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”
- Our consolidated administrative expenses for the year ended 31 December 2010 also reflect a negative currency translation impact of USD 44 million.

Excluding the effects of the business acquisitions and disposals, and the currency translation effects described above, administrative expenses would have decreased by 13.2% as a result of continued fixed cost savings across our business, and lower accruals for variable compensation as compared to 2009.

### *Other operating income/(expenses)*

The following table reflects changes in other operating income and expenses across our business zones for the full year ended 31 December 2010 as compared to the full year ended 31 December 2009:

	Year ended 31 December 2010	Year ended 31 December 2009	Change (%) <sup>(1)</sup>
	<i>(USD million)</i>		
North America	61	54	13.0
Latin America North	359	243	47.7
Latin America South	(8)	(12)	33.3
Western Europe	83	(107)	177.6
Central & Eastern Europe	7	(121)	105.8
Asia Pacific	47	36	30.6
Global Export & Holding Companies	54	568	(90.5)
<b>Total</b>	<b>604</b>	<b>661</b>	<b>(8.6)</b>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

The net positive effect of our other operating income and expenses for the year ended 31 December 2010 was USD 604 million. This represented a decrease of USD 57 million, or 8.6%, compared to the year ended 31 December 2009. The results for the year ended 31 December 2010 reflect the performance of our business after the completion of certain acquisitions and disposals we undertook in 2009 and 2010 and currency translation effects.

- The 2009 and 2010 acquisitions and disposals described above negatively impacted our consolidated other operating income/expenses by USD 8 million (net) for the year ended 31 December 2010 compared to the year ended 31 December 2009. For further details of these acquisitions and dispositions, see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”
- Our consolidated other operating income/expenses for the year ended 31 December 2010 also reflect a positive currency translation impact of USD 40 million.

Excluding the effects of these business acquisitions and disposals and the currency translation effects, other operating income would have decreased 13.4% for the year ended 31 December 2010 as compared to 2009 as the 2009 results were impacted by a curtailment gain in 2009 in North America following the amendment of certain U.S. pensions and post-retirement healthcare benefits as part of the Anheuser-Busch integration. As of 2010, certain intragroup transactions, previously recorded in the Zones, are recorded in the Global Export & Holding Companies Zone, with no impact on consolidated results.

### *Exceptional items*

For the year ended 31 December 2010, exceptional items consisted of restructuring charges and business and asset disposals. Exceptional items were as follows for the years ended 31 December 2010 and 2009:

	Year ended 31 December 2010	Year ended 31 December 2009
	<i>(USD million)</i>	
Restructuring (including impairment losses)	(252)	(153)
Fair value adjustments	—	(67)
Business and asset disposal (including impairment losses)	(16)	1,541
<b>Total</b>	<b>(268)</b>	<b>1,321</b>

See “—Year Ended 31 December 2011 Compared to Year Ended 31 December 2010—Exceptional items” above for more information about our exceptional items.

### ***Restructuring***

Exceptional restructuring charges amounted to USD 252 million for the year ended 31 December 2010 as compared to USD 153 million for 2009. The 2010 charges are primarily related to the continued Anheuser-Busch integration in North America and organizational alignments in Western Europe. In addition, these charges include restructuring and impairment losses related to the closure of the Hamilton Brewery in Canada. These changes aim to eliminate overlap or duplicated processes and activities across functions and zones and are intended to provide us with a lower cost base, a stronger focus on our core activities, quicker decision-making and improvements to efficiency, service and quality.

### ***Business and asset disposal***

Business and asset disposals (including impairment losses) amounted to a net charge of USD 16 million for the year ended 31 December 2010 compared to a net benefit of USD 1,541 million for the same period in 2009. For 2010, the balance reflects the net impact resulting from a gain on the settlement of the deferred portion of the sale proceeds from the disposal of Oriental Brewery of USD 50 million and positive adjustments of USD 17 million on accruals and provisions relating to certain divestitures from previous years. This was more than offset by the measurement at fair value of the retained interest in the combination in Venezuela between Ambev and Cerveceria Regional S.A. resulting in a charge of USD 31 million and losses on disposal on certain non-core Anheuser-Busch assets resulting in a net charge of USD 52 million, including a USD 65 million impairment loss. See “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”

### ***Profit from operations***

The following table reflects changes in profit from operations across our business zones for the full year ended 31 December 2010 as compared to the full year ended 31 December 2009:

	<b>Year ended 31 December 2010</b>	<b>Year ended 31 December 2009</b>	<b>Change</b>
	<i>(USD million)</i>		<i>(%)(1)</i>
North America	5,309	4,956	7.1
Latin America North	4,049	3,165	27.9
Latin America South	841	724	16.2
Western Europe	683	543	25.8
Central & Eastern Europe	118	279	(57.7)
Asia Pacific	88	96	(8.3)
Global Export & Holding Companies	(191)	1,805	(110.6)
<b>Total</b>	<b>10,897</b>	<b>11,569</b>	<b>(5.8)</b>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

Our profit from operations decreased to USD 10,897 million for the year ended 31 December 2010. This represented a decrease of USD 672 million, or 5.8%, as compared to our profit from operations for the year ended 31 December 2009. The results for the year ended 31 December 2010 reflect the performance of our business after the completion of certain acquisitions and disposals we undertook in 2009 and 2010, currency translation effects and the effects of certain exceptional items as described above. For further details of these acquisitions and dispositions, see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”

See note 5 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for additional information on our 2010 profit from operations by zone.

## EBITDA, as defined

The following table reflects changes in our EBITDA, as defined, for the full year ended 31 December 2010 as compared to the full year ended 31 December 2009:

	Year ended 31 December 2010	Year ended 31 December 2009	Change (%) <sup>(1)</sup>
	<i>(USD million)</i>		
Profit	5,762	5,877	(2.0)
Net finance cost	3,736	4,419	(15.3)
Income tax expense	1,920	1,786	7.5
Share of result of associates	(521)	(513)	(1.6)
<b>Profit from operations</b>	<b>10,897</b>	<b>11,569</b>	<b>(5.8)</b>
Depreciation, amortization and impairment	2,788	2,818	1.1
<b>EBITDA, as defined<sup>(2)</sup></b>	<b>13,685</b>	<b>14,387</b>	<b>(4.9)</b>

Note:

(1) The percentage change reflects the improvement (or worsening) of results for the period as a result of the change in each item.

See “—Year Ended 31 December 2011 Compared to Year Ended 31 December 2010— EBITDA, as defined” above for more information about our definition of EBITDA, as defined.

Our EBITDA, as defined, decreased to USD 13,685 million for the year ended 31 December 2010. This represented a decrease of USD 702 million, or 4.9%, as compared to our EBITDA, as defined, for the year ended 31 December 2009. The results for the year ended 31 December 2010 reflect the performance of our business after the completion of certain acquisitions and disposals we undertook in 2009 and 2010 and currency translation effects. For further details of these acquisitions and dispositions, see “Item 5. Operating and Financial Review—A. Key Factors Affecting Results of Operations—Acquisitions, Divestitures and Other Structural Changes.”. Furthermore, our EBITDA, as defined, was negatively impacted by USD 185 million (before impairment losses) of certain exceptional items in the year ended 31 December 2010, as compared to a positive impact of USD 1,350 million (before impairment losses) during year ended 31 December 2009. See “—Exceptional Items” above for a description of the exceptional items during the years ended 31 December 2010 and 2009.

See note 5 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for further performance measures used by our management. Also see note 10 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for additional information regarding the allocation of our depreciation, amortization and impairment charges.

### *Net finance cost*

Our net finance cost for the year ended 31 December 2010 was USD 3,736 million, as compared to USD 4,419 million for the year ended 31 December 2009, or a decrease of USD 683 million.

Net finance cost in the year ended 31 December 2010 included exceptional finance costs of USD 925 million resulting from incremental accretion expenses of USD 192 million and a USD 733 million mark-to-market adjustment as certain interest rate swaps hedging borrowings under our senior bank facilities became ineffective as a result of the repayment and refinancing of these facilities. While the accretion expense is a non-cash item, the cash equivalent of the negative mark-to-market adjustment is spread over the period 2010 to 2014. For the year ended 31 December 2009, exceptional finance costs were USD 629 million.

Excluding these exceptional finance costs, net finance costs decreased by USD 979 million to USD 2,811 million for the year ended 31 December 2010 compared to the same period in 2009. This decrease is mainly due to lower net interest charges as a result of reduced net debt levels and lower accretion expenses as bank borrowings are being reduced as a percentage of total debt, favorable foreign exchange variances arising from EUR/USD currency fluctuations and gains from derivative contracts entered into to hedge risks associated with different share-based compensation programs.

#### ***Share of result of associates***

Our share of result of associates for the year ended 31 December 2010 was USD 521 million as compared to USD 513 million for the year ended 31 December 2009, reflecting the recognition of the results of our investment in Grupo Modelo.

#### ***Income tax expense***

Our total income tax expense for the year ended 31 December 2010 amounted to USD 1,920 million, with an effective tax rate of 26.8% (as compared to 25.0% for the year ended 31 December 2009). The increase in our effective tax rate for the year ended 31 December 2010 was primarily due to the non-deductibility of certain exceptional charges associated with the refinancing and repayment of our senior bank facilities. In 2010 and 2009 we recognized the benefit at the Ambev level from the impact of tax deductible amortization of goodwill, including goodwill recognized from the merger between InBev Holding Brasil S.A. and Ambev in July 2005 and goodwill recognized from the acquisition of Quinsa in August 2006. See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Ambev Special Goodwill Reserve.” The impact of tax deductible amortization of goodwill at the Ambev level was to reduce income tax expense for the year ended 31 December 2010 by USD 270 million, with the deduction relating to the merger between InBev Holding Brasil S.A. and Ambev in July 2005 contributing a USD 198 million reduction and the deduction relating to the acquisition of Quinsa in August 2006 contributing a USD 61 million reduction. In December 2011, Ambev received a tax assessment related to the goodwill amortization resulting from the merger between InBev Holding Brasil S.A. and Ambev. In the event that Ambev is required to pay these amounts, we shall reimburse Ambev the amount proportional to the benefit received by us pursuant to the merger protocol, as well as the respective costs. See “Item 8. Financial Information—A. Consolidated Financial Statements and Other Financial Information—Legal and Arbitration Proceedings—Ambev and its Subsidiaries—Special Goodwill Reserve” for further information.

#### ***Profit (pre- and post-non-controlling interests)***

Profit attributable to our equity holders for the year ended 31 December 2010 was USD 4,026 million with basic earnings per share of USD 2.53, based on 1,592 million shares outstanding, representing the weighted average number of shares outstanding during the year ended 31 December 2010. Excluding the exceptional items discussed above, profit attributable to our equity holders for 2010 would have been USD 5,040 million and basic earnings per share would have been USD 3.17, based on 1,592 million shares outstanding. For more information regarding our earnings per share, see note 22 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011.

The profit attributable to non-controlling interests was USD 1,736 million for the year ended 31 December 2010, an increase of USD 472 million from USD 1,264 million for the year ended 31 December 2009. The increase in profit attributable to non-controlling interests was primarily due to higher Ambev profits and currency translation effects.

## F. IMPACT OF CHANGES IN FOREIGN EXCHANGE RATES

Foreign exchange rates have a significant impact on our consolidated financial statements. The following table sets forth the percentage of our revenue realized by currency for the years ended 31 December 2011, 2010 and 2009:

	Year ended 31 December,		
	2011	2010	2009
U.S. dollar	37.5%	40.4%	44.3%
Brazilian real	28.7%	26.7%	19.8%
Euro	7.8%	7.6%	8.5%
Chinese yuan	5.9%	4.8%	4.7%
Canadian dollar	5.4%	5.7%	5.3%
Argentinean peso	4.2%	3.5%	3.1%
Russian ruble	3.3%	3.3%	3.1%
Great Britain pound sterling	2.5%	3.4%	3.8%

As a result of the fluctuation of foreign exchange rates for the years ended 31 December 2011, 2010 and 2009:

- We recorded a positive translation impact of USD 1,137 million on our 2011 revenue (as compared to a positive impact of USD 1,255 million in 2010 and a negative impact of USD 2,680 million in 2009) and a positive translation impact of USD 401 million on our 2011 profit from operations (as compared to a positive impact of USD 579 million in 2010 and a negative impact of USD 768 million in 2009).
- Our 2011 reported profit (after tax) was positively affected by a USD 312 million translation impact (as compared to a positive impact of USD 559 million in 2010 and a negative translation impact in 2009 of USD 599 million), while the positive translation impact on our 2011 earnings per share base (profit attributable to our equity holders) was USD 200 million or USD 0.13 per share (as compared to a positive impact of USD 357 million or USD 0.22 per share in 2010 and a negative impact of USD 441 million or USD 0.28 per share in 2009).
- Our net debt decreased by USD 262 million in 2011 as a result of translation impacts as compared to a decrease of USD 725 million in 2010 and an increase of USD 897 million in 2009.
- Our equity decreased by USD 1,764 million in 2011 as a result of translation impacts (as compared to increases of USD 939 million in 2010 and USD 2,216 million in 2009).

## G. LIQUIDITY AND CAPITAL RESOURCES

### General

Our primary sources of cash flow have historically been cash flows from operating activities, the issuance of debt, bank borrowings and the issuance of equity securities. In 2009, asset disposals were also a source of cash flow. Our material cash requirements have included the following:

- Debt service;
- Capital expenditures;
- Investments in companies participating in the brewing, carbonated soft drinks and malting industries;
- Increases in ownership of our subsidiaries or companies in which we hold equity investments;
- Share buyback programs; and
- Payments of dividends and interest on shareholders' equity.



We are of the opinion that our working capital, as an indicator of our ability to satisfy our short-term liabilities, is, based on our expected cash flow from operations for the coming 12 months, sufficient for the 12 months following the date of this Form 20-F. Over the longer term, we believe that our cash flows from operating activities, available cash and cash equivalents and short-term investments, along with our derivative instruments and our access to borrowing facilities, will be sufficient to fund our capital expenditures, debt service and dividend payments going forward. As part of our cash flow management, we manage capital expenditures by optimizing use of our existing brewery capacity and standardizing operational processes to make our capital investments more efficient. We are also attempting to improve operating cash flow through procurement initiatives designed to leverage economies of scale and improve terms of payment to suppliers.

Equity attributable to our equity holders and non-controlling interests amounted to USD 41.0 billion as of 31 December 2011 (USD 38.8 billion as of 31 December 2010 and USD 33.2 billion as of 31 December 2009) and our net debt amounted to USD 34.7 billion as of 31 December 2011 (USD 39.7 billion as of 31 December 2010 and USD 45.2 billion as of 31 December 2009). Our overriding objectives when managing capital resources are to safeguard the business as a going concern and to optimize our capital structure so as to maximize shareholder value while keeping the desired financial flexibility to execute strategic projects.

To finance the acquisition of Anheuser-Busch in 2008, we entered into a USD 45 billion senior facilities agreement (of which USD 44 billion was ultimately drawn) and a USD 9.8 billion bridge facility agreement, enabling us to consummate the acquisition. During 2008, 2009 and 2010, we fully refinanced and repaid our obligations under these debt facilities by using the proceeds from a rights offering in 2008, cash generated from operating activities, proceeds from the disposal of activities, drawdowns from existing loan facilities, proceeds of capital market offerings and the proceeds from a new senior credit facility entered into in April 2010 (the “**2010 Senior Facilities Agreement**”). The terms of the 2010 Senior Facilities Agreement, as well as its intended use, are described under “Item 10. Additional Information—C. Material Contracts.” Over the course of 2010, we made a number of repayments to the 2010 Senior Facilities. Effective 25 July 2011, we amended the terms of the 2010 Senior Facilities Agreement. The amendment provided for an extension of the USD 8.0 billion five-year revolving credit facility maturing in April 2015 with a revised maturity of July 2016, as well as a reduced margin grid. In connection with the amendment, we fully prepaid and terminated the USD 5.0 billion three-year term facility maturing in April 2013. During 2011, we continued to refinance and repay our obligations under the 2010 senior facilities by using cash generated from operating activities, drawdowns from existing loan facilities and by using the proceeds of capital market offerings. As of 31 December 2011, there were no amounts drawn under the amended USD 8.0 billion multi-currency revolving credit facility. See “Item 5. Operating and Financial Review—H. Contractual Obligations and Contingencies—Contractual Obligations.”

Our ability to manage the maturity profile of our debt and repay our outstanding indebtedness in line with management plans will nevertheless depend upon market conditions. If such uncertain market conditions as experienced in the period between late 2007 and early 2009 and again in 2011 continue in the future, our financing costs could increase beyond what is currently anticipated. Such costs could have a material adverse impact on our cash flows, results of operations or both. In addition, an inability to refinance all or a substantial amount of our debt obligations when they become due would have a material adverse effect on our financial condition and results of operations. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—We may not be able to obtain the necessary funding for our future capital or refinancing needs and we face financial risks due to our level of debt and uncertain market conditions.”

Our cash and cash equivalents and short-term investments in debt securities less bank overdrafts as of 31 December 2011 amounted to USD 5.4 billion. As of 31 December 2011, we had an aggregate of USD 8.2 million available to us under committed long-term credit facilities. Although we may borrow such amounts to meet our liquidity needs, we principally rely on cash flows from operating activities to fund our continuing operations.

## Cash Flow

The following table sets forth our consolidated cash flows for the years ended 31 December 2011, 2010 and 2009:

	Year ended 31 December, (audited)		
	2011	2010	2009
		(USD million)	
Cash flow from operating activities	12,486	9,905	9,124
Cash flow from (used in) investing activities	(2,731)	(2,546)	5,269
Cash flow from (used in) financing activities	(8,996)	(6,757)	(13,096)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>759</b>	<b>602</b>	<b>1,297</b>

### Cash flow from operating activities

Our cash flows from operating activities for the years ended 31 December 2011, 2010 and 2009 were as follows:

	Year ended 31 December, (audited)		
	2011	2010	2009
		(USD million)	
Profit (including non-controlling interests)	7,959	5,762	5,877
Interest, taxes and non-cash items included in profit	7,420	8,503	7,353
<b>Cash flow from operating activities before changes in working capital and provisions</b>	<b>15,379</b>	<b>14,265</b>	<b>13,230</b>
Change in working capital <sup>(1)</sup>	1,409	226	787
Pension contributions and use of provisions	(710)	(519)	(548)
Interest, dividends, and taxes (paid)/received	(3,592)	(4,067)	(4,345)
<b>Cash flow from operating activities</b>	<b>12,486</b>	<b>9,905</b>	<b>9,124</b>

Note:

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

Non-cash items included in profit include: depreciation, amortization and impairments, including impairment losses on receivables and inventories; additions and reversals in provisions and employee benefits; losses and gains on sales of property, plant and equipment, intangible assets, subsidiaries and assets held for sale; equity share-based payment expenses; share of result of associates; net finance cost; income tax expense and other non-cash items included in profit. Please refer to our consolidated cash flow statement in our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for a more comprehensive overview of our cash flow from operating activities.

Our primary source of cash flow for our ongoing activities and operations is our cash flow from operating activities. For extraordinary transactions (such as the Anheuser-Busch acquisition), we may, from time to time, also rely on cash flows from other sources. See “—Cash Flow from Investing Activities” and “—Cash Flow from Financing Activities,” below.

Net cash from operating activities in 2011 increased by USD 2,581 million, or 26.1%, from USD 9,905 million in 2010 to USD 12,486 million in 2011. The increase mainly results from higher profits generated in 2011 and strong contribution from changes in working capital. The working capital improvements reflected primarily the results of ongoing trade payables initiatives. In addition, there was an increase in trade payables related to higher capital expenditures, these payables having, on average, longer payment terms.

We devote substantial efforts to the efficient use of our working capital, especially those elements of working capital that are perceived as ‘core’ (including trade receivables, inventories and trade payables). The initiatives to improve our working capital include the implementation of best practices on collection of receivables and inventory management, such as optimizing our inventory levels per stock taking unit, improving the batch sizes in our production process and optimizing the duration of overhauls. Similarly, we aim to efficiently manage our payables by reviewing our standard terms and conditions on payments and resolving, where appropriate, the terms of payment within 120 days upon receipt of invoice. Changes in working capital contributed USD 1,409 million to operational cash flow in 2011. This contribution includes a USD 221 million cash inflow from derivatives. Excluding the impact of derivatives, working capital management would have resulted in a positive USD 1,188 million cash impact.

Net cash from operating activities in 2010 increased by USD 781 million, or 8.6% from USD 9,124 million in 2009 to USD 9,905 million in 2010. The improvement was the combined result of an increase in our operating results and dividends received from Grupo Modelo, offset by a smaller positive change in working capital and the cash generated from operating activities of the businesses disposed in 2009 which are included in the reported figures of 2009.

### **Cash Flow from Investing Activities**

Our cash flows from investing activities for the years ended 31 December 2011, 2010 and 2009 were as follows:

	Year ended 31 December (audited)		
	2011	2010	2009
	<i>(USD million)</i>		
Net capital expenditure <sup>(1)</sup>	(3,256)	(2,123)	(1,386)
Acquisition and sale of subsidiaries and associates, net of cash acquired/disposed of, <sup>(2)</sup>	(25)	(28)	4,624
Proceeds from the sale of associates and assets held for sale	39	146	1,813
Proceeds from the sale of / (investment in) short-term debt securities	529	(604)	—
Other <sup>(2)</sup>	(18)	63	218
<b>Cash flow from (used in) investing activities<sup>(2)</sup></b>	<b><u>(2,731)</u></b>	<b><u>(2,546)</u></b>	<b><u>5,269</u></b>

Notes:

- (1) Net capital expenditure consists of acquisitions of plant, property and equipment and of intangible assets, minus proceeds from sale.
- (2) Reclassified to conform to the 2011 presentation.

Net cash used in investing activities was USD 2,731 million in 2011 as compared to USD 2,546 million in 2010. The increase is due to higher capital expenditures, mainly in Brazil and in China. This increase was partially offset by USD 529 million of proceeds from the sale of short term Brazilian real denominated government debt securities which we had invested in during 2010.

Net cash used in investing activities was USD 2,546 million in 2010 as compared to USD 5,269 million of cash realized from investing activities during 2009. This difference mainly results from the cash inflow from the disposal program we executed in 2009. In addition, net capital expenditures increased from USD 1,386 million in 2009 to USD 2,123 million in 2010, mainly due to higher investments in the growth regions of Brazil and China. During 2010, we invested USD 604 million in Brazilian real denominated government debt securities in order to facilitate liquidity and capital preservation.

### **Cash Flow from Financing Activities**

Our cash flows from financing activities for the years ended 31 December 2011, 2010 and 2009 were as follows:

	Year ended 31 December (audited)		
	2011	2010	2009
	<i>(USD million)</i>		
Dividends paid <sup>(1)</sup>	(3,088)	(1,924)	(1,313)
Net (payments on) / proceeds from borrowings	(4,558)	(4,290)	(11,793)
Net proceeds from the issue of share capital	155	215	76
Other (including net financing costs other than interest)	(1,505)	(758)	(66)
<b>Cash flow from (used in) financing activities</b>	<b>(8,996)</b>	<b>(6,757)</b>	<b>(13,096)</b>

Note:

- (1) Dividends paid in 2011 consisted primarily of USD 1,771 million paid by Anheuser-Busch InBev SA/NV and USD 1,256 million paid by Ambev. Dividends paid in 2010 consisted primarily of USD 826 million paid by Anheuser-Busch InBev SA/NV and USD 1,097 million paid by Ambev. Dividends paid in 2009 consisted primarily of USD 598 million paid by Anheuser-Busch InBev SA/NV and USD 680 million paid by Ambev.

Cash flows used in financing activities amounted to USD 8,996 million in 2011, as compared to cash used in financing activities for the year ended 31 December 2010 of USD 6,757 million. The 2011 cash flow from financing activities reflects higher dividend pay outs as compared to 2010, net repayments from borrowings as well as settlements of derivatives not part of a hedging relationship.

Cash flows used in financing activities amounted to USD 6,757 million for the year ended 31 December 2010, as compared to USD 13,096 million of cash used in financing activities for the year ended 31 December 2009, mainly reflecting higher dividend pay out, reduced net repayments from borrowings partly offset by settlement of derivatives not part of a hedging relationship.

### **Transfers from Subsidiaries**

The amount of dividends payable by our operating subsidiaries to us is subject to, among other restrictions, general limitations imposed by the corporate laws, capital transfer restrictions and exchange control restrictions of the respective jurisdictions where those subsidiaries are organized and operate. For example, in Brazil, which accounted for 41.7% of our actual reported profit from operations for the year ended 31 December 2011, current legislation permits the Brazilian government to impose temporary restrictions on remittances of foreign capital abroad in the event of a serious imbalance or an anticipated serious imbalance in Brazil's balance of payments. For approximately six months in 1989 and early 1990, the Brazilian government froze all dividend and capital repatriations held by the Central Bank that were owed to foreign equity investors in order to conserve Brazil's foreign currency reserves.

Dividends paid to us by certain of our subsidiaries are also subject to withholding taxes. Withholding tax, if applicable, generally does not exceed 10%.

Capital transfer restrictions are also common in certain developing countries, and may affect our flexibility in implementing a capital structure we believe to be efficient. For example, China has very specific approval regulations for all capital transfers to or from the country and certain capital transfers to and from Ukraine are subject to obtaining a specific permit.

## Funding Sources

### *Funding Policies*

We aim to secure committed credit lines with financial institutions to cover our liquidity risk on a 12-month and 24-month basis. Liquidity risk is identified using both the budget and strategic planning process input of the group on a consolidated basis. Depending on market circumstances and the availability of local debt capital markets, we may decide, based on liquidity forecasts, to secure funding on a medium- and long-term basis.

We also seek to continuously optimize our capital structure targeting to maximizing shareholder value while keeping desired financial flexibility to execute strategic projects. Our capital structure policy and framework aims to optimize shareholder value through cash flow distribution to us from our subsidiaries, while maintaining an investment-grade rating and minimizing investments with returns below our weighted average cost of capital.

### *Cash and Cash Equivalents and Short-Term Investments*

Our cash and cash equivalents and short-term investments less bank overdrafts at each of 31 December 2011, 2010 and 2009 were as follows:

	Year ended 31 December		
	2011	2010	2009
	(audited)		
	(USD million)		
Cash and cash equivalents	5,320	4,511	3,689
Bank overdrafts	(8)	(14)	(28)
Investment in short-term debt securities	103	641	30
<b>Cash and Cash Equivalents and Short-Term Investments</b>	<b><u>5,415</u></b>	<b><u>5,138</u></b>	<b><u>3,691</u></b>

### *Borrowings*

To finance the Anheuser-Busch acquisition, we entered into the 2008 Senior Facilities Agreement of which USD 44 billion was ultimately drawn. During 2009 and 2010, we refinanced and repaid our obligations under the 2008 Senior Facilities Agreement by using cash generated from operating activities, proceeds from our disposal program, drawdowns from existing loan facilities, proceeds of debt capital market offerings and proceeds from the 2010 Senior Facilities Agreement we entered into on 26 February 2010 (of which USD 10.1 billion was ultimately drawn). The 2010 Senior Facilities Agreement comprised a USD 5.0 billion term loan maturing in 2013 and a USD 8.0 billion multi-currency revolving credit facility maturing in 2015.

Effective 25 July 2011, we amended the terms of the 2010 Senior Facilities Agreement. The amendment provides an extension of the USD 8.0 billion five-year revolving credit facility maturing in April 2015 with a revised maturity of July 2016, as well as a reduced margin grid. In connection with the amendment, we fully prepaid and terminated the USD 5.0 billion three-year term facility maturing in April 2013. The amendment further extends our debt maturities and, as evidenced by the improved margin grid, materializes our enhanced credit profile. The terms of the 2010 Senior Facilities Agreement, its amendments, and as well as its intended use, are described under “Item 10. Additional Information—C. Material Contracts.”

In addition, during 2011, we continued to refinance and repay our obligations under the 2010 Senior Facilities Agreement by using cash generated from operations, drawdowns from existing loan facilities and by using the proceeds of debt capital market offerings. As of 31 December 2011, there are no amounts drawn under the amended USD 8.0 billion multi-currency revolving credit facility.

Furthermore, in 2011, we completed the following debt capital market offerings, exchange offer and early redemptions:

- **January 2011 Notes Offering.** On 27 January 2011, we issued three series of notes in an aggregate principal amount of USD 1.65 billion, consisting of USD 650 million aggregate principal amount of floating rate notes due 2014, bearing interest at three-month LIBOR plus a spread of 0.55%; USD 500 million aggregate principal amount of notes due 2016, bearing interest at a rate of 2.875%; and USD 500 million aggregate principal amount of notes due 2021, bearing interest at a rate of 4.375%. The net proceeds from the January 2011 Notes offering were used to repay USD 1.1 billion of the 2010 Senior Facilities, which is described under “Item 10. Additional Information—C. Material Contracts.”
- **June 2011 Notes Offering.** On 2 June 2011, we closed an offering of EUR 750 million aggregate principal amount of notes due 2 June 2021, which bear interest at 4% per annum (the “June EUR Notes”). The June EUR Notes were issued in compliance with Regulation S of the Securities Act, under the Euro Medium Term Note Program base prospectus published on 17 May 2011. We used the USD 1,063 million net proceeds to repay certain outstanding indebtedness under our 2010 Senior Facilities Agreement.
- **June 2011 Notes Redemption.** On 20 June 2011, we redeemed the USD 1,250 million outstanding principal amount of our 7.20% notes due 2014 (the “2014 Redeemed Notes”) at an aggregate redemption price of USD 1,431 million. The source of funds for the redemption was the 2010 Revolving Facility under the 2010 Senior Facilities Agreement. As a result of this transaction, exceptional finance costs of approximately USD 181 million were recognized during the second quarter of 2011 as the redemption price differed from the amortized cost of these 2014 Redeemed Notes. Additionally, exceptional finance costs include an incremental accretion expense and a one-time mark-to-market adjustment of approximately USD 14 million as a portion of the interest rates swaps, hedging borrowings under these 2014 Redeemed Notes was no longer effective.
- **July 2011 Notes Offering.** On 14 July 2011, we announced that one of our subsidiaries, Anheuser-Busch InBev Worldwide Inc., issued USD 1.05 billion aggregate principal amount of bonds, consisting of USD 300 million aggregate principal amount of floating rate notes due 2014 and USD 750 million aggregate principal amount of fixed rate notes due 2014. The notes bear interest at an annual rate of 36 basis points above three-month LIBOR for the floating rate notes and 1.50% for the fixed rate notes.
- **September 2011 Notes Redemption.** On 26 September 2011, we exercised our option to early redeem certain Anheuser-Busch notes in an aggregate principal amount of USD 263 million, consisting of USD 163 million aggregate principal amount of fixed rate notes due 2023 and USD 100 million aggregate principal amount of fixed rate notes due 2017 bearing interest at a rate of 5.35% and 5.491% respectively. As a result of this transaction, incremental accretion expense of approximately USD 48 million were recognized in exceptional finance costs during the third quarter of 2011.
- **November 2011 Notes Redemption.** On 7 November 2011, Ambev exercised its option to early redeem securities in an aggregate principal amount of USD 500 million due 2013 and bearing interest at a rate of 8.75%. As a result of this transaction, exceptional finance costs of approximately USD 50 million were recognized during the fourth quarter of 2011 as the redemption price differed from the amortized cost of these redeemed notes.

Since the completion of the acquisition of Anheuser-Busch, Anheuser-Busch InBev SA/NV has guaranteed the outstanding capital markets debt previously issued or guaranteed by Anheuser-Busch and may guarantee Anheuser-Busch’s obligations under any guarantee provided by Anheuser-Busch of its subsidiaries’ other debt obligations. As of 31 December 2011, the Anheuser-Busch obligations guaranteed by Anheuser-Busch InBev SA/NV amounted to USD 5.4 billion.

Most of our other interest-bearing loans and borrowings are for general corporate purposes, based upon strategic capital structure concerns, although certain borrowings are incurred to fund significant acquisitions of subsidiaries, such as the borrowings to fund the Anheuser-Busch acquisition. Although seasonal factors affect the business, they have little effect on our borrowing requirements.

We have a Belgian commercial paper program under which Anheuser-Busch InBev SA/NV and Cobrew NV/SA may issue and have outstanding at any time commercial paper notes up to a maximum aggregate amount of EUR 1.0 billion (USD 1.3 billion) or its equivalent in alternative currencies. The proceeds from the issuance of any such notes may be used for general corporate purposes. The notes may be issued in two tranches: Tranche A has a maturity of not less than seven and not more than 364 days from and including the day of issue; Tranche B has a maturity of not less than one year. As of 31 December 2011, we had borrowed approximately USD 1.3 billion under the program. Our ability to borrow additional amounts under the program is subject to investor demand. If we are ever unable to refinance under this commercial program as it becomes due, we may borrow up to an amount of EUR 125 million (USD 167 million) under a committed special-purpose credit line or access funding through the use of our other committed lines of credit.

In June 2011, we also established a U.S. commercial paper program for an aggregate outstanding amount not exceeding USD 3.0 billion. We use the net proceeds from this program, before expenses, for general corporate purposes. As of 31 December 2011, the total outstanding commercial paper under this program amounts to USD 999 million.

At the time of the Anheuser-Busch acquisition, the interest rate for an amount of up to USD 34.5 billion had effectively been fixed through a series of hedge arrangements at a weighted average rate of 3.875% per annum (plus applicable fixed spreads) for the period 2009 to 2011 and a portion of the hedging arrangements had been successively extended for an additional two-year period. In 2009, we repaid part of the 2008 Senior Facilities and in 2010, the 2008 Senior Facilities were fully refinanced and partially replaced by the 2010 Senior Facilities. Following the repayment and refinancing activities performed throughout 2009, 2010 and 2011, we entered into new interest rate swaps to unwind the ones that became freestanding as a result of these repayments. As of 31 December 2011, there are no remaining open positions covering the interest exposure on the outstanding balance drawn under the 2010 Senior facilities. As a result of the partial prepayment of amounts drawn under the 2008 and 2010 Senior Facilities Agreement during 2009, 2010 and 2011, we recognized an exceptional finance cost of USD 474 million in 2009, of USD 733 million in 2010 and of USD 235 million in 2011 in hedging losses, as the interest rate swaps hedging the repaid parts of the Senior Facilities Agreements were no longer effective. Please refer to note 28 of our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011, "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Market Risk, Hedging and Financial Instruments".

Our borrowings are linked to different interest rates, both variable and fixed. As of 31 December 2011, after certain hedging and fair value adjustments, USD 9.9 billion, or 24.5%, of our interest-bearing financial liabilities (which include loans, borrowings and bank overdrafts) bore a variable interest rate, while USD 30.3 billion, or 75.5%, bore a fixed interest rate. Our net debt is denominated in various currencies, though primarily in the U.S. dollar, the euro, the Brazilian real, the pound sterling and the Canadian dollar. Our policy is to have our subsidiaries incur debt in their functional currencies, through long-term or short-term borrowing arrangements, either directly in their functional currencies or indirectly through hedging arrangements, to the extent possible.

The currency of borrowing is driven by various factors in the different countries of operation, including a need to hedge against functional currency inflation, currency convertibility constraints, or restrictions imposed by exchange control or other regulations. In accordance with our policy aimed at achieving an optimal balance between cost of funding and volatility of financial results, we seek to match borrowing liabilities to functional currency cash flow, and may enter into certain financial instruments in order to mitigate currency risk. We have also entered into certain financial instruments in order to mitigate interest rate risks. For further details on our approach to hedging foreign currency and interest rate risk, please refer to note 28 of our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 and "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Market Risk, Hedging and Financial Instruments."

Since the Anheuser-Busch acquisition, we adopted a hybrid currency matching model pursuant to which we may (i) match net debt currency exposure to cash flows in such currency, measured on the basis of EBITDA, as defined, adjusted for exceptional items, by swapping a significant portion of U.S. dollar debt to other currencies, such as Brazilian real (with a higher coupon), although this would negatively impact our profit and earnings due to the higher Brazilian real interest coupon, and (ii) use U.S. dollar cash flows to service interest payments under our debt obligations. Please refer to note 28 of our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 and “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Market Risk, Hedging and Financial Instruments—Foreign Currency Risk” for further details of our hedging arrangements. For our definition of EBITDA, as defined, see “Item 5. Operating and Financial Review—E. Results of Operations—Year Ended 31 December 2011 Compared to Year Ended 31 December 2010—EBITDA, as defined.”

We were in compliance with all our debt covenants as of 31 December 2011. The 2010 Senior Facility Agreement does not include restrictive financial covenants. For further details regarding our total current and non-current liabilities, please refer to note 23 of our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011.

The following table sets forth the level of our current and non-current interest-bearing loans and borrowings as of 31 December 2011 and 2010:

	<b>Year ended 31 December (audited)</b>	
	<b>2011</b>	<b>2010<sup>(2)</sup></b>
	<i>(USD million)</i>	
Secured bank loans	155	137
Commercial papers	2,287	1,002
Unsecured bank loans	4,602	10,037
Unsecured bond issues	32,902	33,339
Secured other loans	6	6
Unsecured other loans	80	244
Finance lease liabilities	125	115
<b>Total<sup>(1)</sup></b>	<b><u>40,157</u></b>	<b><u>44,880</u></b>

Notes:

- (1) Total shown excludes USD 8 million and USD 14 million of bank overdrafts in 2011 and 2010, respectively.
- (2) Reclassified to conform to the 2011 presentation.

The following table sets forth the contractual maturities of our interest-bearing liabilities as of 31 December 2011:

	<b>Carrying Amount<sup>(1)</sup></b>	<b>Less than</b>			
		<b>1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
		<i>(USD million)</i>			
Secured bank loans	155	60	56	33	6
Commercial papers	2,287	2,287	—	—	—
Unsecured bank loans	4,602	580	516	3,505	1
Unsecured bond issues	32,902	2,624	7,957	4,553	17,768
Secured other loans	6	—	6	—	—
Unsecured other loans	80	3	26	12	39
Finance lease liabilities	125	5	3	4	113
<b>Total<sup>(2)</sup></b>	<b><u>40,157</u></b>	<b><u>5,559</u></b>	<b><u>8,564</u></b>	<b><u>8,107</u></b>	<b><u>17,927</u></b>



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Notes:

- (1) “Carrying Amounts” refers to net book value as recognized in the balance sheet at 31 December 2011.
- (2) Total shown excludes USD 8 million of bank overdrafts in 2011.

Please refer to note 28 of our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for a description of the currencies of our financial liabilities and a description of the financial instruments we use to hedge our liabilities.

### **Credit Rating**

As of 31 March 2012, our credit rating from Standard and Poor’s is A- for long-term obligations and A-2 for short-term obligations, with a stable outlook, and our credit rating from Moody’s Investors Service is A3 for long-term obligations and P-2 for short-term obligations, with a positive outlook. Credit ratings may be changed, suspended or withdrawn at any time and are not a recommendation to buy, hold or sell any of our or our subsidiaries’ securities. Any change in our credit ratings could have a significant impact on the cost of debt capital to us and/or our ability to raise capital in the debt markets.

### **Capital Expenditures**

We spent USD 3,256 million during 2011 on acquiring capital assets (net of proceeds from the sale of property, plant, equipment and intangible assets). The increase compared to 2010 was primarily related to investments in capacity expansion in Brazil and China in order to meet demand in these growth markets. Out of the total capital expenditures of 2011 approximately 57% was used to improve our production facilities while 33% was used for logistics and commercial investments. Approximately 10% was used for improving administrative capabilities and purchase of hardware and software. Our capital expenditures are primarily funded through cash from operating activities.

We spent USD 2,123 million during 2010 on acquiring capital assets (net of proceeds from the sale of property, plant, equipment and intangible assets). The increase in comparison with 2009 primarily relates to higher investments in the growth regions of Brazil and China. Of our total capital expenditures in 2010, approximately 53% was used to improve our production facilities while 38% was used for logistics and commercial investments. Approximately 9% was used for improving administrative capabilities and purchase of hardware and software.

We spent USD 1,386 million in 2009 on acquiring capital assets. Of this amount, approximately 47% was used to improve our production facilities, while 43% was used for logistics and commercial investments. Approximately 10% was used for improving administrative capabilities and purchase of hardware and software.

### **Research and Development**

In 2011, we spent USD 175 million (USD 184 million in 2010 and USD 159 million in 2009) in the area of market research and on innovation in the areas of process optimization and product development at our Belgian R&D center and across our zones. For further information, see “Item 4. Information on the Company—B. Business Overview—10. Intellectual Property; Research & Development—Research & Development.”

### **Investments and Disposals**

The acquisitions or disposals we undertook in 2010 and 2011 did not result in our liquidity increasing or decreasing in a material way.

We acquired the Budweiser distribution rights in Paraguay for USD 24 million in April 2009 and we bought a Pepsi bottler in Bolivia for USD 27 million in March 2009.

During 2009, we also disposed of certain of our businesses:

- On 13 March 2009, we completed the sale of InBev USA, the exclusive importer of Labatt branded beer in the United States, to an affiliate of KPS Capital Partners, LP to satisfy requirements imposed by the U.S. Department of Justice in connection with its clearance of our acquisition of Anheuser-Busch.
- On 30 April 2009, we completed the sale of 19.9% of Tsingtao to Asahi Breweries, Ltd. for USD 667 million. We used the net proceeds from this divestiture to repay part of the 2008 Senior Facilities we incurred to finance the Anheuser-Busch acquisition. On 8 May 2009, we announced that we had entered into an agreement with a private investor, Mr. Chen Fashu, to sell our remaining 7% stake in Tsingtao for USD 235 million. The sale was completed on 5 June 2009.
- On 24 July 2009, we completed the sale of Oriental Brewery, South Korea's second largest brewery, to an affiliate of Kohlberg Kravis Roberts & Co. L.P. for USD 1.8 billion, which resulted in USD 1.5 billion of cash proceeds and receipt of a USD 0.3 billion note receivable at closing. On 12 March 2010, the note receivable was sold for USD 0.3 billion in cash. We expect to continue our relationship with Oriental Brewery through the exchange of best practices, by granting Oriental Brewery exclusive distribution rights over certain brands in South Korea including Budweiser, Bud Ice and Hoegaarden, and by having an ongoing contingent interest in Oriental Brewery through an agreed earn-out. In addition, we will have the right, but not the obligation, to reacquire Oriental Brewery five years after the closing of the transaction based on predetermined financial terms. The divestiture of Oriental Brewery was part of our ongoing deleveraging program and allowed us to repay debt incurred as a result of the Anheuser-Busch acquisition.
- On 29 September 2009, we completed the sale of our Tennent's Lager brand and associated trading assets in Scotland, Northern Ireland and the Republic of Ireland (part of InBev UK Limited) to C&C Group plc for a total enterprise value of GBP 180 million. Included in the sale are the Glasgow Wellpark Brewery in Scotland, where Tennent's Lager is brewed, rights to the Tennent's Lager brand itself, Tennent's Ales and assets located in Scotland, Northern Ireland and the Republic of Ireland. As part of the agreement, we appointed C&C Group as distributor of certain of our brands in Scotland, Northern Ireland and the Republic of Ireland, and C&C Group granted us a license to use the Tennent's Super and Tennent's Pilsner brands in certain jurisdictions.
- On 1 October 2009, we completed the sale of four metal beverage can and lid manufacturing plants from our U.S. metal packaging subsidiary, Metal Container Corporation, to Ball Corporation for an aggregate purchase price of USD 577 million. In connection with this transaction, Ball Corporation has entered into a long-term supply agreement to continue to supply us with metal beverage cans and lids from the divested plants, and has committed, as part of the acquisition agreement, to offer employment to each active employee of the plants.
- On 1 December 2009, we completed the sale of our indirect wholly-owned subsidiary, Busch Entertainment Corporation, to an entity established by Blackstone Capital Partners V L.P., for up to USD 2.7 billion. The purchase price was comprised of a cash payment of USD 2.3 billion and a right to participate in Blackstone Capital Partners' return on its initial investment, which is capped at USD 400 million.
- On 2 December 2009, we completed the sale of our Central European operations to CVC Capital Partners for an enterprise value of USD 2.2 billion, of which USD 1.6 billion was cash, USD 448 million was received as an unsecured deferred payment obligation with a six-year maturity and USD 165 million represents the estimated value to minorities. On 15 July 2011, the note receivable plus accrued interest was sold for USD 0.5 billion in cash. We also received additional rights to a future payment up to USD 800 million contingent on CVC's return on its initial investments. As a result of the sale, we recorded a capital gain of approximately USD 1.1 billion. Under the terms of the agreement, our operations in Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Kosovo, Montenegro, Romania, Serbia and Slovakia were sold. The business we sold to CVC Capital Partners in 2009 has rights to brew and/or distribute Stella Artois, Beck's, Löwenbräu, Hoegaarden, Spaten and Leffe in the above countries under license from us. On 3 April 2012, CVC announced plans to sell the business to

Molson Coors Brewing Company. None of the contingent future consideration from our sale to CVC to which we may be entitled has yet been paid. Any payments will depend on the return on CVC's investment following closing of the announced Molson Coors deal and thereafter. As of 31 December 2011, we retain rights to brew and distribute Staropramen in Ukraine and Russia and to distribute Staropramen in Germany, Canada and Italy.

In addition, under the Ambev Exchange of Share Ownership-Program, a number of Ambev shareholders who are part of our senior management exchanged Ambev shares for our shares which increased our economic interest percentage in Ambev.

### Net Debt and Equity

We define net debt as non-current and current interest-bearing loans and borrowings and bank overdrafts minus debt securities and cash. Net debt is a financial performance indicator that is used by our management to highlight changes in our overall liquidity position. We believe that net debt is meaningful for investors as it is one of the primary measures our management uses when evaluating our progress towards deleveraging.

The following table provides a reconciliation of our net debt to the sum of current and non-current interest bearing loans and borrowings as of the dates indicated:

	<b>31 December (audited)</b>	
	<b>2011</b>	<b>2010</b>
	<i>(USD million)</i>	
Non-current interest bearing loans and borrowings	34,598	41,961
Current interest bearing loans and borrowings	5,559	2,919
<b>Total</b>	<b>40,157</b>	<b>44,880</b>
Bank overdrafts	8	14
Cash and cash equivalents	(5,320)	(4,511)
Interest-bearing loans granted (included within Trade and other receivables)	(30)	(38)
Debt securities (included within Investment securities) <sup>(1)</sup>	(127)	(641)
<b>Total net debt</b>	<b>34,688</b>	<b>39,704</b>

Note:

- (1) See note 23 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011.

Net debt as of 31 December 2011 was USD 34.7 billion, a reduction of USD 5.0 billion as compared to 31 December 2010, driven by strong cash flow generation. Apart from operating results net of capital expenditures, our net debt was mainly impacted by dividend payments to our shareholders and to Ambev shareholders totaling USD 3,088 million; the payment of interest and taxes, amounting to USD 3,998 million; and the impact of changes in foreign exchange rates, resulting in a USD 262 million decrease in net debt.

Net debt as of 31 December 2010 was USD 39.7 billion, a reduction of USD 5.5 billion as compared to 31 December 2009, driven by strong cash flow generation. Apart from operating results net of capital expenditures, our net debt was mainly impacted by dividend payments to our shareholders and to AmBev shareholders totaling USD 1,924 million; the payment of interest and taxes, amounting to USD 4,450 million; and the impact of changes in foreign exchange rates, resulting in a USD 725 million decrease in net debt.

Consolidated equity attributable to our equity holders as at 31 December 2011 was USD 37,492 million, compared to USD 35,259 million at the end of 2010. The combined effect of the strengthening of mainly the closing rates of the Chinese yuan, and the weakening of mainly the closing rates of the Argentinean peso, the Brazilian real, the Canadian dollar, the euro, the Mexican peso, the pound sterling, the Russian ruble, and the Ukrainian hryvnia, resulted in a negative foreign exchange translation adjustment of USD 1,764 million.

Consolidated equity attributable to our equity holders as at 31 December 2010 was USD 35,259 million, compared to USD 30,318 million at the end of 2009. The combined effect of the strengthening of mainly the closing rates of the Brazilian real, the Canadian dollar, the Chinese yuan, the Mexican peso and the Ukrainian hryvnia, and the weakening of mainly the closing rates of the Argentinean peso, the euro, the pound sterling and the Russian ruble, resulted in a positive foreign exchange translation adjustment of USD 939 million.

Further details on equity movements can be found in our consolidated statement of changes in equity to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended, 31 December 2011.

See “—Borrowings” above for details of long-term debt we entered into during 2011.

## H. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

### Contractual Obligations

The following table reflects certain of our contractual obligations, and the effect such obligations are expected to have on our liquidity and cash flows in future periods, as of 31 December 2011:

Contractual Obligations	Contractual cash flows <sup>(2)</sup>	Payment Due By Period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
		<i>(USD million)</i>			
Secured bank loans	169	65	62	36	6
Commercial papers	2,291	2,291	—	—	—
Unsecured bank loans	5,073	715	684	3,672	2
Unsecured bond issues	51,881	4,464	11,372	7,321	28,724
Secured other loans	6	1	5	—	—
Unsecured other loans	125	5	33	16	71
Finance lease liabilities	259	17	22	24	196
Operating lease liabilities	1,365	114	216	199	836
Bank overdraft	8	8	—	—	—
Purchase commitments	12,435	4,569	3,400	3,132	1,333
Trade and other payables	13,080	11,910	293	261	616
<b>Total<sup>(1)</sup></b>	<b>86,692</b>	<b>24,159</b>	<b>16,087</b>	<b>14,661</b>	<b>31,784</b>

Notes:

- (1) “Total” amounts refer to non-derivative financial liabilities including interest payments.
- (2) The loan and bond issue contractual cash flow amounts presented above differ from the carrying amounts for these items in our financial statements in that they include our best estimates of future interest payable (not yet accrued) in order to better reflect our future cash flow position.

Please refer to “—Item G. Liquidity and Capital Resources—Funding Sources—Borrowings” for further information regarding our short-term borrowings and long-term debt.

Please refer to note 28 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011, and in particular to the discussions therein on “Liquidity Risk,” for more information regarding the maturity of our contractual obligations, including interest payments and derivative financial assets and liabilities.

Please refer to note 29 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for more information regarding our operating lease obligations.

Information regarding our pension commitments and funding arrangements is described in our Significant Accounting Policies and in note 24 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011. The level of contributions to funded pension plans is determined according to the relevant legislation in each jurisdiction in which we operate. In some countries there are statutory minimum funding requirements while in others we have developed our own policies, sometimes in agreement with the local trustee bodies. The size and timing of contributions will usually depend upon the performance of investment markets. Depending on the country and plan in question, the funding level will be monitored periodically and the contribution amount amended appropriately. Consequently, it is not possible to predict with any certainty the amounts that might become payable from 2012 onwards. In 2011, our employer contributions to defined benefit and defined contribution pension plans amounted to USD 488 million. Contributions to defined benefit pension plans for 2012 are estimated to be approximately USD 368 million for our funded defined benefit plans, and USD 91 million in benefit payments to our unfunded defined benefit plans and post-retirement medical plans. Please refer to note 24 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for further information on our employee benefit obligations.

## Collateral and Contractual Commitments

The following table reflects our collateral and contractual commitments for the acquisition of property, plant and equipment, loans to customers and other commitments, as of 31 December 2011 and 2010:

	Year ended 31 December (audited)	
	2011	2010
	<i>(USD million)</i>	
Collateral given for own liabilities	540	535
Collateral and financial guarantees received for own receivables and loans to customers	34	45
Contractual commitments to purchase property, plant and equipment	689	983
Contractual commitments to acquire loans to customers	40	71
Other commitments	782	746

## Contingencies

We are subject to various contingencies with respect to tax, labor, distributors and other claims. Due to their nature, such legal proceedings and tax matters involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. To the extent that we believe these contingencies will probably be realized, a provision has been recorded in our balance sheet.

To the extent that we believe that the realization of a contingency is possible (but not probable) and is above certain materiality thresholds, we have disclosed those items in note 31 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011.

## I. OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors. Please refer to “—H. Contractual Obligations and Contingencies—Collateral and Contractual Commitments” for a description of certain collateral and contractual commitments to which we are subject.

## J. OUTLOOK AND TREND INFORMATION

In terms of the volume outlook for 2012, we estimate that volumes in the United States in the first two months of 2012 have been encouraging, helped by favorable weather, early signs of a recovery in consumer confidence and better than expected results from the roll-out of Bud Light Platinum.

We expect to have softer shipments in the United States in the second quarter of 2012 as compared to the same period in 2011 and more favorable shipments in the other three quarters, as a result of adjustments to our shipping patterns which should ensure a smoother and more cost efficient phasing of deliveries to our wholesalers. In Brazil, the 7.5% real increase in the minimum wage should help to accelerate industry beer volumes. We expect our volumes in Brazil to resume growth in 2012, with a better balance between volume and price than the previous years and a growth in the first quarter of low to mid single digits.

We expect revenue per hectoliter to grow ahead of inflation during 2012 on a constant geographic basis, as a result of continued brand investment and revenue management best practices. When we make estimations on a constant geographic basis, we assume that each country in which we operate will account for the same percentage of our global volume in 2012 as it did in 2011. In this way, for example, we seek to eliminate the impact for comparative purposes of faster growth in countries with lower revenue per hectoliter. In Brazil, we expect 2012 beer revenue per hectoliter growth to be in line with inflation, although growth in the first quarter of 2012 will be below this average due to a difficult comparable, and is not indicative of the expected performance for the full year.

We expect cost of sales per hectoliter to increase by mid single digits in 2012 on a constant geographic basis, with global commodity cost increases being partly mitigated by procurement savings and efficiency gains in our operations.

We expect distribution expenses per hectoliter to increase by mid to high single digits in 2012. It should also be noted that the distribution system in the United States has been amended from a freight pass through system to a delivered price model. As a consequence of this change, starting in 2012, our cost of sales will be reduced and our distribution expenses will be increased, with no net impact on EBITDA, as defined. The 2012 quarterly results will therefore include a scope adjustment between cost of sales and distribution expenses of approximately 6% of 2011 North America cost of sales.

We aim to continue to drive top-line performance by investing behind our brands. This will likely lead to an increase in sales and marketing expenses of mid to high single digits in absolute terms in 2012 as compared to 2011.

For the full year 2012, we expect the average coupon on net debt to be in the range of 5.0% to 5.5% per annum.

Our expectation for net capital expenditure in 2012 is approximately USD 3.2 billion.

On 31 December 2011, approximately one third of our gross debt was denominated in currencies other than the U.S. dollar, principally the euro and the Brazilian real. We remain fully committed to deleveraging and reducing our ratio of net debt to EBITDA, as defined, (adjusted for exceptional items) to 2:1 during the course of 2012.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. DIRECTORS AND SENIOR MANAGEMENT

#### Administrative, Management, Supervisory Bodies and Senior Management Structure

Our management structure is a “one-tier” governance structure composed of our Board, a Chief Executive Officer responsible for our day-to-day management and an executive board of management chaired by our Chief Executive Officer. Since 1 January 2011, our Board is assisted by four main committees: the Audit Committee, the Finance Committee, the Remuneration Committee and the Nomination Committee. See “Item 6. Directors, Senior Management and Employees—C. Board Practices—Information about Our Committees.”

#### Board of Directors

##### *Role and Responsibilities, Composition, Structure and Organization*

The role and responsibilities of our Board, its composition, structure and organization are described in detail in our corporate governance charter (“**Corporate Governance Charter**”) which is available on our website: [http://www.ab-inbev.com/go/corporate\\_governance/corporate\\_governance\\_charter](http://www.ab-inbev.com/go/corporate_governance/corporate_governance_charter).

Our Board may be composed of a maximum of 14 members. There are currently 12 directors, all of whom are non-executives. At the annual shareholders meeting of 25 April 2012, the mandate of Peter Harf will come to an end. Awaiting the election of his successor, the Board will be composed of 11 directors.

Pursuant to a shareholders’ agreement in which certain of our key shareholders agree to hold certain of their interests in us through Stichting Anheuser-Busch InBev, a foundation organized under the laws of the Netherlands (the “**Stichting**”), the holder of the class A Stichting certificates and the holder of the class B Stichting certificates each have the right to nominate four of our directors (see “Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders”). The Stichting board of directors (which consists of eight directors, four of whom are appointed by the holder of the class A certificates, and four of whom are appointed by the holder of the class B certificates) may nominate four to six directors to our Board who are independent of shareholders, based on recommendations of our Nomination Committee.

As a consequence, our Board is currently composed of four members nominated by Eugénie Patri Sébastien S.A. (which represents Interbrew’s founding Belgian families and holds the class A Stichting certificates), four members nominated by BRC S.à.R.L. (which represents the Brazilian families that were previously the controlling shareholders of Ambev and holds the class B Stichting certificates) and four independent directors. The independent directors are recommended by our Nomination Committee, nominated by the Stichting board and are subsequently elected by our shareholders’ meeting (at which the Stichting, together with its related parties, has the majority of the votes). Our Board was enlarged to 13 members through the addition of the former Anheuser-Busch President and Chief Executive Officer, August A. Busch IV, on 29 September 2008. The term of August Busch IV has come to an end at the annual shareholders meeting of 26 April 2011. At the annual shareholders meeting of 25 April 2012, the mandate of Peter Harf will come to an end. Awaiting the election of his successor, the Board will be composed of eleven directors, three of whom are independent directors.

Directors are appointed for a maximum term of four years. The upper age limit for the directors is 70, although exceptions can be made in special circumstances.

Independent directors on our Board are required to meet the following requirements of independence pursuant to our current Corporate Governance Charter. Such requirements are derived from but not fully identical to the requirements of Belgian company law (when legally required, we shall apply the criteria of independence provided by Belgian company law). Based on the provisions of the new Belgian Corporate Governance Code of March 2009 and the Belgian Company Code, the requirements of independence contained in our Corporate Governance Charter are the following:

- the director is not an executive or managing director of us or an associated company, and has not been in such a position for the previous five years;



- the director has not served for more than three successive terms as a non-executive director on our board, nor for a total term of more than 12 years;
- the director is not an employee of us or an associated company and has not been in such a position for the previous three years;
- the director does not receive significant additional remuneration or benefits from us or an associated company apart from a fee received as non-executive director;
- the director is not the representative of a controlling shareholder or a shareholder with a shareholding of more than 10%, or a director or executive officer of such a shareholder;
- the director does not have or has not had within the financial reported year, a significant business relationship with us or an associated company, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship;
- the director is not or has not been within the last three years, a partner or an employee of our external auditor or the external auditor of an associated company; and
- the director is not a close family member of an executive or managing director or of persons in the situations described above.

When an independent director has served on the Board for three terms, any proposal to renew his mandate as independent director must expressly indicate why the Board considers that his independence as a director is preserved.

Independent directors on our Board who serve on our Audit Committee are also required to meet the criteria for independence set forth in Rule 10A-3 under the Exchange Act of 1934.

The appointment and renewal of all of our directors is based on a recommendation of the Nomination Committee, and is subject to approval by our shareholders' meeting.

Our Board is our ultimate decision-making body, except for the powers reserved to our shareholders' meeting by law, or as specified in the articles of association.

Our Board meets as frequently as our interests require. In addition, special meetings of our Board may be called and held at any time upon the call of either the chairman of our Board or at least two directors. Board meetings are based on a detailed agenda specifying the topics for decision and those for information. Board decisions are made by a simple majority of the votes cast.

The composition of our Board is currently as follows:

<b>Name</b>	<b>Principal function</b>	<b>Nature of directorship</b>	<b>Initially appointed</b>	<b>Term expires</b>
Paul Cornet de Ways Ruart	Director	Non-executive, nominated by the holders of class A Stichting certificates	2011	2015
Stéfan Descheemaeker	Director	Non-executive, nominated by the holders of class A Stichting certificates	2008	2015
Olivier Goudet	Independent director	Non-executive	2011	2015

Name	Principal function	Nature of directorship	Initially appointed	Term expires
Peter Harf	Independent director	Non-executive, Chairman of our Board	2002	2012
Jorge Paulo Lemann	Director	Non-executive, nominated by the holders of class B Stichting certificates	2004	2014
Grégoire de Spoelberch	Director	Non-executive, nominated by the holders of class A Stichting certificates	2007	2014
Kees J. Storm	Independent director	Non-executive	2002	2013
Marcel Herrmann Telles	Director	Non-executive, nominated by the holders of class B Stichting certificates	2004	2014
Roberto Moses Thompson Motta	Director	Non-executive, nominated by the holders of class B Stichting certificates	2004	2014
Alexandre Van Damme	Director	Non-executive, nominated by the holders of class A Stichting certificates	1992	2014
Carlos Alberto Sicupira	Director	Non-executive, nominated by the holders of class B Stichting certificates	2004	2014
Mark Winkelman	Independent director	Non-executive	2004	2014

At the next annual shareholders meeting on 25 April 2012, the mandate of Peter Harf will come to an end. Kees Storm will replace him as Chairman of our Board.

As the search process for a successor to Peter Harf has not yet been finalized, no candidate will be nominated as a new independent director at the next annual shareholders meeting of 25 April 2012.

The business address for all of our directors is: Brouwerijplein 1, 3000 Leuven, Belgium.

**Mr. Cornet de Ways Ruart** is a representative of the main shareholders (nominated by Eugénie Patri Sébastien S.A., the holder of the class A Stichting certificates). Born in 1968, he is a Belgian citizen and holds a Masters Degree as a Commercial Engineer from the Catholic University of Louvain and an MBA from the University of Chicago. From 2006 to 2008, he was Senior Director of Corporate Development at Yahoo! Europe, Middle East & Africa, and from 2009 to the present, Chief of Staff and Senior Director, Audience Finance and Corporate Development. Prior to joining Yahoo!, Mr. Cornet was Director of Strategy for Orange UK and spent seven years with McKinsey & Company in London and Palo Alto, California. He is also a member of the Boards of Directors of EPS, Rayvax, Adrien Invest and several venture capital backed technology companies.

**Mr. Descheemaeker** is a representative of the main shareholders (nominated by Eugénie Patri Sébastien S.A., the holder of the class A Stichting certificates). Born in 1960, he is a Belgian citizen and holds a Masters Degree in Commercial Engineering from Solvay Business School. He began his professional career with the Belgian Ministry of Finance and then worked in an investment group until 1996, when he joined Interbrew as head of Strategy & External Growth, managing its M&A activities, culminating with the combination of Interbrew and Ambev. In 2004, he transitioned to operational management, in charge of Interbrew's operations in the U.S. and Mexico, and then as InBev's Zone President Central and Eastern Europe, and, eventually, Western Europe. In 2008, Mr. Descheemaeker ended his operational responsibilities at Anheuser-Busch InBev and joined our Board as a non-executive Director. He was appointed Chief Financial Officer of Delhaize Group in January 2009 and appointed Chief Executive Officer of Delhaize Europe in January 2012. He is also a member of the Universite Libre de Bruxelles (ULB) Foundation.

**Mr. Goudet** is an independent Board member. Born in 1964, he is a French citizen. He holds a Degree in Engineering from l'Ecole Centrale de Paris and graduated from the ESSEC Business School in Paris with a major in Finance. He joined Mars, Inc. in 1990, serving on the finance team of the French business. After six years, he left Mars to join the VALEO Group, where he held several senior executive positions. In 1998, he returned to Mars, where he became Chief Financial Officer in 2004. In 2008, his role was broadened to the position of Executive Vice President and Chief Financial Officer. Mr. Goudet is a Director of the Wm. Wrigley Jr. Company, Mars' gum and confections subsidiary, where Berkshire Hathaway is a minority investor. He is also a board member of the Washington Performing Arts Society, having served previously as Chairman of its finance committee.

**Mr. Harf** is an independent Board member (Chairman). Born in 1946, he is a German citizen and received his MBA from Harvard Business School. He also holds both a diploma and a Doctorate in Economics from the University of Cologne. Since 1988, Mr. Harf has been Chief Executive Officer of Joh. A. Benckiser SE, Vienna, Austria, a privately held financial holding company, as well as Chairman of Coty Inc., a worldwide fragrance and cosmetics company; Chairman of Labelux, a luxury goods company; Deputy Chairman of the Board of Reckitt Benckiser Group plc, which is a leading household and personal care products company; and Director of Burger King Worldwide Holdings. In addition, he is co-founder and Vice Chairman of the Supervisory Board of the non-profit DKMS German Bone Marrow Donor Center in Tübingen, Germany, the largest institution of its kind in the world. Previously, Mr. Harf was Senior Vice President of Corporate Planning at AEG - Telefunken, Frankfurt, Germany. He began his career at the Boston Consulting Group.

**Mr. Lemann** is a representative of the main shareholders (nominated by BRC S.à.R.L., the holder of the class B Stichting certificates). Born in Brazil in 1939, he received a Bachelors Degree from Harvard University in 1961. Mr. Lemann founded and was senior partner of Banco de Investimentos Garantia S.A. in Brazil from 1971 through June 1998, when it was sold to Credit Suisse First Boston. Until early 2005, he was a Director of The Gillette Company in Boston, Swiss Re in Zurich and of Lojas Americanas in São Paulo. He was also Chairman of the Latin American Advisory Committee of the NYSE. He is a co-founder and Board member of Fundação Estudar, a non-profit organization that provides scholarships for Brazilians, and Endeavor, an international non-profit organization that supports entrepreneurs in emerging markets. He has also supported educational institutions including Harvard and the University of Illinois with leadership and endowment gifts over the years.

**Mr. de Spoelberch** is a representative of the main shareholders (nominated by Eugénie Patri Sébastien S.A., the holder of the class A Stichting certificates). Born in 1966, he is a Belgian citizen and holds an MBA from INSEAD. Mr. de Spoelberch is an active private equity shareholder and his recent activities include shared Chief Executive Officer responsibilities for Lunch Garden, the leading Belgian self-service restaurant chain. He is a member of the board of several family-owned companies, such as Eugénie Patri Sébastien S.A., Verlinvest and Cobehold (Cobepa). He is also an administrator of the InBev Baillet-Latour Fund, a foundation that encourages social, cultural, artistic, technical, sporting, educational and philanthropic achievements.

**Mr. Storm** is an independent Board member. Born in 1942, he is a Dutch citizen and received an MA in Business Economics from the University of Rotterdam in 1969. His first role after graduating was as an assistant accountant at Moret & Limperg. After six successful years there, he was appointed to the Executive Board of Kon Scholten-Honig in 1976. He was then a member of the Executive Board of AEGON, the life insurance group, where he subsequently took responsibility for regions including the USA, the Netherlands and Europe, becoming Chairman of the Executive Board in 1993 until his retirement in 2002. He is currently Chairman of the Supervisory Board of KLM, the airline carrier of the Netherlands, Chairman of the Supervisory Board of PON Holdings, a member of the Supervisory Board of AEGON and a member of the Board of Directors of Baxter International (including member of the audit committee) and Unilever (Vice Chairman and Chairman of the audit committee). His interest in improving healthcare has also led him to active involvement with the Amsterdam Cancer Center and the Health Insurance Fund.

**Mr. Telles** is a representative of the main shareholders (nominated by BRC S.à.R.L., the holder of the class B Stichting certificates). Born in 1950, he is a Brazilian citizen and holds a Degree in Economics from Universidade Federal do Rio de Janeiro and attended the Owners/Presidents Management Program at Harvard

Business School. He was Chief Executive Officer of Brahma and Ambev and has been a member of the Board of Directors of Ambev since 2000. He is also a member of the Board of Directors of Burger King Worldwide Holdings; a member of the Advisory Board of Itau/Unibanco; a member of the Harvard Business School's Board of Dean's Advisors; co-founder and Board member of Fundação Estudar, a non-profit organization that provides scholarships for Brazilians; and a founder and Chairman of Ismart, a non-profit organization that provides scholarships to low-income students.

**Mr. Thompson Motta** is a representative of the main shareholders (nominated by BRC S.à.R.L., the holder of the class B Stichting certificates). Born in 1957, he is a Brazilian citizen and holds a Degree in Mechanical Engineering from Pontificia Universidade Católica do Rio de Janeiro and an MBA from the Wharton School of the University of Pennsylvania. From 1993 to 2004, he was a managing partner of GP Investimentos, the largest private equity group in Brazil, and a Board member until 2010. Mr. Thompson Motta is also a Board member of Ambev S.A., Lojas Americanas; and São Carlos Empreendimentos e Participações S.A.

