



# Company Description

Interbrew is one of the oldest beer companies in the world, and the newest global brewer. A public company (Euronext/Brussels) based in Belgium, Interbrew has brewing operations in 19 countries – across the Americas, Western Europe, and emerging market groups.

In the Americas we have subsidiaries in Canada, Cuba and the United States, and a minority shareholding in Mexico. In Western Europe we have subsidiaries in Belgium, France, the Netherlands, the UK and Luxembourg, and licence agreements in Italy and Sweden. In Central Europe we have subsidiaries in Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Montenegro and Romania. In Eastern Europe we have a joint venture in Russia and Ukraine. In Asia Pacific we have subsidiaries in Korea and in China, licence agreements in Australia and New Zealand, and a regional representation office in Singapore. In total, Interbrew's beers are sold in more than 110 countries.

Our strength is our brand portfolio – the global brand Stella Artois, the international specialties Hoegaarden, Leffe, Bass  le and Belle-Vue, and the local brands such as Jupiler, Labatt Blue, OB Lager, Ozujsko, Klinkskoye, etc. which give us a number one or number two position in almost every market where we operate. Interbrew is the World's Local Brewer.

“Interbrew is one of the oldest beer companies in the world, and the newest global brewer.”





# Interbrew at the Start of 2000

Interbrew has an unmatched record for growth. Between 1995 and 1999 we doubled our business, increasing volumes from 26.0m to 55.7m hectolitres. None the less, we believe that acquisition is less about scale, more about scope. We grow not by adding more business, but by adding businesses that can themselves be grown. We see organic growth as the implicit outcome of external growth, its justification and true goal.

After we acquire a company, we bring in the new initiatives and investments that help turn a business for sale into a business that is loved. But expertise is as important as spend. Money is relevantly applied. There is discipline in seeking a return.

Built into the way we operate is the requirement to grow the return on invested capital, post acquisition. Our philosophy is to reward management only for superior business performance, for organic EBIT growth. If ROIC goes up, top managers get a bigger bonus. If it goes down, the bonus is cut.

Our overall return of 10.4% in 1999 perhaps looked poor against the best international performance, but that overall figure hid the real story. Nearly half our invested capital, 41%, related to recent acquisitions in Korea and Eastern Europe. These showed only marginal returns in the initial phase. We expect to grow them, based on our track record in the rest of our geography. Returns on invested capital from 1996 to 1999 were pushed up everywhere: in the Americas from 12.5% to 17.9%; in Central Europe from 13.3% to 20.1%; in Western Europe from 19.6% to 25.1%. The results where we have been longest are as good as the best in the business.

Because we have been able to consistently improve our returns, we have created a double benefit – a good top line and an even better bottom line. The figures for compound growth from 1992 to 1999 speak for themselves – volumes +12.5%, EBITDA +21.4%, net profit +31.4%. And all that is before Korea, Russia and Ukraine come into their own.

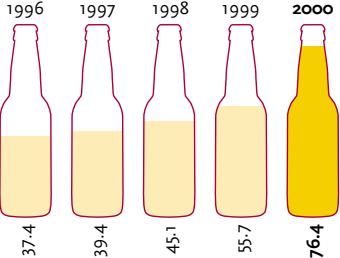
“We believe that acquisition is less about scale, more about scope.”



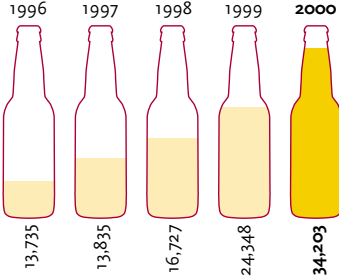
The Chairman of the Board, Baron Paul De Keersmaecker, at the first trading day ceremony.

# Key Figures

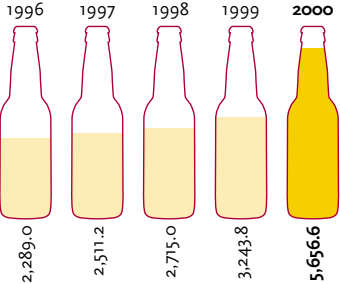
Volume in millions hl



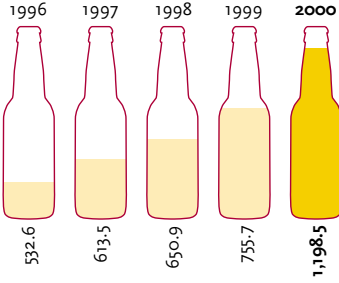
Employees



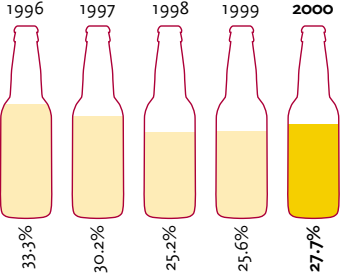
Net Turnover in millions Euro



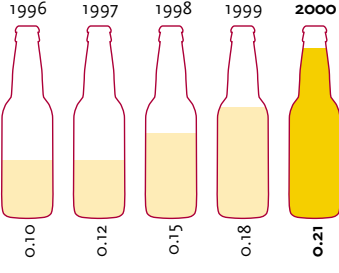
EBITDA in millions Euro



Pay out ratio



Dividend per share (Euro)



	2000	1999	1998	1997	1996
Volume (in millions hl)	76.4	55.7	45.1	39.4	37.4
Net Turnover (1) (in millions Euro)	5,656.6	3,243.8	2,715.0	2,511.2	2,289.0
EBITDA (2) (in millions Euro)	1,198.5	755.7	650.9	613.5	532.6
Operating Profit (in millions Euro)	644.4	418.8	383.0	354.8	299.1
Net Profit (share of Group) (in millions Euro)	- 910.1	230.3	190.1	132.3	100.8
Net Profit (share of Group) (before extraordinary Bass goodwill write off)	324.6	230.3	190.1	132.3	100.8
Cash Flow from operations (in millions Euro)	715.3	522.9	438.3	415.6	423.9
Market Capitalisation (in millions Euro)	15,865.2	N/A	N/A	N/A	N/A
Adjusted net profit per share (3) (4) (Euro)	1.21	0.82	0.69	0.51	0.46
Dividend per Share (3) (Euro)	0.21	0.18	0.15	0.12	0.10
Pay out Ratio	27.7% (5)	25.6%	25.2%	30.2%	33.3%
Average Number of Shares (in thousands)	333.386	322.868	321.822	321.728	321.520
Fully Diluted Number of Shares (in thousands)	436.385	332.196	336.102	338.380	338.442
Share Price High (Euro)	38.1	N/A	N/A	N/A	N/A
Share Price Low (Euro)	34.0	N/A	N/A	N/A	N/A
Year-end Share Price (Euro)	37.12	N/A	N/A	N/A	N/A
Return on Invested Capital (%)	11.7	10.4	12.6	14.2	12.5
Cash Interest Coverage	2.7	4.1	4.8	5.6	3.4
Debt equity ratio	0.75	1.34	1.53	1.13	1.38

(1) Turnover less excise taxes

(2) Operating profit plus depreciation and amortisation and amortisation of Goodwill.

EBITDA does not reflect the impact of extraordinary income (expenses)

(3) Adjusted for stock splits

(4) Net profit (share of the group) plus amortisation of goodwill, divided by the average number of shares outstanding

(5) Gross dividend by net profit (share of the Group) excluding Bass write off



# Letter to Shareholders

## Performance in 2000

Every year the development of Interbrew moves on apace. Over the years it has been a dynamic story. 2000 was no exception. And you no doubt remember that 2001 started with a bang. The unexpected severity of the recommendation from the UK competition authorities, denying our acquisition of Bass UK brewing business, constituted our first major setback. We won't pretend it wasn't a bad day. But every business has growing pains, and ours has had fewer than most. The essential thrust of the company is unchanged.

