

CONSOLIDATED BALANCE SHEET

Year Ended December 31 (in millions, except per share)	2006	2005
Assets		
<u>Current Assets</u>		
Cash	\$ 219.2	\$ 225.8
Accounts receivable	720.2	681.4
Inventories	694.9	654.5
Other current assets	195.2	197.0
Total current assets	1,829.5	1,758.7
Investments in affiliated companies	3,680.3	3,448.2
Plant and equipment, net	8,916.1	9,041.6
Intangible assets, including goodwill of \$1,077.8 and \$1,034.5, respectively	1,367.2	1,232.6
Other assets	584.1	1,073.9
Total Assets	\$ 16,377.2	\$ 16,555.0
Liabilities and Shareholders Equity		
<u>Current Liabilities</u>		
Accounts payable	\$ 1,426.3	\$ 1,249.5
Accrued salaries, wages and benefits	342.8	250.9
Accrued taxes	133.9	156.7
Accrued interest	124.2	123.7
Other current liabilities	218.9	201.8
Total current liabilities	2,246.1	1,982.6
Retirement benefits	1,191.5	1,412.8
Debt	7,653.5	7,972.1
Deferred income taxes	1,194.5	1,345.9
Other long-term liabilities	152.9	161.8
<u>Shareholders Equity</u>		
Common stock, \$1.00 par value, authorized 1.6 billion shares	1,473.7	1,468.6
Capital in excess of par value	2,962.5	2,685.9
Retained earnings	16,741.0	15,698.0
Treasury stock, at cost	(16,007.7)	(15,258.9)
Accumulated nonowner changes in shareholders equity	(1,230.8)	(913.8)
Total Shareholders Equity	3,938.7	3,679.8
Commitments and contingencies	—	—
Total Liabilities and Shareholders Equity	\$ 16,377.2	\$ 16,555.0

The footnotes on pages 47 - 63 of this report are an integral component of the company's consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31 (in millions, except per share)	2006	2005	2004
Gross sales	\$ 17,957.8	\$17,253.5	\$17,160.2
Excise taxes	(2,240.7)	(2,217.8)	(2,226.0)
Net sales	15,717.1	15,035.7	14,934.2
Cost of sales	(10,165.0)	(9,606.3)	(9,020.0)
Gross profit	5,552.1	5,429.4	5,914.2
Marketing, distribution and administrative expenses	(2,832.5)	(2,837.5)	(2,740.5)
Litigation settlement	—	(105.0)	—
Operating income	2,719.6	2,486.9	3,173.7
Interest expense	(451.3)	(454.5)	(426.9)
Interest capitalized	17.6	19.9	21.9
Interest income	1.8	2.4	4.7
Other income/(expense), net	(10.8)	2.7	38.7
Income before income taxes	2,276.9	2,057.4	2,812.1
Provision for income taxes	(900.5)	(811.1)	(1,097.5)
Equity income, net of tax	588.8	498.1	404.1
Net income	\$ 1,965.2	\$ 1,744.4	\$ 2,118.7
Basic earnings per share	\$ 2.55	\$ 2.24	\$ 2.65
Diluted earnings per share	\$ 2.53	\$ 2.23	\$ 2.62