**Mr. Van Damme** is a representative of the main shareholders (nominated by Eugénie Patri Sébastien S.A., the holder of the class A Stichting certificates). Born in 1962, he is a Belgian citizen and graduated from Solvay Business School, Brussels. Mr. Van Damme joined the beer industry early in his career and held various operational positions within Interbrew until 1991, including Head of Corporate Planning and Strategy. He has managed several private venture holding companies and is currently a director of Patri S.A. (Luxembourg) and of Burger King Worldwide Holdings. He is also a Board member of UCB, the Belgian pharmaceutical company; an administrator of the InBev Baillet-Latour Fund, a foundation that encourages social, cultural, artistic, technical, sporting, educational and philanthropic achievements.

**Mr. Sicupira** is a representative of the main shareholders (nominated by BRC S.à.R.L., the holder of the class B Stichting certificates). Born in 1948, he is a Brazilian citizen and received a Bachelor of Business Administration from Universidade Federal do Rio de Janeiro and attended the Owners/Presidents Management Program at Harvard Business School. He has been Chairman of Lojas Americanas since 1981, where he also served as Chief Executive Officer until 1992. He is a member of the Board of Directors of Burger King Worldwide Holdings; the Harvard Business School's Board of Dean's Advisors; and a co-founder and Board member of Fundação Estudar, a non-profit organization that provides scholarships for Brazilians.

**Mr. Winkelman** is an independent Board member. Born in 1946, he is a citizen of the Netherlands and holds a Degree in Economics from the Erasmus University in Rotterdam, and an MBA from the Wharton School at the University of Pennsylvania, where he is a trustee and chairman of the Penn Medicine Board. He served as a Management Committee member of Goldman Sachs & Co. from 1988 to 1994, where he is now a Senior Director. Before joining Goldman Sachs & Co. in 1978, he served at the World Bank for four years as a senior investment officer.

### ***General Information on the Directors***

In relation to each of the members of our Board, other than as set out below, we are not aware of (i) any convictions in relation to fraudulent offenses in the last five years, (ii) any bankruptcies, receiverships or liquidations of any entities in which such members held any offices, directorships, or partner or senior management positions in the last five years, or (iii) any official public incrimination and/or sanction of such members by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

No member of our Board has a family relationship with any other member of our Board or any member of our executive board of management.

Over the five years preceding the date of this Form 20-F, the members of our Board hold or have held the following main directorships (apart from directorships they have held with us and our subsidiaries) or memberships of administrative, management or supervisory bodies and/or partnerships:

Name	Current	Past
Paul Cornet	Eugénie Patri Sébastien S.A., Rayvax Société d'Investissement S.A., Adrien Invest and the Stichting	—
Stéfan Descheemaeker	Eugénie Patri Sébastien S.A., the Stichting and Delhaize Group	—
Olivier Goudet	Wm. Wrigley Jr. Company and the Washington Performing Arts Society	—
Peter Harf	Reckitt Benckiser, Coty, Labelux, DKMS Deutsche Knochenmarkspenderdatei, DKMS Americas and Burger King Worldwide Inc.	Brunswick
Jorge Paulo Lemann	Harvard Business School's Board of Dean's Advisors, 3G Capital, Inc., Fundação Estudar, Fundação Lemann, the Stichting and Instituto Veris—IBMEC São Paulo	Lojas Americanas S.A., São Carlos Empreendimentos e Participações S.A., GP Investimentos, The Gillette Company, Swiss Re, DaimlerChrysler (International Advisory Board), NYSE (Latin American Advisory Board)
Grégoire de Spoelberch	Agemar S.A., Wernelin S.A., Fiprolux S.A., Eugénie Patri Sébastien S.A., the Stichting, G.D.S. Consult, Cobehold, Compagnie Benelux Participations, Vervodev, Wesparc, Groupe Josi <sup>(1)</sup> , Financière Stockel <sup>(1)</sup> , Immobilière du Canal <sup>(1)</sup> , Verlinvest <sup>(1)</sup> , Midi Developpement <sup>(1)</sup> , Solferino Holding S.A., Navarin S.A. and Fonds InBev Baillet Latour.	Atanor <sup>(1)</sup> , Amantelia <sup>(1)</sup> , Demeter Finance, Lunch Garden Services <sup>(1)</sup> , Lunch Garden <sup>(1)</sup> , Lunch Garden Management <sup>(1)</sup> , Lunch Garden Finance <sup>(1)</sup> , Lunch Garden Concepts <sup>(1)</sup> , HEC Partners <sup>(1)</sup> , Q.C.C. <sup>(1)</sup> , A.V.G. Catering Equipment <sup>(1)</sup> , Immo Drijvers-Stevens <sup>(1)</sup> , Elpo-Cuisinex Wholesale <sup>(1)</sup>
Kees J. Storm	Unilever N.V., Unilever Plc, Baxter International Inc., Pon Holdings B.V., AEGON N.V. and Koninklijke Luchtvaart Maatschappij N.V.	Royal Wessanen N.V. and Laurus N.V.
Marcel Herrmann Telles	3G Capital, Inc., Burger King Worldwide Holdings, Inc., Instituto de Desenvolvimento Gerencial—INDG, Fundação Estudar, Instituto Social Maria Telles, the Stichting and Harvard Business School's Board of Dean's Advisors	Lojas Americanas S.A., São Carlos Empreendimentos e Participações S.A., Editora Abril S.A. GP Investimentos and Instituto Veris—IBMEC São Paulo
Roberto Moses Thompson Motta	São Carlos Empreendimentos e Participações S.A., Lojas Americanas S.A., B2W Companhia Global do Varejo, 3G Capital, Inc., the Stichting and Ambev SA.	GP Investment Limited, Mcom Wireless Ltda. and LPDS Participações S.A.
Alexandre Van Damme	Royal Sporting Club Anderlecht, UCB S.A., Burger King Worldwide Holdings Inc., the Stichting and Eugénie Patri Sébastien S.A.	—
Carlos Alberto Sicupira	B2W Companhia Global do Varejo, São Carlos Empreendimentos e Participações S.A, Burger King Worldwide Holdings, Inc., Lojas Americanas S.A., 3G Capital, Inc.,	ALL América Latina Logística S.A. and GP Investimentos

Name	Current	Past
	Instituto de Desenvolvimento Gerencial— INDG, Movimento Brasil Competitivo— MBC, Fundação Estudar, Fundação Brava, the Stichting, Instituto Veris—IBMEC São Paulo, Instituto Empreender Endeavor Brasil, and Harvard Business School's Board of Dean's Advisors	
Mark Winkelman	Goldman, Sachs & Co. and University of Pennsylvania	Select Reinsurance, Ltd. and J.C. Flowers & Co.

Note:

(1) As permanent representative.

## Chief Executive Officer and Senior Management

### *Role and Responsibilities, Composition, Structure and Organization*

Our Chief Executive Officer is responsible for our day-to-day management. He has direct responsibility for our operations and oversees the organization and efficient day-to-day management of our subsidiaries, affiliates and joint ventures. Our Chief Executive Officer is responsible for the execution and management of the outcome of all of our Board decisions.

He is appointed and removed by our Board and reports directly to it.

Our Chief Executive Officer leads an executive board of management which comprises the Chief Executive Officer, seven global functional heads and six geographic business zone presidents.

The other members of the executive board of management work with our Chief Executive Officer to enable our Chief Executive Officer to properly perform his duties of daily management.

Although exceptions can be made in special circumstances, the upper age limit for the members of our executive board of management is 65, unless their employment contract provides otherwise.

Our executive board of management currently consists of the following members:

Name	Function
Carlos Brito	Chief Executive Officer
Felipe Dutra	Chief Financial Officer
Claudio Braz Ferro	Chief Supply Officer
Chris Burggraeve	Chief Marketing Officer
Sabine Chalmers	Chief Legal and Corporate Affairs Officer
Claudio Garcia	Chief People and Technology Officer
Tony Milikin	Chief Procurement Officer
Bernardo Pinto Paiva	Chief Sales Officer
Jo Van Biesbroeck	Zone President Western Europe and Chief Strategy Officer
Miguel Patricio	Zone President Asia Pacific
Stuart MacFarlane	Zone President Central & Eastern Europe
Francisco Sà	Zone President Latin America South
João Castro Neves	Zone President Latin America North
Luiz Fernando Edmond	Zone President North America

The business address for all of these executives is: Brouwerijplein 1, 3000 Leuven, Belgium.

**Carlos Brito** is our Chief Executive Officer. Born in 1960, he is a Brazilian citizen and received a Degree in Mechanical Engineering from the Universidade Federal do Rio de Janeiro and an MBA from Stanford University. He held positions at Shell Oil and Daimler Benz prior to joining Ambev in 1989. At Ambev he had roles in Finance, Operations, and Sales, before being appointed Chief Executive Officer in January 2004. He was appointed Zone President North America at InBev in January 2005 and Chief Executive Officer in December 2005. He is also a member of the Board of Directors of Ambev and Grupo Modelo.

**Felipe Dutra** is our Chief Financial Officer. Born in 1965, Mr. Dutra is a Brazilian citizen and holds a Major in Economics from Candido Mendes and an MBA in Controlling from Universidade de São Paulo. He joined Ambev in 1990 from Aracruz Celulose, a major Brazilian manufacturer of pulp and paper. At Ambev he held various positions in Treasury and Finance before being appointed General Manager of Ambev's subsidiary, Fratelli Vita. Mr. Dutra was appointed Ambev's Chief Financial Officer in 1999 and he became our Chief Financial Officer in January 2005. He is also a member of the Board of Directors of Ambev and Grupo Modelo.

**Claudio Braz Ferro** is our Chief Supply Officer. Born in 1955, Mr. Braz Ferro is a Brazilian citizen and holds a Degree in Industrial Chemistry from the Universidade Federal de Santa Maria and has studied Brewing Science at the Catholic University of Leuven. Mr. Braz Ferro joined Ambev in 1977, where he held several key positions, including plant manager of the Skol brewery and industrial director of Brahma operations in Brazil. Mr. Braz Ferro also played a key role in structuring the supply organization when Brahma and Antarctica combined to form Ambev in 2000. He was appointed our Chief Supply Officer in January 2007.

**Chris Burggraeve** is our Chief Marketing Officer. Born in 1964, Mr. Burggraeve is a Belgian citizen and holds a Degree in Applied Economics (International Business) from the Catholic University of Leuven, as well as a Masters in European Economics from the Centre Européen Universitaire in Nancy, France, and a TRIUM Global MBA (offered jointly by London School of Economics, NYU Stern and HEC Paris). He joined us in November 2007 after over 12 years with The Coca-Cola Company, where he held a number of senior Marketing and General Management roles in various geographies across Europe and Eurasia, including most recently as Group Marketing Director for their European Union Group. Previously he worked for Procter & Gamble Benelux in Brand Management and Innovation and began his career in consulting and technology start-up companies. Mr. Burggraeve is also President of the World Federation of Advertisers as well as a member of the Board of the New York based Belgian-American Chamber of Commerce.

**Sabine Chalmers** is our Chief Legal and Corporate Affairs Officer and Secretary to the Board of Directors. Born in 1965, Mrs. Chalmers is of German and Indian origin and holds an LL.B. from the London School of Economics. She is qualified as a solicitor in England and is a member of the New York State Bar. Mrs. Chalmers joined us in January 2005 after over 12 years with Diageo plc where she held a number of senior legal positions in various geographies across Europe, the Americas and Asia including as General Counsel of Latin American and then North American businesses. Prior to Diageo, she was an associate at the law firm of Lovells in London, specializing in mergers and acquisitions. Mrs. Chalmers is a member of the Board of Directors of Grupo Modelo and the Association of Corporate Counsel.

**Claudio Garcia** is our Chief People and Technology Officer. Born in 1968, he is a Brazilian citizen and holds a Degree in Economics from the Universidade Estadual do Rio de Janeiro. Mr. Garcia joined Ambev as a management trainee in 1991 and thereafter held various positions in Finance and Operations before being appointed Information Technology and Shared Services Director in 2002. Mr. Garcia was appointed InBev's Chief Information and Services Officer in January 2005 and its Chief People and Technology Officer in September 2006. In this role he oversees our company's People organization globally, including the Global Management Trainee Program, Global MBA recruitment, Executive education and training and engagement initiatives.

**Tony Milikin** is our Chief Procurement Officer. Born in 1961, he is a U.S. citizen and holds an undergraduate Finance Degree from the University of Florida and an MBA in Marketing from Texas Christian University in Fort Worth, Texas. Mr. Milikin joined us in May 2009 from MeadWestvaco, where he was Vice President, Supply Chain and Chief Purchasing Officer, based in Richmond, Virginia, since 2004. Prior to joining MeadWestvaco, he held various purchasing and supply chain positions including Vice-President Purchasing and Supply Management for Sealy, Inc.; Senior Director, Purchasing, Transportation and Distribution for Monsanto; and Manager, Direct Material Sourcing for Alcon Laboratories. He serves on several professional councils, including The Conference Board's Purchasing and Supply Leadership Council and Manufacturers Alliance/MAPI's Purchasing Council. He is also a member of the Board of Directors of the Institute for Supply Management™ (ISM).

**Bernardo Pinto Paiva** is our Chief Sales Officer. Born in 1968, he is a Brazilian citizen and holds a Degree in Engineering from Universidade Federal do Rio de Janeiro and an MBA from Pontifícia Universidade Católica, Rio de Janeiro. Mr. Pinto Paiva joined Ambev in 1991 as a management trainee and during his career at our company has held leadership positions in Sales, Supply, Distribution and Finance. He was appointed Zone President North America in January 2008 and Zone President Latin America South in January 2009 before becoming Chief Sales Officer in January 2012.

**Jo Van Biesbroeck** is our Zone President Western Europe and Chief Strategy Officer. Born in 1956, Mr. Van Biesbroeck is a Belgian citizen and received a Degree in Economics from the Catholic University of Leuven. He joined Interbrew and held several positions in Controlling and Finance prior to becoming Senior Vice President Corporate Strategy in 2003. In January 2005, he was appointed Chief Strategy and Business Development Officer of InBev; and in May 2006, he took up the position of Chief Strategy and Sales Officer. He was appointed to his current role in January 2010.

**Miguel Patricio** is our Zone President Asia Pacific. Born in 1966, he is a Portuguese citizen and holds a Degree in Business Administration from Fundacao Getulio Vargas in São Paulo. Prior to joining Ambev in 1998, Mr. Patricio held several senior positions across the Americas at Philip Morris, the Coca-Cola Company and Johnson & Johnson. At Ambev, he was Vice President Marketing, before being appointed Vice President Marketing of InBev's North American Zone based in Toronto in January 2005. In January 2006 he was promoted to Zone President North America and in January 2008 he moved to Shanghai to take on the role of Zone President Asia Pacific.

**Francisco Sá** is our Zone President Latin America South. Born in 1965, he is a Brazilian citizen and holds a Degree in Civil Engineering from Universidade Federal da Bahia and an MBA from University of California, Berkeley. He was President of Refrigerantes da Bahia S/A (Coca Bottling Company) for 7 years prior to joining Ambev in 1998. During his career at Ambev, he held several roles including Direct Distribution Manager, Regional Sales Director and VP Soft Drinks for the Latin America North Zone. Mr. Sá was appointed Zone President Central & Eastern Europe in January 2008 and took over his current role, Zone President Latin America South, in January 2012.

**João Castro Neves** is our Zone President Latin America North and Ambev's Chief Executive Officer. Born in 1967, Mr. Castro Neves is a Brazilian citizen and holds a Degree in Engineering from Pontifícia Universidade Católica do Rio de Janeiro and an MBA from the University of Illinois. He joined Ambev in 1996 and has held positions in various departments such as Mergers and Acquisitions, Treasury, Investor Relations, Business Development, Technology and Shared Services. He was Ambev's Chief Financial Officer and Investor Relations Officer before being appointed Zone President Latin America South in January 2007. He took on his current role in January 2009.

**Luiz Fernando Edmond** is our Zone President North America. Born in 1966, he is a Brazilian citizen and holds a Degree in Production Engineering from the Universidade Federal do Rio de Janeiro. After starting his professional career with Banco Nacional in Brazil, Mr. Edmond joined Ambev in 1990 as part of its Management Trainee Program. At Ambev, he held various positions in the Commercial, Operations and Distribution areas. He was appointed Zone President Latin America and Ambev's Chief Executive Officer in January 2005; and Zone President North America in November 2008. He is also a member of the Board of Directors of Ambev.

**Stuart MacFarlane** is our Zone President Central & Eastern Europe. Born in 1967, he is a citizen of the UK and received a Degree in Business Studies from Sheffield University in the UK. He is also a qualified Chartered Management Accountant. He joined our company in 1992 and since then has held senior roles in Finance, Marketing, Sales and was Managing Director for our company's business in Ireland. Stuart was appointed President of AB InBev UK & Ireland in January 2008 before becoming our Zone President Central & Eastern Europe in January 2012.



### ***General Information on the Members of the Executive Board of Management***

In relation to each of the members of the executive board of management, other than as set out below, we are not aware of (i) any convictions in relation to fraudulent offences in the last five years, (ii) any bankruptcies, receiverships or liquidations of any entities in which such members held any office, directorships, or partner or senior management positions in the last five years, or (iii) any official public incrimination and/or sanctions of such members by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

In May 2008, Mr. Dutra received a “warning” from the Administrative Appeal Council for the National Financial System of Brazil. A warning, which is the lightest sanction available under applicable Brazilian law, represents the conclusion by the Administrative Appeal Council that, in its view, a breach has occurred. No fine, or any other consequence, attaches to a warning, other than being deemed a repetitive offender in the event of another breach in the future (and, as such, being then potentially exposed to heavier sanctions than would normally be associated with such other breach). The warning relates to the reporting in the 2000 financial year financial statements of Polar (Industrias de Bebidas Antarctica Polar S.A., a Brazilian company that became a subsidiary of Ambev in 1999) of (i) the net balance (immaterial to Ambev and to Polar) of certain inter-company loans of Polar, and (ii) restatements and other adjustments required by the new statutory auditors of Polar after it became a subsidiary of Ambev to conform with Ambev’s accounting practices that increased the amount of certain reserves of Polar. Mr. Dutra, who had been appointed as an officer of Polar a few months before the relevant financial statement reporting has expressed his intention to challenge the warning in a court of law.

No member of our executive board of management has any conflicts of interests between any duties he/she owes to us and any private interests and/or other duties.

No member of our executive board of management has a family relationship with any director or member of executive management.

Over the five years preceding the date of this Form 20-F, the members of the executive board of management have held the following main directorships (apart from directorships they have held with us and our subsidiaries) or memberships of administrative, management or supervisory bodies and/or partnerships:

<b>Name</b>	<b>Current</b>	<b>Past</b>
Carlos Brito	Director of Fundação Antonio e Helena Zerrenner, Grupo Modelo	—
Felipe Dutra	Director of Grupo Modelo	—
Claudio Braz Ferro	—	—
Chris Burggraeve	President of World Federation of Advertisers	Operating partner in The Dellacorte Group LLC
Sabine Chalmers	Director of the Association of Corporate Counsel (ACC), Grupo Modelo	—
Claudio Garcia	—	—
Tony Milikin	—	Director of the Institute of Supply Management and Director of Supply Chain Council
Bernardo Pinto Paiva	—	—
Jo Van Biesbroeck	Director of Inno.com NV	—
Miguel Patricio	—	—
Francisco Sá	—	—
João Castro Neves	—	—
Luiz Fernando Edmond	—	—
Stuart MacFarlane	—	—

## B. COMPENSATION

### Introduction

Our compensation system has been designed and approved to help motivate high performance. The goal is to deliver market-leading compensation, driven by both company and individual performance, and alignment with shareholders' interests by encouraging ownership of our shares. Our focus is on annual and long-term variable pay, rather than on base salary or fees.

### Share-Based Payment Plans

We currently have three primary share-based payment plans, namely our long-term incentive warrant plan (“**LTI Warrant Plan**”), established in 1999, our share-based compensation plan (“**Share-Based Compensation Plan**”), established in 2006 (and amended as from 2010) and our long-term incentive stock option plan (“**LTI Stock Option Plan**”), established in 2009.

In addition, from time to time, we make exceptional grants to our employees and employees of our subsidiaries or grants of shares or options under plans established by us or by certain of our subsidiaries.

#### *LTI Warrant Plan*

Since 1999, we have regularly issued warrants (*droits de souscription/warrants*, or rights to subscribe for newly issued shares) under our LTI Warrant Plan for the benefit of our directors and, until 2006, for the benefit of members of our executive board of management and other senior employees. Since 2007, members of our executive board of management and other employees are no longer eligible to receive warrants under the LTI Warrant Plan, but instead receive a portion of their compensation in the form of shares and options granted under our Share-Based Compensation Plan and LTI Stock- Option Plan. See “—Share-Based Compensation Plan” and “—LTI Stock- Option Plan” below. Only our directors continue to be eligible to receive a portion of their compensation in the form of LTI warrants. Such grants are made annually at our shareholders' meeting on a discretionary basis upon recommendation of our Remuneration Committee. See “—C. Board Practices—Information about Our Committees—The Remuneration Committee”.

Each LTI warrant gives its holder the right to subscribe for one newly issued share. Shares subscribed for upon the exercise of LTI warrants are ordinary registered Anheuser-Busch InBev SA/NV shares. Holders of such shares have the same rights as any other registered shareholder. The exercise price of LTI warrants is equal to the average price of our shares on the regulated market of Euronext Brussels during the 30 days preceding their issue date. LTI warrants granted in the years prior to 2007 (except for 2003) have a duration of ten years. From 2007 onwards (and in 2003) LTI warrants have a duration of five years. LTI warrants are subject to a vesting period ranging from one to three years. Except as a result of the death of the holder, LTI warrants may not be transferred. Forfeiture of a warrant occurs in certain circumstances when the holder leaves our employment.

The table below provides an overview of all of the warrants outstanding under our LTI Warrant Plan as at 31 December 2011:

LTI Plan	Issue date of warrants	Expiry date of warrants	Number of warrants granted <sup>(1)</sup>	Number of warrants outstanding	Exercise price	Number of warrants outstanding	Exercise price
			(in millions)	Unadjusted <sup>(2)</sup> (in millions)	(in EUR)	As adjusted as a result of rights offering <sup>(3)</sup> (in millions)	(in EUR)
1	29 June 1999	28 June 2009	1,301	0	14.23	0	8.90
2	26 October 1999	25 October 2009	0.046	0	13.76	—	—
3	25 April 2000	24 April 2010	2,425	0	11.64	0	7.28
4	31 October 2000	30 October 2010	0,397	0	25.02	0	15.64

LTI Plan	Issue date of warrants	Expiry date of warrants	Number of warrants granted <sup>(1)</sup>	Number of warrants outstanding	Exercise price	Number of warrants outstanding	Exercise price
			(in millions)	Unadjusted <sup>(2)</sup> (in millions)	(in EUR)	As adjusted as a result of rights offering <sup>(3)</sup> (in millions)	(in EUR)
5	13 March 2001	12 March 2011	1.186	0	30.23	0	18.90
6	23 April 2001	22 April 2011	0.343	0	29.74	0	18.59
7	4 September 2001	3 September 2011	0.053	0	28.69	0	17.94
8	11 December 2001	10 December 2011	1.919	0	28.87	0	18.05
9	13 June 2002	12 June 2012	0.245	0.02	32.70	0	20.44
10	10 December 2002	9 December 2012	3.464	0.02	21.83	0.09	13.65
11	29 April 2003	28 April 2008	0.066	0	19.51	—	—
12	27 April 2004	26 April 2014	3.881	0.09	23.02	0.33	14.39
13	26 April 2005	25 April 2015	2.544	0.11	27.08	0.26	16.93
14	25 April 2006	24 April 2016	0.688	0.11	38.70	0.11	24.20
15	24 April 2007	23 April 2012	0.120	0.120	55.41	—	—
16	29 April 2008	28 April 2013	0.120	0.120	58.31	—	—
17	28 April 2009	27 April 2014	1.199 <sup>(4)</sup>	1.18	21.72	—	—
18	27 April 2010	26 April 2015	0.215	0.215	37.51	—	—
19	26 April 2011	25 April 2016	0.215	0.215	40.92	—	—
<b>Total</b>			<b>20.427</b>	<b>2.20</b>		<b>0.79</b>	

Notes:

- (1) The number of warrants granted reflects the number of warrants originally granted under the LTI Warrant Plan, plus the number of additional warrants granted to holders of those warrants as a result of adjustment resulting from our rights offering in December 2008, as described in more detail below. The number of warrants remaining outstanding from such grants, and their respective exercise prices, are shown separately in the table based on whether or not the relevant warrants were adjusted in connection with our rights offering in December 2008.
- (2) Entries in the “unadjusted” columns reflect the number of warrants outstanding, and the exercise price of such warrants, in each case that were not adjusted as a result of our rights offering in December 2008, as described in more detail below.
- (3) Entries in the “adjusted” columns reflect the adjusted number of warrants outstanding, and the adjusted exercise price of such warrants as a result of our rights offering in December 2008, as described in more detail below.
- (4) 984,203 of the 1,199,203 warrants granted on 28 April 2009 were granted to persons whose outstanding warrants were not adjusted as a result of our rights offering in December 2008 to compensate such persons for the effects of this non-adjustment as described in more detail below.

As of 31 December 2011, the total number of warrants granted under the LTI Warrant Plan, including the additional warrants granted to compensate for the effects of the December 2008 rights offering, is 20.427 million. As of 31 December 2011, of the 2.994 million outstanding warrants, 1.780 million were vested.

The LTI terms and conditions provide that, in the event that a corporate change decided by us and having an impact on our capital has an unfavorable effect on the exercise price of the LTI warrants, their exercise price and/or the number of our shares to which they give rights will be adjusted to protect the interests of their holders. Our rights offering in December 2008 constituted such a corporate change and triggered an adjustment. Pursuant to the LTI terms and conditions, we determined that the most appropriate manner to account for the impact of the rights offering on the unexercised warrants was to apply the “ratio method” as set out in the NYSE Euronext “Liffe’s Harmonised Corporate Action Policy,” pursuant to which both the number of warrants and their exercise

price were adjusted on the basis of a (P-E)/P ratio where “E” represented the theoretical value of the December 2008 rights and “P” represented the closing price of our shares on Euronext Brussels on the day immediately preceding the beginning of the relevant rights subscription period. The unexercised warrants were adjusted on 17 December 2008, the day after the closing of the rights offering. Based on the above “ratio method,” we used an adjustment ratio of 0.6252. The adjusted exercise price of the warrants equals the original exercise price multiplied by the adjustment ratio. The adjusted number of warrants equals the original number of warrants divided by the adjustment ratio. In total, 1,615,453 new warrants were granted pursuant to the adjustment.

The adjustment was not applied to warrants owned by persons that were directors at the time the warrants were granted. In order to compensate such persons, an additional 984,203 warrants were granted under the LTI grant on 28 April 2009, as authorized by our 2009 shareholders’ meeting. 295,409 warrants out of these 984,203 warrants were granted to our current directors. The table above reflects the adjusted exercise price and adjusted number of warrants.

For additional information on the LTI warrants held by members of our Board of Directors and members of our executive board of management, see “—Compensation of Directors and Executives”.

### ***Share-Based Compensation Plan***

Since 2006, members of our executive board of management and certain other senior employees are granted variable compensation under our Share-Based Compensation Plan. As of 5 March 2010, the general structure of the compensation under the plan has been modified.

### ***Share-Based Compensation Plan through 2009***

Pursuant to the Share-Based Compensation Plan through 2009, half of each eligible employee’s variable compensation was settled in our shares. These shares must be held for three years (that is, the shares are fully owned by the employee from the date of grant but are subject to a lock-up of three years, and failure to comply with the lock-up results in forfeiture of any matching options granted under the plan as described below). These shares are valued at their market price at the time of grant.

Through 2009, pursuant to the Share-Based Compensation Plan, eligible employees could elect to receive the other half of their variable compensation in cash or invest all or half of it in our shares. These shares must be held for five years. If an eligible employee voluntarily agreed to defer receiving part of their variable compensation by electing to invest in such shares, they would receive matching options (that is, rights to acquire existing shares) that will become vested after five years, provided that certain pre-defined financial targets are met or exceeded. These targets will be met if our return on invested capital less our weighted average cost of capital over a period of three to five years exceeds certain pre-agreed thresholds. The number of matching options received was determined based on the proportion of the remaining 50% of the eligible employee’s variable compensation that he invested in such shares. For instance, if an eligible employee invested all of the remaining 50% of his variable compensation in our shares, he received a number of options equal to 4.6 times the number of shares he purchased, based on the gross amount of the variable compensation invested. If the eligible employee instead chooses to receive 25% of his total variable compensation in cash and invests the remaining 25% in our shares, he would receive a number of options equal to 2.3 times the number of shares he purchased, based on the gross amount of the variable compensation invested.

The shares granted and purchased under the Share-Based Compensation Plan through 2009 were ordinary registered Anheuser-Busch InBev SA/NV shares. Holders of such shares have the same rights as any other registered shareholder, subject, however, to a three-year or five-year lock-up period, as described above.

In addition, the shares granted and purchased under the Share-Based Compensation Plan through 2009 are:

- entitled to dividends paid as from the date of granting; and
- granted and purchased at the market price at the time of granting. Nevertheless, our Board of Directors could, at its sole discretion, grant a discount on the market price.

The matching options granted under the Share-Based Compensation Plan have the following features:

- the exercise price is set equal to the market price of our shares at the time of granting;
- options have a maximum life of 10 years and an exercise period that starts after five years, subject to financial performance conditions to be met at the end of the second, third or fourth year following the granting;
- upon exercise, each option entitles the option holder to subscribe to one share; and
- specific restrictions or forfeiture provisions apply in case the grantee leaves our employment.

The table below gives an overview of the matching options that were granted under the Share-Based Compensation Plan that were outstanding as at 31 December 2011:

Issue Date	Number of shares granted (in millions)	Number of matching options granted <sup>(3)</sup> (in millions)	Number of matching options outstanding (in millions)	Exercise price (in EUR)	Expiry date of options
27 April 2006	0.28	0.98	0.470	24.78	26 April 2016
2 April 2007 <sup>(1)</sup>	0.44	1.42	1.034	33.59	1 April 2017
3 March 2008	0.42	1.66	1.236	34.34	2 March 2018
6 March 2009	0.16	0.40	0.209	20.49	5 March 2019
14 August 2009	1.10	3.76	3.267	27.06	13 August 2019
1 December 2009 <sup>(2)</sup>	—	0.23	0.233	33.24	26 April 2016
1 December 2009 <sup>(2)</sup>	—	0.38	0.386	33.24	1 April 2017
1 December 2009 <sup>(2)</sup>	—	0.45	0.455	33.24	2 March 2018
1 December 2009 <sup>(2)</sup>	—	0.02	0.001	33.24	5 March 2019
5 March 2010	0.28	0.70	0.610	36.52	4 March 2020
30 November 2010 <sup>(2)</sup>	—	0.03	0.026	42.41	26 April 2016
30 November 2010 <sup>(2)</sup>	—	0.02	0.018	42.41	1 April 2017
30 November 2010 <sup>(2)</sup>	—	0.02	0.020	42.41	2 March 2018
30 November 2010 <sup>(2)</sup>	—	0.03	0.035	42.41	13 August 2019
30 November 2010 <sup>(2)</sup>	—	0.03	0.031	42.41	4 March 2020
30 November 2011 <sup>(2)</sup>	—	0.01	0.01	44.00	26 April 2016
30 November 2011 <sup>(2)</sup>	—	0.01	0.01	44.00	1 April 2017
30 November 2011 <sup>(2)</sup>	—	0.01	0.01	44.00	2 March 2018
30 November 2011 <sup>(2)</sup>	—	0.01	0.01	44.00	5 March 2019
30 November 2011 <sup>(2)</sup>	—	0.03	0.03	44.00	13 August 2019
30 November 2011 <sup>(2)</sup>	—	0.01	0.01	44.00	4 March 2020
<b>Total</b>	<b>2.68</b>	<b>10.21</b>	<b>8.11</b>		

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Notes:

- (1) Certain matching options granted in April 2007 have an exercise price of EUR 33.79.
- (2) Further to the establishment of our New York functional support office, we have established a “dividend waiver” program which aims at encouraging the international mobility of executives while complying with all legal and tax obligations. According to this program, where applicable, the dividend protection feature of the outstanding matching options owned by executives who moved to the United States, has been cancelled. In order to compensate for the economic loss which results from this cancellation, a number of new matching options has been granted to these executives with a value equal to this economic loss. The new options have a strike price equal to the share price on the day preceding the grant date of the options. All other terms and conditions, in particular with respect to vesting, exercise limitations and forfeiture rules of the new options are identical to the outstanding matching options for which the dividend protection feature was cancelled. The table above includes the new options.
- (3) The Share-Based Compensation Plan terms and conditions provide that, in the event that a corporate change decided by us and having an impact on our capital has an unfavorable effect on the exercise price of the matching options, the exercise price and/or number of our shares to which the options relate will be adjusted to protect the interests of the option holders. Our December 2008 rights offering constituted such a corporate change and triggered an adjustment. Pursuant to the Share-Based Compensation Plan terms and conditions, the unexercised matching options were adjusted in the same manner as the unexercised LTI warrants (see “—LTI Warrant Plan” above), and 1.37 million new matching options were granted in 2008 in connection with this adjustment. The table above reflects the adjusted exercise price and number of options.

As of 31 December 2011, of the 8.11 million outstanding matching options, 0.74 million were vested.

#### ***Share-Based Compensation Plan from 2010***

As from 5 March 2010, we have modified the structure of the Share-Based Compensation Plan for certain executives, including members of our executive board of management and other senior management in our general headquarters. These executives receive their variable compensation in cash<sup>1</sup> but have the choice to invest some or all of the value of their variable compensation in our shares to be held for a five-year period, referred to as voluntary shares. We will match such voluntary investment by granting three matching shares for each voluntary share invested, up to a limited total percentage of each executive’s variable compensation. The matching is based on the gross amount of the variable compensation invested. The percentage of the variable compensation that is entitled to get matching shares varies depending on the position of the executive. Members of our executive board of management currently may take up to a maximum of 60% of their variable compensation with matching shares. The current maximum for executives below the executive board of management is 40% or less. From 1 January 2011, the new plan structure applies to all other senior management.

Voluntary shares are:

- our existing ordinary shares;
- entitled to dividends paid as from the date of granting;
- subject to a lock-up period of five years; and
- granted at market price or at market price minus a discount at the discretion of our Board of Directors. The discount is currently set at 10%; voluntary shares corresponding to the discount are granted in the form of restricted stock units which are subject to specific restrictions or forfeiture provisions in case of termination of service.

Matching shares are granted in the form of restricted stock units which will be vested after five years. In case of termination of service before the vesting date, special forfeiture rules will apply.

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<sup>1</sup> Depending on local regulations, the cash element in the variable compensation may be replaced by options which are linked to a stock market index or an investment fund of listed European blue chip companies.

In accordance with the authorization granted in our bylaws, as amended by the general shareholders' meeting of 26 April 2011, the variable compensation system deviates from article 520 of the Belgian Company Code, as it allows:

1. for the variable remuneration to be paid out based on the achievement of annual targets without staggering its grant or payment over a 3-year period. However, executives are encouraged to invest some or all of their variable compensation in company shares which are blocked for 5 years (the "voluntary shares"). Such voluntary investment also leads to a grant of matching shares in the form of restricted stock units which only vest after 5 years, ensuring sustainable long-term performance;
2. for the voluntary shares granted under the share based compensation plan to vest at their grant, instead of applying a vesting period of a minimum of 3 years. Nonetheless, as indicated above, the voluntary shares remain blocked for 5 years. On the other hand, any matching shares that are granted, will only vest after 5 years.

During 2011, we issued 1.1 million of matching restricted stock units pursuant to the new Share-Based Compensation Plan as described above, in relation to the 2010 bonus. These matching restricted stock units are valued at the share price at the day of grant, representing a fair value of approximately USD 62.9 million.

### ***LTI Stock Option Plan***

As from 1 July 2009, senior employees are eligible for an annual long-term incentive to be paid out in LTI stock options (or, in future, similar share-based instrument), depending on management's assessment of the employee's performance and future potential.

LTI stock options have the following features:

- Upon exercise, each LTI stock option entitles the option holder to one share. As of 2010, we have also issued LTI stock options entitling the holder to one American Depositary Share;
- An exercise price that is set equal to the market price of our share or our American Depositary Share at the time of granting;
- A maximum lifetime of 10 years and an exercise period that starts after five years; and
- The LTI stock options cliff vest after five years. Unvested options are subject to specific forfeiture provisions in case of termination of service before the end of the five-year vesting period.

The table below gives an overview of the LTI stock options on our shares that have been granted under the LTI Stock Option Plan outstanding as of 31 December 2011:

<b>Issue Date</b>	<b>Number of LTI stock options granted (in millions)</b>	<b>Number of LTI stock options outstanding (in millions)</b>	<b>Exercise price (in EUR)</b>	<b>Expiry date of options</b>
18 December 2009	1.58	1.56	35.90	17 December 2019
30 November 2010	2.80	2.72	42.41	29 November 2020
30 November 2011	2.84	2.84	44.00	29 November 2021

The table below gives an overview of the LTI stock options on our American Depository Shares that have been granted under the LTI Stock Option Plan outstanding as of 31 December 2011:

Issue Date	Number of LTI stock options granted (in millions)	Number of LTI stock options outstanding (in millions)	Exercise price (in USD)	Expiry date of options
30 November 2010	1.22	1.14	56.02	29 November 2020
30 November 2011	1.18	1.18	58.44	29 November 2021

### ***Long Term Restricted Stock Unit Programs***

As of 2010, we have in place three Restricted Stock Unit Programs.

**Restricted Stock Units Program:** this program allows for the offer of restricted stock units to certain employees in certain specific circumstances. Grants are made at the discretion of our Chief Executive Officer. For example, grants may be made to compensate for assignments of expatriates in countries with difficult living conditions. The characteristics of the restricted stock units are identical to the characteristics of the Matching Shares that are granted as part of the Share Based Compensation Plan. See “—Share-Based Compensation Plan—Share Based Compensation Plan from 2010.” The restricted stock units vest after five years and in the case of termination of service before the vesting date, specific forfeiture rules apply. In 2011, 0.05 million restricted stock units were granted under the program to our senior management.

**Exceptional Incentive Restricted Stock Units Program:** this program allows for the exceptional offer of restricted stock units to certain employees at the discretion of our Remuneration Committee as a long-term retention incentive for our key employees. Employees eligible to receive a grant under the program will receive two series of restricted stock units. The first half of the restricted stock units vests after five years. The second half of the restricted stock units vests after 10 years. In case of termination of service before the vesting date, specific forfeiture rules apply. In 2011, 0.09 million restricted stock units were granted under the program to our senior management.

**Share Purchase Program:** this program allows certain employees to purchase our shares at a discount. This program is a long-term retention incentive (i) for high-potential employees who are at a mid-manager level (“People Bet Share Purchase Program”) or (ii) for newly hired employees. A voluntary investment in our shares by the participating employee is matched with a grant of three matching shares for each share invested. The discount and matching shares are granted in the form of restricted stock units which vest after five years. In case of termination before the vesting date, special forfeiture rules apply. In 2011, our employees purchased 0.01 million shares under the program.

### ***Ambev Exchange of Share-Ownership Program***

The combination with Ambev provided us with a unique opportunity to share best practices within our group and from time to time involves the transfer of certain members of Ambev’s senior management to us. As a result, the Board approved a Program that allows for the exchange by these managers of their Ambev shares for our shares. Under the Program, Ambev shares can be exchanged for our shares based on the average share price of both the Ambev and our shares on the date the exchange is requested. A discount of 16.66% is granted in exchange for a five-year lock-up period for the shares and provided that the manager remains in service during this period.

Under the Program, one member of our executive board of management (Mr. Bernardo Paiva) exchanged 1.37 million Ambev shares for 0.79 million of our shares in 2011.

In addition, in total, other members of our senior management exchanged 0.36 million Ambev shares for a total of 0.25 million of our shares in 2011 (0.25 million in 2010 and 2.1 million in 2009). The fair value of these transactions amounted to approximately USD 10 million in 2011 (USD 2 million in 2010 and USD 11 million for 2009).



### ***Programs for maintaining consistency of benefits granted and for encouraging global mobility of executives***

Our Board of Directors recommended to our shareholders for approval two programs which are aimed at maintaining consistency of benefits granted to executives and at encouraging the international mobility of executives while complying with all legal and tax obligations. The programs were approved at the annual shareholders' meeting of 27 April 2010.

The Exchange program: under this program, the vesting and transferability restrictions of the Series A Options granted under the November 2008 Exceptional Grant<sup>2</sup> and of the Options granted under the April 2009 Exceptional Grant<sup>3</sup> can be released e.g. for executives who move to the United States. These executives are then offered the possibility to exchange their options against a number of our shares that remain locked up until 31 December 2018. In total, in 2011, members of the executive board of management have exchanged 0.65 million Series A Options granted under the November 2008 Exceptional Grant for approximately 0.51 million shares. In total, other members of our senior management have exchanged approximately 0.5 million Series A Options granted under the November 2008 Exceptional Grant for approximately 0.4 million shares and approximately 0.8 million Options granted under the April 2009 Exceptional Grant for approximately 0.5 million shares. The exchange was based on the fair market value of the share on the day of the exchange.

The Dividend waiver program: the dividend protection feature of the outstanding options, where applicable, owned by executives who move to the United States will be cancelled. In order to compensate for the economic loss which results from this cancellation, a number of new options is granted to these executives with a value equal to this economic loss. The new options have a strike price equal to the share price on the day preceding the grant date of the options. All other terms and conditions, in particular with respect to vesting, exercise limitations and forfeiture rules of the new options are identical to the outstanding options for which the dividend protection feature is cancelled. As a consequence, the grant of these new options does not result in the grant of any additional economic benefit to the executives concerned. In 2011, 0.25 million new options were granted to members of our executive board of management who moved to the United States. The options were granted on 11 July 2011 and have a strike price of 40.35 euro, i.e., the closing share price on 8 July 2011. Approximately 0.32 million new options were granted under the program to other members of our senior management. The options were granted on 30 November 2011 and have a strike price of 44.00 euro, i.e., the closing share price on 29 November 2011. All other terms and conditions of the options are identical to the outstanding options for which the dividend protection was cancelled.

### ***Fair Value of Our Warrants and Options***

The fair value of the warrants and options under all of the plans and other grants detailed above is estimated at the relevant grant date, using a binomial Hull model, modified to reflect the IFRS 2 Share-based Payment requirement that assumptions about forfeiture before the end of the vesting period cannot impact the fair value of the option.

<sup>2</sup> The Series A Options have a duration of 10 years from granting and vest on 1 January 2014. The Series B Options have a duration of 15 years from granting and vest on 1 January 2019. The exercise of the stock options is subject, among other things, to the company meeting a performance test. This performance test will be met if the net debt/EBITDA, as defined (adjusted for exceptional items) ratio falls below 2.5 before 31 December 2013. Specific forfeiture rules apply in the case of termination of employment. The exercise price of the options is EUR 10.32 or EUR 10.50, which corresponds to the fair market value of the shares at the time of the option grant, as adjusted for the rights offering that took place in December 2008.

<sup>3</sup> The options have a duration of 10 years from granting and vest on 1 January 2014. The exercise of the stock options is subject, among other things, to the company meeting a performance test. This performance test will be met if the net debt/EBITDA, as defined (adjusted for exceptional items) ratio falls below 2.5 before 31 December 2013. Specific forfeiture rules apply in the case of termination of employment. The exercise price of the options is EUR 21.94 or EUR 23.28, which corresponds to the fair market value of the shares at the time of the option grant.

We expense the fair value of the warrants and options over the vesting period. When granted, the LTI warrants granted in 2011 in respect of the 2010 performance had a fair value of approximately USD 3.0 million and the options granted under the long term stock option plan had a fair value of approximately USD 66.2 million.

The weighted average fair value of all of the warrants and options under all of the plans and other grants detailed above and the assumptions used in applying the option pricing model for the grants made in 2011, 2010 and 2009 were as follows:

	Year ended 31 December		
	2011	2010	2009
	<i>(Amounts in U.S. dollars)<sup>(1)</sup></i>		
Weighted average fair value of warrants and options granted	14.95	14.59	13.99
Share price	57.04	51.71	29.03
Average exercise price	56.88	51.61	21.62
Expected volatility	26%	26%	32%
Expected dividends	2.50%	2.35%	0.85%
Risk-free interest rate	2.84%	3.29%	3.49%

Note:

(1) Amounts converted into USD at the closing rate of the respective period.

Expected volatility is based on historical volatility calculated using 1,766 days of historical data. In the determination of the expected volatility, we excluded the volatility measured during the period 15 July 2008 until 30 April 2009, in view of the extreme market conditions experienced during that period. The binomial Hull model assumes that all employees would immediately exercise their warrants and options if our share price is 2.5 times above the exercise price. As a result, no single expected option life applies.

The aggregate total number of our options and warrants outstanding under all the plans and other grants described above has developed as follows:

	Year ended 31 December		
	2011	2010	2009
<b>Million Options and Warrants</b>			
Options and warrants outstanding at start of period	56.1	50.8	8.8
Options and warrants issued during the period <sup>(1)</sup>	4.9	9.8	50.3
Options and warrants exercised during the period	(4.1)	(1.8)	(6.6)
Options and warrants forfeited during the period	(2.5)	(2.7)	(1.7)
<b>Options and warrants outstanding at end of period</b>	<u>54.4</u>	<u>56.1</u>	<u>50.8</u>

Note:

(1) Comprises 0.2 million warrants granted to directors under the LTI plan (see “—LTI Warrant Plan”), 0.6 million options granted under the dividend waiver program (see “—Share-Based Compensation Plan” and “—Programs for maintaining consistency of benefits granted and encouraging global mobility of executives moving to the United States”), 4.1 million LTI stock options granted to members of the executive board of management and senior employees under the LTI Stock Option Plan (see “—LTI Stock Option Plan”).

The weighted average exercise price of our outstanding options and warrants is as follows:

	Year ended 31 December		
	2011	2010	2009
	<i>(Amounts in U.S. dollars)<sup>(1)</sup></i>		
Warrants and options outstanding at start of period	29.88	27.37	34.42
Granted during the period	56.52	51.86	24.78
Exercised during the period	23.83	25.81	18.94
Forfeited during the period	27.65	27.76	27.48
Outstanding at the end of the period	32.98	29.88	27.37
Exercisable at the end of the period	31.91	30.71	31.16

Note:

(1) Amounts converted into USD at the closing rate of the respective period.

### ***Ambev Share-Based Compensation Plan***

Since 2005, Ambev has had a plan which is substantially similar to the Share-Based Compensation Plan under which bonuses granted to company employees and management are partially settled in shares. In 2010, Ambev modified the plan in the same manner as our 2010 modification of our Share-Based Compensation Plan (see “Item 6. Directors, Senior Management and Employees—B. Compensation—Share-Based Payment Plans—Share-Based Compensation Plan from 2010”). Under an equivalent five-year cliff vesting plan (that is, options become fully exercisable after five years and do not vest progressively over time), Ambev issued 3.2 million options during 2011 for which the fair value amounted to approximately USD 33 million, 3.2 million options during 2010 for which the fair value amounted to approximately USD 38 million and 1.6 million options during 2009 for which the fair value amounted to approximately USD 114 million.

In March 2011, Ambev issued under the plan (as modified in 2010) 1.4 million restricted stock units with an estimated fair value of USD 38.0 million. In 2010, Ambev issued 0.2 million restricted stock units with an estimated fair value of USD 4.0 million.

As from 2010, senior employees are eligible for an annual long-term incentive to be paid out in Ambev LTI stock options (or, in future, similar share-based instruments), depending on management’s assessment of the employee’s performance and future potential. In 2011, Ambev granted 3.1m LTI stock options with an estimated fair value of USD 40.8 million. In 2010, Ambev issued 3.4 million LTI stock options with an estimated fair value of USD 37 million.

In order to encourage the mobility of managers, the features of certain options granted in previous years have been modified whereby the dividend protection of these options was cancelled and replaced by the issuance of 2.5 million options in 2011 representing the economic value of the dividend protection feature. Since there was no change between the fair value of the original award before the modification and the fair value of the modified award after the modification, no additional expense was recorded as a result of this modification.

The weighted fair value of the options and assumptions used in applying a binomial option pricing model for the grants made by Ambev in 2011, 2010 and 2009 are as follows:

	Year ended 31 December		
	2011	2010	2009 <sup>(2)</sup>
	<i>(Amounts in U.S. dollars)<sup>(1)</sup></i>		
Fair value of options granted	11.98	11.24	10.40
Share price	29.65	24.09	15.39
Exercise price	24.73	24.57	14.94
Expected volatility	34%	28%	45%
Expected dividends	0.00% - 5.00%	2.57%	0.00%
Risk-free interest rate	3.10% - 11.89% <sup>(3)</sup>	12.24%	12.64%

Notes:

- (1) Amounts converted into USD at the closing rate of the respective period.
- (2) Following the decision of the General Meeting of Shareholders on 17 December 2010, each common and preferred share issued by Ambev was split into five shares, without any modification to the amount of the capital stock of Ambev. As a consequence of the split of the Ambev shares by a factor of five, the exercise price and the number of options were adjusted with the intention of preserving the rights of the existing option holders. The 2009 and 2008 amounts have been adjusted for the share split.
- (3) The weighted average risk-free interest rates refer to granted ADRs and stock options respectively.

### Compensation of Directors and Executives

Unless otherwise specified, all compensation amounts in this section are gross of tax.

#### *Board of Directors*

Our directors receive fixed compensation in the form of annual fees and supplemental fees for physical attendance at Board committee meetings or supplemental Board meetings, and variable compensation in the form of LTI warrants. Our Remuneration Committee recommends the level of remuneration for directors, including the Chairman of the Board. These recommendations are subject to approval by our Board and, subsequently, by our shareholders at the annual general meeting. The Remuneration Committee benchmarks directors' compensation against peer companies to ensure that it is competitive. In addition, the Board sets and revises, from time to time, the rules and level of compensation for directors carrying out a special mandate or sitting on one or more of the Board committees and the rules for reimbursement of directors' business-related out-of-pocket expenses. See “—C. Board Practices—Information about Our Committees—The Remuneration Committee.”

#### *Board compensation in 2011*

In 2011, the base annual fee for our directors was EUR 67,000 (USD 92,900) based on attendance at 10 Board meetings. The base supplement for each additional physical Board meeting or for each Committee meeting attended was EUR 1,500 (USD 2,080). Since 1999, we have also regularly issued warrants under the LTI warrant plan for the benefit of our Board members. See “—Share-Based Payment Plans—LTI Warrant Plan” for a description of the LTI warrant plan. In 2011, the base grant amounted to 15,000 LTI warrants.

The fees and warrants received by the Chairman of our Board in 2011 were double the respective base amounts. The Chairman of the Audit Committee was granted fees and warrants in 2011 which were 30% higher than the respective base amounts. All other directors received the base amount of fees and warrants. We do not provide pensions, medical benefits, benefits upon termination or end of service or other benefit programs to directors.

The table below provides an overview of the fixed and variable compensation that our directors received in 2011.

Name	Number of Board meetings attended	Annual fee for Board meetings (EUR)	Fees for Committee meetings (EUR)	Total fee (EUR)	Number of warrants granted under LTI 19 <sup>(1)</sup>
August Busch IV (until 26 April 2011)	0	22,333	0	22,333	15,000
Jean-Luc Dehaene (until 26 April 2011)	1	22,333	4,500	26,833	15,000
Paul Cornet de Ways Ruart (as of 26 April 2011)	9	44,667	0	44,667	0
Stéfan Descheemaeker	10	67,000	6,000	73,000	15,000
Olivier Goudet (as of 26 April 2011)	8	44,667	12,000	56,667	0
Peter Harf	10	134,000	13,500	147,500	30,000
Jorge Paulo Lemann	11	67,000	6,000	73,000	15,000
Arnoud de Pret Roose de Calesberg (until 26 April 2011)	2	22,333	3,000	25,333	15,000
Carlos Alberto da Veiga Sicupira	10	67,000	6,000	73,000	15,000
Grégoire de Spoelberch	10	67,000	6,000	73,000	15,000
Kees J. Storm	11	87,100	24,000	111,100	20,000
Marcel Herrmann Telles	11	67,000	24,000	91,000	15,000
Roberto Moses Thompson Motta	11	67,000	6,000	73,000	15,000
Alexandre Van Damme	10	67,000	15,000	82,000	15,000
Mark Winkelman	11	67,000	12,000	79,000	15,000
<b>All directors as group</b>	<b>—</b>	<b>913,433</b>	<b>138,000</b>	<b>1,051,433</b>	<b>215,000</b>

Notes:

- (1) Warrants were granted under the LTI warrant plan in April 2011. See “—Share-Based Payment Plans—LTI Warrant Plan.” The warrants have an exercise price of 40.92 euro per share, have a term of five years and vest over a three-year period.

#### *Warrants and options held by directors*

The table below sets forth, for each of our current directors, the number of LTI warrants they owned as of 31 December 2011:

	LTI 19(2) 26 April 2011	LTI 18 27 April 2010	LTI 17 28 April 2009	Rights-Offering Compensation <sup>(1)</sup> 28 April 2009	LTI 16 29 April 2008	LTI 15 24 April 2007	LTI 14 25 April 2006	LTI 13 26 April 2005	LTI 12 27 April 2004	LTI 10 10 Dec. 2002	Total options
Grant date	25 April 2016	26 April 2015	27 April 2014	27 April 2014	28 April 2013	23 April 2012	24 April 2016	25 April 2015	26 April 2014	9 Dec. 2012	
Expiry date											
Paul Cornet de Ways Ruart	0	0	0	0	0	0	0	0	0	0	0
Stéfan Descheemaeker	15,000	15,000	15,000	0	0	0	0	0	0	0	45,000
Olivier Goudet	0	0	0	0	0	0	0	0	0	0	0
Peter Harf	30,000	30,000	30,000	32,274	18,000	18,000	5,513	3,121	0	0	166,908
Jorge Paulo Lemann	15,000	15,000	15,000	28,343	9,000	9,000	8,269	9,364	0	0	108,976
Marcel Herrmann Telles	15,000	15,000	15,000	28,343	9,000	9,000	8,269	9,364	0	0	108,976

	LTI 19(2)	LTI 18	LTI 17	Rights-Offering Compensation <sup>(1)</sup>	LTI 16	LTI 15	LTI 14	LTI 13	LTI 12	LTI 10	Total options
Grant date	26 April 2011	27 April 2010	28 April 2009	28 April 2009	29 April 2008	24 April 2007	25 April 2006	26 April 2005	27 April 2004	10 Dec. 2002	
Expiry date	25 April 2016	26 April 2015	27 April 2014	27 April 2014	28 April 2013	23 April 2012	24 April 2016	25 April 2015	26 April 2014	9 Dec. 2012	
Grégoire de Spoelberch	15,000	15,000	15,000	5,395	9,000	0	0	0	0	0	59,395
Kees J. Storm	20,000	20,000	20,000	60,660	11,700	11,700	8,269	9,364	11,016	11,016	183,725
Roberto Moses Thompson Motta	15,000	15,000	15,000	28,343	9,000	9,000	8,269	9,364	0	0	108,976
Alexandre Van Damme	15,000	15,000	15,000	55,365	9,000	9,000	8,269	9,364	11,016	0	147,014
Carlos Alberto da Veiga Sicupira	15,000	15,000	15,000	28,343	9,000	9,000	8,269	9,364	0	0	108,976
Mark Winkelman	15,000	15,000	15,000	28,343	9,000	9,000	8,269	9,364	0	0	108,976
<b>Strike price (EUR)</b>	<b>40.92</b>	<b>37.51</b>	<b>21.72</b>	<b>21.72</b>	<b>58.31</b>	<b>55.41</b>	<b>38.70</b>	<b>27.08</b>	<b>23.02</b>	<b>21.83</b>	

Notes:

- (1) These warrants are part of the 984,203 warrants that were granted on 28 April 2009 to compensate for warrants that were not adjusted to take account of the effects of our December 2008 rights offering. See “—Share-based Payment Plans—LTI Warrant Plan” for more details.
- (2) Warrants were granted under the LTI warrant plan in April 2011. See “—Share-Based Payment Plans—LTI Warrant Plan.” The warrants have an exercise price of 40.92 euro per share, have a term of five years and vest over a three-year period.
- (3) In March 2011 Stéfan Descheemaeker exercised 55,982 warrants of the LTI 8 Series, 80,577 warrants of the LTI 13 Series and 27,991 warrants of the LTI 9 Series. In November 2011 he exercised 54,909 options of the Matching Options 2006 Series. In November 2011 Peter Harf exercised 6,243 warrants of the LTI 13 Series and 2,756 warrants of the LTI 14 Series. In November 2011 Alexandre Van Damme exercised 8,100 warrants of the LTI 9 Series.

**Board share ownership**

The table below sets forth the number of our shares owned by our directors as at 1 March 2012:

Name	Number of our shares held <sup>(1)</sup>	% of our outstanding shares
Paul Cornet de Ways Ruart	(*)	(*)
Stéfan Descheemaeker	(*)	(*)
Olivier Goudet	(*)	(*)
Peter Harf	(*)	(*)
Marcel Herrmann Telles	(*)	(*)
Jorge Paulo Lemann	(*)	(*)
Grégoire de Spoelberch	(*)	(*)
Kees J. Storm	(*)	(*)
Roberto Moses Thompson Motta	(*)	(*)
Alexandre Van Damme	(*)	(*)
Carlos Alberto da Veiga Sicupira	(*)	(*)
Mark Winkelman	(*)	(*)
<b>TOTAL</b>	<b>698,808</b>	<b>&lt;1%</b>

Note:

- (\*) Each director owns less than 1% of our outstanding shares as of 1 March 2012.

### ***Executive Board of Management<sup>4</sup>***

The main elements of our executive remuneration are (i) base salary, (ii) variable compensation, (iii) stock-options, (iv) post-employment benefits and (v) other compensation.

Our executive compensation and reward programs are overseen by our Remuneration Committee. It submits recommendations on the compensation of our Chief Executive Officer to the Board for approval. Upon the recommendation of our Chief Executive Officer, the Remuneration Committee also submits recommendations on the compensation of the other members of our executive board of management to our Board for approval. Such submissions to our Board include recommendations on the annual targets and corresponding variable compensation scheme. The Nomination Committee approves our targets and individual annual targets and the Remuneration Committee approves the target achievement and corresponding annual and long-term incentives of members of our executive board of management. See “C. Board Practices—Information about Our Committees—The Remuneration Committee.” The remuneration policy and any schemes that grant shares or rights to acquire shares are submitted to our annual shareholders meeting for approval.

Our compensation system is designed to support our high-performance culture and the creation of long-term sustainable value for our shareholders. The goal of the system is to reward executives with market-leading compensation, which is conditional upon both company and individual performance, and ensures alignment with shareholders’ interests by strongly encouraging executive ownership of shares in our company.

Through our Share-Based Compensation Plan, executives who demonstrate personal financial commitment to us by investing (all or part of) their annual variable compensation in our shares will be rewarded with the potential for significantly higher long-term compensation.

### ***Base Salary***

In order to ensure alignment with market practice, base salaries are reviewed against benchmarks on an annual basis. These benchmarks are collated by independent providers, in relevant industries and geographies. For benchmarking, “fast moving consumer goods” companies are used when available. If such data are not available for a given level or market, the category for all companies/general industry market is used. Our executives’ base salaries are intended to be aligned to mid-market levels for the appropriate market. Mid-market means that for a similar job in the market, 50% of companies in that market pay more and 50% of companies pay less. Executives’ total compensation is intended to be aligned to the 3rd quartile.

In 2011, based on his employment contract, our Chief Executive Officer earned a fixed salary of EUR 1.16 million (USD 1.64 million). The other members of our executive board of management earned an aggregate base salary of EUR 6.19 million (USD 8.73 million).

### ***Variable Compensation – Annual incentive***

The variable compensation element of remuneration for members of our executive board of management is designed to encourage executives to drive our short- and long-term performance.

<sup>4</sup> Figures in this section may differ from the figures in the notes to our consolidated financial statements for the following reasons: (i) figures in this section are figures gross of tax, while figures in the notes to our consolidated financial statements are reported as “cost for the Company”; (ii) the split “short-term employee benefits” vs. “share-based compensation” in the notes to our consolidated financial statements does not correspond to the split “base salary” vs. “variable compensation” in this section. Short-term employee benefits in the notes to our consolidated financial statements include the base salary and 50% of the variable compensation. Share-based compensation includes 50% of the variable compensation (portion paid in shares) and certain non-cash elements, such as the fair value of the options granted, which is based on financial pricing models; and (iii) the scope for the reporting is different as the figures in the notes to our consolidated financial statements also contain the remuneration of executives who left during the year, while figures in this section only contain the remuneration of executives who were in service at the end of the reporting year.

The target variable compensation is expressed as a percentage of the annual base salary of the executive.

The percentage of variable compensation effectively paid is directly linked to the achievement of annual company, entity and individual targets which are based on performance metrics. For 2011 company and entity targets were related to EBITDA, cash flow, operating costs and market share. Below a hurdle no incentive is earned (as was the case for the majority of the members of the Executive Board of Management in 2008). Even if company or entity targets are achieved, individual payments are dependent on each executive's achievement of individual performance targets. Company and entity targets achievement is assessed by the Remuneration Committee on the basis of accounting and financial data. The Remuneration Committee also approves the individual targets achievement of the CEO and, upon recommendation of the CEO, of the Executive Board of Management.

Variable compensation is generally paid annually in arrears after publication of our full-year results. In 2009, in order to align the organization against the delivery of specific targets following the Anheuser-Busch acquisition, the Board decided to apply semi-annual targets which resulted in a semi-annual payment of 50% of the annual incentive, respectively in August 2009 and in March 2010. As of 2010, variable compensation is again paid annually in arrears after publication of our full-year results in or around March each year.

#### ***Variable compensation for performance in 2010 – Paid in March 2011***

For the full year 2010, the Chief Executive Officer earned variable compensation of EUR 3.16 million (USD 4.18 million). The other members of the executive board of management earned aggregate variable compensation of EUR 9.59 million (USD 12.67 million).

The amount of variable compensation is based on our company's performance during the year 2010 and the executives' individual target achievement. The variable compensation was paid in March 2011. See “—Share-Based Payment Plans—Share-Based Compensation Plan.”

The following table sets forth information regarding the number of our shares voluntarily acquired and matching shares granted in March 2011 (variable compensation awarded for performance in 2010) to our Chief Executive Officer and the other members of our executive board of management under the Share-Based Compensation Plan. See “—Share-Based Payment Plans—Share-Based Compensation Plan.” The matching shares were granted in the form of restricted stock units and vest after five years, on 3 March 2016:

Name	Our Shares acquired	Matching Shares granted
Carlos Brito – CEO	51,823	155,070
Chris Burggraeve	7,238	25,673
Sabine Chalmers	6,822	24,194
Felipe Dutra	15,380	46,024
Claudio Braz Ferro	11,722	35,274
Tony Milikin	4,584	25,165
Claudio Garcia	5,566	27,328
Miguel Patricio	23,118	69,370
Jo Van Biesbroeck	0	0
Francisco Sá	6,250	18,754
João Castro Neves <sup>(1)</sup>	0	0
Luiz Fernando Edmond	10,438	31,104
Bernardo Pinto Paiva <sup>(1)</sup>	0	0

Note:

- (1) João Castro Neves, Zone President Latin America North, and Bernardo Pinto Paiva, while in his role as Zone President Latin America South until January 2012, reported to the Board of Directors of Ambev and participated in the incentive plans of Companhia de Bebidas das Americas – Ambev that are disclosed separately by Ambev.



### ***Variable compensation for performance in 2011 – Paid in March 2012***

For the full year 2011, the Chief Executive Officer earned variable compensation of EUR 1.33 million (USD 1.88 million). The other members of the executive board of management earned aggregate variable compensation of EUR 6.46 million (USD 9.11 million).

The amount of variable compensation is based on our company's performance during the year 2011 and the executives' individual target achievement. The variable compensation was paid in March 2012.

### ***Long-Term Incentive Stock Options***

The following table sets forth information regarding the number of stock options granted in 2011 under the 2009 Long-Term Incentive Stock-Option Plan to our Chief Executive Officer and the other members of our executive board of management. See “—Share-Based Payment Plans—LTI Stock-Option Plan” above.

The options were granted on 30 November 2011, have an exercise price of EUR 44.00 and become exercisable after five years, on 30 November 2016:

<b>Name</b>	<b>Long-Term Incentive options granted</b>
Carlos Brito – CEO	280,273
Chris Burggraeve	57,293
Sabine Chalmers	63,022
Felipe Dutra	100,836
Claudio Braz Ferro	57,293
Tony Milikin	19,479
Claudio Garcia	57,293
Miguel Patricio	103,128
Jo Van Biesbroeck	57,293
Francisco Sá	57,293
João Castro Neves <sup>(1)</sup>	0
Luiz Fernando Edmond	103,128
Bernardo Pinto Paiva <sup>(1)</sup>	0

Note:

- (1) João Castro Neves, Zone President Latin America North, and Bernardo Pinto Paiva, while in his role as Zone President Latin America South until January 2012, reported to the Board of Directors of Ambev and participated in the incentive plans of Companhia de Bebidas das Americas – Ambev that are disclosed separately by Ambev.

### ***Programs for maintaining consistency of benefits granted and for encouraging global mobility of executives***

In 2011, members of our executive board of management participated in the Exchange program and exchanged approximately 0.65 million Series A Options granted under the November 2008 Exceptional Grant for approximately 0.51 million of our ordinary shares.

In addition, under the Dividend waiver program in 2011, 0.25 million new options were granted to members of our executive board of management who moved to the United States. The options were granted on 11 July 2011 and have a strike price of 40.35 EUR, i.e. the closing share price on 8 July 2011.

### ***Post-Employment Benefits***

We sponsor various post-employment benefit plans worldwide. These include pension plans, both defined contribution plans and defined benefit plans, and other post-employment benefits. See note 24 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for further details on our employee benefits.

*Defined contribution plans.* For defined contribution plans, we pay contributions to publicly or privately administered pension funds or insurance contracts. Once the contributions have been paid, we have no further payment obligation. The regular contribution expenses constitute an expense for the year in which they are due. For 2011, our defined contribution expenses amounted to USD 39 million compared to USD 44 million for 2010.

*Defined benefit plans.* We contribute to 61 defined benefit plans, of which 45 are retirement plans and 16 are medical cost plans. Most plans provide benefits related to pay and years of service. In 2011, the deficit under our post-employment and long-term employee benefit plans increased to USD 3,430 million. In 2012, we expect to contribute approximately USD 368 million to our funded defined benefit plans and USD 91 million to our unfunded defined benefit plans and post-retirement medical plans.

Our executives participate in our pension schemes in either Belgium or their home country. These schemes are in line with predominant market practices in the respective geographic environments.

Our Chief Executive Officer participates in a defined contribution plan. Our annual contribution to his plan amounts to approximately USD 0.24 million. The total amount we had set aside to provide pension, retirement or similar benefits for members of our executive board of management in the aggregate as of 31 December 2011 was USD 3 million, as compared to USD 2 million as of 31 December 2010. See note 32 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011.

### **Other Compensation**

We also provide executives with life and medical insurance and perquisites and other benefits that are competitive with market practice in the markets where such executives are employed. In addition, our Chief Executive Officer, for a limited period of time, enjoys certain expatriate perquisites i.e. a housing allowance and a schooling allowance in accordance with local market practice.

### **Employment Agreements and Termination Arrangements**

Terms of hiring of our executive board of management are included in individual employment agreements. Executives are also required to comply with our policies and codes such as the Code of Business Conduct and Code of Dealing and are subject to exclusivity, confidentiality and non-compete obligations.

The employment agreement typically provides that the executive's eligibility for payment of variable compensation is determined exclusively on the basis of the achievement of corporate and individual targets to be set by us. The specific conditions and modalities of the variable compensation are fixed by us in a separate plan which is approved by the Remuneration Committee.

Termination arrangements are in line with legal requirements and/or jurisprudential practice. The termination arrangements for the members of the executive board of management provide for a termination indemnity of 12 months of remuneration including variable compensation in case of termination without cause. The variable compensation for purposes of the termination indemnity shall be calculated as the average of the variable compensation paid to the executive for the last two years of employment prior to the year of termination. In addition, if we decide to impose upon the executive a non-compete restriction of twelve months, the executive shall be entitled to receive an additional indemnity of six months.

