Anheuser-Busch Companies Inc.

S&P Recommendation | BUY ★ ★ ★ ★
Price | $50.57 (as of Sep 21, 2007)
12-Mo. Target Price | $59.00
Investment Style | Large-Cap Growth

GICS Sector | Consumer Staples
Sub-Industry | Brewers

Key Stock Statistics (Source S&P, Vickers, company reports)

- 52-Wk Range: $55.19–46.05
- Trailing 12-Month EPS: $2.62
- Trailing 12-Month P/E: 19.3
- $10K Invested 5 Yrs Ago: $10,954

Summary: BUD, the parent company of the world’s largest brewer, also has interests in packaging and in entertainment operations.

**Price Performance**

![Price Performance Chart]

Analysis prepared by Raymond Mathis on September 18, 2007, when the stock traded at $50.33.

**Highlights**

- We see net sales (after excise taxes) continuing to rise at a low single digit pace, on improving domestic volume trends and strength in international sales. Pricing trends should also strengthen, and we expect net revenue per barrel to increase 1.0% to 1.5%. We look for worldwide shipment volumes to expand in the low single digits, reflecting acquisitions and growth in China and Canada.

- We foresee operating margins widening slightly, as relatively high packaging and energy costs, increased marketing efforts, and rising commodity costs are offset by price increases, efficiency improvement, and volume gains. We expect mid-single digit increases in general and administrative expense. In our view, growth in equity income from BUD’s 50% stake in Modelo. Longer term, we believe BUD’s deal to import and distribute In-Bev brands will benefit the bottom line, as should joint ventures to brew beer overseas. We also expect the company to increase leverage, freeing up cash for potential share repurchases, dividend payments, acquisitions, and additional overseas expansion.

- Risks to our recommendation and target price include potential market share declines due to aggressive marketing by competitors, particularly in the wine and spirits categories, for first-time drinkers. Also, greater than expected increases in energy and commodity costs could hurt margins.

- We anticipate a turnaround in market share losses as price gaps narrow within segments and as on-premise marketing heats up. In addition, we see increased equity income from BUD’s 50% stake in Modelo. Longer term, we believe BUD’s deal to import and distribute In-Bev brands will benefit the bottom line, as should joint ventures to brew beer overseas. We also expect the company to increase leverage, freeing up cash for potential share repurchases, dividend payments, acquisitions, and additional overseas expansion.

**Investment Rationale/Risk**

- We see flat interest expense, but possibly a higher effective tax rate in 2007. Aided by share repurchases, we look for a rise in 2007 operating EPS to $2.80, from $2.52 in 2006. For 2008, we see EPS rising further to $3.10.

- We foresee operating margins widening slightly in 2007, aided by aggressive cost cutting, pricing, and as on-premise marketing heats up. In addition, we see increased equity income from BUD’s 50% stake in Modelo. Longer term, we believe BUD’s deal to import and distribute In-Bev brands will benefit the bottom line, as should joint ventures to brew beer overseas. We also expect the company to increase leverage, freeing up cash for potential share repurchases, dividend payments, acquisitions, and additional overseas expansion.

- Risks to our recommendation and target price include potential market share declines due to aggressive marketing by competitors, particularly in the wine and spirits categories, for first-time drinkers. Also, greater than expected increases in energy and commodity costs could hurt margins.

- Our 12-month target price of $59 is supported by our DCF and P/E analyses. Our DCF model calculates an intrinsic value of $58, assuming an 8.5% cost of capital and a 3.5% five-year growth rate. Applying a historical average P/E of 21x to our 2007 EPS estimate, we arrive at a $59 value.

**Qualitative Risk Assessment**

- BUD is a large cap company, and has the biggest market share in an industry that has historically demonstrated stable revenue streams. Shareholders recently approved an amendment to eliminate staggered board elections by 2009.

