

A man with a goatee and glasses, wearing a black Budweiser polo shirt and a black cap with the Budweiser logo, stands with his arms crossed in a warehouse filled with metal kegs. The lighting is dramatic, with a strong blue tint. The text "This is who I am." is overlaid in red on the left side of his chest.

This is who I am.

In 2005, Anheuser-Busch sold more than 2.5 times the volume of the second-largest brewer in the United States.

This is beer.



Anheuser-Busch is the leading brewer in the United States, with a

48.8%

market share.

Since its founding more than 150 years ago, Anheuser-Busch has been a leader in the beer industry. With nearly 50 percent of the U.S. domestic market share, a portfolio of more than 40 brands, and 12 breweries strategically located throughout the United States, Anheuser-Busch has the resources in place to enhance beer industry volume, while continuing to meet the changing needs of today's consumer.

Despite a challenging year for the brewing industry, beer remains the most-consumed alcohol beverage by adults in the United States by a wide margin, representing 57 percent of alcohol beverage servings. In 2005, Anheuser-Busch shipped 101 million barrels, more than 2.5 times its closest domestic competitor, and its U.S. market share was 48.8 percent.

In 2005, Budweiser family sales-to-retailers were up nearly 2 percent and gained almost one share point in supermarkets, according to IRI data. Anheuser-Busch's domestic beer shipments to wholesalers declined 1.8 percent as wholesaler inventories were reduced significantly. Domestic wholesaler sales-to-retailers increased 0.2 percent, selling day adjusted, for the year.

Sales-to-retailers improved significantly in the second half of 2005. Anheuser-Busch is focused on sustaining this momentum by executing its key strategies:

- Elevating and enhancing the image and relevance of beer
- Making our brands the preferred beer choice

As the industry leader, Anheuser-Busch will leverage highly targeted marketing and innovative products and packages to make great beer...and make beer great.

This is beer...

The company's trademark brand families — Budweiser, Michelob, Busch and Natural — play a key strategic role as the volume drivers of the company. Marketing for these brands focuses on their unique imagery and product points of difference. New advertising, such as Budweiser's "Anthem" campaign, helped to reenergize and reinforce the brand experience in 2005, establishing a strong image and quality foundation for the entire Budweiser family.

Budweiser continues to be Anheuser-Busch's flagship brand. In 2005, Budweiser brought the world-famous Clydesdales to communities across the United States during the "Clydesdales Across America Here's to the Heroes Tour." The 28-city tour honored America's military with an interactive display and mobile studio where visitors could record personal messages to share with the U.S. military, courtesy of Budweiser. More than 13,000 Americans recorded messages that reached their loved ones through Armed Forces Radio and Television Service at U.S. military outposts in more than 177 countries. The exhibit also chronicled Anheuser-Busch's 150-year commitment to the military.



BUDWEISER CLYDESDALES ACROSS AMERICA On July 3, 2005, St. Louis hosted the “Clydesdales Across America Here’s to the Heroes Tour” finale. Featuring the world-famous Budweiser Clydesdales, the tour visited 28 cities and was seen by millions across the United States last year.

Anheuser-Busch has been the exclusive beer category advertiser during the Super Bowl for the past 18 years. In 2006, Bud Light’s “Secret Fridge” spot was voted No. 1 in *USA Today’s* “Ad Meter” rankings, marking the eighth consecutive year that Anheuser-Busch has won first place in what many consider the top consumer poll for Super Bowl advertising. Bud Light, the world’s largest beer brand, also launched new advertising in 2005 with the theme “Always Worth It” that highlights its fun, contemporary and social positioning. The brand also continues its presence in sports through sponsorships with the National Basketball Association, the National Hockey League, the majority of National Football League teams and many other sports properties.

Budweiser Select, the newest addition to the Budweiser family, was introduced nationally in 2005. This was one of the company’s most successful new product

launches, with more than 2 million barrels sold in its inaugural year. Budweiser Select’s national advertising campaign featured U.S. beer company President August Busch IV and underscored the brand’s sophistication and its “Expect Everything” brand identity.