Carlos Brito was appointed to serve as our Chief Executive Officer starting as of 1 March 2006. In the event of termination of his employment other than on the grounds of serious cause, he is entitled to a termination indemnity of 12 months of remuneration including variable compensation as described above. There is no "claw-back" provision in case of misstated financial statements.

## Warrants and Options owned by Executives

The table below sets forth the number of LTI warrants and matching options owned by the members of our executive board of management in aggregate as of 31 December 2011 under the LTI Warrant Plans, LTI Stock-Option Plan, the Share-Based Compensation Plans and the 2008 Exceptional Grant. Since 2006, LTI warrants were no longer granted to our executive board of management. See “—Share-Based Payment Plans” above.

Program	Warrants and Options held in aggregate by our executive board of management	Strike price (EUR)	Grant date	Expiry date
LTI Warrant Plan 8 <sup>(1)</sup>	0	18.05	11 December 2001	10 December 2011
LTI Warrant Plan 12	143,955	14.39	27 April 2004	26 April 2014
LTI Warrant Plan 13	95,170	16.93	26 April 2005	25 April 2015
LTI Stock-Option Plan 2009	1,174,417	35.90	18 December 2009	17 December 2019
LTI Stock-Option Plan 2009	922,327	42.41	30 November 2010	29 November 2020
LTI Stock-Option Plan 2009	956,331	44.00	30 November 2011	29 November 2021
Matching options 2009	1,730,435	27.06	14 August 2009	13 August 2019
Matching options 2009	80,765	20.49	6 March 2009	5 March 2019
Matching options 2008	634,033	34.34	3 March 2008	2 March 2018
Matching options 2008 - Dividend Waiver 09 <sup>(2)</sup>	317,635	33.24	1 December 2009	2 March 2018
November 2008 Exceptional Grant Options Series A <sup>(3)</sup>	1,265,194	10.32	25 November 2008	24 November 2018
November 2008 Exceptional Grant Options Series A	903,710	10.50	25 November 2008	24 November 2018
November 2008 Exceptional Grant Options Series A – Dividend Waiver 09 <sup>(2)</sup>	355,280	33.24	1 December 2009	24 November 2018
November 2008 Exceptional Grant Options Series B	903,710	10.50	25 November 2008	24 November 2023
November 2008 Exceptional Grant Options Series B	5,096,925	10.32	25 November 2008	24 November 2023
November 2008 Exceptional Grant Options Series B – Dividend Waiver 09 <sup>(2)</sup>	2,589,811	33.24	1 December 2009	24 November 2023
November 2008 Exceptional Grant Options Series B – Dividend Waiver 11 <sup>(5)</sup>	243,901	40.35	11 July 2011	24 November 2023
Matching options 2007	513,598	33.59	2 April 2007	1 April 2017
Matching options 2007 – Dividend Waiver 09 <sup>(2)</sup>	317,713	33.24	1 December 2009	1 April 2017
Matching options 2006 <sup>(4)</sup>	286,424	24.78	27 April 2006	26 April 2016
Matching options 2006 – Dividend Waiver 09 <sup>(2)</sup>	177,792	33.24	1 December 2009	23 April 2016

### Notes:

- (1) In May 2011, Jo Van Biesbroeck exercised 55,982 warrants of the LTI 8 series.
- (2) Options granted under the dividend waiver program. See “—Share-Based Payment Plans.”
- (3) 361,484 options were exchanged by Bernardo Paiva in July 2011 and 289,187 options were exchanged by Jo Van Biesbroeck in December 2011. See “-Programs for maintaining consistency of benefits granted and for encouraging global mobility.”
- (4) In September 2011, Sabine Chalmers exercised 19,503 options of the Matching options 2006 Series.
- (5) Options granted under the dividend waiver program. See “—Share-Based Payment Plans.” 243,901 options were granted to Bernardo Paiva in July 2011.

## Executive Share Ownership

The table below sets forth the number of our shares owned by the members of the executive board of management as at 1 March 2012:

<u>Name</u>	<u>Number of our shares held</u>	<u>% of our outstanding shares</u>
Carlos Brito	(*)	(*)
Sabine Chalmers	(*)	(*)
Jo Van Biesbroeck	(*)	(*)
Felipe Dutra	(*)	(*)
Claudio Garcia	(*)	(*)
Claudio Ferro	(*)	(*)
Chris Burggraeve	(*)	(*)
Stuart MacFarlane	(*)	(*)
Tony Milikin	(*)	(*)
Miguel Patricio	(*)	(*)
Francisco Sá	(*)	(*)
João Castro Neves	(*)	(*)
Luiz Fernando Edmond	(*)	(*)
Bernardo Pinto Paiva	(*)	(*)
<b>TOTAL</b>	<b>6,489,838</b>	<b>&lt;1%</b>

Note:

(\*) Each member of our executive board of management owns less than 1% of our outstanding shares as of 1 March 2012.

## Anheuser-Busch

### *Retention Program*

In connection with the Anheuser-Busch acquisition, we and Anheuser-Busch agreed to establish an employee retention program providing integration bonuses and severance benefits for certain key employees of Anheuser-Busch. This program became effective as of the closing of the acquisition.

### *Integration Bonus*

Approximately 60 key employees of Anheuser-Busch (including Anheuser-Busch's executive officers at the time of the Anheuser-Busch merger other than Mr. Busch IV, who terminated his employment with Anheuser-Busch upon the occurrence of the merger) were eligible to receive an additional bonus for 2008 equal to 40% of the target bonus otherwise payable to that employee under the pre-existing Anheuser-Busch bonus programs. In addition, approximately 300 key employees of Anheuser-Busch (including Anheuser-Busch's executive officers, other than Mr. Busch IV) were eligible to receive a bonus for 2009 of 110% of the employee's 2009 target bonus award. The amount of the additional bonus depended upon the extent of achievement of projected savings under Anheuser-Busch's Blue Ocean program in each respective year.

### *Enhanced Severance*

The retention plan also provided that the same group of approximately 360 employees (including Anheuser-Busch's executive officers at the time of the Anheuser-Busch merger, other than Mr. Busch IV) are eligible for enhanced severance benefits payable upon an involuntary or constructive termination of employment within two years following the closing of the merger. These severance benefits range from 15 months of base salary to two times the sum of base salary and target bonus and include continuation of medical, insurance and welfare benefits ranging from 15 to 24 months (in each case, depending on the particular employee category). The retention

plan provided that approximately 60 of these employees (including Anheuser-Busch's executive officers at the time of the merger, other than Mr. Busch IV) are, if necessary, eligible for a modified gross-up payment on amounts that are subject to the excise tax imposed by Section 4999 of the United States Internal Revenue Code but only if the total value of all "parachute payments" to the individual exceeds 110% of the individual's "safe harbor" amount. The enhanced severance program also contained customary restrictive obligations, including an agreement not to compete with Anheuser-Busch for a period ranging from 12 to 24 months. Constructive termination includes a material reduction of compensation, a material reduction in duties and responsibilities from those in effect immediately prior to closing of the merger and relocation of more than 50 miles. The enhanced severance program has expired.

## **C. BOARD PRACTICES**

### **General**

Our directors are appointed by our shareholders' meeting, which sets their remuneration and term of mandate. Their appointment is published in the Belgian Official Gazette (*Moniteur belge*). No service contract is concluded between us and our directors with respect to their Board mandate. Our Board also may request a director to carry out a special mandate or assignment. In such case a special contract may be entered into between us and the respective director. For details of the current directors' terms of office, see "—A. Directors and Senior Management—Board of Directors." We do not provide pensions, medical benefits or other benefit programs to directors.

#### ***August A. Busch IV Consulting Agreement***

In connection with the Anheuser-Busch acquisition, we entered into a consulting agreement with Mr. Busch IV which became effective as of the closing of the Anheuser-Busch merger and will continue until 31 December 2013. In his role as consultant, Mr. Busch IV will, at the request of our Chief Executive Officer, provide advice to us on Anheuser-Busch new products and new business opportunities; review Anheuser-Busch marketing programs; meet with retailers, wholesalers and key advertisers of Anheuser-Busch; attend North American media events; provide advice with respect to Anheuser-Busch's relationship with charitable organizations and the communities in which it operates; and provide advice on the taste, profile, and characteristics of the Anheuser-Busch malt-beverage products. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Consulting Agreement." The end of the mandate of Mr. Busch IV as director of our company at the annual shareholders meeting of 26 April 2011 has no impact on the consulting agreement.

### **Information about Our Committees**

#### ***General***

As of 1 January 2011, our Board is assisted by four committees: the Audit Committee, the Finance Committee, the Remuneration Committee and the Nomination Committee.

The existence of the Committees does not affect the responsibility of our Board. Board committees meet to prepare matters for consideration by our Board. By exception to this principle, (i) the Remuneration Committee may make decisions on individual compensation packages, other than with respect to our Chief Executive Officer and our executive board of management (which are submitted to our Board for approval), and on performance against targets and (ii) the Finance Committee may make decisions on matters specifically delegated to it under our Corporate Governance Charter, in each case without having to refer to an additional Board decision. Each of our Committees operates under typical rules for such committees under Belgian law, including the requirement that a majority of the members must be present for a valid quorum and decisions are taken by a majority of members present.

#### ***The Audit Committee***

The Audit Committee's Chairman and the Committee members are appointed by the Board from among the independent directors. The Chairman of the Audit Committee is not the Chairman of the Board. The Chief Executive Officer, Chief Legal Officer and Chief Financial Officer are invited to the meetings of the Audit Committee.

The current members of the Audit Committee are Olivier Goudet, Peter Harf and Kees Storm (Chairman). Olivier Goudet succeeded to Jean-Luc Dehaene who retired from the Board and the Audit Committee as of 27 April 2011. As of 26 April 2012, Peter Harf will retire from the Board and the Audit Committee and Mark Winkelman will join the Audit Committee. From 26 April 2012, Kees Storm will succeed to Peter Harf as Chairman of our Board. Mr. Goudet will replace him as Chairman of the Audit Committee. Each member of our Audit Committee is an independent director according to our Corporate Governance Charter (see “—Directors and Senior Management—Board of Directors—Role and Responsibilities, Composition, Structure and Organization”) and under Rule 10A-3 under the Exchange Act. There is no minimum size for the Audit Committee.

Our Board of Directors has determined that Kees J. Storm is an “audit committee financial expert” as defined in Item 16A of Form 20-F under the Exchange Act.

The Audit Committee assists our Board in its responsibility for oversight of (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the statutory auditors’ qualification and independence, and (iv) the performance of the statutory auditors and our internal audit function. The Audit Committee is entitled to review information on any point it wishes to verify, and is authorized to acquire such information from any of our employees. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the statutory auditor. It also establishes procedures for confidential complaints regarding questionable accounting or auditing matters. It is also authorized to obtain independent advice, including legal advice, if this is necessary for an inquiry into any matter under its responsibility. It is entitled to call on the resources that will be needed for this task. It is entitled to receive reports directly from the statutory auditor, including reports with recommendations on how to improve our control processes.

The Audit Committee holds as many meetings as necessary with a minimum of four a year. The Committee holds the majority of its physical meetings each year in Belgium.

#### ***The Finance Committee***

The Finance Committee consists of at least three but no more than six members appointed by the Board. The Board appoints a Chairman and, if deemed appropriate, a Vice-Chairman from among the Finance Committee members. The Chief Executive Officer and the Chief Financial Officer are invited *ex officio* to the Finance Committee meetings unless specifically decided otherwise. Other employees are invited on an *ad hoc* basis as deemed useful.

The current members of the Finance Committee are Stéfan Descheemaeker, Alexandre Van Damme (Chairman), Jorge Paulo Lemann, Roberto Moses Thompson Motta and Mark Winkelman. Alexandre Van Damme succeeded to Arnoud de Pret who retired from the Board and the Finance Committee as of 27 April 2011.

The Finance Committee meets at least four times a year and as often as deemed necessary by its Chairman or at least two of its members. The Finance Committee holds the majority of its physical meetings each year in Belgium.

The Finance Committee assists the Board in fulfilling its oversight responsibilities in the areas of corporate finance, risk management, Treasury controls, mergers and acquisitions, tax and legal, pension plans, financial communication and stock market policies and all other related areas as deemed appropriate.

#### ***The Remuneration Committee***

The Remuneration Committee consists of three members appointed by the Board, all of whom will be non-executive directors. The Chairman of the Committee will be a representative of the controlling shareholders and the other two members will meet the requirements of independence as established in our Corporate Governance Charter and by the Belgian Company Law. The Chairman of our Remuneration Committee would not be considered independent under NYSE rules, and therefore our Remuneration Committee would not be in compliance with the NYSE Corporate Governance Standards for domestic issuers in respect of independence of compensation committees. The Chief Executive Officer and the Chief People and Technology Officer are invited to the meetings of the Committee.

The current members of the Remuneration Committee are Marcel Herrmann Telles (Chairman), Olivier Goudet and Mark Winkelman.

The Committee meets at least four times a year, and more often if required, and can be convoked by its Chairman or at the request of at least two of its members. The Committee holds the majority of its physical meetings in Belgium.

The Remuneration Committee's principal role is to guide the Board with respect to all its decisions relating to the remuneration policies for the Board, the Chief Executive Officer and the executive board of management and on their individual remuneration packages. The Committee ensures that the Chief Executive Officer and members of the executive board of management are incentivized to achieve, and are compensated for, exceptional performance. The Committee also ensures the maintenance and continuous improvement of our company's compensation policy which will be based on meritocracy with a view to aligning the interests of its employees with the interests of all shareholders.

#### ***The Nomination Committee***

The Nomination Committee consists of five members appointed by the Board. The five members include the Chairman of the Board and the Chairman of the Remuneration Committee. Four of the five Committee members are representatives of the controlling shareholders. These four members of our Nomination Committee would not be considered independent under NYSE rules, and therefore our Nomination Committee would not be in compliance with the NYSE Corporate Governance Standards for domestic issuers in respect of independence of nominating committees. The Chief Executive Officer and the Chief People and Technology Officer are invited to attend the meetings of the Nomination Committee.

The current members of the Nomination Committee are Carlos Alberto Sicupira, Grégoire de Spoelberch, Peter Harf, Marcel Herrmann Telles (Chairman) and Alexandre Van Damme. As of 26 April 2012, Peter Harf will retire from the Board and the Nomination Committee. He will be succeeded by Kees Storm, who will also become Chairman of the Board.

There is no minimum size for the Nomination Committee.

The Nomination Committee's principal role is to guide the Board succession process. The Committee identifies persons qualified to become Board members and recommends director candidates for nomination by the Board and election at the shareholders' meeting. The Committee will also guide the Board with respect to all its decisions relating to the appointment and retention of key talent within our company.

The Committee meets at least two times a year, and more, if required. The Committee holds the majority of its physical meetings in Belgium.

#### **D. EMPLOYEES**

As at 31 December 2011, we employed approximately 116,000 people.

## Overview of Employees per Zone

The table below sets out the number of full-time employees at the end of each relevant period in our business zones.

	As of 31 December		
	2011	2010	2009
North America	17,924	18,264	19,597
Latin America North	33,076	32,098	28,460
Latin America South	8,641	8,040	7,780
Western Europe	7,832	7,989	7,551
Central & Eastern Europe	10,551	10,249	10,588
Asia Pacific	36,046	35,475	40,859
Global Export & Holding Companies	2,208	2,198	1,654
<b>Total</b>	<b><u>116,278</u></b>	<b><u>114,313</u></b>	<b><u>116,489</u></b>

## Employee Compensation and Benefits

To support our culture that recognizes and values results, we offer employees competitive salaries benchmarked to fixed mid-market local salaries, combined with variable incentive schemes based on individual performance and performance of the business entity in which they work. Senior employees above a certain level are eligible for the Share-Based Compensation Plan. See “B. Compensation—Share-Based Payment Plans—Share-Based Compensation Plan” and “B. Compensation—Compensation of Directors and Executives—Executive Board of Management.” Depending on local practices, we offer employees and their family members pension plans, life insurance, medical, dental and optical insurance, death in service insurance, illness and disability insurance. Some of our countries have tuition reimbursement plans and employee assistance programs.

## Labor Unions

Many of our hourly employees across our business zones are represented by unions. Generally, relationships between us and the unions that represent our employees are good. See “D. Risk Factors—Risks Relating to Our Business—We are exposed to labor strikes and disputes that could lead to a negative impact on our costs and production level.”

In Western Europe, collective bargaining occurs at the national level in Belgium and the Netherlands, and at the local level in all other countries. The degree of membership in unions varies from country to country, with a low proportion of membership in the United Kingdom and the Netherlands, and a high proportion of membership in Belgium and Germany.

In the United States, a majority of our hourly employees at breweries are represented by the International Brotherhood of Teamsters. Our collective bargaining agreements covering employees at all 12 U.S. breweries include annual wage increases and run through 28 February 2014.

In Canada, nearly two-thirds of the total workforce within brewery operations, logistics, office administration and sales is unionized with collective bargaining agreements ranging in duration from three to seven years.

In Brazil, all of our employees are represented by labor unions, but less than 5% are actually members of those unions. The number of administrative and distribution employees who are members of labor unions is not significant. Our collective bargaining agreements are negotiated separately for each facility or distribution center and have a term of one year. We usually enter into new collective bargaining agreements on or prior to the expiration of the existing agreements.

## E. SHARE OWNERSHIP

For a discussion of the share ownership of our directors and executives, as well as arrangements involving our employees in our capital, see “Item 6. Directors, Senior Management and Employees—B. Compensation.”



## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. MAJOR SHAREHOLDERS

#### Shareholding Structure

The following table shows our shareholding structure based on the notifications made to the Belgian Financial Services and Markets Authority (the “FSMA”) (previously and until 01 April 2011, the Belgian Banking, Finance and Insurance Commission (the “CBFA”)) and to us on the date specified below by the shareholders specified below in accordance with Article 6 of the Belgian Law of 2 May 2007 on the disclosure of significant shareholdings in listed companies and in accordance with Article 74 of the Belgian Law of 01 April 2007 on public take-over bids.

The first eight entities mentioned in the table act in concert (see “—Shareholders’ Arrangements”) and hold 842,276,778 of our shares, representing 52.46% of the voting rights attached to our shares outstanding as of 29 August 2011, the date of the most recent notification.

All of our shares have the same voting rights.

<u>Major shareholders</u>	<u>Number of our shares held</u>	<u>% of the voting rights attached to our outstanding shares held</u>	<u>Date of notification of interest</u>
Stichting Anheuser-Busch InBev, a <i>stichting</i> incorporated under Dutch law <sup>(1)(2)</sup>	663,074,830	41.30%	29 August 2011
Eugénie Patri Sébastien S.A., a company incorporated under Luxembourg law affiliated to the Stichting that it jointly controls with BRC S.à.R.L. <sup>(2)(3)</sup>	133,267,604	8.30%	29 August 2011
Rayvax Société d’Investissement NV/SA, a company incorporated under Belgian law	10	<0.01%	29 August 2011
Fonds Voorzitter Verhelst SPRL, a company with a social purpose incorporated under Belgian law	6,997,665	0.44%	29 August 2011
Fonds InBev-Baillet Latour SPRL, a company with a social purpose incorporated under Belgian law	5,485,415	0.34%	29 August 2011
BRC S.à.R.L., a company incorporated under Luxembourg law, affiliated to the Stichting that it jointly controls with Eugénie Patri Sébastien S.A. <sup>(2)(4)</sup>	32,666,460	2.03%	29 August 2011
Sébastien Holding NV/SA, a company incorporated under Belgian law, affiliated to Rayvax Société d’Investissement NV/SA, its parent company	484,794	0.03%	29 August 2011
BR Global Investments Ltd, a company incorporated under the law of the Commonwealth of Bahamas, affiliated to BRC S.à.R.L. that it controls	300,000	0.02%	29 August 2011
Anheuser-Busch InBev SA/NV	7,601,955	0.47%	31 December 2011
Brandbrew S.A., a company incorporated under Luxembourg law and a subsidiary of Anheuser-Busch InBev	510,454	0.03%	31 December 2011
Capital Research and Management Company	47,828,428	2.98%	3 February 2011
Janus Capital Management LLC	46,872,867	2.92%	23 March 2010
Fidelity Management & Research LLC	48,561,873	3.03%	16 September 2009

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Notes:

- (1) See section “—Controlling Shareholder.” By virtue of their responsibilities as directors of the Stichting, Stéfan Descheemaeker, Paul Cornet de Ways Ruart, Grégoire de Spoelberch, Alexandre Van Damme, Marcel Herrmann Telles, Jorge Paulo Lemann, Roberto Moses Thompson Motta and Carlos Alberto Sicupira may be deemed, under the rules of the SEC, to be beneficial owners of our ordinary shares held by the Stichting. However, each of these individuals disclaims such beneficial ownership in such capacity.
- (2) See section “—Shareholders’ Arrangements.”
- (3) By virtue of their responsibilities as directors of Eugénie Patri Sébastien S.A., Stéfan Descheemaeker, Paul Cornet de Ways Ruart, Grégoire de Spoelberch and Alexandre Van Damme may be deemed, under the rules of the SEC, to be beneficial owners of our ordinary shares held by Eugénie Patri Sébastien S.A. However, each of these individuals disclaims such beneficial ownership in such capacity.
- (4) Marcel Herrmann Telles, Jorge Paulo Lemann and Carlos Alberto Sicupira have disclosed to us that they control BRC S.à.R.L. and as a result, under the rules of the SEC, they are deemed to be beneficial owners of our ordinary shares held by BRC S.à.R.L. By virtue of his responsibility as a director of BRC S.à.R.L, Roberto Moses Thompson Motta may also be deemed, under the rules of the SEC, to be the beneficial owner of our ordinary shares held by BRC S.à.R.L. However, Roberto Moses Thompson Motta disclaims such beneficial ownership in such capacity.

Since 1 January 2009 and until the notification made on 29 August 2011, there have been no significant changes of which we have been notified by our major shareholders described above.

On 29 August 2011, the first eight entities disclosed that they held 842,276,778 of our shares, representing 52.46% of the voting rights attached to our shares outstanding as of such date. The Stichting similarly notified us on 29 August 2011 that it held 663,074,830 of our shares, representing 41.30% of the voting rights attached to our shares outstanding as of such date.

#### **U.S. Resident Shareholders**

As a number of our shares are held in dematerialized form, we are not aware of the identity of all our shareholders. As of 31 December 2011, we had 3,112,210 registered shares held by 108 U.S. resident shareholders, representing 0.19% of the voting rights attached to our shares outstanding as of such date. In addition, Fidelity Management and Research LLC, a U.S. resident holder, notified us on 16 September 2009 that it held 48,561,873 ordinary shares, representing 3.03% of the voting rights attached to our shares outstanding as of such date, Capital Research and Management Company LLC, a U.S. resident holder, notified us on 3 February 2011 that it held 47,828,428 ordinary shares, representing 2.98% of the voting rights attached to our shares outstanding as of such date, and Janus Capital Management LLC, also a U.S. resident holder, notified us on 26 March 2010 that it held 46,872,867 ordinary shares, representing 2.92% of the voting rights attached to our shares outstanding as of such date. As of 31 December 2011, we also had 83,790,011 ADRs outstanding, each representing one ordinary share.

#### **Controlling Shareholder**

Our controlling shareholder is the Stichting, a foundation (*stichting*) organized under the laws of the Netherlands which represents an important part of the interests of the founding Belgian families of Interbrew (mainly represented by Eugénie Patri Sébastien S.A.) and the interests of the Brazilian families which were previously the controlling shareholders of Ambev (represented by BRC S.à.R.L).

As of 29 August 2011, the date of its most recent notification, the Stichting owned 663,074,830 of our shares, which represented a 41.30% voting interest in us based on the number of our shares outstanding as of 29 August 2011. The Stichting and certain other entities acting in concert with it (see “—Shareholders’ Arrangements” below) held, in the aggregate, 52.46% of our shares based on the number of our shares outstanding on 29 August 2011. The Stichting is governed by its bylaws and its conditions of administration.

#### **Shareholders’ Arrangements**

In connection with the combination of Interbrew with Ambev in 2004, BRC S.à.R.L, Eugénie Patri Sébastien S.A., Rayvax Société d’Investissement NV/SA and the Stichting entered into a shareholders’ agreement

on 2 March 2004 which provides for BRC S.à.R.L and Eugénie Patri Sébastien S.A. to hold their interests in us through the Stichting (except for approximately 133 million of our shares that are held directly by Eugénie Patri Sébastien S.A. and approximately 33 million of our shares that are held directly by BRC S.à.R.L as of 29 August 2011 (see “—Shareholding Structure”) and addresses, among other things, certain matters relating to the governance and management of the Stichting and Anheuser-Busch InBev SA/NV as well as the transfer of the Stichting certificates. As of 29 August 2011, BRC S.à.R.L held 331,537,415 class B Stichting certificates (indirectly representing 331,537,415 of our shares) and Eugénie Patri Sébastien S.A. held 331,537,415 class A Stichting certificates (indirectly representing 331,537,415 of our shares). The shareholders’ agreement was amended and restated on 9 September 2009 and has been filed as Exhibit 3.1 to this Form 20-F.

Pursuant to the terms of the shareholders’ agreement, BRC S.à.R.L and Eugénie Patri Sébastien S.A. jointly and equally exercise control over the Stichting and those of our shares held by the Stichting. Among other things, BRC S.à.R.L and Eugénie Patri Sébastien S.A. have agreed that the Stichting will be managed by an eight-member board of directors and that each of BRC S.à.R.L and Eugénie Patri Sébastien S.A. will have the right to appoint four directors to the Stichting board of directors. At least seven of the eight Stichting directors must be present in order to constitute a quorum of the Stichting board, and any action to be taken by the Stichting board of directors will, subject to certain qualified majority conditions, require the approval of a majority of the directors present, including at least two directors appointed by BRC S.à.R.L and two appointed by Eugénie Patri Sébastien S.A. Subject to certain exceptions, all decisions of the Stichting with respect to our shares held by it, including how such shares will be voted at our shareholders’ meetings, will be made by the Stichting board of directors.

The shareholders’ agreement requires the Stichting board of directors to meet prior to each of our shareholders’ meetings to determine how those of our shares held by the Stichting will be voted.

The shareholders’ agreement as amended provides for restrictions on the ability of BRC S.à.R.L and Eugénie Patri Sébastien S.A. to transfer their Stichting certificates (and consequently their shares in us held through the Stichting).

In addition, the shareholders’ agreement requires Eugénie Patri Sébastien S.A., BRC S.à.R.L and their permitted transferees under the shareholders’ agreement whose shares in us are not held through the Stichting to vote their shares in us in the same manner as our shares held by the Stichting and to effect any transfers of their shares in us in an orderly manner of disposal that does not disrupt the market for our shares and in accordance with any conditions established by us to ensure such orderly disposal. In addition, under the shareholders’ agreement, Eugénie Patri Sébastien S.A. and BRC S.à.R.L agree not to acquire any shares of Ambev’s capital stock, subject to limited exceptions.

Pursuant to the shareholders’ agreement, the Stichting board of directors proposes to our shareholders’ meeting for approval the nomination of eight directors to our Board of Directors, among which each of BRC S.à.R.L and Eugénie Patri Sébastien S.A. have the right to nominate four directors. In addition, the Stichting board of directors proposes the nomination of four to six directors to our Board who are independent of shareholders.

The shareholders’ agreement will remain in effect for an initial term of 20 years starting from 27 August 2004. Thereafter, it will be automatically renewed for successive terms of 10 years each unless, not later than two years prior to the expiration of the initial or any successive 10-year term, either BRC S.à.R.L or Eugénie Patri Sébastien S.A. notifies the other of its intention to terminate the shareholders’ agreement.

In addition, the Stichting has entered into a voting agreement with Fonds InBev-Baillet Latour SPRL and Fonds Voorzitter Verhelst SPRL, a copy of which has been filed as Exhibit 3.2 to this Form 20-F. This agreement provides for consultations between the three bodies before any of our shareholders’ meetings to decide how they will exercise the voting rights attached to our shares. Under this voting agreement, consensus is required for all items that are submitted to the approval of any of our shareholders’ meetings. If the parties fail to reach a consensus, the Fonds InBev-Baillet Latour SPRL and Fonds Voorzitter Verhelst SPRL will vote their shares in the same manner as the Stichting. This agreement will expire on 16 October 2016, but is renewable.

## B. RELATED PARTY TRANSACTIONS

### AB InBev Group and Consolidated Entities

We engage in various transactions with affiliated entities which form part of the consolidated AB InBev Group. These transactions include, but are not limited to: (i) the purchase and sale of raw material with affiliated entities, (ii) entering into distribution, cross-licensing, transfer pricing, indemnification, service and other agreements with affiliated entities, (iii) intercompany loans and guarantees, with affiliated entities, (iv) import agreements with affiliated entities, such as the import agreement under which Anheuser-Busch imports our European brands into the United States, and (v) royalty agreements with affiliated entities, such as our royalty agreement with one of our United Kingdom subsidiaries related to the production and sale of our Stella Artois brand in the United Kingdom. Such transactions between Anheuser-Busch InBev SA/NV and our subsidiaries are not disclosed in our consolidated financial statements as related party transactions because they are eliminated on consolidation. A list of our principal subsidiaries is shown in note 35 “AB InBev Companies” to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011.

Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of our 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. Transactions with associates and jointly controlled entities are discussed further below.

Where these are eliminated on consolidation, transactions between Anheuser-Busch InBev SA/NV and our subsidiaries are not disclosed in our consolidated financial statements as related party transactions. A list of our principal subsidiaries is shown in note 35 “AB InBev Companies” to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011.

### Transactions with Directors and Executive Board of Management Members (Key Management Personnel)

Total compensation of our directors and executive board of management included in our income statement for 2011 set out below can be detailed as follows:

	Year ended 31 December 2011	
	Directors	Executive Board Management
	<i>(USD million)</i>	
Short-term employee benefits	3	21
Post-employment benefits	—	3
Share-based payments	4	51
<b>Total</b>	<b>7</b>	<b>75</b>

In addition to short-term employee benefits (primarily salaries), our executive board of management members are entitled to post-employment benefits. More particularly, members of the executive board of management participate in the pension plan of their respective country. See also note 24 “Employee benefits” and note 32 “Related parties” to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011. In addition, key management personnel are eligible for our Share-Based Payment Plan and/or our exchange of share ownership program. See also “Item 6. Directors, Senior Management and Employees—B. Compensation” and note 25 “Share-based payments” to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011.

Directors’ compensation consists mainly of directors’ fees. Key management personnel were not engaged in any transactions with our company and did not have any significant outstanding balances with our company.

### *Loans to directors*

Under the terms of our Corporate Governance Charter, we are prohibited from making loans to our directors or members of our executive board of management. A 10 million Belgian franc (USD 331,235) loan was granted by us to Stéfan Descheemaeker, bearing no interest. The loan was part of the compensation package awarded to Mr. Descheemaeker when he joined us as Vice-President Industrial Strategy and Partnerships. The repayment schedule for the loan is 10 annual payments of EUR 24,789 (USD 33,123) from 2001. The maximum amount outstanding in the last three financial years was EUR 99,158 (USD 132,495) in 2008. As of the date of this Form 20-F, there are no amounts outstanding and the loan has been repaid in full.

### *Consulting Agreement*

In connection with the Anheuser-Busch merger, we and Mr. Busch IV entered into a consulting agreement which became effective as of the closing of the Anheuser-Busch merger and will continue until 31 December 2013, substantially on the terms described below. In his role as consultant, Mr. Busch IV will, at the request of our Chief Executive Officer, provide advice to us on Anheuser-Busch new products and new business opportunities; review Anheuser-Busch marketing programs; meet with retailers, wholesalers and key advertisers of Anheuser-Busch; attend North American media events; provide advice with respect to Anheuser-Busch's relationship with charitable organizations and the communities in which it operates; and provide advice on the taste, profile and characteristics of the Anheuser-Busch malt-beverage products.

Under the terms of the consulting agreement, as contemplated, at the time of the Anheuser-Busch acquisition, Mr. Busch IV received a lump sum cash payment equal to USD 10,350,000, less any applicable withholding. During the term of the consulting agreement, Mr. Busch IV will be paid a fee of approximately USD 120,000 per month. In addition, Mr. Busch IV will be provided with an appropriate office in St. Louis, Missouri, administrative support and certain employee benefits that are materially similar to those provided to full-time salaried employees of Anheuser-Busch. He was also provided with personal security services through 31 December 2011 (in St. Louis, Missouri) in accordance with Anheuser-Busch's past practices including an income tax gross-up and with complimentary tickets to Anheuser-Busch sponsored events. Mr. Busch IV is also eligible for a gross-up payment under Section 280G of the U.S. Internal Revenue Code of 1986, as amended (estimated to be approximately USD 11.1 million), on various change in control payments and benefits to which he is entitled in connection with the Anheuser-Busch merger. Such Code Section 280G gross-up payments are payments which, after the imposition of certain taxes, will equal the excise tax imposed on such change of control payments and benefits to which Mr. Busch IV is entitled.

Mr. Busch IV is subject to restrictive covenants relating to non-competition and non-solicitation of employees and customers which are in effect for the duration of the consulting agreement and a confidentiality covenant. The parties are subject to a mutual non-disparagement covenant.

If terminated by reason of a notice given by Mr. Busch IV, he would no longer be entitled to any rights, payments or benefits under the consulting agreement (with the exception of accrued but unpaid consulting fees, business expense reimbursements, any Code Section 280G gross-up payment, indemnification by us, and continued office and administrative support for 90 days following termination of the agreement) and the non-compete and non-solicitation restrictive covenants would survive for two years following termination of the consulting agreement (but not beyond 31 December 2013). If terminated by reason of a notice given by us for any reason other than for "cause," Mr. Busch IV would continue to have all rights (including the right to payments and benefits) provided for in the consulting agreement and will continue to be bound by the non-compete and non-solicitation restrictive covenants through 31 December 2013.

Mr. Busch IV will generally be indemnified by us from and against all claims arising from the performance of his duties as a consultant for the term of the consulting agreement. In addition, we and Mr. Busch IV have executed a mutual release of claims regarding all pre-closing matters.

The mandate of Mr. Busch IV as a director expired in April 2011.

## Jointly Controlled Entities

We report our interests in jointly controlled entities using the line-by-line reporting format for proportionate consolidation. Significant interests we hold in joint ventures include two distribution entities in Canada, two entities in Brazil, one in China and one in the United Kingdom. None of these joint ventures are material to us. Aggregate amounts of our interests in such entities are as follows:

	<u>As of 31 December 2011</u> (USD million)
Non-current assets	129
Current assets	72
Non-current liabilities	162
Current liabilities	124
Result from operations	17
Profit attributable to equity holders	4

## Transactions with Associates

Our transactions with associates were as follows:

	<u>Year ended 31 December 2011</u> (USD million)
Gross profit	259
Current assets	6
Current liabilities	9

Our transactions with associates primarily consist of sales to distributors in which we have a non-controlling interest.

## Transactions with Pension Plans

Our transactions with pension plans mainly consisted of USD 9 million other income from pension plans in the U.S. and USD 6 million other income from pension plans in Brazil.

## Transactions with Government-related Entities

We have no material transactions with government-related entities.

## Ambev Special Goodwill Reserve

As a result of the merger of InBev Brasil into Ambev in July 2005, Ambev acquired tax benefits resulting from the partial amortization of the special premium reserve pursuant to article 7 of the Normative Ruling No. 319/99 of the CVM, the Brazilian Securities Commission. Such amortization will be carried out within the ten years following the merger. As permitted by Normative Ruling No. 319/99, the Protocol and Justification of the Merger, entered into between us, Ambev and InBev Brasil on 7 July 2005, established that 70% of the goodwill premium, which corresponded to the tax benefit resulting from the amortization of the tax goodwill derived from the merger, would be capitalized in Ambev to the benefit of us, with the remaining 30% being capitalized in Ambev without the issuance of new shares to the benefit of all shareholders. Since 2005, pursuant to the Protocol and Justification of the Merger, Ambev has carried out, with shareholders approval, capital increases through the partial capitalization of the goodwill premium reserve. Accordingly, two wholly-owned subsidiaries of Anheuser-Busch InBev (which hold our interest in Ambev) have annually subscribed to Ambev shares corresponding to 70% of the goodwill premium reserve (and Ambev minority shareholders subscribed shares pursuant to preferred subscription right under Brazilian law) and the remaining 30% of the tax benefit was capitalized without issuance of new shares to the benefit of all Ambev shareholders. The Protocol and Justification of the Merger also provides, among other matters, that we shall indemnify Ambev for any undisclosed liabilities of InBev Brasil.

In December 2011, Ambev received a tax assessment from the *Secretaria da Receita Federal do Brasil* related to the goodwill amortization resulting from Inbev Brasil's merger referred to above. See "Item 8. Financial Information—A. Consolidated Financial Statements and Other Financial Information—Legal and Arbitration Proceedings— Ambev and its Subsidiaries—Special Goodwill Reserve" for further information. Effective 21 December 2011, we entered into an agreement with Ambev formalizing the arrangement whereby we shall reimburse Ambev the amount proportional to the benefit received by us pursuant to the merger protocol, as well as the respective costs.

#### **Ambev Labatt Indemnification Agreement**

In the context of the U.S. Department of Justice's antitrust review of the Anheuser-Busch acquisition, we entered into an indemnification agreement with Ambev on 13 November 2008, pursuant to which we agreed to indemnify Ambev under certain circumstances arising from the perpetual license of Labatt branded beer to KPS Capital Partners, LP for consumption in the United States and the interim supply of Labatt branded beer to KPS Capital Partners, LP for consumption in the United States.

#### **Grant Farm Lease Agreement**

We lease approximately 267 acres located in St. Louis County, Missouri and certain other property, in part from a trust established for the benefit of certain heirs of the founder of Anheuser-Busch Companies, the late August A. Busch, Jr., and in part from Grant's Farm Manor, Inc., a corporation owned by Andrew Busch. These leasing arrangements were entered into at arms-length. In 2011, we paid USD 2.5 million under these lease arrangements.

The beneficiaries of the trust are considered immediate family members of August Busch IV, who was a member of our board until 26 April 2011, but August Busch IV is not a beneficiary of the trust. Andrew Busch, the owner of Grant's Farm Manor, Inc. is the stepuncle of August Busch IV.

The Grant's Farm facility (under lease from the trust) is used extensively by us for advertising and public relations purposes, for public tours, and for corporate entertaining. Grant's Farm is one of St. Louis' most popular tourist attractions. The lease arrangements for Grant's Farm require us to pay a fixed annual rent and a percentage of income generated from on-site concession operations.

The lease arrangements with Grant's Farm Manor, Inc. are for the housing and breeding of our Clydesdale horses. We are required to reimburse maintenance and certain other expenses associated with each of the leased properties. We have certain rights of first refusal and other limited purchase rights relating to the Grant's Farm land and some of the leased personal property, and to a private residence situated within the leased premises and certain personal property associated with the residence.

#### **Distribution Agreements**

We have agreements, entered into at arms-length, with Busch Distributing Company, LLC, d/b/a Krey Distributing Company ("Krey"), Southern Eagle Distributing, Inc. ("Southern Eagle"), and Busch-Transou LC d/b/a Tri-Eagle Sales ("Tri-Eagle") for the distribution of malt beverage products in St. Charles County, Missouri, Fort Pierce, Florida, and Midway, Florida, respectively. These entities are controlled by persons considered immediate family members of August Busch IV, who was a member of our board until 26 April 2011. During 2011, these entities paid us USD 41.1 million, USD 39.8 million and USD 33.7 million, respectively, for the purchase of products and wholesaler related services.

Krey is owned by Steven Busch, the half brother of August Busch IV. The President and majority owner of Southern Eagle is Peter William Busch, the uncle of August Busch IV. Tri-Eagle is owned by Tripp and Susan Busch Transou, the brother-in-law and sister of August Busch IV.

#### **Payment for right to acquire assets of Missouri wholesaler**

On 30 December 2010, Krey paid us USD 3,046,750 for the right to purchase certain assets owned by Missouri Eagle, LLC including malt beverage distribution rights for Montgomery County, Missouri, Warren County, Missouri and a portion of St. Charles County, Missouri. This transaction was conducted at arms-length.

## **Airplane hangars**

On 12 March 2010, we sold two airplane hangars and related assets to Spirit Flight East, LLC and Spirit Flight West, LLC, two entities controlled by Steven Busch, for USD 7,300,000. We also leased hangar and related space from those entities for a term of five years. The annual rent paid in 2011 was USD 140,000. Mr. Busch is the half-brother of August Busch IV, who was a member of our board until 26 April 2011. This transaction was conducted at arms-length.

## **ITEM 8. FINANCIAL INFORMATION**

### **A. CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION**

#### **Consolidated Financial Statements.**

See “Item 18. Financial Statements.” For a discussion of our export sales, see “Item 5. Operating and Financial Review.”

#### **Legal and Arbitration Proceedings**

Litigation is subject to uncertainty and we and each of our subsidiaries named as a defendant believe, and have so been advised by counsel handling the respective cases, that we have valid defenses to the litigation pending against us, as well as valid bases for appeal of adverse verdicts, if any. All such cases are, and will continue to be, vigorously defended. However, we and our subsidiaries may enter into settlement discussions in particular cases if we believe it is in our best interests to do so. Except as set forth herein, there have been no governmental, judicial or arbitration proceedings (including any such proceedings which are pending or threatened against us or our subsidiaries of which we are aware) during a period between 1 January 2011 and the date of this Form 20-F which may have, or have had in the recent past, significant effects on our financial position and profitability.

#### ***Anheuser-Busch InBev SA/NV***

##### **Cerveceria Bucanero Trademark Claim**

In 2009, we received notice of a claim purporting to be made under the Helms-Burton Act relating to the use of a trademark by Cerveceria Bucanero S.A., which is alleged to have been confiscated by the Cuban government and trafficked by us through our ownership and management of Cerveceria Bucanero S.A. Although we have attempted to review and evaluate the validity of the claim, due to the uncertain underlying circumstances, we are currently unable to express a view as to the validity of such claims, or as to the standing of the claimants to pursue them.

##### **German Antitrust Investigation**

In August 2011, the German Federal Cartel Office (*Bundeskartellamt*) launched an investigation against several breweries and retailers in Germany in connection with an allegation of anticompetitive vertical price maintenance by breweries vis-à-vis their trading partners in Germany. Depending on the outcome of the investigation, we may face fines. We are taking the appropriate steps in the pending proceedings but have not recorded any provisions for any potential fines at this point in time, as we do not know whether we will eventually face any such fines and, in any event, cannot at this stage reliably estimate the appropriate amount. In addition, we cannot at this stage estimate the likely timing of the resolution of this matter.

##### **Budweiser Trademark Litigation**

We are involved in a longstanding trademark dispute with the brewer Budejovicky Budvar, n.p. located in Ceske Budejovice, Czech Republic. This dispute involves the BUD and BUDWEISER trademarks and includes actions pending in national trademark offices as well as courts. There are approximately 74 actions pending in 23 jurisdictions. While there are a significant number of actions pending, taken in the aggregate, the actions do not represent a material risk to our financial position or profitability.



## **Oglala Sioux Litigation**

In February 2012, the Oglala Sioux Tribe brought a claim in the state of Nebraska against us and several brewers, wholesalers and retailers. The claim alleges that we and the other defendants should have known that the sale of our products contributed to certain health problems, including problems related to the abuse of alcohol, suffered by the Oglala Sioux Tribe. The Tribe seeks monetary damages as well as injunctive relief to limit the amount of alcohol that may be sold by retailers located near the Tribe's reservation. We are coordinating with the other defendants in the defense of this matter. We have not recorded any provision in connection with this claim.

## ***Ambev and its Subsidiaries***

### **Tax Matters**

As of 31 December 2011, Ambev and its subsidiaries had several tax claims pending in Brazil, including judicial and administrative proceedings. Most of these claims relate to ICMS (*Imposto sobre Circulação de Mercadorias e Serviços*, which is a state value-added tax levied on goods and services), the IPI excise tax, and income tax and social contributions. As of 31 December 2011, Ambev had made provisions of R\$259 million (USD 138.1 million) in connection with those tax proceedings for which it believed there was a probable chance of loss.

Among the pending tax claims, there are claims filed by Ambev against Brazilian tax authorities alleging that certain taxes are unconstitutional. Such tax proceedings include claims for income taxes, ICMS, IPI and revenue taxes ("PIS" and "COFINS"). As these claims are contingent on obtaining favorable judicial decisions, the corresponding assets which might arise in the future are only recorded once it becomes certain that Ambev will receive the amounts previously paid or deposited.

As of 31 December 2011, there were also tax proceedings with a total estimated possible risk of loss of R\$9.5 billion (USD 5.1 billion). Approximately R\$7.0 billion (USD 3.7 billion) of this figure related to income tax and social contributions. Approximately R\$2.2 billion (USD 1.2 billion) related to value added and excise taxes, of which the most significant are discussed under "Ambev and its Subsidiaries".

In order to carry out certain activities, including obtaining BNDES financings (that is, by Banco Nacional de Desenvolvimento Economico e Social, a Brazilian state owned development bank), certain tax incentives or registering the sale of real estate, Ambev, in common with other Brazilian companies, is required to obtain federal and state tax and social security good standing certificates, which are normally valid for six months. In circumstances in which such certificates are not issued by the competent authority on the basis of the existence of tax claims that Ambev believes are without merit or need further information, it has sought court injunctions requesting such certificates to be issued. As of 31 December 2011, Ambev had court bonds (*cartas de fiança*) issued in connection with such injunctions in the amount of approximately R\$358 million (USD 190.9 million). Court bonds are a means provided for by Brazilian law to guarantee amounts under dispute in a given litigation, including the request for injunctive relief. In the event that Ambev loses the litigation, the court bond will be used to pay the amounts owed by Ambev and Ambev will have to reimburse the financial institution that issued such court bond.

### **Value Added Tax, Excise Tax and Taxes on Net Sales**

Ambev is currently party to legal proceedings with the State of Rio de Janeiro where it is challenging such State's attempt to assess ICMS with respect to irrevocable discounts granted by Ambev in January 1996 and February 1998. These proceedings are currently before the Superior Court of Justice and the Brazilian Supreme Court, and involve the amount of approximately R\$309 million (USD 164.7 million) as of 31 December 2011, which Ambev has treated as a possible loss. Such estimate is based on reasonable assumptions and assessments of management, but should Ambev lose such proceedings the expected net impact on its income statement would be an expense for this amount.

The State of São Paulo has challenged in the Brazilian Supreme Court state laws upon which certain of the above benefits have been granted, on the basis that they constitute tax benefits created without certain approvals required under Brazilian tax laws and regulations, which would render such state laws unconstitutional. Although the Brazilian Supreme Court has already declared part of the State of Pará's benefit law unconstitutional, almost

every state has specific legislation on this topic and even the State of Pará may still grant benefits which were not covered by the decision. In this sense, insofar as the tax benefits are granted based on valid state legislation and the operational requirements are met, most companies apply for and use these benefits when granted. Furthermore, since 2007, as a result of a “fiscal war” between states, Ambev has received tax assessments from the States of São Paulo, Rio de Janeiro and Minas Gerais in the aggregate amount of approximately R\$222.2 million (USD 118.5 million) as of 31 December 2011, challenging the legality of tax credits arising from existing tax incentives received by Ambev in some states. Ambev has treated these proceedings as a possible (but not probable) loss. Should Ambev lose such proceedings, the expected net impact on its income statement would be an expense for this amount. Moreover, Ambev cannot rule out the possibility of other Brazilian states issuing similar tax assessments related to Ambev’s tax incentives. Nevertheless, Ambev does not use tax incentives granted by laws that have been declared unconstitutional by the Brazilian Supreme Court.

Between 2000 and 2004, certain third-party distributors of Londrina Bebidas, Ltda (formerly Cintra) (“**Londrina**”) obtained preliminary injunctions permitting the non-payment of IPI. These preliminary injunctions were revoked between 2002 and 2005, and as a result, tax authorities assessed Cintra for the payment of IPI during the period in which IPI was not collected by the third-party distributors. As of 31 December 2011, Londrina had a provision of R\$19 million (USD 10.1 million) with respect to such claims. Ambev believes R\$190 million (USD 101.3 million) is considered as a possible loss.

### **Ambev profits generated abroad**

During the first quarter 2005, certain subsidiaries of Ambev received a number of assessments from Brazilian federal tax authorities relating to profits of its foreign subsidiaries. In December 2008, the Administrative Court decided one of the tax assessments relating to earnings of Ambev’s foreign subsidiaries. This decision was partially favorable to Ambev, and in connection with the remaining part, Ambev filed an appeal to the Upper House of the Administrative Court and is awaiting its decision. With respect to another of the tax assessments relating to foreign profits, the Administrative Court rendered a decision favorable to Ambev in September 2011. After these decisions, Ambev estimates the total exposures of possible losses in relation to these assessments to be approximately R\$2.5 billion (USD 1.3 billion) as of 31 December 2011. Ambev has not recorded any provision in connection therewith.

### **Tax Loss Offset**

Ambev and certain of its subsidiaries received a number of assessments from Brazilian federal tax authorities relating to the use of income tax losses in company mergers. Ambev has not recorded any provision in connection therewith.

Ambev estimated the total exposures of possible losses in relation to these assessments to be approximately of R\$516 million (USD 275.1 million) as of 31 December 2011.

### **Labatt tax matters**

Labatt was assessed by the Canada Revenue Agency (“**CRA**”) for the interest rate used in certain related-party debts and related-party transactions, and other transactions existing prior to the merger of Labatt into Ambev. These issues were settled in April 2010 for CAD 123 million (USD 123.4 million) of the estimated exposure of CAD 218 million (USD 218.7 million) at 31 December 2009. Part of the amount settled, corresponding to transactions made prior to the merger of Labatt into Ambev, was reimbursed by us.

Additionally, Labatt received another tax assessment on its valuations of intercompany transactions amounting to CAD 158 million (USD 154.7 million). The company is appealing this tax assessment. In the event Labatt would be required to pay these amounts, the totality will be reimbursed by us.

### **Tax Amnesty and Refinancing Program**

In 2009, Ambev elected to enroll in the Tax Amnesty and Refinancing Program, introduced by Brazilian Federal Law 11,941/09, with respect to some of its current tax lawsuits. Under this program, Ambev agreed to pay R\$374.8 million (USD 199.8 million) in 180 monthly installments, as from June 2011. As of December 2011, the total amount due under such program is R\$288 million (USD 153.5 million), registered under “*Other taxes, charges and contributions*”.

### **Special Goodwill Reserve**

In December 2011, Ambev received a tax assessment from the *Secretaria da Receita Federal do Brasil* related to the goodwill amortization resulting from Inbev Brasil's merger with Ambev referred to under "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Ambev Special Goodwill Reserve". Ambev presented its defense in January 2012, and awaits the first administrative level decision (*Delegacia Regional de Julgamento da Secretaria da Receita Federal do Brasil de São Paulo*). Ambev estimates the amount of possible losses in relation to this assessment to be approximately R\$3.5 billion (USD 1.9 billion) as of 31 December 2011. Ambev has not recorded any provision in connection therewith. In the event that Ambev is required to pay these amounts, we will reimburse Ambev the amount proportional to the benefit received by us pursuant to the merger protocol, as well as the respective costs.

### **Labor Matters**

As of 31 December 2011, Ambev was involved in approximately 4,761 legal proceedings with former and current employees, mainly relating to overtime, dismissals, severance, health and safety premiums, supplementary retirement benefits and other matters, all of which are awaiting judicial resolution. Ambev has made provisions totaling R\$195 million (USD 104.0 million) as of 31 December 2011. In Brazil, where Ambev is involved in 4,091 legal proceedings, it is not unusual for a company to be a defendant in a large number of labor claims.

### **Zeca Pagodinho**

Ambev is party to a tortious interference claim brought by its competitor Schincariol whereby Schincariol seeks damages in the range of R\$100 million (USD 53.3 million) from Ambev, claiming that Ambev signed up entertainer Zeca Pagodinho while he was still contractually bound with Schincariol. On 20 July 2007, the lower courts of the State of São Paulo denied Schincariol's claim, and Schincariol filed an appeal on 24 August 2007. Ambev has not recorded a provision in connection with such proceeding. Schincariol's appeal is waiting to be decided before the Appellate Court.

### **Warrants**

In 2002, Ambev decided to request a ruling from the CVM (Comissão de Valores Mobiliários, the Securities and Exchange Commission of Brazil) in connection with a dispute between Ambev and some of its warrant holders regarding the criteria used in the calculation of the strike price of certain Ambev warrants. In March and April 2003, the CVM ruled that the criteria used by Ambev to calculate the strike price were correct. In response to the CVM's final decision and seeking to reverse it, some of the warrant holders filed separate lawsuits before the courts of São Paulo and Rio de Janeiro.

Although the warrants expired without being exercised, the warrant holders claim that the strike price should be reduced to take into account the strike price of certain stock options granted by Ambev under its Stock Ownership Program, as well as for the strike price of other warrants issued in 1993 by Brahma.

Ambev has been notified of seven claims from 12 holders arguing that they would be entitled to those rights. Two of them were ruled favorably to Ambev by the appellate court of the State of São Paulo. A third one was settled. Of the four other claims, Ambev recently received a favorable ruling in one claim by the court of first instance in Rio de Janeiro, and the appellate court of the State of Rio de Janeiro ruled against Ambev in the other three claims. Ambev has appealed to the Superior Court of Justice with respect to the final decisions issued by the appellate court of the State of Rio de Janeiro, and a final decision will be ruled by a group of judges from the same court.

The warrant holders of one of the claims denied by the appellate court of the State of São Paulo have also appealed to the Superior Court of Justice. The judgment of this appeal has already begun, with three favorable votes to Ambev. In addition, one of the judges voted against Ambev and the last judge is expected to vote in the next few months.

In the event the plaintiffs prevail in the above six pending proceedings, Ambev believes that the corresponding economic dilution for the existing shareholders would be the difference between the market value of the shares at the time they are issued and the value ultimately established in liquidation proceedings as being the subscription price pursuant to the exercise of the warrants. Ambev believes that the warrants which are the object of those six proceedings represented, on 31 December 2011, 27,684,596 preferred and 6,881,719 common shares that would be issued at a value substantially below fair market value, should claimants ultimately prevail. The plaintiffs also claim they should receive past dividends related to these shares in the amount of approximately R\$272 million (USD 146 million).

Ambev believes that its chances of receiving unfavorable final decisions are possible and therefore it has not established a provision in its financial statements. As these disputes are based on whether Ambev should receive as a subscription price a lower price than the price that it considers correct, a provision of amounts with respect to these proceedings would only be applicable with respect to legal fees and past dividends.

## **Antitrust Matters**

### *Investigations*

Ambev currently has a number of antitrust investigations pending against it before Brazilian antitrust authorities.

### *Tô Contigo*

On 22 July 2009, Conselho Administrativo de Defesa Economica (“CADE”) issued its ruling in connection with a proceeding initiated in 2004 as a result of a complaint filed by Schincariol that had, as its main purpose, the investigation of Ambev’s conduct in the market, in particular Ambev’s customer loyalty program known as “Tô Contigo” and which is similar to airline frequent flyer and other mileage programs.

During its investigation, the Secretariat of Economic Law of the Ministry of Justice (“SDE”) concluded that the program should be considered anticompetitive unless certain adjustments were made. These adjustments have already been substantially incorporated into the current version of the program. The SDE opinion did not threaten any fines and recommended that the other accusations be dismissed. After the SDE opinion, the proceeding was sent to CADE, which issued a ruling that, among other things, imposed a fine in the amount of R\$352.7 million (USD 188.0 million). Ambev estimates that the amount of possible loss is limited to the fine in the amount of R\$352.7 million (USD 188.0 million) and additional legal fees in connection with this matter.

Ambev has challenged CADE’s decision before the federal courts, which have ordered the suspension of the fine and other parts of the decision upon our posting of a guarantee. Ambev has already rendered a court bond (*carta de fiança*) for this purpose and the decision is partially suspended.

On 29 March 2011, and following a determination included in the abovementioned CADE decision, the SDE initiated investigations to determine whether individuals should also be held responsible for the Tô Contigo practices, including Bernardo Pinto Paiva, currently our Chief Sales Officer, and Ricardo Tadeu Almeida Cabral de Soares, currently Sales Executive Officer of Ambev.

### *Kaiser*

On 2 April 2007, Cervejaria Kaiser, which is currently the fourth largest beer producer in Brazil and a part of the FEMSA Group, filed a complaint with Brazilian antitrust authorities alleging that Ambev’s cooler programs and exclusivity agreements constituted anti-competitive practices, and also that Ambev launched two counter brands (*Puerto del Sol* and *Puerto del Mar*) in connection with the entry of Kaiser’s product *Sol Pilsen* in 2006. On 9 December 2008, the SDE registered two administrative proceedings to investigate the alleged practices. Ambev’s preliminary responses were filed before SDE on 18 February 2009 and 16 January 2012.

### *1L Bottle*

On 20 August 2009, the Brazilian Association of Beverages filed a complaint with the Brazilian antitrust authorities challenging Ambev's new proprietary one litre returnable bottle launched under its main brands. The Association claims that Ambev's new one litre bottle would cause the standard 600ml bottle exchange system to cease to exist, therefore artificially increasing the costs of competitors and restricting their access to the points of sale. In response, on 14 September 2009, Ambev submitted preliminary clarifications to the SDE arguing for the economic rationale and the benefits to the consumer deriving from the one litre format. On 28 October 2009, SDE decided to initiate an Administrative Proceeding against us to further investigate the issue. In its note initiating the proceedings, the SDE stated that although it believes that market producers are in principle free to decide whether or not to participate in a standard bottle exchange system, it wanted to further investigate whether the manner pursuant to which Ambev was allegedly introducing the one litre bottle could potentially create lock-in effects. On 24 December 2010, SDE issued its opinion recommending the dismissal of the case stating that: (i) Ambev is free to decide whether or not it participates in common bottle exchange system, (ii) Ambev is not required to help competitors, and (iii) innovation developments – including new bottles – are pro-competitive. In December 2011, CADE's Attorney General issued his opinion, which is in line with SDE's opinion referred to above. In February 2012, the Federal Public Prosecutor issued his opinion against Ambev's one litre bottle. The case shall now be decided by CADE

### *Others*

In April 2007, the Brazilian Association of Carbonated Soft Drinks Manufacturers filed a complaint with the Brazilian antitrust authorities alleging that Ambev engaged in the following anticompetitive practices: (i) predatory prices, (ii) restriction of competitors' access to shelf space in supermarkets; (iii) exclusivity agreements with strategic points of sales; and (iv) adoption of a proprietary reusable glass bottle. In August 2009, SDE initiated a preliminary inquiry to investigate these alleged practices. The case is still under the analysis of SDE which will decide whether or not to initiate an administrative proceeding to further investigate Ambev.

In July 2007, CADE forwarded to SDE for further investigation a complaint issued by Globalbev Bebidas e Alimentos Ltda. alleging that Ambev was restricting competitors' access to the shelf space in supermarkets. In August 2009, SDE initiated a preliminary inquiry to investigate this supposed anticompetitive practice. The case is still under the analysis of SDE which will decide whether or not to initiate an administrative proceeding to further investigate Ambev.

## **Environmental matters**

### *Riachuelo*

Cerveceria y Malteria Quilmes S.A., Ambev's brewery in Argentina, has challenged certain eviction orders received in November 2009, from the Government of the City of Buenos Aires and in October 2010, from the Autoridad de Cuenca Matanza Riachuelo ("Acumar", an environmental authority created pursuant to Argentine Law No. 26,168), that are aimed at ordering the removal of all existing construction allegedly preventing the construction of a towpath along the riverside of the Riachuelo River, in the city of Buenos Aires. In the event Cerveceria y Malteria Quilmes S.A. is unable to successfully defend its property rights against these eviction orders, the operations of this soft drinks plant and distribution center located in Pompeya, City of Buenos Aires, by the riverside of the Riachuelo River, may be severely jeopardized.

In April 2011, the Government of the City of Buenos Aires agreed to Cerveceria y Malteria Quilmes S.A.'s proposal to adapt the layout of the plant and to relocate the distribution center. In July and in December 2011, the First Instance Federal Judge of Quilmes, in charge of enforcing all of these court dossiers, inspected the premises and informally validated the revised layout. Pending implementation of the revised layout, Cerveceria y Malteria Quilmes S.A. is prepared to deploy its litigation strategy should this become necessary to protect its property rights.

The Government of the City of Buenos Aires and Acumar argue that the eviction orders issued against all owners of real estate whose properties lie along the riverside of the Riachuelo River (including Cerveceria y Malteria Quilmes S.A.) are based on resolutions issued by the Argentine Supreme Court of Justice in an

environmental complaint initiated by certain neighbors residing in the Riachuelo Basin against the State of Argentina, the Province of Buenos Aires, the City of Buenos Aires and more than forty corporate entities (including Cerveceria y Malteria Quilmes S.A.). In this complaint, the Argentine Supreme Court of Justice has resolved that the State of Argentina, the Province of Buenos Aires and the City of Buenos Aires remain primarily responsible for the remediation of the environment, and further resolved that Acumar would be responsible for the implementation of a Remediation Plan for the Riachuelo Basin.

#### *Others*

The Public Attorney of the State of Rio de Janeiro requested the initiation of a civil investigation on 12 December 2003 to investigate anonymous reports of pollution allegedly caused by Nova Rio, Ambev's beer plant located in the state of Rio de Janeiro. Currently this investigation is in the discovery phase. Ambev expects this investigation to be dismissed as Ambev has presented several expert opinions, including one from the State environmental agency, showing lack of environmental damages. Furthermore, the police of Rio de Janeiro requested the initiation of a criminal investigation on 2 June 2003 to investigate the author of the alleged crime, which is also in the discovery phase. Ambev expects this investigation will be dismissed concurrently with the civil investigation mentioned above.

#### **Brazilian Beer Industry Litigation**

On 28 October 2008, the Brazilian Federal Prosecutor's Office (*Ministério Público Federal*) filed a suit for damages against Ambev and two other brewing companies claiming total damages of approximately R\$2.8 billion (USD 1.5 billion) (of which approximately R\$2.1 billion (USD 1.1 billion) are claimed against Ambev). The public prosecutor alleges that: (i) alcohol causes serious damage to individual and public health, and that beer is the most consumed alcoholic beverage in Brazil; (ii) defendants have approximately 90% of the national beer market share and are responsible for significant investments in advertising; and (iii) the advertising campaigns increase not only the market share of the defendants but also the total consumption of alcohol and, hence, damage to society and encourage underage consumption.

Shortly after the above lawsuit was filed, a consumer-protection association applied to be admitted as a joint-plaintiff. The association has made further requests in addition to the ones made by the Public Prosecutor, including the claim for "collective moral damages" in an amount to be ascertained by the court; however, it suggests that it should be equal to the initial request of R\$2.8 billion (USD 1.5 billion) (therefore, it doubles the initial amount involved). The court has admitted the association as joint-plaintiff and has agreed to hear the new claims. Ambev believes that its chances of loss are remote and therefore has not made any provision with respect to such claim.

#### **Anheuser-Busch**

##### **Dispositions Pension Litigation**

On 1 December 2009, Anheuser-Busch InBev SA/NV, Anheuser-Busch Companies and the Anheuser-Busch Companies Pension Plan were sued in the United States District Court for the Eastern District of Missouri in a lawsuit styled Richard F. Angevine v. Anheuser-Busch InBev SA/NV, et al. The plaintiff sought to represent a class of certain employees of Busch Entertainment Corporation, which was divested on 1 December 2009, and the four Metal Container Corporation plants which were divested on 1 October 2009. He also sought to certify a class action and represent certain employees of any other Anheuser-Busch Companies subsidiary that has been divested or may be divested during the three-year period from the date of the Anheuser-Busch acquisition, 18 November 2008 through 17 November 2011. Among other things, the lawsuit claimed that we failed to provide him and the other class members (if certified) with certain enhanced benefits, and breached our fiduciary duties under the U.S. Employee Retirement Income Security Act of 1974. On 16 July 2010, the court dismissed plaintiff's lawsuit. The court ruled that the claims for breach of fiduciary duty and punitive damages were not proper. The court also found that the plaintiff did not exhaust all of his administrative remedies, which he must first do before filing a lawsuit. On 9 August 2010, the plaintiff filed an appeal of this decision to the Eighth Circuit Court of Appeals, which was denied on 22 July 2011.

On 15 September 2010, Anheuser-Busch InBev SA/NV and several of its related companies were sued in Federal Court for the Southern District of Ohio in a lawsuit entitled *Rusby Adams et al. v. AB InBev, et al.* This lawsuit was filed by four employees of Metal Container Corporation's facilities in Columbus, Ohio, Gainesville, Florida, and Ft. Atkinson, Wisconsin that were divested on 1 October 2009. Similar to the Angevine lawsuit, these plaintiffs seek to represent a class of participants of the Anheuser-Busch Companies Salaried Employees' Pension Plan (the "Plan") who had been employed by Anheuser-Busch Companies subsidiaries that had been divested during the period of 18 November 2008 through 17 November 2011. The plaintiffs also allege claims similar to the Angevine lawsuit, namely, that by failing to provide plaintiffs with these enhanced benefits, we breached our fiduciary duties under the U.S. Employee Retirement Income Security Act of 1974. We filed a Motion to Dismiss and obtained dismissal of the breach of fiduciary duty claims in April 2011, leaving only the claims for benefits remaining. On 28 March 2012, the Court certified that the case could proceed as a class action comprised of former employees of the divested Metal Container Corporation operations.

On 10 January 2012, a class action complaint asserting claims very similar to those asserted in the Angevine lawsuit was filed in Federal Court for the Eastern District of Missouri, styled *Nancy Anderson et al. v. Anheuser-Busch Companies Pension Plan et al.* Unlike the Angevine case, however, the plaintiff in this matter alleges complete exhaustion of all administrative remedies. This complaint has not yet been served.

### Acquisition Antitrust Matters

The Anheuser-Busch acquisition was subject, and required approvals or notifications pursuant, to various antitrust laws.

#### *Argentina*

Approval of the Anheuser-Busch acquisition in Argentina under the applicable antitrust law has been granted subject to our compliance, within a specific time period, with certain conditions imposed by the Argentinean competition authority. All of these conditions were timely complied with by December 2010. Accordingly, we expect the final clearance of the merger by the Argentine antitrust authorities to be granted in the near future.

### Dividend Policy

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

Any matter relating to our dividend payout policy (except that the actual amount of any dividend remains subject to approval at our shareholders' meeting in accordance with the Belgian Companies Code) is within the jurisdiction of our shareholders' meetings and shall be adopted with a positive vote of at least 75% of the shares attending or represented at the meeting, regardless of the number of shares attending or represented, if and only if any four of our directors request that the matter be submitted at our shareholders' meeting.

The annual dividends are approved by our annual shareholders' meeting and are paid on the dates and at the places appointed by our Board. Our Board may pay an interim dividend in accordance with the provisions of the Belgian Companies Code.

The table below summarizes the dividends paid by us in the most recent financial years.

<u>Financial year</u>	<u>Number of our shares outstanding at end of relevant financial year</u>	<u>Gross amount of dividend per Share (in EUR)</u>	<u>Gross amount of dividend per Share (in USD)</u>	<u>Payment date</u>
2011	1,606,071,789	1.20	1.55	3 May 2012
2010	1,605,183,954	0.80	1.07	2 May 2011

<u>Financial year</u>	<u>Number of our shares outstanding at end of relevant financial year</u>	<u>Gross amount of dividend per Share (in EUR)</u>	<u>Gross amount of dividend per Share (in USD)</u>	<u>Payment date</u>
2009	1,604,301,123	0.38	0.55	3 May 2010
2008	1,602,427,569	0.28	0.35	5 May 2009
2007	615,043,509	2.44	3.67	30 April 2008

## B. SIGNIFICANT CHANGES

Our board of directors proposes a dividend of EUR 1.20 (USD 1.55) per share, subject to shareholder approval. If approved, the shares will trade ex-coupon as of 27 April 2012, the Record Date will be 2 May 2012 and dividends will be payable as of 3 May 2012.

## ITEM 9. THE OFFER AND LISTING

### A. THE OFFER AND LISTING

#### Price History of Stock

##### *Ordinary shares listed on Euronext Brussels*

The table below shows the quoted high and low closing sales prices in euro on Euronext Brussels for our shares for the indicated periods.