**Quantitative Evaluations**

- S&P Quality Ranking: A+

**Relative Strength Rank**: MODERATE

**Revenue/Earnings Data**

<table>
<thead>
<tr>
<th>Year</th>
<th>1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
<th>Revenue (Million $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,858</td>
</tr>
<tr>
<td>2006</td>
<td></td>
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<td></td>
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<td>3,756</td>
</tr>
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<td>2005</td>
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<td>3,564</td>
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<td>2004</td>
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<td>2000</td>
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<td>3,756</td>
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**Dividend Data**

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<tr>
<th>Date of Declaration</th>
<th>Amount ($)</th>
<th>Ex-Div. Date</th>
<th>Stk. of Record</th>
<th>Dividend Payment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.295</td>
<td>0.25</td>
<td>03/01/07</td>
<td>03/09/07</td>
<td>04/25/07</td>
</tr>
<tr>
<td>0.295</td>
<td>0.25</td>
<td>07/25/07</td>
<td>08/09/07</td>
<td>09/10/07</td>
</tr>
</tbody>
</table>

Amounts are recent and have been paid since 1933. Source: Company reports.
CORPORATE OVERVIEW. Anheuser-Busch Cos. is the holding company parent of the largest U.S. brewer, Anheuser-Busch, Inc. (ABI)–which dates back to 1875, as Anheuser-Busch International, Inc. (ABII)–and other subsidiaries that conduct various business operations.

BUD’s beer products are sold in more than 80 countries and U.S. territories. Worldwide sales of the company’s beer brands in 2006 totaled 156.6 million barrels (up from 148.3 million barrels in 2005). BUD operates 12 breweries, strategically located across the U.S., to serve its distribution system economically. U.S. sales totaled 102.3 million barrels in 2006 (up 1.2% from 2005), or about 48.4% of U.S. industry sales. International beer volume was 22.7 million barrels (up 9.3%), while equity investees produced 31.6 million barrels (up 19.7%). In 2005, domestic beer contributed 72.5% of net sales, and international beer 6.4%.

Major beer brands include Budweiser, Bud Light, Budweiser Select, Michelob, Busch, Natural Light, King Cobra, Hurricane Malt Liquor, and in 2006, the company acquired Rolling Rock. BUD also imports and distributes Kirin, Tsingtao, Grolsch, Stella Artois, Beck’s and Bass. Non-beer offerings include Bacardi branded malt beverages, Tilt, PEELS, and Tequiza. Non-alcoholic malt beverages include O’Doul’s, and 180 energy drink.

Through various subsidiaries, the company is involved in a number of beer-related operations that help to insulate it from occasional rises in packaging and ingredient costs. These operations include can manufacturing, metalized paper printing, and barley malting. Packaging operations accounted for 10.6% of total net sales in 2006, excluding the nearly 1/3 of segment sales that were internal.

Through Busch Entertainment Corp., the company operates nine theme parks, including Busch Gardens in Florida and Virginia; Sea World parks in Florida, Texas and California; water parks in Florida and Virginia; and an educational play park in Pennsylvania. Busch Entertainment contributed 7.4% of total net sales in 2006.

CORPORATE STRATEGY. With the domestic beer market losing share to wine and spirits, BUD has sought to grow through acquisitions and the formation of joint ventures. BUD has a 97% equity interest in the Budweiser Wuhan International Brewing Company, a joint venture that owns and operates a brewery in Wuhan, China. In the first half of 2004, BUD acquired China’s fourth largest brewer, Harbin Brewery, for about $650 million. Combined with BUD's 27% equity interest in Tsingtao Brewery Company Ltd., these investments are expected to result in significant exposure in China, the world’s largest beer market.

As of December 2006, BUD held a 50% interest in Grupo Modelo SA, Mexico’s largest brewer and owner of the Corona brand, and a 10.8% direct and indirect ownership interest in the Argentine subsidiary of Chilean-based Compania Cervecerias Unidas S.A. (CCU).

MARKET PROFILE. The domestic brewing industry has experienced varying consumption trends, with volume sales tipping higher, then lower, in alternating years in each of the past several years. Total beer industry volume grew about 1.2% in 2006, to 207.86 million 31-gallon barrels. Although there are more than 100 companies engaged in the brewing industry in the U.S., the business is highly concentrated and very competitive. The three largest brewers—Anheuser-Busch, SAB Miller, and Molson Coors—command approximately a 90% market share. In addition to competing with domestic brewers, BUD competes with rapidly growing imports such as those offered by Heineken and Grupo Modelo.

FINANCIAL TRENDS. The company’s net sales growth has fallen to a low single digit pace in recent years, as industry volumes have remained flat. We attribute this to increasing competitive pressure from wine and spirits, which have captured market share from brewers. We believe BUD has demonstrated that it can outperform industry volume trends through its industry leading marketing expenditures. We expect sales growth to approximate 2.5% to 3.5% over the next several years. Margins have narrowed notably in recent years due to the rise in commodity prices such as aluminum, and higher energy and transportation costs. Equity income from rapidly growing import brands, such as Tsingtao and Corona, have helped stabilize net income, in our opinion.
Quantitative Evaluations

S&P Fair Value Rank

Based on S&P’s proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation
$36.70
Analysis of the stock’s current worth, based on S&P’s proprietary quantitative model suggests that BUD is overvalued by $13.87 or 27.4%.

