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## **InBev NV/SA**

# Special report by the statutory auditor on the increase of the share capital by means of a contribution in kind (drawn up in accordance with Article 602 of the Belgian Companies Code)

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EH/pv

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## 1 Mission

As statutory auditor of InBev NV/SA (hereafter referred to as InBev) we were engaged by the Board of Directors to report on a proposed capital increase by means of a contribution in kind in accordance with Article 602 of the Belgian Companies Code (BCC).

Article 602 of the Companies Code provides that:

*“When a capital increase consists of contributions in kind, a report must be prepared in advance, either by the statutory auditor, or, for companies which do not have a statutory auditor, by the auditor appointed by the board of directors.*

*This report should address the description of each contribution in kind and the valuation methods adopted. The report should indicate whether the valuation which results from the valuation methods adopted corresponds at least to the number and the nominal value, or, in the absence of nominal value, the book value and, if applicable, the issue premium of the shares to be issued as consideration. The report should indicate what the effective remuneration of the contributions is.*

*This report should be attached to the special report prepared by the board of directors which addresses the interest which the contribution and the capital increase represent for the company, as well as, if need be, the reasons why the conclusions reached in the special board report differ from the conclusions reached in the auditor’s report.*

*The auditor’s report and the special board report must be submitted to the commercial court in accordance with Article 75.*

*If the capital increase is submitted to the general meeting of shareholders in accordance with Article 581, the reports referred to in paragraph 3 should be indicated in the agenda of the shareholders’ meeting. A copy can be obtained in accordance with Article 535.*

*In the absence of the reports required by this article, any decision taken by the general meeting of shareholders is void.”*

## 2 Description of the contribution

### 2.1 Background of the transaction

The main purpose of InBev's proposed capital increase is to meet the requirement of Brazilian law (indicated in the fourth paragraph hereunder) that applies as a result of the close of a combination transaction, announced on March 3, 2004 between the Belgian company InBev (under its previous name of Interbrew) and the Brazilian company Companhia de Bebidas das Américas – AmBev (hereafter referred to as AmBev).

The combination between both groups was completed on August 27, 2004 by means of an Extraordinary Shareholders' Meeting approving the indirect contribution to InBev of 8,253,913,260 AmBev common shares<sup>1</sup>, held by BRC S.à.R.L. (hereafter referred to as BRC), remunerated by InBev's issuance of 141,712,000 new InBev ordinary shares. Taking into account the existence of minority shareholders at the level of one of the four subsidiaries of BRC (a company named Empresa de Administração e Participações S/A - ECAP<sup>2</sup> (hereafter referred to as ECAP) ), the indirect ownership in AmBev shares, excluding minority interests at subsidiary level, is 8,199,047,952 common shares.

By means of an interrelated agreement, also completed on August 27, 2004, InBev indirectly contributed its fully owned Canadian brewing and distribution operations (Labatt Brewing Company Ltd. hereafter referred to as Labatt) into AmBev and, as a result of the transaction, a fully owned subsidiary of InBev obtained 7,866,181,882 newly issued common shares of AmBev and 11,398,181,319 newly issued preferred shares of AmBev.

The transactions completed on August 27, 2004 provided InBev with a majority voting interest in AmBev. This change in control over AmBev has triggered the requirement, pursuant to Brazilian law, to launch a mandatory tender offer (hereafter referred to as MTO) on all AmBev common shares that InBev does not currently hold, at a price corresponding to a minimum of 80% of the exchange ratio that was used for the contribution transaction between BRC and InBev referred to above. With the exception of approximately 3.8 billion AmBev common shares held by Fundação Antonio e Helena Zerrenner<sup>3</sup> (a Brazilian foundation that primarily provides health benefits to AmBev employees and their dependents), the MTO (which will comprise a stock for stock option and a cash option<sup>4</sup>) will relate to all remaining outstanding AmBev common shares (i.e. 3,643,945,408 shares<sup>5</sup>) except that the stock for stock option of the MTO will effectively not concern 60,730,600 treasury shares held indirectly by AmBev and hence will effectively relate to a total of 3,583,214,808 AmBev common shares which represents 15.25 %<sup>6</sup> of the total number of common shares.

<sup>1</sup> AmBev's common shares have voting rights and are quoted on the Sao Paulo Stock Exchange (AMBV3.SA) and as ADR's in New York (ABV-C), in addition thereto AmBev issued preferred shares that are quoted in Sao Paulo (AMBV4.SA) and as ADR's in New York (ABV).

