



what's new?

For more than a century and a half, Anheuser-Busch's unwavering commitment to quality has been the key to our success. From brewing to packaging to entertainment, our focus has always been fresh: **fresh ideas, fresh markets, fresh packaging, fresh fun.** In 2004, our domestic revenue per barrel grew by 2.5 percent, the domestic pricing environment continued to be favorable, and consumers continued to trade up to premium beer brands.

49.6% **market share**

Anheuser-Busch is the leading brewer in the United States.



In 2004, your company concentrated on achieving consistency through change. That may sound contradictory, but Anheuser-Busch has maintained its consistent, successful performance because we have always been willing to change. It's our willingness to think fresh that helps us remain competitive and successful.

Last year our success was marked by increased revenues and our sixth consecutive year of double-digit earnings per share growth. The pricing environment continued to be favorable for our domestic beer company, and we embarked on several new initiatives to enhance beer volume growth. Our international beer company had an outstanding year, contributing over 25 percent of our company's consolidated earnings growth, and we continued to develop an important leadership position in China through both continuing operations and acquisitions. At the same time, we also returned a substantial amount of cash to you, our shareholders. In total, we returned over \$2.4 billion in the form of share repurchase and increased dividends.

Anheuser-Busch is a healthy company with a variety of opportunities for fresh growth in each of our businesses. We would like to use this letter to look toward the future and some of the major events that will influence our business over the long term.

New Markets

Our company and our industry are becoming more global. In 2004 we enhanced our leadership position in China with the acquisition of the country's fourth-largest brewer, Harbin. This investment further demonstrates Anheuser-Busch's commitment to the beer business in China, which began with our purchase of a brewery in Wuhan and continued with our strategic investment and partnership with the Tsingtao Brewery, the industry leader.

The Chinese beer market is already larger than the U.S. market and is the fastest-growing beer market in the world. Anheuser-Busch now has 10,000 Chinese employees and an ownership position in 64 breweries in China: 50 through our strategic alliance with Tsingtao, 13 through our Harbin acquisition, and our flagship brewery in Wuhan, where we make Budweiser. Not only are we profitable in China today, but we are the best-positioned international brewer with the best brewing partners in that country.

We are also well positioned for growth with our 50 percent ownership of Modelo, Mexico's leading brewer and the brewer of Corona, the number one

import brand in the United States. Mexico is an exciting growth market and Modelo achieved strong volume and profit growth in 2004. This investment was responsible for the double-digit growth in our company's equity income.

We look forward to participating in an increasingly more global beer business. Through important alliances with leading brewers, who are our partners around the world, we feel that Anheuser-Busch is well positioned to compete in this environment.

New Challenges

In addition to expanded global competition, we are seeing increased competition in the domestic industry. After decades of decline, the hard liquor industry has begun to experience growth in the United States and that growth has had an impact on the beer industry. The brewing industry produces 58 percent of all alcohol servings in the United States, and Anheuser-Busch holds roughly half of that amount. The hard liquor industry produces about 28 percent of all alcohol servings but it has been increasing its share recently. The introduction of flavored liquors, combined with sophisticated product presentation to young adult consumers, has increased the growth rate of hard liquor.

In response, we are stepping up our marketing to contemporary adults of legal drinking age. The on-premise market is important for beer brand image development, especially among contemporary adults, and we are implementing a wide range of new initiatives in the on-premise segment as a key part of our marketing plan for 2005. We are also bringing out new brands and packages to enhance consumer interest and to expand beer use occasions. There is no need for our brands to take a back seat in the contemporary marketing arena. We have the heritage, tradition, and marketing skill to successfully compete.

New Initiatives

Innovation is critical to meeting competitive challenges, and one area we are enthusiastic about is our new brand offerings.

Beginning several years ago with Michelob ULTRA and continuing with the 2005 rollout of Budweiser Select, we have used our brewing skill and marketing resources to offer a fresh portfolio of products that will create growth.

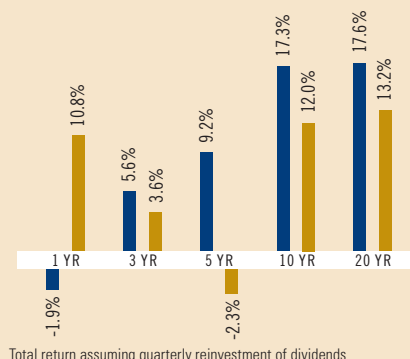
Budweiser Select was specially brewed to offer the consumer a crisp taste with a clean finish. It doesn't taste like a light beer, but it contains only 3.1 grams of carbohydrates and 99 calories. We call it "a new kind of beer." Another new brand is B^E, which is a truly



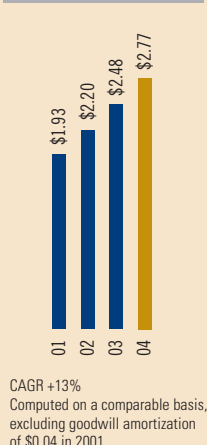
A-B vs. S&P 500 Annualized Total Return

(% GAIN, AS OF YEAR-END 2004)

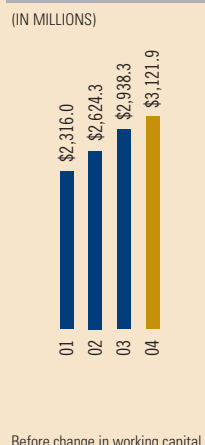
■ A-B
■ S&P



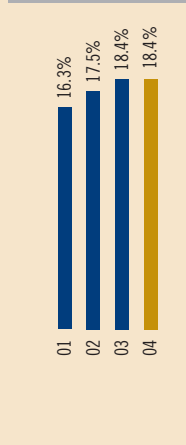
Diluted Earnings Per Share



Cash Flow From Operations



Return On Capital Employed



unique product. It offers the taste of a flavored malt beverage with the addition of caffeine, ginseng and guarana. It's beer with something extra.