Investability Quotient

BUD scored higher than 100% of all companies for which an S&P Report is available.

Volatility

BUD has had Low price volatility over the past year.

Technical Evaluation

BULLISH
Since September, 2007, the technical indicators for BUD have been BULLISH.

Insider Activity

UNFAVORABLE NEUTRAL FAVORABLE

Company Financials

Per Share Data ($) Year Ended Dec. 31

Tangible Book Value
Cash Flow
Earnings
S&P Core Earnings
Dividends
Payout Ratio
Prices:High
Prices:Low
P/E Ratio:High
P/E Ratio:Low

Income Statement Analysis (Million $)

Revenue
Operating Income
Depreciation
Interest Expense
Pretax Income
Effective Tax Rate
Net Income
S&P Core Earnings

Balance Sheet & Other Financial Data (Million $)

Cash
Current Assets
Total Assets
Current Liabilities
Long Term Debt
Common Equity
Total Capital
Capital Expenditures
Cash Flow
Current Ratio
% Long Term Debt of Capitalization
% Net Income of Revenue
% Return on Assets
% Return on Equity

Expanded Ratio Analysis

Price/Revenue 2.43 2.24 2.75 3.12
Price/EBITDA 10.31 9.07 9.55 10.82
Price/Pretax Income 13.34 12.50 13.68 13.91
Avg. Diluted Shares Outstg (M) 777.0 782.6 808.5 837.0

Key Growth Rates and Averages

Past Growth Rate (%)

Sales
Net Income

Ratio Analysis (Annual Avg.)

Net Margin (%)
LTD of Capitalization (%)
Return on Equity (%)

Company Financials

Per Share Data ($) Year Ended Dec. 31

Tangible Book Value
Cash Flow
Earnings
S&P Core Earnings
Dividends
Payout Ratio
Prices:High
Prices:Low
P/E Ratio:High
P/E Ratio:Low

Income Statement Analysis (Million $)

Revenue
Operating Income
Depreciation
Interest Expense
Pretax Income
Effective Tax Rate
Net Income
S&P Core Earnings

Balance Sheet & Other Financial Data (Million $)

Cash
Current Assets
Total Assets
Current Liabilities
Long Term Debt
Common Equity
Total Capital
Capital Expenditures
Cash Flow
Current Ratio
% Long Term Debt of Capitalization
% Net Income of Revenue
% Return on Assets
% Return on Equity

Sub-Industry Outlook

Our fundamental outlook for the brewing industry is neutral, as we see continued weakness in demand for domestic premium beer and narrowing margins. We think aggressive marketing and innovations by spirits and wine companies will continue to drain market share from brewers. Also, we believe consumption trends for imported beers and craft beers will likely continue to benefit from higher disposable incomes, as consumers "trade up" to better beers.

As category building efforts strengthen, we see industry volume pressures easing somewhat. We expect strength in imports and light beers to continue as new products enter the category, and we see further volume growth in craft brews. Nonetheless, we do not anticipate enough demand recovery to provide industry pricing power.

With higher average commodity costs, we see continued margin weakness. Higher costs for ingredients, aluminum and energy will likely offset continued productivity improvements and high industrywide capacity utilization rates. In addition, we believe relatively high gasoline prices will pressure net margins.

Longer term, we think the domestic beer industry will likely realize higher net revenues per barrel. We see continued growth in the high-margin premium category supporting this growth. Also, we see innovative products aiding sales volumes longer term, and anticipate long-term benefits from marketing and growing demographic categories.