	<u>Per Share</u>	
	<u>High</u>	<u>Low</u>
	<u>(in EUR)</u>	
<b><u>Annual</u></b>		
2011	47.31	35.15
2010	45.84	33.99
2009	36.51	16.50
2008 <sup>(1)</sup>	38.69	10.32
2007 <sup>(1)</sup>	41.87	30.00
<b><u>Quarterly</u></b>		
2012		
<i>First Quarter</i>	55.00	46.35
2011		
<i>Fourth Quarter</i>	47.31	38.84
<i>Third Quarter</i>	41.32	35.15
<i>Second Quarter</i>	43.67	39.15
<i>First Quarter</i>	44.21	38.85
2010		
<i>Fourth Quarter</i>	45.84	41.93
<i>Third Quarter</i>	43.69	38.70
<i>Second Quarter</i>	41.64	35.70
<i>First Quarter</i>	38.38	33.99
<b><u>Monthly</u></b>		
2012		
<i>March</i>	55.00	50.20
<i>February</i>	50.42	47.06
<i>January</i>	48.32	46.35
2011		
<i>December</i>	47.31	44.00
<i>November</i>	44.30	39.49
<i>October</i>	40.36	38.84



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Note:

- (1) As a result of the capital increase pursuant to the rights offering we completed in December 2008, our theoretical ex-rights share price was modified by an adjustment ratio of 0.6252 on 24 November 2008. Our historical share prices have not been restated to reflect this adjustment.

### ***ADSs listed on NYSE***

On 16 September 2009, we listed 1,608,663,943 ADSs on the NYSE, each of which represents one of our ordinary shares. The table below shows the quoted high and low closing sales prices in USD on NYSE for our shares for the indicated periods.

	<b>Per Share</b>	
	<b>High</b>	<b>Low</b>
	<small>(in USD)</small>	
<b>Annual</b> <sup>(1)</sup>		
2011	63.97	49.72
2010	63.88	45.80
<b>Quarterly</b>		
2012		
<i>First Quarter</i>	73.48	58.92
2011		
<i>Fourth Quarter</i>	61.21	51.76
<i>Third Quarter</i>	59.33	49.72
<i>Second Quarter</i>	63.97	55.65
<i>First Quarter</i>	58.68	53.90
2010		
<i>Fourth Quarter</i>	63.88	54.94
<i>Third Quarter</i>	59.48	48.86
<i>Second Quarter</i>	52.35	45.8
<i>First Quarter</i>	53.49	46.43
<b>Monthly</b>		
2012		
<i>March</i>	73.48	65.88
<i>February</i>	67.25	62.74
<i>January</i>	62.45	58.92
2011		
<i>December</i>	61.21	57.39
<i>November</i>	60.00	54.08
<i>October</i>	56.90	51.76

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Note:

- (1) As we listed our ADSs in September 2009, we have provided annual price information for 2011 and 2010 only.

### **Share Details**

See “Item 10. Additional Information—B. Memorandum and Articles of Association and Other Share Information—Form and Transferability of Our Shares” for details regarding our shares.

Each of our shares is entitled to one vote except for shares owned by us, or by any of our direct subsidiaries, the voting rights of which are suspended. Shares held by our main shareholders do not entitle such shareholders to different voting rights.

## B. PLAN OF DISTRIBUTION

Not applicable.

## C. MARKETS

We are incorporated under the laws of Belgium (register of legal entities number 0417.497.106), and our shares are listed on the regulated market of Euronext Brussels under the symbol “ABI.” The securities that we have applied to be listed on the NYSE are ADSs, each of which represents one of our shares. We listed 1,608,663,943 ADSs listed on the NYSE on 16 September 2009 (such number equal to the number of our shares plus the number of warrants on our shares outstanding as of 7 September 2009). For more information on our shares see “—B. Memorandum and Articles of Association and Other Share Information—Form and Transferability of Our Shares.” Our ADSs are described in greater detail under “Item 12. Description of Securities Other Than Equity Securities—D. American Depositary Shares.”

### Euronext Brussels

Euronext Brussels is a subsidiary of Euronext N.V., a company organized under the laws of the Netherlands, and holds a national license as the stock exchange operator in Belgium. Euronext N.V. is a pan-European stock exchange, grouping together the Amsterdam, Brussels, Lisbon and Paris stock exchanges and Liffe, London’s derivatives market. The combination of Euronext N.V. with NYSE Group, Inc., a Delaware corporation, was consummated on 4 April 2007 to create NYSE Euronext. The exchanges of NYSE Euronext list a wide variety of securities, including domestic and international equity securities, convertible bonds, warrants, trackers and debt securities, including corporate and government bonds. All of NYSE Euronext’s markets in Europe are subsidiaries of Euronext N.V.

In 2011, NYSE Euronext was Europe’s second largest stock exchange group based on aggregate market capitalization of listed operating companies, and the largest stock exchange group based on the value of consolidated equities trading in the central order book. As of 31 December 2011, 1112 companies were listed on NYSE Euronext in Europe, of which 969 were based in one of Euronext N.V.’s home markets. NYSE Euronext is Europe’s largest consolidated cash market based on average daily trades and average daily turnover. The cash trading business unit comprises trading in equity securities and other cash instruments including funds, bonds, warrants, trackers and structured funds. During 2011, on an average day, 1.7 million trades for all cash instruments were executed on NYSE Euronext exchanges in Europe, while the total number of trades in all cash instruments was EUR 439 million.

*Trading Platform and Market Structure.* Cash trading on NYSE Euronext’s markets in Amsterdam, Brussels, Lisbon and Paris takes place via a single universal trading platform, following the successful migration of these markets from the former “nouveau système de cotation” in 2009.

Cash trading on NYSE Euronext in Europe is governed both by a single harmonized rulebook for trading on each of NYSE Euronext’s markets and by non-harmonized NYSE Euronext Rulebooks containing local exchange-specific rules. NYSE Euronext’s trading rules provide for an order-driven market using an open electronic central order book for each traded security, various order types and automatic order matching and a guarantee of full anonymity both for orders and trades.

*Trading Members.* The majority of NYSE Euronext’s cash trading members are brokers and dealers based in European Euronext’s marketplaces, but also include members in other parts of Europe, most notably the United Kingdom and Germany.

*Clearing and Settlement.* Clearing and settlement of trades executed on NYSE Euronext in Europe are handled by LCH.Clearnet (for central counterparty clearing), and independent entities that provide services to NYSE Euronext pursuant to contractual agreement.

Euronext Brussels is governed by, and recognized as a market undertaking under, the Belgian Act of 7 August 2002 (the “Act”). Pursuant to the Act, the FSMA is responsible for disciplinary powers against members and issuers, control of sensitive information, supervision of markets, and investigative powers. Euronext Brussels is

responsible for the organization of the markets and the admission, suspension and exclusion of members, and has been appointed by law as the “competent authority” within the meaning of the Listing Directive (Directive 2001/34/EC of 28 May 2001 of the European Parliament, as amended).

**D. SELLING SHAREHOLDERS**

Not applicable.

**E. DILUTION**

Not applicable.

**F. EXPENSES OF THE ISSUE**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. SHARE CAPITAL**

Not applicable.

**B. MEMORANDUM AND ARTICLES OF ASSOCIATION AND OTHER SHARE INFORMATION**

A copy of our articles of association dated 27 February 2012 has been filed as Exhibit 99.3 to Form 6-K filed by Anheuser-Busch InBev SA/NV on 8 March 2012.

**Corporate Profile**

We are a public limited liability company incorporated in the form of a *société anonyme/naamloze vennootschap* under Belgian law (register of legal entities number 0417.497.106). Our registered office is located at Grand-Place/Grote Markt 1, 1000 Brussels, Belgium, and our headquarters are located at Brouwerijplein 1, 3000 Leuven, Belgium. We were incorporated on 2 August 1977 and our financial year runs from 1 January to 31 December.

**Corporate Purpose**

According to Article 4 of our articles of association, our corporate purpose is:

- To produce and deal in all kinds of beers, drinks, foodstuffs and ancillary products, fabricate, process and deal in all by-products and accessories, of whatsoever origin or form, of its industry and trade, and to design, construct or produce part or all of the facilities for the manufacture of the aforementioned products;
- To purchase, construct, convert, sell, let, sublet, lease, license and exploit in any form whatsoever all real property and real property rights and all businesses, goodwill, movable property and movable property rights connected with our business;
- To acquire and manage investments, shares and interests in companies or undertakings having objects similar or related to, or likely to promote the attainment of, any of the foregoing objects, and in financing companies; to finance such companies or undertakings by means of loans, guarantees or in any other manner whatsoever; and to take part in the management of the aforesaid companies through membership of our Board governing body; and
- To carry out all administrative, technical, commercial and financial work and studies for the account of undertakings in which it holds an interest or on behalf of third parties.

We may, within the limits of our corporate purpose, engage in all civil, commercial, financial and industrial operations and transactions connected with our corporate purpose either within or outside Belgium. We may take interests by way of asset contribution, merger, subscription, equity investment, financial support or otherwise in all companies, undertakings or associations having a corporate purpose similar or related to or likely to promote the furtherance of our corporate purpose.

### **Board of Directors**

Belgian law does not regulate specifically the ability of directors to borrow money from Anheuser-Busch InBev SA/NV.

Our Corporate Governance Charter prohibits us from making loans to directors, whether for the purpose of exercising options or for any other purpose (except for routine advances for business-related expenses in accordance with our rules for reimbursement of expenses). See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Transactions with Directors and Executive Board of Management Members (Key Management Personnel)—Loans to directors.”

Article 523 of the Belgian Companies Code provides that if one of our directors directly or indirectly has a personal financial interest that conflicts with a decision or transaction that falls within the powers of our Board, the director concerned must inform our other directors before our Board makes any decision on such transaction. The statutory auditor must also be notified. The director may not participate in the deliberation nor vote on the conflicting decision or transaction. An excerpt from the minutes of the meeting of our Board that sets forth the financial impact of the matter on us and justifies the decision of our Board must be published in our annual report. The statutory auditors’ report to the annual accounts must contain a description of the financial impact on us of each of the decisions of our Board where director conflicts arise.

We are relying on a provision in the NYSE Listed Company Manual that allows us to follow Belgian corporate law and the Belgian Corporate Governance Code with regard to certain aspects of corporate governance. This allows us to continue following certain corporate governance practices that differ in significant respects from the corporate governance requirements applicable to U.S. companies listed on the NYSE. See “Item 16G. Corporate Governance” for a concise summary of the significant ways in which our corporate governance practices differ from those followed by a U.S. company under the NYSE rules.

For further information regarding the provisions of our articles of association as applied to our Board, see “Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Board of Directors” and “Item 6. Directors, Senior Management and Employees—C. Board Practices.”

### **Form and Transferability of Our Shares**

Our shares can take the form of registered shares, bearer shares or dematerialized shares.

On 1 January 2008, bearer shares booked into a securities account were automatically converted into dematerialized shares. As from 1 January 2008, bearer shares not yet booked into a securities account have been automatically converted into dematerialized shares as from the time they are booked into a securities account.

Furthermore, holders of bearer shares that would not have been subject to this automatic conversion (that is, bearer shares not held in book-entry form) must request, in accordance with the modalities provided by the Belgian Law of 14 December 2005 concerning the suppression of bearer securities, at the latest by 31 December 2013, that such shares be converted into registered or dematerialized shares.

In the event that the conversion of the shares is not requested by the above date, the shares will be automatically converted into dematerialized shares and recorded in our name, with all rights attached to such shares

being suspended until their proved owner comes forward and requests that such shares be recorded in his own name. In addition, the Belgian Law of 14 December 2005 provides that, as of 1 January 2015, securities listed on a stock exchange and whose owner remains unknown must be sold by us on a stock exchange in accordance with the modalities provided by such law. We must then deposit (i) the proceeds or (ii) if the securities are not sold before 30 November 2015 at latest, these non-sold securities, with the Belgian Caisse des dépôts et consignations/Deposito-en Consignatiekas, where such proceeds or securities respectively may be claimed by their beneficiaries, subject to certain administrative fines being payable by claimants.

All of our shares are fully paid-up and freely transferable.

### **Changes to Our Share Capital**

In principle, changes to our share capital are decided by our shareholders. Our shareholders' meeting may at any time decide to increase or decrease our share capital. Such resolution must satisfy the quorum and majority requirements that apply to an amendment of the articles of association, as described below in “—Description of the Rights and Benefits Attached to Our Shares—Right to Attend and Vote at Our Shareholders' Meeting—Votes, quorum and majority requirements.”

#### ***Share Capital Increases by Our Board of Directors***

Subject to the same quorum and majority requirements, our shareholders' meeting may authorize our Board, within certain limits, to increase our share capital without any further approval of our shareholders. This is the so-called authorized capital. This authorization needs to be limited in time (that is, it can only be granted for a renewable period of maximum five years) and in scope (that is, the authorized capital may not exceed the amount of the registered share capital at the time of the authorization).

At our extraordinary shareholders' meeting held on 28 April 2009, our shareholders authorized our Board, for a period of five years from the date of publication of the changes to the articles of association decided by our shareholders' meeting on 28 April 2009, to increase our share capital, in one or more transactions, by a number of shares representing no more than 3% of the total number of shares issued and outstanding on 28 April 2009 (which was, 1,602,862,013). In accordance with Article 603, indent 1, of the Belgian Companies Code, such increase may not result in the share capital being increased by an amount exceeding the amount of share capital on such date. As at the date of this Form 20-F, the authorized capital had not been used.

#### ***Preference Rights***

In the event of a share capital increase for cash by way of the issue of new shares, or in the event of an issue of convertible bonds or warrants, our existing shareholders have a preferential right to subscribe, pro rata, to the new shares, convertible bonds or warrants. Our Board may decide that preference rights which were not exercised, or were only partly exercised, by any shareholders shall accrue proportionally to the other shareholders who have already exercised their preference rights, and shall fix the practical terms for such subscription.

Our shareholders' meeting, acting in accordance with Article 596 of the Belgian Companies Code and in our interests, may restrict or cancel the preference rights. In the case of a share capital increase pursuant to the authorized capital, our Board may likewise restrict or cancel the preference rights, including in favor of one or more specific persons other than our employees or one of our subsidiaries.

### **Purchases and Sales of Our Own Shares**

We may only acquire our own shares pursuant to a decision by our shareholders' meeting taken under the conditions of quorum and majority provided for in the Belgian Companies Code. Such a decision requires a quorum of shareholders holding an aggregate of at least 50% of the share capital and approval by a qualified majority of at least 80% of the share capital present or represented. If there is no quorum, a second meeting must be convened. At the second meeting, no quorum is required, but the relevant resolution must be approved by a qualified majority of at least 80% of the share capital present or represented.

Our shareholders' meeting of 28 April 2009 delegated authority to our Board, for a period of five years from such a date, to acquire our shares up to the maximum number allowed under Article 620, §1, 2° of the Belgian Companies Code and for a consideration that may not be less than 10% below the lowest closing price in the last 20 stock exchange days preceding the transaction and not more than 10% above the highest closing price in the last 20 stock exchange days preceding the transaction.

See "Item 16E. Purchases of Equity Securities by the Issuer" for details of our recent share repurchase programs.

## **Description of the Rights and Benefits Attached to Our Shares**

### ***Right to Attend and Vote at Our Shareholders' Meeting***

#### **Annual Shareholders' Meeting**

Our annual shareholders' meeting shall be held on the last Wednesday of April of each year, at 11:00 a.m., or at any other time, in one of the municipalities (communes/gemeenten) of the Region of Brussels, in Leuven or in Liège, at the place mentioned in the notice. If this date is a legal holiday, the meeting is held on the next business day (excluding Saturday) at the same time. Our annual shareholders' meeting in 2012 will be held on 25 April 2012.

#### **Special and Extraordinary Shareholders' Meetings**

Our Board or the statutory auditor (or the liquidators, if appropriate) may, whenever our interests so require, convene a special or extraordinary shareholders' meeting. Such shareholders' meeting must also be convened every time one or more of our shareholders holding at least one-fifth of our share capital so demand.

#### **Notices convening our shareholders' meeting**

Notices of our shareholders' meetings contain the agenda of the meeting and our Board's recommendations on the matters to be voted upon.

Notices for our shareholders' meeting are given in the form of announcements placed at least 30 days prior to the meeting in at least one Belgian newspaper and in the Belgian State Gazette (Moniteur belge/Belgisch Staatsblad).

Notices are sent 30 days prior to the date of our shareholders' meeting to the holders of our registered shares, holders of our registered warrants and to our directors and our statutory auditor.

Notices of all our shareholders' meetings and all related documents, such as specific Board and auditor's reports, are also published on our website, <http://www.ab-inbev.com/corporategovernance>.

#### **Admission to meetings**

All holders of our shares are entitled to attend our shareholders' meeting, take part in the deliberations and, within the limits prescribed by the Belgian Companies Code, to vote.

In accordance with the Belgian law of 20 December 2010 on the exercise of certain rights of shareholders in listed companies, the Extraordinary Shareholders' Meeting of 26 April 2011 approved an amendment to our articles of association. In accordance with this amendment, as of 1 January 2012, the right to participate in and vote at a shareholders' meeting will require shareholders to:

- (i) have the ownership of their shares recorded in their name on the 14th calendar day preceding the date of the meeting (the "**record date**"):
  - through registration in the register of the registered shares of our company, for holders of registered shares; or
  - through book-entry in the accounts of an authorised account holder or clearing organisation, for holders of dematerialised shares.

AND

- (ii) notify us at the latest on the 6th calendar day preceding the day of the meeting, of their intention to participate in the meeting, indicating the number of shares in respect of which they intend to do so. In addition, the holders of dematerialised shares must, at the latest on the same day, provide us with an original certificate issued by an authorised account holder or a clearing organisation certifying the number of shares owned on the record date by the relevant shareholder and for which it has notified its intention to participate in the meeting.

To attend a shareholders' meeting, holders of printed bearer shares must first convert their shares into registered or dematerialized shares as specified in article 25 of the articles of association.

Any shareholder may attend our shareholders' meetings in person or be represented by a proxy, who need not be a shareholder. All proxies must be in writing in accordance with the form prescribed by us and must be received by us no later than the 6th calendar day preceding the day of the meeting.

#### **Votes, quorum and majority requirements**

Each of our shares is entitled to one vote except for shares owned by us, or by any of our direct subsidiaries, the voting rights of which are suspended. The shares held by our principal shareholders do not entitle such shareholders to different voting rights.

Shareholders are allowed to vote in person, by proxy or by mail. Votes by mail must be cast using the form prepared by us and must be received by us no later than the date upon which our shareholders must deposit their shares.

Generally, there is no quorum requirement for our shareholders' meetings, and decisions are taken by a simple majority vote of shares present or represented.

Resolutions relating to amendments of the articles of association or the merger or division of Anheuser-Busch InBev SA/NV are subject to special quorum and majority requirements. Specifically, any resolution on these matters requires the presence in person or by proxy of shareholders holding an aggregate of at least 50% of the issued share capital, and the approval of at least 75% of the share capital present or represented at the meeting. If a quorum is not present, a second meeting must be convened. At the second meeting, the quorum requirement does not apply. However, the special majority requirement continues to apply.

Any modification of our corporate purpose or legal form requires a quorum of shareholders holding an aggregate of at least 50% of the share capital and approval by a qualified majority of at least 80% of the share capital present or represented. If there is no quorum, a second meeting must be convened. At the second meeting, no quorum is required, but the relevant resolution must be approved by a qualified majority of at least 80% of the share capital present or represented.

Our extraordinary shareholders' meeting of 25 April 2006 approved an amendment to our articles of association. As a consequence, the following matters are now within the exclusive jurisdiction of our shareholders' meetings and shall be adopted by the approval of at least 75% of the shares attending or represented at the meeting, regardless of the number of shares attending or represented:

- Any decision to apply for the delisting of our securities from any stock market;
- Any acquisition or disposal of assets by us for an amount exceeding one-third of our consolidated total assets as reported in our most recent audited financial statements.

As a result of the amendment approved by our extraordinary shareholders' meeting of 25 April 2006, the following matters are also within the jurisdiction of our shareholders' meeting and shall be adopted with a positive vote of 75% of the shares attending or represented at the meeting, regardless of the number of shares attending or represented, if and only if any four of our directors request that the matter be submitted to our shareholders' meeting:

- Any matter relating to our dividend payout policy (except that the actual amount of any dividend remains subject to approval by our shareholders' meeting in accordance with the Belgian Companies Code).

The following matters shall be within the jurisdiction of our shareholders' meeting and shall be adopted with a positive vote of 50% plus one of the shares attending or represented at the meeting, regardless of the number of shares attending or represented, if and only if any four of our directors request that the matter be submitted to our shareholders' meeting:

- The approval of the individual to whom our Board proposes to delegate authority for our day-to-day management and appoint as Chief Executive Officer, and the ratification of any decision by our Board to dismiss such individual;
- Any modification of executive remuneration and incentive compensation policy;
- The ratification of any transaction of ours or one of our direct or indirect subsidiaries with a controlling shareholder of us or with a legal or natural person affiliated to or associated with such controlling shareholder within the meaning of Articles 11 and 12 of the Belgian Companies Code, it being understood that, for the purposes of this provision of the articles of association, our direct or indirect subsidiaries are not considered as affiliated to or associated with our controlling shareholders;
- Any modification of our target capital structure and the maximum level of net debt.

### ***Dividends***

The Belgian Companies Code provides that dividends can only be paid up to an amount equal to the excess of our shareholders' equity over the sum of (i) paid-up or called-up share capital and (ii) reserves not available for distribution pursuant to law or the articles of association.

The annual dividends are approved by our shareholders' meetings and are paid on the dates and at the places determined by our Board. Our Board may pay an interim dividend in accordance with the provisions of the Belgian Companies Code. See "Item 8. Financial Information—A. Consolidated Financial Statements and Other Financial Information—Dividend Policy" for further information on our current dividend policy.

### ***Appointment of Directors***

Pursuant to a shareholders' agreement (see "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders") BRC S.à.R.L and Eugénie Patri Sébastien S.A. each have the right to nominate four directors. The Stichting board of directors nominates four to six directors who are independent of shareholders. The mandate of Peter Harf will come to an end on 25 April 2012. Pending the election of his successor, our Board will include three independent directors.

### ***Liquidation Rights***

We can only be dissolved by a shareholders' resolution passed with a majority of at least 75% of the votes cast at an extraordinary shareholders' meeting where at least 50% of the share capital is present or represented.



In the event of the dissolution and liquidation of Anheuser-Busch InBev SA/NV, the assets remaining after payment of all debts and liquidation expenses shall be distributed to the holders of our shares, each receiving a sum proportional to the number of our shares held by them.

### ***Disclosure of Significant Shareholdings***

In addition to any shareholder notification thresholds under applicable legislation (which notification is required at 5%, 10%, 15% and so on in five-percentage-point increments), our articles of association require holders of our shares to disclose the number of our shares held if their shareholding exceeds or falls below 3% of our outstanding shares with voting rights. For details of our major shareholders see “Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders.”

### **Mandatory Bid**

Belgium implemented the Thirteenth Company Law Directive (European Directive 2004/25/EC of 21 April 2004) by the Belgian Law of 1 April 2007 on public takeover bids (the “Takeover Law”) and the Belgian Royal Decree of 27 April 2007 on public takeover bids (the “Takeover Royal Decree”). Pursuant to the Takeover Law, a mandatory bid will need to be launched on all our shares (and our other securities giving access to voting rights) if a person, as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting for their account, directly or indirectly holds more than 30% of our shares (directly and/or through ADSs).

Public takeover bids on shares and other securities giving access to voting rights (such as, warrants or any convertible bonds) are subject to supervision by the FSMA. Public takeover bids must be made for all of our shares, as well as for all our other securities giving access to voting rights. Prior to making a bid, a bidder must publish a prospectus, approved by the FSMA prior to publication.

In accordance with Article 74 of the Takeover Law, our controlling shareholder (the Stichting) and the seven entities acting in concert with it (as set out in “Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders—Shareholding Structure”) have filed with us and the FSMA the disclosures set forth by the Takeover Law and are therefore exempt from the obligation to launch a takeover bid on our shares and other securities giving access to voting rights.

### **Limitations on the Right to Own Securities**

Neither Belgian law nor our articles of association imposes any general limitation on the right of non-residents or foreign persons to hold our securities or exercise voting rights on our securities other than those limitations that would generally apply to all shareholders.

## **C. MATERIAL CONTRACTS**

The following contracts have been entered into by us within the two years immediately preceding the date of this Form 20-F or contain provisions under which we or another member of our group has an obligation or entitlement which is material to our group:

On 13 July 2008, InBev and its indirect wholly-owned subsidiary formed exclusively for the purpose of effecting the Anheuser-Busch merger (as defined below), Pestalozzi Acquisition Corp., entered into an Agreement and Plan of Merger with Anheuser-Busch Companies (the “**Merger Agreement**”). On 18 November 2008, we completed the merger and Anheuser-Busch became an indirect wholly-owned subsidiary of Anheuser-Busch InBev SA/NV.

To fund the Anheuser-Busch acquisition, we entered into a Senior Facilities Agreement, dated as of 12 July 2008 as amended as of 23 July 2008, 21 August 2008 and 3 September 2008, with a number of banks (the “**2008 Senior Facilities Agreement**”), making available to us USD 45 billion in senior facilities (the “**2008 Senior Facilities**”). Over the course of 2009 and 2010, we prepaid portions of the 2008 Senior Facilities by applying proceeds raised from debt offerings and asset disposals to the 2008 Senior Facilities.

On 26 February 2010, we entered into USD 17.2 billion of senior credit agreements, comprising a USD 13 billion 2010 Senior Facilities Agreement (the “**2010 Senior Facilities Agreement**”) with a syndicate of thirteen banks, and two term facilities totaling USD 4.2 billion, enabling us to fully refinance the 2008 Senior Facilities Agreement. These facilities extend our debt maturities while building additional liquidity, thus enhancing our credit profile as evidenced by the improved terms under the facilities, which do not include financial covenants or mandatory prepayment provisions (except in the context of a change in control). The two term facilities totaling USD 4.2 billion were cancelled on 31 March 2010 before being drawn.

The 2010 Senior Facilities Agreement made the following two senior facilities (the “**2010 Senior Facilities**”) available to us and our subsidiary, Anheuser-Busch InBev Worldwide Inc.: (i) the “**2010 Term Facility**,” a three-year term loan facility for up to USD 5 billion principal amount available to be drawn in USD, and (ii) the “**2010 Revolving Facility**,” a five-year multicurrency revolving credit facility for up to USD 8 billion principal amount. The 2010 Senior Facilities Agreement is filed as Exhibit 4.2 to our Annual Report on Form 20-F for the fiscal year ended 31 December 2009 filed with the SEC on 15 April 2010.

The 2010 Senior Facilities Agreement contains customary representations and warranties, covenants and events of default. Among other things, an event of default is triggered if either a default or an event of default occurs under any of our or our subsidiaries’ financial indebtedness. The obligations of the borrowers under the 2010 Senior Facilities Agreement are jointly and severally guaranteed by Anheuser-Busch Companies, Brandbrew and Cobrew.

Initial draw-downs under the 2010 Senior Facilities Agreement were applied towards refinancing the 2008 Senior Facilities. After the initial draw-downs, borrowings under the 2010 Revolving Facility, which may be drawn down or utilized by way of letters of credit, may be applied towards the general corporate and working capital purposes of us and our subsidiaries.

The availability of funds under the 2010 Senior Facilities Agreement was subject to the satisfaction of a customary set of initial conditions precedent. In addition, prior to the initial draw-down, all available facilities under the 2008 Senior Facilities Agreement were notified for cancellation. All proceeds from the initial draw-down on 6 April 2010 under the 2010 Senior Facilities Agreement were applied towards repayment of the 2008 Senior Facilities and, immediately after such date, all outstanding amounts under the 2008 Senior Facilities Agreement were repaid. In addition to these conditions precedent, all utilizations, both initial and subsequent, also generally require satisfaction of further conditions precedent, including that no event of default or (in the case of any utilization that does not constitute a rollover loan, that is, a revolving credit facility loan for purposes of refinancing a maturing revolving credit facility loan or satisfying a claim in respect of a letter of credit and meeting specified conditions) potential event of default is continuing or would result from the proposed utilization and that certain repeating representations and warranties made by each borrower or guarantor remain true in all material respects.

Mandatory prepayments are required to be made under the 2010 Senior Facilities Agreement in circumstances where a person or a group of persons acting in concert (other than any existing shareholder(s) of the Stichting or any persons or group of persons acting in concert with such person) acquires control of us, in which case individual lenders are accorded rights to require prepayment in full of their respective portions of the outstanding utilizations.

On 6 April 2010, we drew USD 10.1 billion under the 2010 Senior Facilities Agreement and fully repaid the 2008 Senior Facilities, which has been terminated. During 2010, we repaid USD 5.05 billion of the 2010 Revolving Facility and USD 590 million of the 2010 Term Facility. For details on repayments using proceeds from capital markets offerings, see “Item 5. Operating and Financial Review—G. Liquidity and Capital Resources—Net Debt and Equity.”

As of 31 December 2010, the 2010 Revolving Facility had been fully repaid and USD 8 billion remained available to be drawn. As of 31 December 2010, USD 4,410 million remained outstanding under the 2010 Term Facility.

Effective 25 July 2011, we amended the 2010 Revolving Facility under the 2010 Senior Facilities Agreement. The termination date of the 2010 Revolving Facility was amended to 25 July 2016. On 5 July 2011, in connection with the amendment, we fully prepaid and terminated the 2010 Term Facility under the 2010 Senior Facilities Agreement. The amendment to the 2010 Revolving Facility is filed as Exhibit 4.2 to this report.

We borrow under the 2010 Revolving Facility at an interest rate equal to LIBOR (or EURIBOR for euro-denominated loans) plus a margin of 0.40% per annum based upon the ratings assigned by rating agencies to our long-term debt as of the date of this report. These margins may change to the extent that the ratings assigned to our long-term debt are modified, ranging between 0.35% per annum and 1.50% per annum. A commitment fee of 35% of the applicable margin is applied to any undrawn but available funds under the 2010 Revolving Facility. In addition, a utilization fee of up to 0.3% per annum is payable, dependent on the amount drawn under the 2010 Revolving Facility.

As of 31 December 2011, the 2010 Revolving Facility had been fully repaid and USD 8 billion remained available to be drawn.

#### **D. EXCHANGE CONTROLS**

There are no Belgian exchange control regulations that would affect the remittance of dividends to non-resident holders of our shares. See “Item 5. Operating and Financial Review—G. Liquidity and Capital Resources—Transfers from Subsidiaries” for a discussion of various restrictions applicable to transfers of funds by our subsidiaries.

#### **E. TAXATION**

##### **Belgian Taxation**

The following paragraphs are a summary of material Belgian tax consequences of the ownership of our shares or ADSs by an investor. The summary is based on laws, treaties and regulatory interpretations in effect in Belgium on the date of this document, all of which are subject to change, including changes that could have retroactive effect.

The summary only discusses Belgian tax aspects which are relevant to U.S. holders of our shares or ADSs (“**Holders**”). This summary does not address Belgian tax aspects which are relevant to persons who are residents in Belgium or engaged in a trade or business in Belgium through a permanent establishment or a fixed base in Belgium. This summary does not purport to be a description of all of the tax consequences of the ownership of our shares or ADSs, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special rules, or the tax laws of any country other than Belgium. This summary does not describe the tax treatment of investors that are subject to special rules, such as banks, insurance companies, collective investment undertakings, dealers in securities or currencies, persons that hold, or will hold, our shares or ADSs in a position in a straddle, share-repurchase transaction, conversion transactions, synthetic security or other integrated financial transactions.

Investors should consult their own advisers regarding the tax consequences of an investment in our shares or ADSs in the light of their particular circumstances, including the effect of any state, local or other national laws.

##### ***Dividend Withholding Tax***

As a general rule, a withholding tax of 25% is levied on the gross amount of dividends paid on or attributed to our shares or ADSs, subject to such relief as may be available under applicable domestic or tax treaty provisions. Dividends subject to the dividend withholding tax include all benefits paid on or attributed to our shares or ADSs, irrespective of their form, as well as reimbursements of statutory share capital, except reimbursements of fiscal capital made in accordance with the Belgian Companies Code. In principle, fiscal capital includes paid-up statutory share capital, and subject to certain conditions, the paid-up issue premiums and the cash amounts subscribed to at the time of the issue of profit sharing certificates.

In certain circumstances, Belgian law provides, subject to certain conditions, for a reduction to 21% of the dividend withholding tax with respect to dividends paid on or attributed to shares issued on or after 1 January 1994. Shares eligible for this reduced rate may carry “VVPR Strips” which are securities representing the right to benefit from the reduced withholding tax rate of 21%. We have issued shares with VVPR strips. Our VVPR strips are listed and negotiated on Euronext Brussels separately from our shares. The coupons representing the right to dividends taxed at the ordinary withholding tax rate of 25% are attached to each share. The coupons representing the right to dividends taxed at the reduced withholding tax rate of 21% are attached to each VVPR Strip. The coupons in the VVPR Strips carry the same serial numbers as the ordinary coupons and mention “strips-PR” or, in Dutch, “strips-VV” (together “**VVPR Strips**”). Payment of withholding tax at the reduced 21% rate is possible only if two coupons carrying the same number are handed over to us or one of our paying agents before the end of a three-year period starting on January 1 of the year during which the dividend was declared.

If we redeem our own shares or ADSs, the redemption distribution (after deduction of the portion of fiscal capital represented by our redeemed shares or ADSs) will be treated as a dividend which in certain circumstances may be subject to a withholding tax of 21%, subject to such relief as may be available under applicable domestic or tax treaty provisions. No withholding tax will be triggered if such redemption is carried out on a stock exchange and meets certain conditions. In case of our liquidation, any amounts distributed in excess of the fiscal capital will be subject to the 10% withholding tax, subject to such relief as may be available under applicable domestic or tax treaty provisions.

For non-resident individuals and companies, the dividend withholding tax will be the only tax on dividends in Belgium, unless the non-resident holds our shares or ADSs in connection with a business conducted in Belgium, through a fixed base in Belgium or a Belgian permanent establishment.

#### ***Relief of Belgian dividend withholding tax***

Under the income tax convention between the United States of America and Belgium (the “**Treaty**”), there is a reduced Belgian withholding tax rate of 15% on dividends paid by us to a U.S. resident which beneficially owns the dividends and is entitled to claim the benefits of the Treaty under the limitation of benefits article included in the Treaty (“**Qualifying Holders**”). If such Qualifying Holder is a company that owns directly at least 10% of our voting stock, the Belgian withholding tax rate is further reduced to 5%. No withholding tax is however applicable if the Qualifying Holder is: (i) a company that is a resident of the United States that has owned directly our shares or ADSs representing at least 10% of our capital for a 12-month period ending on the date the dividend is declared, or (ii) a pension fund that is a resident of the United States, provided that such dividends are not derived from the carrying on of a business by the pension fund or through an associated enterprise.

Under the normal procedure, we or our paying agent must withhold the full Belgian withholding tax (without taking into account the Treaty rate). Qualifying Holders may make a claim for reimbursement for amounts withheld in excess of the rate defined by the Treaty. The reimbursement form (Form 276 Div-Aut.) may be obtained from the Bureau Central de Taxation Bruxelles-Etranger, 33 Boulevard Roi Albert II, 33 (North Galaxy Tower B7), 1030 Brussels, Belgium. Qualifying Holders may also, subject to certain conditions, obtain the reduced Treaty rate at source. Qualifying Holders should deliver a duly completed Form 276 Div-Aut. no later than 10 days after the date on which the dividend becomes payable. U.S. holders should consult their own tax advisers as to whether they qualify for reduction in withholding tax upon payment or attribution of dividends, and as to the procedural requirements for obtaining a reduced withholding tax upon the payment of dividends or for making claims for reimbursement.

Withholding tax is also not applicable, pursuant to Belgian domestic tax law, on dividends paid to certain U.S. organizations that are not engaged in any business or other profit making activity and are exempted from income taxes in the United States, provided that such organization is not contractually obligated to redistribute the dividends to any beneficial owner of such dividends for whom it would manage our shares or ADSs and subject to certain procedural formalities.

### ***Capital Gains and Losses***

Pursuant to the Treaty, capital gains and/or losses realized by a Qualifying Holder from the sale, exchange or other disposition of our shares or ADSs do not fall within the scope of application of Belgian domestic tax law.

Capital gains realized on our shares or ADSs by a corporate Holder which is not entitled to claim the benefits of the Treaty under the limitation of benefits article included in the Treaty are generally not subject to taxation and losses are not deductible (provided that our shares or ADSs are not held in connection with a business conducted in Belgium, nor through a fixed base or permanent establishment in Belgium).

Private individual Holders who are not entitled to claim the benefits of the Treaty under the limitation of benefits article included in the Treaty and which are holding our shares or ADSs as a private investment will, as a rule, not be subject to tax on any capital gains arising out of a disposal of our shares or ADSs. Losses will, as a rule, not be deductible in Belgium.

However, if the gain realized by such individual Holders on our shares or ADSs is deemed to be realized outside the scope of the normal management of such individual's private estate and the capital gain is obtained or received in Belgium, the gain will be subject to a final professional withholding tax of 30.28%. The Official Commentary to the ITC 1992 stipulates that occasional transactions on a stock exchange regarding our shares or ADSs should not be considered as transactions realized outside the scope of normal management of one's own private estate.

Capital gains realized by such individual Holders on the disposal of our shares or ADSs for consideration, outside the exercise of a professional activity, to a non-resident company (or a body constituted in a similar legal form), to a foreign State (or one of its political subdivisions or local authorities) or to a non-resident legal entity who is established outside the European Economic Area, are in principle taxable at a rate of 16.5% if, at any time during the five years preceding the sale, such individual Holder has owned directly or indirectly, alone or with his/her spouse or with certain relatives, a substantial shareholding in us (that is, a shareholding of more than 25% of our shares).

Capital gains realized by a Holder upon the redemption of our shares or ADSs or upon our liquidation will generally be taxable as a dividend (see above).

### ***Estate and Gift Tax***

There is no Belgium estate tax on the transfer of our shares or ADSs on the death of a Belgian non-resident.

Donations of our shares or ADSs made in Belgium may or may not be subject to gift tax depending on the modalities under which the donation is carried out.

### ***Belgian Tax on Stock Exchange Transactions***

A stock market tax is normally levied on the purchase and the sale and on any other acquisition and transfer for consideration in Belgium of our existing shares or ADSs through a professional intermediary established in Belgium on the secondary market (so-called "secondary market transactions"). The applicable rate amounts to 0.22% of the consideration paid but with a cap of EUR 650 per transaction and per party. It has been reported in the press that the Belgian federal government will propose an increase of the tax rate to 0.25% (with a cap of EUR 740 per transaction and per party) as from 1 May 2012. As of the date of this Form 20-F, this tax increase was not yet approved by the Belgian legislator.

Belgian non-residents who purchase or otherwise acquire or transfer, for consideration, existing shares or ADSs in Belgium for their own account through a professional intermediary may be exempt from the stock market tax if they deliver a sworn affidavit to the intermediary in Belgium confirming their non-resident status.

In addition to the above, no stock market tax is payable by: (i) professional intermediaries described in Article 2, 9° and 10° of the Law of 2 August 2002 acting for their own account, (ii) insurance companies described in Article 2, §1 of the Law of 9 July 1975 acting for their own account, (iii) professional retirement institutions referred to in Article 2, 1° of the Law of 27 October 2006 relating to the control of professional retirement institutions acting for their own account, or (iv) collective investment institutions acting for their own account.

No stock market tax will thus be due by Holders on the subscription, purchase or sale of existing shares or ADSs, if the Holders are acting for their own account. In order to benefit from this exemption, the Holders must file with the professional intermediary in Belgium a sworn affidavit evidencing that they are non-residents for Belgian tax purposes.

## **U.S. Taxation**

This section describes the material United States federal income tax consequences of the ownership and disposition of shares or ADSs. It applies to you only if you are a U.S. holder, as described below, and you hold your shares or ADSs as capital assets for United States federal income tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a bank;
- a dealer in securities;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a tax-exempt organization;
- a life insurance company;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more of our voting stock;
- a person that holds shares or ADSs as part of a straddle or a hedging or conversion transaction; or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect, as well as on the Treaty. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the Depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

You are a U.S. holder if you are a beneficial owner of shares or ADSs and you are:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

You should consult your own tax advisor regarding the United States federal, state, local, foreign and other tax consequences of owning and disposing of our shares and ADSs in your particular circumstances. In particular, you should confirm whether you qualify for the benefits of the Treaty and the consequences of failing to do so.

If a partnership holds our shares or ADSs, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. If you hold our shares or ADSs as a partner in a partnership, you should consult your tax advisor with regard to the United States federal income tax treatment of an investment in our shares or ADSs.

### ***Taxation of Dividends***

Subject to the passive foreign investment company (or PFIC) rules discussed below, if you are a U.S. holder, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a non-corporate U.S. holder, dividends paid to you in taxable years beginning before 1 January 2013 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold our shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the shares generally will be qualified dividend income.

You must include any Belgian tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. If the dividend is paid in Euros, the amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Euro payments made, determined at the spot Euro/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the shares or ADSs and thereafter as capital gain.

Subject to certain limitations, the Belgian tax withheld in accordance with the Treaty and paid over to Belgium will be creditable against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. To the extent a refund of the tax withheld is available to you under Belgian law or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against your United States federal income tax liability. In addition, (i) if you are eligible under the Treaty for a lower rate of Belgian withholding tax on a distribution with respect to the shares or ADSs, yet you do not claim such lower rate or (ii) you own VVPR Strips and fail to claim the right to the reduced withholding tax rate or sell your VVPR Strip prior to the time a distribution is made with respect to your shares or ADS, and as a result, you are subject to a greater Belgian withholding tax on the distribution than you could have obtained by (i) claiming benefits under the Treaty or (ii) retaining the VVPR Strips and/or claiming your right to the reduced withholding tax rate, such additional Belgian withholding tax would likely not be eligible for credit against your United States federal income tax liability.

Dividends will be income from sources outside the United States, and depending on your circumstances, will generally be either “passive” or “general” income for purposes of computing the foreign tax credit allowable to you.

### ***Taxation of Capital Gains***

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to

the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your shares or ADSs. Capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the holder has a holding period greater than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. Your ability to deduct capital losses is subject to limitations.

### ***PFIC Rules***

We believe that our shares and ADSs should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. A company is considered a PFIC if, for any taxable year, either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the value of its assets is attributable to assets that produce or are held for the production of passive income. If we were to be treated as a PFIC, unless a U.S. holder elects to be taxed annually on a mark-to-market basis with respect to the shares or ADSs or makes a “qualified electing fund” (“**QEF**”) election the first taxable year in which we are treated as a PFIC, gain realized on the sale or other disposition of your shares or ADSs would in general not be treated as capital gain. Instead, if you are a U.S. holder, you would be treated as if you had realized such gain and certain excess distributions ratably over your holding period for the shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. With certain exceptions, your shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your shares or ADSs. Dividends that you receive from us will not be eligible for the special tax rates applicable to qualified dividend income if we are treated as a PFIC with respect to you either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income. The QEF election is conditioned upon our furnishing you annually with certain tax information. We may not take the action necessary for a U.S. shareholder to make a QEF election in the event our company is determined to be a PFIC.

### ***Belgian Stock Market Tax***

Any Belgian stock market tax that you pay will likely not be a creditable tax for United States federal income tax purposes. However, U.S. holders are exempt from such tax if they act for their own account and certain information is provided to relevant professional intermediaries (as described under “—Belgian Taxation—Belgian Tax on Stock Exchange Transactions”). U.S. holders are urged to consult their own tax advisers regarding the potential application of Belgian tax law to the ownership and disposition of our shares or ADSs.

## **F. DIVIDENDS AND PAYING AGENTS**

Not applicable.

## **G. STATEMENT BY EXPERTS**

Not applicable.

## **H. DOCUMENTS ON DISPLAY**

You may read and copy any reports or other information that we file at the public reference rooms of the Securities and Exchange Commission (“**SEC**”) at 100 F Street, N.E., Washington, D.C. 20549, and at the SEC’s regional offices located at 3 World Financial Center, Suite 400, New York, New York 10281 and 175 W. Jackson Boulevard, Suite 900, Chicago, IL 60604. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Electronic filings made through the Electronic Data Gathering, Analysis and Retrieval system are also publicly available through the SEC’s website on the Internet at <http://www.sec.gov>.

We also make available on our website, free of charge, our annual reports on Form 20-F and the text of our reports on Form 6-K, including any amendments to these reports, as well as certain other SEC filings, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is <http://www.ab-inbev.com>. The information on our website is not incorporated by reference in this document.



We have filed our amended and restated articles of association and all other deeds that are to be published in the annexes to the Belgian State Gazette with the clerk's office of the Commercial Court of Brussels (Belgium), where they are available to the public. A copy of the articles of association dated 27 February 2012 has been filed as Exhibit 99.3 to Form 6-K filed on 8 March 2012, and is also available on our website under [http://www.ab-inbev.com/go/corporate\\_governance/bylaws.cfm](http://www.ab-inbev.com/go/corporate_governance/bylaws.cfm).

In accordance with Belgian law, we must prepare audited annual statutory and consolidated financial statements. The audited annual statutory and consolidated financial statements and the reports of our Board and statutory auditor relating thereto are filed with the Belgian National Bank, where they are available to the public. Furthermore, as a listed company, we publish an annual announcement preceding the publication of our annual financial report (which includes the audited annual financial statements, the report of our Board and the statutory auditor's report). In addition, we publish interim management statements. Copies of these documents are available on our website under:

- [http://www.ab-inbev.com/go/investors/reports\\_and\\_publications/statutory\\_accounts.cfm](http://www.ab-inbev.com/go/investors/reports_and_publications/statutory_accounts.cfm)
- [http://www.ab-inbev.com/go/investors/reports\\_and\\_publications/annual\\_and\\_hy\\_reports.cfm](http://www.ab-inbev.com/go/investors/reports_and_publications/annual_and_hy_reports.cfm); and
- [http://www.ab-inbev.com/go/investors/reports\\_and\\_publications/quarterly\\_reports.cfm](http://www.ab-inbev.com/go/investors/reports_and_publications/quarterly_reports.cfm)

We also disclose price sensitive information (inside information) and certain other information to the public. In accordance with the Belgian Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments that are admitted to trading on a regulated market, such information and documentation is made available through our website, press releases and the communication channels of Euronext Brussels.

Our head office is located at Brouwerijplein 1, 3000 Leuven, Belgium. Our telephone number is +32 (0)1 627 6111 and our website is <http://www.ab-inbev.com>. The contents of our website do not form a part of this Form 20-F. Although certain references are made to our website in this Form 20-F, no information on our website forms part of this Form 20-F.

Documents related to us that are available to the public (reports, our Corporate Governance Charter, written communications, financial statements and our historical financial information for each of the three financial years preceding the publication of this Form 20-F) can be consulted on our website (<http://www.ab-inbev.com>) and at: Anheuser-Busch InBev SA/NV, Brouwerijplein 1, 3000 Leuven, Belgium.

Unless stated otherwise in this Form 20-F, none of these documents form part of this Form 20-F.

## **I. SUBSIDIARY INFORMATION**

Not applicable.

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Market Risk, Hedging and Financial Instruments**

We are exposed to foreign currency, interest rate, commodity price, liquidity, equity and credit risks in the normal course of our business. We analyze each of these risks individually as well as on an interconnected basis, and define strategies to manage the economic impact on our performance in line with our financial risk management policy. Management meets on a frequent 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 our Board.

We use derivative financial instruments to manage foreign currency, interest rate, commodity price, equity and credit risks arising in the normal course of business. We do not, as a matter of policy, make use of derivative financial instruments in the context of trading.

Financial markets experienced significant volatility over the past years, which we have addressed and are continuing to address through our existing risk management policies.

Please refer to note 28 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for a fuller quantitative and qualitative discussion on the market risks to which we are subject and our policies with respect to managing those risks.

### ***Foreign Currency Risk***

We are exposed to 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 our subsidiary engaged in the relevant transaction. To manage this risk, we primarily make use of foreign currency rate agreements, exchange-traded foreign currency futures and cross-currency interest rate swaps.

As far as foreign currency risk on firm commitments and forecasted transactions is concerned, our policy is to hedge operational transactions that are reasonably expected to occur (for example, cost of goods sold and sales and marketing, general and administrative expenses) within the forecast period determined in the financial risk management policy. Operational transactions that are certain are hedged without any limitation in time. Non-operational transactions (such as acquisitions and disposals of subsidiaries) are hedged as soon as they are certain. Although we systematically hedge our transactional foreign exchange exposure, we do not hedge translational exposure.

As of 31 December 2011, we have locked in all of our anticipated transactional exposure for 2012 for the most important currency pairs such as Brazilian real/USD and USD/Argentinean peso. Some exposures such as USD/Ukrainian hryvnia, and EUR/Ukrainian hryvnia, had been either mostly or partially covered due to the fact that hedging can be limited in certain Eastern European countries as the local foreign exchange market prevents us from hedging at a reasonable cost.

We have performed analyses in relation to our foreign currency transaction exposures using a currency sensitivity model that identified varying ranges of possible closing rates for 2011, factoring in the possible volatility in those exchange rates (see note 28 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011). Based on such analysis, we estimate that if certain currencies (primarily in certain Eastern European countries) had weakened or strengthened against the U.S. dollar or euro during 2011, our 2011 profit before taxes would have been USD 5 million higher or lower, respectively, while the pre-tax translation reserves in equity would have been USD 356 million higher or lower, respectively.

Foreign exchange rates have been subject to significant volatility in the recent past and may be again in the future. See note 28 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for details of the above sensitivity analyses, a fuller quantitative and qualitative discussion on the foreign currency risks to which we are subject and our policies with respect to managing those risks.

### ***Interest Rate Risk***

We are exposed to interest rate risk on our variable-rate interest-bearing financial liabilities. As of 31 December 2011, after certain hedging and fair value adjustments, USD 9.9 billion, or 24.5%, of our interest-bearing financial liabilities (which include loans, borrowings and bank overdrafts) bore a variable interest rate. We apply a dynamic interest rate hedging approach where the target mix between fixed and floating rate 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. From time to time, we enter into interest rate swap agreements and forward rate agreements to manage our interest rate risk, and also enter into cross-currency interest rate swap agreements to manage both our foreign currency risk and interest rate risk.

We have performed sensitivity analyses in relation to our interest-bearing financial liabilities and assets that bear a variable rate of interest, factoring in a range of possible volatilities in the different markets where we hold such instruments (see note 28 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011). We have estimated that a change in market interest rates based on the range of volatilities considered in our analysis could have impacted our 2011 interest expense by plus or minus USD 43 million in relation to our floating rate debt. Such increase or decrease would be more than offset by an USD 47 million decrease or increase in interest income on our interest-bearing financial assets.

Interest rates have been subject to significant volatility in the recent past and may be again in the future. See note 28 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for details of the above sensitivity analyses, a fuller quantitative and qualitative discussion on the interest rate risks to which we are subject and our policies with respect to managing those risks.

### ***Commodity Price Risk***

We have significant exposures to the following commodities: aluminum, barley, corn grits, corn syrup, corrugated cardboard, fuel oil, glass, hops, labels, malt, natural gas, rice, steel and wheat. The commodity markets have experienced and are expected to continue to experience price fluctuation in the future. We therefore use both fixed-price purchasing contracts and commodity derivatives to minimize exposure to commodity price volatility, primarily for aluminum and sugar.

As of 31 December 2011, we had the following commodity derivatives outstanding, by maturity:

Commodities	Notional			Total	Fair Value <sup>(1)</sup>
	<1 year	1-5 years	>5 years		
Aluminum swaps	1,372	553	—	1,925	(284)
Other commodity derivatives	756	87	—	843	(40)

Note:

(1) Represents the excess of assets over liabilities as of 31 December 2011.

These hedges are designated in a cash flow hedge accounting relationship in accordance with IAS 39.

See note 28 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for a fuller quantitative and qualitative discussion on the commodity risks that we are subjected to, and our policies with respect to managing those risks.

### ***Other Risks***

See note 28 to our audited consolidated financial statements as of 31 December 2011 and 2010, and for the three years ended 31 December 2011 for a fuller quantitative and qualitative discussion on the equity, credit and liquidity risks to which we are subject and our policies with respect to managing those risks.

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

### **A. DEBT SECURITIES**

Not applicable.

## **B. WARRANTS AND RIGHTS**

Not applicable.

## **C. OTHER SECURITIES**

Not applicable.

## **D. AMERICAN DEPOSITARY SHARES**

Pursuant to our registration statement on Form 20-F declared effective by the SEC on 15 September 2009, we registered American Depositary Shares (“**ADSs**”) which are represented by American Depositary Receipts (“**ADRs**”) in a sponsored facility. The deposit agreement is among us, The Bank of New York Mellon, as ADR depository, and all holders from time to time of ADRs issued under the deposit agreement. Copies of the deposit agreement are also on file at the ADR depository’s corporate trust office and the office of the custodian. They are open to inspection by owners and holders during business hours.

### **American Depositary Shares**

The Bank of New York, as depository, will register and deliver American Depositary Shares, also referred to as ADSs. Each ADS will represent one share (or a right to receive one share) deposited with the principal Brussels office of ING Belgium SA/NV, as custodian for the depository. Each ADS will also represent any other securities, cash or other property which may be held by the depository. The depository’s corporate trust office at which the ADSs will be administered is located at 101 Barclay Street, New York, New York 10286. The Bank of New York’s principal executive office is located at One Wall Street, New York, New York 10286.

You may hold ADSs either (A) directly (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having ADSs registered in your name in the Direct Registration System, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, also referred to as DTC, pursuant to which the depository may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements sent by the depository to the registered holders of uncertificated ADSs.

As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights. Belgian law governs shareholder rights. The depository will be the holder of the shares underlying your ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depository and you, as an ADS holder, and all other persons indirectly holding ADSs sets out ADS holder rights as well as the rights and obligations of the depository. New York law governs the deposit agreement and the ADSs.

The following is a summary of the fee provisions of the deposit agreement. For more complete information regarding ADRs, you should read the entire deposit agreement and the form of ADR.

***Fees and Expenses payable by holders***

<u>Persons depositing or withdrawing shares or ADS holders must pay:</u>	<u>For:</u>
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
The greater of (a) \$.02 (or less) per ADS and (b) 6% of the cash distribution amount per ADS	Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Any cash distribution to ADS holders
\$.02 (or less) per ADSs per calendar year	Distribution of securities to holders of deposited securities by the depositary to ADS holders
Registration or transfer fees	Depository services. The combined fee for depository services and cash distribution fees will not exceed \$0.02 per ADS for any year
Expenses of the depositary	Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Taxes and other governmental charges that the depositary or the custodian has to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
Telex or facsimile charges provided for in the deposit agreement	Converting foreign currency to U.S. dollars
Any unavoidable charges incurred by the depositary or its agents for servicing the deposited securities	As necessary
	Expenses for depository services
	As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depository services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

### ***Payment of Taxes***

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depository may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depository sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property remaining after it has paid the taxes.

### ***Fees payable by the depository***

For the year ended 31 December 2011, the depository reimbursed us for expenses we incurred, or paid amounts on our behalf to third parties in connection with the ADS program for a total sum of USD 4.2 million.

<u><i>Expenses the depository reimbursed us</i></u>	<u><i>Amount (in USD)</i></u>
Maintenance expenses	<u>3,973,078.76</u>
<b>Total</b>	<u><b>3,973,078.76</b></u>

The depository has also agreed to waive fees for standard costs associated with the administration of the program and has paid certain expenses directly to third parties on our behalf. The table below sets forth those expenses that the depository paid directly to third parties for the year ended 31 December 2011.

<u><i>Expenses the depository paid to third parties on our behalf</i></u>	<u><i>Amount (in USD)</i></u>
Annual stock exchange listing fees	<u>134,840.00</u>
Standard out-of-pocket maintenance costs	<u>126,913.92</u>
<b>Total</b>	<u><b>261,753.92</b></u>

## PART II

### **ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

### **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

### **ITEM 15. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of 31 December 2011. While there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures, our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Based upon our evaluation, as of 31 December 2011, the Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures, in accordance with Exchange Act Rule 13a-15(e), (i) are effective at that level of reasonable assurance in ensuring that information required to be disclosed in the reports that are filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and (ii) are effective at that level of reasonable assurance in ensuring that information to be disclosed in the reports that are filed or submitted under the Exchange Act is accumulated and communicated to the management of our company, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure.

#### **Management's annual report on internal control over financial reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed, under the supervision of the chief executive officer and chief financial officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly, reflect transactions and dispositions of assets, provide reasonable assurance that transactions are recorded in the manner necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are only carried out in accordance with the authorization of our management and directors, and provide reasonable assurance regarding the prevention or timely detection of any unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Moreover, projections of any evaluation of the effectiveness of internal control to future periods are subject to a risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

Our management has assessed the effectiveness of internal control over financial reporting based on the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management has concluded that our internal control over financial reporting as of 31 December 2011 was effective.

The effectiveness of internal control over financial reporting as of 31 December 2011 has been audited by PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, as represented by Yves Vandenplas (“PricewaterhouseCoopers Bedrijfsrevisoren”), which also acted as our independent auditor. Their audit report, including their opinion on management’s assessment of internal control over financial reporting, is included in our audited consolidated financial statements included in this Form 20-F.

**Changes in internal control over financial reporting**

During the period covered by this Form 20-F, we have not made any change to our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our board of directors has determined that Kees J. Storm is an “audit committee financial expert” as defined in Item 16A of Form 20-F under the Exchange Act and is an independent director under Rule 10A-3 under the Exchange Act.

**ITEM 16B. CODE OF ETHICS**

We have adopted a Code of Conduct and Code of Dealing, each of which applies to all of our employees, including our principal executive, principal financial and principal accounting officers. Our Code of Conduct and Code of Dealing are together intended to meet the definition of “code of ethics” under Item 16B of Form 20-F under the Exchange Act. Our Code of Conduct and Code of Dealing are filed as Exhibits 11.1 and 11.2 to this Form 20-F.

If the provisions of the code that apply to our principal executive officer, principal financial officer or principal accounting officer are amended, or if a waiver is granted, we will disclose such amendment or waiver.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

PricewaterhouseCoopers Bedrijfsrevisoren acted as our independent auditor for the fiscal years ended 31 December 2011 and 2010. The table below sets forth the total amount billed to us by PricewaterhouseCoopers Bedrijfsrevisoren for services performed in 2011 and 2010, and breaks down these amounts by category of service:

	<u>2011</u>	<u>2010</u>
	<i>(USD thousand)</i>	
Audit Fees	8,530	7,513
Audit-Related Fees	771	500
Tax Fees	5,396	4,388
All Other Fees	469	363
<b>Total</b>	<b><u>15,166</u></b>	<b><u>12,764</u></b>

**Audit Fees**

Audit fees are fees billed for services that provide assurance on the fair presentation of financial statements and encompass the following specific elements:

- An audit opinion on our consolidated financial statements;
- An audit opinion on the statutory financial statements of individual companies within the AB InBev Group, where legally required;
- A review opinion on interim financial statements;
- In general, any opinion assigned to the statutory auditor by local legislation or regulations.



### **Audit-Related Fees**

Audit-related fees are fees for assurance services or other work traditionally provided to us by external audit firms in their role as statutory auditors. These services usually result in a certification or specific opinion on an investigation or specific procedures applied, and include the following:

- Opinions/audit reports on information provided by us at the request of a third party (for example, prospectuses, comfort letters).

### **Tax Fees**

Tax fees in 2011 and 2010 were related to tax compliance and tax advisory services.

### **All Other Fees**

All other fees in 2011 primarily relate to due diligence and IT outsourcing, and in 2010 primarily relate to divestiture advisory.

### **Pre-Approval Policies and Procedures**

The advance approval of the Audit Committee or member thereof, to whom approval authority has been delegated, is required for all audit and non-audit services provided by our auditors. The pre-approval policy of the Audit Committee allows the Vice-President of Corporate Audit to approve in advance the following services, capped at USD 150,000 for each service: statutory or financial audits, services associated with registrations with Belgian and U.S. regulators as well as other documents issued in connection with the offering of securities, accounting advisory on the application of accounting standards, regulatory accounting including Belgian and U.S. SEC filings, responding to regulatory inquiries and training sessions, services related to acquisitions or disposals such as due diligence, audit of opening balance sheet, working capital verification, audit of carve-out financial statements and reports in connection with stock exchange requirements, audit of financial statements of employee benefit plans, preparation and review of tax returns, assistance in connection with field audits by tax authorities, expatriate and individual income tax returns except for individuals in a financial reporting oversight role, advice on pending or proposed tax legislation and tax guidance on proposed tax transactions.

All services provided by our auditors are approved in advance by either a member of our Audit Committee or the Vice-President of Corporate Audit in accordance with the Audit Committee's pre-approval policy. Our auditors and management report, on a quarterly basis, to the Audit Committee regarding the extent of the services provided in accordance with the pre-approval policy and the fees for the services performed to date.

### **ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

None.

### **ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER**

There are no outstanding buy-back programs of our shares.

The following table sets forth certain information related to purchases made by the AB InBev Group of our shares or ADSs:

	<u>Total Number of Shares Purchased</u> <i>(number of shares)</i>	<u>Average Price Paid per Share</u> <i>(USD)</i>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u> <i>(number of shares)</i>	<u>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</u> <i>(USD million)</i>
1 January 2011 – 31 January 2011	—	—	—	—
1 February 2011 – 28 February 2011	2,962	(1)	—	—
1 March 2011 – 31 March 2011	83	(1)	—	—
1 April 2011 – 30 April 2011	—	—	—	—
1 May 2011 – 31 May 2011	83	(1)	—	—
1 June 2011 – 30 June 2011	3,521	(1)	—	—
1 July 2011 – 31 July 2011	66	(1)	—	—
1 August 2011 – 31 August 2011	1,561	(1)	—	—
1 September 2011 – 30 September 2011	333	(1)	—	—
1 October 2011 – 31 October 2011	—	—	—	—
1 November 2011 – 30 November 2011	3,578	(1)	—	—
1 December 2011 – 31 December 2011	—	—	—	—
<b>Total</b>	<b>12,187</b>	<b>(1)</b>	<b>—</b>	<b>—</b>

Note:

- (1) Under certain of our share-based compensation plans, shares are granted to employees at a discount. See “Item 6. Directors, Senior Management and Employees—B. Compensation—Share-Based Payment Plans—Ambev Exchange of Share-Ownership Program.” The discount is granted in the form of additional shares, and if such employees leave the AB InBev Group prior to the end of the applicable vesting period, we take back the shares representing the discount. Technically, all of the “discount” shares are repurchased from the employee by our subsidiary, Brandbrew, for an aggregate price of EUR 1.

#### ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

#### ITEM 16G. CORPORATE GOVERNANCE

We believe the following to be the significant differences between our corporate governance practices and those applicable to U.S. companies under the NYSE listing standards.

In general, the 2009 Belgian Corporate Governance Code that applies to us is a code of best practices applied to listed companies on a non-binding basis. The Code applies a “comply or explain” approach, that is, companies may depart from the Code’s provisions if they give a reasoned explanation of the reasons for doing so.

Under the NYSE listing standards, a majority of the directors of a listed U.S. company are required to be independent, while in Belgium, only three directors need be independent. As of 31 December 2011, our Board of

Directors comprised four independent directors and eight non-independent directors. None of the eight non-independent directors serve as part of our management, and seven of these eight directors are deemed not to be “independent” under the NYSE listing standards solely because they serve as directors of our majority shareholder, Stichting Anheuser-Busch InBev. As of 25 April 2012, the mandate of director Peter Harf will come to an end.

The NYSE rules further require that the nominating and compensation committees of a listed U.S. company be composed entirely of independent directors. The Belgian Corporate Governance Code recommends that a majority of the directors on each of these committees meet the technical requirements for independence under Belgian corporate law. As of 1 January 2012, four of the five directors on our Nomination Committee and one of the three directors on our Remuneration Committee would not meet the NYSE independence requirements. As these committees are composed exclusively of non-executive directors who are independent of management and free from any business relationship that could materially interfere with the exercise of their independent judgment, we consider that the composition of these committees achieves the Belgian Corporate Governance Code’s aim of avoiding potential conflicts of interest.

We consider that the terms of reference of our board committees are generally responsive to the relevant NYSE rules, but may not address all aspects of these rules.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

## PART III

### ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

### ITEM 18. FINANCIAL STATEMENTS

The audited consolidated financial statements as required under Item 18 are attached hereto starting on page F-1 of this Form 20-F. The audit report of PricewaterhouseCoopers Bedrijfsrevisoren, independent registered public accounting firm, is included herein preceding the audited consolidated financial statements.

### ITEM 19. EXHIBITS

- 1.1 Consolidated Articles of Association of Anheuser-Busch InBev SA/NV, dated as of 27 February 2012 (English-language translation) (incorporated by reference to Exhibit 99.3 to Form 6-K filed by Anheuser-Busch InBev SA/NV on 8 March 2012).
- 2.1 Indenture, dated as of 16 October 2009, among Anheuser-Busch InBev Worldwide Inc., Anheuser-Busch InBev SA/NV, Brandbrew S.A., Cobrew NV/SA and Anheuser Busch Companies and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") (incorporated by reference to Exhibit 4.1 to Form F-4 (File No. 333-163464) filed by Anheuser-Busch InBev SA/NV on 3 December 2009).
- 2.2 Fifth Supplemental Indenture, dated as of 27 November 2009, among Anheuser-Busch InBev Worldwide Inc., Anheuser-Busch InBev SA/NV, the Subsidiary Guarantors named therein, and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.6 to Form F-4 (File No. 333-163464) filed by Anheuser-Busch InBev SA/NV on 3 December 2009).
- 2.3 Tenth Supplemental Indenture, dated as of 7 April 2010, among Anheuser-Busch InBev Worldwide Inc., Anheuser-Busch InBev SA/NV, the Subsidiary Guarantors named therein, and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 2.3 to Form 20-F (File No. 001-34455) filed by Anheuser-Busch InBev SA/NV on 13 April 2011).
- 2.4 Twenty Fourth Supplemental Indenture, dated as of 6 October 2011, among Anheuser-Busch InBev Worldwide Inc., Anheuser-Busch InBev SA/NV, the Subsidiary Guarantors named therein, and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.2 to Form F-3/A (File No. 333-169514) filed by Anheuser-Busch InBev SA/NV on 7 October 2011).
- 3.1 Amended and Restated Anheuser-Busch InBev Shareholders Agreement (formerly InBev Shareholders Agreement and Interbrew Shareholders Agreement) dated 9 September 2009 among BRC S.à.R.L, Eugénie Patri Sébastien S.A. (formerly Eugénie Patri Sébastien SCA), Stichting Anheuser-Busch InBev (formerly Stichting InBev and Stichting Interbrew) and Rayvax Société d'Investissement NV/SA (incorporated by reference to Exhibit 3.1 to Form 20-F (File No. 001-36455) filed by Anheuser-Busch InBev SA/NV on 14 September 2009).
- 3.2 Voting Agreement between Stichting Anheuser-Busch InBev, Fonds InBev-Baillet Latour SPRL and Fonds Voorzitter Verhelst SPRL, dated 17 October 2008 (incorporated by reference to Exhibit 3.2 to Form 20-F filed by Anheuser-Busch InBev SA/NV on 14 September 2009).
- 4.1 Senior Facilities Agreement for Anheuser-Busch InBev SA/NV and Anheuser-Busch InBev Worldwide Inc., dated 26 February 2010 (incorporated by reference to Exhibit 4.2 to Form 20-F filed by Anheuser-Busch InBev SA/NV on 15 April 2010).\*
- 4.2 Letter of Amendment dated 23 June 2011 amending the Senior Facilities Agreement dated 26 February 2010.\*
- 4.3 Share-Based Compensation Plan Relating to Shares of Anheuser-Busch InBev (incorporated by reference to Exhibit 4.3 to Form S-8 (File No. 333-172069) filed by Anheuser-Busch InBev SA/NV on 4 February 2011).