For that reason we decided that it made sense, in this Letter to Shareholders, to take the contested Bass business out of the figures. As we write, that issue is still under discussion and we have decided to introduce a judicial review with the courts in the United Kingdom. The business ratio and strong results we report here – on volumes, revenues and earnings – are for the essential Interbrew, without Bass in the UK. Therefore there are no question marks over what is being described. As you consider our performance, you do not need to subtract anything from the figures, or adjust the overall picture, to account for Bass.

We report on a decisive year for Interbrew. Not only did we make that major move into the UK market, with the acquisition of first Whitbread and then Bass or in Ukraine with the acquisition of Rogan. We also took a critical step in the company's life, when we went public and listed on the Euronext Brussels stock exchange. With shares 4.5 times oversubscribed, the flotation can be counted a success. We believe the whole company was boosted by the way the investor community welcomed Interbrew to the market.

So that was a real change. In the underlying story, however, there was no change at all. Interbrew once more continued its run of good results. We have been outperforming the market for nearly a decade, and excelled again in 2000. Our volumes were up 25.5%, from 55.7m to 69.9m hectolitres (excl. Bass brewing activities in the UK), of which 3.2% was organic growth. Volumes in the emerging markets increased by more than half, as we added 7.7m hectolitres of acquired volume and 1.2m hectolitres of organic growth. They now represent 46.8% of volumes overall.

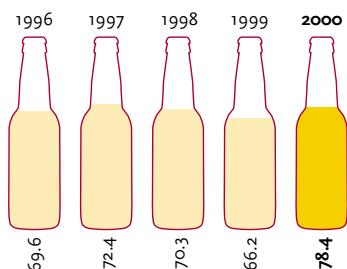
“We have been outperforming the market for nearly a decade, and excelled again in 2000.”



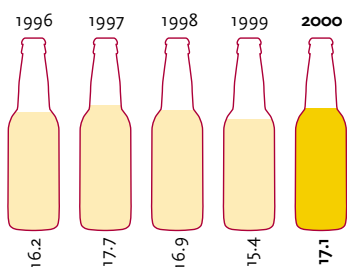


# Letter to Shareholders

Net turnover per hectolitre (Euro) (1)



EBITDA per hectolitre (Euro) (1)



(1) Volumes excluding FEMSA, as they do not generate net turnover and EBITDA

Not only did we create a larger volume pool, but each hectolitre sold was worth more to us – despite the higher representation of emerging markets. Net turnover value per hectolitre was up 18.4%, from 66.2 euros to 78.4 euros. However the changed geographical mix led to a drop in EBITDA margin of 1.5 percentage points, from 23.3% to 21.8%, and in EBIT margin of 0.9 percentage points, from 12.9% to 12.0%.

As a result of our external expansion and organic growth, the compound growth of EBITDA since 1992 proved even better than the figures given at the time of the Initial Public Offering. Our profit net after tax, however, showed the impact of the Bass acquisition, and the associated interest costs. Excluding the Bass UK operations (as in the rest of this Letter to Shareholders) we recorded a loss of 922.3m euros. If the Bass goodwill write-off is also excluded, we recorded a profit net after tax of 312.4m euros (after the share taken by our partners). Adjusted earnings per share improved significantly, an increase of 35.4%.

On dividends, our policy is to pay them from between a quarter and a third of our net after tax earnings, while we retain the majority of our earnings to finance future growth. Dividends have a compound annual growth rate of 20.5% over the past four years, and the proposed dividend per share rose once again for 2000, up by 16.7%. The Board proposes to pay a gross dividend of 0.21 Euro per share or a total dividend distribution of 89.8m Euros. If approved, the net dividend will be payable as of April 25, 2001 against delivery of coupon number 1, attached to the company's new bearer shares.

All these improvements did not emerge from a vacuum. If we were successful, it was because a great number of people did many detailed things well. They satisfied customers' reasonable requests, made prompt decisions, stayed one step ahead of the game, worked together well, and showed personal integrity. We applaud them and thank them for their commitment, professionalism and endeavour.

## The IPO as the Culmination Scene of a Strategic Plan

We brought the company together under a unified management structure in 1999, as the necessary preamble to our approach to the market. Our plan also envisaged further strategic growth. In the event, we decided against pursuing success in the Kronenbourg sale, by refusing to pay a strategic premium. Then we moved into the UK. We acquired the Whitbread Beer Company in May, which allowed us to get back our brand, Stella Artois in that country. We acquired Bass Brewing in August, to complete our UK portfolio and gain synergies. When the deal was blocked by the competition authorities in January 2001, there was no change in our intention to be a robust and committed player in the UK market.

An important aspect of our planning for the IPO was to run Interbrew as if we were already a public company. Outside non-executive directors have sat on our board for more than a decade. Our reporting was transparent. We took the lead in Belgium in adhering to high standards of corporate governance. In that respect, we did not need to change our ways to fit what is expected of a public company.

Having outside investors will not change the fundamentals of Interbrew. We run a good business, and make investments that require more than a "today" judgment. Investors responded to us because we created long term value for the company, and we plan to keep it that way. We have, through the IPO, a better base for future growth – a rebuilt balance sheet, cash capacity, and public currency through our shares.



# Letter to Shareholders

“We are already the world’s most international brewer, with 90.7% of our volumes outside Belgium.”

## Interbrew Strategy

There is a simple basis for our success. Think of the most famous beers in the world. If you name all the top brands that immediately come to mind, you will be talking about brands that still have only 10% of the market outside their home base. The rest is domestic volume. Beer is a business of local brands, so brewers need to be big in local brands, culturally adept at being local. That is the basis of our strategy.

Yet if all we had was strong local platforms, it would be good – but not great. And if all we had was the globally famous names, it would be pleasing – but not good enough. With no local platform, an international brand has to pay its own infrastructure costs. The picture brightens considerably if you have strong local brands with critical scale which cover overhead costs, then add premium brands on top. This is the more profitable way – the local platform plus the premium portfolio. In other words, the Interbrew model. That is why the theme of this annual report is "portfolio".

Our concept of portfolio is threefold – a portfolio of geographies, a portfolio of brands, and a portfolio of expertise. The portfolio of geographies is the key factor in our development. From being a predominantly European organisation, Interbrew has progressed to a position of balanced geographic spread. We are already the most international brewer, with 90.7% of our volumes outside Belgium. The company operates profitably in all regions, and has 46.8% of volumes in emerging markets of high potential.

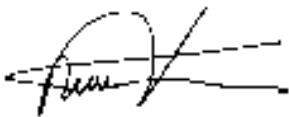
As for the portfolio of brands, it is the sine qua non of being the World's Local Brewer. Our first priority is to have strong, healthy, important, local brands operating in the largest part of the market. Then we complete the country portfolio with relevant higher margin brands on top. Being good at being local is an essential part of our strategy. Which brings us to expertise.

Our international experience will only work for us if we bring it to bear in a way that is right for each locality. We constantly walk this line – being a local brewer, being an international company. Can we be both at once? We can, if we are local in our attitudes and a leader in our practices. Our portfolio of expertise is what turns external growth into organic growth. Yet, for all our superb results, we know that we are really a long way from being excellent. The industry is not that advanced, and we can be much better in fulfilling the potential of what we own.

## Looking Ahead

We are optimistic about the potential of our business, which operates in a positive context – population growth, increase in GDP, and the position of beer as the beverage of moderation. None the less, any beer business faces uncertainties, which include the level of consumer demand, competitive pressure, swings in currency, changes in duty, political or economic instability, and more restrictive legislation in relation to consumption, advertising and health. Any or all of these could have an impact on our business.

None the less the opportunity for growth through further consolidation is enormous. The top three brewers still have only 20% of the world market – a small proportion compared with most other consumer goods categories. We are committed to being an active consolidator, and expect to participate further in the rationalisation of the industry. What we do will fit the geographies we are already in, and strengthen what we already have. The real story is still ahead of us.



