

## LETTER TO OUR SHAREHOLDERS

# BREWING OUR FUTURE

For half a century, Anheuser-Busch has led the American beer industry. But perhaps now as never before, our industry's landscape is characterized by change. We're seeing changes in demographics, shifts in consumer preferences, rising competition from other forms of alcohol and breakthroughs in the way people get their information.

Our company is not only adapting to this environment, but embracing it. We have taken several actions in 2006 to properly position ourselves for the future. Through internal development, acquisitions and alliances, we will continue to grow our core brands and expand our portfolio of high-margin, high-growth products — areas well suited to our expertise.

Throughout its history, Anheuser-Busch has demonstrated a willingness to face and engage change. In fact, our company has delivered consistent results through change. It was evident in 1876 when my great-great-grandfather introduced Budweiser, and it is evident today.

In 2006, I became chief executive officer and the fifth generation of Busch family members to lead this company. I am fortunate to follow in the footsteps of two great leaders, my father, August Busch III, and Pat Stokes, whose accomplishments and dedication to the company have brought great success to all of us as shareholders. Their standards of excellence will continue to be a hallmark at Anheuser-Busch.

As we honor their accomplishments, Anheuser-Busch will continue to embrace change and find new opportunities to help our business grow and prosper.

### **Core Brand Focus**

Today in the United States, beer represents 57 percent of all alcohol servings and Anheuser-Busch enjoys a 48.4 percent share of the beer market. We will continue developing innovative marketing and dedicating resources to make sure our core brands — those in the Budweiser, Michelob, Busch and Natural families — continue to resonate with an increasingly diverse consumer base.

As a result of efforts already under way, our core brands experienced positive or improving trends in 2006. Bud Light, in particular, had a very strong year, with volume gains of 4.2 percent due to innovative marketing and the brand's strong appeal with a wide range of consumers. Additionally, this year marked the introduction of Michelob ULTRA Amber, a light lager with a deep amber color, which generated renewed interest in the entire Michelob portfolio.

### **Enhancing our Extensive Portfolio**

While our core brands are our focus, it is important to look at all sources of industry growth. High-end imports and craft beers have bolstered the entire industry, with sales of both growing more than 10 percent in 2006.

The brands of Grupo Modelo, makers of Corona, have an approximate 40 percent share of the import segment in the United States. Since Anheuser-Busch owns 50 percent of Modelo, our company is one of the largest participants in the U.S. import profit pool. Modelo's profits from the United States should increase significantly in 2007 due to the company's new import joint venture with Constellation Brands Inc., called Crown Imports.

To increase Anheuser-Busch's direct participation in the growing import segment, our company formed an agreement to become the exclusive U.S. importer of a number of InBev's premium European import brands, including Stella Artois, Beck's and Bass Pale Ale, among others. These brands had sales volumes of about 1.7 million barrels in 2006. The agreement came on the heels of similar deals with Holland's Grolsch and Singapore's Tiger Beer. We also began importing our own Harbin Lager from China and expanded our 10-year alliance with Kirin Brewing of Japan to produce and sell its beers in the United States. This year we added Czechvar Premium Czech Lager from Budejovicky Budvar to our portfolio.

In 2006, we acquired the Rolling Rock brands, which have a unique personality and we believe will become important competitors in the craft and specialty beer segment. We also introduced a number of our own craft and specialty brands, including organic beers, seasonal beers and local specialty brews.

All of these beers offer higher margins as consumers demonstrate a willingness to pay more for expanded choices. And Anheuser-Busch has experienced much success in bringing such products into our distribution system. The majority of Grolsch, Tiger and Rolling Rock volume already has moved to Anheuser-Busch wholesalers.

Our company's Michelob AmberBock and Michelob specialty brands are well established as high-quality beers, and hold strong appeal for those drawn to the craft segment of the market. Additionally, this year marked the introduction of our "You Choose It. We'll Brew It." program. Through this initiative,

our employees developed several new beer styles, which then competed to become the local specialty beer for select cities.