<sup>2</sup> ECAP was a 98.64% indirectly owned subsidiary of BRC as per August 27, 2004 (due to subsequent share purchases the level of interest was 98.73% as of the end of December 2004).

<sup>3</sup> Fundação Antonio e Helena Zerrenner is a party to a shareholders' agreement with InBev regarding AmBev and has committed not to tender its shares in the MTO.

<sup>4</sup> See section 2.2 hereinafter

<sup>5</sup> Including 6,006,448 shares held by directors and officers and 60,730,600 treasury shares held indirectly by AmBev.

<sup>6</sup> Compared to a total of 23,558,245,274, taking into account the 7,866,181,882 shares obtained as a remuneration for contributing Labatt assets to AmBev.

In our report of 30 July 2004 concerning the contribution in kind transaction between BRC and InBev completed on 27 August 2004, we estimated that the increase of economic<sup>7</sup> and voting interest of InBev in AmBev that the MTO would represent, could be determined as follows:

	Approximate %	
	Voting interest	Economic interest
- prior to MTO	69 %	48 %
- post MTO (if 100 % successful)	84 %	54 %

As a result of succeeding share buyback programs, AmBev acquired preferred shares and reduced total stock. Taking into account the share buyback programs for 2004, the total number of shares of AmBev as per October 31, 2004<sup>8</sup> became:

	Number of shares (in thousands)		
	Total	Treasury stock	Total (excluding treasury stock)
Common	23,558,245	60,731	23,497,514
Preferred	32,719,496	1,151,726	31,567,770
	<u>56,277,741</u>	<u>1,212,457</u>	<u>55,065,284</u>

Based on this share information, a successful MTO will provide InBev with a 84 % voting and 56 % economic interest in AmBev. Since the latest announced share buyback program started on September 14, 2004 (limit of R\$ 500<sup>9</sup> million with a 365-day term) those percentages may slightly change up to the date of the Extraordinary Shareholders' Meeting, the impact of which is considered not significant in light of this transaction.

<sup>7</sup> Common + preferred stock.

<sup>8</sup> Information in relation to the treasury stock is based on the September 30, 2004 quarterly reporting to the Brazilian Securities Commission (CVM). Total preferred stock was 33,519,497(000) and treasury stock 1,951,726(000). Taking into account the cancellation on October 6, 2004 of 800,000(000) preferred shares out of treasury stock such stock is reduced to 1,151,726(000).

<sup>9</sup> "R\$" to express Brazilian Real (BRL); exchange rate December 6, 2004 of approximately EUR 0,275 = 1 R\$.

## 2.2 Contributed assets, cash alternative

In accordance with Article 254-A of the Brazilian Corporate law n° 6,404/76 AmBev informed the market on October 12, 2004 of InBev's filing with the Comissão de Valores Mobiliários (hereafter referred to as CVM) to obtain approval of the terms and conditions of the MTO.

The final terms and conditions of the MTO were approved by the CVM on February 9, 2005. The MTO will be carried out between February 14, 2005 and March 29, 2005. The settlement of the Cash MTO (as defined hereafter) is expected to be settled on or around the 5<sup>th</sup> day after the close of the MTO and the settlement of the Stock MTO (as defined hereafter) is expected to occur later, i.e between 60 and 90 days after the close of the MTO, for the reasons explained under point 2.3 of the report of the Board of Directors.

Pursuant to the terms and conditions of the MTO, InBev will offer AmBev's common shareholders the option to:

- (i) exchange common AmBev shares into InBev shares, at an exchange ratio equivalent to 80 % of the exchange ratio agreed with the former controlling shareholders of AmBev (the "Stock MTO"), representing 13.827166 InBev shares per 1,000 AmBev shares (no fractions of InBev shares will be delivered to tendering AmBev's common shareholders, who will receive instead an amount in Brazilian Reais equal to a proportional fraction of the cash price of the Cash MTO (see hereunder)); or
- (ii) cash payment in R\$ equivalent to EUR 353.28 per 1,000 AmBev shares (the "Cash MTO").

The Stock MTO will be served either with newly issued shares of InBev, or with existing shares of InBev.