- 4.4 Share-Based Compensation Plan Relating to American Depositary Shares of Anheuser-Busch InBev (incorporated by reference to Exhibit 4.4 to Form S-8 (File No. 333-172069) filed by Anheuser-Busch InBev SA/NV on 4 February 2011).
- 4.5 Long-Term Incentive Plan Relating to Shares of Anheuser-Busch InBev (incorporated by reference to Exhibit 4.3 to Form S-8 (File No. 333-171231) filed by Anheuser-Busch InBev SA/NV on 17 December 2010 and post-effectively amended by Post-Effective Amendment No. 1 to Form S-8 filed by Anheuser-Busch InBev SA/NV on 21 December 2011).
- 4.6 Long-Term Incentive Plan Relating to American Depositary Shares of Anheuser-Busch InBev (incorporated by reference to Exhibit 4.4 to Form S-8 (File No. 333-171231) filed by Anheuser-Busch InBev SA/NV on 17 December 2010 and post-effectively amended by Post-Effective Amendment No. 1 to Form S-8 filed by Anheuser-Busch InBev SA/NV on 21 December 2011).
- 4.7 Exceptional Incentive Restricted Stock Units Programme (incorporated by reference to Exhibit 4.5 to Form S-8 (File No. 333-171231) filed by Anheuser-Busch InBev SA/NV on 17 December 2010).
- 4.8 Discretionary Restricted Stock Units Programme (incorporated by reference to Exhibit 4.3 to Form S-8 (File No. 333-169272) filed by Anheuser-Busch InBev SA/NV on 8 September 2010).
- 4.9 Terms and Conditions of Anheuser-Busch InBev SA/NV Stock Option Plan – Stock Options Grant of 18 December 2009 (incorporated by reference to Exhibit 4.3 to Form S-8 (File No. 333-165065) filed by Anheuser-Busch InBev SA/NV on 25 February 2010 and post-effectively amended by Post-Effective Amendment No. 1 to Form S-8 filed by Anheuser-Busch InBev SA/NV on 4 February 2011).
- 4.10 Anheuser-Busch InBev SA/NV Long-Term Incentive Plan – Stock Options Grant of 18 December 2009 (incorporated by reference to Exhibit 4.4 to Form S-8 (File No. 333-165065) filed by Anheuser-Busch InBev SA/NV on 25 February 2010 and post-effectively amended by Post-Effective Amendment No. 1 to Form S-8 filed by Anheuser-Busch InBev SA/NV on 4 February 2011).
- 4.11 Forms of Stock Option Plan underlying the Dividend Waiver and Exchange Program (incorporated by reference to Exhibit 4.5 to Form S-8 (File No. 333-165065) filed by Anheuser-Busch InBev SA/NV on 25 February 2010 and post-effectively amended by Post-Effective Amendment No. 1 to Form S-8 filed by Anheuser-Busch InBev SA/NV on 4 February 2011).
- 4.12 Share Based Compensation Plan March 2010 (incorporated by reference to Exhibit 4.6 to Form S-8 (File No. 333-165065) filed by Anheuser-Busch InBev SA/NV on 25 February 2010 and post-effectively amended by Post-Effective Amendment No. 1 to Form S-8 filed by Anheuser-Busch InBev SA/NV on 4 February 2011).
- 4.13 Share Based Compensation Plan March 2010 for EBM, GHQ & NY (incorporated by reference to Exhibit 4.7 to Form S-8 filed by Anheuser-Busch InBev SA/NV on 25 February 2010 and post-effectively amended by Post-Effective Amendment No. 1 to Form S-8 filed by Anheuser-Busch InBev SA/NV on 4 February 2011).
- 6.1 Description of earnings per share (included in note 22 to our audited consolidated financial statements included in this Form 20-F).
- 7.1 Description of ratios.
- 8.1 List of significant subsidiaries (included in note 35 to our audited consolidated financial statements included in this Form 20-F).
- 11.1 Anheuser-Busch InBev Code of Business Conduct, dated as of August 2011.
- 11.2 Anheuser-Busch InBev Code of Dealing, dated as of February 2010.
- 12.1 Principal Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2 Principal Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1 Principal Executive Officer and Principal Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 15.1 Consent of PricewaterhouseCoopers Bedrijfsrevisoren BCVBA.

15.2 Consent of KPMG — Bedrijfsrevisoren / Réviseurs d'Entreprises.

15.3 Consent of PricewaterhouseCoopers LLP.

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Note:

\* Certain terms are omitted pursuant to a request for confidential treatment.

## SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Anheuser-Busch InBev SA/NV**  
**(Registrant)**

Date: 12 April 2012

By: /s/ Sabine Chalmers

Name: Sabine Chalmers

Title: Chief Legal and Corporate Affairs Officer

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To the Board of Directors and Shareholders of Anheuser-Busch InBev SA/NV

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of income, comprehensive income, changes in equity and cash flows present fairly, in all material respects, the financial position of Anheuser-Busch InBev SA/NV and its subsidiaries at 31 December 2011 and 2010, and the results of their operations and their cash flows for the two years ended 31 December 2011 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of 31 December 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's annual report on internal control over financial reporting" as set out in Item 15 on page 173. Our responsibility is to express an opinion on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Sint-Stevens-Woluwe, 11 April 2012

PricewaterhouseCoopers Bedrijfsrevisoren BCVBA  
Represented by

/s/ Yves Vandenplas  
Yves Vandenplas  
Bedrijfsrevisor

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Anheuser-Busch InBev SA/NV :

We have audited the accompanying consolidated statements of financial position of Anheuser-Busch InBev SA/NV and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the combined financial statements of the Anheuser-Busch US Beer and Packaging reporting entities, wholly owned subsidiaries, which statements reflect total assets constituting 60.1 percent at December 31, 2009 and total revenues constituting 40.8 percent in 2009, of the related consolidated 2009 totals. We also did not audit the consolidated balance sheet of Anheuser-Busch Companies, Inc. and subsidiaries as of December 31, 2008, which balance sheet reflects total assets constituting 15.3 percent at December 31, 2008, of the related consolidated 2008 totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for respectively the Anheuser-Busch US Beer and Packaging reporting entities and Anheuser-Busch Companies, Inc. is based solely on the reports of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Anheuser-Busch InBev SA/NV and subsidiaries as of December 31, 2009 and 2008 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS as adopted by the European Union.

KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises  
Statutory auditor  
represented by

/s/ Jos Briers  
*Réviseur d'Entreprises/Bedrijfsrevisor*

Brussels, BELGIUM  
April 14, 2010

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Anheuser-Busch InBev SA/NV:

We have audited the accompanying combined balance sheets of the Anheuser-Busch US Beer and Packaging reporting entities as of December 31, 2009, and the related combined statements of income, comprehensive income, cash flows and changes in equity for the year then ended (not presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Anheuser-Busch US Beer and Packaging reporting entities at December 31, 2009, and the results of their operations and their cash flows for the year then ended in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS as adopted by the European Union.

/s/ PricewaterhouseCoopers LLP

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PricewaterhouseCoopers LLP

St. Louis, MO

April 14, 2010

## Consolidated financial statements

### Consolidated income statement

For the year ended 31 December

Million US dollar, except earnings per shares in US dollar

	Notes	2011	2010	2009 <sup>1</sup>
<b>Revenue</b>		<b>39 046</b>	<b>36 297</b>	<b>36 758</b>
Cost of sales		(16 634)	(16 151)	(17 198)
<b>Gross profit</b>		<b>22 412</b>	<b>20 146</b>	<b>19 560</b>
Distribution expenses		(3 313)	(2 913)	(2 671)
Sales and marketing expenses		(5 143)	(4 712)	(4 992)
Administrative expenses		(2 043)	(1 960)	(2 310)
Other operating income/(expenses)	7	694	604	661
Restructuring (including impairment losses)	8	(351)	(252)	(153)
Fair value adjustments	8	—	—	(67)
Business and asset disposal (including impairment losses)	8	78	(16)	1 541
Acquisition costs business combinations	8	(5)	—	—
<b>Profit from operations</b>		<b>12 329</b>	<b>10 897</b>	<b>11 569</b>
Finance cost	11	(3 575)	(4 261)	(4 766)
Finance income	11	438	525	347
<b>Net finance cost</b>		<b>(3 137)</b>	<b>(3 736)</b>	<b>(4 419)</b>
Share of result of associates	16	623	521	513
<b>Profit before tax</b>		<b>9 815</b>	<b>7 682</b>	<b>7 663</b>
Income tax expense	12	(1 856)	(1 920)	(1 786)
<b>Profit</b>		<b>7 959</b>	<b>5 762</b>	<b>5 877</b>
Attributable to:				
Equity holders of AB InBev		5 855	4 026	4 613
Non-controlling interest		2 104	1 736	1 264
Basic earnings per share	22	3.67	2.53	2.91
Diluted earnings per share	22	3.63	2.50	2.90

### Consolidated statement of comprehensive income

For the year ended 31 December

Million US dollar

	2011	2010	2009 <sup>1</sup>
<b>Profit</b>	<b>7 959</b>	<b>5 762</b>	<b>5 877</b>
<b>Other comprehensive income:</b>			
Exchange differences on translation of foreign operations (gains/(losses))	(1 266)	606	2 146
Cash flow hedges			
Recognized in equity	25	(120)	729
Removed from equity and included in profit or loss	77	892	478
Removed from equity and included in the initial cost of inventories	—	—	(37)
Actuarial gains/(losses)	(676)	(191)	134
Share of other comprehensive income/(loss) of associates	(820)	385	322
<b>Other comprehensive income, net of tax</b>	<b>(2 660)</b>	<b>1 572</b>	<b>3 772</b>
<b>Total comprehensive income</b>	<b>5 299</b>	<b>7 334</b>	<b>9 649</b>
Attributable to:			
Equity holders of AB InBev	3 648	5 571	8 168
Non-controlling interest	1 651	1 763	1 481

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

<sup>1</sup> Reclassified to conform to the 2010 presentation

## Consolidated statement of financial position

As at 31 December  
 Million US dollar

	Notes	2011	2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	16 022	15 893
Goodwill	14	51 302	52 498
Intangible assets	15	23 818	23 359
Investments in associates	16	6 696	7 295
Investment securities	17	244	243
Deferred tax assets	18	673	744
Employee benefits	24	10	13
Trade and other receivables	20	1 339	1 700
		<b>100 104</b>	<b>101 745</b>
<b>Current assets</b>			
Investment securities	17	103	641
Inventories	19	2 466	2 409
Income tax receivable		312	366
Trade and other receivables	20	4 121	4 638
Cash and cash equivalents	21	5 320	4 511
Assets held for sale		1	32
		<b>12 323</b>	<b>12 597</b>
<b>Total assets</b>		<b>112 427</b>	<b>114 342</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	22	1 734	1 733
Share premium		17 557	17 535
Reserves		381	2 335
Retained earnings		17 820	13 656
<b>Equity attributable to equity holders of AB InBev</b>		<b>37 492</b>	<b>35 259</b>
<b>Non-controlling interest</b>		<b>3 552</b>	<b>3 540</b>
		<b>41 044</b>	<b>38 799</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	23	34 598	41 961
Employee benefits	24	3 440	2 746
Deferred tax liabilities	18	11 279	11 909
Trade and other payables	27	1 548	2 295
Provisions	26	874	912
		<b>51 739</b>	<b>59 823</b>
<b>Current liabilities</b>			
Bank overdrafts	21	8	14
Interest-bearing loans and borrowings	23	5 559	2 919
Income tax payable		499	478
Trade and other payables	27	13 337	12 071
Provisions	26	241	238
		<b>19 644</b>	<b>15 720</b>
<b>Total equity and liabilities</b>		<b>112 427</b>	<b>114 342</b>

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

## Consolidated statement of changes in equity

Million US dollar	Attributable to equity holders of AB InBev <sup>1</sup>										
	Issued capital	Share premium	Treasury shares	Share-based payment reserves	Translation reserves	Hedging reserves	Actuarial gains/(losses)	Retained earnings	Total	Non-controlling interest	Total equity
<b>As per 1 January 2009</b>	<b>1 730</b>	<b>17 477</b>	<b>(1 443)</b>	<b>123</b>	<b>1 027</b>	<b>(2 242)</b>	<b>(712)</b>	<b>6 482</b>	<b>22 442</b>	<b>1 989</b>	<b>24 431</b>
<b>Profit</b>	—	—	—	—	—	—	—	<b>4 613</b>	<b>4 613</b>	<b>1 264</b>	<b>5 877</b>
<b>Other comprehensive income</b>											
Exchange differences on translation of foreign operations (gains/losses)	—	—	—	—	1 894	—	—	—	1 894	252	2 146
Cash flow hedges	—	—	—	—	—	1 190	—	—	1 190	(20)	1 170
Actuarial gains/(losses)	—	—	—	—	—	—	165	(16)	149	(15)	134
Share of other comprehensive results of associates	—	—	—	—	322	—	—	—	322	—	322
<b>Total comprehensive income</b>	—	—	—	—	<b>2 216</b>	<b>1 190</b>	<b>165</b>	<b>4 597</b>	<b>8 168</b>	<b>1 481</b>	<b>9 649</b>
Shares issued	2	38	—	—	—	—	—	—	40	—	40
Dividends	—	—	—	—	—	—	—	(669)	(669)	(722)	(1 391)
Treasury shares	—	—	154	—	—	—	—	—	154	(3)	151
Share-based payments	—	—	—	145	—	—	—	—	145	10	155
Scope and other changes	—	—	—	—	—	—	—	38	38	98	136
<b>As per 31 December 2009</b>	<b>1 732</b>	<b>17 515</b>	<b>(1 289)</b>	<b>268</b>	<b>3 243</b>	<b>(1 052)</b>	<b>(547)</b>	<b>10 448</b>	<b>30 318</b>	<b>2 853</b>	<b>33 171</b>

Million US dollar	Attributable to equity holders of AB InBev <sup>1</sup>										
	Issued capital	Share premium	Treasury shares	Share-based payment reserves	Translation reserves	Hedging reserves	Actuarial gains/(losses)	Retained earnings	Total	Non-controlling interest	Total equity
<b>As per 1 January 2010</b>	<b>1 732</b>	<b>17 515</b>	<b>(1 289)</b>	<b>268</b>	<b>3 243</b>	<b>(1 052)</b>	<b>(547)</b>	<b>10 448</b>	<b>30 318</b>	<b>2 853</b>	<b>33 171</b>
<b>Profit</b>	—	—	—	—	—	—	—	<b>4 026</b>	<b>4 026</b>	<b>1 736</b>	<b>5 762</b>
<b>Other comprehensive income</b>											
Exchange differences on translation of foreign operations (gains/losses)	—	—	—	—	554	—	—	—	554	52	606
Cash flow hedges	—	—	—	—	—	746	—	—	746	26	772
Actuarial gains/(losses)	—	—	—	—	—	—	(140)	—	(140)	(51)	(191)
Share of other comprehensive results of associates	—	—	—	—	385	—	—	—	385	—	385
<b>Total comprehensive income</b>	—	—	—	—	<b>939</b>	<b>746</b>	<b>(140)</b>	<b>4 026</b>	<b>5 571</b>	<b>1 763</b>	<b>7 334</b>
Shares issued	1	20	—	—	—	—	—	—	21	—	21
Dividends	—	—	—	—	—	—	—	(857)	(857)	(1 119)	(1 976)
Treasury shares	—	—	56	—	—	—	—	—	56	4	60
Share-based payments	—	—	—	111	—	—	—	—	111	15	126
Scope and other changes	—	—	—	—	—	—	—	39	39	24	63
<b>As per 31 December 2010</b>	<b>1 733</b>	<b>17 535</b>	<b>(1 233)</b>	<b>379</b>	<b>4 182</b>	<b>(306)</b>	<b>(687)</b>	<b>13 656</b>	<b>35 259</b>	<b>3 540</b>	<b>38 799</b>

<sup>1</sup> Reclassified to conform to the 2011 presentation

Million US dollar	Attributable to equity holders of AB InBev										
	Issued capital	Share premium	Treasury shares	Share-based payment reserves	Translation reserves	Hedging reserves	Actuarial gains/(losses)	Retained earnings	Total	Non-controlling interest	Total equity
<b>As per 1 January 2011</b>	<b>1 733</b>	<b>17 535</b>	<b>(1 233)</b>	<b>379</b>	<b>4 182</b>	<b>(306)</b>	<b>(687)</b>	<b>13 656</b>	<b>35 259</b>	<b>3 540</b>	<b>38 799</b>
<b>Profit</b>	—	—	—	—	—	—	—	<b>5 855</b>	<b>5 855</b>	<b>2 104</b>	<b>7 959</b>
<b>Other comprehensive income</b>											
Exchange differences on translation of foreign operations (gains/losses)	—	—	—	—	(944)	—	—	—	(944)	(322)	(1 266)
Cash flow hedges	—	—	—	—	—	118	—	—	118	(16)	102
Actuarial gains/(losses)	—	—	—	—	—	—	(561)	—	(561)	(115)	(676)
Share of other comprehensive results of associates	—	—	—	—	(820)	—	—	—	(820)	—	(820)
<b>Total comprehensive income</b>	—	—	—	—	<b>(1 764)</b>	<b>118</b>	<b>(561)</b>	<b>5 855</b>	<b>3 648</b>	<b>1 651</b>	<b>5 299</b>
Shares issued	1	22	—	—	—	—	—	—	23	—	23
Dividends	—	—	—	—	—	—	—	(1 716)	(1 716)	(1 712)	(3 428)
Treasury shares	—	—	96	—	—	—	—	—	96	(10)	86
Share-based payments	—	—	—	157	—	—	—	—	157	18	175
Scope and other changes	—	—	—	—	—	—	—	25	25	65	90
<b>As per 31 December 2011</b>	<b>1 734</b>	<b>17 557</b>	<b>(1 137)</b>	<b>536</b>	<b>2 418</b>	<b>(188)</b>	<b>(1 248)</b>	<b>17 820</b>	<b>37 492</b>	<b>3 552</b>	<b>41 044</b>

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

## Consolidated cash flow statement

For the year ended 31 December  
Million US dollar

	Notes	2011	2010 <sup>1</sup>	2009 <sup>1</sup>
<b>OPERATING ACTIVITIES</b>				
Profit		7 959	5 762	5 877
Depreciation, amortization and impairment	10	2 783	2 788	2 818
Impairment losses on receivables, inventories and other assets		47	150	167
Additions/(reversals) in provisions and employee benefits		441	373	188
Net finance cost	11	3 137	3 736	4 419
Loss/(gain) on sale of property, plant and equipment and intangible assets		(39)	(113)	(189)
Loss/(gain) on sale of subsidiaries, associates and assets held for sale		(71)	(58)	(1 555)
Equity-settled share-based payment expense	25	203	156	208
Income tax expense	12	1 856	1 920	1 786
Other non-cash items included in the profit		(314)	72	24
Share of result of associates	16	(623)	(521)	(513)
<b>Cash flow from operating activities before changes in working capital and use of provisions</b>		<b>15 379</b>	<b>14 265</b>	<b>13 230</b>
Decrease/(increase) in trade and other receivables		174	(190)	149
Decrease/(increase) in inventories		(157)	(134)	301
Increase/(decrease) in trade and other payables		1 392	550	337
Pension contributions and use of provisions		(710)	(519)	(548)
<b>Cash generated from operations</b>		<b>16 078</b>	<b>13 972</b>	<b>13 469</b>
Interest paid		(2 612)	(2 987)	(2 908)
Interest received		308	219	132
Dividends received		406	383	—
Income tax paid		(1 694)	(1 682)	(1 569)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>12 486</b>	<b>9 905</b>	<b>9 124</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds from sale of property, plant and equipment and of intangible assets		120	221	327
Proceeds from sale of assets held for sale		39	121	877
Proceeds from sale of associates		—	25	936
Sale of subsidiaries, net of cash disposed of	6	454	9	5 232
Acquisition of subsidiaries, net of cash acquired	6	(479)	(37)	(608)
Purchase of non-controlling interest	22	(25)	(34)	(38)
Acquisition of property, plant and equipment and of intangible assets	13-15	(3 376)	(2 344)	(1 713)
Net proceeds from sale/(acquisition) of investment in short-term debt securities	17	529	(604)	—
Net proceeds/(acquisition) of other assets		(3)	81	227
Net repayments/(payments) of loans granted		10	16	29
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(2 731)</b>	<b>(2 546)</b>	<b>5 269</b>
<b>FINANCING ACTIVITIES</b>				
Net proceeds from the issue of share capital	22	155	215	76
Proceeds from borrowings		17 291	27 313	27 834
Payments on borrowings		(21 849)	(31 603)	(39 627)
Cash net finance costs other than interests		(1 505)	(758)	(66)
Dividends paid		(3 088)	(1 924)	(1 313)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(8 996)</b>	<b>(6 757)</b>	<b>(13 096)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>759</b>	<b>602</b>	<b>1 297</b>
Cash and cash equivalents less bank overdrafts at beginning of year		4 497	3 661	2 171
Effect of exchange rate fluctuations		56	234	193
<b>Cash and cash equivalents less bank overdrafts at end of year</b>	21	<b>5 312</b>	<b>4 497</b>	<b>3 661</b>

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

<sup>1</sup> Reclassified to conform to the 2011 presentation.



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## **1. CORPORATE INFORMATION**

Anheuser-Busch InBev is a publicly traded company (Euronext: ABI) based in Leuven, Belgium, with American Depositary Receipts on the New York Stock Exchange (NYSE: BUD). It is the leading global brewer and one of the world's top five consumer products companies. Beer, the original social network, has been bringing people together for thousands of years and our portfolio of well over 200 beer brands continues to forge strong connections with consumers. We invest the majority of our brand-building resources on our Focus Brands - those with the greatest growth potential such as global brands Budweiser®, Stella Artois® and Beck's®, alongside Leffe®, Hoegaarden®, Bud Light®, Skol®, Brahma®, Antarctica®, Quilmes®, Michelob Ultra®, Harbin®, Sedrin®, Klinskoye®, Sibirskaya Korona®, Chernigivske®, Hasseröder® and Jupiler®. In addition, the company owns a 50 percent equity interest in the operating subsidiary of Grupo Modelo, Mexico's leading brewer and owner of the global Corona® brand. Anheuser-Busch InBev's dedication to heritage and quality originates from the Den Hoorn brewery in Leuven, Belgium dating back to 1366 and the pioneering spirit of the Anheuser & Co brewery, with origins in St. Louis, USA since 1852. Geographically diversified with a balanced exposure to developed and developing markets, Anheuser-Busch InBev leverages the collective strengths of its approximately 116 000 employees based in 23 countries worldwide. In 2011, AB InBev realized 39.0 billion US dollar revenue. The company strives to be the Best Beer Company in a Better World.

The consolidated financial statements of the company for the year ended 31 December 2011 comprise the company and its subsidiaries (together referred to as "AB 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 11 April 2012.

## **2. STATEMENT OF COMPLIANCE**

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union up to 31 December 2011 (collectively "IFRS"). AB InBev did not apply any European carve-outs from IFRS. AB InBev has not applied early any new IFRS requirements that are not yet effective in 2011.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements by the company and its subsidiaries.

### **(A) BASIS OF PREPARATION AND MEASUREMENT**

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 re-measurement), the cost approach is applied.

### **(B) FUNCTIONAL AND PRESENTATION CURRENCY**

Effective 1 January 2009, the company changed the presentation currency of the consolidated financial statements from the euro to the US dollar, reflecting the post-Anheuser-Busch acquisition profile of the company's revenue and cash flows, which are now primarily generated in US dollar and US dollar-linked currencies. AB InBev believes that this change provides greater alignment of the presentation currency with AB InBev's most significant operating currency and underlying financial performance. Unless otherwise specified, all financial information included in these financial statements have been stated in US dollar and has been rounded to the nearest million. The functional currency of the parent company is the euro.

### **(C) USE OF ESTIMATES AND JUDGMENTS**

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.

### **(D) PRINCIPLES OF CONSOLIDATION**

Subsidiaries are those companies in which AB 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 govern the financial and operating policies in order to obtain benefits from the companies' activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Control is presumed to exist where AB InBev owns, directly or indirectly, more than one half of the voting rights (which does not always equate to economic ownership), unless it can be demonstrated that such ownership does not constitute control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Jointly controlled entities are those entities over whose activities AB InBev has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Jointly controlled entities are consolidated using the proportionate method of consolidation.

Associates are undertakings in which AB 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. In certain instances, the company may hold directly and indirectly an ownership interest of 50% or more in an entity, yet not have effective control. In these instances, such investments are accounted for as associates. 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 AB 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 AB InBev has incurred obligations in respect of the associate.

The financial statements of the company's subsidiaries, jointly controlled entities and associates are prepared for the same reporting year as the parent company, using consistent accounting policies. In exceptional cases when the financial statements of a subsidiary, jointly controlled entity or associate are prepared as of a different date from that of AB InBev (e.g. Modelo), adjustments are made for the effects of significant transactions or events that occur between that date and the date of AB InBev's financial statements. In such cases, the difference between the end of the reporting period of these subsidiaries, jointly controlled entities or associates from AB InBev's reporting period is no more than three months.

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 AB 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 most important subsidiaries and associates is set out in Note 35 *AB InBev companies*.

## **(E) SUMMARY OF CHANGES IN ACCOUNTING POLICIES**

A number of other new standards, amendment to standards and new interpretations became mandatory for the first time for the financial year beginning 1 January 2011, and have not been listed in these consolidated financial statements because of either their non-applicability to or their immateriality to AB InBev's consolidated financial statements.

## **(F) 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 US dollar 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 US dollar at foreign exchange rates prevailing at the balance sheet date. Income statements of foreign operations, excluding foreign entities in hyperinflationary economies, are translated to US dollar at exchange rates for the year approximating the foreign exchange rates prevailing at the dates of the transactions. The components of shareholders' equity are translated at historical rates. Exchange differences arising from the translation of shareholders' equity to US dollar at year-end exchange rates are taken to comprehensive income (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 US dollar at the closing exchange rate. As of 30 November 2009 the economy in Venezuela has been assessed to be highly inflationary and AB InBev has applied the price index from Venezuela's central bank to report its Venezuelan operations from December 2009 until October 2010, when the Venezuelan operations were deconsolidated, following the transaction between Ambev and Cerveceria Regional S.A. The impact of hyperinflation accounting is not material to the company's financial results nor financial position.

Effective 1 January 2010, one of AB InBev's holding companies changed its functional currency from the euro to the US dollar. As a result of the refinancing of the debt related to the Anheuser-Busch acquisition in late 2009 and beginning 2010, the primary economic environment for this entity became the US dollar. In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* the change was accounted for prospectively.

## EXCHANGE RATES

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

1 US dollar equals:	Closing rate			Average rate		
	2011	2010	2009	2011	2010	2009
Argentinean peso	4.303188	3.975791	3.796702	4.124808	3.945504	3.726834
Brazilian real	1.875798	1.666201	1.741198	1.660243	1.767915	2.015192
Canadian dollar	1.021330	0.997006	1.050117	0.981580	1.033045	1.147982
Chinese yuan	6.305587	6.602304	6.826993	6.467171	6.757342	6.863060
Euro	0.772857	0.748391	0.694155	0.709397	0.756302	0.721191
Pound sterling	0.645567	0.644177	0.616479	0.621823	0.647243	0.643458
Russian ruble	32.195667	30.184359	30.117797	28.953797	30.144764	31.833634
Ukrainian hryvnia	7.989837	7.912866	7.947278	7.955556	7.849527	7.743168

## (G) 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 P).

Amortization related to research and development intangible assets is included within the cost of sales if production related and in sales and marketing if related to commercial activities.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets.

### SUPPLY AND DISTRIBUTION RIGHTS

A supply right is the right for AB InBev to supply a customer and the commitment by the customer to purchase from AB 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.

Amortization related to supply and distribution rights is included within sales and marketing expenses.

### 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.

### SOFTWARE

Purchased software is measured at cost less accumulated amortization. Expenditure on internally developed software is capitalized when the expenditure qualifies as development activities; otherwise, it is recognized in the income statement when incurred.

Amortization related to software is included in cost of sales, distribution expenses, sales and marketing expenses or administrative expenses based on the activity the software supports.

### OTHER INTANGIBLE ASSETS

Other intangible assets, acquired by the company, are recognized at cost less accumulated amortization and impairment losses.

Other intangible assets also include multi-year sponsorship rights acquired by the company. These are initially recognized at the present value of the future payments and subsequently measured at cost less accumulated amortization and impairment losses.

#### **SUBSEQUENT EXPENDITURE**

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

#### **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 AB InBev purchases 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. Software and capitalized development cost related to technology are amortized over 3 to 5 years.

Brands are deemed intangible assets with indefinite useful lives and, therefore, are not amortized but tested for impairment on an annual basis (refer accounting policy P).

## **GAINS AND LOSSES ON SALE**

Net gains on sale of intangible assets are presented in the income statement as other operating income. Net losses on sale are included as other operating expenses. Net gains and losses are recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing managerial involvement with the intangible assets.

## **(H) BUSINESS COMBINATIONS**

The company applies the purchase method of accounting to account for acquisitions of businesses. The cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred and equity instruments issued. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date. The excess of the cost of the acquisition over the company's interest in the fair value of the identifiable net assets acquired is recorded as goodwill.

The allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions requiring management judgment.

## **(I) GOODWILL**

Goodwill is determined as the excess of the consideration paid over AB 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 IAS 22 *Business Combinations*. This means that acquired intangibles such as brands were subsumed under goodwill for those transactions. Effective 1 January 2010, when AB InBev acquires non-controlling interests any difference between the cost of acquisition and the non-controlling interest's share of net assets acquired is accounted for as an equity transaction in accordance with IAS 27 *Consolidated and Separate Financial Statements*.

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 goodwill has been allocated, may be impaired (refer accounting policy P).

Goodwill is expressed in the currency of the subsidiary or jointly controlled entity to which it relates and is translated to US dollar 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 AB 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 *Business Combinations*.

Expenditure on internally generated goodwill is expensed as incurred.

## **(J) PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses (refer accounting policy P). Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management (e.g. non refundable tax and transport cost). The cost of a self-constructed asset is determined using the same principles as for an acquired asset. The depreciation methods, residual value, as well as the useful lives are reassessed and adjusted if appropriate, annually.

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets.

## **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 defined in terms of the asset's expected utility to the company and can vary from one geographical area to another. On average the estimated useful lives are as follows:

Industrial buildings - other real estate properties	20 - 33 years
Production plant and equipment:	
Production equipment	10 -15 years
Storage, packaging and handling equipment	5 - 7 years
Returnable packaging:	
Kegs	2 - 10 years
Crates	2 - 10 years
Bottles	2 - 5 years
Point of sale furniture and equipment	5 years
Vehicles	5 years
Information processing equipment	3 - 5 years

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

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

#### **GAINS AND LOSSES ON SALE**

Net gains on sale of items of property, plant and equipment are presented in the income statement as other operating income. Net losses on sale are presented as other operating expenses. Net gains and losses are recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing managerial involvement with the property, plant and equipment.

#### **(K) 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 policies J and P).

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.

#### **(L) INVESTMENTS**

All investments are accounted for at trade date.

#### **INVESTMENTS IN EQUITY SECURITIES**

Investments in equity securities are undertakings in which AB 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 other comprehensive income.

On disposal of an investment, the cumulative gain or loss previously recognized directly in other comprehensive income 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 other comprehensive income. 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.

In general, investments in debt securities with original maturities of more than three months and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year may be classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations.

## **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 other comprehensive income. Impairment charges are recognized in the income statement.

## **(M) 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.

## **(N) 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 allowance for impairment of trade and other receivables is established if the collection of a receivable becomes doubtful. Such receivable becomes doubtful when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows. An impairment loss is recognized in the statement of income, as are subsequent recoveries of previous impairments.

## **(O) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include all cash balances and short-term highly liquid investments with a maturity of three months or less from the date of acquisition that are readily convertible into cash. They are stated at face value, which approximates their fair value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

## **(P) 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 useful 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 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.

Goodwill and intangible assets with indefinite useful life are tested annually at the business unit level (that is one level below the segments). The recoverable amount of the cash generating units to which the goodwill and the intangible assets with indefinite useful life belong 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.

Whenever there is an indication of impairment, intangible assets with an indefinite useful life are tested 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.

**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.

## **(Q) SHARE CAPITAL**

### **REPURCHASE OF SHARE CAPITAL**

When AB 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 in the consolidated financial statements on the date that the dividends are declared unless minimum statutory dividends are required by local legislation or the bylaws of the company's subsidiaries. In such instances, statutory minimum dividends are recognized as a liability.

### **SHARE ISSUANCE COSTS**

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

## **(R) 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. The provision includes the benefit commitments in connection with early retirement and redundancy schemes.

### **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.

### **DISPUTES AND LITIGATIONS**

A provision for disputes and litigation is recognized when it is more likely than not that the company will be required to make future payments as a result of past events, such items may include but are not limited to, several claims, suits and actions both initiated by third parties and initiated by AB InBev relating to antitrust laws, violations of distribution and license agreements, environmental matters, employment related disputes, claims from tax authorities, and alcohol industry litigation matters.

## **(S) EMPLOYEE BENEFITS**

### **POST-EMPLOYMENT BENEFITS**

Post-employment benefits include pensions, post-employment life insurance and post-employment medical 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-managed funds. The pension plans are generally funded by payments from employees and the company, and, for defined benefit plans taking account of the recommendations of independent actuaries. AB 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. A defined contribution plan is a pension plan under which AB InBev pays fixed contributions into a fund. AB InBev has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

#### **b) Defined benefit plans**

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service

and compensation. For defined benefit plans, the pension expenses are assessed separately for each plan using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement. Under this method, the cost of providing pensions is charged to the 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 include 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 based on high quality corporate bond yields, 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, for assets and liabilities, the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions on the plans' liabilities. Actuarial gains and losses are recognized in full in the period in which they occur in the statement of comprehensive income.

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

#### **OTHER POST-EMPLOYMENT OBLIGATIONS**

Some AB InBev companies provide post-employment medical benefits to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans.

#### **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 pre-defined company and individual target achievement. 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.

#### **(T) 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. AB 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.

#### **(U) 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 (in accretion expense) over the expected life of the instrument on an effective interest rate basis.

#### **(V) TRADE AND OTHER PAYABLES**

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

#### **(W) 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, 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either

to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

The company recognizes deferred tax assets, including assets arising from losses carried forward, to the extent that future probable taxable profit will be available against which the deferred tax asset can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Tax claims are recorded within provisions on the balance sheet (refer accounting policy R).

**(X) 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 beverages and packaging, 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, volume rebates, discounts for cash payments and excise taxes.

## **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 Z).

Interest income is recognized as it accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

## **DIVIDEND INCOME**

Dividend income is recognized in the income statement on the date that the dividend is declared.

## **(Y) 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 Z).

All interest costs incurred in connection with borrowings or financial transactions are expensed as incurred as part of finance costs. Any difference between the initial amount and the maturity amount of interest bearing loans and borrowings, such as transaction costs and fair value adjustments, are being recognized in the income statement (in accretion expense) over the expected life of the instrument on an effective interest rate basis (refer accounting policy U). The interest expense component of finance lease payments is also 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 G).

### **PURCHASING, RECEIVING AND WAREHOUSING COSTS**

Purchasing and receiving costs are included in the cost of sales, as well as the costs of storing and moving raw materials and packaging materials. The costs of storing finished products at the brewery as well as costs incurred for subsequent storage in distribution centers are included within distribution expenses.

## **(Z) DERIVATIVE FINANCIAL INSTRUMENTS**

AB InBev uses derivative financial instruments to mitigate the transactional impact of foreign currencies, interest rates and

commodity prices on the company's performance. AB 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 re-measured 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 other comprehensive income 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 other comprehensive income (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 other comprehensive income 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 other comprehensive income 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 other comprehensive income 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 other comprehensive income (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 other comprehensive income (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.

### **(AA) SEGMENT REPORTING**

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

AB InBev's operating segment reporting format is geographical because the company's risks and rates of return are affected predominantly by the fact that AB InBev operates 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 IFRS 8 *Operating segments* AB InBev's reportable geographical segments were determined as North America, Latin America North, Latin America South, Western Europe, Central and Eastern Europe, Asia Pacific and Global Export and Holding Companies. The company's assets are predominantly located in the same geographical areas as its customers.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets comprise interest bearing loans granted, investment securities, deferred tax assets, income taxes receivable, cash and cash equivalent and derivative assets. Unallocated liabilities comprise equity and non-controlling interest, interest bearing loans, deferred tax liabilities, bank overdrafts, income taxes payable and derivative liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

### **(BB) EXCEPTIONAL ITEMS**

Exceptional items are those that in management's judgment need to be disclosed by virtue of their size or incidence. Such items are disclosed on the face of the consolidated income statement or separately disclosed in the notes to the financial statements.

Transactions which may give rise to exceptional items are principally restructuring activities, impairments, gains or losses on disposal of investments and the effect of the accelerated repayment of certain debt facilities.

**(CC)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 coordinated plan to dispose of or is a subsidiary acquired exclusively with a view to resale.

AB 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 if all of the conditions of IFRS 5 are met. 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 re-measurement. Non-current assets classified as held for sale are no longer depreciated or amortized.

#### **(DD)RECENTLY ISSUED IFRS**

To the extent that new IFRS requirements are expected to be applicable in the future, they have been summarized hereafter. For the year ended 31 December 2011, they have not been applied in preparing these consolidated financial statements.

##### ***IFRS 9 Financial Instruments:***

IFRS 9 is the standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and established two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

***IFRS 10 Consolidated Financial Statements***, which provides a single consolidation model that identifies control as the basis for consolidation for all types of entities.

***IFRS 11 Joint Arrangements***, which establishes principles for the financial reporting by parties to a joint arrangement and replaces the current proportionate consolidation method by the equity method.

***IFRS 12 Disclosure of Interests in Other Entities***, which combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

***IFRS 13 Fair Value Measurement***, which does not establish new requirements for when fair value is required but provides a single source of guidance on how fair value is measured.

***IAS 1 Presentation of Financial Statements***, which requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to the income statement in the future.

##### ***IAS 19 Employee Benefits (Revised 2011):***

The amendments that are expected to have the most significant impact include:

- Expected returns on plan assets will no longer be recognized in profit or loss. Expected returns are replaced by recording interest income in profit or loss, which is calculated using the discount rate used to measure the pension obligation.
- Unvested past service costs can no longer be deferred and recognized over the future vesting period. Instead, all past service costs will be recognized at the earlier of when the amendment/curtailment occurs or when the company recognizes related restructuring or termination costs.

***IAS 27 Separated Financial Statements (Revised 2011)***, which has been amended for the issuance of IFRS 10 but retains the current guidance on separate financial statements.

***IAS 28 Investments in Associates (Revised 2011)***, which has been amended for conforming changes on the basis of the issuance of IFRS 10 and IFRS 11.

IFRS 9 becomes mandatory for AB InBev's 2015 consolidated financial statements. The other standards become mandatory for AB InBev's 2013 consolidated financial statements. The company is currently assessing the impacts of *IAS 19 Revised Employee Benefits* on its consolidated financial statements. For the other standards mentioned above, it is anticipated that their application will not have a material impact on AB InBev's consolidated financial statements in the period of initial application.

#### **OTHER STANDARDS, INTERPRETATIONS AND AMENDMENTS TO STANDARDS**

A number of other amendments to standards are effective for annual periods beginning after 1 January 2011, and have not been listed above because of either their non-applicability to or their immateriality to AB InBev's consolidated financial statements.

#### 4. USE OF ESTIMATES AND JUDGMENTS

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.

Although each of its significant accounting policies reflects judgments, assessments or estimates, AB InBev believes that the following accounting policies reflect the most critical judgments, estimates and assumptions that are important to its business operations and the understanding of its results: business combinations, intangible assets, goodwill, impairment, provisions, share-based payments, employee benefits and accounting for current and deferred tax.

The fair values of acquired identifiable intangibles are based on an assessment of future cash flows. Impairment analyses of goodwill and indefinite-lived intangible assets are performed annually and whenever a triggering event has occurred, in order to determine whether the carrying value exceeds the recoverable amount. These calculations are based on estimates of future cash flows.

The company uses its judgment to select a variety of methods including the discounted cash flow method and option valuation models and make assumptions about the fair value of financial instruments that are mainly based on market conditions existing at each balance sheet date.

Actuarial assumptions are established to anticipate future events and are used in calculating pension and other postretirement benefit expense and liability. These factors include assumptions with respect to interest rates, expected investment returns on plan assets, rates of increase in health care costs, rates of future compensation increases, turnover rates, and life expectancy.

The company is subject to income tax in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. Some subsidiaries within the group are involved in tax audits and local enquiries usually in relation to prior years. Investigations and negotiations with local tax authorities are ongoing in various jurisdictions at the balance sheet date and, by their nature, these can take considerable time to conclude. In assessing the amount of any income tax provisions to be recognized in the financial statements, estimation is made of the expected successful settlement of these matters. Estimates of interest and penalties on tax liabilities are also recorded. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period such determination is made.

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 in the next year are further discussed in the relevant notes hereafter.

## 5. SEGMENT REPORTING

Segment information is presented by geographical segments, consistent with the information that is available and evaluated regularly by the chief operating decision maker. AB InBev operates its business through seven zones. Regional and operating company management is responsible for managing performance, underlying risks, and effectiveness of operations. Internally, AB InBev's management uses performance indicators such as normalized profit from operations (normalized EBIT) and normalized EBITDA as measures of segment performance and to make decisions regarding allocation of resources. These measures are reconciled to segment profit in the tables presented (figures may not add up due to rounding).

Effective from 1 January 2010 onward, AB InBev has updated its segment reporting for purposes of internal review by senior management. This presentation treats all 2009 divestitures as if they had closed on 1 January 2009. In addition, certain intra-group transactions, which were previously recorded in the zones, are recorded in the Global Export and Holding Companies segment, thus with no impact at the consolidated level. The tables below provide the segment information per zone for 2009 in the format that is used by management to monitor performance. The differences between the 2009 Reference base and the 2009 audited income statement as Reported represent the effect of divestitures.

All figures in the table below are stated in million US dollar, except volume (million hls) and full time equivalents (FTE in units).

	North America			Latin America North			Latin America South			Western Europe		
	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
<b>Volume</b>	<b>125</b>	<b>129</b>	<b>135</b>	<b>120</b>	<b>120</b>	<b>110</b>	<b>34</b>	<b>34</b>	<b>33</b>	<b>31</b>	<b>32</b>	<b>33</b>
<b>Revenue</b>	<b>15 304</b>	<b>15 296</b>	<b>15 486</b>	<b>11 524</b>	<b>10 018</b>	<b>7 649</b>	<b>2 704</b>	<b>2 182</b>	<b>1 899</b>	<b>3 945</b>	<b>3 937</b>	<b>4 312</b>
Cost of sales	(6 726)	(6 946)	(7 525)	(3 738)	(3 410)	(2 487)	(1 040)	(842)	(735)	(1 652)	(1 883)	(1 962)
Distribution expenses	(807)	(774)	(792)	(1 332)	(1 128)	(781)	(227)	(180)	(166)	(409)	(393)	(457)
Sales and marketing expenses	(1 640)	(1 565)	(1 694)	(1 263)	(1 238)	(1 016)	(272)	(228)	(182)	(760)	(716)	(798)
Administrative expenses	(475)	(526)	(636)	(535)	(518)	(551)	(85)	(75)	(73)	(305)	(291)	(389)
Other operating income/(expenses)	54	61	54	462	359	243	1	(8)	(12)	37	83	(107)
<b>Normalized profit from operations (EBIT)</b>	<b>5 710</b>	<b>5 546</b>	<b>4 894</b>	<b>5 118</b>	<b>4 083</b>	<b>3 056</b>	<b>1 081</b>	<b>849</b>	<b>731</b>	<b>856</b>	<b>737</b>	<b>599</b>
Exceptional items (refer Note 8)	(188)	(237)	62	21	(34)	109	(6)	(8)	(7)	(123)	(54)	(56)
<b>Profit from operations (EBIT)</b>	<b>5 521</b>	<b>5 309</b>	<b>4 956</b>	<b>5 139</b>	<b>4 049</b>	<b>3 165</b>	<b>1 076</b>	<b>841</b>	<b>724</b>	<b>733</b>	<b>683</b>	<b>543</b>
Net finance cost	(591)	(503)	(567)	(168)	(98)	(353)	(60)	(55)	(92)	(360)	(291)	(299)
Share of result of associates	622	520	514	—	—	—	—	—	—	1	1	(1)
<b>Profit before tax</b>	<b>5 552</b>	<b>5 326</b>	<b>4 903</b>	<b>4 971</b>	<b>3 951</b>	<b>2 811</b>	<b>1 016</b>	<b>786</b>	<b>632</b>	<b>374</b>	<b>393</b>	<b>244</b>
Income tax expense	(1 637)	(1 454)	(1 519)	(765)	(637)	(521)	(289)	(230)	(184)	(84)	(98)	(73)
<b>Profit</b>	<b>3 915</b>	<b>3 872</b>	<b>3 384</b>	<b>4 206</b>	<b>3 314</b>	<b>2 290</b>	<b>727</b>	<b>556</b>	<b>448</b>	<b>290</b>	<b>295</b>	<b>171</b>
Normalized EBITDA	6 573	6 444	5 868	5 814	4 780	3 492	1 254	1 009	875	1 225	1 099	983
Exceptional (including impairment) (refer Note 8)	(188)	(237)	62	21	(34)	109	(6)	(8)	(7)	(123)	(54)	(56)
Depreciation, amortization and impairment	(864)	(898)	(974)	(696)	(697)	(437)	(172)	(160)	(144)	(369)	(362)	(384)
Net finance costs	(591)	(503)	(567)	(168)	(98)	(353)	(60)	(55)	(92)	(360)	(291)	(299)
<b>Share of results of associates</b>	<b>622</b>	<b>520</b>	<b>514</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>1</b>	<b>(1)</b>
Income tax expense	(1 637)	(1 454)	(1 519)	(765)	(637)	(521)	(289)	(230)	(184)	(84)	(98)	(73)
<b>Profit</b>	<b>3 915</b>	<b>3 872</b>	<b>3 384</b>	<b>4 206</b>	<b>3 313</b>	<b>2 290</b>	<b>727</b>	<b>556</b>	<b>448</b>	<b>290</b>	<b>295</b>	<b>171</b>
<b>Normalized EBITDA margin in %</b>	<b>42.9%</b>	<b>42.1%</b>	<b>37.9%</b>	<b>50.5%</b>	<b>47.7%</b>	<b>45.7%</b>	<b>46.4%</b>	<b>46.2%</b>	<b>46.1%</b>	<b>31.1%</b>	<b>27.9%</b>	<b>22.8%</b>
Segment assets	71 233	72 412	72 222	17 133	17 767	16 221	3 969	3 564	3 766	5 676	5 436	5 889
Intersegment elimination	—	—	—	—	—	—	—	—	—	—	—	—
Non-segmented assets	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Segment liabilities	6 762	5 737	5 250	6 004	4 619	3 819	1 232	685	785	3 009	2 593	3 067
Intersegment elimination	—	—	—	—	—	—	—	—	—	—	—	—
Non-segmented liabilities	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Gross capex	384	282	342	1 703	1 046	499	239	179	155	300	322	246
Additions to/(reversals of) provisions	81	167	(24)	82	28	53	1	2	3	116	62	59
FTE	17 924	18 264	19 597	33 076	32 098	28 460	8 641	8 040	7 780	7 832	7 989	7 551



	Central and Eastern Europe			Asia Pacific			Global Export and Holding Companies			Consolidated		
	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
<b>Volume</b>	<b>26</b>	<b>27</b>	<b>40</b>	<b>56</b>	<b>50</b>	<b>53</b>	<b>7</b>	<b>7</b>	<b>5</b>	<b>399</b>	<b>399</b>	<b>409</b>
<b>Revenue</b>	<b>1 755</b>	<b>1 619</b>	<b>2 492</b>	<b>2 317</b>	<b>1 767</b>	<b>1 985</b>	<b>1 496</b>	<b>1 479</b>	<b>2 936</b>	<b>39 046</b>	<b>36 297</b>	<b>36 758</b>
Cost of sales	(984)	(857)	(1 194)	(1 319)	(1 008)	(1 052)	(1 174)	(1 206)	(2 243)	(16 634)	(16 151)	(17 198)
Distribution expenses	(224)	(191)	(241)	(193)	(140)	(142)	(120)	(106)	(93)	(3 313)	(2 913)	(2 671)
Sales and marketing expenses	(420)	(353)	(485)	(588)	(439)	(542)	(200)	(174)	(275)	(5 143)	(4 712)	(4 992)
Administrative expenses	(108)	(109)	(171)	(221)	(148)	(142)	(314)	(292)	(349)	(2 043)	(1 960)	(2 310)
Other operating income/(expenses)	2	7	(121)	90	47	36	48	54	568	694	604	661
<b>Normalized profit from operations (EBIT)</b>	<b>21</b>	<b>117</b>	<b>281</b>	<b>86</b>	<b>79</b>	<b>144</b>	<b>(264)</b>	<b>(245)</b>	<b>543</b>	<b>12 607</b>	<b>11 165</b>	<b>10 248</b>
Exceptional items (refer Note 8)	—	2	(1)	(9)	9	(47)	27	54	1 261	(278)	(268)	1 321
<b>Profit from operations (EBIT)</b>	<b>21</b>	<b>118</b>	<b>279</b>	<b>77</b>	<b>88</b>	<b>96</b>	<b>(238)</b>	<b>(191)</b>	<b>1 805</b>	<b>12 329</b>	<b>10 897</b>	<b>11 569</b>
Net finance cost	(88)	(41)	(37)	12	8	(10)	(1 882)	(2 756)	(3 061)	(3 137)	(3 736)	(4 419)
Share of result of associates	—	—	—	—	—	—	—	—	—	623	521	513
<b>Profit before tax</b>	<b>(67)</b>	<b>77</b>	<b>243</b>	<b>89</b>	<b>96</b>	<b>86</b>	<b>(2 120)</b>	<b>(2 947)</b>	<b>(1 256)</b>	<b>9 815</b>	<b>7 682</b>	<b>7 663</b>
<b>Income tax expense</b>	<b>13</b>	<b>(21)</b>	<b>(48)</b>	<b>(42)</b>	<b>(22)</b>	<b>(76)</b>	<b>948</b>	<b>542</b>	<b>636</b>	<b>(1 856)</b>	<b>(1 920)</b>	<b>(1 786)</b>
<b>Profit</b>	<b>(54)</b>	<b>56</b>	<b>195</b>	<b>47</b>	<b>74</b>	<b>10</b>	<b>(1 172)</b>	<b>(2 405)</b>	<b>(620)</b>	<b>7 959</b>	<b>5 762</b>	<b>5 877</b>
<b>Normalized EBITDA</b>	225	323	599	356	292	349	(90)	(77)	870	15 357	13 869	13 037
Exceptional (including impairment) (refer Note 8)	—	2	(1)	(9)	9	(47)	27	54	1 261	(278)	(268)	1 321
Depreciation, amortization and impairment	(204)	(206)	(319)	(270)	(213)	(206)	(175)	(168)	(326)	(2 750)	(2 704)	(2 789)
<b>Net finance costs</b>	<b>(88)</b>	<b>(41)</b>	<b>(37)</b>	<b>12</b>	<b>8</b>	<b>(10)</b>	<b>(1 882)</b>	<b>(2 756)</b>	<b>(3 061)</b>	<b>(3 137)</b>	<b>(3 736)</b>	<b>(4 419)</b>
<b>Share of results of associates</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>623</b>	<b>521</b>	<b>513</b>
<b>Income tax expense</b>	<b>13</b>	<b>(21)</b>	<b>(48)</b>	<b>(42)</b>	<b>(22)</b>	<b>(76)</b>	<b>948</b>	<b>542</b>	<b>636</b>	<b>(1 856)</b>	<b>(1 920)</b>	<b>(1 786)</b>
<b>Profit</b>	<b>(54)</b>	<b>56</b>	<b>195</b>	<b>47</b>	<b>74</b>	<b>10</b>	<b>(1 172)</b>	<b>(2 405)</b>	<b>(620)</b>	<b>7 959</b>	<b>5 762</b>	<b>5 877</b>
<b>Normalized EBITDA margin in %</b>	12.8%	20.0%	24.1%	15.4%	16.5%	17.6%	—	—	—	39.3%	38.2%	35.5%
Segment assets	2 179	2 387	2 484	4 577	3 749	3 549	4 475	3 608	4 189	109 242	108 923	108 320
Intersegment elimination	—	—	—	—	—	—	—	—	—	(3 978)	(1 638)	(2 089)
Non-segmented assets	—	—	—	—	—	—	—	—	—	7 163	7 057	6 294
<b>Total assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>112 427</b>	<b>114 342</b>	<b>112 525</b>
Segment liabilities	526	609	418	1 921	1 403	1 143	3 923	3 712	3 134	23 377	19 358	17 616
Intersegment elimination	—	—	—	—	—	—	—	—	—	(3 978)	(1 638)	(2 089)
Non-segmented liabilities	—	—	—	—	—	—	—	—	—	93 028	96 622	96 998
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>112 427</b>	<b>114 342</b>	<b>112 525</b>
Gross capex	161	112	175	607	316	224	279	87	67	3 673	2 344	1 708
Additions to/(reversals of) provisions	—	(2)	—	11	(4)	47	(8)	114	69	283	367	207
FTE	10 551	10 249	10 588	36 046	35 475	40 859	2 208	2 198	1 654	116 278	114 313	116 489

## SEGMENT REPORTING (2009 REFERENCE BASE)

All figures in the table below are stated in million US dollar, except volume (million hls).

	North America		Latin America North		Latin America South		Western Europe		Central and Eastern Europe		Asia Pacific		Global Export and Holding Companies		Effect of divestitures		Consolidated	
	2009 Reference base		2009 Reference base		2009 Reference base		2009 Reference base		2009 Reference base		2009 Reference base		2009 Reference base		2009 bridge to reported		2009 Reported	
	2010	2009 Reference base	2010	2009 Reference base	2010	2009 Reference base	2010	2009 Reference base	2010	2009 Reference base	2010	2009 Reference base	2010	2009 Reference base	2010	2009 bridge to reported	2010	2009 Reported
<b>Volume</b>	<b>129</b>	<b>134</b>	<b>120</b>	<b>110</b>	<b>34</b>	<b>33</b>	<b>32</b>	<b>32</b>	<b>27</b>	<b>27</b>	<b>50</b>	<b>49</b>	<b>7</b>	<b>6</b>	<b>—</b>	<b>18</b>	<b>399</b>	<b>409</b>
<b>Revenue</b>	<b>15 296</b>	<b>15 380</b>	<b>10 018</b>	<b>7 649</b>	<b>2 182</b>	<b>1 899</b>	<b>3 937</b>	<b>4 221</b>	<b>1 619</b>	<b>1 571</b>	<b>1 767</b>	<b>1 720</b>	<b>1 479</b>	<b>1 423</b>	<b>—</b>	<b>2 896</b>	<b>36 297</b>	<b>36 758</b>
Cost of goods sold	(6 946)	(7 254)	(3 410)	(2 488)	(842)	(736)	(1 883)	(2 037)	(857)	(822)	(1 008)	(947)	(1 206)	(1 249)	—	(1 666)	(16 151)	(17 198)
Distribution expenses	(774)	(778)	(1 128)	(781)	(180)	(166)	(393)	(418)	(191)	(157)	(140)	(120)	(106)	(114)	—	(138)	(2 913)	(2 671)
Sales and marketing expenses	(1 565)	(1 691)	(1 238)	(1 016)	(228)	(182)	(716)	(775)	(353)	(297)	(439)	(493)	(174)	(164)	—	(374)	(4 712)	(4 992)
Administrative expenses	(526)	(633)	(518)	(551)	(75)	(73)	(291)	(389)	(109)	(126)	(148)	(132)	(292)	(324)	—	(83)	(1 960)	(2 310)
Other operating income/(expenses)	61	232	359	244	(8)	(7)	83	87	7	4	47	37	54	53	—	12	604	661
<b>Normalized profit from operations (EBIT)</b>	<b>5 546</b>	<b>5 255</b>	<b>4 083</b>	<b>3 056</b>	<b>849</b>	<b>735</b>	<b>737</b>	<b>690</b>	<b>117</b>	<b>174</b>	<b>79</b>	<b>65</b>	<b>(245)</b>	<b>(375)</b>	<b>—</b>	<b>648</b>	<b>11 165</b>	<b>10 248</b>
Depreciation, amortization and impairment	(898)	(970)	(698)	(437)	(160)	(144)	(362)	(382)	(206)	(211)	(213)	(194)	(168)	(171)	—	(280)	(2 704)	(2 789)
<b>Normalized EBITDA</b>	<b>6 444</b>	<b>6 225</b>	<b>4 780</b>	<b>3 493</b>	<b>1 009</b>	<b>879</b>	<b>1 099</b>	<b>1 072</b>	<b>323</b>	<b>385</b>	<b>292</b>	<b>259</b>	<b>(77)</b>	<b>(204)</b>	<b>—</b>	<b>928</b>	<b>13 869</b>	<b>13 037</b>
<b>Normalized EBITDA margin in %</b>	<b>42.1%</b>	<b>40.5%</b>	<b>47.7%</b>	<b>45.7%</b>	<b>46.2%</b>	<b>46.3%</b>	<b>27.9%</b>	<b>25.4%</b>	<b>20.0%</b>	<b>24.5%</b>	<b>16.5%</b>	<b>15.0%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>38.2%</b>	<b>35.5%</b>

Net revenue from the beer business amounted to 34 747m US dollar (2010: 32 616m US dollar, 2009: 32 228m US dollar) while the net revenue from the non-beer business (soft drinks and other business) accounted for 4 299m US dollar (2010: 3 681m US dollar, 2009: 4 530m US dollar).

Net revenue from external customers attributable to AB InBev's country of domicile (Belgium) represented 966m US dollar (2010: 886m US dollar, 2009: 1 015m US dollar) and non-current assets located in the country of domicile represent 1 188m US dollar (2010: 1 405m US dollar and 2009: 1 557m US dollar).

## 6. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The table below summarizes the impact of acquisitions on the Statement of financial position of AB InBev for 31 December 2011 and 2010:

Million US dollar	2011 Acquisitions	2010 Acquisitions	2011 Disposals	2010 Disposals
<b>Non-current assets</b>				
Property, plant and equipment	123	1	—	(68)
Intangible assets	242	15	—	—
Investment securities	—	—	—	71
Deferred tax assets	7	—	—	—
Trade and other receivables	—	—	—	(1)
<b>Current assets</b>				
Inventories	18	2	—	(14)
Trade and other receivables	6	2	—	(10)
Cash and cash equivalents	46	—	—	(7)
<b>Non-current liabilities</b>				
Trade and other payables	(35)	—	—	—
Deferred tax liabilities	(15)	—	—	—
<b>Current liabilities</b>				
Income tax payable	(2)	—	—	—
Interest-bearing loans and borrowings	—	—	—	4
Trade and other payables	(29)	(1)	—	(2)
<b>Net identifiable assets and liabilities</b>	<b>361</b>	<b>19</b>	<b>—</b>	<b>(27)</b>
Loss/(gain) on disposals	—	—	—	31
Goodwill on acquisitions	158	—	—	—
Consideration to be paid	(1)	—	—	—
Net cash paid on prior years acquisitions	7	18	—	—
Collection of receivables from prior years disposals	—	—	(454)	(20)
<b>Consideration paid/(received), satisfied in cash</b>	<b>525</b>	<b>37</b>	<b>(454)</b>	<b>(16)</b>
Cash (acquired)/disposed of	(46)	—	—	7
<b>Net cash outflow/(inflow)</b>	<b>479</b>	<b>37</b>	<b>(454)</b>	<b>(9)</b>

### 2011 ACQUISITIONS

On 28 February 2011, the company closed a transaction with Dalian Daxue Group Co. Ltd and Kirin (China) Investment Co. Ltd to acquire a 100% equity interest in Liaoning Dalian Daxue Brewery Co. Ltd., which is among the top three breweries in Liaoning province. Daxue brews, markets and distributes major beer brands including “Daxue”, “Xiao Bang” and “Da Bang” which are popular beer brands in the south of Liaoning province, with a total sales volume of over 2 million hl in 2010.

On 1 May 2011, the company acquired Fulton Street Brewery LLC, also known as Goose Island, a Midwest craft brewer in the United States. Goose Island brews ales, such as 312 Urban Wheat Ale, Honkers Ale, India Pale Ale, Matilda, Pere Jacques, Sofie and a wide variety of seasonal draft only and barrel-aged releases, including Bourbon County Stout, the original bourbon barrel-aged beer.

On 31 May 2011, the company closed an agreement with Henan Weixue Beer Group Co. Ltd (China) to acquire its brands (Weixue and JiGongshan), assets and business, including its Xinyang brewery, Zhengzhou brewery and Gushi Brewery.

On 30 December 2011, the company acquired Premium Beers of Oklahoma distributorship in Oklahoma City, United States, a major wholesaler in that territory.

The acquired businesses contributed revenues of 63m US dollar to AB InBev from the acquisition date to 31 December 2011 and had an immaterial impact on profit level. If the acquisitions had occurred on 1 January 2011, the contribution to the consolidated revenue for the year ended 31 December 2011 would have been 83m US dollar, with an immaterial impact on consolidated profit.

The company is in the process of finalizing the allocation of the purchase price to the individual assets acquired and liabilities assumed in compliance with IFRS 3. The provisional allocation of the purchase price included in the 31 December 2011 statement of financial position and detailed in the table above is based on the current best estimates of AB InBev’s management with input from third parties. The completion of the purchase price allocation may result in further adjustment to the carrying value of the recorded

assets and liabilities and the determination of any residual amount that will be allocated to goodwill. The transactions resulted in the provisional recognition of goodwill for an amount of 158m US dollar as at 31 December 2011. The factors that contributed to the recognition of goodwill include the acquisition of an assembled workforce and the premiums paid for synergies. None of the goodwill is expected to be deductible for tax purposes. Acquisition-related costs amount to 5m US dollar and are included in the income statement— see Note 8 *Exceptional items*.

During 2011, AB InBev paid 7m US dollar to former Anheuser-Busch shareholders (18m US dollar in 2010). By 31 December 2011, 25m US dollar consideration remains payable to former Anheuser-Busch shareholders whom did not yet claim the proceeds. This payable is recognized as a deferred consideration on acquisitions.

## 2010 ACQUISITIONS

On 29 October 2010, the company acquired a local distributor in the US for a total cash consideration of 19m US dollar. Costs directly attributable to the acquisition were less than 1m US dollar. As the purchase price was fully allocated to the respective asset categories, no goodwill was recognized.

## DISPOSALS

No disposals occurred during 2011.

Upon completion of the sale of the Central European operations to CVC Capital Partners on 2 December 2009, the company received an unsecured deferred payment obligation with a six-year maturity. This deferred consideration with a notional amount of 300m euro had been reported for a fair value amount of 363m US dollar at year-end 2010. In July 2011, AB InBev sold the deferred consideration, including accrued interest, to a third party for a gross proceed of 454m US dollar and recognized an exceptional gain of 45m US dollar – see Note 8 *Exceptional items*.

During 2010, AB InBev collected the deferred consideration related to the disposal of Oriental Brewery. The deferred consideration with a notional amount of 300m US dollar had been reported for a fair value amount of 225m US dollar at year-end 2009. The deferred consideration was sold to a third party for a gross proceed of 275m US dollar excluding interest accrued since inception and resulted in an exceptional gain of 50m US dollar – see Note 8 *Exceptional items*. The cash receipt was partially offset by corporate taxes paid on the disposal of Busch Entertainment and other subsidiaries (255m US dollar).

On 20 October 2010, Ambev and Cerveceria Regional S.A. closed a transaction pursuant to which they combined their business in Venezuela, with Regional owning a 85% interest and Ambev owning the remaining 15% in the new company, which may be increased to 20% over the next four years. The measurement at fair value of the retained interest, as prescribed by Amended IAS 27 *Consolidated and separate financial statements*, led to the recognition of an impairment loss of (31)m US dollar.

## 7. OTHER OPERATING INCOME / (EXPENSES)

Million US dollar	2011	2010	2009
Government grants	418	243	155
License income	98	96	84
Net (additions to)/reversals of provisions	23	(4)	159
Net gain on disposal of property, plant and equipment, intangible assets and assets held for sale	45	119	123
Net rental and other operating income	110	150	140
	<b>694</b>	<b>604</b>	<b>661</b>
Research expenses as incurred	175	184	159

The government grants relate primarily to fiscal incentives given by certain Brazilian states and Chinese provinces, based on the company's operations and developments in those regions.

In 2011, the company expensed 175m US dollar in research, compared to 184m US dollar in 2010 and 159m US dollar in 2009. Part of this was expensed 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.

The net (additions to)/reversals of provisions in 2009 contained a curtailment gain of 164m US dollar, following the amendment of post-retirement healthcare in the US.

## 8. EXCEPTIONAL ITEMS

IAS 1 *Presentation of financial statements* requires material items of income and expense to be disclosed separately. Exceptional items are items, which in management's judgment, need to be disclosed by virtue of their size or incidence in order for the user to obtain a proper understanding of the financial information. The company considers these items to be of significance in nature, and accordingly, management has excluded these from their segment measure of performance as noted in Note 5 *Segment Reporting*.

The exceptional items included in the income statement are as follows:

Million US dollar	2011	2010	2009
Restructuring (including impairment losses)	(351)	(252)	(153)
Fair value adjustments			(67)
Business and asset disposal (including impairment losses)	78	(16)	1 541
Acquisition costs business combinations	(5)	—	—

**Impact on profit from operations****(278)****(268)****(1 321)**

The 2011 exceptional restructuring charges (including impairment losses) total (351)m US dollar. These charges primarily relate to organizational alignments and outsourcing activities in Western Europe, North America, China and Latin America South in order to eliminate overlap or duplicated processes and activities across functions and zones, next to the closure of the Manitowoc Malt Plant in the United States. These one time expenses as a result of the series of decisions provide the company with a lower cost base besides a stronger focus on AB InBev's core activities, quicker decision-making and improvements to efficiency, service and quality.

The 2011 business and asset disposals (including impairment losses) resulted in a net gain of 78m US dollar. 45m US dollar represents the net effect of the collection in July 2011 of the deferred consideration related to the disposal of the Central European

operations in 2009 - see also Note 6 *Acquisitions and disposals of subsidiaries*. Furthermore, a net gain of 21m US dollar was realized on the sale of non-core assets in Brazil and a reversal of a exceptional impairment loss on current assets was recognized for an amount of 11m US dollar.

Acquisition costs of business combinations amount to (5)m US dollar for the year ended 31 December 2011 and relate to the acquisition of Liaoning Dalian Daxue Brewery Co. Ltd on 28 February 2011, the acquisition of the brands, assets and business of Henan Weixue Beer Group Co. Ltd on 31 May 2011, the acquisition of Fulton Street Brewery LLC (Goose Island) on 01 May 2011 and the acquisition of Premium Beers of Oklahoma distributorship on 30 December 2011 - see also Note 6 *Acquisitions and disposals of subsidiaries*.

The 2010 exceptional restructuring charges (including impairment losses) total (252)m US dollar. These charges are primarily related to the Anheuser-Busch integration in North America, organizational alignments and outsourcing activities in Western Europe and the closure of the Hamilton Brewery in Canada.

The 2010 business and asset disposals (including impairment losses) resulted in a net loss of (16)m US dollar mainly representing the net impact of the settlement of the deferred collection related to the 2009 disposal of the Korean subsidiary Oriental Brewery (50m US dollar), the measurement at fair value of the retained interest in the combination in Venezuela between Ambev and Cerveceria Regional S.A ((31)m US dollar), the disposal of non-core assets of Anheuser-Busch ((52)m US dollar, including a (65)m US dollar impairment loss) and a 17m US dollar adjustment of accruals and provisions relating to divestitures of previous years.

The company also incurred exceptional net finance costs of (540)m US dollar for the year ended 31 December 2011 versus (925)m US dollar for the year ended 31 December 2010 and (629)m US dollar for the year ended 31 December 2009 – see also Note 11 *Finance cost and income*.

The 2009 exceptional restructuring charges total (153)m US dollar. These charges primarily relate to the Anheuser-Busch integration in North America and Asia Pacific and organizational alignments and outsourcing activities in the Global headquarters and Western Europe.

IFRS fair value adjustments, recognized in 2009 for a total of (67)m US dollar, relate to the exceptional employee benefit expenses in accordance with IFRS 2, following the change in vesting conditions on certain share-based payment plans.