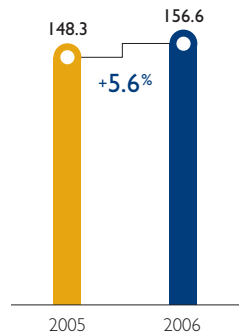
Through our Brewery of the Future strategy, we improved both asset utilization and productivity. We also significantly enhanced the flexibility of our system to handle new brands and packages. Production for specialty products takes place at one or two of our 12 domestic breweries, while the remaining breweries maintain high efficiencies with trademark brands, such as Budweiser and Bud Light.

Because each region of the country has its own character, preferences and traditions, our wholesalers have dedicated resources to support the sale of our import, craft and specialty brands with programs tailored to the local market.

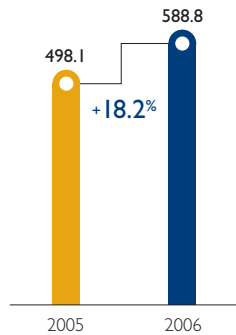
In 2006, Anheuser-Busch, with a U.S. market share of 48.4 percent, shipped 102.3 million barrels, more than two times its closest domestic competitor.



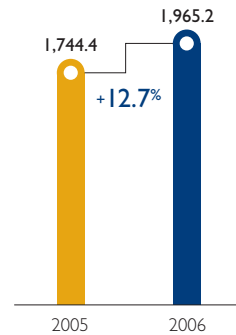
**Worldwide Total Brands Volume**  
(barrels in millions)



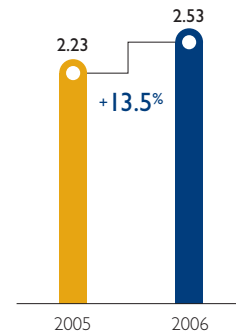
**Equity Income**  
(dollars in millions)



**Net Income<sup>(1)</sup>**  
(dollars in millions)



**Diluted Earnings per Share<sup>(1)</sup>**  
(in dollars)



<sup>(1)</sup> On a comparable basis, which excludes one-time items from both years, net income increased 8.5 percent and diluted earnings per share increased 9.1 percent.

To supplement such efforts, we will significantly expand our field sales force — predominantly in urban markets where specialty and import brands over-index — in 2007.

**Beyond Beer**

During the past five years, total alcohol servings have increased 1.7 percent annually — a growth rate faster than that of beer alone. As a result, participating more fully in alcohol category growth is an opportunity and a priority for Anheuser-Busch.

While stimulating beer category growth remains our first area of focus, we are not limited to beer alone. We will look at the total beverage landscape for other areas where our competitive advantages can drive sustainable growth, without the constraints of alcohol source, concentration or content.

Anheuser-Busch's test of Jekyll & Hyde, a distilled spirit that can be served as a layered shot, allows us to continue to enhance our understanding of the distribution of a liquor-based product through our system. SPYKES, a series of unique flavor shots, serves a similar purpose, while allowing our company to reach contemporary adult consumers.

In 2006, Anheuser-Busch partnered with Hansen Natural Corp. to distribute their energy drinks. This high-margin beverage segment offers exceptional growth. All of these efforts will allow us to move closer to our goal of becoming the pre-eminent global beverage company.

**U.S. Beer Operations**

While we continue to explore new avenues for growth, at Anheuser-Busch we have never lost sight of our core business strength and key driver for our success — U.S. beer operations. Anheuser-Busch shipment growth improved significantly, up 1.2 percent in 2006. U.S. beer segment profit growth was up 3.1 percent for the year.

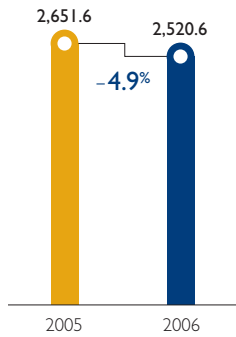
Anheuser-Busch's revenue per barrel performance improved significantly as well. At the beginning of 2006, the discount promotional environment over the important summer holidays was considered a challenge for the entire beer industry. Instead, discounts were significantly reduced over Memorial Day, July 4 and Labor Day. For the year, Anheuser-Busch's revenue per barrel improved 1.4 percent.