*Baron Paul De Keersmaecker  
Chairman of the Board*



*Hugo Powell  
Chief Executive Officer*



# A Guide to our Brands

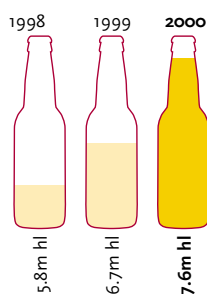
## WESTERN EUROPE



## THE AMERICAS



Volume Growth – Stella Artois



## GLOBAL BRAND

Stella Artois is now the No. 7 international lager brand in the world, and none of the top ten is growing faster.

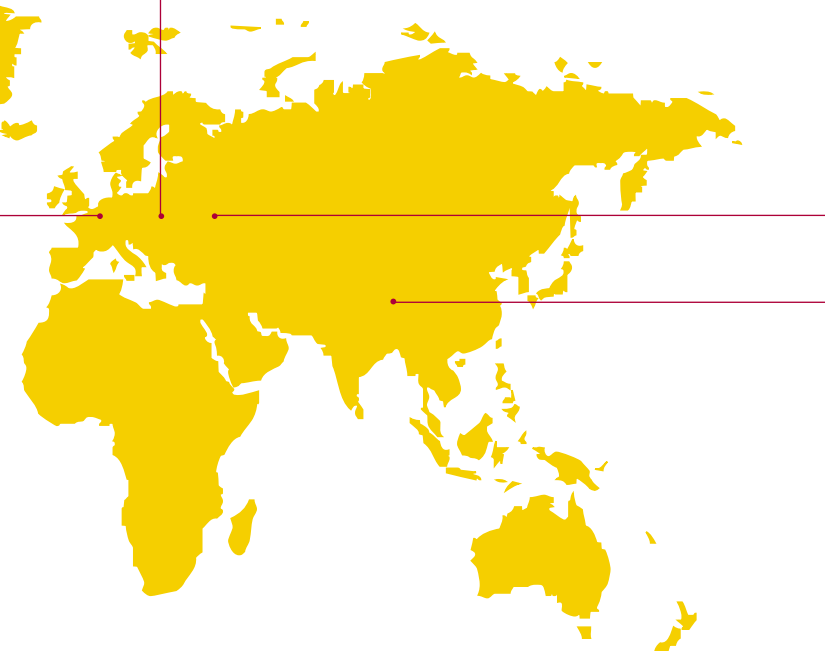
### CENTRAL EUROPE



### EASTERN EUROPE



### ASIA PACIFIC



### INTERNATIONAL SPECIALTIES



- Hoegaarden inspired the Belgian white beer revival
- Leffe is the world's leading abbey beer
- Belle-Vue is the world's No. 1 gueuze specialty beer
- Bass ale now sells more in the US than in the UK

# A Guide to our Businesses

	Volumes in 2000 (hectolitres)	Market Position	Market Share	Number of production sites
<b>The Americas</b>	<b>20.8m</b>			
Canada	9.0m	No. 2	43.5%	8
Cuba	0.6m	No. 2	25.3%	1
Mexico	6.6m (5)	No. 2	43.9%	6
USA	4.6m	No. 2 (1)	14.3% (1)	1
<b>Western Europe</b>	<b>29.6m</b>			
Belgium	6.5m	No. 1	55.8%	4
France	2.7m	No. 3	10.1%	–
Luxembourg	0.3m	No. 1	41.9%	2
Netherlands	2.6m	No. 2	15.2%	3
Interbrew UK	6.9m (6)	No. 4	10.5%	3
Bass Brewers	6.5m (7)	No. 2	22.2%	6
Export	2.3m	N/A	N/A	N/A
Licenses	1.8m	N/A	N/A	N/A
<b>Emerging Markets</b>	<b>26.0m</b>			
Bosnia-Herzegovina	0.1m	N/A	7.9%	1
Bulgaria	1.4m	No. 1	33.9%	4
Croatia	1.6m	No. 1	40.6%	1
Czech Republic	0.8m (7)	No. 2	12.5%	3
Hungary	2.1m	No. 2	29.1%	1
Montenegro	0.6m	No. 1	85%	1
Romania	1.4m	No. 3	12.1%	3
Russia	7.9m	No. 2	13.9%	8
Ukraine	2.0m (8)	No. 1	34%	4
China	0.4m	N/A	N/A	2
South-Korea	7.7m	No. 2	46.5%	3

(1) in import & specialty segment of USA

(2) Interbrew has management control

(3) economic value is 66%

(4) brewed under license

Trading Name	Interbrew Voting Rights	Key Brands
Labatt Breweries of Canada	100%	Labatt Blue, Blue Light, Kokanee, Alexander Keith's, Wildcat, Boomerang, Stella Artois, Hoegaarden, Leffe, Budweiser (4)
Bucanero	50%	Cristal, Bucanero
FEMSA Cerveza	30%	Tecate, Sol, Dos Equis, Carta Blanca, Superior, Indio, Noche Buena, Bohemia
Labatt USA	70%	Rolling Rock, Labatt Blue, Blue Light, Sol, Dos Equis, Tecate, Stella Artois, Bass, Leffe, Hoegaarden, Löwenbräu (4)
Interbrew Belgium	100%	Jupiler, Stella Artois, Leffe, Hoegaarden, Hougaardse Das, Belle-Vue, Safir, Vieux-Temps, Bass, Rolling Rock
Brasseries Stella Artois	100%	Stella Artois, Loburg, Lutece, Leffe, Hoegaarden, Rolling Rock
Brasseries de Luxembourg Mousel-Diekirch S.A.	27% (2)	Diekirch, Mousel, Grande Réserve, Leffe, Hoegaarden
Interbrew Nederland	100%	Oranjeboom, Dommelsch, Hertog Jan, Witte Raaf, Elfde Gebod, Hougaardse Das, Rolling Rock, Leffe
Interbrew UK	100%	Stella Artois, Boddington, Whitbread, Hoegaarden, Leffe
Bass Brewers	100%	Bass, Carling, Caffrey's, Worthington, Tennent's
N/A	N/A	Stella Artois, Hoegaarden, Leffe, Belle-Vue
N/A	N/A	Stella Artois
Uniline	51%	Ozujsko, Bozicno, Tomislav, Stella Artois
Kamenitza AD	83.7%	Kamenitza, Astika, Burgasko, Pleven, Stella Artois
Plevensko Pivo AD	89.5%	
Zagrebacka Pivovara	72%	Ozujsko, Stella Artois, Bozicno, Tomislav, Hoegaarden, Leffe, Belle-Vue, Rolling Rock, Labatt Blue, Labatt Ice
Prague Breweries	96.4%	Staropramen, Branik, Ostravar, Velvet, Kelt, Mestan, Vratislav
Borsodi Sörgyar	98.7%	Borsodi, Stella Artois, Kinizsi, Leffe, Hoegaarden, Belle-Vue, Rolling Rock, Holsten (4)
Trebjesa	67.8%	Niksicko, Stella Artois
Compania de Distributie National SA	80%	Bergenbier, Noroc, Hopfen König, Stella Artois
Bianca Interbrew Bergenbier SA	51%	
Proberco	77.5%	
Interbrew EFES Brewery SA	50%	
SUN-Interbrew	34% (2)(3)	Klinskoye, Tolstiyak, Sibirskaya Korona, Premier, Bavaria, Bag Beer, Viking, Rify, Pikur, Volzhanin
SUN-Interbrew	34% (2)(3)	Chernigivskoye, Taller, Yantar, Cernyj Prints, Rogan
Nanjing Jinling Brewery Company	80%	Jinling, Ice Best, Yali, Hu Pi
Oriental Breweries	50% (2)	OB Lager, Cass, Cafri, Genus, Red Rock, Budweiser (4)

(5) 30% from total volume  
(6) 7 months

(7) 4 months  
(8) incl. 1 month Rogan



# Corporate Governance

Interbrew became a public company (quoted on Euronext Brussels) in December 2000, but even as a private business it was among the leading Belgian companies adopting best practice in corporate governance. For more than a decade the respective responsibilities of the Board of Directors and the Executive Management Committee have been clearly defined, and throughout that period their roles were regularly reviewed.