These actions together have contributed to share growth for the Budweiser family of brands during the past four quarters, according to IRI supermarket data.

This is innovation...

Innovation starts with a deep understanding of the consumer, and today’s contemporary adult consumers 21 and over crave variety more than ever before. To meet these changing tastes, Anheuser-Busch introduced more than 30 new products and encouraged consumers to experiment with new flavors and different ways to enjoy beer. The company also developed drink innovations —

drink recipes that feature beer as the primary ingredient.

As part of its commitment to creating new beverages that appeal to today’s adult consumer, Anheuser-Busch formed the Innovation Group, charged with developing new beverages through brand extensions and beer category expansion. New offerings include malt beverages, flavored beers, and beers such as B^E, which combines fruit flavors with caffeine and guarana. Another new malt brand, Tilt, debuted nationally in 2005 and featured a blend of caffeine, guarana and ginseng. The Bacardi family of flavored alcohol malt beverages also added two new flavors — Bacardi Silver Big Apple and Bacardi Silver Strawberry — adding to the brand’s refreshing lineup.

Seasonal beer offerings were introduced in 2005, with plans for further expansion in 2006. To generate excitement in the draught category, Anheuser-Busch introduced a series of limited edition seasonal draught brews. The Michelob Specialty Sampler Collection offered a full line of Michelob brands in a variety pack featuring Michelob Pale Ale and the malty Michelob Marzen. Both of these brands won gold medals at the 2005 Great American Beer Festival.[®]

Additional seasonal brews were introduced in 2005: Celebrate by Michelob and Brew Masters Private Reserve by Budweiser. These special-edition sipping beers, developed for the holiday season and packaged in large bottles for multiple servings, were carefully crafted to deliver full-bodied tastes and aromas. Additional seasonal brands are planned for 2006 to further Anheuser-Busch’s objectives of competing for high-end beer occasions and gaining retailer support over other alcohol beverages during the holidays.

Partnerships played an important role in providing expanded choices for Anheuser-Busch customers in the growing craft and import beer segments. Anheuser-Busch formed a new group to develop alliances, increase focus in this category and leverage its long-standing relationships with quality craft brewers, such as Redhook and Widmer Brothers. In addition to these craft brands, the current Anheuser-Busch portfolio of alliance brands includes Japan's Kirin brands, Kona beers from Hawaii, and Harbin, a new entry to the U.S. market from Anheuser-Busch's wholly owned China subsidiary.

This is enjoyment...

Variety comes in many sizes for today's adult consumers, and innovative new packaging styles and shapes remain a cornerstone of Anheuser-Busch's plans to elevate the image of beer. In 2005, Anheuser-Busch launched aluminum bottles nationally. The versatile new packaging is ideal for contemporary adults who want a stylish looking beverage when out at a club, bar or upscale restaurant. Anheuser-Busch's aluminum bottles were so well-received that demand temporarily exceeded supply.

In addition, the national rollout of the applied plastic label was completed in 2005. The clear label is found on Bud Light and Budweiser Select packaging and enhances the premium image and appeal of the brands.

Anheuser-Busch also is using "shrink-wrap" technology to create limited-edition packages throughout the year. This technology applies a form-fitting vinyl plastic wrap to bottles that can be easily customized. Bud Light offered festive shrink-wrap package designs for the winter holidays and will highlight other special events

throughout the year, such as St. Patrick's Day, Cinco de Mayo and the World Series. Budweiser and Bud Light also offered team-specific packaging to highlight their "official beer sponsorship" of 28 National Football League teams.

This is commitment...

The Anheuser-Busch wholesaler partnership provides the company with a strong competitive advantage. Nearly 70 percent of the company's volume is sold through exclusive wholesalers, increasing focus on the sales of Anheuser-Busch's products.

