

U.S. BEER OPERATIONS

As the leading U.S. brewer and producer of the world's largest-selling beer brands, Budweiser and Bud Light, Anheuser-Busch always is developing new ways to grow its business — through its own brands and creating new partnerships by leveraging its strengths, including its world-class wholesaler network. The company is committed to innovation and providing the choices today's consumers demand, but will continue to look to build the foundation of its U.S. business — core brands.



- The Budweiser, Michelob, Busch and Natural families remain critical to the company's success.
- Anheuser-Busch continues to expand its portfolio to compete in the fastest-growing categories in the industry, notably the high-end segment.
- With an average Anheuser-Busch wholesaler carrying 147 brands — more than double the number carried five years ago — Anheuser-Busch successfully has expanded into the high-end segment with brands that will provide long-term sustainable growth for years to come.

ABOVE: Anheuser-Busch is the American beer leader with a market share of 48.5 percent. Budweiser, Bud Light, Michelob ULTRA, Busch, Natural Light and O'Doul's hold the No. 1 positions in their respective domestic market segments.

For the second consecutive year, beer has maintained its standing in a Gallup poll as America's adult beverage of choice. Anheuser-Busch is continuing to help enhance the image of beer through its Here's To Beer program, which provides all beer wholesalers and retailers unique selling tools to help grow the category. Anheuser-Busch now has the opportunity to build on this success with more resources and greater consumer understanding.

To enhance its insights into consumers, the company conducted an in-depth study, examining their taste preferences, drinking occasions and what their beer brand says about them. Out of this came refined marketing strategies to more effectively reach consumer segments with high-growth potential and clearly defined brand personalities that better differentiate them from each other and from the competition.

CORE BRANDS

Anheuser-Busch has placed more marketing behind core brands such as Budweiser, Bud Light and the Michelob family, powerful brands that have new growth opportunities. The company is focused on enhancing advertising quality and quantity behind core brands while ensuring each brand has a relevant and distinct message.

The company continues to produce award-winning advertising, and for a record 10th-consecutive year, Anheuser-Busch won *USA Today's* Ad Meter consumer focus group ranking of Super Bowl commercials with an ad for Budweiser.

In 2007, Anheuser-Busch greatly expanded its digital marketing efforts, creating Web content that connects more directly with today's adults, who are spending more time on the Internet. The company's "Swear Jar" and "Dude" ads reached more than 20 million consumers online. Anheuser-Busch also increased product placement of core brands in films such as *Ocean's Thirteen* and television shows including *Scrubs*, *Entourage* and *Desperate Housewives*. To reach the important Latino market, Bud Light sponsorships include a tour with comedian Carlos Mencia and soccer properties Chivas de Guadalajara and the Mexican National Team.

Bud Light growth in 2007 was 2 percent, more volume growth than any other light beer competitor, and it remains the largest-selling beer in the United States, with more than two times the share of the next competitor in the premium-light segment. Budweiser remains the No. 1 brand in the domestic premium segment. New marketing for Budweiser better showcases its legacy as The Great American Lager and reinforces the beer's quality with beer drinkers who enjoy a variety of styles.



A DIGITAL AD called "Swear Jar" received millions of online views.

Quality
 is at the heart of how Anheuser-Busch has conducted business since the company was founded in 1852. From selecting the finest, all-natural ingredients, to tasting the final beer, a rigorous program of more than 200 quality assurance steps is followed wherever Budweiser is brewed.

In early 2007, Anheuser-Busch introduced an embossed teardrop bottle for the Michelob Lager and Michelob Light brands based on the original package launched in 1961. This new packaging, combined with a return to an all-malt formula and advertising highlighting Michelob craftsmanship, has contributed to improved sales trends for the brands.

And ULTRA, the Michelob family's low-carbohydrate offering, saw growth of 2.4 percent for the year, fueled in part by the introduction of ULTRA Fruit brands and new slim can packaging.

The Busch and Natural brands continue to successfully gain share of the value segment.

CRAFTS AND IMPORTS

Today's consumers want more choices. Along with premium lights such as Bud Light, the world's best-selling beer, imports, crafts and specialty beers have been the key growth drivers of the industry, and Anheuser-Busch has taken an active role in these segments.