## The Board of Directors

Interbrew has 12 board members, appointed at the Shareholders' Meeting. Seven directors represent shareholders exercising a decisive or significant influence on the company. The other five are independent directors chosen for their personal and professional qualities. All directors are non-executive. The chairman of the board is appointed by the board from among its members. The duration of any directorship is three years, unless the Shareholders' Meeting determines a shorter period. Directors can be reappointed. Other than in special cases, a director must retire on his 70th birthday. We list below the current members of the board.

Directors	Term expires
Baron Paul De Keersmaecker* (1) – Chairman (2)	2001
Charles Adriaenssen	2003
Count Christophe d'Ansembourg	2002
Allan Chapin*	2002
Jean-Luc Dehaene* (3)	2004
Harald Einsmann*	2002
Pierre Jean Everaert* – Chairman (4)	2003
Bernard Hanon*	2002
Remmert Laan (5)	2004
Baron Frédéric de Mevius	2003
Count Arnoud de Pret Roose de Calesberg	2002
Viscount Philippe de Spoelberch (5)	2004
Alexandre Van Damme (5)	2004

### Chief Executive Officer

Hugo Powell

### Corporate Secretary

Patrice J. Thys

\* Independent Director

(1) Mandate ending on April 24, 2001

(2) Up to April 24, 2001

(3) Mandate starting on April 25, 2001

(4) Starting on April 25, 2001

(5) Mandate renewable on April 24, 2001

**Baron Paul De Keersmaeker** (71) has been a director of our company since 1992. He is Chairman of the Board of Domo, Depauw, Euler-Cobac and Nestlé Belgilux and member of the board of Tractebel and other companies.

**Charles Adriaenssen** (44) has been an Interbrew Board Member since 2000. He is Managing Director of the CA&P Group (Belgium).

**Allan Chapin** (59) has been a director of our company since 1994. He is a managing director of the bank Lazard in New York.

**Count Christophe d'Ansembourg** (37) has been a Director of Interbrew since 1996. He is Managing Director of Optimol Tribotechnik S.A. (Belgium).

**Harald Einsmann** (66) has been a Director of Interbrew since 1999. He is also Director of EMI Music Group, Tesco, BAT and other companies.

**Remmert Laan** (58) has been a Director of Interbrew since 1998. He is a Managing Director of the bank Lazard in Paris.

**Baron Frédéric de Mevius** (41) joined the Board of Directors of Interbrew in 1991. He is the Managing Director of Verlinvest S.A./N.V. (Belgium), a private holding company.

**Viscount Philippe de Spoelberch** (59) has served on our board since 1977. He is Member of the Board of Mosane, Floridienne and other Belgian private holding companies.

**Count Arnoud de Pret Roose de Calesberg** (55) has been a member of our board since 1981. He holds several mandates within the Union Minière Group.

**Bernard Hanon** (66) has been a director of Interbrew since 1990. He is General Manager of Hanon Associates in Paris since 1986.

**Pierre Jean Everaert** (61) has served as a director of Interbrew since 1997. He serves on the boards of C&A Europe, Banque Paribas PA Group (US), Baan Company and other companies.

**Alexandre Van Damme** (39) has been a member of our Board of Directors since 1992. He is Director of Patri SA (Luxembourg).

The board meets regularly and as frequently as required by the company's interests. In 2000 the board held 11 regular and 2 special meetings. Meetings are often held in countries where Interbrew has subsidiaries, to enable directors to be fully acquainted with the local situation, issues and activities.

The board is a collegial body. Decisions are made by a simple majority of the votes cast. In the event of a tie, the vote of the chairman is decisive. If any director has a conflicting financial interest, this must be brought to the notice of fellow directors and the statutory auditors, and that director will not participate in related deliberations, as provided by company law.

# Corporate Governance

The board is the ultimate decision-making and controlling body within Interbrew, without prejudice to the powers reserved to the Shareholders' Meeting by law and the charter. The board is responsible for deciding on the company's strategy and objectives, for agreeing all major investments and disinvestments, and for controlling the successful implementation of such decisions. The board appoints the CEO and members of the three board committees. It also has the exclusive power to decide the structure of the group, to appoint or dismiss executive vice presidents and Interbrew representatives on the boards of subsidiaries, and to determine major or long-term transactions, as well as budget and investment plans. In these particular matters the board must first consider the recommendations of the CEO. It is also the board's task to report to shareholders.

All documents relating to the daily management of the company and to decisions which are not under the mandate of the CEO are provided to the board. Administrative assistance to the board is provided by the corporate secretary, who attends board meetings. In addition, a formal procedure allows directors to obtain advice from independent experts when required. A special mandate may be granted to a certain director, after a specific board discussion has taken place to determine the duration and objectives of the mandate. Mandated directors report regularly to the board. Certain directors also serve on the Audit, Human Resources and Nominating or Strategic Committees.

## Chief Executive Officer and Executive Management Committee

The company's daily management is entrusted to the Chief Executive Officer, who is appointed by and reports to the board. The CEO presides over the Executive Management Committee (EMC), whose members are listed on page 24 and 25. Among the EMC's responsibilities are major short-term financial transactions, short-term fund management, capital contributions, and similar transactions not reserved to the board. The EMC makes all executive appointments other than the CEO and the Executive Vice Presidents. It meets at least once a month. Except in special cases, EMC members must retire at the end of the year following their 65th birthday.

The major corporate functions are represented within a corporate committee, e.g. finance, corporate and legal affairs, human resources and corporate strategy. That committee is meeting regularly with the CEO. To reflect our geographic diversification, Interbrew is organised into five zones – the Americas, Western Europe, the UK, Central Europe, and Eastern Europe & Asia – under the central control of our corporate headquarters in Belgium. The five executives responsible for a zone sit on the EMC alongside eight executives with a functional responsibility.

## Board Committees

For many years the board has been assisted by three formal committees – the Audit Committee, the Human Resources and Nominating Committee and the Strategic Committee. The Audit Committee is responsible for the control of the annual accounts. The Human Resources and Nominating Committee advises the board on the management of human resources, particularly in relation to management continuity and remuneration. The Strategic Committee advises the board on Interbrew's global strategy, in external and internal growth.

These committees meet regularly (at least three times a year for the Audit and Strategic committees), and are composed of directors chosen by the board, with certain top managers also participating. Current membership is as follows:

### Audit Committee

Allan Chapin*	Baron Paul De Keersmaeker* (1)
Baron Frédéric de Mevius	Count Arnoud de Pret Roose de Calesberg
Pierre Jean Everaert* (2)	

### Human Resources and Nominating Committee

Charles Adriaenssen	Baron Paul De Keersmaeker* (1)
Pierre Jean Everaert*	Hugo Powell**
Viscount Philippe de Spoelberch	

### Strategic Committee

Baron Paul De Keersmaeker* (1)	Stéfan Descheemaeker**
Pierre Jean Everaert* (2)	Bernard Hanon*
Luc Missorten**	Hugo Powell**
Viscount Philippe de Spoelberch	Patrice J. Thys**
Alexandre Van Damme	

\* Independent Director

\*\* Member of the Executive Management Committee

(1) Up to April 24, 2001

(2) Starting on April 25, 2001

When necessary, meetings of the Audit Committee may also be attended by the CEO, executive vice presidents, and Interbrew's statutory auditors. At the request of the statutory auditors and/or the corporate audit director, the Audit Committee meets in the absence of members of the management.