The specific terms of the MTO established based on Brazilian regulations are as follows:

### 1 Stock MTO:

- Basis is the August 27, 2004 transaction:  
141,712,000 InBev shares = 8,199,047,952 AmBev shares<sup>10</sup> or 0.017284 InBev shares per AmBev share ( or alternatively 57.86 AmBev shares for 1 InBev share);
- 80% thereof equals 0.013827 InBev share per AmBev share (or alternatively 72.32 AmBev shares for 1 InBev share);

<sup>10</sup> Indirect participation taking into account the ECAP minority stake.

- a 100% successful Stock MTO will result into a remuneration of 49,545,705 InBev shares for a contribution of 3,583,214,808 AmBev common shares.

## 2 Cash MTO:

- Basis is the August 27, 2004 transaction whereby the InBev share price at close of the business day amounted to EUR 25.55 per share;
- 80% thereof is EUR 20.44 per InBev share;
- per AmBev share this becomes EUR 0.35328 (or EUR 353.28 per thousand) being EUR 20.44 x 0.017284.

The selected option by each of the common shareholders will finally determine the level of the required newly issued (capital increase) or existing shares of InBev. InBev expects to take a decision in relation to its settlement choice in shares in the days following the closing of the MTO.

InBev as a group incorporates specialized subsidiaries for financing and investment holding. The Cash MTO will be carried out by InBev Holding Brazil, a Brazilian subsidiary of InBev. The group's main investment company, holding the majority of all InBev subsidiaries, directly or indirectly, is Interbrew International BV (The Netherlands). Interbrew International BV will ensure the Stock MTO as and when no new shares are issued.

Only in the case of newly issued shares will there be a contribution of AmBev common stock to InBev that will be remunerated by means of a capital increase subject to Article 602 of the BCC.

## 2.3 Valuation of the contributed assets

The contributed assets will consist of a number of AmBev shares valued at 80 % of the value agreed upon conclusion of the August 27, 2004 transaction. Based on the proposed cash payment terms the AmBev shares are valued at EUR 353.28 per 1,000 shares, as indicated in point 2.2.

The proposed cash settlement price is not substantially different from recent quoted market prices:

Date	Exchange rate 1\$R (interbankrate)	AmBev Share price (common shares) at close of business – per 1,000 shares		InBev share price in EUR	Exchange ratio in number of AmBev shares per 1 InBev share
		In local currency	In EUR		
27/08/04	0.27960	\$R 1,200.00	335.52	25.55	76.2
21/01/05	0.27927	\$R 1,375.00	384.00	27.10	70.6
<i>Increase in share price</i>			+14.45%	+6.06 %	

As indicated in the report of the Board of Directors the proposed exchange for a Stock MTO will be 3,583,214,808 AmBev shares for 49,545,705 newly issued InBev shares (assuming a 100 % Stock MTO with issuance of new InBev shares), number of shares calculated as shown under point 2.2.

Based on share price ranges for InBev between EUR 25.71 per share (last 12 month average) and EUR 27.10 per share (as at close of business on January 21, 2005) the value of the contribution will vary between EUR 1,274 million and EUR 1,343 million.

The MTO is part of a number of interrelated, although separate transactions, which depend on a valuation of AmBev and Labatt. These valuations were prepared by a project team under control of InBev's management, including members of InBev's mergers & acquisition and finance department, and assisted by external advisors, including international investment banks. The valuation methodology used is basically a discounted cash flow model using projected cash-flows for the years 2004 through 2013, including a terminal value calculation<sup>11</sup>.

As of the date of this report there are no indications of corrections to be made to the initial assumptions.

<sup>11</sup> Reference is made to our report dated July 30, 2004 (in relation to the August 27, 2004 contribution in kind) for more detail.

Starting from the initial value of EUR 9 billion for AmBev (excluding Labatt) and EUR 4.2 billion for Labatt, we adjusted the evaluation table in our July 30, 2004 report by including the MTO (assuming a 100 % "Stock MTO" with issuance of new InBev shares) and by adjusting the economic interest % (mainly resulting from the buyback programs).

	<u>EUR million</u>
1. Value of AmBev shares EUR 9 billion x 56.4 %	5,076
2. Loss of ownership in Labatt EUR 4.2 billion x 43.6 %	-1,831
3. <u>Plus</u> : synergy effects	<u>2,230</u>
Value contribution August 27, 2004 + MTO	<u>5,475</u>
Capital increase :	
• August 27, 2004	3,342
• MTO (at January 21, 2005 close of business)	<u>1,343</u>
Value newly issued InBev shares	<u>4,685</u>

Based on the above we are able to conclude that the value of the contributed AmBev shares corresponds at least to the value of the newly issued InBev shares (capital + share premium).