Sub-Industry : Brewers Peer Group*: Beer Companies

<table>
<thead>
<tr>
<th>Peer Group</th>
<th>Stock Symbol</th>
<th>Skt.Mkt. Cap. (Mil. $)</th>
<th>Recent Stock Price</th>
<th>P/E Ratio</th>
<th>12-Mo. Trailing EPS</th>
<th>30-Day Price Chg(%)</th>
<th>1 Year Price Chg(%)</th>
<th>Beta</th>
<th>Yield (%)</th>
<th>Quality Ranking</th>
<th>Ret. on Equity (%)</th>
<th>Pretax Margin (%)</th>
<th>LTD to Cap (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anheuser-Busch</td>
<td>BUD</td>
<td>37,006</td>
<td>50.57</td>
<td>19</td>
<td>2.62</td>
<td>6%</td>
<td>6%</td>
<td>0.45</td>
<td>2.6</td>
<td>A+</td>
<td>51.6</td>
<td>18.2</td>
<td>59.9</td>
</tr>
<tr>
<td>Boston Beer Co. 'A'</td>
<td>SAM</td>
<td>476</td>
<td>46.51</td>
<td>32</td>
<td>1.44</td>
<td>0%</td>
<td>0%</td>
<td>0.44</td>
<td>Nil</td>
<td>B+</td>
<td>18.7</td>
<td>11.1</td>
<td>Nil</td>
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<tr>
<td>Brick Brewing Ltd</td>
<td>BRB.C</td>
<td>28</td>
<td>1.75</td>
<td>13</td>
<td>0.13</td>
<td>0%</td>
<td>-11%</td>
<td>0%</td>
<td>Nil</td>
<td>B+</td>
<td>18.7</td>
<td>11.1</td>
<td>Nil</td>
</tr>
<tr>
<td>Comp Bebidas Americas Com ADS</td>
<td>ABV.C</td>
<td>24,126</td>
<td>70.00</td>
<td>34</td>
<td>2.04</td>
<td>0%</td>
<td>-11%</td>
<td>0%</td>
<td>Nil</td>
<td>B+</td>
<td>18.7</td>
<td>11.1</td>
<td>Nil</td>
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<tr>
<td>Comp Bebidas Americas Pfd*ADS</td>
<td>ABV</td>
<td>21,184</td>
<td>72.46</td>
<td>36</td>
<td>2.04</td>
<td>11%</td>
<td>70%</td>
<td>1.96</td>
<td>1.4</td>
<td>NR</td>
<td>8.3</td>
<td>22.4</td>
<td>28.4</td>
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<tr>
<td>Compania Cervecerias ADS</td>
<td>CU</td>
<td>2,319</td>
<td>36.40</td>
<td>28</td>
<td>1.28</td>
<td>3%</td>
<td>39%</td>
<td>0.83</td>
<td>2.2</td>
<td>NR</td>
<td>15.2</td>
<td>7.9</td>
<td>26.8</td>
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<tr>
<td>Molson Coors Brewing</td>
<td>TAP</td>
<td>8,530</td>
<td>98.40</td>
<td>29</td>
<td>4.81</td>
<td>12%</td>
<td>47%</td>
<td>1.01</td>
<td>1.3</td>
<td>A-</td>
<td>6.7</td>
<td>8.1</td>
<td>24.8</td>
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<td>Molson Coors Brewing 'A'</td>
<td>TAPA</td>
<td>287</td>
<td>96.00</td>
<td>20</td>
<td>4.81</td>
<td>11%</td>
<td>45%</td>
<td>0.53</td>
<td>1.3</td>
<td>A-</td>
<td>6.7</td>
<td>8.1</td>
<td>24.8</td>
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<tr>
<td>Pyramid Breweries</td>
<td>PMID</td>
<td>26</td>
<td>2.84</td>
<td>95</td>
<td>0.03</td>
<td>0%</td>
<td>0%</td>
<td>0.27</td>
<td>Nil</td>
<td>C</td>
<td>NM</td>
<td>NM</td>
<td>28.9</td>
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<tr>
<td>Quilmes Industrial (Quinua) SA</td>
<td>LDU</td>
<td>1,652</td>
<td>67.70</td>
<td>25</td>
<td>2.72</td>
<td>-5%</td>
<td>24%</td>
<td>0.99</td>
<td>1.4</td>
<td>NR</td>
<td>29.6</td>
<td>26.9</td>
<td>18.5</td>
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<tr>
<td>Redhook Ale Brewery</td>
<td>HOOK</td>
<td>56</td>
<td>6.75</td>
<td>NM</td>
<td>0.06</td>
<td>12%</td>
<td>73%</td>
<td>0.19</td>
<td>Nil</td>
<td>C</td>
<td>NM</td>
<td>NM</td>
<td>7.2</td>
</tr>
</tbody>
</table>

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S&P Analyst Research Notes and other Company News

July 27, 2007
Anheuser-Busch Companies Inc. reported earnings results for the six months ended June 30, 2007. The company reported a net income of $1,195,000, up 5.1% or $1.55 diluted per share against $1,137,000 or $1.46 diluted per share on net sales of $8,374,000. Net sales increased 4.5% due to contributions from U.S. beer, international beer and entertainment operations. Earnings per share benefited from the company’s repurchase of over 22 million shares during the first six months of 2007.