The 2009 business and asset disposals resulted in a exceptional income of 1 541m US dollar mainly representing the sale of assets of InBev USA LLC (also doing business under the name Labatt USA) to an affiliate of KPS Capital Partners, L.P. (54m US dollar), the sale of the Korean subsidiary Oriental Brewery to an affiliate of Kohlberg Kravis Roberts & Co. L.P. (428m US dollar) and the sale of the Central European operations to CVC Capital Partners (1 088m US dollar), next to other costs linked to divestitures.

All the above amounts are before income taxes. The 2011, 2010 and 2009 exceptional items as at 31 December decreased income taxes by 214m US dollar, 153m US dollar and 29m US dollar, respectively.

Non-controlling interest on the exceptional items amounts to 10m US dollar in 2011 versus 26m US dollar in 2010 and (35)m US dollar in 2009.

## 9. PAYROLL AND RELATED BENEFITS

Million US dollar	2011	2010	2009
Wages and salaries	(3 147)	(2 912)	(3 835)
Social security contributions	(574)	(512)	(587)
Other personnel cost	(623)	(741)	(805)
Pension expense for defined benefit plans	(231)	(217)	1
Share-based payment expense	(204)	(156)	(208)
Contributions to defined contribution plans	(39)	(44)	(43)
	<b>(4 818)</b>	<b>(4 582)</b>	<b>(5 477)</b>
Number of full time equivalents (FTE)	116 278	114 313	116 489

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

	2011	2010	2009
AB InBev NV (parent company)	316	272	261
Other subsidiaries	113 970	112 020	114 260
Proportionally consolidated entities	1 992	2 021	1 968
	<b>116 278</b>	<b>114 313</b>	<b>116 489</b>

Note 5 *Segment reporting* contains the split of the FTE by geographical segment.

## 10. ADDITIONAL INFORMATION ON OPERATING EXPENSES BY NATURE

Depreciation, amortization and impairment charges are included in the following line items of the 2011 income statement:

Million US dollar	Depreciation and impairment of property, plant and equipment	Amortization and impairment of intangible assets	Impairment of goodwill
Cost of sales	1 982	5	—
Distribution expenses	111	1	—
Sales and marketing expenses	244	156	—
Administrative expenses	119	127	—
Other operating expenses	5	—	—
Exceptional items	33	—	—
	<b>2 494</b>	<b>289</b>	<b>—</b>

Depreciation, amortization and impairment charges were included in the following line items of the 2010 income statement:

Million US dollar	Depreciation and impairment of property, plant and equipment	Amortization and impairment of intangible assets	Impairment of goodwill
Cost of sales	1 943	11	—
Distribution expenses	126	1	—
Sales and marketing expenses	261	76	—
Administrative expenses	122	160	—
Other operating expenses	3	2	—
Exceptional items	83	—	—
	<b>2 538</b>	<b>250</b>	<b>—</b>

Depreciation, amortization and impairment charges were included in the following line items of the 2009 income statement:

Million US dollar	Depreciation and impairment of property, plant and equipment	Amortization and impairment of intangible assets	Impairment of goodwill
Cost of sales	1 996	16	—
Distribution expenses	111	—	—
Sales and marketing expenses	256	63	—
Administrative expenses	145	187	—
Other operating expenses	15	—	—
Exceptional items	23	6	—
	<b>2 546</b>	<b>272</b>	<b>—</b>

The depreciation, amortization and impairment of property, plant and equipment included a full-cost reallocation of 3m US dollar in 2011, (1)m US dollar in 2010 and 7m US dollar in 2009 from the aggregate depreciation, amortization and impairment expense to cost of goods sold.

## 11. FINANCE COST AND INCOME

### RECOGNIZED IN PROFIT OR LOSS

#### FINANCE COSTS

Million US dollar	2011	2010	2009 <sup>1</sup>
Interest expense	(2 767)	(3 065)	(3 522)
Capitalization of borrowing costs	110	35	4
Accretion expense	(209)	(159)	(381)
Net foreign exchange losses (net of the effect of the foreign exchange derivative instruments)	(26)	—	—
Net losses on hedging instruments that are not part of a hedge accounting relationship	—	—	(46)
Net losses from hedge ineffectiveness	—	—	(46)
Tax on financial transactions	(35)	(30)	(25)
Other financial costs, including bank fees	(108)	(117)	(121)



	<b>(3 035)</b>	<b>(3 336)</b>	<b>(4 137)</b>
Exceptional finance costs	<u>(540)</u>	<u>(925)</u>	<u>(629)</u>
	<b>(3 575)</b>	<b>(4 261)</b>	<b>(4 766)</b>

2011 finance costs, excluding exceptional items, decreased by 301m US dollar from prior year mainly driven by lower interest charges and an increase of capitalization of borrowing costs. This decrease was partially offset by higher accretion expenses and net losses on foreign exchange. 2010 finance costs, excluding exceptional items, decreased by 801m US dollar also driven by lower interest charges following the refinancing and repayment of the 2008 and 2010 senior facilities - see Note 24 *Interest-bearing loans and borrowings*.

<sup>1</sup> Reclassified to conform to the 2010 presentation

2011 interest expense decreased by 298m US dollar compared to 2010. 2010 interest and accretion expense decreased 457m US dollar and 222m US dollar compared to 2009. The decrease results from lower debt positions, the refinancing and repayments of the 2008 and 2010 senior facilities, as well as the early redemption in 2011 of certain outstanding notes. See also Note 23 *Interest-bearing loans and borrowings*.

Borrowing costs capitalized relate to the capitalization of interest expenses directly attributable to the acquisition and construction of qualifying assets mainly in Brazil. Interests are capitalized at a borrowing rate ranging between 6% and 12.5%.

In 2011 AB InBev incurred 540m US dollar (925m US dollar in 2010) exceptional finance costs as a result of:

- The repayments and refinancing of the senior facilities, generating negative mark-to-market adjustments resulting in hedging losses of 235m US dollar (733m US dollar in 2010 and 474m US dollar in 2009) on interest rate swaps that became ineffective and incremental accretion expense of 12m US dollar (192m US dollar in 2010 and 145m US dollar in 2009);
- The early redemption of 1.25 billion US dollar notes by one of the holding companies, maturing in January 2014 and bearing interest at a rate of 7.20%; and of 500m US dollar securities by Ambev, maturing in September 2013 and bearing interest at a rate of 8.75% (“Bond 13”). As a consequence of these early redemptions an expense of 245m US dollar was incurred, mainly as the price of these notes differed from their amortized cost;
- The early redemption of certain Anheuser-Busch notes generating an incremental accretion expenses of 48m US dollar.

Interest expense is presented net of the effect of interest rate derivative instruments hedging AB InBev’s interest rate risk – see also Note 28 *Risks arising from financial instruments*.

Interest expense recognized on unhedged and hedged financial liabilities and the net interest expense from the related hedging derivative instruments can be summarized per type of hedging relationship as follows:

Million US dollar	2011	2010	2009
Financial liabilities measured at amortized cost – not hedged	(2 153)	(1 992)	(1 780)
Fair value hedges – hedged items	(204)	(236)	(216)
Fair value hedges – hedging instruments	(62)	(26)	(36)
Cash flow hedges – hedged items	(102)	(215)	(577)
Cash flow hedges – hedging instruments (reclassified from equity)	(182)	(501)	(580)
Net investment hedges - hedging instruments (interest component)	(82)	(77)	(54)
Economic hedges - hedged items not part of a hedge accounting relationship	(29)	(25)	—
Economic hedges - hedging instruments not part of a hedge accounting relationship	47	7	(279)
	<b>(2 767)</b>	<b>(3 065)</b>	<b>(3 522)</b>

The financial liabilities per type of hedging relationship are mainly composed of the following:

- Financial liabilities measured at amortized cost – not hedged, relate mainly to bonds, unsecured bank loans and commercial papers;
- Fair value hedges, relate mainly to the pound sterling, and the US dollar fixed-rate bonds entered into by Ambev that were hedged for the foreign currency and the interest rate fair value risk;
- Cash flow hedges, relate mainly to the 2010 senior facilities floating-rate loans and to the Brazilian real debenture held in Canada that were hedged for the foreign currency and the interest rate risk;
- Net investment hedges, relate mainly to US dollar/Brazilian real and euro/Brazilian real derivatives contracted to hedge the net assets of the company’s foreign operations from the foreign currency risk;
- Economic hedges, for which no hedge accounting was applied, relates mainly to the Swiss franc fixed-rate bond that was hedged for the foreign currency and the interest rate risk.

For further information on instruments hedging AB InBev’s interest rate risk see the section B of the Note 28 *Risks arising from financial instruments*.

## FINANCE INCOME

Million US dollar	2011	2010 <sup>1</sup>	2009 <sup>1</sup>
Interest income	324	316	151
Net foreign exchange gains (net of the effect of foreign exchange derivative instruments)	—	113	160

Net gains on hedging instruments that are not part of a hedge accounting relationship	58	21	—
Net gains from hedge ineffectiveness	16	40	—
Other financial income	40	35	36
	<b>438</b>	<b>525</b>	<b>347</b>

In 2011, AB InBev incurred 58m US dollar of net gains on hedging instruments that are not part of a hedge accounting relationship arising mainly from derivative contracts entered to hedge risks associated with different share based payment programs as partially offset by unfavorable variances arising from currency translation fluctuations.

No interest income was recognized on impaired financial assets.

The 2010 increase in interest income is explained by higher cash and cash equivalent positions and investments in Brazilian real denominated government debt securities in Ambev Brazil and in the holding companies.

<sup>1</sup> Reclassified to conform to the 2011 presentation.

In 2010, net foreign exchange gains of 113m US dollar are mainly comprised of euro/US dollar currency fluctuations on intra-group transactions. Net foreign exchange gains of 160m US dollar in 2009 are related to hedging activities on bond proceeds that were issued during the same year and unrealized foreign exchange gains on monetary items.

The interest income stems from the following financial assets:

<u>Million US dollar</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	167	165	101
Investment debt securities held for trading	95	118	22
Loans to customers	7	6	11
Other loans and receivables	55	27	17
	<b>324</b>	<b>316</b>	<b>151</b>

The interest income on other loans and receivables includes the interest accrued on cash deposits given as guarantees for certain legal proceedings pending resolution.

## NET FOREIGN EXCHANGE RESULTS

Foreign exchange results recognized on unhedged and hedged exposures and from the related hedging derivative instruments can be summarized per type of hedging relationship as follows:

<u>Million US dollar</u>	<u>2011</u>	<u>2010<sup>1</sup></u>	<u>2009<sup>1</sup></u>
Fair value hedges - hedged items	(72)	40	358
Fair value hedges - hedging instruments	75	(40)	(358)
Cash flow hedges - hedged items	(32)	—	(78)
Cash flow hedges - hedging instruments (reclassified from equity)	33	(2)	78
Economic hedges - hedged items not part of a hedge accounting relationship	(9)	(102)	—
Economic hedges - hedging instruments not part of a hedge accounting relationship	39	111	—
Other results - not hedged	(60)	106	160
	<b>(26)</b>	<b>113</b>	<b>160</b>

In 2010, AB InBev incurred 113m US dollar of net foreign exchange gains arising mainly from favorable euro/US dollar currency fluctuations on intra-group transactions. Net foreign exchange gains of 160m US dollar in 2009 are related to hedging activities on bond proceeds that were issued during the same year and unrealized foreign exchange gains on monetary items.

For further information on instruments hedging AB InBev's foreign exchange risk see Note 28 *Risks arising from financial instruments*.

## RECOGNIZED DIRECTLY IN OTHER COMPREHENSIVE INCOME

<u>Million US dollar</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Hedging reserve</b>			
Effective portion of changes in fair value of cash flow hedges	25	(120)	729
Net changes in fair value of cash flow hedges reclassified to profit or loss	77	892	478
Net changes in fair value of cash flow hedges transferred to initial carrying amounts of hedged items	—	—	(37)
	<b>102</b>	<b>772</b>	<b>1 170</b>
<b>Translation reserve</b>			
Effective portion of changes in fair value of net investment hedges	(229)	(816)	1 776
Foreign currency translation differences for foreign operations	(1 857)	1 807	692
	<b>(2 086)</b>	<b>991</b>	<b>2 468</b>

The amounts recognized in the hedge reserve, net of related tax effects are mainly related to interest rate swaps entered into in 2008 to cover for the interest rate risk of the 2008 and 2010 senior facilities, as well as certain aluminum hedges. In 2011, the movement of the translation reserve is mainly related to the weakening of the closing rates of the Argentinean peso, the Brazilian real, the euro, the Mexican peso and the Russian ruble.

<sup>1</sup> Reclassified to conform to the 2011 presentation

## 12. INCOME TAXES

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

Million US dollar	2011	2010	2009 <sup>1</sup>
<b>Current tax expense</b>			
Current year	(2 188)	(2 272)	(1 436)
(Underprovided)/overprovided in prior years	115	23	17
	<b>(2 073)</b>	<b>(2 249)</b>	<b>(1 419)</b>
<b>Deferred tax (expense)/income</b>			
Origination and reversal of temporary differences	166	419	(168)
Utilization/recognition of deferred tax assets on tax losses	10	(106)	(251)
Recognition of previously unrecognized tax losses	41	16	52
	<b>217</b>	<b>329</b>	<b>(367)</b>
<b>Total income tax expense in the income statement</b>	<b>(1 856)</b>	<b>(1 920)</b>	<b>(1 786)</b>

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

Million US dollar	2011	2010	2009
Profit before tax	9 815	7 682	7 663
Deduct share of result of associates	623	521	513
<b>Profit before tax and before share of result of associates</b>	<b>9 192</b>	<b>7 161</b>	<b>7 150</b>
<b>Adjustments on taxable basis</b>			
Expenses not deductible for tax purposes	342	234	2 770
Taxable intercompany dividends	303	8	9
Non-taxable financial and other income	(611)	(736)	(1 332)
	<b>9 226</b>	<b>6 667</b>	<b>8 597</b>
<b>Aggregated weighted nominal tax rate</b>	<b>33.7%</b>	<b>34.7%</b>	<b>31.7%</b>
Tax at aggregated weighted nominal tax rate	(3 105)	(2 313)	(2 721)
<b>Adjustments on tax expense</b>			
Utilization of tax losses not previously recognized	69	32	—
Recognition of deferred tax assets on previous years' tax losses	41	16	104
Write-down of deferred tax assets on tax losses and current year losses for which no deferred tax asset is recognized	(101)	(73)	(193)
(Underprovided)/overprovided in prior years	115	23	17
Tax savings/(costs) from tax credits and special tax status	1 241	667	1 184
Change in tax rate	75	(1)	(1)
Withholding taxes	(152)	(137)	(100)
Other tax adjustments	(39)	(134)	(76)
	<b>(1 856)</b>	<b>(1 920)</b>	<b>(1 786)</b>
<b>Effective tax rate</b>	<b>20.2%</b>	<b>26.8%</b>	<b>25.0%</b>

The total income tax expense amounts to 1 856m US dollar with an effective tax rate of 20.2% (versus 26.8% in 2010 and 25.0% in 2009). The decrease in the effective tax rate in 2011 compared to 2010 mainly resulted from changes of profit mix between countries with lower marginal tax rates, incremental income tax benefits in Brazil, as well as favorable outcomes on tax claims. The increase in the effective tax rate in 2010 compared to 2009 was primarily due to the effect of the non-deductibility of certain exceptional charges associated with refinancing and repayment of senior facilities, as well as exceptional taxable gains on disposals in low tax jurisdictions during 2009.

Expenses non-deductible for tax purposes in 2009 mainly related to a non-taxable intercompany loss that for purposes of this reconciliation has no net impact on AB InBev's tax expenses as there is a compensating offset from tax savings from special tax status.

Income taxes were directly recognized in comprehensive income as follows:

Million US dollar	2011	2010	2009
<b>Income tax (losses)/gains</b>			
Actuarial gains and losses on pensions	282	70	(104)
Cash flow hedges	33	(21)	(6)
Net investment hedges	(26)	(20)	(29)

<sup>1</sup> Reclassified to conform to the 2010 presentation

### 13. PROPERTY, PLANT AND EQUIPMENT

Million US dollar	2011					2010
	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total	Total
<b>Acquisition cost</b>						
<b>Balance at end of previous year</b>	<b>7 655</b>	<b>18 055</b>	<b>3 270</b>	<b>1 316</b>	<b>30 296</b>	<b>29 290</b>
Effect of movements in foreign exchange	(251)	(745)	(171)	(96)	(1 263)	(249)
Effect of hyperinflation	—	—	—	—	—	56
Acquisitions	37	469	138	2 572	3 216	2 172
Acquisitions through business combinations	70	48	5	—	123	1
Disposals	(98)	(567)	(191)	(1)	(857)	(618)
Disposals through the sale of subsidiaries	—	—	—	—	—	(340)
Transfer (to)/from other asset categories and other movements	436	1 521	188	(2 303)	(158)	(16)
<b>Balance at end of year</b>	<b>7 849</b>	<b>18 781</b>	<b>3 239</b>	<b>1 488</b>	<b>31 357</b>	<b>30 296</b>
<b>Depreciation and impairment losses</b>						
<b>Balance at end of previous year</b>	<b>(2 289)</b>	<b>(9 711)</b>	<b>(2 403)</b>	<b>—</b>	<b>(14 403)</b>	<b>(12 829)</b>
Effect of movements in foreign exchange	110	471	133	—	714	266
Effect of hyperinflation	—	—	—	—	—	(44)
Disposals	70	525	183	—	778	499
Disposals through the sale of subsidiaries	—	—	—	—	—	272
Depreciation	(331)	(1 717)	(353)	—	(2 401)	(2 355)
Impairment losses	(17)	(70)	—	(4)	(91)	(184)
Transfer to/(from) other asset categories and other movements	24	39	5	—	68	(28)
<b>Balance at end of year</b>	<b>(2 433)</b>	<b>(10 463)</b>	<b>(2 435)</b>	<b>(4)</b>	<b>(15 335)</b>	<b>(14 403)</b>
<b>Carrying amount</b>						
<b>at 31 December 2010</b>	<b>5 366</b>	<b>8 344</b>	<b>867</b>	<b>1 316</b>	<b>15 893</b>	<b>15 893</b>
<b>at 31 December 2011</b>	<b>5 416</b>	<b>8 318</b>	<b>804</b>	<b>1 484</b>	<b>16 022</b>	<b>—</b>

The transfer (to)/from other asset categories and other movements mainly relates to transfers from assets under construction to their respective asset categories, to contributions of assets to pension plans and 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*.

During 2010 AB InBev conducted an operational review of the useful lives of certain items of property, plant and equipment in the zone Latin America North, which resulted in changes in the expected usage of some of these assets. The effect of these changes on depreciation expense in 2010 amounted to 167m US dollar of which 139m US dollar recognized in cost of sales and 28m US dollar in sales and marketing expenses.

The carrying amount of property, plant and equipment subject to restrictions on title at 31 December 2011 and 31 December 2010 amounts to 125m US dollar and 158m US dollar, respectively.

Contractual commitments to purchase property, plant and equipment amounted to 689m US dollar as at 31 December 2011 compared to 983m US dollar as at 31 December 2010. The decrease results from projects becoming operational in 2011, mainly in Brazil.

### LEASED ASSETS

The company leases land and buildings as well as equipment under a number of finance lease agreements. The carrying amount as at 31 December 2011 of leased land and buildings was 156m US dollar (2010: 164m US dollar, 2009: 98m US dollar) and of leased plant and equipment 17m US dollar (2010: 18m US dollar, 2009: 14m US dollar). For an overview of the operating lease agreements, please refer to Note 29 *Operating Leases*.

### 14. GOODWILL

Million US dollar	2011	2010
<b>Acquisition cost</b>		
<b>Balance at end of previous year</b>	<b>52 505</b>	<b>52 132</b>
Effect of movements in foreign exchange	(1 336)	386
Purchases of non-controlling interests	(18)	(13)
Acquisitions through business combinations	158	—
<b>Balance at end of year</b>	<b>51 309</b>	<b>52 505</b>
<b>Impairment losses</b>		

<b>Balance at end of previous year</b>	(7)	(7)
Impairment losses	—	—
<b>Balance at end of year</b>	(7)	(7)
<b>Carrying amount</b>		
<b>at 31 December 2010</b>	<b>52 498</b>	<b>52 498</b>
<b>at 31 December 2011</b>	<b>51 302</b>	<b>—</b>

Goodwill decreased from 52 498m US dollar per end of December 2010 to 51 302m US dollar per end of December 2011.

2011 movements represent a (1 336)m US dollar effect of movements in foreign currency exchange rates (386m US dollar in 2010), a subsequent fair value adjustment of (18)m US dollar related to a contingent consideration from the purchase of non-controlling interest in prior years ((13)m US dollar in 2010) and provisional goodwill recognition of 158m US dollar for acquisitions through business combinations that took place in 2011. The business combinations that resulted in the recognition of goodwill in 2011 are the acquisition of Liaoning Dalian Daxue Brewery Co. Ltd in China on 28 February 2011, the acquisition of the brands, assets and business of Henan Weixue Beer Group Co. Ltd in China on 31 May 2011 and the acquisition of Fulton Street Brewery LLC (Goose Island) in the United States on 01 May 2011 - see also Note 6 *Acquisitions and disposals of subsidiaries*.

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

Million US dollar Business unit	2011	2010
USA	32 654	32 617
Brazil	9 505	10 700
Canada	2 026	2 075
China	1 901	1 696
Germany/Italy/Switzerland/Austria	1 440	1 488
Hispanic Latin America	1 400	1 440
Russia/Ukraine	1 010	1 090
Global Export/Spain	685	707
UK/Ireland	584	585
Belgium/Netherlands/France/Luxemburg	97	100
	<b>51 302</b>	<b>52 498</b>

AB InBev completed its annual impairment test for goodwill and concluded, based on the assumptions described below, 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. AB 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. During its valuation, the company ran sensitivity analysis for key assumptions including the weighted average cost of capital and the terminal growth rate, in particular for the valuations of the USA and Brazil that show the highest goodwill. 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, based on sensitivity analyses performed around the base case assumptions 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.

Goodwill impairment testing relies on a number of critical judgments, estimates and assumptions. Goodwill, which accounted for approximately 46% of AB InBev's total assets as at 31 December 2011, is tested for impairment at the business unit level (that is, one level below the segments) based on a fair-value-less-cost-to-sell approach using a discounted free cash flow approach based on current acquisition valuation models. The key judgments, estimates and assumptions used in the fair-value-less-cost-to-sell calculations are as follows:

- The first year of the model is based on management's best estimate of the free cash flow outlook for the current year;
- In the second to fourth years of the model, free cash flows are based on AB InBev's strategic plan as approved by key management. AB InBev's strategic plan is prepared per country and is based on external sources in respect of macro-economic assumptions, industry, inflation and foreign exchange rates, past experience and identified initiatives in terms of market share, revenue, variable and fixed cost, capital expenditure and working capital assumptions;
- For the subsequent six years of the model, data from the strategic plan is extrapolated generally using simplified assumptions such as constant volumes and variable cost per hectoliter and fixed cost linked to inflation, as obtained from external sources;
- Cash flows after the first ten-year period are extrapolated generally using expected annual long-term consumer price indices (CPI), based on external sources, in order to calculate the terminal value, considering sensitivities on this metric. For the two main cash generating units, the terminal growth rate applied ranged between 0.0% and 2.0% for the USA and 0.5% and 4.5% for Brazil;
- Projections are made in the functional currency of the business unit and discounted at the unit's weighted average cost of capital (WACC), considering sensitivities on this metric. The WACC ranged primarily between 6.0% and 13.1% in US dollar nominal terms for goodwill impairment testing conducted for 2011. For the two main cash generating units, the WACC applied in US dollar nominal terms ranged between 6.0% and 8.0% for the USA and 7% and 11% for Brazil.
- Cost to sell is assumed to reach 2% of the entity value based on historical precedents.

The above calculations are corroborated by valuation multiples, quoted share prices for publicly-traded subsidiaries or other available fair value indicators.

Although AB InBev believes that its judgments, assumptions and estimates are appropriate, actual results may differ from these estimates under different assumptions or conditions.



## 15. INTANGIBLE ASSETS

Million US dollar	2011					2010
	Brands	Commercial intangibles	Software	Other	Total	Total
<b>Acquisition cost</b>						
<b>Balance at end of previous year</b>	<b>21 650</b>	<b>1 786</b>	<b>848</b>	<b>169</b>	<b>24 453</b>	<b>24 067</b>
Effect of movements in foreign exchange	14	(76)	(44)	—	(106)	(58)
Acquisitions through business combinations	5	219	—	18	242	15
Acquisitions and expenditures	31	320	50	56	457	428
Disposals	—	(72)	(5)	(1)	(78)	(29)
Transfer (to)/from other asset categories	—	11	35	59	105	30
<b>Balance at end of year</b>	<b>21 700</b>	<b>2 188</b>	<b>884</b>	<b>301</b>	<b>25 073</b>	<b>24 453</b>
<b>Amortization and impairment losses</b>						
<b>Balance at end of previous year</b>	<b>—</b>	<b>(475)</b>	<b>(583)</b>	<b>(36)</b>	<b>(1 094)</b>	<b>(902)</b>
Effect of movements in foreign exchange	—	15	35	—	50	30
Amortization	—	(154)	(128)	(7)	(289)	(248)
Disposals	—	72	5	—	77	25
Impairment losses	—	—	—	—	—	(2)
Transfer to/(from) other asset categories	—	(2)	1	2	1	3
<b>Balance at end of year</b>	<b>—</b>	<b>(544)</b>	<b>(670)</b>	<b>(41)</b>	<b>(1 255)</b>	<b>(1 094)</b>
<b>Carrying value</b>						
<b>at 31 December 2010</b>	<b>21 650</b>	<b>1 311</b>	<b>265</b>	<b>133</b>	<b>23 359</b>	<b>23 359</b>
<b>at 31 December 2011</b>	<b>21 700</b>	<b>1 644</b>	<b>214</b>	<b>260</b>	<b>23 818</b>	<b>—</b>

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

Acquisitions and expenditures of commercial intangibles mainly represent supply and distribution rights, exclusive multi-year sponsorship rights and other commercial intangibles.

Intangible assets with indefinite useful lives are comprised primarily of brands and certain distribution rights that AB InBev purchases for its own products, and are tested for impairment during the fourth quarter of the year or whenever a triggering event has occurred. As of 31 December 2011, the carrying amount of the intangible assets amounted to 23 818m US dollar (2010: 23 359m US dollar, 2009: 23 165 US dollar) of which 22 462m US dollar was assigned an indefinite useful life (2010: 22 296m US dollar, 2009: 22 265m US dollar) and 1 356m US dollar a finite life (2010: 1 063m US dollar, 2009: 900m US dollar).

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

Million US dollar		
Country	2011	2010
USA	21 248	21 077
Argentina	333	354
China	256	239
Paraguay	193	189
Bolivia	171	169
UK	104	104
Uruguay	50	50
Canada	39	40
Russia	25	27
Chile	24	27
Germany	19	20
	<b>22 462</b>	<b>22 296</b>

Intangible assets with indefinite useful lives have been tested for impairment using the same methodology and assumptions as disclosed in Note 14 *Goodwill*. Based on the assumptions described in that note, AB InBev concluded that no impairment charge is warranted. 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 reasonable possible change in a key assumption used that would cause a business unit's carrying amount to exceed its recoverable amount.

## 16. INVESTMENT IN ASSOCIATES

Million US dollar	2011	2010
<b>Balance at end of previous year</b>	<b>7 295</b>	<b>6 744</b>
Effect of movements in foreign exchange	(820)	420
Disposals	—	(12)
Share of results of associates	623	521
Dividends	(403)	(378)
Other movements	1	—
<b>Balance at end of year</b>	<b>6 696</b>	<b>7 295</b>

AB InBev holds a 35.31% direct interest in Grupo Modelo, Mexico's largest brewer, and a 23.25% direct interest in Diblo S.A. de C.V., Grupo Modelo's operating subsidiary, providing AB InBev with, directly and indirectly, an approximate 50.35% interest in Modelo without however having voting or other control of either Grupo Modelo or Diblo. On a stand alone basis (100%) under IFRS, aggregate amounts of Modelo's assets and liabilities for 2011 represented 16 518m US dollar and 2 915m US dollar respectively, while the 2011 net revenue amounted to 7 272m US dollar and the profit to 1 218m US dollar.

On 20 April 2011, AB InBev received a dividend of 4.73 billion Mexican peso (400m US dollar) from its participation in Grupo Modelo.

## 17. INVESTMENT SECURITIES

Million US dollar	2011	2010
<b>Non-current investments</b>		
Investments in quoted companies – available for sale	—	6
Investments in unquoted companies – available for sale	220	236
Debt securities held to maturity	24	1
	<b>244</b>	<b>243</b>
<b>Current investments</b>		
Debt securities available for sale	103	—
Debt securities held for trading	—	641
	<b>103</b>	<b>641</b>

As of 31 December 2011, current debt securities available for sale of 103m US dollar are mainly comprised of investments in short term deposits. As of 31 December 2010, current debt securities of 641m US dollar mainly represented investments in Brazilian real denominated government debt securities in which the company had invested in order to facilitate liquidity and capital preservation. These bonds were sold during 2011.

AB InBev's exposure to equity price risk is disclosed in Note 28 *Risks arising from financial instruments*. The equity securities available for sale consist mainly of investments in unquoted companies and are measured at cost as their fair value can not be reliably determined.

## 18. DEFERRED TAX ASSETS AND LIABILITIES

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

Million US dollar	2011		
	Assets	Liabilities	Net
Property, plant and equipment	355	(2 523)	(2 168)
Intangible assets	181	(8 420)	(8 239)
Goodwill	73	(14)	59
Inventories	98	(85)	13
Investment in associates	4	(1 481)	(1 477)
Trade and other receivables	44	(4)	40
Interest-bearing loans and borrowings	69	(499)	(430)
Employee benefits	1 266	(22)	1 244
Provisions	292	(22)	270
Derivatives	93	(14)	79
Other items	115	(412)	(297)
Loss carry forwards	300	—	300
<b>Gross deferred tax assets/(liabilities)</b>		<b>(13)</b>	
	<b>2 890</b>	<b>496</b>	<b>(10 606)</b>
<b>Netting by taxable entity</b>	<b>(2 217)</b>	<b>2 217</b>	<b>—</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>673</b>	<b>(11 279)</b>	<b>(10 606)</b>

Million US dollar	2010		
	Assets	Liabilities	Net
Property, plant and equipment	308	(2 718)	(2 410)
Intangible assets	178	(8 480)	(8 302)
Goodwill	118	(28)	90
Inventories	34	(78)	(44)
Investment in associates	3	(1 601)	(1 598)
Trade and other receivables	38	(2)	36
Interest-bearing loans and borrowings	46	(511)	(465)
Employee benefits	1 023	(21)	1 002
Provisions	282	(64)	218
Derivatives	92	(31)	61
Other items	132	(182)	(50)
Loss carry forwards	297	—	297
<b>Gross deferred tax assets/(liabilities)</b>	<b>2 551</b>	<b>(13 716)</b>	<b>(11 165)</b>
<b>Netting by taxable entity</b>	<b>(1 807)</b>	<b>1 807</b>	<b>—</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>744</b>	<b>(11 909)</b>	<b>(11 165)</b>

The change in net deferred taxes recorded in the consolidated statement of financial position can be detailed as follows:

Million US dollar	
<b>Balance at 1 January 2011</b>	<b>(11 165)</b>
Recognized in profit or loss	217
Recognized in other comprehensive income	289
Other movements	53
<b>Balance at 31 December 2011</b>	<b>(10 606)</b>

Million US dollar	
<b>Balance at 1 January 2010</b>	<b>(11 546)</b>
Recognized in profit or loss	329
Recognized in other comprehensive income	29
Other movements	23
<b>Balance at 31 December 2010</b>	<b>(11 165)</b>

Net deferred tax assets and liabilities decreased from prior year due to timing of temporary differences, deferred tax assets on actuarial gains and losses, as well as the slight improvement of AB InBev's deferred tax rate expected to be applied when the asset or liability is realized.

Most of the temporary differences are related to the fair value adjustment on intangible assets with indefinite useful lives and property, plant and equipment acquired in a business combination. The realization of such temporary differences is unlikely to revert within 12 months.

On 31 December 2011, a deferred tax liability of 51m US dollar (2010: 74m US dollar) relating to investment in subsidiaries has not been recognized because management believes that this liability will not be incurred in the foreseeable future.

Tax losses carried forward and deductible temporary differences on which no deferred tax asset is recognized amount to 2 455m US dollar (2010: 2 101m US dollar). 1 290m US dollar of these tax losses and deductible temporary differences do not have an expiration date, 66m US dollar, 80m US dollar and 103m US dollar expire within respectively 1, 2 and 3 years, while 916m US dollar have 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 these tax losses and deductible temporary differences can be utilized and the company has no tax planning strategy currently in place to utilize these tax losses and deductible temporary differences.

## 19. INVENTORIES

Million US dollar	2011	2010
Prepayments	56	129
Raw materials and consumables	1 572	1 519
Work in progress	214	217
Finished goods	590	497
Goods purchased for resale	34	47
	<b>2 466</b>	<b>2 409</b>

<b>Inventories other than work in progress</b>		
Inventories stated at net realizable value	—	2
Carrying amount of inventories subject to collateral	—	—

The cost of inventories recognized as an expense in 2011 amounts to 16 634m US dollar, included in cost of sales. In 2010, this expense amounted to 16 151m US dollar and in 2009 to 17 198m US dollar.

Impairment losses on inventories recognized in 2011 amount to 21m US dollar (2010: 67m US dollar, 2009: 58m US dollar).

## 20. TRADE AND OTHER RECEIVABLES

### NON-CURRENT TRADE AND OTHER RECEIVABLES

Million US dollar	2011	2010 <sup>1</sup>
Cash deposits for guarantees	298	332
Loans to customers	42	69
Deferred collection on disposals	16	381
Tax receivable, other than income tax	193	199
Derivatives	613	585
Trade and other receivables	177	134
	<b>1 339</b>	<b>1 700</b>

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

Upon completion of the sale of the Central European operations to CVC Capital Partners on 2 December 2009, the company received an unsecured deferred payment obligation with a six-year maturity. This deferred consideration with a notional amount of 300m euro had been reported for a fair value amount of 363m US dollar at year-end 2010. In July 2011, AB InBev sold the deferred consideration, including accrued interest, to a third party for a gross proceed of 454m US dollar and recognized a exceptional gain of 45m US dollar – see Note 8 *Exceptional items*.

### CURRENT TRADE AND OTHER RECEIVABLES

Million US dollar	2011	2010 <sup>1</sup>
Trade receivables and accrued income	2 572	2 639
Interest receivable	33	98
Tax receivable, other than income tax	335	303
Derivatives	659	1 059
Loans to customers	10	28
Prepaid expenses	434	451
Other receivables	78	60
	<b>4 121</b>	<b>4 638</b>

The fair value of trade and other receivables, excluding derivatives, equals their carrying amounts as the impact of discounting is not significant.

The ageing of the current trade receivables and accrued income, interest receivable, other receivables and current and non-current loans to customers can be detailed as follows for 2011 and 2010 respectively:

	Net carrying amount as of December 31, 2011	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 more than 359 days
			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	
Trade receivables and accrued income	2 572	2 459	76	19	10	7	—	1
Loans to customers	52	50	—	—	1	—	—	1
Interest receivable	33	33	—	—	—	—	—	—
Other receivables	78	78	—	—	—	—	—	—
	<b>2 735</b>	<b>2 620</b>	<b>76</b>	<b>19</b>	<b>11</b>	<b>7</b>	<b>—</b>	<b>2</b>

  

	Net carrying amount as of December 31,	Of which: neither impaired nor past due on the reporting	Of which not impaired as of the reporting date and past due					Past due more than 359 days
			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	
Trade receivables and accrued income	2 572	2 459	76	19	10	7	—	1
Loans to customers	52	50	—	—	1	—	—	1
Interest receivable	33	33	—	—	—	—	—	—
Other receivables	78	78	—	—	—	—	—	—
	<b>2 735</b>	<b>2 620</b>	<b>76</b>	<b>19</b>	<b>11</b>	<b>7</b>	<b>—</b>	<b>2</b>

	2010	date	30 days	59 days	89 days	days	359 days	359 days
Trade receivables and accrued income	2 639	2 531	58	21	11	8	7	3
Loans to customers	97	91	1	1	—	—	1	3
Interest receivable	98	98	—	—	—	—	—	—
Other receivables	60	60	—	—	—	—	—	—
	<b>2 894</b>	<b>2 780</b>	<b>59</b>	<b>22</b>	<b>11</b>	<b>8</b>	<b>8</b>	<b>6</b>

In accordance with IFRS 7 *Financial Instruments: Disclosures* the above analysis of the age of financial assets that are past due as at the reporting date but not impaired, also 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 AB InBev has sufficient collateral. Impairment losses on trade and other receivables recognized in 2011 amount to 26m US dollar (2010: 56m US dollar).

AB InBev's exposure to credit, currency and interest rate risks is disclosed in Note 28 *Risks arising from financial instruments*.

<sup>1</sup> Reclassified to conform to the 2011 presentation.

## 21. CASH AND CASH EQUIVALENTS

Million US dollar	2011	2010
Short term bank deposits	3 184	3 099
Cash and bank accounts	2 136	1 412
<b>Cash and cash equivalents</b>	<b>5 320</b>	<b>4 511</b>
<b>Bank overdrafts</b>	<b>(8)</b>	<b>(14)</b>
	<b>5 312</b>	<b>4 497</b>

As of 31 December 2011, cash and cash equivalents include restricted cash of 25m US dollar that reflects the outstanding consideration payable to former Anheuser-Busch shareholders who did not yet claim the proceeds (the related payable is recognized as a deferred consideration on acquisition).

## 22. CHANGES IN EQUITY AND EARNINGS PER SHARE

### STATEMENT OF CAPITAL

The tables below summarize the changes in issued capital and treasury shares during the year:

2011

<u>ISSUED CAPITAL</u>	Issued capital	
	Million shares	Million US dollar
At the end of the previous year	1 605	1 733
Changes during the year	1	1
	<b>1 606</b>	<b>1 734</b>

<u>TREASURY SHARES</u>	Treasury shares		Result on the use of treasury shares Million US dollar
	Million shares	Million US dollar	
At the end of the previous year	12.1	(588)	(645)
Changes during the year	(4.0)	194	(98)
	<b>8.1</b>	<b>(394)</b>	<b>(743)</b>

2010

<u>ISSUED CAPITAL</u>	Million shares	Million US dollar
	At the end of the previous year	1 604
Changes during the year	1	1
	<b>1 605</b>	<b>1 733</b>

<u>TREASURY SHARES</u>	Treasury shares		Result on the use of treasury shares Million US dollar
	Million shares	Million US dollar	
At the end of the previous year	13.6	(659)	(630)
Changes during the year	(1.5)	71	(15)
	<b>12.1</b>	<b>(588)</b>	<b>(645)</b>

As at 31 December 2011, the total issued capital of 1 734m US dollar is represented by 1 606 071 799 shares without face value, of which 398 749 039 registered shares, 1 156 863 bearer shares and 1 206 165 897 dematerialized shares. For a total amount of capital of 3m US dollar (2m euro), there are still 2 994 533 of subscription rights outstanding corresponding with a maximum of 2 994 533 shares to be issued. The total of authorized, un-issued capital amounts to 48m US dollar (37m euro).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. In respect of the company's shares that are held by AB InBev, rights are suspended.

The shareholders' structure based on the notifications made to the company pursuant to the Belgian Law of 02 May 2007 on the

disclosure of significant shareholdings in listed companies is included in the *Corporate Governance* section of AB InBev's annual report.

Capital contributions in subsidiaries, mainly in the zone Latin America North, subscribed by non-controlling interest amounted to 142m US dollar in 2011.

#### **CHANGES IN OWNERSHIP INTERESTS**

As of 2010 and in compliance with the revised IAS 27, the acquisition of additional shares in a subsidiary after control was obtained has been accounted for as an equity transaction with owners.

During 2011, AB InBev purchased non-controlling interests in several subsidiaries for a total consideration paid of 19m US dollar. As the related subsidiaries were already fully consolidated, the purchases did not impact AB InBev's profit, but reduced the non-controlling interests and thus impacted the profit attributable to equity holders of AB InBev.



## REPORT ACCORDING TO ARTICLE 624 OF THE BELGIAN COMPANIES CODE – PURCHASE OF OWN SHARES

During the year 2011, AB InBev did not purchase any AB InBev shares.

During 2011 the company proceeded with the following sale transactions:

- 1 031 251 shares were sold to members of the Ambev senior management who were transferred to AB InBev. The sale occurred according to a share exchange program at a price reduced with 16.66 % compared to the market price, in order to encourage management mobility;
- 324 111 shares were granted to executives of the group according to the company's executive remuneration policy;
- 1 399 267 shares were granted to executives of the company in exchange for unvested options, in order to maintain consistency of granted benefits and encourage management mobility, in particular for the benefit of executives moving to the United States. The shares are subject to a lock-up period until 31 December 2018;
- Finally, 1 193 930 shares were sold, as a result of the exercise of options granted to employees of the group.

At the end of the period, the group owned 8 112 409 own shares of which 7 601 955 were held directly by AB InBev.

The par value of the shares is 0.77 euro. As a consequence, the shares that were sold during the year 2011 represent 3 921 819 US dollar (3 031 006 euro) of the subscribed capital and the shares that the company still owned at the end of 2011 represent 8 082 418 US dollar (6 246 555 euro) of the subscribed capital.

### DIVIDENDS

On 7 March 2012, a dividend of 1.20 euro per share or approximately 1 920m euro was 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 2011 financial statements.

On 26 April 2011, a dividend of 0.80 euro per share or approximately 1 276m euro was approved at the shareholders meeting. This dividend was paid out on 2 May 2011.

### 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 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 *Risks arising from financial instruments*.

### TRANSFERS FROM SUBSIDIARIES

The amount of dividends payable to AB InBev by its operating subsidiaries is subject to, among other restrictions, general limitations imposed by the corporate laws, capital transfer restrictions and exchange control restrictions of the respective jurisdictions where those subsidiaries are organized and operate. Capital transfer restrictions are also common in certain emerging market countries, and may affect AB InBev's flexibility in implementing a capital structure it believes to be efficient. Dividends paid to AB InBev by certain of its subsidiaries are also subject to withholding taxes. Withholding tax, if applicable, generally does not exceed 10%.

### EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of AB InBev of 5 855m US dollar (2010: 4 026m US dollar, 2009: 4 613m US dollar) and a weighted average number of ordinary shares outstanding during the year, calculated as follows:

Million shares	2011	2010	2009
Issued ordinary shares at 1 January, net of treasury shares	1 593	1 591	1 582
Effect of shares issued/share buyback programs	2	1	2
<b>Weighted average number of ordinary shares at 31 December</b>	<b>1 595</b>	<b>1 592</b>	<b>1 584</b>

The calculation of diluted earnings per share is based on the profit attributable to equity holders of AB InBev of 5 855m US dollar (2010: 4 026m US dollar, 2009: 4 613m US dollar) and a weighted average number of ordinary shares (diluted) outstanding during the year, calculated as follows:

Million shares	2011	2010	2009
Weighted average number of ordinary shares at 31 December	1 595	1 592	1 584
Effect of share options, warrants and restricted stock units	19	19	9
<b>Weighted average number of ordinary shares (diluted) at 31 December</b>	<b>1 614</b>	<b>1 611</b>	<b>1 593</b>

The calculation of earnings per share before exceptional items is based on the profit after tax and before exceptional items, attributable to equity holders of AB InBev. A reconciliation of profit before exceptional items, attributable to equity holders of AB InBev to profit attributable to equity holders of AB InBev is calculated as follows:

Million US dollar	2011	2010	2009
Profit before exceptional items, attributable to equity holders of AB InBev	6 449	5 040	3 927
Exceptional items, after taxes, attributable to equity holders of AB InBev (refer Note 8)	(172)	(142)	1 288
Exceptional finance cost, after taxes, attributable to equity holders of AB InBev (refer Note 8)	(422)	(872)	(602)
<b>Profit attributable to equity holders of AB InBev</b>	<b>5 855</b>	<b>4 026</b>	<b>4 613</b>

The table below sets out the EPS calculation:

Million US dollar	2011	2010	2009
Profit attributable to equity holders of AB InBev	5 855	4 026	4 613
Weighted average number of ordinary shares	1 595	1 592	1 584
<b>Basic EPS</b>	<b>3.67</b>	<b>2.53</b>	<b>2.91</b>
Profit before exceptional items, attributable to equity holders of AB InBev	6 449	5 040	3 927
Weighted average number of ordinary shares	1 595	1 592	1 584
<b>EPS before exceptional items</b>	<b>4.04</b>	<b>3.17</b>	<b>2.48</b>
Profit attributable to equity holders of AB InBev	5 855	4 026	4 613
Weighted average number of ordinary shares (diluted)	1 614	1 611	1 593
<b>Diluted EPS</b>	<b>3.63</b>	<b>2.50</b>	<b>2.90</b>
Profit before exceptional items, attributable to equity holders of AB InBev	6 449	5 040	3 927
Weighted average number of ordinary shares (diluted)	1 614	1 611	1 593
<b>Diluted EPS before exceptional items</b>	<b>4.00</b>	<b>3.13</b>	<b>2.47</b>

The average market value of the company's shares for purposes of calculating the dilutive effect of share options and restricted stock units was based on quoted market prices for the period that the options and restricted stock units were outstanding. 16.2m share options and restricted stock units were anti-dilutive and not included in the calculation of the dilutive effect as at 31 December 2011.

### 23. INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about 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 Risks arising from financial instruments.

NON-CURRENT LIABILITIES		
Million US dollar	2011	2010
Secured bank loans	95	105
Unsecured bank loans	4 022	9 141
Unsecured bond issues	30 278	32 562
Secured other loans	6	6
Unsecured other loans	77	72
Finance lease liabilities	120	75
	<b>34 598</b>	<b>41 961</b>
CURRENT LIABILITIES		
Million US dollar	2011	2010 <sup>1</sup>
Secured bank loans	60	32
Commercial papers	2 287	1 002
Unsecured bank loans	580	896
Unsecured bond issues	2 624	777
Unsecured other loans	3	172
Finance lease liabilities	5	40
	<b>5 559</b>	<b>2 919</b>

The current and non-current interest-bearing loans and borrowings amount to 40.2 billion US dollar as of 31 December 2011, compared to 44.9 billion US dollar as of 31 December 2010.

During 2009 and 2010, AB InBev fully refinanced and repaid its obligations under the 45 billion US dollar senior facilities entered

into to finance the acquisition of Anheuser-Busch by using cash generated from operating activities, proceeds from the disposal of activities, drawdowns from existing loan facilities, proceeds of capital market offerings and proceeds of a new long-term bank financing consisting of a 13.0 billion US dollar senior credit facilities agreement (“the 2010 senior facilities”). The 2010 senior facilities comprised a 5.0 billion US dollar term loan maturing in 2013 and an 8.0 billion US dollar multi-currency revolving credit facility maturing in 2015. Effective 25 July 2011, AB InBev amended the terms of the 2010 senior facilities. The amendment provides an extension of the 8.0 billion US dollar 5-year revolving credit facility maturing in April 2015 with a revised maturity of July 2016, as well as a reduced margin grid. In connection with the amendment, AB InBev has fully prepaid and terminated the 5 billion US dollar 3-year term facility maturing in April 2013.

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<sup>1</sup> Reclassified to conform to the 2011 presentation.

During 2011, AB InBev continued to refinance and repay its obligations under the 2010 senior facilities by using cash generated from operating activities, drawdowns from existing loan facilities and by using the proceeds of capital market offering, as following:

- On 27 January 2011, AB InBev issued a series of notes in an aggregate principal amount of 1.65 billion US dollar, consisting of 0.5 billion US dollar aggregate principal amount of fixed rate notes due 2016 and 0.5 billion US dollar aggregate principal amount of fixed rate notes due 2021 bearing interest at a rate of 2.875% and 4.375% respectively and a note consisting of 0.65 billion US dollar aggregate principal amount of floating rate notes due 2014 bearing interest at a floating rate three-month US dollar LIBOR plus 0.55%;
- On 2 June 2011, AB InBev issued a series of fixed rate notes in an aggregate principal amount of 750m euro due 2021 bearing interest at a rate of 4.0%;
- On 14 July 2011, AB InBev issued a series of notes in an aggregate principal amount of 1.05 billion US dollar, consisting of 0.3 billion US dollar aggregate principal amount of floating rate notes due 2014 bearing interest at a floating rate three-month US dollar LIBOR plus 0.36% and 0.75 billion US dollar aggregate principal amount of fixed rate notes due 2014 bearing interest at a rate of 1.50%;

As of 31 December 2011, there are no amounts drawn under the amended 8.0 billion US dollar multi-currency revolving credit facility.

Furthermore, in 2011, AB InBev completed the following exchange offer and early redemptions:

- On 14 March 2011, AB InBev closed an exchange offer for up to 8.0 billion US dollar of outstanding unregistered notes, for freely tradable notes registered under the Securities Act of 1933 with otherwise substantially the same terms and conditions. The unregistered notes were issued during the first half of 2009 before AB InBev became an SEC registrant;
- On 20 June 2011, AB InBev exercised its option to early redeem a series of notes in an aggregate principal amount of 1.25 billion US dollar due 2014 and bearing interest at a rate of 7.20%;
- On 26 September 2011, AB InBev exercised its option to early redeem certain Anheuser-Busch notes in an aggregate principal amount of 263m US dollar, consisting of 163m US dollar aggregate principal amount of fixed rate notes due 2023 and 100m US dollar aggregate principal amount of fixed rate notes due 2017 bearing interest at a rate of 5.35% and 5.491% respectively;
- On 7 November 2011, Ambev exercised its option to early redeem securities in an aggregate principal amount of 500m US dollar due 2013 and bearing an interest at a rate of 8.75% ("Bond 13").

As of 31 December 2011, commercial papers amount to 2.3 billion US dollar and include programs in US dollar and euro with a total authorized issuance up to 3 billion US dollar and 1 billion euro, respectively.

**TERMS AND DEBT REPAYMENT  
SCHEDULE AT 31 DECEMBER 2011**

Million US dollar	Total	1 year or less	1-2 years	2-3 years	3-5 years	More than 5 years
Secured bank loans	155	60	30	26	33	6
Commercial papers	2 287	2 287	—	—	—	—
Unsecured bank loans	4 602	580	328	188	3 505	1
Unsecured bond issues	32 902	2 624	2 751	5 206	4 553	17 768
Secured other loans	6	—	6	—	—	—
Unsecured other loans	80	3	13	13	12	39
Finance lease liabilities	125	5	1	2	4	113
	<b>40 157</b>	<b>5 559</b>	<b>3 129</b>	<b>5 435</b>	<b>8 107</b>	<b>17 927</b>

**TERMS AND DEBT REPAYMENT  
SCHEDULE AT 31 DECEMBER 2010<sup>1</sup>**

Million US dollar	Total	1 year or less	1-2 years	2-3 years	3-5 years	More than 5 years
Secured bank loans	137	32	58	29	12	6
Commercial papers	1 002	1 002	—	—	—	—
Unsecured bank loans	10 037	896	3 993	4 611	525	12
Unsecured bond issues	33 339	777	3 878	3 311	7 912	17 461
Secured other loans	6	—	—	6	—	—
Unsecured other loans	244	171	13	14	23	23
Finance lease liabilities	115	40	5	1	2	67
	<b>44 880</b>	<b>2 918</b>	<b>7 947</b>	<b>7 972</b>	<b>8 474</b>	<b>17 569</b>

**FINANCE LEASE LIABILITIES**

Million US dollar	2011 Payments	2011 Interests	2011 Principal	2010 Payments	2010 Interests	2010 Principal
Less than one year	16	11	5	48	8	40

Between one and two years	11	10	1	12	7	5
Between two and three years	12	10	2	7	6	1
Between three and five years	23	19	4	14	12	2
More than 5 years	196	83	113	118	51	67
	<b>258</b>	<b>133</b>	<b>125</b>	<b>199</b>	<b>84</b>	<b>115</b>

Net debt is defined as non-current and current interest-bearing loans and borrowings and bank overdrafts minus debt securities and cash. Net debt is a financial performance indicator that is used by AB InBev's management to highlight changes in the company's overall liquidity position. The company believes that net debt is meaningful for investors as it is one of the primary measures AB InBev's management uses when evaluating its progress towards deleveraging.

<sup>1</sup> Reclassified to conform to the 2011 presentation.

AB InBev's net debt decreased to 34.7 billion US dollar as of 31 December 2011, from 39.7 billion US dollar as of 31 December 2010. Apart from operating results net of capital expenditures, the net debt is mainly impacted by dividend payments to shareholders of AB InBev and Ambev (3 088m US dollar), the payment of interests and taxes (3 998m US dollar) and the impact of changes in foreign exchange rates (262m US dollar decrease of net debt).

The following table provides a reconciliation of AB InBev's net debt as 31 December as follows:

Million US dollar	2011	2010
Non-current interest bearing loans and borrowings	34 598	41 961
Current interest bearing loans and borrowings	5 559	2 919
	<b>40 157</b>	<b>44 880</b>
Bank overdrafts	8	14
Cash and cash equivalents	(5 320)	(4 511)
Interest bearing loans granted (included within Trade and other receivables)	(30)	(38)
Debt securities (included within Investment securities)	(127)	(641)
<b>Net debt</b>	<b>34 688</b>	<b>39 704</b>

## 24. EMPLOYEE BENEFITS

AB InBev sponsors various post-employment benefit plans world-wide. These include pension plans, both defined contribution plans, and defined benefit plans, and other post-employment benefits (OPEB). 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, AB 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 2011, benefits paid for defined contribution plans for the company amounted to 39m US dollar compared to 44m US dollar for 2010 and 43m US dollar for 2009.

### DEFINED BENEFIT PLANS

During 2011, the company contributed to 61 defined benefit plans, of which 45 are retirement plans and 16 are medical cost plans. Most plans provide benefits related to pay and years of service. The Belgian, Canadian, UK and US plans are partially funded. The assets of the other funded 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, and Brazil provide medical benefits to employees and their families after retirement.

The present value of funded obligations includes a 268m US dollar 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 2011, 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 employee benefit net liability amounts to 3 430m US dollar as of 31 December 2011 compared to 2 733m US dollar as of 31 December 2010. The fair value of the plan assets value and the defined benefit obligations increased by 21m US dollar and 754m US dollar, respectively, in 2011. The increase in the employee benefit net liability is mainly driven by changes in actuarial assumptions (unfavorable changes in discount rates, mortality assumptions and asset returns).

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

Million US dollar	2011	2010
Present value of funded obligations	(6 958)	(6 218)
Fair value of plan assets	5 095	5 074
<b>Present value of net obligations for funded plans</b>	<b>(1 863)</b>	<b>(1 144)</b>
Present value of unfunded obligations	(1 192)	(1 178)
<b>Present value of net obligations</b>	<b>(3 055)</b>	<b>(2 322)</b>
Unrecognized past service cost	(13)	(17)
Unrecognized asset	(346)	(378)
<b>Net liability</b>	<b>(3 414)</b>	<b>(2 717)</b>
Other long term employee benefits	(16)	(16)

<b>Total employee benefits</b>	<b>(3 430)</b>	<b>(2 733)</b>
<b>Employee benefits amounts in the balance sheet:</b>		
Liabilities	(3 440)	(2 746)
Assets	<u>10</u>	<u>13</u>
<b>Net liability</b>	<b>(3 430)</b>	<b>(2 733)</b>

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

Million US dollar	2011	2010	2009
<b>Defined benefit obligation at 1 January</b>	<b>(7 396)</b>	<b>(6 856)</b>	<b>(6 565)</b>
Current service costs	(112)	(104)	(124)
Contribution by plan participants	(5)	(5)	(14)
New past service cost	(101)	(68)	186
Interest cost	(441)	(428)	(416)
Actuarial losses	(744)	(378)	(126)
(Losses)/gains on curtailments	5	(3)	92
Reclassifications from provisions	—	(2)	—
Settlements	6	15	—
Exchange differences	154	(29)	(430)
Benefits paid	484	462	541
<b>Defined benefit obligation at 31 December</b>	<b>(8 150)</b>	<b>(7 396)</b>	<b>(6 856)</b>

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

Million US dollar	2011	2010	2009
<b>Fair value of plan assets at 1 January</b>	<b>5 074</b>	<b>4 645</b>	<b>3 873</b>
Expected return	408	369	317
Actuarial gains and (losses)	(206)	117	396
Contributions by AB InBev	449	358	173
Contributions by plan participants	5	5	14
Exchange differences	(151)	40	416
Other	—	2	(3)
Benefits paid	(484)	(462)	(541)
<b>Fair value of plan assets at 31 December</b>	<b>5 095</b>	<b>5 074</b>	<b>4 645</b>

Actual return on plans assets amounted to a gain of 202m US dollar in 2011 compared to a gain of 486m US dollar in 2010. The decrease is mainly driven by lower market returns particularly in the US, Canada, UK, Brazil and Belgium.

Actual return on plans assets amounted to a gain of 486m US dollar in 2010 compared to a gain of 713m US dollar in 2009. This was mostly driven by investment returns generally in excess of long term expectations particularly in the UK, US, Netherlands and Canada.

The increase in contributions by AB InBev (449m US dollar in 2011 versus 358m US dollar in 2010 and versus 173m US dollar in 2009) is primarily explained by minimum contribution requirements in US plans.

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

Million US dollar	2011	2010	2009
Current service costs	(112)	(104)	(123)
Interest cost	(441)	(428)	(416)
Expected return on plan assets	408	369	317
Past service cost	(101)	(68)	133
(Losses)/gains on settlements or curtailments	15	14	120
Asset limitation	—	—	(30)
	<b>(231)</b>	<b>(217)</b>	<b>1</b>

In 2011 and 2010, early termination benefits and other plan changes, mainly in the US, increased the amortized past service cost.

In 2009, as part of the Anheuser-Busch integration into AB InBev, a curtailment was recognized following the amendment of certain US pension and post-retirement healthcare benefits. The effect of these changes was recorded through the income statement and led to an additional income amount of 240m US dollar.

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

Million US dollar	2011	2010	2009
Cost of sales	(87)	(99)	(66)
Distribution expenses	(16)	(17)	(29)
Sales and marketing expenses	(15)	(12)	(30)
Administrative expenses	(10)	(22)	(42)



Other operating income/expense	—	—	168
Exceptional items	(103)	(67)	—
	(231)	(217)	1

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

	2011	2010	2009
Discount rate	5.4%	6.1%	6.5%
Price inflation	2.6%	2.6%	2.6%
Future salary increases	3.2%	3.0%	2.8%
Future pension increases	2.6%	2.8%	2.6%
Medical cost trend rate	7.5% p.a. reducing to 6.0%	8.1% p.a. reducing to 5.8%	7.9% p.a. reducing to 5.6%
Life expectation for a 65 year old male	84	83	82
Life expectation for a 65 year old female	87	85	84

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

	2011	2010	2009
Discount rate	6.1%	6.5%	6.5%
Expected return on plan assets	8.1%	8.1%	8.2%
Future salary increases	3.0%	2.8%	3.3%
Future pension increases	2.8%	2.6%	2.2%
Medical cost trend rate	8.1% p.a. reducing to 5.8%	7.9% p.a. reducing to 5.6%	8.9% p.a. reducing to 6.6%

Several factors are considered in developing the estimate for the long-term expected rate of return on plan assets. For the defined benefit plans, these include historical rates of return of broad equity and bond indices and projected long-term rates of return from pension investment consultants; taking into account different markets where AB InBev has plan assets.

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 expected rates of return for each asset class in accordance with the anticipated share in the total investment portfolio.

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 (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 US dollar	2011		2010		2009	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
<b>Medical cost trend rate</b>						
Effect on the aggregate of the service cost and interest cost of medical plans	(8)	7	(10)	10	(6)	5
Effect on the defined benefit obligation for medical cost	(77)	71	(74)	73	(77)	70

In line with the IAS 1 Presentation of Financial Statements disclosure requirements on key sources of estimation uncertainty AB InBev has included the results of its sensitivity analysis with regard to the discount rate, the future salary increase and the longevity assumptions.

Million US dollar	2011		2010		2009	
	50 basis points increase	50 basis points decrease	50 basis points increase	50 basis points decrease	50 basis points increase	50 basis points decrease
<b>Discount rate</b>						
Effect on the aggregate of the service cost and interest cost of defined benefit plans	(3)	5	3	(1)	7	(6)
Effect on the defined benefit obligation	496	(544)	445	(475)	435	(476)

Million US dollar	2011		2010		2009	
	50 basis points increase	50 basis points decrease	50 basis points increase	50 basis points decrease	50 basis points increase	50 basis points decrease
<b>Future salary increase</b>						
Effect on the aggregate of the service cost and interest cost of defined benefit plans	(4)	3	(3)	3	(4)	4
Effect on the defined benefit obligation	(30)	29	(30)	28	(46)	45

Million US dollar	2011		2010		2009	
	One year increase	One year decrease	One year increase	One year decrease	One year increase	One year decrease
<b>Longevity</b>						
Effect on the aggregate of the service cost and interest cost of defined benefit plans	(13)	14	(12)	12	(6)	7
Effect on the defined benefit obligation	(211)	214	(195)	197	(105)	108

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:

	<u>2011</u>	<u>2010</u>
Government bonds	28%	34%
Corporate bonds	24%	13%
Equity instruments	43%	49%
Property	3%	2%
Cash	1%	1%
Insurance contracts	1%	1%
	<u>100%</u>	<u>100%</u>

The change in allocation of the fair value of the plan assets in 2011 when compared to 2010 is mainly due to the de-risking strategy (reduction of equity assets as a percentage of the total portfolio when certain funding criteria are met) mainly in the US and a better performance of fixed income assets when compared to equities.

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 US dollar	2011	2010	2009	2008 Adjusted	2007
Present value of the defined benefit obligations	(8 150)	(7 396)	(6 856)	(6 565)	(3 888)
Fair value of plan assets	(5 095)	5 074	4 645	3 873	3 321
Deficit	(3 055)	(2 322)	(2 211)	(2 692)	(567)
Experience adjustments: (increase)/decrease plan liabilities	(76)	(15)	42	289	32
Experience adjustments: increase/(decrease) plan assets	(206)	117	390	(606)	(78)

AB InBev expects to contribute approximately 368 m US dollar for its funded defined benefit plans and 91 m US dollar in benefit payments to its unfunded defined benefit plans and post-retirement medical plans in 2012.

## 25. SHARE-BASED PAYMENTS<sup>1</sup>

Different share and share option programs allow company senior management and members of the Board of Directors to receive or acquire shares of AB InBev or Ambev. AB InBev has three primary share-based compensation plans, the long-term incentive warrant plan (“LTI Warrant Plan”), established in 1999, the share-based compensation plan (“Share-Based Compensation Plan”), established in 2006 and amended as from 2010, and the long-term incentive stock-option plan, established in 2009. For all option plans, the fair value of share-based payment compensation is estimated at grant date, using a binomial Hull model, modified to reflect the IFRS 2 *Share-based Payment* requirement that assumptions about forfeiture before the end of the vesting period cannot impact the fair value of the option.

Share-based payment transactions resulted in a total expense of 203m US dollar for the year 2011 (including the variable compensation expense settled in shares), as compared to 156m US dollar for the year 2010 and 208m US dollar for the year 2009.

### AB INBEV SHARE-BASED PAYMENT PROGRAMS

#### Share-Based Compensation Plan

As from 1 January 2010, the structure of the Share-Based Compensation Plan for certain executives, including the executive board of management and other senior management in the general headquarters, has been modified. From 1 January 2011, the new plan structure applies to all other senior management. Under this plan, the executive board of management and other senior employees will receive their bonus in cash but have the choice to invest some or all of the value of their bonus in AB InBev shares with a five-year vesting period, referred to as bonus shares. The company will match such voluntary investment by granting three matching shares for each bonus share voluntarily invested in, up to a limited total percentage of each participant’s bonus. The matching shares are granted in the form of restricted stock units which have a five-year vesting period. Additionally, the holders of the restricted stock units may be entitled to receive from AB InBev additional restricted stock units equal to the dividends declared since the restricted stock units were granted.

During 2011, AB InBev issued 1.1m of matching restricted stock units according to the new Share-Based Compensation Plan, as described above, in relation to the 2010 bonus. These matching restricted stock units are valued at the share price of the day of grant, representing a fair value of approximately 62.9m US dollar, and cliff vest after five years. During 2010, AB InBev issued 0.8m of matching restricted stock units with an estimated fair value of approximately 38.9m US dollar, in relation to the second half 2009 bonus.

#### LTI Warrant Plan

The company has issued warrants, or rights to subscribe for newly issued shares, under the LTI plan for the benefit of directors and, until 2006, members of the executive board of management and other senior employees. Since 2007, members of the executive board of management and other employees are no longer eligible to receive warrants under the LTI Warrant Plan, but instead receive a portion of their compensation in the form of shares and options granted under the Share-Based Compensation Plan and the LTI Stock-option Plan. Each LTI warrant gives its holder the right to subscribe for one newly issued share. The exercise price of LTI warrants is equal to the average price of the company’s shares on the regulated market of Euronext Brussels during the 30 days preceding their issue date. LTI warrants granted in the years prior to 2007 (except for 2003) have a duration of ten years; LTI warrants granted as from 2007 (and in 2003) have a duration of five years. LTI warrants are subject to a vesting period ranging from one to three years.

During 2011, 0.2m warrants were granted to members of the Board of Directors. These warrants vest in equal annual installments over a three-year period (one third on 1 January of 2013, one third on 1 January 2014 and one third on 1 January 2015) and represent a fair value of approximately 3.0m US dollar. During 2010, 0.2m warrants with a fair value of approximately 2.4m US dollar were granted under this plan.

**Long-term Incentive Stock-option Plan**

As from 1 July 2009, senior employees are eligible for an annual long-term incentive to be paid out in LTI stock options (or, in future, similar share-based instruments), depending on management's assessment of the employee's performance and future potential.

In November 2011 AB InBev issued 4.1m LTI stock options with an estimated fair value of 66.2m US dollar, whereby 1.2m options relate to American Depositary Shares (ADSs) and 2.9m options to AB InBev shares. In November 2010 AB InBev issued 4.0m LTI stock options with an estimated fair value of 64.6m US dollar, whereby 1.2m options relate to American Depositary Shares (ADSs) and 2.8m options to AB InBev shares.

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<sup>1</sup> Amounts have been converted to US dollar at the average rate of the period.

As from 2010 AB InBev has in place three specific long-term restricted stock unit programs. One program allows for the offer of restricted stock units to certain employees in certain specific circumstances, whereby grants are made at the discretion of the CEO, e.g. to compensate for assignments of expatriates in countries with difficult living conditions. The restricted stock units vest after five years and in case of termination of service before the vesting date, special forfeiture rules apply. In 2011, 0.1m restricted stock units with an estimated fair value of 2.8m US dollar were granted under this program to a selected number of employees. In 2010, 0.1m restricted stock units with an estimated fair value of 6.6m US dollar were granted under this program.

A second program allows for the exceptional offer of restricted stock units to certain employees at the discretion of the Remuneration Committee of AB InBev as a long-term retention incentive for key employees of the company. Employees eligible to receive a grant under this program receive two series of restricted stock units, the first half of the restricted stock units vesting after five years, the second half after ten years. In case of termination of service before the vesting date, special forfeiture rules apply. In December 2011 0.1m restricted stock units with an estimated fair value of 5.4m US dollar were granted under this program to a selected number of employees. In December 2010 0.3m restricted stock units with an estimated fair value of 18.3m US dollar were granted under this program.

A third program allows certain employees to purchase company shares at a discount aimed as a long-term retention incentive for (i) high-potential employees of the company, who are at a mid-manager level (“People bet share purchase program”) or (ii) for newly hired employees. The voluntary investment in company shares leads to the grant of 3 matching shares for each share invested. The discount and matching shares are granted in the form of restricted stock units which vest after 5 years. In case of termination before the vesting date, special forfeiture rules apply. In 2011, the company’s employees purchased shares under this program for the equivalent of 0.2m US dollar. In 2010 there were no grants under this program.

In order to maintain consistency of benefits granted to executives and to encourage international mobility of executives, an options exchange program has been executed whereby unvested options are exchanged against restricted shares that remain locked-up until 31 December 2018. In 2011, 2.0m unvested options were exchanged against 1.4m restricted shares. In 2010, 0.3m unvested options were exchanged against 0.2m restricted shares. Furthermore, certain options granted have been modified whereby the dividend protected feature of these options have been cancelled and replaced by the issuance of 0.6m options in 2011 and 0.2m options in 2010, representing the economic value of the dividend protection feature. As there was no change between the fair value of the original award immediately before the modification and the fair value of the modified award immediately after the modification, no additional expense was recorded as a result of the modification.