## Executive Compensation

In 2000, we paid aggregate compensation of 9m euro, including bonuses, to our directors and executive officers as a group for services in all capacities. Of this amount, 0.8m euro was paid to members of the Board of Directors and 8.2m euro was paid to members of the Executive Management Committee.

# Corporate Governance

## Long-term Incentive Plan

On 24 June 1999, we adopted a long-term warrant plan authorising the Board of Directors to issue non-transferable registered warrants from time to time to some of our directors, executive officers and managers. These issuances must satisfy the conditions for limitation or cancellation of shareholders' preferential rights. Each warrant issued under the plan entitles the holder to subscribe for one share and the exercise price of each warrant issued following the listing of our shares on the Brussels Stock Exchange will equal the average market price of our shares during the thirty days preceding the date of issue of the warrant.

## Remuneration of Auditors

The general meeting of shareholders determines the remuneration of the auditors for their services in connection with the audit of our financial statements. Their annual fee for these services is currently 3,267m euro excluding value-added tax. Our statutory auditor is KPMG, represented by Erik Helsen.

## Transactions with Directors, Executives and Auditors

Our directors, executives and auditors do not have and have not had interests in any unusual transaction or transaction with unusual terms in which we entered during the last three fiscal years.

## Dividend Policy

We intend to retain the majority of our earnings to finance our future growth while paying dividends from one-fourth to one-third of our net after tax earnings.

## Shareholding Structure

The shareholding structure of the company, as appears from the most recent notification made on 12 December 2000 to the company, pursuant to the Belgian law of 2 March 1989 on the notification of major shareholdings, by (i) Stichting Interbrew, (ii) ASBL Fondation Interbrew Baillet-Latour and (iii) ASBL Fondation Verhelst, acting in concert and holding together 283.484.940 ordinary shares of the company, is as follows:

	Number of shares	% of voting rights attached to shares issued by the company (on December 31, 2000)
1. Stichting Interbrew	275,620,140	64.487%
2. Fondation Interbrew Baillet-Latour	3,370,800	0.789%
3. Fondation Verhelst	4,494,000	1.051%
Total of (1), (2) and (3):	283,484,940	66.327%

## Shareholders' Arrangements

Our controlling shareholder is Stichting Interbrew, a foundation organised under the laws of The Netherlands.

The holders of certificates issued by Stichting Interbrew in representation of certified shares held by it are in principle not entitled to require from Stichting Interbrew the exchange of their certificate for shares in our company before 30 June 2004, as from which date such exchange can be requested with a notice period of 12 months minimum.

Stichting Interbrew could be only dissolved when it no longer holds any certified shares. In other circumstances, Stichting Interbrew can only be dissolved by a decision (taken by an 85 % majority) of the general meeting of the holders of certificates upon a proposal by its Board of Directors.

Stichting Interbrew has entered into voting agreements with Foundation Interbrew Baillet-Latour ASBL-VZW and Foundation Verhelst ASBL-VZW, two non-profit organisations organised under the laws of Belgium. The voting agreements provide for consultations between Stichting Interbrew and the two foundations before any shareholders' meeting on the way they will each exercise the voting rights attached to the shares they hold.

## Honorary Chairmen

Raymond Boon - Falleur

Jacques Thierry

Baron Paul De Keersmaecker (as from April 25, 2001)

Interbrew has three honorary chairmen:

# Who's Who



## 1 Hugo Powell

**CHIEF EXECUTIVE OFFICER**

Born in 1945. Graduated from Charterhouse in Surrey, England, 1963. He joined Unilever Companies Inc. in the United Kingdom for a five-year business and management plan.

At the age of 31 years, Powell joined Warner Lambert in Canada, first as Group Product Manager, later as General Manager of the Canadian operations. In 1977 he left the company to become President of Lowney's Ltd. (Standard Brands (Nabisco)). One year later he became President and CEO of Nabob Foods Canada. Five years later he moved to the parent company in Germany as President and CEO of Jacobs Suchard Germany.

Then began the very successful period at Labatt, CEO of McGavin Foods Ltd. (1984). President and CEO of Everfresh Juice Co. in Chicago/USA (1989), President of Labatt's Ontario Breweries (1990), President of Labatt Breweries Canada (1992), assumed responsibility for Labatt USA and Cerveceria Cuauhtemoc Moctezuma/Femsa of Mexico (1994) and then CEO of Interbrew Americas (1995) before he became the CEO of Interbrew SA (1999).



## 2 Chris Verougstraete<sup>(\*)</sup>

**EXECUTIVE VICE PRESIDENT,  
HUMAN RESOURCES**

Born 1950, law degrees from the University of Ghent and of Brussels; MBA at Vlerick Institute of Management; started career at Sabena in 1976. He joined Interbrew as Executive Vice President for Human Resources in 2000.

## 3 Luc Missorten<sup>(\*)</sup>

**EXECUTIVE VICE PRESIDENT,  
CHIEF FINANCIAL OFFICER**

Born 1955; law degree from University of Leuven (KUL); master of laws from University of California at Berkeley; joined Citibank N.A., 1981; began career at Interbrew as Corporate Finance Director, 1990.



## 4 Patrice J. Thys<sup>(\*)</sup>

**ADVISOR TO THE CHAIRMAN,  
EXECUTIVE VICE PRESIDENT,  
LEGAL AND CORPORATE AFFAIRS**

Born 1955; law degree, University of Louvain (UCL), Certificates in International and European Law at University of Leiden, Netherlands, Master Degree, University of Chicago, started career with F.N. Manufacturing Inc. (South Carolina/USA), 1980. He joined Interbrew as General Counsel, 1989.



## 5 Stéfan Descheemaeker<sup>(\*)</sup>

EXECUTIVE VICE PRESIDENT,  
STRATEGY & BUSINESS  
DEVELOPMENT

Born 1960; Commercial Engineer Solvay, University of Brussels (ULB), 1983; started career as consultant, departmental staff of the Minister of Finance, Brussels, 1984; joined Interbrew as Director, Corporate Strategy, 1996.

## 6 Jo Van Biesbroeck

EXECUTIVE VICE PRESIDENT,  
CONTROLLING & PLANNING

Born 1956, economy, University of Leuven (KUL), began career with Interbrew in marketing and logistics 1978.

## 7 Paul N. Cooke

EXECUTIVE VICE PRESIDENT,  
MARKETING

Born 1955, bachelor degree University of Waikato, New Zealand, MBA, University of British Columbia, 1982; joined Labatt as Executive Vice President, marketing, 1995.

## 8 Larry J. Macauley

EXECUTIVE VICE PRESIDENT,  
CHIEF TECHNICAL OFFICER

Born 1950, Bachelor of Science, University of Waterloo (Canada), 1973; joined Labatt as a production trainee in the London, Ontario brewery, 1973.

## 9 Fred Jaques

EXECUTIVE VICE PRESIDENT,  
NORTH AMERICA

Born 1959, graduated from Queen's University of Kingston (Ontario) with a bachelor of commerce degree; started his career in brand management with Warner Lambert in Canada, 1980. He joined Interbrew as Vice President Marketing for North America, in 1999.

## 10 Ignace Van Doorselaere

EXECUTIVE VICE PRESIDENT,  
WESTERN EUROPE

Born 1959; Conference Interpreter, Gent, MBA, The Wharton School of the University of Pennsylvania, USA; began career with 3M in the sales and marketing department, 1983; joined Interbrew as Vice-Director of the business development department, 1990.

## 11 Iain Napier

EXECUTIVE VICE PRESIDENT,  
UNITED KINGDOM

Born 1949; holds an accounting degree; began his career with Whitbread in finance and retail development; he is Chief Executive Officer of Bass Brewers since 1996; member of the Executive Management Committee of Interbrew, 2000.