### **3 Remuneration of the contribution in kind**

The Board of Directors proposes to issue a maximum of 49,545,705 shares of InBev (which corresponds to a 100 % Stock MTO with issuance of new InBev shares) as remuneration for the contribution in kind using an exchange ratio of 72.321 AmBev shares per InBev share. The final value of the capital increase will depend on the number of shareholders electing to exchange common AmBev shares into InBev shares, earlier described as the Stock MTO and on the decision that the Board of Directors will make, in the days after the close of the MTO, on whether the Stock MTO will be served with newly issued and/or existing InBev shares. As indicated in the report of the Board of Directors, the Extraordinary General Assembly of Shareholders will be requested to grant to the Board the authority to decide, after the close of the Stock MTO, on the number of AmBev common shares that InBev will accept as a contribution in kind to its capital against new InBev shares and to determine the final amount for which the capital increase will close and the final number of new InBev shares that will be issued. Any capital increase will only close after the specific approvals required by Brazilian foreign exchange control regulations in order to settle the Stock MTO are obtained. Such approvals are expected to be obtained around 60 days after the close of the MTO.

In order to obtain approval of the Extraordinary General Assembly of Shareholders the proposed capital increase reflects the remuneration of up to 3,583,214,808 AmBev shares, resulting in issuing up to 49,545,705 new InBev shares at EUR 27.10 per share (as at close of business on January 21, 2005, being the date on which the exchange rate valuation was updated and finalized as a basis for the report of the Board of Directors).

As indicated in the Board of Directors' report, the resolution adopted by the Extraordinary General Assembly of Shareholders will become void for the amounts and number of shares in excess of the final number of AmBev shares tendered to the Stock MTO (in exchange for newly issued InBev shares).

The value of the maximum number of new shares that would be issued as consideration for the contribution of AmBev common shares for which the approval of the Extraordinary Assembly of Shareholders is requested, amounts to EUR 1,342,688,605.50 (newly issued InBev shares at EUR 27.10 per share).

In our opinion, the value of the assets contributed is at least equal to the number and par value of the newly issued InBev shares (i.e. EUR 38,150,192.85) increased with the share premium of EUR 1,304,538,412.65.

## **4 Work performed**

We performed or relied on the following work:

- Audit of the InBev consolidated financial statements over the past three years;
- Review of working papers of the external auditor of AmBev in connection with the 2003 financial statements of AmBev (Brazilian GAAP);
- KPMG Corporate Finance review of the AmBev valuation model, including evaluation of the underlying assumptions using input of KPMG Brazil (review of external information such as recent analyst reports on the value of AmBev's American Depositary Receipts, which trade on the New York Stock Exchange); comparison with recent transactions within the sector and publications on main assumptions used;
- Audit of Labatt's Canadian and US financial statements over the past three years;
- ISA 810 review of the 2004/2005/2006 forecasted figures;
- Update review of the initial valuations between July 30, 2004 (report relating to the August 27, 2004 contribution) and the date of this report.

## 5 Conclusion

The capital increase consists of the issuance of up to 49,545,705 new ordinary shares of InBev to holders of AmBev common shares accepting to tender their shares in the Stock MTO further to such tendered AmBev common shares being contributed in kind to the share capital of InBev. However, the final amount for which the capital increase will close and the final number of new InBev shares that will be issued, will only be determined after the close of the Stock MTO.

Upon completion of our procedures performed, we are of the opinion that:

- The transaction was reviewed in accordance with the standard of the Belgian Institute of Chartered Accounts (IBR-IRE) on the audit of contributions in kind. The Board of Directors of InBev is responsible for the valuation of the assets contributed and for the determination of the number of new shares issued by InBev as remuneration for the contribution in kind;
- The description of the contribution in kind meets normal requirements of precision and clarity;
- The valuation methods applied are economically justified and lead to a value, which corresponds, at least to the number and the par value of the newly issued InBev shares increased with the share premium.

The remuneration of the contribution comprises up to 49,545,705 shares of InBev without nominal value.

We would finally like to remind the reader that our engagement does not consist in expressing a fairness opinion. Our report is provided on the basis that it is for the intended recipients' information only and can only be used in the context of the transactions described above.

KPMG Reviseurs d'Entreprises  
Represented by



Erik Helsen  
*Partner*

Brussels, 25 February , 2005