The weighted average fair value of the options and assumptions used in applying the AB InBev option pricing model for the 2011 grants of awards described above are as follows:

<u>Amounts in US dollar unless otherwise indicated<sup>1</sup></u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Fair value of options and warrants granted	14.95	14.59	13.99
Share price	57.04	51.71	29.03
Exercise price	56.88	51.61	21.62
Expected volatility	26%	26%	32%
Expected dividends	2.50%	2.35%	0.85%
Risk-free interest rate	2.84%	3.29%	3.49%

Expected volatility is based on historical volatility calculated using 1 766 days of historical data. In the determination of the expected volatility, AB InBev is excluding the volatility measured during the period 15 July 2008 until 30 April 2009, in view of the extreme market conditions experienced during that period. The binomial Hull model assumes that all employees would immediately exercise their options if the AB 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 AB InBev options and warrants developed as follows:

<u>Million options and warrants</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Options and warrants outstanding at 1 January	56.1	50.8	8.8
Options and warrants issued during the year	4.9	9.8	50.3
Options and warrants exercised during the year	(4.1)	(1.8)	(6.6)
Options and warrants forfeited during the year	(2.5)	(2.7)	(1.7)
<b>Options and warrants outstanding at the end of December</b>	<b>54.4</b>	<b>56.1</b>	<b>50.8</b>

The range of exercise prices of the outstanding options and warrants is between 10.32 euro (13.35 US dollar) and 58.31 euro (75.45 US dollar) while the weighted average remaining contractual life is 8.44 years.

Of the 54.4m outstanding options and warrants 5.6m are vested at 31 December 2011.

The weighted average exercise price of the AB InBev options and warrants is as follows:

<u>Amounts in US dollar<sup>1</sup></u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Options and warrants outstanding at 1 January	29.88	27.37	34.42
Granted during the year	56.52	51.86	24.78
Exercised during the year	23.83	25.81	18.94
Forfeited during the year	27.65	27.76	27.48
Outstanding at the end of December	32.98	29.88	27.37
Exercisable at the end of December	31.91	30.71	31.16

For share options and warrants exercised during 2011 the weighted average share price at the date of exercise was 43.16 euro (55.84 US dollar).

<sup>1</sup> Amounts have been converted to US dollar at the closing rate of the respective period.

The total number of outstanding AB InBev restricted stock units developed as follows:

Million restricted stock units	2011	2010	2009
Restricted stock units outstanding at 1 January	1.2	—	—
Restricted stock units issued during the year	1.2	1.2	—
Restricted stock units exercised during the year	—	—	—
Restricted stock units forfeited during the year	(0.1)	—	—
<b>Restricted stock units outstanding at the end of December</b>	<b>2.3</b>	<b>1.2</b>	<b>—</b>

### AMBEV SHARE-BASED PAYMENT PROGRAMS

Since 2005, Ambev has had a plan which is substantially similar to the Share-Based Compensation Plan under which bonuses granted to company employees and management are partially settled in shares. Under the Share-Based Compensation Plan as modified as of 2010, Ambev issued, in March 2011, 1.4m restricted stock units with an estimated fair value of 38m US dollar.

As from 2010, senior employees are eligible for an annual long-term incentive to be paid out in Ambev LTI stock options (or, in future, similar share-based instruments), depending on management's assessment of the employee's performance and future potential. In 2011, Ambev granted 3.1m LTI stock options with an estimated fair value of 37m US dollar.

In order to encourage the mobility of managers, the features of certain options granted in previous years have been modified whereby the dividend protection of these options was cancelled and replaced by the issuance of 2.5m options in 2011 representing the economic value of the dividend protection feature. Since there was no change between the fair value of the original award before the modification and the fair value of the modified award after the modification, no additional expense was recorded as a result of this modification.

The weighted fair value of the options and assumptions used in applying a binomial option pricing model for the 2011 Ambev grants are as follows:

Amounts in US dollar unless otherwise indicated <sup>1</sup>	2011	2010	2009 <sup>2</sup>
Fair value of options granted	11.98	11.24	10.40
Share price	29.65	24.09	15.39
Exercise price	24.73	24.57	14.94
Expected volatility	34%	28%	45%
Expected dividends	0.00% -5.00%	2.57%	0.00%
Risk-free interest rate	3.10% -11.89% <sup>3</sup>	12.24%	12.64%

The total number of outstanding Ambev options developed as follows:

Million options	2011	2010	2009 <sup>2</sup>
Options outstanding at 1 January	26.3	20.6	14.1
Options issued during the year	5.6	6.6	8.2
Options exercised during the year	(1.7)	(0.5)	(0.6)
Options forfeited during the year	(0.6)	(0.4)	(1.1)
<b>Options outstanding at the end of December</b>	<b>29.6</b>	<b>26.3</b>	<b>20.6</b>

Following the decision of the General Meeting of Shareholders of 17 December 2010, each common and preferred share issued by Ambev was split into 5 shares, without any modification to the amount of the capital stock of Ambev. As a consequence of the split of the Ambev shares with a factor 5, the exercise price and the number of options were adjusted with the intention of preserving the rights of the existing option holders.

The range of exercise prices of the outstanding options is between 11.92 Brazilian real (6.35 US dollar) and 67.10 Brazilian real (35.77 US dollar) while the weighted average remaining contractual life is 8.59 years.

Of the 29.6m outstanding options 3.0m options are vested at 31 December 2011.

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

Amounts in US dollar <sup>1</sup>	2011	2010	2009 <sup>2</sup>
Options outstanding at 1 January	14.83	12.46	11.20
Granted during the year	29.37	24.57	14.03
Exercised during the year	7.23	7.17	6.59
Forfeited during the year	12.66	11.59	11.35
Outstanding at the end of December	15.92	14.83	11.92



Exercisable at the end of December

7.04 7.00 6.56

For share options exercised during 2011 the weighted average share price at the date of exercise was 57.39 Brazilian real (30.60 US dollar).

The total number of outstanding Ambev restricted stock units developed as follows:

<u>Million restricted stock units</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Restricted stock units outstanding at 1 January	0.2	—	—
Restricted stock units issued during the year	1.4	0.2	—
Restricted stock units exercised during the year	—	—	—
Restricted stock units forfeited during the year	—	—	—
<b>Restricted stock units outstanding at the end of December</b>	<b>1.6</b>	<b>0.2</b>	<b>—</b>

<sup>1</sup> Amounts have been converted to US dollar at the closing rate of the respective period.

<sup>2</sup> Amounts have been adjusted for the Ambev share split of 17 December 2010.

<sup>3</sup> The weighted average risk-free interest rates refer to granted ADRs and stock options respectively.

During 2011, a limited number of Ambev shareholders who are part of the senior management of AB InBev were given the opportunity to exchange Ambev shares against a total of 1.0m AB InBev shares (0.3m AB InBev shares in 2010) 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 US dollar (2m US dollar in 2010) and is expensed over the five years service period. The fair values of the Ambev and AB InBev shares were determined based on the market price.

## 26. PROVISIONS

Million US dollar	Restructuring	Disputes	Other	Total
<b>Balance at 1 January 2011</b>	<b>241</b>	<b>869</b>	<b>40</b>	<b>1 150</b>
Effect of changes in foreign exchange rates	(4)	(42)	—	(46)
Provisions made	200	172	12	384
Provisions used	(141)	(163)	(8)	(312)
Provisions reversed	(23)	(74)	(4)	(101)
Other movements	(1)	41	—	40
<b>Balance at 31 December 2011</b>	<b>272</b>	<b>803</b>	<b>40</b>	<b>1 115</b>
<b>Balance at 1 January 2010</b>	<b>230</b>	<b>788</b>	<b>256</b>	<b>1 274</b>
Effect of changes in foreign exchange rates	(10)	6	(7)	(11)
Provisions made	169	224	7	400
Provisions used	(142)	(74)	(64)	(280)
Provisions reversed	(43)	(59)	(31)	(133)
Other movements	37	(16)	(121)	(100)
<b>Balance at 31 December 2010</b>	<b>241</b>	<b>869</b>	<b>40</b>	<b>1 150</b>

The restructuring provisions are primarily explained by the organizational alignments, as explained in Note 8 *Exceptional items*. 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 US dollar	Total	< 1 year	1-2 years	2-5 years	> 5 years
<b>Restructuring</b>					
Reorganization	272	141	34	83	14
<b>Disputes</b>					
Income and indirect taxes	585	45	442	67	31
Labor	147	28	44	40	35
Commercial	24	11	3	4	6
Other disputes	47	9	20	15	3
	<b>803</b>	<b>93</b>	<b>509</b>	<b>126</b>	<b>75</b>
<b>Other contingencies</b>					
Onerous contracts	4	1	—	—	3
Guarantees given	12	—	7	5	—
Other contingencies	24	6	4	3	11
	<b>40</b>	<b>7</b>	<b>11</b>	<b>8</b>	<b>14</b>
<b>Total provisions</b>	<b>1 115</b>	<b>241</b>	<b>554</b>	<b>217</b>	<b>103</b>

Since 1 January 2005 AB 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 provision is measured at the estimated amount of the expenditure required to settle the obligation. At 31 December 2011, the emission allowances owned fully covered the expected CO2 emissions. As such no provision needed to be recognized.

## 27. TRADE AND OTHER PAYABLES

### NON-CURRENT TRADE AND OTHER PAYABLES

Million US dollar	2011	2010
Indirect taxes payable	397	535
Trade payables	466	395

Cash guarantees	11	12
Deferred consideration on acquisitions	91	117
Derivatives	508	1 216
Other payables	<u>75</u>	<u>20</u>
	<b>1 548</b>	<b>2 295</b>

## CURRENT TRADE AND OTHER PAYABLES

Million US dollar	2011	2010
Trade payables and accrued expenses	7 709	6 704
Payroll and social security payables	610	624
Indirect taxes payable	1 447	1 323
Interest payable	829	874
Consigned packaging	576	559
Cash guarantees	52	45
Derivatives	1 427	1 730
Dividends payable	566	116
Deferred income	30	18
Deferred consideration on acquisitions	36	41
Other payables	55	37
	<b>13 337</b>	<b>12 071</b>

Derivatives mainly reflect the mark-to-market of the interest rate swaps entered into to hedge the Anheuser-Busch acquisition financing and the commodity forward contracts entered into to hedge the company's operational exposure (See also Note 28 *Risks arising from financial instruments*).

## 28. RISKS ARISING FROM FINANCIAL INSTRUMENTS

AB InBev's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest risk, commodity risk and equity risk), credit risk and liquidity risk. 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.

Some of the company's risk management strategies include the usage of derivatives. The main derivative instruments used are foreign currency rate agreement, exchange traded foreign currency futures, interest rate swaps, cross currency interest rate swaps ("CCIRS"), exchange traded interest rate futures, commodity swaps, exchange traded commodity futures and equity swaps. AB InBev's policy prohibits the use of derivatives in the context of speculative trading.

The following table provides an overview of the derivative financial instruments outstanding at year-end by maturity bucket. The amounts included in this table are the notional amounts.

Million US dollar	2011					2010				
	< 1 year	1-2 years	2-3 years	3-5 years	> 5 years	< 1 year	1-2 years	2-3 years	3-5 years	> 5 years
<b>Foreign currency</b>										
Forward exchange contracts	5 614	1 422	—	—	—	2 206	952	—	—	—
Foreign currency futures	1 118	180	5	—	—	2 587	18	—	—	—
<b>Interest rate</b>										
Interest rate swaps	70 578	6 583	11 050	350	160	216	70 196	6 153	4 750	180
Cross currency interest rate swaps	887	955	639	973	1 532	1 264	982	1 349	1 536	1 536
Interest rate futures	145	—	4	43	3	117	464	600	121	113
<b>Commodities</b>										
Aluminum swaps	1 372	553	—	—	—	1 048	53	—	—	—
Other commodity derivatives	756	87	—	—	—	406	48	—	—	—
<b>Equity</b>										
Equity derivatives	399	710	—	—	—	378	412	—	—	—

To finance the acquisition of Anheuser-Busch, AB InBev entered into a 45 billion US dollar senior facilities agreement, of which 44 billion US dollar was ultimately drawn (the "2008 senior facilities"). At the time of the Anheuser-Busch acquisition, the interest rate for an amount of up to 34.5 billion US dollar had effectively been fixed through a series of hedge arrangements at a weighted average rate of 3.875% per annum (plus applicable spreads) for the period 2009 to 2011 and a portion of the hedging arrangements had been successively extended for an additional two-year period. In 2009 the company repaid part of the 2008 senior facilities and in 2010, the 2008 senior facilities were fully refinanced and partially replaced by the 2010 senior facilities as described in Note 23 *Interest-bearing loans and borrowings*. Following the repayment and the refinancing activities performed throughout 2009, 2010 and 2011, the company entered into new interest rate swaps to unwind the ones that became freestanding as a result of these repayments. As of 31 December 2011, there are no remaining open positions covering the interest exposure on the outstanding balance drawn under the 2010 senior facilities.

## **A. FOREIGN CURRENCY RISK**

AB 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 main derivative financial instruments used to manage foreign currency risk are foreign currency rate agreement, exchange traded foreign currency futures and cross currency interest rate swaps.

## FOREIGN EXCHANGE RISK ON OPERATING ACTIVITIES

As far as foreign currency risk on firm commitments and forecasted transactions is concerned, AB 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 the forecast period determined in the financial risk management policy. Operational transactions that are certain are hedged without any limitation in time.

The table below provides an indication of the company's main net foreign currency positions as regards firm commitments and forecasted transactions for the most important currency pairs. The open positions are the result of the application of AB 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 US dollar	31 December 2011			31 December 2010		
	Total exposure	Total derivatives	Open position	Total exposure	Total derivatives	Open position
Canadian dollar/US dollar	(10)	(82)	(92)	—	—	—
Euro/Argentinean peso	—	—	—	(7)	7	—
Euro/Brazilian real	(37)	37	—	(38)	38	—
Euro/Canadian dollar	(22)	22	—	(35)	35	—
Euro/Pound sterling	(201)	285	84	(179)	172	(7)
Euro/Russian ruble	(127)	162	35	(154)	109	(45)
Euro/Ukrainian hryvnia	(109)	52	(57)	(101)	51	(50)
Pound sterling/Canadian dollar	(12)	12	—	(18)	18	—
Pound sterling/Euro	(33)	8	(25)	(23)	9	(14)
US dollar/Argentinean peso	(448)	448	—	(172)	172	—
US dollar/Bolivian boliviano	72	(72)	—	46	(46)	—
US dollar/Brazilian real	(1508)	1508	—	231	(231)	—
US dollar/Canadian dollar	(158)	158	—	(172)	172	—
US dollar/Chilean peso	46	(46)	—	39	(39)	—
US dollar/Dominican peso	(29)	29	—	(10)	10	—
US dollar/Euro	102	(102)	—	197	(197)	—
US dollar/Paraguayan guarani	(72)	72	—	(37)	37	—
US dollar/Peruvian nuevo sol	(53)	53	—	(76)	76	—
US dollar/Pound sterling	(43)	41	(2)	(26)	26	—
US dollar/Russian ruble	(98)	92	(6)	(85)	73	(12)
US dollar/Ukrainian hryvnia	(81)	52	(29)	(31)	18	(13)
US dollar/Uruguayan peso	(37)	37	—	(27)	27	—

Further analysis on the impact of open currency exposures is performed in the *Currency Sensitivity Analysis* below.

In conformity with IAS 39 hedge accounting rules, these hedges of firm commitments and highly probable forecasted transactions denominated in foreign currency are designated as cash flow hedges.

## FOREIGN EXCHANGE RISK ON INTRAGROUP LOANS

In 2011, a series of foreign exchange derivatives were contracted to hedge the foreign currency risk from intercompany loans transacted between group entities with different functional currencies. Intercompany loans with Russia were hedged against US dollar for an amount of 6 300m Russian ruble. As of 31 December 2010, there were no outstanding derivative contracts linked to foreign exchange risk on intragroup loans.

## FOREIGN EXCHANGE RISK ON NET INVESTMENTS IN FOREIGN OPERATIONS

AB InBev enters into hedging activities to mitigate exposures related to its investments in foreign operations. These strategies are designated as net investment hedges and include both derivative and non-derivative financial instruments.

As of 31 December 2011, designated derivative and non-derivative financial instruments in a net investment hedge relationship amount to 7 841m US dollar equivalent (6 283m US dollar in 2010) in Holding companies and approximately 1 254m US dollar equivalent (370m US dollar in 2010) at Ambev level. Those derivatives and non-derivatives are used to hedge foreign operations with functional currencies denominated in Brazilian real, Canadian dollar, pound sterling, Russian ruble, euro, and US dollar.

## FOREIGN EXCHANGE RISK ON FOREIGN CURRENCY DENOMINATED DEBT

It is AB 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. Following the acquisition of Anheuser-Busch, AB InBev adopted a hybrid currency matching model pursuant to which the company may (i) match net debt currency exposure to cash flows in such currency, measured on the basis of normalized EBITDA, by swapping a significant portion of US dollar debt to other currencies, such as Brazilian real (with a higher coupon), although this would negatively impact AB InBev's profit and earnings due to the higher Brazilian real interest coupon, and (ii) use AB InBev's US dollar cash flows to service interest payments under AB InBev's debt obligations.

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 is further detailed in the *Interest Rate Risk* section below.

## CURRENCY SENSITIVITY ANALYSIS

### *Currency transactional risk*

Most of AB 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 can have open positions in Eastern European countries for which hedging can be limited as the illiquidity of the local foreign exchange market prevents us from hedging at a reasonable cost. The transactional foreign currency risk mainly arises from open positions in Canadian dollar, pound sterling, Russian ruble and Ukrainian hryvnia against the US dollar and the euro. AB InBev estimated the reasonably possible change of exchange rate, on the basis of the average volatility on the open currency pairs, as follows:

	2011		
	Closing rate 31 December 2011	Possible closing rate <sup>1</sup>	Volatility of rates in %
Pound sterling/Euro	1.20	1.10 - 1.30	8.45%
Euro/Russian ruble	41.66	38.14 - 45.18	8.45%
Euro/Ukrainian hryvnia	10.34	9.02 - 11.65	12.71%
US dollar/Canadian dollar	1.02	0.92 - 1.13	10.30%
US dollar/Ukrainian hryvnia	7.99	7.78 - 8.2	2.62%

  

	2010		
	Closing rate 31 December 2010	Possible closing rate <sup>2</sup>	Possible volatility of rates in %
Euro/Russian ruble	40.33	36.76 - 43.91	8.86%
Euro/Ukrainian hryvnia	10.57	9.26 - 11.89	12.46%
Pound sterling/Euro	1.16	1.06 - 1.27	9.16%
US dollar/Russian ruble	30.18	27.29 - 33.07	9.58%
US dollar/Ukrainian hryvnia	7.91	7.62 - 8.21	3.70%

Had the Canadian dollar, the pound sterling, the Russian ruble and the Ukrainian hryvnia weakened/strengthened during 2011 by the above estimated changes against the euro or the US dollar, with all other variables held constant, the 2011 impact on consolidated profit before taxes would have been approximately 5m US dollar (12m US dollar in 2010) higher/lower.

Additionally, the AB InBev sensitivity analysis<sup>1</sup> to the foreign exchange rates on its total derivatives positions as of 31 December 2011, shows a pre-tax impact on equity reserves of 356m US dollar (22m US dollar in 2010) positive/negative.

## **B. 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 AB InBev's 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 AB InBev's overall business strategy.

### **FAIR VALUE HEDGE**

#### *Pound sterling hedges (foreign currency risk + interest rate risk on borrowings in pound sterling)*

In June 2009, the company issued a pound sterling bond for an equivalent of 750m pound sterling. This bond bears interest at 6.50% with maturity in June 2017.

The company entered into several pound sterling fixed/euro floating cross currency interest rate swaps to manage and reduce the impact of changes in the pound sterling exchange rate and interest rate on this bond.

These derivative instruments have been designated in a fair value hedge accounting relationship.

#### *Ambev bond hedges (foreign currency risk + interest rate risk on borrowings in US dollar)*

In December 2001, Ambev issued 500m US dollar in foreign securities ("Bond 11"). This bond bears interest at 10.5% 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 13"). This bond bears interest at 8.75% and is repayable semi-annually since March 2004 with final maturity in September 2013. In July 2007 Ambev issued a Brazilian real bond ("Bond 17"), which bears interest at 9.5% and is repayable semi-annually with final maturity date in July 2017.

Ambev entered into several US dollar fixed/Brazilian real floating cross currency interest rate swaps to manage and reduce the impact of changes in the US dollar exchange rate and interest rate on these bonds. In addition to this, Ambev entered into a fixed/floating interest rate swap to hedge the interest rate risk on the bond 2017.



In 2011, following the repayment of the Bond 13 and Bond 11 as described in Note 23 *Interest-bearing loans and borrowings* only the hedging instruments hedging the bond 2017 remains designated in a fair value hedge accounting relationship.

***US dollar fixed rate bond hedges (interest rate risk on borrowings in US dollar)***

On 14 July 2011, AB InBev issued a series of notes in an aggregate principal amount of 750m US dollar aggregate principal amount of fixed rate notes due 2014 bearing interest at a rate of 1.50%.

The company entered into a series of US dollar fixed/floating interest rate swaps for an equivalent notional amount of 750m US dollar to manage and reduce the impact of changes in the US dollar interest rates on the fair value of this bond.

These derivative instruments are designated in fair value hedge accounting relationship by year end 2011.

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

The company borrowed 850m US dollar through private placement of which 775m US dollar matured during 2009 and 2010, and 75m US dollar are due in 2013.

The company entered into US dollar fixed/euro floating cross currency interest rate swaps for a total amount of 730m US dollar of which 655m US dollar expired during 2009 and 2010 and the remaining will mature in 2013.

- 
- 1 Sensitivity analysis is assessed based on the yearly volatility using daily observable market data during 250 days at 31 December 2011.
  - 2 Sensitivity analysis is assessed based on the yearly volatility using daily observable market data during 250 days at 31 December 2010.

As of 31 December 2011 and 2010, 75m US dollar hedges were designated for hedge accounting in fair value hedge relationships.

## CASH FLOW HEDGE

### *Floating interest rate risk on borrowings in US Dollar*

Following the refinancing and the repayment of the 2008 and 2010 senior facilities the interest rate swaps that were designated for the hedge of the financing of the Anheuser-Busch acquisition became freestanding given the repayment of part of these senior facilities. In order to offset the interest rate risk, the freestanding derivatives were unwound via additional offsetting trades.

As of 31 December 2011, there are no remaining open positions covering the interest exposure on the outstanding balance drawn under the 2010 senior facilities. As of 31 December 2010, the open positions amounted to 4.4 billion US dollar.

### *Canada Debenture Hedges (foreign currency risk + interest rate risk on borrowings in Brazilian Real)*

As of 31 December 2011, the company has outstanding bank loans of 474m Brazilian real relating to a loan issued in 2006. The company has entered into a series of derivative contracts to hedge the foreign exchange and interest rate risk related to the Brazilian real. The maturity date for the derivative contract is identical to the maturity date of the loan, which matures in January 2012. This hedge was designated in a cash flow hedge accounting relationship.

## NET INVESTMENT HEDGE

### *Net debt currency exposure adjustment (US dollar and euro to Brazilian real)*

As of 31 December 2011 the company has outstanding US dollar/Brazilian real and euro/Brazilian real cross currency interest rate swap contracts for an equivalent of approximately 1 344m Brazilian real (1 344m Brazilian real in 2010) and 1 292m Brazilian real (1 292m Brazilian real in 2010), respectively.

The purpose of these derivatives is to effectively increase the level of Brazilian real denominated debt in order to achieve a better balance of the company's net currency exposure.

These derivative instruments are designated in net investment hedge accounting relationship by year end 2011.

## ECONOMIC HEDGE

### *Swiss franc bond hedges (foreign currency risk + interest rate risk on borrowings in Swiss franc)*

In May 2009, the company issued a Swiss franc bond for an equivalent of 600m Swiss franc. This bond bears interest at 4.51% with maturity in June 2014.

The company entered into a Swiss franc fixed/euro floating cross currency interest rate swap to manage and reduce the impact of changes in the Swiss franc exchange rate and interest rate on this bond.

This derivative instrument was designated in a fair value hedge accounting relationship in 2009. During 2010, although this derivative continues to be considered an economic hedge, hedge accounting designation was discontinued.

## INTEREST RATE SENSITIVITY ANALYSIS

In respect of interest-bearing financial liabilities, the table below indicates their effective interest rates at balance sheet date as well as the split per currency in which the debt is denominated.

31 December 2011 Interest-bearing financial liabilities Million US dollar	Before hedging		After hedging	
	Effective interest rate	Amount	Effective interest rate	Amount
<b>Floating rate</b>				
Brazilian real	9.61%	1 361	10.05%	3 105
Euro	1.52%	1 471	2.85%	3 789
Russian ruble	—	—	6.27%	203
US dollar	0.71%	3 536	1.05%	2 752
		<b>6 368</b>		<b>9 849</b>
<b>Fixed rate</b>				
Brazilian real	9.96%	1 014	8.23%	603
Canadian dollar	3.64%	586	4.24%	839
Chinese yuan	6.57%	27	6.57%	27
Euro	5.10%	6 231	4.93%	6 783

Guatemalan quetzal	6.76%	23	6.76%	23
Pound sterling	7.88%	2 120	9.75%	844
Swiss franc	4.51%	635	—	—
US dollar	5.18%	23 151	5.42%	21 187
Other	8.15%	9	8.15%	9
		<b>33 796</b>		<b>30 315</b>

31 December 2010 Interest-bearing financial liabilities Million US dollar	Before hedging		After hedging	
	Effective interest rate	Amount	Effective interest rate	Amount
<b>Floating rate</b>				
Brazilian real	10.72%	2 527	10.37%	5 283
Canadian dollar	1.64%	181	2.11%	228
Euro	1.32%	3 105	2.98%	4 051
Russian ruble	5.00%	6	5.00%	6
US dollar	1.21%	6 768	0.54%	2 362
		<b>12 587</b>		<b>11 930</b>
<b>Fixed rate</b>				
Argentinean peso	14.44%	46	14.44%	46
Brazilian real	11.85%	1 504	9.56%	610
Canadian dollar	4.18%	694	4.63%	1 361
Chinese yuan	5.21%	11	5.21%	11
Euro	6.47%	4 116	6.10%	4 686
Guatemalan quetzal	7.75%	17	7.75%	17
Pound sterling	7.88%	2 053	9.75%	845
Swiss franc	4.51%	636	—	—
Russian ruble	—	—	5.23%	79
US dollar	5.90%	23 223	5.75%	25 301
Other	6.24%	7	6.28%	8
		<b>32 307</b>		<b>32 964</b>

At 31 December 2011, the total carrying amount of the floating and fixed rate interest-bearing financial liabilities before hedging listed above includes bank overdrafts of 8m US dollar (2010: 14m US dollar).

As disclosed in the above table, 9 849m US dollar or 24.52% of the company's interest bearing financial liabilities bear a variable interest rate. The company estimated that the reasonably possible change of the market interest rates applicable to its floating rate debt after hedging is as follows:

	2011		
	Interest rate 31 December 2011 <sup>1</sup>	Possible interest rate <sup>2</sup>	Volatility of rates in %
Brazilian real	10.53%	9.47% - 11.58%	10.02%
Euro	1.36%	1.21% - 1.50%	10.93%
Russian ruble	7.22%	5.85% - 8.59%	19.04%
US dollar	0.58%	0.52% - 0.64%	9.84%
	2010		
	Interest rate 31 December 2010 <sup>1</sup>	Possible interest rate <sup>2</sup>	Volatility of rates in %
Brazilian real	10.32%	9.09% - 11.54%	11.90%
Canadian dollar	1.30%	1.01% - 1.59%	22.67%
Euro	1.01%	0.92% - 1.09%	8.08%
US dollar	0.30%	0.24% - 0.37%	21.66%

When AB InBev applies the reasonably possible increase/decrease in the market interest rates mentioned above on its floating rate debt at 31 December 2011, with all other variables held constant, 2011 interest expense would have been 43m US dollar higher/lower (2010: 71m US dollar). This effect would be compensated by 47m US dollar higher/lower interest income on AB InBev's interest-bearing financial assets (2010: 8m US dollar).

### C. COMMODITY PRICE RISK

The commodity markets have experienced and are expected to continue to experience price fluctuations. AB 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, barley, corn grits, corn syrup, corrugated board, fuel oil, glass, hops, labels, malt, natural gas, rice, steel and wheat. As of 31 December 2011, the company has the following commodity derivatives outstanding (in notional amounts): aluminum swaps for 1 925m US dollar (last year 1 101m US dollar), natural gas and energy derivatives for 274m US dollar (last year 132m US dollar), exchange traded sugar futures for 133m US dollar (last year 89m US dollar), corn swaps for 235m US dollar (last year 74m US dollar), exchange traded wheat futures for 122m US dollar (last year 128m US dollar) and rice swaps for 79m US dollar (last year 31m US dollar). These hedges are designated in a cash flow hedge accounting relationship.

## COMMODITY PRICE SENSITIVITY ANALYSIS

The impact of changes in the commodity prices for AB InBev's derivative exposures would have caused an immaterial impact on 2011 profits as most of the company's commodity derivatives are designated in a hedge accounting relationship.

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<sup>1</sup> Applicable 3-month InterBank Offered Rates as of 31 December 2011 and as of 31 December 2010.

<sup>2</sup> Sensitivity analysis is assessed based on the yearly volatility using daily observable market data during 250 days at 31 December 2011 and at December 2010. 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, the company's analysis is based on the 3-month InterBank Offered Rates applicable for the currencies concerned (e.g. EURIBOR 3M, LIBOR 3M).

The table below shows the estimated impact that changes in the price of the commodities, for which AB InBev held material derivative exposures at 31 December 2011, would have on the equity reserves.

Million US dollar	2011		
	Volatility of prices in % <sup>1</sup>	Pre-tax impact on equity	
		Prices increase	Prices decrease
Aluminum	22.40%	315	(315)
Sugar	41.41%	44	(44)
Wheat	38.11%	64	(64)
Energy	21.91%	49	(49)
Rice	28.76%	24	(24)
Corn	33.21%	72	(72)

#### D. EQUITY PRICE RISK

During 2010 and 2011, AB InBev entered into a series of derivative contracts to hedge the risk arising from the different share-based payment programs. As of 31 December 2011, an exposure for an equivalent of 21m of AB InBev shares was hedged. The purpose of these derivatives is to effectively hedge the risk that a price increase in the AB InBev shares will negatively impact future cash flows related to the share-based payments. These derivative instruments could not qualify for hedge accounting therefore they have not been designated in any hedging relationships.

#### EQUITY PRICE SENSITIVITY ANALYSIS

The sensitivity analysis on the share-based payments hedging program, calculated based on a 22.30% reasonable possible volatility<sup>1</sup> of the AB InBev share price and with all the other variables held constant, would show 287m US dollar positive/negative impact on the 2011 profit before tax.

#### E. CREDIT RISK

Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to AB 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.

AB 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, AB InBev considers the risk of counterparty default per 31 December 2011 to be limited.

AB InBev has established minimum counterparty credit ratings and enters into transactions only with financial institutions of investment grade. The company monitors counterparty credit exposures closely and reviews any downgrade in credit rating immediately. To mitigate pre-settlement 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 different financial institutions.

#### EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the maximum credit exposure of the Group. The carrying amount is presented net of the impairment losses recognized. The maximum exposure to credit risk at the reporting date was:

Million US dollar	2011			2010		
	Gross	Impairment	Net carrying amount	Gross	Impairment	Net carrying amount
Held for trading	—	—	—	641	—	641
Available for sale	378	(55)	323	297	(55)	242
Held to maturity	24	—	24	2	—	2
Trade receivables	2 687	(230)	2 457	2 839	(234)	2 605
Cash deposits for guarantees	298	—	298	332	—	332
Loans to customers	161	(109)	52	215	(118)	97
Other receivables	1 491	(122)	1 369	1 785	(125)	1 660
Derivatives	1 272	—	1 272	1 644	—	1 644
Cash and cash equivalents	5 324	(4)	5 320	4 511	—	4 511
	<b>11 635</b>	<b>(520)</b>	<b>11 115</b>	<b>12 266</b>	<b>(532)</b>	<b>11 734</b>

There was no significant concentration of credit risks with any single counterparty per 31 December 2011.

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<sup>1</sup> Sensitivity analysis is assessed based on the yearly volatility using daily observable market data during 250 days at 31 December 2011.

## IMPAIRMENT LOSSES

The allowance for impairment recognized during the period per classes of financial assets was as follows:

Million US dollar	2011					
	Available for sale	Trade receivables	Loans to customers	Other receivables	Cash and cash equivalents	Total
Balance at 1 January	(55)	(234)	(118)	(125)	—	(532)
Impairment losses	(9)	(25)	(1)	(14)	(5)	(54)
Derecognition	7	14	7	7	—	35
Currency translation and other	2	15	3	10	1	31
<b>Balance at 31 December</b>	<b>(55)</b>	<b>(230)</b>	<b>(109)</b>	<b>(122)</b>	<b>(4)</b>	<b>(520)</b>

Million US dollar	2010					
	Available for sale	Trade receivables	Loans to customers	Other receivables	Cash and cash equivalents	Total
Balance at 1 January	(34)	(214)	(102)	(117)	—	(467)
Impairment losses	(30)	(49)	(7)	—	—	(86)
Derecognition	1	27	9	—	—	37
Currency translation	8	2	(18)	(8)	—	(16)
<b>Balance at 31 December</b>	<b>(55)</b>	<b>(234)</b>	<b>(118)</b>	<b>(125)</b>	<b>—</b>	<b>(532)</b>

Million US dollar	2009					
	Available for sale	Trade receivables	Loans to customers	Other receivables	Cash and cash equivalents	Total
Balance at 1 January	(22)	(264)	(72)	(84)	—	(442)
Impairment losses	(6)	(20)	(38)	(28)	—	(92)
Derecognition	6	44	10	3	—	63
Currency translation	(12)	26	(2)	(8)	—	4
<b>Balance at 31 December</b>	<b>(34)</b>	<b>(214)</b>	<b>(102)</b>	<b>(117)</b>	<b>—</b>	<b>(467)</b>

## F. LIQUIDITY RISK

AB InBev's primary sources of cash flow have historically been cash flows from operating activities, the issuance of debt, bank borrowings and the issuance of equity securities. AB InBev's material cash requirements have included the following:

- Debt service;
- Capital expenditures;
- Investments in companies;
- Increases in ownership of AB InBev's subsidiaries or companies in which it holds equity investments;
- Share buyback programs; and
- Payments of dividends and interest on shareholders' equity.

The company believes that cash flows from operating activities, available cash and cash equivalent and short term investments, along with the derivative instruments and access to borrowing facilities, will be sufficient to fund capital expenditures, financial instrument liabilities and dividend payments going forward. It is the intention of the company to continue to reduce its financial indebtedness through a combination of strong operating cash flow generation and continued refinancing.

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

Million US dollar	2011						
	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Secured bank loans	(155)	(169)	(65)	(33)	(29)	(36)	(6)
Commercial papers	(2 287)	(2 291)	(2 291)	—	—	—	—
Unsecured bank loans	(4 602)	(5 073)	(715)	(418)	(266)	(3 672)	(2)
Unsecured bond issues	(32 902)	(51 881)	(4 464)	(4 515)	(6 857)	(7 321)	(28 724)
Secured other loans	(6)	(6)	(1)	(5)	—	—	—
Unsecured other loans	(80)	(125)	(5)	(17)	(16)	(16)	(71)
Finance lease liabilities	(125)	(259)	(17)	(11)	(11)	(24)	(196)



Bank overdraft	(8)	(8)	(8)	—	—	—	—
Trade & other payables	<u>(12 925)</u>	<u>(13 080)</u>	<u>(11 910)</u>	<u>(131)</u>	<u>(162)</u>	<u>(261)</u>	<u>(616)</u>
	<b>(53 090)</b>	<b>(72 892)</b>	<b>(19 476)</b>	<b>(5 130)</b>	<b>(7 341)</b>	<b>(11 330)</b>	<b>(29 615)</b>
<b>Derivative financial assets/(liabilities)</b>							
Interest rate derivatives	(710)	(712)	(541)	(145)	(34)	—	8
Foreign exchange derivatives	3	(7)	(7)	—	—	—	—
Cross currency interest rate swaps	189	221	(27)	(33)	162	60	59
Commodity derivatives	(324)	(324)	(250)	(74)	—	—	—
Equity derivatives	<u>178</u>	<u>180</u>	<u>49</u>	<u>131</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<b>(664)</b>	<b>(642)</b>	<b>(776)</b>	<b>(121)</b>	<b>128</b>	<b>60</b>	<b>67</b>
Of which: directly related to cash flow hedges	(243)	(253)	(173)	(80)	—	—	—

Million US dollar	2010						
	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-3 years	3-5 years	More than 5 years
<b>Non-derivative financial liabilities<sup>1</sup></b>							
Secured bank loans	(137)	(169)	(40)	(66)	(36)	(19)	(8)
Commercial papers	(1 002)	(1 078)	(1 078)	—	—	—	—
Unsecured bank loans	(10 037)	(10 635)	(1 041)	(4 206)	(4 744)	(634)	(10)
Unsecured bond issues	(33 339)	(54 605)	(2 927)	(5 967)	(5 125)	(10 956)	(29 630)
Secured other loans	(6)	(7)	(1)	(1)	(5)	—	—
Unsecured other loans	(244)	(288)	(180)	(16)	(15)	(25)	(52)
Finance lease liabilities	(115)	(199)	(48)	(12)	(7)	(14)	(118)
Bank overdraft	(14)	(14)	(14)	—	—	—	—
Trade & other payables	(11 416)	(11 418)	(10 341)	(768)	(84)	(140)	(85)
	<b>(56 310)</b>	<b>(78 413)</b>	<b>(15 670)</b>	<b>(11 036)</b>	<b>(10 016)</b>	<b>(11 788)</b>	<b>(29 903)</b>
<b>Derivative financial assets/(liabilities)</b>							
Interest rate derivatives	(1 658)	(1 661)	(984)	(546)	(108)	(42)	19
Foreign exchange derivatives	260	242	133	109	—	—	—
Cross currency interest rate swaps	(212)	(293)	(139)	(161)	(150)	140	17
Commodity derivatives	234	236	221	15	—	—	—
Equity derivatives	74	76	46	30	—	—	—
	<b>(1 302)</b>	<b>(1 400)</b>	<b>(723)</b>	<b>(553)</b>	<b>(258)</b>	<b>98</b>	<b>36</b>
Of which: directly related to cash flow hedges	120	111	193	(12)	(37)	(33)	—

## G. CAPITAL MANAGEMENT

AB InBev is continuously optimizing its capital structure targeting to maximize shareholder value while keeping the desired financial flexibility to execute the strategic projects. AB InBev's capital structure policy and framework aims to optimize shareholder value through cash flow distribution to the company from its subsidiaries, while maintaining an investment-grade rating and minimizing investments with returns below AB InBev's weighted average cost of capital. Besides the statutory minimum equity funding requirements that apply to the company's subsidiaries in the different countries, AB InBev is not subject to any externally imposed capital requirements. When analyzing AB InBev's capital structure the company uses the same debt/equity classifications as applied in the company's IFRS reporting.

## H. 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.

The fair value of these instruments generally reflects the estimated amount that AB 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:

Million US dollar	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
<b>Foreign currency</b>						
Forward exchange contracts	210	345	(208)	(76)	2	269
Foreign currency futures	32	5	(31)	(14)	1	(9)
<b>Interest rate</b>						
Interest rate swaps	335	585	(1 045)	(2 242)	(710)	(1 657)
Cross currency interest rate swaps	407	370	(218)	(582)	189	(212)
Interest rate futures	—	—	—	(1)	—	(1)
<b>Commodities</b>						
Aluminum swaps	57	126	(341)	(7)	(284)	119
Sugar futures	11	78	(18)	—	(7)	78
Wheat futures	28	17	(38)	(7)	(10)	10
Other commodity derivatives	14	40	(37)	(13)	(23)	27

<b>Equity</b>						
Equity derivatives	<u>178</u>	<u>78</u>	<u>—</u>	<u>(4)</u>	<u>178</u>	<u>74</u>
	<b>1 272</b>	<b>1 644</b>	<b>(1 936)</b>	<b>(2 946)</b>	<b>(664)</b>	<b>(1 302)</b>

During the twelve-month period ended 31 December 2011, the net mark-to-market balance for interest rate swaps decreased by 947m US dollar, mainly driven by payment of interests and the unwind effect of hedging instruments not part of a hedge relationship.

As of 31 December 2011, the net mark-to-market liability of 710m US dollar for interest rate swaps mostly includes the un-paid portion of the hedges that were unwound as a result of the repayment and the refinancing of the 2008 and 2010 senior facilities and that have been recorded as exceptional costs in the income statement in 2009, 2010 and 2011 (see Note 23 *Interest-bearing loans and borrowings*).

<sup>1</sup> Reclassified to conform to the 2011 presentation.

The following table summarizes the carrying amounts of the fixed rate interest-bearing financial liabilities and their fair value. Floating rate interest-bearing financial liabilities and all trade and other receivables and payables, including derivatives financial instruments, have been excluded from the analysis as their carrying amounts are a reasonable approximation of their fair values:

Interest-bearing financial liabilities Million US dollar	2011 Carrying amount	2011 Fair value	2010 Carrying amount	2010 Fair value
<b>Fixed rate</b>				
Argentinean peso	(2)	(2)	(46)	(46)
Brazilian real	(1 014)	(963)	(1 504)	(1 568)
Canadian dollar	(586)	(614)	(694)	(699)
Chinese yuan	(27)	(27)	(11)	(11)
Euro	(6 231)	(6 805)	(4 116)	(4 650)
Guatemalan quetzal	(23)	(23)	(17)	(17)
Peruvian nuevo sol	(7)	(7)	(5)	(5)
Pound sterling	(2 120)	(2 690)	(2 053)	(2 538)
Swiss franc	(635)	(691)	(636)	(695)
US dollar	(23 151)	(28 784)	(23 223)	(27 185)
Other	—	—	(2)	(3)
	<b>(33 796)</b>	<b>(40 606)</b>	<b>(32 307)</b>	<b>(37 417)</b>

As required by IFRS 7, the following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value hierarchy 2011 Million US dollar	Quoted (unadjusted) prices - level 1	Observable market inputs - level 2	Unobservable market inputs - level 3
<b>Financial Assets</b>			
Available for sale	—	103	—
Derivatives at fair value through profit and loss	42	726	—
Derivatives in a cash flow hedge relationship	11	239	—
Derivatives in a fair value hedge relationship	—	176	—
Derivatives in a net investment hedge relationship	9	69	—
	<b>62</b>	<b>1 313</b>	<b>—</b>
<b>Financial Liabilities</b>			
Non-derivatives recognized at fair value	5	52	—
Derivatives at fair value through profit and loss	26	1 332	—
Derivatives in a cash flow hedge relationship	50	443	—
Derivatives in a fair value hedge relationship	—	7	—
Derivatives in a net investment hedge relationship	4	74	—
	<b>85</b>	<b>1 908</b>	<b>—</b>
<b>Fair value hierarchy 2010 Million US dollar</b>	<b>Quoted (unadjusted) prices - level 1</b>	<b>Observable market inputs - level 2</b>	<b>Unobservable market inputs - level 3</b>
<b>Financial Assets</b>			
Held for trading (non-derivatives)	641	—	—
Available for sale	6	—	—
Derivatives at fair value through profit and loss	—	735	—
Derivatives in a cash flow hedge relationship	96	635	—
Derivatives in a fair value hedge relationship	—	152	—
Derivatives in a net investment hedge relationship	5	21	—

	<b>748</b>	<b>1 543</b>	<b>—</b>
<b>Financial Liabilities</b>			
Non-derivatives recognized at fair value	5	247	—
Derivatives at fair value through profit and loss	—	1 781	—
Derivatives in a cash flow hedge relationship	14	597	—
Derivatives in a fair value hedge relationship	29	326	—
Derivatives in a net investment hedge relationship	—	200	—
	<u><b>48</b></u>	<u><b>3 151</b></u>	<u><b>—</b></u>

#### **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.

## FINANCIAL ASSET HELD FOR TRADING

As of 31 December 2010, held for trading financial assets are mostly related to marketable debt securities for which quoted prices are published by exchanges or provided by reliable financial information providers.

## NON-DERIVATIVE FINANCIAL LIABILITIES

The fair value of non-derivative 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.

## I. SIGNIFICANCE OF FINANCIAL INSTRUMENTS FOR FINANCIAL PERFORMANCE

The note at hand discloses the different elements composing AB InBev's position towards financial risk and instruments. The effect of AB InBev's financial risk management on performance mainly materializes in the items of income, expense; gains or losses recognized in the income statement or in the gains and losses directly recognized in equity (see Note 11 *Finance costs and income*).

## 29. OPERATING LEASES

Non-cancelable operating leases are payable and receivable as follows:

Million US dollar	2011					Net lease obligations
	Pub leases		Other operational leases			
	Lessee	Sublease	Lessee	Sublease	Lessor	
Less than one year	(114)	89	(119)	34	5	(105)
Between one and two years	(110)	85	(95)	25	3	(92)
Between two and three years	(106)	81	(75)	20	2	(78)
Between three and five years	(199)	150	(97)	26	2	(118)
More than five years	(836)	198	(203)	10	3	(828)
	<b>(1 365)</b>	<b>603</b>	<b>(589)</b>	<b>115</b>	<b>15</b>	<b>(1 221)</b>

Million US dollar	2010					Net lease obligations
	Pub leases		Other operational leases			
	Lessee	Sublease	Lessee	Sublease	Lessor	
Less than one year	(117)	95	(113)	36	6	(93)
Between one and two years	(113)	90	(97)	26	5	(89)
Between two and three years	(109)	85	(82)	21	4	(81)
Between three and five years	(203)	159	(118)	28	4	(130)
More than five years	(875)	211	(116)	13	4	(763)
	<b>(1 417)</b>	<b>640</b>	<b>(526)</b>	<b>124</b>	<b>23</b>	<b>(1 156)</b>

Following the sale of Dutch and Belgian pub real estate to Cofinimmo in October 2007, AB InBev entered into lease agreements of 27 years. These operating leases maturing in November 2034 represent an undiscounted obligation of 1 365m US dollar. The pubs leased from Cofinimmo are subleased for an average outstanding period of 6 to 8 years and represent an undiscounted right to receive 603m US dollar. These leases are subject to renewal after their expiration date. The impact of such renewal is not reported in the table above.

Furthermore, 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. This represents an undiscounted obligation of 589m US dollar. Lease payments are increased annually to reflect market rentals. None of the leases include contingent rentals. Also in this category AB InBev has sublet some of the leased properties, representing an undiscounted right of 115m US dollar.

At 31 December 2011, 269m US dollar was recognized as an expense in the income statement in respect of operating leases as lessee (2010: 238m US dollar, 2009: 269m US dollar), while 154m US dollar was recognized as income in the income statement in respect of subleases (2010: 149m US dollar, 2009: 153m US dollar).

The company also leases out part of its own property under operating leases. At 31 December 2011, 8m US dollar was recognized as income in the income statement in respect of operating leases as lessor (2010: 9m US dollar, 2009: 13m US dollar).

## 30. COLLATERAL AND CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND

## EQUIPMENT, LOANS TO CUSTOMERS AND OTHER

Million US dollar	2011	2010	2009
Collateral given for own liabilities	540	535	400
Collateral and financial guarantees received for own receivables and loans to customers	34	45	115
Contractual commitments to purchase property, plant and equipment	689	983	90
Contractual commitments to acquire loans to customers	40	71	173
Other commitments	782	746	533

The collateral given for own liabilities of 540m US dollar at 31 December 2011 contains 296m US dollar 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, AB InBev has made the appropriate provisions in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – see also Note 26 *Provisions*. In the company's balance sheet the cash guarantees are presented as part of other receivables – see Note 20 *Trade and other receivables*. The remaining part of collateral given for own liabilities (244m US dollar) contains collateral on AB InBev's property in favor of the excise tax authorities, the amount of which is determined by the level of the monthly excise taxes due, inventory levels and transportation risk, and collateral on its property, plant and equipment with regard to outstanding loans. To the extent that AB 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 AB InBev's obligations.

To keep AB 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 34m US dollar at 31 December 2011. Collateral is held on both real estate and debt securities while financial guarantees are obtained from banks and other third parties.

AB InBev has entered into commitments to purchase property, plant and equipment for an amount of 689m US dollar at 31 December 2011.

In a limited number of countries AB 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 40m US dollar at 31 December 2011.

Other commitments amount to 782m US dollar at 31 December 2011 and mainly cover guarantees given to pension funds, rental and other guarantees.

### **31. CONTINGENCIES<sup>1</sup>**

The company has contingencies for which, in the opinion of management and its legal counsel, the risk of loss is possible but not probable and therefore no provisions have been recorded. The most significant contingencies are discussed below.

### **TAX MATTERS**

As of 31 December 2011, AB InBev's material tax proceedings mainly related to Ambev and its subsidiaries with a total estimated possible risk of loss of 9.5 billion Brazilian real (5.1 billion US dollar). As of 31 December 2010, the total estimated possible risk of loss amounted to 6.1 billion Brazilian real (3.6 billion US dollar).

Approximately 7.0 billion Brazilian real (3.7 billion US dollar) of the aforementioned total estimated possible risk related to income tax and social contributions and approximately 2.2 billion Brazilian real (1.2 billion US dollar) related to value added and excise taxes, of which the most significant are discussed below. As of 31 December 2010, the amounts related to income tax and social contributions and to value added and excise taxes were 3.8 billion Brazilian real (2.3 billion US dollar) and 2.3 billion Brazilian real (1.2 billion US dollar), respectively.

Certain subsidiaries of Ambev have received tax assessments related to corporate Brazilian taxation of income generated outside Brazil. In 2005 and 2008, Ambev was officially notified of administrative Lower Court decisions, recognizing that a substantial portion of the amount of these tax assessments was incorrect. These decisions, of which some were appealed, reduced the amount of the tax assessments to 3.1 billion Brazilian real (1.7 billion US dollar) including interest and penalties. In September 2011, the Upper House of CARF judged definitely another notice of violation with decision favorable to Ambev. After this decision, Ambev estimates the total exposure of possible losses in relation to these assessments to be approximately 2.5 billion Brazilian real (1.3 billion US dollar). Based on the opinion of legal counsel, Ambev made no provision for this purpose. Ambev disputes the validity of these tax assessments and intends to vigorously defend its case.

In December 2011, Ambev received a tax assessment related to the goodwill amortization resulting from Inbev Holding Brasil S.A. merger. Ambev presented the defense in January 2012 and awaits the first administrative level decision (*'Delegacia Regional de Julgamento da Secretaria da Receita Federal do Brasil de São Paulo'*). Ambev, based on the opinion of legal counsel, estimates the amount of possible losses in relation to this assessment to be approximately 3.5 billion Brazilian real (1.9 billion US dollar) as of December 31 2011. Ambev made no provision for this purpose. In the event Ambev would be required to pay these amounts, Anheuser-Busch InBev SA/NV will reimburse Ambev the amount proportional to the benefit received by Anheuser-Busch InBev SA/NV pursuant to the merger protocol, as well as the respective costs.

Ambev and certain of its subsidiaries received a number of assessments from Brazilian federal tax authorities relating to the consumption of income tax losses in relation to company mergers. Ambev estimates the total exposures of possible losses in relation to these assessments to be approximately of 516m Brazilian real (275m US dollar), as of 31 December 2011.



## **WARRANTS**

Certain holders of warrants issued by Ambev in 1996 for exercise in 2003 proposed lawsuits to subscribe correspondent shares for an amount lower than Ambev considers as established upon the warrant issuance. In case Ambev loses the totality of these lawsuits, the issuance of 27 684 596 preferred shares and 6 881 719 common shares would be necessary. Ambev would receive in consideration funds that are materially lower than the current market value. This could result in a dilution of about 1% to all Ambev shareholders. Furthermore, the holders of these warrants are claiming that they should receive the dividends relative to these shares since 2003, approximately 272m Brazilian real (146m US dollar) in addition to legal fees. Ambev disputes these claims and intends to continue to vigorously defend its case.

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<sup>1</sup> Amounts have been converted to US dollar at the closing rate of the respective period.

## **ANTITRUST MATTERS**

On 22 July 2009, CADE, the Brazilian antitrust authority issued its ruling in Administrative Proceeding No. 08012.003805/2004-1. This proceeding was initiated in 2004 as a result of a complaint filed by Schincariol (a South American brewery and beverage maker based in Brazil) and had, as its main purpose, the investigation of Ambev's conduct in the market, in particular its customer loyalty program known as "Tô Contigo" and which is similar to airline frequent flyer and other mileage programs. During its investigation, the Secretariat of Economic Law of the Ministry of Justice ("SDE") concluded that the program should be considered anticompetitive unless certain adjustments were made. These adjustments had already been substantially incorporated into the current version of the Program. The SDE opinion did not threaten any fines and recommended that the other accusations be dismissed. After the SDE opinion was issued, the proceeding was sent to CADE, which issued a ruling that, among other things, imposed a fine in the amount of 353m Brazilian real (188m US dollar). Ambev believes that CADE's decision was without merit and thus has challenged it before the federal courts, which have ordered the suspension of the fine and other parts of the decision upon its posting of a guarantee. Ambev has already rendered a court bond (carta de fiança) for this purpose. According to its advisors' analysis, a loss is possible (but not probable), and therefore the company has not established a provision in its financial statements. This possible loss is expected to be limited to the aforementioned fine of 353m Brazilian real (188m US dollar) and additional legal fees in connection with this matter. Ambev is also involved in other administrative proceedings before CADE and SDE, relating to the investigation of certain conduct, none of which the company believes contravenes applicable competition rules and regulations.

In August 2011, the German Federal Cartel Office (Bundeskartellamt) launched an investigation against several breweries and retailers in Germany in connection with an allegation of anticompetitive vertical price maintenance by breweries vis-à-vis their trading partners in Germany. Depending on the outcome of the investigation, the company may face fines. The company is taking the appropriate steps in the pending proceedings but has not recorded any provisions for any potential fines at this point in time, as it does not know whether it will eventually face any such fines and, in any event, cannot at this stage reliably estimate the appropriate amount. In addition, the company cannot at this stage estimate the likely timing of the resolution of this matter.

## **2009 DISPOSITIONS PENSION LITIGATION**

On 1 December 2009, AB InBev and several of its related companies were sued in Federal Court in the Eastern District of Missouri in a lawsuit styled Richard F. Angevine v. AB InBev, et al. The plaintiff sought to represent a class of certain employees of Busch Entertainment Corporation, which was divested on 1 December 2009, and the four Metal Container Corporation plants which were divested on 1 October 2009. He also sought to represent certain employees of any other Anheuser-Busch Companies, Inc. (ABC) subsidiary that had been divested or may be divested during the 18 November 2008 and 17 November 2011 period. The lawsuit contained claims that the class was entitled to enhanced retirement benefits under sections 4.3 and 19.11(f) of the Anheuser-Busch Companies' Salaried Employees' Pension Plan (the "Plan"). Specifically, plaintiff alleged that the divestitures resulted in his "involuntarily termination" from "ABC and its operating division and subsidiaries" within three years of the 18 November 2008 ABC/InBev merger, which allegedly triggered the enhanced benefits under the Plan. The lawsuit claimed that by failing to provide the class members with these enhanced benefits, AB InBev, et al. breached their fiduciary duties under ERISA. The complaint sought punitive damages and attorneys' fees. On 16 July 2010, the Court ruled that the claims for breach of fiduciary duty and punitive damages were not proper. The Court also found that Angevine did not exhaust his administrative remedies, which he must first do before filing a lawsuit. Angevine filed an appeal of this ruling with the Eighth Circuit Court of Appeals. On 22 July 2011, the Court of Appeals affirmed the decision of the lower court. No further appeals were filed.

On 15 September 2010, AB InBev and several of its related companies were sued in Federal Court for the Southern District of Ohio in a lawsuit entitled Rusby Adams et al. v. AB InBev et al. This lawsuit was filed by four employees of Metal Container Corporation's facilities in Columbus, Ohio, Gainesville, Florida, and Ft. Atkinson, Wisconsin that were divested on 1 October 2009. Similar to the Angevine lawsuit, these plaintiffs seek to represent a class of participants of the Anheuser-Busch Companies' Inc. Salaried Employees' Pension Plan (the "Plan") who had been employed by Anheuser-Busch Companies, Inc. subsidiaries that had been or may be divested during the period of 18 November 2008 and 17 November 2011. The plaintiffs also allege claims similar to the Angevine lawsuit: (1) that they are entitled to benefits under section 19.11(f) of the Plan; (2) that the denial of benefits was a breach of fiduciary duty. AB InBev believed that it has defenses to these claims, and filed a Motion to Dismiss. On April 25, 2011, the Court dismissed the breach of fiduciary duty claims, and the only remaining claim is for benefits under section 19.11(f). The Company intends to vigorously defend against the lawsuit.

## **32. RELATED PARTIES**

### **TRANSACTIONS WITH DIRECTORS AND EXECUTIVE BOARD MANAGEMENT MEMBERS (KEY MANAGEMENT PERSONNEL)**

In addition to short-term employee benefits (primarily salaries) AB 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 are eligible for the company's share option, restricted stock 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 US dollar	2011		2010		2009	
	Directors	Executive board management	Directors	Executive board management	Directors	Executive board management
Short-term employee benefits	3	21	4	35	4	54
Post-employment benefits	—	3	—	2	—	2
Share-based payments	4	51	5	43	4	51
Exceptional IFRS 2 adjustment	—	—	—	—	—	45
	<b>7</b>	<b>75</b>	<b>9</b>	<b>80</b>	<b>8</b>	<b>152</b>

Directors' compensation consists mainly of directors' fees. Key management personnel was not engaged in any transactions with AB InBev and did not have any significant outstanding balances with the company, with the exception of a consultancy agreement entered into between AB InBev and Mr. Busch IV in connection with the merger and which will continue until 31 December 2013. Under the terms of the consultancy agreement Mr. Busch IV received a lump sum cash payment of 10.3m US dollar in 2008. During the consultancy period Mr. Busch IV will be paid a fee of approximately 120 000 US dollar per month and Mr. Busch IV will be provided with an appropriate office in St Louis, Missouri, administrative support and certain employee benefits that are materially similar to those provided to full-time salaried employees of Anheuser-Busch. The mandate of Mr. Busch IV as a director of AB InBev expired in April 2011.

The decrease in key management remuneration mainly results from higher accruals for variable compensations in 2009 compared to 2010 and 2011. The exceptional IFRS 2 adjustment recognized in 2009 for a total of 45m US dollar relates to accelerated share-based payment expenses in accordance with IFRS 2, following the change in vesting conditions on certain share-based payment plans.

## JOINTLY CONTROLLED ENTITIES

AB InBev reports its interest in jointly controlled entities using the line-by-line reporting format for proportionate consolidation. Significant interests in joint ventures include two distribution entities in Canada, two entities in Brazil, two in China and one in UK. None of these joint ventures are material to the company. Aggregate amounts of AB InBev's interest are as follows:

<u>Million US dollar</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Non-current assets	129	113	76
Current assets	72	69	42
Non-current liabilities	162	99	131
Current liabilities	124	217	84
Result from operations	17	11	—
Profit attributable to equity holders of AB InBev	4	1	—

## TRANSACTIONS WITH ASSOCIATES

AB InBev's transactions with associates were as follows:

<u>Million US dollar</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Gross profit	259	36	45
Current assets	6	8	9
Current liabilities	9	11	22

## TRANSACTIONS WITH PENSION PLANS

AB InBev's transactions with pension plans mainly comprise 9m US dollar other income from pension plans in US and 6m US dollar other income from pension plans in Brazil.

## TRANSACTIONS WITH GOVERNMENT-RELATED ENTITIES

AB InBev has no material transactions with government-related entities.

## 33. SUPPLEMENTAL GUARANTOR FINANCIAL INFORMATION

The following guarantor financial information is presented to comply with U.S. SEC disclosure requirements of Rule 3-10 of Regulation S-X.

The issuances or exchanges of securities described below are related to securities fully and unconditionally guaranteed by AB InBev SA/NV (the "Parent Guarantor SEC registered") and also jointly and severally guaranteed by Anheuser-Busch Companies, LLC, BrandBrew S.A. and Cobrew NV/SA (the "Subsidiary Guarantors"):

- On 13 October 2009, Anheuser-Busch InBev Worldwide Inc. issued (i) 1.5 billion US dollar principal amount of 3.0% unsecured notes due 2012, (ii) 1.25 billion US dollar principal amount of 4.125% unsecured notes due 2015, (iii) 2.25 billion US dollar principal amount of 5.375% unsecured notes due 2020 and (iv) 0.5 billion US dollar principal amount of 6.375% unsecured notes due 2040 (collectively the "October Notes"). The October Notes were exchanged for publicly registered notes on 8 February 2010.
- On 24 March 2010, Anheuser-Busch Worldwide Inc. issued (i) 1.0 billion US dollar principal amount of 2.5% unsecured notes due 2013, (ii) 0.75 billion US dollar principal amount 3.625% unsecured notes due 2015, (iii) 1.0 billion US dollar principal amount of 5.0% due 2020 and (iv) 0.5 billion US dollar bearing interest at a floating rate of 3 month US dollar LIBOR plus 0.73% due 2013 (collectively the "March Notes"). These Notes were exchanged for publicly registered notes

on 5 August 2010.

- On 10 November 2010, Anheuser-Busch InBev Worldwide Inc. issued 0.75 billion Brazilian real principal amount of 9.75% notes due 2015.
- On 24 January 2011, AB InBev Worldwide Inc. issued a series of notes in an aggregate principal amount of 1.65 billion, consisting of 0.65 billion US dollar aggregate principal amount of floating rate notes due 2014, 0.5 billion US dollar aggregate principal amount of fixed rate notes due 2016 and 0.5 billion US dollar aggregate principal amount of fixed rate notes due 2021. The notes bear interest at an annual rate of 55 basis points above three-month LIBOR for the floating rate notes, 2.875% for the 2016 notes, and 4.375% for the 2021 notes. The notes will mature on 27 January 2014 in the case of the floating rate notes, 15 February 2016 in the case of the 2016 notes and 15 February 2021 in the case of the 2021 notes. The issuance closed on 27 January 2011.

- On 11 February 2011, Anheuser-Busch InBev Worldwide Inc. announced that it had filed a Registration Statement on Form F-4 with the United States Securities and Exchange Commission (“SEC”) seeking to undertake an exchange offer of (i) 1.25 billion US dollar principal amount of 7.2% notes due 2014, (ii) 2.5 billion US dollar principal amount of 7.75% notes due 2019, (iii) 1.25 billion US dollar principal amount of 8.2% notes due 2039 (collectively the “January Notes”) and (iv) 1.55 billion US dollar principal amount of 5.375% notes due 2014, (v) 1.0 billion US dollar principal amount of 6.875% notes due 2019, and (vi) 0.45 billion US dollar principal amount of 8.0% notes due 2039 (collectively the “May Notes”). Anheuser-Busch InBev Worldwide would offer to exchange unregistered notes which have been privately issued under Rule 144A for freely tradable notes registered under the Securities Act of 1933 with otherwise substantially the same terms and conditions. The exchange offer closed on 14 March 2011.
- On 19 May 2011, Anheuser-Busch InBev Worldwide Inc. announced that it has provided the holders of the 7.20% notes due 2014 (“Notes”) notice of its intention to redeem the outstanding 1.25 billion US dollar principal amount of the Notes, effective 20 June 2011. The Notes were originally issued on 12 January 2009 under the Base Indenture dated 12 January 2009 and the First Supplemental Indenture of the same date between Anheuser-Busch InBev Worldwide Inc and The Bank of New York Mellon, as trustee. Such notes were exempt from registration under the Securities Act of 1933, as amended (“Securities Act”) and were voluntarily exchanged by Anheuser-Busch InBev Worldwide Inc. for freely tradable notes registered under the Securities Act with otherwise substantially identical terms and conditions in a tender offer that closed on 14 March 2011. The redemption closed on 20 June 2011.
- On 14 July 2011, Anheuser-Busch InBev Worldwide Inc. issued 1.05 billion US dollar aggregate principal amount of bonds, consisting of 300 million US dollar aggregate principal amount of floating rate notes due 2014 and 750 million US dollar aggregate principal amount of fixed rate notes due 2014. The notes will bear interest at an annual rate of 36 basis points above three-month LIBOR for the floating rate notes and 1.50% for the fixed rate notes.

The following condensed consolidating financial information presents the Condensed Consolidating Statement of Financial Position as of 31 December 2011 and 2010, the Condensed Consolidating Income Statements and Condensed Consolidating Statements of Cash Flows for the years ended 31 December 2011, 2010 and 2009 of (a) AB InBev SA/NV (the “Parent Guarantor”), (b) Anheuser-Busch Worldwide Inc. (the Issuer), (c) the Subsidiary Guarantors, (d) the non-guarantor subsidiaries, (e) elimination entries necessary to consolidate the Parent with the issuer, the guarantor subsidiaries and the non-guarantor subsidiaries; and (e) the Company on a consolidated basis. Investments in consolidated subsidiaries are presented under the equity method of accounting. Separate financial statements and other disclosures with respect to the guarantor subsidiaries have not been provided as management believes the following information is sufficient, as the guarantor subsidiaries are 100% owned by the Parent and all guarantees are full and unconditional. Except as disclosed in Note 22 “Changes in Equity and Earnings per Share,” there are no restrictions on the company’s ability to obtain funds from any of its direct or indirect wholly-owned subsidiaries through dividends, loans or advances.