## 12 Jaak De Witte

EXECUTIVE VICE PRESIDENT,  
CENTRAL EUROPE

Born 1957; applied economics degree; University of Antwerp; marketing degree, University of Ghent; began career with N.V. Vandemoortele, 1980; started with Interbrew as European marketing Director specialties and premium beers, 1991.

## 13 André Weckx

EXECUTIVE VICE PRESIDENT,  
RUSSIA - UKRAINE - ASIA

Born 1953; engineer in chemistry and agricultural industries, University of Leuven (KUL); began career with the Beltex Corporation in Texas, 1978; joined Interbrew as plant manager, Diamond Breweries, Nigeria, 1982.

## 14 Don Kitchen

IN MEMORIAM

Don was running the Americas for Interbrew as Executive Vice President until his untimely death in the summer 2000. As we remember his managerial skill, leadership and values, and warm personality, we know we were lucky to have him.



(\*) Member of the Corporate Committee





Portfolio of Geographies – The World's Local Brewer

Across the World,  
the Right Markets



# The World's Local Brewer

“In the US our volumes were up 11%, against 10% in 1999.”

## The Interbrew Way

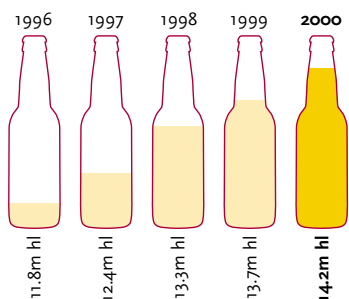
It was in 1999 that Interbrew's strategy really became apparent to the outside world. We began to build a global position at the start of the decade, in a small way at first. Gradually the pattern emerged. What started as an isolated operation in a region – a Hungarian brewery in Central Europe, a Ukrainian brewery in Eastern Europe – soon became a cluster. It was clear what we were building. We were balancing our operations between mature and emerging markets, and we were getting critical mass. Now 57.2% of our total volumes (incl. Bass) come from the mature markets of North America and Western Europe, with the rest from emerging markets in Central Europe, Eastern Europe and Asia.

This spreads our risk – in terms of region, country and currency. Emerging markets have the highest growth potential but carry the threat of economic and social fluctuations. Mature markets give us security and more stable margins, but the downside is limited volume growth. We need exposure to both, and now we have it. In 2000 the upside of our emerging market investments became more visible, and the high performance of our mature businesses was confirmed.

## North America

In one of the best beer markets in the world we increased our volumes by 3.7%, from 13.7m to 14.2m hectolitres, thanks to a strong performance in the specialty markets of both the US and Canada. Extra volume of higher margin brands, plus price increases in Canada, helped us achieve good organic growth in net turnover, up 7.1%. This is a market where we have sound reasons for increasing the investment in our brands.

Volumes in the Americas (excl. FEMSA)



**CANADA** In Canada a highlight was the 33% volume growth from the Oland Specialty Beer Company. Stella Artois grew dramatically in its second year, and Alexander Keith's continued to spread its appeal outside its home base in the Atlantic region (Halifax). We relaunched Blue Light to take advantage of the strong trend towards light beers, now moving from the US to Canada. Budweiser and Bud Light brewed here under a 99-year licence continued their upward path, and gained another point of market share.

**UNITED STATES** The import and specialty segment where we compete in the US grew another 6%, and we again outperformed the market. Our volumes were up 11%, as against 10% in 1999. It was encouraging to see our growth accelerate off a bigger base. This is fast becoming a 5m hectolitre business, thanks to a compound annual growth rate of 9.7% for the past five years. We were strong in all product groups in 2000. Our Mexican portfolio – Tecate, Dos Equis and Sol – grew by 18%, and we worked more closely with our mexican partners to grow these brands in the states bordering Mexico. Our Canadian brands also surged ahead, with Labatt Blue up 13% and Blue Light up 44%, while the US domestic specialty Rolling Rock continued to build sales following the turnaround in 1999.

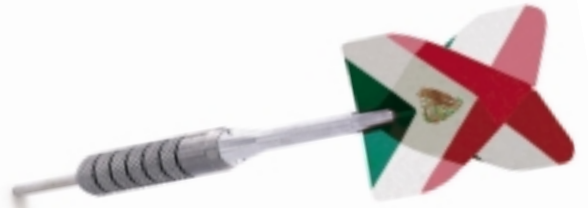
The results we got in 2000 justified an extension of the profit-growth holiday for Labatt USA, as the total EBIT growth was invested back into the business. In this market we have a huge geographic opportunity, since the main distribution for each of the core brands is still in only five states. After adding 40 sales people in 2000, we will continue to invest substantially.

**ELSEWHERE IN THE REGION** We had very satisfactory results in Cuba, achieving a 17.1% increase in volumes. In Mexico, our partner Femsa achieved good profit growth year on year. Bad weather in the north of the country, however, made it a difficult market. We hold a 30% stake in the company, and the opportunity is there to work more closely together. The sound industry fundamentals, with 50% of the population under 21, indicate the future potential.



# The World's Local Brewer





## Western Europe

The long term market trend of consumption – flat to slightly negative – continued, with volumes down 1%. Our response to a steady state industry was to get an edge through innovation, particularly in customer service. We launched a programme of initiatives, tailored to each market, and were able to achieve a double digit increase in EBIT, an unprecedented level of growth. This is a highly satisfactory performance in what is a very mature business.

Interbrew volumes grew by 2.2%, and we increased our overall share in France and Belgium, and our share of key brands in The Netherlands. For the first time in a couple of years, prices increased in Belgium, which helped increase our net turnover in continental Europe.

Behind these results lie stronger sales for many of our brands – Stella Artois in the UK and France, Jupiler in Belgium, Hertog Jan in the Netherlands, and Leffe in all three continental countries. The year also saw significant investment in further innovation programmes on customer satisfaction for 2001. Finally, we made a provision against the EU Commission judgment following its investigation into cartelisation. The company co-operated fully and is now totally aligned with the legal structures of the european authorities, having put in place an extremely strong compliance programme across the world.



# The World's Local Brewer

“Volumes rose 51.7%, of which 7.0% was organic.”

## Emerging Markets

The scale of our operations in Central Europe, Eastern Europe and Asia has increased dramatically since 1999. We now have an additional 15 breweries – 10 in Eastern Europe, four in Central Europe, and one in Asia. Our most recent acquisitions were Prague Breweries in the Czech Republic in August, as part of the Bass deal, and the Rogan brewery at Kharkiv in Ukraine in December, which will take us to a 34% market share. Although most of this expansion took place in 1999, the full impact was not felt until last year. Volumes rose 51.7%, of which 7.0% was organic. Net turnover per hectolitre also grew significantly, up 9.6%.

**CENTRAL EUROPE** Here our countries fall into two groups. Romania, Bulgaria, Montenegro and Bosnia-Herzegovina are classic emerging markets, while Hungary, the Czech Republic and Croatia are moving towards being mature. Devaluation and inflation in the region were in line with expectations. The market grew in most countries, but shifted decisively in Bulgaria towards cheap price brands. We suffered with Bulgaria – but had excellent results elsewhere to counter it. Our country spread means we can accept a hit. In 1999, for example, there were problems in Romania. Yet last year saw a strong turnaround, which gave us a 17% increase in volumes and a growth in share.

Overall Interbrew volumes in the region were up 17.6%, of which 5.9% was organic growth. We reaped the benefit of having a good brand portfolio well balanced for each market. The highlight was our performance in Croatia. Interbrew is now one of the country's top three companies, and 2000 was a real success story – higher market share and volumes up 14.2%. Elsewhere, we grew sales in Hungary and did well in Montenegro despite the particularities of the Yugoslav market. Bosnia-Herzegovina increased sales by 120,000 hectolitres.







# The World's Local Brewer

“Volumes doubled in Eastern Europe, and this is now a 10m hectolitre business.”