**International**

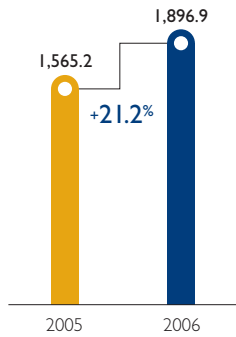
Our international beer segment continues to make an increasingly important contribution to Anheuser-Busch earnings growth. International net income has grown an average of 20 percent per year since 1999 and represented 32 percent of net income in 2006.

Anheuser-Busch's 50 percent equity investment in Grupo Modelo continues to represent the vast majority of our international profits. Grupo Modelo had another very strong year with Mexican volume up 5.2 percent and export volume up 15.7 percent. The market value of our Modelo stock is now worth nearly \$12 billion. We expect our equity income to increase

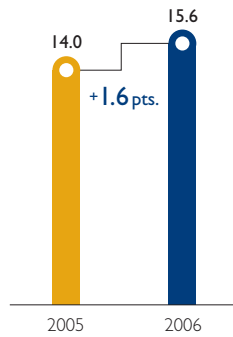
**Cash Flow from Operations<sup>(2)</sup>**  
(dollars in millions)



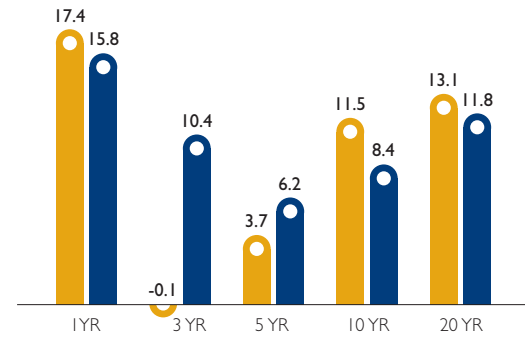
**Free Cash Flow**  
(dollars in millions)



**Return on Capital Employed**  
(in percent)



**A-B vs. S&P 500 Annualized Total Return**  
(percent gain, as of year-end 2006)  
● A-B ● S&P



<sup>(2)</sup> Before the change in working capital.

significantly in 2007 due to the formation of Crown Imports, as well as continued solid growth from Modelo's domestic operations.

China is the world's largest and fastest-growing beer market. With our wholly owned Budweiser and Harbin operations, plus our strategic partnership with Tsingtao, we are well-positioned for future growth. Volume and profits from our China brands increased at double-digit rates in 2006.

**Packaging and Entertainment Operations**

Demand for cans and lids exceeded expectations in 2006 and helped our packaging subsidiary deliver strong results for the year. The Anheuser-Busch Packaging Group, which includes can production, recycling, label-making and glass operations, benefited from the company's distribution agreement with Hansen Natural Corp. as well. The subsidiary now produces cans for Monster Energy and other Hansen energy drinks.

For its seventh consecutive year, Busch Entertainment Corp., Anheuser-Busch's theme park subsidiary, recorded record profits, due to higher admission prices and increased spending by park guests. "Believe," an ambitious show launched at the SeaWorld parks in 2006, significantly increased attendance at all three locations, contributing to the operating profit growth. And Anheuser-Busch renewed its popular "Here's to the Heroes" program, which provides free admission to our theme parks for members of U.S. and coalition armed forces and their families, through 2007.

**Financial Strength**

Anheuser-Busch's substantial cash flow is one of our key drivers of shareholder value. In 2006, operating cash flow was \$2.7 billion, and free cash flow, after capital expenditures, increased by more than \$300 million, up 21 percent over 2005.

In December, we announced a new, more aggressive leverage target to further enhance shareholder value. Our new cash flow to total debt target of 25 percent to 30 percent will allow the company to further capitalize on its strong cash flow and use its balance sheet more efficiently to support existing operations, acquisitions, dividend growth and share repurchasing, while maintaining substantial financial flexibility.

**Success is Brewing**

The year 2006 marked an important milestone for our business. Given the groundwork laid by so many great leaders before us, we understand well the responsibility placed in our hands and the challenges we will face. But because our core business remains strong, we have a determined management team in place and we continue our commitment to innovation, Anheuser-Busch will adapt and thrive as the next chapter in this company's storied legacy unfolds.

August A. Busch IV  
President and Chief Executive Officer

February 1, 2007