Craft beer sales continue to break records, up an estimated 14.4 percent in 2007. To participate in this growth, the company has both developed its own specialty beers and forged partnerships with several craft brewers, including Ray Hill and Starr Hill. With significant investments in craft beer, including long-standing alliances with Widmer, Redhook and Kona and more recent agreements to distribute Goose Island, Old Dominion and Fordham, Anheuser-Busch now is the third-largest player in the craft beer segment and successfully added regional brands that provide scale in opportunity markets.

Imports also saw volume gains, up an estimated 1.1 percent for the year. Anheuser-Busch has secured the import rights for a number of premium Asian and European brands, including Stella Artois, Beck's, Bass Pale Ale and other select InBev brands. Anheuser-Busch now has a 7 percent direct market share of the import segment.

A Tradition of Innovation

Anheuser-Busch continues its tradition of innovation with new products. A few examples:

- **Redbridge** is the first nationally available sorghum beer.
- **180 Blue** is the first packaged energy drink to use the Brazilian Acai berry.
- **Bacardi Silver Mojito** offers the refreshing mint-and-lime taste of a Mojito cocktail and is the first nationally available, Mojito-flavored premium malt beverage.

- Latinos have been mixing beer with Clamato for decades.

Budweiser & Clamato Chelada along with **Bud Light & Clamato Chelada** honor that tradition by combining Anheuser-Busch's classic American-style lagers with the zesty taste of Clamato Tomato Cocktail. These drinks were introduced nationally in 2008.

- Anheuser-Busch also offers four specialty beers on a seasonal basis — **Jack's Pumpkin Spice Ale**, **Winter's Bourbon Cask Ale**, **Sun Dog Amber Wheat** and **Beach Bum Blonde Ale**.





Bud Light celebrated its **25th anniversary** in 2007. It became a national brand in 1982 and the No. 1 light beer in 1994.

NEW BRANDS

In addition to expanding its portfolio through alliances, Anheuser-Busch created several new specialty beers, including Budweiser and Bud Light Chelada, a combination of premium beer with Clamato Tomato Cocktail — in partnership with Cadbury Schweppes. These beers had tremendous success in test markets in 2007 and launched nationally in early 2008. Land Shark Lager, an island-style lager produced by Margaritaville Brewing Company, also was strategically introduced into key resort markets in 2007, leading to its national launch in February 2008. Both brands exceeded expectations in test markets. The company also is pursuing emerging growth opportunities beyond traditional beer categories.

ENERGY DRINKS

Energy drinks are a high-margin category that has been growing at an incredible pace, and the company has benefited through its alliance with Hansen Natural Corp. and its own 180 Energy Drinks. Anheuser-Busch and Hansen's, the maker of Monster Energy Drinks, expanded their relationship to include a sales and distribution agreement that will broaden Monster's presence in retail, bar and restaurant locations.

SPECIALTY BEVERAGES

Anheuser-Busch also increased its participation in the water segment, striking distribution deals with Icelandic Glacial water and BORBA Skin Balance water. These agreements have strengthened the company's position in this growing category, enhanced profitability and expanded wholesalers' portfolios.

SALES AND OPERATIONS

Anheuser-Busch is well-positioned for growth, not only with its product portfolio, but also through its go-to-market strategies. The company has refined its national and local sales approach, reconfiguring its regional sales organization to better align its sales force with its customer base and increase focus on key urban markets. It also introduced new hand-selling techniques and implemented an upgrade in its hand-held computer technology.

Like all brewers, in 2007 the company experienced cost increases in raw materials due to the rising prices of brewing ingredients, but Anheuser-Busch's inventory management and strategic acquisition programs positioned the company well.

Anheuser-Busch has maintained strong, effective productivity programs for many years to help reduce brewery operating and supply chain costs and administrative expense. In 2007, this included a new program to achieve additional operating cost efficiencies in labor productivity, supply chain and energy usage and later expanded to other areas. These aggressive cost-savings programs in place throughout the company are designed to partially offset rising commodity costs without compromising the quality of the company's beers.

Simply put, the Anheuser-Busch of today is better positioned for long-term growth than it was just several years ago.

JESUS CEJA
Anheuser-Busch
Brewmaster

Anheuser-Busch **celebrated 50 years of industry leadership** in the United States, having become the No. 1 U.S. brewer in 1957.



Michelob

Michelob's new marketing strategy plays off the brand's considerable craft-beer credentials. Highlighting this, Anheuser-Busch is giving Michelob a much bigger role in its 2008 TV ad line-up, with spots that feature the company's brewing and raw material experts telling consumers what they put into making Michelob beers.