**EASTERN EUROPE** Volumes doubled in Eastern Europe, and this is now a 10m hectolitre business. None the less, we took a conscious decision not to concentrate on pure volume. For us to go for market share was not a strategic path – since our 1999 volumes were scarcely profitable. Instead we focused on growing the value of our volumes.

In Russia, at the start of the year we had a 16% share, of which only a small part was decently profitable. At the end of the year we had a 13.9% share of a larger market, of which the majority was agreeably profitable.

We effectively shifted our market position, focusing on three core brands which we moved from the value segment to the core segment – Klinskoye in the Moscow region, Sibirskaya Korona east of the Urals, and Tolstiak in the rest of European Russia. As a result our sales mix improved dramatically. The positive consumer response to our key brands, and strong price increases, pushed up the value of net sales per hectolitre in each succeeding quarter. This climbed to 32 euros in Q4 – a yearly average of 27 euros compared with 16 euros in 1999. Consequently, EBITDA per hectolitre grew in an important way. As consumers stopped drinking one of our value brands and switched to Tolstiak, we gained a higher margin from every hectolitre we brewed.

Capital investment of 85m euros in quality improvements and the construction of a second brewery for Klinskoye meant that EBIT grew more slowly than EBITDA. None the less, profitability was ahead of expectations. A sizable investment programme is planned for 2001, as we further build our brands in a market where the political and economic indicators improved in 2000, and the strong growth trend continued.



**ASIA** In Korea, a key feature was the rebounding of the economy, with improved GDP driving the local market up 11.4%. In China we faced more difficult conditions and our volumes fell by a third. Korea is our main market in the region, and there Interbrew volumes rose 45.3%, from 5.3m to 7.7m hectolitres, including 2.6m hectolitres from Cass, acquired at the end of 1999. The duty on beer was cut by 15% in January, while that on the local drink soju increased. This fuelled a rise in net turnover even bigger than our volume increase.

The integration of Cass was a major accomplishment, as we put the emphasis not on putting one company into another, but on building a new company from the two together. After initial unrest during the acquisition period in the fourth quarter of 1999, the brand took back all the ground it had lost, and gained positive momentum again. None the less our market share dipped, as the growth in Cass failed to match the drop in OB Lager. As well as putting an Interbrew task force onto the turnaround of that brand, we strengthened our country portfolio, launching OB Light and a premium beer Genus with a ginseng ingredient. We achieved a notably high EBITDA per hectolitre in Korea. The fact that we manage to produce good results in a market where our biggest brand still lags, shows the upside to come. Since per capita consumption is still low, we expect good opportunities in the long term.

Volumes beer sold in Asia





Portfolio of Brands – The World's Local Brewer

For Every Individual,  
his Own Brand

# The World's Local Brewer

“ Currently 79% of our volume is core lagers, 18% is premium beers, and 3% is specialties.”

## The Interbrew Way

The biggest asset we have is not on our balance sheet. It is our portfolio of brands. Our first aim is to have strong, healthy, important local brands as the core of our business. These give us the distribution channels to bring in, in an intelligent way, our international premiums. Core lager is the bread and butter. Get that right in a country, and you are half way towards brilliance. Local countries do not have to get it right on their own, they can call on Interbrew insights into core positions. The real fun then comes from the higher priced specialties and international premium lagers.

Currently 79% of our volume is core lagers, 18% is premium beers, and 3% is specialties. Interbrew has a menu of higher margin brands for each country to pick from – and we know these brands work. The portfolio we need in any country depends on the maturity of the market. The spectrum runs from limited opportunities for segmentation in early developed beer markets, through to major opportunities in mature markets. The way we work is to pace ourselves in deciding when to introduce brands in response to evolving consumer needs.







# The World's Local Brewer

## Growth of Stella Artois, our Global Brand

No top ten international lager brand in the world is growing faster. Stella Artois is now No. 7, with volumes up 14% globally, 17% outside Belgium in 2000.

Last year in France, consumers responded to the marketing and pricing steps taken to strengthen the brand's premium positioning, and volumes rose, producing half a point gain in share. We have prepared packaging changes for 2001, to build on that growth.

It is in the UK that Stella Artois is really showing its paces. The strong growth driven by Whitbread over recent years continued. Volumes were up another 17%, and Stella Artois consolidated its position as the fourth largest grocery brand by value in the UK. Meanwhile in Central Europe more consumers switched to Stella Artois as the brand they liked to afford. Volumes were up 25.7%, and reach now half a million hl. The brand improved its share of the international premium segment in all its four markets – Bulgaria, Croatia, Hungary and Romania.

Across the Atlantic, Stella Artois had its second full year in the United States and continued its growth in Canada. The way we target the high margin segment in those countries, projecting the richness, mystique and heritage of beer through Labatt USA and the Oland Specialty Beer Company in Canada, is perfectly suited to the noble qualities of the brand. A focused campaign in major cities produced excellent results, as the brand gained momentum. We have clearly put down the right foundations for the future. We also unlocked consumer enthusiasm for Stella Artois in more than 55 markets entered relatively recently. Volume growth in these new territories topped 14%. In a world that is seeking premium beers like never before, Stella Artois has the ideal characteristics – roots going back to 1366, a clean European taste, upscale packaging and premium positioning.

“No top ten international lager beer in the world is growing faster than Stella Artois.”





# The World's Local Brewer

## Performance of our International Specialties

With a world wide growth of 8.2% Leffe can claim to be our international speciality brand of the year. Western European markets were very positive for Leffe: +8% for Belgium and France and even +11% for The Netherlands. Leffe also moved into the emerging markets in a decisive way. We initiated a focused city launch in Croatia and Hungary, in what will be a slow-but-sure seeding of the brand, with selective distribution.

Hoegaarden is the brand of reference in the white beer segment, highly regarded for its quality, natural character, distinctiveness and craftsmanship. It is a strong leader in the white segment in Belgium, The Netherlands and France, and world wide volumes continued to grow.

## Report on our Million Hectolitre Local Brands

**THE BIG THREE** The larger the brand, the greater the challenge in managing its maturity. At the moment we have work to do on both Labatt Blue and OB Lager. In 2000 we prepared what we hope will be the good news of the future. Our next largest brand, Jupiler in Belgium, continued its star performance, with increased volumes resulting in an off-trade share of 48%. For every two crates of core lager going out, one of them was Jupiler. The brand has been growing since 1975 with hardly a break, and is now a core lager par excellence, the beer of preference in all target groups.

**DECLINE REVERSED** Both Rolling Rock and Cass grew again in 2000 after a period of decline. Rolling Rock had to be revitalised in 1998, and in 1999 it became the fastest growing major US domestic specialty brand, with volumes up 3%. In 2000 that recovery continued, and it grew further to reach 1.3m hectolitres. The Cass story has a shorter time span. The brand suffered badly from the industrial unrest at the end of 1999 before we acquired the business. In 2000 Cass exceeded 2.5m hectolitres, recovered all that lost ground, and the brand again has positive momentum.



**TOP PERFORMERS IN CENTRAL EUROPE** Our policy is to build on local affinity in buying brands and breweries. In Hungary our local brand is Borsodi Sör, acquired in 1994, when it was no more than a regional beer. It is now a 1.7 million-hectolitre brand, the market leader, with a 25% share, and a consistent record of growth. In Croatia we have a 1.4 million-hectolitre market leader – Ozujsko. The brand had another record year, growing share from 33% to 37%.

In Bulgaria our local star is Kamenitza. It had an 8% share when we acquired it in 1996, and we all but tripled this by 1999. In 2000 when the economy faltered and the market swung decisively towards cheap price brands, Kamenitza didn't grow, but it held its own. Elsewhere in Central Europe, Bergenbier maintained its growth in Romania, while Niksicko in Montenegro was held back in a market disrupted by political unrest. Finally, we acquired another million-hectolitre brand, Staropramen in the Czech Republic, as part of the deal with Bass.