## CONDENSED CONSOLIDATING INCOME STATEMENT

For the year ended 31 December 2011 Million US dollar	AB InBev NV/SA	AB InBev Worldwide Inc	Subsidiary Guarantors	Non- Guarantors	Eliminations	Total
<b>Revenue</b>	—	—	<b>13 412</b>	<b>26 688</b>	<b>(1 054)</b>	<b>39 046</b>
Cost of sales	(2)	—	(6 510)	(11 177)	1 055	(16 634)
<b>Gross profit</b>	<b>(2)</b>	<b>—</b>	<b>6 902</b>	<b>15 511</b>	<b>1</b>	<b>22 412</b>
Distribution expenses	3	—	(427)	(2 889)	—	(3 313)
Sales and marketing expenses	(88)	—	(1 427)	(3 628)	—	(5 143)
Administrative expenses	(265)	—	(330)	(1 448)	—	(2 043)
Other operating income/(expenses)	671	(261)	(275)	282	(1)	416
<b>Profit from operations</b>	<b>319</b>	<b>(261)</b>	<b>4 443</b>	<b>7 828</b>	<b>—</b>	<b>12 329</b>
<b>Net finance cost</b>	<b>(753)</b>	<b>(2 313)</b>	<b>484</b>	<b>(555)</b>	<b>—</b>	<b>(3 137)</b>
Share of result of associates	—	—	7	616	—	623
<b>Profit before tax</b>	<b>(434)</b>	<b>(2 574)</b>	<b>4 934</b>	<b>7 889</b>	<b>—</b>	<b>9 815</b>
Income tax expense	(6)	1 116	(1 504)	(1 462)	—	(1 856)
<b>Profit</b>	<b>(440)</b>	<b>(1 458)</b>	<b>3 430</b>	<b>6 427</b>	<b>—</b>	<b>7 959</b>
Income from subsidiaries	6 295	3 172	992	2 695	(13 154)	—
<b>Profit</b>	<b>5 855</b>	<b>1 714</b>	<b>4 422</b>	<b>9 122</b>	<b>(13 154)</b>	<b>7 959</b>
Attributable to:						
Equity holders of AB InBev	5 855	1 714	4 422	7 018	(13 154)	5 855
Non-controlling interest	—	—	—	2 104	—	2 104

For the year ended 31 December 2010 Million US dollar	AB InBev NV/SA	AB InBev Worldwide Inc	Subsidiary Guarantors	Non- Guarantors	Eliminations	Total
<b>Revenue</b>	—	—	<b>13 417</b>	<b>23 931</b>	<b>(1 051)</b>	<b>36 297</b>
Cost of sales	—	—	(6 717)	(10 479)	1 045	(16 151)
<b>Gross profit</b>	—	—	<b>6 700</b>	<b>13 452</b>	<b>(6)</b>	<b>20 146</b>
Distribution expenses	—	—	(409)	(2 504)	—	(2 913)
Sales and marketing expenses	(34)	—	(1 376)	(3 302)	—	(4 712)
Administrative expenses	(270)	—	(373)	(1 317)	—	(1 960)
Other operating income/(expenses)	839	(358)	(380)	229	6	336
<b>Profit from operations</b>	<b>535</b>	<b>(358)</b>	<b>4 162</b>	<b>6 558</b>	—	<b>10 897</b>
<b>Net finance cost</b>	<b>107</b>	<b>(1 955)</b>	<b>(796)</b>	<b>(1 092)</b>	—	<b>(3 736)</b>
Share of result of associates	—	—	6	515	—	521
<b>Profit before tax</b>	<b>642</b>	<b>(2 313)</b>	<b>3 372</b>	<b>5 981</b>	—	<b>7 682</b>
Income tax expense	(116)	887	(1 501)	(1 190)	—	(1 920)
<b>Profit</b>	<b>526</b>	<b>(1 426)</b>	<b>1 871</b>	<b>4 791</b>	—	<b>5 762</b>
Income from subsidiaries	3 500	2 888	867	1 150	(8 405)	—
<b>Profit</b>	<b>4 026</b>	<b>1 462</b>	<b>2 738</b>	<b>5 941</b>	<b>(8 405)</b>	<b>5 762</b>
Attributable to:						
Equity holders of AB InBev	4 026	1 462	2 738	4 205	(8 405)	4 026
Non-controlling interest	—	—	—	1 736	—	1 736
For the year ended 31 December 2009 Million US dollar	AB InBev NV/SA	AB InBev Worldwide Inc	Subsidiary Guarantors	Non- Guarantors	Eliminations	Total
<b>Revenue</b>	—	—	<b>14 791</b>	<b>23 035</b>	<b>(1 068)</b>	<b>36 758</b>
Cost of sales	(2)	—	(7 795)	(10 469)	1 068	(17 198)
<b>Gross profit</b>	<b>(2)</b>	—	<b>6 996</b>	<b>12 566</b>	—	<b>19 560</b>
Distribution expenses	—	—	(441)	(2 230)	—	(2 671)
Sales and marketing expenses	(73)	—	(1 638)	(3 281)	—	(4 992)
Administrative expenses	886	(851)	(732)	(1 613)	—	(2 310)
Other operating income/(expenses)	(293)	—	319	1 956	—	1 982
<b>Profit from operations</b>	<b>518</b>	<b>(851)</b>	<b>4 504</b>	<b>7 398</b>	—	<b>11 569</b>
<b>Net finance cost</b>	<b>(2 768)</b>	<b>(1 180)</b>	<b>(999)</b>	<b>528</b>	—	<b>(4 419)</b>
Share of result of associates	—	—	8	505	—	513
<b>Profit before tax</b>	<b>(2 250)</b>	<b>(2 031)</b>	<b>3 513</b>	<b>8 431</b>	—	<b>7 663</b>
Income tax expense	(2)	757	(1 481)	(1 060)	—	(1 786)
<b>Profit</b>	<b>(2 252)</b>	<b>(1 274)</b>	<b>2 032</b>	<b>7 371</b>	—	<b>5 877</b>
Income from subsidiaries	6 865	3 034	744	1 346	(11 989)	—
<b>Profit</b>	<b>4 613</b>	<b>1 760</b>	<b>2 776</b>	<b>8 717</b>	<b>(11 989)</b>	<b>5 877</b>
Attributable to:						
Equity holders of AB InBev	4 613	1 760	2 776	7 453	(11 989)	4 613
Non-controlling interest	—	—	—	1 264	—	1 264

## CONDENSED CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As at 31 December 2011 Million US dollar	AB InBev NV/SA	AB InBev Worldwide Inc	Subsidiary Guarantors	Non- Guarantors	Eliminations	Total
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	30	—	5 852	10 140	—	16 022
Goodwill	—	—	32 654	18 648	—	51 302
Intangible assets	388	—	21 590	1 840	—	23 818
Investments in subsidiaries	51 842	50 868	5 150	6 826	(114 686)	—
Investments in associates	—	—	51	6 645	—	6 696
Other non-current assets	107	317	32 755	5 256	(36 169)	2 266
	<b>52 367</b>	<b>51 185</b>	<b>98 052</b>	<b>49 355</b>	<b>(150 855)</b>	<b>100 104</b>
<b>Current assets</b>						
Inventories	—	—	601	1 865	—	2 466
Trade and other receivables	2 241	—	5 084	6 271	(9 475)	4 121
Cash and cash equivalents	5	744	4 769	5 266	(5 464)	5 320
Other current assets	—	972	—	284	(840)	416
	<b>2 246</b>	<b>1 716</b>	<b>10 454</b>	<b>13 686</b>	<b>(15 779)</b>	<b>12 323</b>
<b>Total assets</b>	<b>54 613</b>	<b>52 901</b>	<b>108 506</b>	<b>63 041</b>	<b>(166 634)</b>	<b>112 427</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
Equity attributable to equity holders of AB InBev	37 492	13 782	74 279	26 627	(114 688)	37 492
Minority interest	—	—	10	3 542	—	3 552
	<b>37 492</b>	<b>13 782</b>	<b>74 289</b>	<b>30 169</b>	<b>(114 688)</b>	<b>41 044</b>
<b>Non-current liabilities</b>						
Interest-bearing loans and borrowings	8 167	35 518	11 934	14 786	(35 807)	34 598
Employee benefits	4	—	2 150	1 286	—	3 440
Deferred tax liabilities	—	—	10 840	756	(317)	11 279
Other non-current liabilities	491	—	785	1 189	(43)	2 422
	<b>8 662</b>	<b>35 518</b>	<b>25 709</b>	<b>18 017</b>	<b>(36 167)</b>	<b>51 739</b>
<b>Current liabilities</b>						
Interest-bearing loans and borrowings	2 486	3 169	3 611	4 099	(7 806)	5 559
Trade and other payables	787	432	4 037	9 750	(1 669)	13 337
Other current liabilities	5 186	—	860	1 006	(6 304)	748
	<b>8 459</b>	<b>3 601</b>	<b>8 508</b>	<b>14 855</b>	<b>(15 779)</b>	<b>19 644</b>
<b>Total equity and liabilities</b>	<b>54 613</b>	<b>52 901</b>	<b>108 506</b>	<b>63 041</b>	<b>(166 634)</b>	<b>112 427</b>



As at 31 December 2010  
 Million US dollar

	AB InBev NV/SA	AB InBev Worldwide Inc	Subsidiary Guarantors	Non- Guarantors	Eliminations	Total
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	86	—	6 329	9 478	—	15 893
Goodwill	—	—	32 617	19 881	—	52 498
Intangible assets	153	—	21 438	1 768	—	23 359
Investments in subsidiaries	47 037	49 961	4 835	10 716	(112 549)	—
Investments in associates	—	—	45	7 250	—	7 295
Other non-current assets	3 454	199	23 676	1 812	(26 441)	2 700
	<b>50 730</b>	<b>50 160</b>	<b>88 940</b>	<b>50 905</b>	<b>(138 990)</b>	<b>101 745</b>
<b>Current assets</b>						
Inventories	—	—	639	1 770	—	2 409
Trade and other receivables	214	—	4 486	5 770	(5 832)	4 638
Cash and cash equivalents	7	570	2 833	4 492	(3 391)	4 511
Other current assets	—	693	—	811	(465)	1 039
	<b>221</b>	<b>1 263</b>	<b>7 958</b>	<b>12 843</b>	<b>(9 688)</b>	<b>12 597</b>
<b>Total assets</b>	<b>50 951</b>	<b>51 423</b>	<b>96 898</b>	<b>63 748</b>	<b>(148 678)</b>	<b>114 342</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
Equity attributable to equity holders of AB InBev	35 259	19 296	63 258	29 995	(112 549)	35 259
Minority interest	—	—	10	3 530	—	3 540
	<b>35 259</b>	<b>19 296</b>	<b>63 268</b>	<b>33 525</b>	<b>(112 549)</b>	<b>38 799</b>
<b>Non-current liabilities</b>						
Interest-bearing loans and borrowings	10 855	31 702	11 003	14 643	(26 242)	41 961
Employee benefits	4	—	1 768	974	—	2 746
Deferred tax liabilities	—	—	11 403	705	(199)	11 909
Other non-current liabilities	336	—	1 468	1 404	—	3 207
	<b>11 195</b>	<b>31 702</b>	<b>25 642</b>	<b>17 726</b>	<b>(26 441)</b>	<b>59 823</b>
<b>Current liabilities</b>						
Interest-bearing loans and borrowings	1 670	—	2 597	3 778	(5 126)	2 919
Trade and other payables	660	425	3 643	8 048	(706)	12 071
Other current liabilities	2 167	—	1 748	671	(3 856)	730
	<b>4 497</b>	<b>425</b>	<b>7 988</b>	<b>12 497</b>	<b>(9 688)</b>	<b>15 720</b>
<b>Total equity and liabilities</b>	<b>50 951</b>	<b>51 423</b>	<b>96 898</b>	<b>63 748</b>	<b>(148 678)</b>	<b>114 342</b>

## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the year ended 31 December 2011 Million US dollar	AB InBev NV/SA	AB InBev Worldwide Inc	Subsidiary Guarantors	Non- Guarantors	Eliminations	Total
<b>OPERATING ACTIVITIES</b>						
Profit	5 855	1 714	4 422	9 122	(13 154)	7 959
Depreciation, amortization and impairment	77	—	801	1 905	—	2 783
Net finance cost	753	2 313	(484)	555	—	3 137
Income tax expense	6	(1 116)	1 504	1 462	—	1 856
Investment income	(6 295)	(3 172)	(992)	(2 695)	13 154	—
Other items	46	—	124	(526)	—	(356)
<b>Cash flow from operating activities before changes in working capital and use of provisions</b>	<b>442</b>	<b>(261)</b>	<b>5 375</b>	<b>9 823</b>	<b>—</b>	<b>15 379</b>
Working capital and provisions	(573)	693	(34)	588	25	699
<b>Cash generated from operations</b>	<b>(131)</b>	<b>432</b>	<b>5 341</b>	<b>10 411</b>	<b>25</b>	<b>16 078</b>
Interest paid, net	(418)	(2 093)	797	(591)	1	(2 304)
Dividends received	4 887	1 000	512	250	(6 243)	406
Income tax paid	(5)	—	(680)	(1 009)	—	(1 694)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>4 333</b>	<b>(661)</b>	<b>5 970</b>	<b>9 061</b>	<b>(6 217)</b>	<b>12 486</b>
<b>INVESTING ACTIVITIES</b>						
Acquisition and sale of subsidiaries, net of cash acquired/disposed of	454	(7)	(234)	(238)	—	(25)
Acquisition of property, plant and equipment and of intangible assets	(88)	—	(302)	(2 986)	—	(3 376)
Net proceeds/(acquisition) of other assets	4	—	29	627	—	660
Net repayments/(payments) of loans granted	(8 903)	—	(9 899)	(2 804)	21 616	10
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(8 533)</b>	<b>(7)</b>	<b>(10 406)</b>	<b>(5 401)</b>	<b>21 616</b>	<b>(2 731)</b>
<b>FINANCING ACTIVITIES</b>						
Intra-group capital reimbursements	4 343	(6 000)	(1 428)	3 085	—	—
Proceeds from borrowings	11 686	9 986	17 794	9 237	(31 412)	17 291
Payments on borrowings	(13 508)	(2 962)	(6 274)	(8 880)	9 775	(21 849)
Other financing activities	(56)	(181)	(968)	(145)	—	(1 350)
Dividends paid	(1 771)	—	(1 362)	(6 199)	6 244	(3 088)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>694</b>	<b>843</b>	<b>7 762</b>	<b>(2 902)</b>	<b>(15 393)</b>	<b>(8 996)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(3 506)</b>	<b>175</b>	<b>3 326</b>	<b>758</b>	<b>6</b>	<b>759</b>
Cash and cash equivalents less bank overdrafts at beginning of year	(2 127)	570	1 562	4 492	—	4 497
Effect of exchange rate fluctuations	474	—	(121)	(291)	(6)	56
<b>Cash and cash equivalents less bank overdrafts at end of year</b>	<b>(5 159)</b>	<b>745</b>	<b>4 767</b>	<b>4 959</b>	<b>—</b>	<b>5 312</b>

For the year ended 31 December 2010 Million US dollar	AB InBev NV/SA	AB InBev Worldwide Inc	Subsidiary Guarantors	Non- Guarantors	Eliminations	Total
<b>OPERATING ACTIVITIES</b>						
Profit	4 026	1 462	2 738	5 941	(8 405)	5 762
Depreciation, amortization and impairment	72	—	861	1 855	—	2 788
Net finance cost	(107)	1 955	795	1 093	—	3 736
Income tax expense	116	(887)	1 501	1 190	—	1 920
Investment income	(3 500)	(2 888)	(867)	(1 150)	8 405	—
Other items	43	—	316	(300)	—	59
<b>Cash flow from operating activities before changes in working capital and use of provisions</b>	<b>650</b>	<b>(358)</b>	<b>5 344</b>	<b>8 629</b>	<b>—</b>	<b>14 265</b>
Working capital and provisions	64	855	(998)	(183)	(31)	(293)
<b>Cash generated from operations</b>	<b>714</b>	<b>497</b>	<b>4 346</b>	<b>8 446</b>	<b>(31)</b>	<b>13 972</b>
Interest paid, net	(413)	(1 684)	50	(707)	(14)	(2 768)
Dividends received	104	5 600	662	7 988	(13 971)	383
Income tax paid	(3)	—	(826)	(853)	—	(1 682)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>402</b>	<b>4 413</b>	<b>4 232</b>	<b>14 874</b>	<b>(14 016)</b>	<b>9 905</b>
<b>INVESTING ACTIVITIES</b>						
Acquisition of property, plant and equipment and of intangible assets	(68)	—	(210)	(2 066)	—	(2 344)
Net proceeds/(acquisition) of other assets	328	(15)	(148)	(916)	533	(218)
Net repayments/(payments) of loans granted	(10 168)	—	(17 776)	(1 490)	29 450	16
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(9 908)</b>	<b>(15)</b>	<b>(18 134)</b>	<b>(4 472)</b>	<b>29 983</b>	<b>(2 546)</b>
<b>FINANCING ACTIVITIES</b>						
Intra-group capital reimbursements	11 536	(5 921)	—	(5 615)	—	—
Proceeds from borrowings	12 953	24 020	19 319	3 666	(32 645)	27 313
Payments on borrowings	(12 444)	(17 760)	(1 172)	(3 217)	2 990	(31 603)
Other financing activities	717	(2)	(1 022)	298	(534)	(543)
Dividends paid	(788)	(5 079)	(5 719)	(4 300)	13 962	(1 924)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>11 974</b>	<b>(4 742)</b>	<b>11 406</b>	<b>(9 168)</b>	<b>(16 227)</b>	<b>(6 757)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2 468</b>	<b>(344)</b>	<b>(2 496)</b>	<b>1 234</b>	<b>(260)</b>	<b>602</b>
Cash and cash equivalents less bank overdrafts at beginning of year	(4 534)	914	4 036	3 245	—	3 661
Effect of exchange rate fluctuations	(61)	—	22	13	260	234
<b>Cash and cash equivalents less bank overdrafts at end of year</b>	<b>(2 127)</b>	<b>570</b>	<b>1 562</b>	<b>4 492</b>	<b>—</b>	<b>4 497</b>

For the year ended 31 December 2009 Million US dollar	AB InBev NV/SA	AB InBev Worldwide Inc	Subsidiary Guarantors	Non- Guarantors	Eliminations	Total
<b>OPERATING ACTIVITIES</b>						
Profit	4 613	1 760	2 776	8 717	(11 989)	5 877
Depreciation, amortization and impairment	111	—	1 035	1 839	—	2 985
Additions/(reversals) in provisions and employee benefits	50	—	(65)	203	—	188
Net finance cost	2 768	1 180	982	(511)	—	4 419
Loss/(gain) on sale of subsidiaries, associates	130	—	11	(1 696)	—	(1 555)
Income tax expense	2	(757)	1 481	1 060	—	1 786
Investment income	(6 865)	(3 034)	(744)	(1 346)	11 989	—
Other items	126	—	—	(596)	—	(470)
<b>Cash flow from operating activities before changes in working capital and use of provisions</b>	<b>935</b>	<b>(851)</b>	<b>5 476</b>	<b>7 670</b>	<b>—</b>	<b>13 230</b>
Increase/(decrease) in trade and other payables	(387)	—	858	831	(965)	337
Working capital and provisions	(284)	—	(97)	(691)	974	(98)
<b>Cash generated from operations</b>	<b>264</b>	<b>(851)</b>	<b>6 237</b>	<b>7 810</b>	<b>9</b>	<b>13 469</b>
Interest paid, net	(391)	(786)	(698)	(896)	(5)	(2 776)
Dividends received	4 531	3 200	506	5 354	(13 591)	—
Income tax paid	24	—	(977)	(616)	—	(1 569)
<b>Cash flow from operating activities</b>	<b>4 428</b>	<b>1 563</b>	<b>5 068</b>	<b>11 652</b>	<b>(13 587)</b>	<b>9 124</b>
<b>INVESTING ACTIVITIES</b>						
Sale of subsidiaries, net of cash disposed of	585	—	2 446	7 025	(4 824)	5 232
Acquisition of subsidiaries, net of cash acquired	(127)	(454)	(149)	(831)	953	(608)
Purchase of non-controlling interest	—	—	—	(38)	—	(38)
Acquisition of property, plant and equipment and of intangible assets	(44)	—	(274)	(1 395)	—	(1 713)
Net proceeds/(acquisition) of other assets	649	—	588	(2 494)	3 653	2 396
<b>Cash Flow from Investing Activities</b>	<b>1 063</b>	<b>(454)</b>	<b>2 611</b>	<b>2 267</b>	<b>(218)</b>	<b>5 269</b>
<b>FINANCING ACTIVITIES</b>						
Net proceeds from the issue of share capital	131	—	(1)	(3 925)	3 871	76
Net purchase of treasury shares	—	—	—	—	—	—
Proceeds from borrowings	11 045	13 407	6 445	13 556	(16 619)	27 834
Payments on borrowings	(18 775)	(14 000)	(7 390)	(12 308)	12 846	(39 627)
Cash net finance costs other than interests	(1 982)	—	520	1 396	—	(66)
Dividends paid	(597)	—	(3 479)	(10 792)	13 555	(1 313)
<b>Cash flow from financing activities</b>	<b>(10 178)</b>	<b>(593)</b>	<b>(3 905)</b>	<b>(12 073)</b>	<b>13 653</b>	<b>(13 096)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(4 687)</b>	<b>516</b>	<b>3 774</b>	<b>1 846</b>	<b>(152)</b>	<b>1 297</b>
Cash and cash equivalents less bank overdrafts at beginning of year	—	398	463	1 310	—	2 171
Effect of exchange rate fluctuations	153	—	(201)	89	152	193
<b>Cash and cash equivalents less bank overdrafts at end of year</b>	<b>(4 534)</b>	<b>914</b>	<b>4 036</b>	<b>3 245</b>	<b>—</b>	<b>3 661</b>

#### 34. EVENTS AFTER THE BALANCE SHEET DATE

None.

### 35. AB INBEV COMPANIES

Listed below are the most important AB InBev companies. A complete list of the company's investments is available at AB InBev NV, Brouwerijplein 1, B-3000 Leuven, Belgium. The total number of companies consolidated (fully, proportional and equity method) is 354.

#### LIST OF MOST IMPORTANT FULLY CONSOLIDATED COMPANIES

<u>NAME AND REGISTERED OFFICE OF FULLY CONSOLIDATED COMPANIES</u>	<u>% OF ECONOMIC INTEREST AS AT 31 DECEMBER 2011</u>
<b>ARGENTINA</b>	
CERVECERIA Y MALTERIA QUILMES SAICA y G - Charcas 5160 - Buenos Aires	61.90
<b>BELGIUM</b>	
AB INBEV NV – Grote Markt 1 - 1000 - Brussel	Consolidating Company
BRASSERIE DE L' ABBAYE DE LEFFE S.A. - Place de l'Abbaye 1 - 5500 - Dinant	98.54
BROUWERIJ VAN HOEGAARDEN N.V. - Stoopkensstraat 46 - 3320 - Hoegaarden	100.00
COBREW N.V. - Brouwerijplein 1 - 3000 - Leuven	100.00
INBEV BELGIUM N.V. - Industrielaan 21 - 1070 - Brussel	100.00
<b>BOLIVIA</b>	
CERVECERIA BOLIVIANA NACIONAL S.A. - Av. Montes 400 and Chuquisaca Street - La Paz	61.90
<b>BRAZIL</b>	
CIA DE BEBIDAS DAS AMERICAS - AMBEV BRASIL - Rua Dr. Renato Paes de Barros, 1017, 4º Andar (parte), cj. 44 e 42 - Itaim Bibi, Sao Paulo	61.90
<b>CANADA</b>	
LABATT BREWING COMPANY LIMITED - 207 Queen's Quay West, Suite 299 - M5J 1A7 - Toronto	61.90
<b>CHILE</b>	
CERVECERIA CHILE S.A. - Av. Presidente Eduardo Frei Montalva 9600 - Quilicura	61.90
<b>CHINA</b>	
BUDWEISER WUHAN INTERNATIONAL BREWING COMPANY LIMITED - Qingduankou Shang Shou - Hanyang District - Wuhan City - Hubei 430051	97.06
HARBIN BREWING COMPANY LIMITED - 20 Youfang Street - Xiangfang District - Harbin, Heilongjiang Province	100.00
INBEV (ZHOUZHAN) BREWERY CO LTD - No. 1 Linggang Yi Road, Linggang industrial area, Dinghai District - Zhou Shan	100.00
INBEV BAISHA (HUNAN) BREWERY CO LTD - No. 304 Shao Shan Zhong Lu - Changsha	100.00
INBEV DOUBLE DEER GROUP CO LTD - 419 Wu Tian Street - Wenzhou	55.00
INBEV JINLONGQUAN (HUBEI) BREWERY CO LTD - 89 Chang Ning Street - Jingmen	60.00
INBEV JINLONGQUAN (XIAOGAN) BREWERY CO LTD - No. 198 Chengzhan Street - Xiaogan	60.00
INBEV KK (NINGBO) BREWERY CO LTD - Yiyang Zhen, 315000 - Ningbo	100.00
INBEV SEDRIN BREWERY Co, Ltd - 660 Gong Ye Road, Putian Hanjiang District - Fujian	100.00
INBEV SHILIANG (ZHEJIANG) BREWERY CO LTD. - 159, Qi Xia Dong Road - Cheng Guan, Tiantai County	100.00
INBEV ZHEDONG (ZHEJIANG) BREWERY CO. LTD - Yiyang Zhen, 315000 - Ningbo	100.00
NANJING INBEV JINLING BREWERY CO. LTD - Qi Li Qiao, Yiang Pu District - 211800	100.00
<b>DOMINICAN REPUBLIC</b>	
COMPAÑIA CERVECERA AMBEV DOMINICANA C. por A - Av. San Martin, 279 - Apartado Postal 723 - Santo Domingo	61.90
<b>ECUADOR</b>	
COMPAÑIA CERVECERA AMBEV ECUADOR S.A. - Av. Amazonas E4-69 y Av. Patria - Quito	61.90
<b>FRANCE</b>	
AB - INBEV FRANCE S.A.S. 38 Allée Vauban 59110 La Madeleine	100.00
<b>GERMANY</b>	
BRAUEREI BECK GmbH & CO. KG - Am Deich 18/19 - 28199 - Bremen	100.00
BRAUEREI DIEBELS GmbH & CO.KG - Brauerei-Diebels-Strasse 1 - 47661 - Issum	100.00
BRAUERGILDE HANNOVER AG - Hildesheimer Strasse 132 - 30173 - Hannover	100.00
HAAKE-BECK BRAUEREI GmbH & Co. KG - Am Deich 18/19 - 28199 - Bremen	99.96

HASSERÖDER BRAUEREI GmbH - Auerhahnring 1 - 38855 - Wernigerode	100.00
ANHEUSER-BUSCH INBEV GERMANY HOLDING GmbH - Am Deich 18/19 - 28199 - Bremen	100.00
SPATEN - FRANZISKANER - BRÄU GmbH - Marsstrasse 46 + 48 - 80335 - München	100.00

**GRAND DUCHY OF LUXEMBURG**

BRASSERIE DE LUXEMBOURG MOUSEL - DIEKIRCH - 1, Rue de la Brasserie - L-9214 - Diekirch	95.82
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**INDIA**

CROWN BEERS INDIA LIMITED - #8-2-684/A, ROAD NO. 12 - BANJARA HILLS, HYDERABAD 500034 - ANDHRA PRADESH	100.00
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**PARAGUAY**

CERVECERIA PARAGUAYA S.A. - Ruta Villeta KM 30 - Ypané	61.90
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**PERU**

COMPANIA CERVECERA AMBEV PERU SAC - Av. Los Laureles Mz. A Lt. 4 del Centro Poblado Menor Santa Maria de s/n Huachipa - Lurigancho, Chosica City Lima 15	61.90
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<u>NAME AND REGISTERED OFFICE OF FULLY CONSOLIDATED COMPANIES</u>	<u>% OF ECONOMIC INTEREST AS AT 31 DECEMBER 2011</u>
<b>RUSSIA</b>	
OAOSUN INBEV - 28 Moscovskaya Street, Moscow region - 141600 - Klin	99.95
<b>THE NETHERLANDS</b>	
INBEV NEDERLAND N.V. - Ceresstraat 1 - 4811 CA - Breda	100.00
INTERBREW INTERNATIONAL B.V. - Ceresstraat 1 - 4811 CA - Breda	100.00
<b>UKRAINE</b>	
PJSC SUN InBev Ukraine - 30V Fizkultury St - 03680 - Kyiv	98.29
<b>US</b>	
ANHEUSER-BUSCH COMPANIES, LLC. - One Busch Place - St. Louis, MO 63118	100.00
ANHEUSER-BUSCH INTERNATIONAL, INC. - One Busch Place - St. Louis, MO 63118	100.00
ANHEUSER-BUSCH PACKAGING GROUP, INC. - 3636 S. Geyer Road - Sunset Hills, MO 63127	100.00
<b>UNITED KINGDOM</b>	
BASS BEERS WORLDWIDE LIMITED - Porter Tun House, 500 Capability Green - LU1 3LS - Luton	100.00
INBEV UK LTD - Porter Tun House, 500 Capability Green - LU1 3LS - Luton	100.00
<b>URUGUAY</b>	
CERVECERIA Y MALTERIA PAYSSANDU S.A. - Rambla Baltasar Brum, 2933 - 11800 - Payssandu	61.90

**LIST OF MOST IMPORTANT ASSOCIATED COMPANIES**

<u>NAME AND REGISTERED OFFICE OF ASSOCIATES</u>	<u>% OF ECONOMIC INTEREST AS AT 31 DECEMBER 2011</u>
<b>MEXICO</b>	
GRUPO MODELO S.A.B. de C.V. - Torre Acuario - Javier Barros Sierra No 555 - Piso 6 - Colonia Zedec Santa Fe - Delagacion Alvaro Obregon - 01210 México, D.F.	50.35

EXHIBIT 4.2 CONFIDENTIAL TREATMENT REQUESTED BY ANHEUSER-BUSCH INBEV SA/NV

[\*\*\*\*] Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

**To:** Fortis Bank SA/NV  
**From:** Anheuser-Busch Inbev SA/NV (as Company, Original Borrower and Original Guarantor)  
Anheuser-Busch Inbev Worldwide Inc. (as Original Borrower and Original Guarantor)  
Anheuser-Busch Companies Inc. (as Original Guarantor)  
Brandbrew SA (as Guarantor)  
Cobrew NV/SA (as Guarantor)

23 June 2011

Dear Sirs,

We refer to the facility agreement dated 26 February 2010 among, *inter alia*, Anheuser-Busch Inbev SA/NV; Anheuser-Busch Inbev Worldwide Inc.; Anheuser-Busch Companies Inc.; and Fortis Bank SA/NV (the "**Facility Agreement**"). Terms defined in the Facility Agreement have the same meaning in this letter.

1. In this letter, we are seeking the consent of the Lenders under the Revolving Facility, the Dollar Swingline Facility and the Euro Swingline Facility to certain amendments to the Facility Agreement. The nature of the amendments requires the consent of all of the Lenders. We intend that the amendments will take effect only upon the effective date (the "**Effective Date**"), being the later of (i) the date on which the Agent confirms that all of the Lenders under the Term Facility have been repaid and all claims of such Lenders in respect of the Term Facility have been fully and finally discharged; (ii) the date on which the Agent confirms that all of the Lenders under the Revolving Facility, the Dollar Swingline Facility and the Euro Swingline Facility have consented to the proposed amendments; and (iii) three Business Days after the Agent notifies the Lenders that the equalising transfers referred to in paragraph 7 have taken effect.
2. In consideration of the Lenders under the Revolving Facility, the Dollar Swingline Facility and the Euro Swingline Facility agreeing to each of the amendments to the Facility Agreement referred to below and the other matters in this letter, we agree to pay to each Lender under the Revolving Facility which consents by 5 July 2011 (for itself and for its affiliates under the Dollar Swingline Facility and the Euro Swingline Facility) a fee at a rate of 0.15% calculated on the amount of such Lender's allocated Overall Commitment (based on the commitments following the equalising transfers



EXHIBIT 4.2 CONFIDENTIAL TREATMENT REQUESTED BY ANHEUSER-BUSCH INBEV SA/NV

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referred to in paragraph 7), such fee to be paid within five Business Days of the Effective Date.

3. From the Effective Date:

- (i) The Lenders under the Term Facility shall cease to be Lenders for the purposes of the Term Facility.
- (ii) The Margin grid appearing in the definition of Margin will be replaced by the following:

<b>Credit Rating (S&amp;P / Moody's) Higher than or equal to:</b>	<b>Revolving Facility Margin (% pa)</b>
A/A2	0.35
A-/A3	[****]
BBB+/Baa1	[****]
BBB/Baa2	[****]
BBB-/Baa3	[****]
Lower than BBB-/Baa3	1.50

(iii) Paragraph (b) of the definition of Termination Date will be replaced by the following:

“in relation to the Revolving Facility, the date which is 60 months following the Effective Date, as defined in a letter from the Obligors to the Agent dated [•] (the “**Amendment Letter**”) or such later date as may be agreed in accordance with the procedure set out in the Amendment Letter.”

4. On not more than two occasions, the Company may, by not less than 10 Business Days notice to the Agent, request the Lenders under the Revolving Facility to agree to a Termination Date for the Revolving Facility which is 12 months later than the then current Termination Date. The Agent must promptly notify each Lender of the details of the requested extension. Any Lender which does not agree to such request within such 10 Business Day period (or any extension of such period notified from time to time by the Company) will be deemed to have refused such request.

If, following expiry of the notice of such a request, there are Lenders under the Revolving Facility which have agreed to such request, then:

EXHIBIT 4.2 CONFIDENTIAL TREATMENT REQUESTED BY ANHEUSER-BUSCH INBEV SA/NV

[\*\*\*] Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

- (a) as amongst those Lenders (and their affiliates which are Lenders under the Dollar Swing Line Facility and/or Euro Swing Line Facility), the new Termination Date for the Revolving Facility will take immediate effect;
  - (b) any Lender which has refused such request, or is deemed to have refused such request, (and their affiliates which are Lenders under the Dollar Swing Line Facility and/or Euro Swing Line Facility) will cease to be a Lender on the then current Termination Date applicable to it, and will not be obliged to participate in any Advance under the Revolving Credit Facility, the Dollar Swingline Facility and/or the Euro Swingline Facility which extends beyond such Termination Date.
5. Each Obligor makes the Repeating Representations by reference to the facts and circumstances then existing:
  - (i) on the date of this letter; and
  - (ii) on the Effective Date,but as if references in Clause 29 to "Finance Documents" includes, for the purposes of (ii), the Facility Agreement as amended by this letter.
6. In order to consent to the amendments requested in this letter, Lenders must respond by 5 July 2011. This letter constitutes notice to any Lender under the Revolving Facility, the Dollar Swingline Facility and the Euro Swingline Facility which does not consent to these amendments by that date that the Company intends, subject to having obtained the consent of the Super Majority Lenders, ignoring the Commitments of the Term Facility Lenders which are to be repaid to replace that Lender in accordance with Clause 44.3 by requiring that Lender to transfer its Commitment under each such Facility to an entity to be identified by the Company.
7. Each Lender under the Revolving Facility, the Dollar Swingline Facility and the Euro Swingline Facility which consents to the amendments requested in this letter also agrees that it will enter into such Transfer Certificates as may be necessary to ensure that the Revolving Facility Commitments of each bookrunner (amongst themselves), are equal in amount provided that the Commitments of any bookrunner do not, as a result, exceed \$700,000,000.
8. Except as expressly provided herein, this letter shall not amend, cancel, alter, vary or waive any provisions of any Finance Document in any way. In particular, each of the Guarantors confirms that its guarantee continues in full force and effect and extends to the obligations of each Borrower under the Finance Documents, as amended by this letter.

EXHIBIT 4.2 CONFIDENTIAL TREATMENT REQUESTED BY ANHEUSER-BUSCH INBEV SA/NV

[\*\*\*] Indicates that certain information contained herein has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

9. This letter may be executed in any number of counterparts and this shall have the same effect as if the signatures on the counterparts were on a single copy of this letter.
10. This letter is a Finance Document.
11. This letter and any non-contractual obligations arising out of or in connection with it will be governed by and construed in accordance with English law.

Please confirm which of the Lenders under the Revolving Credit Facility, Dollar Swingline Facility and Euro Swingline Facility agree to the matters described above, by 12 pm (London time) on 5 July 2011.

/s/ Ricardo Rittes

For and on behalf of

**Anheuser-Busch Inbev SA/NV**

/s/ Ricardo Rittes

For and on behalf of

**Anheuser-Busch Inbev Worldwide Inc.**

/s/ Ricardo Rittes

For and on behalf of

**Anheuser-Busch Companies Inc.**

/s/ Ricardo Rittes

For and on behalf of

**Brandbrew SA**

/s/ Ricardo Rittes

For and on behalf of

**Cobrew NV/SA**

### RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets out our ratios of earnings to fixed charges for each of the five years ended 31 December 2011, 2010, 2009, 2008, and 2007 based on information derived from our consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards (“IFRS”).

	Year ended 31 December				
	2011	2010	2009	2008	2007
<i>Earnings:</i>					
Profit from operations before taxes and share of results of associates	9,192	7,161	7,150	3,740	5,054
Add: Fixed charges (below)	3,702	4,313	5,014	1,965	1,035
Less: Interest capitalized (below)	110	35	4	—	—
<b>Total earnings</b>	<b><u>12,784</u></b>	<b><u>11,439</u></b>	<b><u>12,160</u></b>	<b><u>5,705</u></b>	<b><u>6,089</u></b>
<i>Fixed charges:</i>					
Interest expense and similar charges	3,216	3,848	4,394	1,761	926
Accretion expense	286	351	526	127	49
Interest capitalized	110	35	4	—	—
Estimated interest portion of rental expense	90	79	90	77	60
<b>Total fixed charges</b>	<b><u>3,702</u></b>	<b><u>4,313</u></b>	<b><u>5,014</u></b>	<b><u>1,965</u></b>	<b><u>1,035</u></b>
<b>Ratio of earnings to fixed charges</b>	<b><u>3.45</u></b>	<b><u>2.65</u></b>	<b><u>2.43</u></b>	<b><u>2.90</u></b>	<b><u>5.88</u></b>

The ratio of earnings to fixed charges represents the number of times fixed charges are covered by earnings. For the purposes of computing this ratio, earnings consist of profit from operations before taxes and share of results of associates, plus fixed charges, minus interest capitalized during the period. Fixed charges consist of interest and accretion expense, interest on finance lease obligations, interest capitalized, plus one-third of rent expense on operating leases, estimated by the company as representative of the interest factor attributable to such rent expense.

The Parent Guarantor did not have any preferred stock outstanding and did not pay or accrue any preferred stock dividends during the periods presented above.



**Anheuser-Busch InBev**

# **CODE OF BUSINESS CONDUCT**

August 2011

## Introduction

As a leading global company, AB InBev operates in countries having a broad range of cultures and business practices. As a result, it is more important than ever that we are guided by a clear and consistent code of business ethics and guidelines for AB InBev employees around the world.

In achieving our business objectives, we must always adhere to the highest standards of business integrity and ethics, as well as respect and comply with all applicable national and supra-national laws and regulations.

The Code applies to every employee of AB InBev and of its subsidiaries. It applies to every business transaction we make and to every business acting on our behalf. It is our mutual responsibility to read and understand it.

Senior management must ensure that, within their respective areas of responsibility, this Code is distributed and receives the appropriate attention and follow-up.

### THIS CODE OF BUSINESS CONDUCT, TOGETHER WITH OUR PRINCIPLES

- we act as owners;
- we respect and trust each other;
- our people make the difference;
- we lead by personal example – winning with integrity;

plays an important part in building the foundation for AB InBev's long-term success.

Its principles are designed to be clear and must be the context in which all Company business decisions are made. No financial objective, no sales target, no effort to outdo the competition, outweighs this commitment to integrity.

Employees are encouraged to report to the Company any activity or requested action that they believe to be, even potentially, in violation of the law or this Code. Such reports should be made to a line manager or, if necessary, to one of the contacts listed on the last page of this document.

**We count on your active co-operation.**



**Carlos Brito**  
Chief Executive Officer



**Peter Harf**  
Chairman of the Board

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## 1. Statement of Policy

It is AB InBev's policy that its directors, officers and employees strictly comply with all applicable laws and regulations and observe the highest standards of business ethics.

The Company's reputation for honesty and integrity is an invaluable asset. Violation of the above policy can therefore seriously affect the Company.

No Company official has the authority to require any action that would violate this policy. This policy is subject to no waivers or exceptions because of competitive or commercial demands, industry customs or other exigencies.

Any employee who deliberately violates this policy, or authorises or allows a subordinate to violate it, is subject to disciplinary action, including potential demotion or dismissal.

## 2. Compliance with Laws, Competition and Antitrust Laws

Relationships with customers, suppliers, competitors, employees and governmental bodies and officials are to be based on compliance with all applicable laws and regulations.

All AB InBev employees must understand the extent to which competition and antitrust laws affect their daily work. All affected employees must fully and constantly comply with applicable competition and antitrust laws. Any questions should be directed to the legal department.

**Guidelines for compliance with competition and antitrust laws are available from:**

- your legal department
- the AB InBev Chief Legal Officer

Competition and antitrust laws regulate dealings with competitors, customers, distributors and other third parties. They prohibit agreements with a competitor to set any terms of sale (prices, discounts, credit terms...), to set production levels, divide customers or territories, or to boycott any customer. They also strongly limit the information the Company can share with competitors. Such laws vary in different markets and you should seek expert legal advice on them.

AB InBev will respect all exchange controls and fiscal legislation of the countries in which it conducts its business.

AB InBev will also comply with anti-money laundering regulations ("know your customer").

AB InBev and its affiliates will not enter into business arrangements, directly or indirectly, with counterparts located in countries subject to political and/or economic embargoes (eg: recognized by the United Nations).

## 3. Honest and Ethical Conduct

All AB InBev employees must be honest, objective and diligent in the performance of their duties and responsibilities.

They are trusted by the Company to exhibit professionalism in all matters pertaining to AB InBev's affairs and not to partake knowingly in any illegal or improper activity.

**Every AB InBev employee shall:**

- encourage consumers to drink responsibly;
- never use AB InBev's name (or those of its affiliates) for personal interest;
- comply strictly with all AB InBev policies and guidelines.

## 4. Conflicts of Interest

AB InBev employees should not become involved in any activity which would conflict or interfere with the performance of their duties towards the AB InBev group.

Any direct or indirect investment – through family members or others, outside interest or other activity of AB InBev employees, that may appear to present such a conflict, is prohibited unless an exception is authorised after full written disclosure of the facts to the VP Legal Corporate & Compliance.

Unless specifically authorized, employees should not act as shareholders, directors, officers, partners, agents or consultants for a supplier, customer or competitor except with regard to shares in publicly traded companies, which may be held by employees for personal investment purposes.

Employees cannot seek to profit from confidential information or business opportunities that are available to them as a result of their position within the AB InBev group. Neither should they use this information in a manner which can be detrimental to the AB InBev group.



## 5. Use of Company Assets

All Directors, officers and employees should protect Company assets and ensure their efficient use. They cannot use Company assets, funds, facilities, personnel or other resources for private purposes unless authorized by mandatory law or separate company policies.

Company assets also include your time at work and work product, as well as the Company equipment and vehicles, computers and software, Company information and trademarks and name. All Company assets should be used for legitimate business purposes only.

As far as the use of the Internet is concerned, an occasional consultation, for personal reasons and within reasonable limits, of websites is accepted, provided their content is not contrary to public order or to morality, and that consultation of such sites is not detrimental to the interests and the reputation of AB InBev. A reasonable use of emails in the framework of the requirements of daily and family life is also accepted, on condition that the use of the email does not affect the normal traffic of professional messages.

## 6. Books, Records and Controls

It is essential that the integrity, accuracy and reliability of AB InBev's books, records and financial statements be maintained.

No transaction shall be entered into with the intention of it being documented or recorded in a deceptive manner. No false or artificial documentation or book entry shall be made for any transaction.

Similarly, all funds, assets and transactions must be disclosed and recorded in the appropriate books and accounted for properly and punctually.

All payments should be made through official bank transfer or by sending cheques directly to the official beneficiary's company address.

## 7. Gifts, Favors

Corporate gifts and hospitality (e.g., meals, travel or entertainment) are a common feature of business in many countries. In most cases, corporate gifts and hospitality are offered as a courtesy and are a way of developing and improving business relationships.

AB InBev employees cannot receive gifts, loans at favourable rates, cash or intangible favors from suppliers or others with whom AB InBev does business or is seeking to start business, except :

- entertainment or gifts of nominal value consistent with the accepted business practice in the relevant country(ies);
- loans from financial institutions on prevailing terms and conditions.

You can find further clarifications in the Guidelines for gifts and political contributions which are available on your intranet.

In addition, AB InBev employees are strictly prohibited from, either directly or indirectly, offering, promising, authorising or giving anything of value with the aim of influencing business or governmental decision-making in connection with AB InBev's commercial activities.

You should refer to AB InBev's Anti-Corruption Policy for further guidance prior to engaging any third party intermediary or offering anything of value to a public official.



## 8. Political Contributions, Mandates

Any direct or indirect contribution by the Company to any political party, committee or candidate for public office is strictly forbidden, even if permitted by local regulations, unless the formal approval of AB InBev's Board of Directors has been obtained in advance.

Members of AB InBev's management committees at global, zone, business unit or local level who wish to be candidate for local, regional, provincial, national, federal or European elections are requested to notify AB InBev's Board of Directors of their intentions.

You can find further clarifications in the Guidelines for gifts and political contributions which are available on your intranet.

## 9. Code of Dealing

As a publicly listed company, AB InBev must ensure equal treatment of all investors, which means that all investors should have access to the same information at the same time.

Therefore a Code of Dealing has been put in place, specifying the conditions to which all employees and their relatives are subjected in dealing in AB InBev shares and in handling "inside information". Inside information is information which has not been made public and could have a significant effect on the price of the AB InBev shares.

### Dealing by employees:

AN EMPLOYEE MUST NOT:

- deal in AB InBev shares when he or she is in possession of inside information;
- deal in AB InBev shares during a Close period, i.e. the period of 15 calendar days preceding any financial results announcement of the company;
- deal in AB InBev shares on considerations of a short-term nature, i.e. within a period of six months after having sold or purchased AB InBev shares;

Moreover "Executives" of the AB InBev group are subject to prior clearance before any dealing.

### Use of inside information:

AN EMPLOYEE SHALL NEVER:

- communicate inside information within the group or to a third party, except if necessary for the proper performance of his duties;
- recommend to anyone to deal in AB InBev shares as a result of being in possession of such inside information.

Non-compliance with the Code of Dealing may result in disciplinary action and may also be a criminal offence and give rise to civil liability.

The full Code of Dealing and further advice are available from your local General Manager, the Legal Department or the People Department.

## 10. Code of Responsible Commercial Communication

As a leading global brewer, AB InBev has implemented a code aimed at ensuring that our marketing and commercial communications are responsible and do not contribute to the misuse of our products nor is directed at the under-age.

**This Code applies to all forms of commercial communication and of brand marketing activities including:** advertising, sponsorship, outdoor events, promotions, web site content, relationship marketing, consumer public relations, packaging and labeling claims for all AB InBev beer brands.

**The Code of Responsible Commercial Communication is to be applied** by all those involved in the marketing, sales, promotion and communication of AB InBev brands, including external advertising, public relations, design, sales promotion, events and media and buying agencies.

**This Code should be used as a company reference for responsible marketing and commercial communication and regarded as the minimum standard.** In those markets where national mandatory or self regulatory rules already exist and if those requirements are more stringent, then clearly these requirements have to be met in addition to those of this Code.

**For further information:**

**please contact Corporate Affairs.**

## 11. Confidentiality

AB InBev employees may learn confidential or proprietary information about the Company, its customers, suppliers, or joint venture parties. The confidentiality of all such information should be strictly maintained, except when disclosure is authorized. Confidential or proprietary information includes any non-public information that would be harmful to the Company or helpful to competitors if disclosed.



## 12. External Communication

The AB InBev Disclosure Manual requires that only a limited number of key people talk to the media. No AB InBev employee will respond to media enquiries or give interviews, speeches or make presentations outside the Company, without the prior authorisation of the CEO/Zone President/Country Manager or the Corporate Affairs Representative.

## 13. Administration of the Codes

All managers shall be responsible for the enforcement of and compliance with the Codes above, including their distribution to ensure that the employees of the AB InBev group have sufficient knowledge thereof and comply with it adequately.

No manager or individual has the authority to permit any exceptions to these Codes.

All AB InBev employees are encouraged to report any activity that they believe is or might be a violation of laws/regulations or these Codes.

The usual place to report such compliance offenses is directly to your line manager. However, in circumstances where the employee believes that reporting suspected violations or raising compliance questions to the line manager is inappropriate, employees may submit their concern or complaint to the VP Corporate Audit or the VP Legal Corporate & Compliance of AB InBev.

As an additional mechanism, employees may also forward according to AB InBev's global whistleblowing policy, concerns or complaints to a whistleblowing service, which is administered by a third party, EthicsPoint Inc., having its registered offices at 13221 SW 68th Parkway, Suite 120, Portland, OR 97223, USA:

### 1. Via Internet

To access an Internet-based message interface that will immediately notify the VP Legal Corporate & Compliance and the VP Corporate Audit, employees are invited to go to the highly secured EthicsPoint web site: <http://talkopenly.ab-inbev.com>.

### 2. 24/7 available whistleblowing line

Employees may call the toll free line to speak with a live operator who is a compliance specialist. The line operates 24 hours a day/seven days a week and also has translation services available at all times. The AB InBev toll free line is 888-601-6762 in the US. It will be used in conjunction with country specific codes, the list of which can be found on <http://talkopenly.ab-inbev.com>.

Subject to potential legal requirements, the identity of an employee reporting alleged violations will be kept confidential.

Employees will not be subject to retaliation or penalties of any kind for reporting in good faith a suspected violation to the company. Full details on how complaints and reports will be treated, can be found in AB InBev's global whistleblowing policy, which can be found on your intranet.



**CONTACT DETAILS:**

**Sabine Chalmers**  
*Chief Legal Officer*  
Tel.: +1 212 573 9280  
sabine.chalmers@ab-inbev.com

**Ingrid Bett**  
*VP Corporate Audit*  
Tel.: +32 16 27 66 31  
Fax: +32 16 50 66 31  
ingrid.bett@ab-inbev.com

**Benoit Loore**  
*VP Legal Corporate & Compliance*  
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Anheuser-Busch InBev  
**CODE OF DEALING**  
February 2010

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## Definitions

In this Code of Dealing, the following definitions will apply, unless otherwise stated:

### AFFILIATE

any subsidiary or affiliate of the Company over which the Company has, directly or indirectly, management control.

### CLOSE PERIOD

- (a) each period of 15 calendar days preceding any results announcement of the Company, including the day of the results announcement; *and*
- (b) in case of the publication of a prospectus or similar document with respect to the Company, the Board of Directors may establish an additional close period in relation thereto.

### COMPANY

Anheuser-Busch InBev SA/NV ("AB InBev").

### COMPETENT AUTHORITY

the Belgian Commission for Banking, Finance & Insurance

### DEALING

any direct or indirect acquisition or disposal of, or agreement to acquire or dispose of a Financial Instrument and any direct or indirect grant, acceptance, acquisition, disposal, exercise or discharge of any option (whether for the call or put or both) or other right or obligation, present or future, conditional or unconditional, to acquire or dispose of a Financial Instrument, or any interest in a Financial Instrument.

**To avoid any doubt and without limitation, the following transactions constitute "Dealings" for the purpose of this Code of Dealing, and are consequently subject to it:**

- (a) arrangements that involve a sale of Financial Instruments with the intention of repurchasing an equal number of such Financial Instruments soon afterwards;
- (b) Dealings between Employees and/or Executives; *and*
- (c) off-market Dealings.

**To avoid any doubt and without limitation, and notwithstanding the above, the following Dealings are not subject to the provisions of this Code of Dealing:**

- (a) undertakings or elections to take up entitlements under a rights issue or other offer (including an offer of shares in lieu of a cash dividend);
- (b) the taking up of entitlements under a rights issue or other offer (including an offer of shares in lieu of a cash dividend);
- (c) allowing entitlements to lapse under a rights issue or other offer (including an offer of shares in lieu of a cash dividend); *and*
- (d) undertakings to accept, or the acceptance of, a take-over offer.

*For the purpose of this Code of Dealing, the term "Deal" shall be construed in accordance with this definition.*

## Definitions (continued)

### **DIRECTOR**

any member of the Board of Directors of the Company.

### **EMPLOYEE**

any person employed by the AB InBev Group (other than Directors and Executives) as well as (i) any member of the immediate family (spouse/husband and children) of such person or anyone living with such member as part of the same household or (ii) any company controlled by such person or by such family member.

### **EXECUTIVE**

any (i) Director, (ii) Executive Board of Management member, (iii) member of External Growth, Corporate Finance and Corporate Legal Departments or senior member of the Corporate Affairs Department of the AB InBev Group, (iv) assistant of any person mentioned under (i) to (iii), as well as (v) any member of the immediate family (spouse/husband and children) of such person or anyone living with such member as part of the same household or (vi) any company controlled by such person or by such family or household member.

At the request of the Competent Authority, the Company may provide it with a list of the Executives and regular or occasional subsequent updates to such list.

### **FINANCIAL INSTRUMENT**

Any financial instrument, including, but not limited to, any share, ADR, bond, warrant or option, or any derivative instrument relating to such Financial Instrument.

### **AB INBEV GROUP**

the Company and all Affiliates.

### **INSIDE INFORMATION**

information of a precise nature, which has not been made public, relating directly or indirectly (1) to the AB InBev Group or to any listed company outside the AB InBev Group or (2) to Financial Instruments of the AB InBev Group or any listed company outside the AB InBev Group, and which, if it were made public, could have a significant effect on the price of Financial Instruments of the AB InBev Group or such other company. A non-exhaustive list of items that constitute or may constitute inside information is set out in Annex 1 hereto.

### **PROHIBITED PERIOD**

- (a) any Close Period;
- (b) any period when there exists any matter about which there is Inside Information with respect to the AB InBev Group or the AB InBev Group's Financial Instruments (whether or not the Employee or Executive has knowledge of such matter); and
- (c) any period when the person(s) responsible for the clearance otherwise has/have reason to believe that the proposed Dealing is in breach of this Code of Dealing.



## I. Introduction

The present Code of Dealing applies to all Employees and Executives of the AB InBev Group.

The purpose of the present Code of Dealing is to ensure that the aforementioned persons do not abuse, nor place themselves under suspicion of abusing, and maintain the confidentiality of Inside Information that they may have or be thought to have, especially in periods leading up to an announcement of financial results or of price-sensitive events or decisions.

The present Code of Dealing sets out minimum standards to be followed in any event. Nevertheless, in addition to the Code of Dealing, Employees and Executives are subject to **national laws prohibiting insider dealing**. These national laws may, for example, make it a **criminal offence** for an individual who has information as an insider to deal on or off a regulated market, or as a professional intermediary, in Financial Instruments, the price of which would be significantly affected if the insider information were made public. It should be noted that the present Code of Dealing **does not attempt to replace these national laws**.

Furthermore, **more extensive restrictions** may be provided for in existing or subsequent **arrangements** to which Employees and Executives are party or subject such as (i) lock-up agreements or (ii) the terms of any stock option, warrant plan or share purchase plan. Such restrictions will apply **in addition** to the present Code of Dealing.

**Any questions relating to the interpretation or implementation of this Code should be submitted to the Chief Legal Officer, e-mail [Sabine.chalmers@ab-inbev.com](mailto:Sabine.chalmers@ab-inbev.com).**

**The persons to whom this Code is addressed acknowledge being bound by its terms and commit to observe the confidentiality and other undertakings and restrictions set out herein. Executives may be asked to sign on a regular basis a written statement on their awareness of and compliance with the AB InBev Code of Dealing.**

## II. Use of inside information

Without prejudice to more stringent obligations under applicable national laws prohibiting insider dealing, an Employee or an Executive shall not, at any time:

- (a) communicate Inside Information to anyone within the AB InBev Group or to a third party, except if he or she does so in order to comply with a statutory requirement or if such is necessary for the proper performance of his or her professional duties;
- (b) recommend to anyone within the AB InBev Group or to a third party to Deal or not to Deal, as a result of being in possession of such Inside Information; or
- (c) assist anyone who is engaged in any of the above activities.

## III. Dealings by employees and executives

An Employee or an Executive must not Deal in Financial Instruments, whether issued by the Company or not, at any time when he or she is in possession of Inside Information with respect to such Financial Instruments or the company to which they relate, whether or not he or she is at such time subject to applicable national laws on the prohibition of insider dealing.

An Employee or an Executive must not Deal in any of the Company's Financial Instruments during a Close Period.

An Employee or an Executive must not deal in any of the Company's Financial Instruments on considerations of a short-term nature. Any purchase or sale of any of the Company's Financial Instruments within a period of six months after having sold or purchased such Financial Instruments will automatically be considered a Deal on considerations of a short-term nature, unless such Financial Instrument was acquired or disposed of in connection with a stock option plan established or sponsored by the Company.

An Executive must not Deal in any of the Company's Financial Instruments where clearance to Deal is not given according to Chapter IV of this Code of Dealing.

## IV. Clearance to deal

An Executive must not Deal in any of the Company's Financial Instruments without receiving prior clearance:

(a) as far as a Director is concerned, from the Chairman of the Board or, in the case of the Chairman, from at least two other Directors of the Company. The Director should make a specific written request to this effect, indicating the number of Financial Instruments for which clearance is requested, to the attention of the Corporate Secretary, e-mail [sabine.chalmers@ab-inbev.com](mailto:sabine.chalmers@ab-inbev.com).

(b) as far as any other Executive is concerned, from the Clearance Committee. A specific written request should be made to this effect, indicating the number of Financial Instruments for which clearance is requested, to the attention of Mr. Benoit Loore, VP Legal Corporate & Compliance, fax + 32 16 50 68 70, e-mail [benoit.loore@ab-inbev.com](mailto:benoit.loore@ab-inbev.com).

The Clearance Committee is composed of the Chief Financial Officer, the Corporate Secretary and the Chief People Officer of the Company. The Committee can only deliberate if at least two of its members are present.

In the case where the Clearance Committee is to decide on a request by one of its members, such member shall be substituted by any other member of the Executive Board of Management or by a Board Member.

Within 48 hours after receipt of the Executive's written request, the Executive will be heard and clearance will be granted or refused by written decision, a copy of which will be provided to the Executive. The request for clearance will be deemed to be refused, if after five working days after receipt of such written notice, no decision has been communicated to the Executive.

An Executive will not be given clearance to Deal in any of the Company's Financial Instruments during a Prohibited Period except as provided under Chapters V and VIII of this Code.

The intended Deal shall have to be passed for execution by the Executive concerned within five working days after having received clearance. The Executive must advise the Clearance Committee immediately after he or she has dealt in the Company's Financial Instruments in accordance with this Chapter.

The Company must maintain a written record of any advice received from an Executive pursuant to this Chapter, of any clearance given and of any Dealing in the Company's Financial Instruments made in accordance with this Chapter. Written confirmation from the Company that such advice, clearance and Deal, if any, have been recorded must be given to the Executive concerned.



## V. Clearance to deal during a close period in exceptional circumstances

In exceptional circumstances, where it is the only reasonable course of action available to an Employee or an Executive, clearance may be given for the Employee or the Executive to sell (but not to acquire) the Company's Financial Instruments when he or she would be prohibited from doing so for the reason that such Dealing would fall within a Close Period. The determination of whether circumstances are exceptional for this purpose must be made by the persons authorised for giving a clearance under Chapter IV of this Code.

A pressing financial commitment on the part of the Employee or the Executive that cannot otherwise be satisfied, may, for instance, be considered exceptional for these purposes.

A specific written request should be made to this effect, in accordance with Chapter IV of this Code.



## VI. Disclosure to market

Executives shall be required to notify the Competent Authority within five working days of the consummation of any transaction cleared hereunder (with a copy to the Clearance Committee), in accordance with the E.U. Directive of 29 April 2004. Please note that the Belgian legislation must provide for public access to the information provided to Competent Authority.

## VII. Dealings by investment managers

For the avoidance of doubt, the provisions of this Code, including the requirement to receive clearance pursuant to Chapter IV of this Code, shall fully apply to dealings by investment managers, bankers or other authorised financial intermediaries on behalf or for the account of an Employee or an Executive, except if the investment manager, banker or other authorised financial intermediary is acting on the basis of an entirely discretionary investment management mandate.

Each Employee or Executive shall take appropriate steps in order to ensure that any investment manager, banker or other authorised financial intermediary acting for his account or on his behalf, other than on the basis of an entirely discretionary investment management mandate, will not Deal in situations where dealings are prohibited according to this Code, including in situations where an Executive has not received clearance pursuant to Chapter IV of this Code.

## VIII. Special circumstances

When assigned on a temporary basis to a specific project of a sensitive nature, an Employee can be formally notified by one of his or her superiors that such Employee is, for the duration of such assignment, subject to the restrictions applicable to an Executive, i.e., that he or she must not at any time Deal in any of the Company's Financial Instruments without advising in advance and receiving clearance from the Clearance Committee.

The award of securities, the grant of options and the grant of rights (or other interests) to acquire securities by the Board of Directors or Compensation and Nominating Committee under a share or option scheme to persons who are not Executives may be permitted during a Prohibited Period if such grant could not reasonably be made at another time and failure to make the grant would be likely to indicate that the Company is in a Prohibited Period.

**The award of securities, the grant of options and the grant of rights (or other interests) to acquire securities to Executives is permitted in a Prohibited Period if:**

- (a) the award or grant is made under the terms of an existing share or option scheme and the terms of such share or option scheme set out:
  - (I) the timing of the award or grant and such terms have either:
    - previously been approved by shareholders or summarised or described in a document sent to shareholders, or
    - the timing of the award or grant is in accordance with the timing of previous awards or grants under the scheme; and
  - (II) the amount or value of the award or grant or the basis on which the amount or value of the award or grant is calculated; or
- (b) the failure to make the award or grant would be likely to indicate that the company is in a Prohibited Period.

**The following dealings are not covered by the exemptions set forth in this Chapter of this Code and are consequently subject to provisions of this Code:**

- (a) a discretionary award or grant under a share or option scheme, which would not otherwise have been made but for the event that led to the commencement of the Prohibited Period; and
- (b) an award or grant under a share or option scheme which is made in a Prohibited Period during which the relevant scheme was introduced, or in the case of an existing scheme, the relevant scheme was amended.

The person(s) authorised to give clearance pursuant to Chapter IV of this Code may allow the exercise of an option or right under an option scheme, or the conversion of a convertible Financial Instrument where the final date for the exercise of such option or right, or conversion of such Financial Instrument, falls during any Prohibited Period and the Employee or Executive could not reasonably have been expected to exercise it at an earlier time when he or she was free to Deal. A specific written request should be made to this effect, in accordance with Chapter IV of this Code.

Where an exercise or conversion is permitted pursuant to the previous paragraph, the person(s) authorised to give clearance pursuant to Chapter IV of this Code may not at the same time give clearance for the sale of all or part of the Company's Financial Instruments acquired pursuant to such exercise or conversion, if such clearance is requested.





## Inside Information

(NON-EXHAUSTIVE LIST)

It is not possible to provide an exhaustive definition of the sort of information which, if made public, could have a significant effect on the market price of securities. Hereunder follows a non-exhaustive list of items which may constitute such information. Such items, however, will only be considered Inside Information if they could have a significant effect on the price of Financial Instruments.

**IN CASE OF DOUBT, THE CLEARANCE COMMITTEE SHOULD BE CONSULTED.**

- (a) any yearly, half-yearly or quarterly financial results or any financial or business forecasts (including cash-flow forecasts);
- (b) any corporate action such as, but not limited to:
- a decision to declare or pay any dividend or other distribution;
  - a rights issue;
  - a proposal to limit or cancel the preferential subscription rights;
  - a dissolution or liquidation;
  - a stock split;
  - an issuance of warrants, convertible or exchangeable bonds or bonds with warrants attached;
  - a corporate restructuring such as a merger or a split-up;
  - a material acquisition or disposal of assets;
- (c) any other material event or decision that may have a significant influence on the stock price such as, but not limited to:
- the announcement of a proposed modification to the rights attached to different categories of Financial Instruments;
  - the acquisition of own shares;
  - the announcements in connection with annual or extraordinary shareholder's meetings;
  - any change of business year;
  - any change of corporate form;
  - any confirmation of any material take-over discussions, acquisitions, disposals of interests, joint-venture or profit and loss pooling agreements;
  - any material decision of anti-trust or other regulatory authorities (including securities, stock exchange, environmental or tax authorities);
  - any material development of orders received and utilisation of capacity;
  - any discontinuance of products;
  - any extraordinary gains or losses;
  - any significant financing measures;
  - any introduction of new products and the development of new markets or discontinuance of existing markets;
  - any material investments/disinvestments;
  - any new, or loss of, licenses;
  - any material litigation, tax or other proceedings;
  - any intellectual property acquisition, disposal, dispute or claim;
  - any product contamination or product liability issue;
  - any important change in regulatory or tax environment;
  - any changes in management or composition of the Board of Directors;
  - any material provisions and write-offs;
  - any material collective labour dispute or agreement;
  - any significant rationalisation measures;
  - any significant production stoppage;
  - any acquisition or loss of material supply agreements.

## Practical Guidelines

1. You might possess, or have or customarily have access to, insider information concerning the AB InBev Group. In these cases neither you nor your immediate family or anyone living with you as part of the same household, nor companies and entities controlled by you, your immediate family or anyone living with you as part of the same household, should deal in any securities of the AB InBev Group without first consulting and following the Code.
  - you must not deal in the securities of the AB InBev Group;
  - you must not suggest to anyone that they deal (or refrain from dealing) in the securities of the AB InBev Group; and
  - you must not disclose the information (either directly or indirectly), unless permitted under the Code.
2. You might obtain insider information concerning an AB InBev Group Company. This can involve any sort of confidential, price-sensitive information, such as a new acquisition or another transaction with a company outside the AB InBev Group. If you do:
  - you must not deal in the securities of that company;
  - you must not suggest to anyone that they deal (or refrain from dealing) in the securities of that company; and
  - you must not disclose the information (either directly or indirectly), unless permitted under the Code.
3. You might obtain insider information concerning a company outside the AB InBev Group. This can arise, for example, where an AB InBev Group company is either involved in, or is contemplating, a transaction with or concerning any other company. If this happens:
  - you must not deal in the securities of that other company;
  - you must not suggest to anyone that they deal (or refrain from dealing) in the securities of that other company; and
  - you must not disclose the information (either directly or indirectly), unless permitted under the Code.
4. You might receive tips from someone to deal in the securities of a company, or be given some information concerning a company (whether or not the company is part of the AB InBev Group). If you suspect that the tip or information is confidential and price-sensitive:
  - you must not deal in the securities of that company; and
  - you must not pass on the tip or information (either directly or indirectly) or reveal that the information exists.
5. You might need to involve other people in a particular transaction. In this case:
  - you should disclose insider information to other AB InBev personnel only where it is necessary for the proper execution of their professional duties; and
  - you should disclose insider information to any person outside the AB InBev Group only where it is necessary (for instance, to the AB InBev Group's professional advisers).









**CONTACT DETAILS:**

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*Chief Legal Officer*

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**Benoit Loore**

*VP Legal Corporate & Compliance*

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Fax: +32 16 50 68 70

benoit.loore@ab-inbev.com

I, Carlos Brito, certify that:

- 1) I have reviewed this annual report on Form 20-F of Anheuser-Busch InBev SA/NV (the “**Company**”);
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- 4) The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
- 5) The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s Board of Directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: 12 April 2012

By: /s/ Carlos Brito

Name: Carlos Brito

Title: Chief Executive Officer

I, Felipe Dutra, certify that:

- 1) I have reviewed this annual report on Form 20-F of Anheuser-Busch InBev SA/NV (the “**Company**”);
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- 4) The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
- 5) The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s Board of Directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: 12 April 2012

By: /s/ Felipe Dutra

Name: Felipe Dutra

Title: Chief Financial Officer

**Exhibit 13.1**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each undersigned officer of Anheuser-Busch InBev SA/NV (the “**Company**”), hereby certifies, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended 31 December 2011 (the “**Form 20-F**”) of the Company fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: 12 April 2012

By: /s/ Carlos Brito  
Name: Carlos Brito  
Title: Chief Executive Officer

Date: 12 April 2012

By: /s/ Felipe Dutra  
Name: Felipe Dutra  
Title: Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form F-3 (No. 333-169514) and Forms S-8 (Nos. 333-165065, 333-165566, 333-169272, 333-171231, 333-172069 and 333-178664) of Anheuser-Busch InBev SA/NV of our report dated 11 April 2012 relating to the consolidated financial statements of Anheuser-Busch InBev SA/NV as of and for the years ended 31 December 2011 and 31 December 2010 and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

PwC Bedrijfsrevisoren BCVBA  
Represented by

/s/ Yves Vandenplas  
Yves Vandenplas  
Bedrijfsrevisor

Sint-Stevens-Woluwe, Belgium  
12 April 2012

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors of Anheuser-Busch InBev SA/NV :

We consent to the incorporation by reference in the Registration Statements on Form F-3 (No. 333-169514) and on Form S-8 (Nos. 333-172069, 333-171231, 333-169272, 333-165566, 333-165065 and 333-178664) of Anheuser-Busch InBev SA/NV of our report dated April 14, 2010, with respect to the consolidated statement of financial position of Anheuser-Busch InBev SA/NV and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2009, which report appears in the Annual Report on Form 20-F of Anheuser-Busch InBev SA/NV for the year ended December 31, 2011.

KPMG Bedrijfsrevisoren – Réviseurs d’Entreprises  
Statutory auditor  
represented by

/s/ Jos Briers  
*Réviseur d’Entreprises/Bedrijfsrevisor*

Brussels, BELGIUM  
April 12, 2012

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form F-3 (No. 333-169514) and Forms S-8 (Nos. 333-165065, 333-165566, 333-169272, 333-171231, 333-172069 and 333-178664) of Anheuser-Busch InBev SA/NV of our report dated April 14, 2010, relating to the financial statements of Anheuser-Busch US Beer and Packaging reporting entities as of and for the year ended December 31, 2009, which appears in Anheuser-Busch InBev SA/NV's annual report on Form 20-F for the year ended December 31, 2011. The financial statements of the Anheuser-Busch US Beer and Packaging reporting entities are not separately presented in Anheuser-Busch InBev SA/NV's annual report on Form 20-F.

/s/ PricewaterhouseCoopers LLP  
PricewaterhouseCoopers LLP  
St. Louis, MO  
April 12, 2012