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

Year Ended December 31 (in millions, except per share)	2006	2005	2004
Common Stock, \$1.00 Par Value			
Balance, beginning of period	\$ 1,468.6	\$ 1,463.0	\$ 1,457.9
Shares issued under stock plans	5.1	5.6	5.1
Balance, end of period	\$ 1,473.7	\$ 1,468.6	\$ 1,463.0
Capital in Excess of Par Value			
Balance beginning of period	\$ 2,685.9	\$ 2,387.9	\$ 1,981.0
Stock compensation related	138.2	134.1	187.3
Shares issued under stock plans	138.4	163.9	145.6
Grupo Modelo capital transaction	—	—	74.0
Balance, end of period	\$ 2,962.5	\$ 2,685.9	\$ 2,387.9
Retained Earnings			
Balance, beginning of period	\$ 15,698.0	\$ 14,754.4	\$ 13,404.2
Net income	1,965.2	1,744.4	2,118.7
Common dividends paid (per share: 2006, \$1.13; 2005, \$1.03; 2004, \$.93)	(871.6)	(800.8)	(742.8)
Deferred income tax adjustment	(50.6)	—	(25.9)
Shares issued under stock plans	—	—	0.2
Balance, end of period	\$ 16,741.0	\$ 15,698.0	\$ 14,754.4
Treasury Stock			
Balance, beginning of period	\$ (15,258.9)	\$ (14,638.5)	\$ (12,939.0)
Treasury stock acquired	(745.9)	(620.4)	(1,699.5)
Restricted stock cancellations	(2.9)	—	—
Balance, end of period	\$ (16,007.7)	\$ (15,258.9)	\$ (14,638.5)
Accumulated Nonowner Changes in Shareholders Equity			
Balance, beginning of period	\$ (913.8)	\$ (988.9)	\$ (890.3)
Foreign currency translation gains/(losses)	(70.2)	184.5	102.9
Deferred hedging gains/(losses)	4.5	(1.1)	(61.1)
Deferred securities valuation gains/(losses)	1.0	(95.6)	(76.4)
Deferred retirement benefits costs	(252.3)	(12.7)	(64.0)
Total changes, net of deferred income taxes	(317.0)	75.1	(98.6)
Balance, end of period	\$ (1,230.8)	\$ (913.8)	\$ (988.9)
ESOP Debt Guarantee			
Balance, beginning of period	\$ —	\$ —	\$ (46.3)
Annual debt service	—	—	46.3
Balance, end of period	\$ —	\$ —	\$ —
Total Shareholders Equity	\$ 3,938.7	\$ 3,679.8	\$ 2,977.9
Net Income and Nonowner Changes in Shareholders Equity			
Net income	\$ 1,965.2	\$ 1,744.4	\$ 2,118.7
Total nonowner changes in shareholders equity, net of deferred income taxes	(317.0)	75.1	(98.6)
Combined Net Income and Nonowner Changes in Shareholders Equity	\$ 1,648.2	\$ 1,819.5	\$ 2,020.1

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CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31 (in millions)	2006	2005	2004
Cash Flow from Operating Activities			
Net Income	\$ 1,965.2	\$ 1,744.4	\$ 2,118.7
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	988.7	979.0	932.7
Stock compensation expense	122.9	134.1	187.3
Increase/(Decrease) in deferred income taxes	(45.8)	(39.1)	121.4
Gain on sale of business	—	(15.4)	(13.4)
Undistributed earnings of affiliated companies	(341.8)	(288.0)	(225.1)
Other, net	(168.6)	136.6	(25.0)
Operating cash flow before change in working capital	2,520.6	2,651.6	3,096.6
(Increase)/Decrease in working capital	188.8	50.3	(181.6)
Cash provided by operating activities	2,709.4	2,701.9	2,915.0
Cash Flow from Investing Activities			
Capital expenditures	(812.5)	(1,136.7)	(1,089.6)
New business acquisitions	(101.0)	—	(727.9)
Proceeds from sale of business	—	48.3	302.5
Cash used for investing activities	(913.5)	(1,088.4)	(1,515.0)
Cash Flow from Financing Activities			
Increase in debt	334.8	100.0	1,443.8
Decrease in debt	(663.3)	(456.0)	(510.6)
Dividends paid to shareholders	(871.6)	(800.8)	(742.8)
Acquisition of treasury stock	(745.9)	(620.4)	(1,699.5)
Shares issued under stock plans	143.5	161.4	146.1
Cash used for financing activities	(1,802.5)	(1,615.8)	(1,363.0)
Net increase in cash during the year	(6.6)	(2.3)	37.0
Cash, beginning of year	225.8	228.1	191.1
Cash, end of year	\$ 219.2	\$ 225.8	\$ 228.1

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