Anheuser-Busch is committed to providing the right marketing and sales tools to wholesalers and retailers throughout the country and demonstrated this in new and innovative ways in 2005. In addition to increasing its focus on

product and packaging innovation, Anheuser-Busch increased its sales force and committed additional resources to off- and on-premise marketing. The company deployed brewing and marketing "ambassadors" and contemporary marketing teams — dedicated sales teams who meet with owners, wait staff and consumers — to help sell Anheuser-Busch products in key markets across the country. This increased focus on "hand-to-hand selling" enables Anheuser-Busch wholesalers to work more closely with retailers at the local level and gain in-depth knowledge of consumer behaviors and emerging trends.

On-premise activities also include high-image and high-impact draught beer presentation, new European-style draught towers, upscale glassware and

This is true.



1

Budweiser is the top-selling premium beer in the world.

2

Bud Light is the top-selling light beer worldwide.

3

Budweiser Select is one of the most successful new beer launches in the history of the brewing industry.

**MULTICULTURAL
MARKETING**

Latin pop star Angelina, national spokesperson for Education Is Freedom, performed her hit “Caliente” at the Mets’ annual Hispanic Heritage Night, sponsored by Budweiser.



expanded point-of-sale materials, such as creative, eye-catching tap markers and illuminated menu boards. Our commitment was extended through the “Ambassadors of Quality” program, which allows employees to share their passion for beer with friends and family.

The company also created a global industry development team that is spearheading Anheuser-Busch’s efforts to enhance the image of beer and generate growth for the entire beer industry. The group has taken steps to develop an industry-wide coalition and campaign that highlights beer’s role in American culture.

While Anheuser-Busch continues to devote resources to traditional marketing programs and sponsorships, the company has increased its focus on ethnic marketing. To extend its long-standing support of adult urban and multicultural consumers, Anheuser-Busch created a new team to lead marketing and community outreach for these key customer groups. Programs include Budweiser’s sponsorship of the Essence Music Festival, the country’s largest African-American music

celebration, and Budweiser’s True Pioneers program, featuring posters of African-American musicians, poets and athletes commissioned for Black History Month.

For more than 15 years, Anheuser-Busch has contributed to Asian Pacific American communities through a variety of programs. In 2005, Michelob Light sponsored the first-ever Music Video competition at the 28th annual Asian American International Film Festival.

The Latino market represents 11 percent of the U.S. beer industry volume, and adult Latino drinkers account for 12 percent of Anheuser-Busch’s overall sales volume. Anheuser-Busch has the No. 1 and No. 2 brands in the Latino market, Bud Light and Budweiser, and currently holds 48 percent of Latino market share according to IRI data. To continue to reach this key demographic, the company sponsors national and local market promotions such as viewing parties for the Mexican National Soccer Team and FIFA World Cup™ Qualifier Games. Budweiser and Bud Light are also proud sponsors of several Latin recording artists and concerts.

In addition to marketing and media programs, Anheuser-Busch supports nearly 400 community-based local and national Latino organizations and special events. During the past 20 years, the company has contributed nearly \$50 million through programs such as Budweiser *Homerunazo!*, a program benefiting the Hispanic Scholarship Fund (HSF). In cooperation with 16 Major League Baseball teams, Anheuser-Busch and its distributors contributed \$100 to HSF and other local charities each time home team players hit a home run.

Commitment was not limited to marketing and product innovation. During 2005, Anheuser-Busch continued to implement several cost savings initiatives. Brewery modernizations, such as improvements to packaging line flexibility and increased bottle line speed, reductions in brewery material costs and transportation initiatives, including consolidation and improved scheduling of shipping carriers, contributed nearly \$100 million in incremental productivity improvement savings. Through its “One Company” initiative, Anheuser-Busch streamlined operations in information technology, engineering, finance and supply chain functions, setting the stage for long-term cost savings while forming an organizational structure poised for the future. To offset significant commodity cost increases incurred by most industries, particularly high utility costs, the company initiated productivity projects such as boiler control improvements and process heat recovery to reduce fuel costs.

As adult consumer tastes evolve, the company will continue to invest in the right resources to deliver innovative products and meaningful marketing messages that communicate the spirit and quality of Anheuser-Busch.

This is innovation.



Anheuser-Busch launched more than 30 new products in 2005.