July 26, 2007
07:10 am EDT... S&P MAINTAINS BUY OPINION ON SHARES OF ANHEUSER-BUSCH (BUD 50.0****): BUD reports Q2 EPS of $0.88 vs. $0.82, matching our $0.88 estimate. Worldwide volume growth for BUD brands accelerated to 2.2%, with growth across all segments. The top line also gained on positive pricing, while per-share results benefited from share repurchases. We see second half comps as much easier, particularly as we lap a Q4 inventory draw-down. Also, we believe share repurchases will accelerate. With an 11.9% increase in the common dividend, the current yield is now 2.7%. We are reiterating our $59 target price, and recommend buying the stock for total return potential. /R.Mathis

July 26, 2007
Anheuser-Busch Companies Inc. reported earnings results for the second quarter ended June 30, 2007. For the quarter profits rose 6.1%. The company reported earnings of $677 million, or 88 cents per diluted share up from earnings of $638 million, or 82 cents per diluted share, in the second quarter of 2006. Net revenue also rose 6.1% to $4.52 billion from $4.23 billion. The company is on track to deliver accelerating earnings growth in the second half of the year.

June 20, 2007
11:30 am EDT... S&P MAINTAINS BUY OPINION ON SHARES OF ANHEUSER-BUSCH (BUD 53.59****): Recent retail data indicate the pricing environment for beer continues to firm. Although volume growth remains sluggish for domestic beer, we think BUD’s agreement to import and distribute InBev brands, and its 50% ownership in the most popular import, Corona, will boost its bottom line. In addition, we view favorably the company’s brewery expansion in China, the world’s largest and fastest growing beer market. With $2.5 billion in share repurchases recently authorized, we are raising our DCF-derived 12-month target price by $3 to $59. /R.Mathis

April 25, 2007
03:53 pm EDT... S&P REITERATES BUY OPINION ON SHARES OF ANHEUSER-BUSCH (BUD 50.87****): BUD reports Q1 EPS of $0.67 vs. $0.64, missing our estimate by a penny. Top-line benefitted from positive pricing, and volumes rose in all beer segments, with a particularly strong 8.7% gain for BUD brands overseas, reflecting strong sales in China and also Canada. However, margins were squeezed by higher marketing expense and rising input costs. We believe results will continue to benefit from 50%-owned Modelo’s new distribution JV, and ongoing share repurchases. We are maintaining our ’07 EPS estimate of $2.80, as well as our 12-month target price of $56. /R.Mathis

February 2, 2007
NEW YORK (Standard & Poor's)--Feb 1, 2007, Anheuser-Busch Companies Inc., announced 4Q EPS $0.25 vs. $0.19 and annual EPS $2.53 vs. $2.23.

February 2, 2007
07:26 am EST... S&P REITERATES BUY OPINION ON SHARES OF ANHEUSER-BUSCH (BUD 51.4****): BUD posts 4Q EPS of $0.25 vs. $0.19, missing our $0.31 estimate on rising cost of goods sold, which compressed gross margins 110 basis points, and an effective tax rate of 51.1%. Though BUD’s domestic shipment volume dropped 3.6% as it sought to reduce wholesaler inventories, wholesaler sales to retailers rose 1.6%. We expect ’07 results to reflect rising volumes, higher revenue per barrel, and solid growth from import and equity partner brands. We also expect reduced share count to boost results. We are raising our target price $2 to $56, on our revised DCF and P/E analysis. /R.Mathis

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Of the total 17 companies following BUD, 16 analysts currently publish recommendations.