On the packaging side, we have many exciting initiatives. Our national rollout of applied plastic labels on all Bud Light bottles is more than a graphics change, it's a new capability in packaging that allows us to move a brand's image upscale. This new label also gives us options in positioning new products such as Budweiser Select.

We have also introduced unique 16-ounce aluminum bottles for Michelob, Michelob Light and Anheuser World Select in a number of markets, and consumer response has been very strong. We will be introducing several retro-themed Budweiser can packages in 2005 during promotions aimed to celebrate and recall the brand's heritage and tradition.

We have worked hard for decades, through product and packaging innovations like these, to grow our share to roughly half of the beer industry. And we intend to continue innovating as we look at the domestic and global industry in a fresh new light. That's what we mean by consistency through change.

Subsidiary Strength

Our family adventure parks are an integral part of our ability to meet and entertain consumers in a wholesome fun-filled setting. We not only entertained 20 million people last year, but we made excellent financial returns despite the unprecedented series of hurricanes in the southeastern United States. We remember with pride the exemplary performance of our employees who coped with the crisis, placed a priority on safety, and got the parks back in operating order in short time.

In 2005, our adventure parks will also give us the opportunity to salute the U.S. military. We have invited uniformed men and women and their families to join us free of charge at our parks. We are humbly grateful for their service and appreciate the opportunity to say thanks.

Our high-quality packaging operations offer us a competitive edge. We make aluminum cans, lids, glass bottles, and labels, which are not only the highest quality but also help us run our breweries more efficiently. As we gain insight into the challenges our external suppliers face, we learn how to work toward our common benefit. By eliminating unnecessary cost in the production and logistics system, we are able to boost productivity. It also helps us in leading best practice initiatives when we invest in the beer business overseas.

Community Strength

In 2004 Anheuser-Busch had numerous opportunities to work with the communities in which we do business. The cornerstone of the company's efforts is the commitment to promoting responsible drinking among adults and to fighting abuse, including underage drinking and drunk driving. For more than two decades, we have been the industry leader in these efforts.

In 2005, we will proudly celebrate our company's 20th anniversary of promoting responsibility through broadcast advertising. In 1985, we were the first alcohol beverage company to run a TV spot promoting responsible drinking on network television. We reached another milestone, too: Investments in alcohol awareness initiatives by Anheuser-Busch and our wholesaler family have surpassed \$500 million since we introduced our "Know When to Say When" campaign in 1982.

Working together with our more than 600 wholesalers nationwide, and our many partners in the areas of education, law enforcement, retailing, and parents and community groups, Anheuser-Busch has made a lasting contribution to helping our nation realize significant declines in drunk driving and underage drinking during the past two decades. But there's more work to be done, and we will continue to share the message that *Responsibility Matters*.



*from left: Patrick T. Stokes, President and CEO
August A. Busch III, Chairman of the Board*

In addition to these efforts, it has been a longstanding company tradition to come to the aid of our local communities in times of crisis. The Atlantic hurricane season was especially brutal in 2004, and Anheuser-Busch donated more than 6 million cans of drinking water to aid the victims of hurricanes Charley and Frances.

In response to the series of hurricanes, which caused damage across Florida, the Anheuser-Busch Foundation donated \$1.1 million to aid hurricane relief. Other members of our Anheuser-Busch family joined in these efforts. Anheuser-Busch and its independent wholesalers donated \$1 million to the American Red Cross as part of a nationwide program called Operation Hurricane Relief.

Unfortunately, before the year was out, another disaster of global proportions struck. On Dec. 26, 2004, the largest earthquake to strike the globe since 1964 rocked the ocean floor off the coast of Indonesia.

As a global corporate citizen, Anheuser-Busch instituted Operation Tsunami Relief. The company matched all employee donations to the American National Red Cross International Response Fund, and we earmarked all employee and company gifts made to this fund for the tsunami relief.

Anheuser-Busch has been helping communities cope with natural disasters since 1906. And, while we wish there was not a need for this kind of support, we'll always be there to provide help and assistance.

Proven Strengths, New Opportunities

Looking forward to 2005 and beyond, we see long-term opportunities arising from current challenges. The long-term positives in our business are still present. We have a favorable domestic price environment, consumers are still trading up to premium products, and capacity utilization is at a high level. The number of 21- to 27-year-old consumers will grow through the end of this decade. We are investing in new brands, new packages and new ways to engage our consumers. We have a lot going on . . . but we like it that way.

A handwritten signature in black ink that reads "Patrick T. Stokes".

Patrick T. Stokes
President and CEO

A handwritten signature in black ink that reads "August A. Busch III".

August A. Busch III
Chairman of the Board

February 2, 2005