### Wall Street Consensus Opinion

**HOLD**

### Companies Offering Coverage

- AG Edwards & Sons
- Argus Research Corp.
- Banc of America Securities LLC
- Davenport & Co. of Virginia
- Deutsche Bank
- Goldman Sachs & Co.
- HSBC
- JP Morgan Securities
- Jackson Securities
- Lehman Brothers, Inc.
- Merrill Lynch Research
- Morgan Stanley & Company
- Sanford C. Bernstein & Co., Inc.
- Smith Barney
- Stifel Nicolaus & Co.
- UBS Warburg
- When2trade Group

### Wall Street Consensus Estimates

#### Fiscal Years

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Avg Est.</strong></td>
<td>3.08</td>
<td>2.82</td>
</tr>
<tr>
<td><strong>High Est.</strong></td>
<td>3.19</td>
<td>2.87</td>
</tr>
<tr>
<td><strong>Low Est.</strong></td>
<td>3.02</td>
<td>2.77</td>
</tr>
<tr>
<td><strong># of Est.</strong></td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td><strong>Est. P/E</strong></td>
<td>16.4</td>
<td>17.9</td>
</tr>
</tbody>
</table>

#### 2008 vs. 2007

|         | ▲ 9% | ▲ 11% | ▲ 9% | ▼ -7% | ▼ -8% |

#### Q3'08 vs. Q3'07

|         | ▲ 9% | ▲ 7% | ▲ 10% | ▼ -82% | ▼ -8% |

A company’s earnings outlook plays a major part in any investment decision. Standard & Poor’s organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

For fiscal year 2007, analysts estimate that BUD will earn $2.82. For the 2nd quarter of fiscal year 2007, BUD announced earnings per share of $0.88, representing 31% of the total annual estimate. For fiscal year 2008, analysts estimate that BUD’s earnings per share will grow by 9% to $3.08.
Glossary

S&P STARS
Since January 1, 1987, Standard and Poor’s Equity Research Services has ranked a universe of common stocks based on a given stock’s potential for future performance. Under proprietary STARS (Stock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock’s future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

STARS Average Annual Performance

S&P 12-Month Target Price
The S&P equity analyst’s projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Investment Style Classification
Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

Qualitative Risk Assessment
The S&P equity analyst’s view of a given company’s operational risk, or the risk of a firm’s ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company’s operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations
In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst’s qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking
Growth and stability of earnings and dividends are deemed key elements in establishing S&P’s Quality Rankings for common stocks, which are designed to capitalize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

<table>
<thead>
<tr>
<th>S&amp;P Quality</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>A+</td>
<td>Highest</td>
</tr>
<tr>
<td>A</td>
<td>High</td>
</tr>
<tr>
<td>A-</td>
<td>Above Average</td>
</tr>
<tr>
<td>B+</td>
<td>Average</td>
</tr>
<tr>
<td>B-</td>
<td>Lower</td>
</tr>
<tr>
<td>C</td>
<td>Lowest</td>
</tr>
<tr>
<td>D</td>
<td>In Reorganization</td>
</tr>
</tbody>
</table>

NR | Not Ranked

S&P Fair Value Rank
Using S&P’s exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 1, listing the most undervalued stocks, to Group 5, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process.A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform its peers; stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation
The price at which a stock should trade, according to S&P’s proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company’s actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company’s consensus earnings per share estimate.

Insider Activity
Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company’s stock during the most recent six months.

Investability Quotient (IQ)
The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P’s IQ Rationale: Anheuser-Busch Cos

<table>
<thead>
<tr>
<th>S&amp;P Quality</th>
<th>IQ Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proprietary S&amp;P Measures</td>
<td>Raw Score</td>
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<td>Technical Indicators</td>
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<tr>
<td>Liquidity/Volatility Measures</td>
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<tr>
<td>Quantitative Measures</td>
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<tr>
<td>IQ Total</td>
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<td>Max Value</td>
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<tr>
<td>20</td>
<td></td>
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<tr>
<td>75</td>
<td></td>
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<tr>
<td>250</td>
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</tbody>
</table>

Volatility Rates the volatility of the stock’s price over the past year.

Technical Evaluation
In researching the past market history of prices and trading volume for each company, S&P’s computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank
Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P’s universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)
An industry classification standard, developed by Standard & Poor’s in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

S&P Core Earnings
Standard & Poor’s Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company’s after-tax earnings generated from its principal businesses. Included in the Standard & Poor’s definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

S&P Issuer Credit Rating
A Standard & Poor’s Issuer Credit Rating is a current opinion of an obligor’s overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor’s capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor’s from other sources it considers reliable. Standard & Poor’s does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type

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★★★★★ 5-STARS (Strong Buy): Total return is expected to outperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★ 4-STARS (Buy): Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★★ 3-STARS (Hold): Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★ 2-STARS (Sell): Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, and the share price not anticipated to show a gain.

★★ 1-STARS (Strong Sell): Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In the U.S. the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

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