**TRANSFORMATION IN EASTERN EUROPE** This is a brands story par excellence. In Russia we focused on three core brands – ensuring their consistent international quality, concentrating our marketing spend and regional efforts, and moving the beers from the value segment to the core segment with aggressive price increases. We gave consumers a reason to pay more, and they responded extremely positively. Capacity constraints will delay the relaunch of Klinskoye in the Moscow region until April 2001, but none the less it grew volumes last year by 14% on pricing up 49%, and moved alongside the leader in the Moscow market. Pricing on Sibirskaya Korona, our brand east of the Urals, was up 40%, and volumes rose by 64%. Tolstiak was an even more outstanding success. It was relaunched in June, slightly late in the season, with pricing up 79%, yet grew sales by 70% and was named Brand of the Year in Russia's consumer awards.

Through the repositioning of these brands we switched to a more profitable business model, and helped increase the value of each hectolitre sold by 69%. Meanwhile, we began a similar process in Ukraine, moving Chernigivskoye out of the value segment into the core segment and growing sales by 4%.





# The World's Local Brewer

## Reinforcing the Cultural Roots of our Brands

For a brewer as committed to local brands as we are, authenticity is at the heart of what we do. Richness of heritage is particularly relevant to mature markets, characterised by wide consumer choice. In North America we capitalised on the distinctiveness of three of our premium beers. We opened the Alexander Keith's brewery in Halifax as a tourist attraction, held the first Kokanee summit in the Columbia valley, and ran a Rolling Rock fair and music festival in its home town, Latrobe.

To promulgate the beer culture in the United States, we set up the first US Beer Institute, in Manchester New Hampshire, on the model of our three institutes in Canada – in Toronto, Montreal and Vancouver. The first beer institute was set up in 1998, the same year we created the concept of the Belgian Beer Café, with independent operators, which allows consumers in other countries to absorb the culture of our Belgian beers. There are now 26 Belgian Beer Cafés in 13 countries, showcasing our brands and beer rituals. For example, Leffe was first introduced to Croatian and Hungarian consumers through these cafés, before last year's limited launch. Over two years the Belgian Beer Cafés have established their success as a real destination site. They are one of our key on premise accounts in every market, and succesful entrepreneurs are now planning their second or third location.

## Portfolio Fundamentals

As an international brewer we have a strong advantage when we buy a local brand and reposition it. Our wide experience allows us to short-circuit much of the thinking and development. Not only can we effect a change more rapidly but, having seen success elsewhere, we can go in with confidence, and build more aggressive plans.

Beer companies in the main approach markets with one or two key brands. Interbrew is different, in that we focus on building a total portfolio. We map market segments country by country to plan the ideal representation, while avoiding a proliferation of too many brands needing support. We now have the number one or number two portfolio in 16 countries. This approach seems to us to be the right one to take, the best place to be, the way of the future. We can demonstrate very strong results behind getting there first.

“There are now 26 Belgian Beer Cafés in 13 countries, showcasing our brands and beer rituals.”







Portfolio of Expertise – The World's Local Brewer

For Every Employee,  
the Best Model

# The World's Local Brewer

## The Interbrew Way

The portfolio of expertise matters, because we set ourselves a target of strong organic growth every year. As an active consolidator, particularly in emerging markets, our task is to improve what we buy. Initially there is an important period of investment in assets and people, as we integrate the acquisitions, and our engineers help raise the quality and productivity of the plant. Once quality is consistent, we can add our marketing and sales skills and build on what is good about the brand. It is this combination of the local skills that are already there, plus our input on brewing, organisation and marketing, that brings increased profitability.

So it was in 2000. We are proud to report our organic growth. We achieved organic growth in EBITDA of 10.0% overall, as a result of a 13.0% increase in Western Europe, 9.8% in North America, and 20.4% in emerging markets. In this final section of our commercial review, we look at some of the detail of how this was achieved. We make our external growth in a few large steps, but achieve our organic growth through thousands of small steps. Here we report on some of the themes behind the actions by our people that made a difference.

Below: Labatt Technology Development Center in London - Ontario, Canada.  
Right: Crates line at Jupille Brewery in Liège, Belgium.



## The Interbrew Approach to Operational Excellence

Our philosophy is to be a low cost producer, because it feeds three important requirements. It gives us the ability to sustain profit growth, particularly in mature markets. It is the lifeblood for the investment in brands and distribution growth we need long term. In addition, it allows us to offer a good price to the consumer. It helps that we have 59 breweries. This is a large pool of plants where knowledge is being created, and brewing intelligence developed.

**BEST PRACTICE** All brewers exploit their scale in terms of volumes. We see a similar need to exploit our scale in terms of knowledge. Accordingly "best practice" was the theme of the first Interbrew World Management Convention for the top 200 in August. The year also saw a major effort on process optimisation in our plants to reduce cycle times without compromising quality, thereby lessening capacity constraints and deferring more substantial capital expenditure.

Other initiatives capitalised on pilot projects and recent advances. On the procurement front, breweries in Central Europe focused on more cost effective buying, and will extend the approach to other materials in 2001. On maintenance, we started rolling out the learnings from Jupille/Liège (Belgium) to get operating improvements in line efficiencies. On rationalising stock keeping units, we began implementing the changes pioneered at Breda, where we achieved an 8% improvement in line efficiencies over two months.

“We set ourselves a target of strong organic growth every year.”





# The World's Local Brewer



## How we go to Market

Best practice is a theme in the development of our marketeers across the world. A benchmark database on brand health is being built, to ensure that we are doing the right things in each market. Marketing people are now exposed to the School of Fine Brewing, as well as workshops on key aspects of their responsibilities, to make sure we all share Interbrew's insights on challenges like "how should leading brands behave". Last year we established networks of marketeers to define and circulate best practice – on brand positioning, portfolio optimisation, and consumer understanding. We capture our insights, then package them, then train them, to raise the marketing IQ of the company.

In Western Europe, the "Go to market" project had similar goals. People met quarterly, by function, to share experience on what works and what doesn't. These sessions ran alongside a customer service campaign in the zone, exploring the value that can be added to services. Further initiatives will be triggered through, among others, a venture capital scheme set up to support partners offering innovative extras to Interbrew's customers. Another zone initiative was a win-win project in Central Europe, set up to share best practice between commercial directors in each country.

## Improving our Technical Focus

In 1999 we created a unified management structure for most aspects of our business. In 2000 that process was completed as we reorganised the technical function under a single head. Technical directors were appointed for Central Europe and Eastern Europe, following the pattern in mature market zones. All technical directors met together to agree global frameworks for some of the key issues we face, such as maintenance and succession planning. The role of the corporate centre was redefined, and as a result responsibility for some technical functions moved into the zone, to ensure that the work is more closely aligned to the immediate needs of the business.



## Developing our People Resources

The year saw a surge in recruitment to augment our management strength. To pull all our employees together around the principles that define Interbrew, we agreed minimum standards for the company on four key issues – on respect for local legislation and the industrial relations environment in each country; on linking performance to reward systems; on learning and development as the right and duty of each employee; and on making career and job opportunities widely available. The principles behind the standards are sacrosanct, but implementation will be locally determined.

One of the significant benefits of the IPO was that it offered a new kind of involvement to employees. They could participate in the success of the company through the Employee Share Purchase Plan. We built in generous incentives, but these were based on shared risk, not handouts. Free shares were offered to employees who first bought shares on their own account – effectively a 33% discount for the first 30 shares, and a 20% discount for every lot of five additional shares. The scheme is an effective tool to align people to the business. We now have more than 9,200 employee shareholders, and a new strand in our culture. It is a different motivation to work for a company you co-own.

The company introduced a Long Term Incentive Plan in 1999. This plan pursues two objectives. First of all, it pursues a better alignment between the interests of the shareholders and senior managers of the company. As a result, it increases the involvement of the latter in the long term strategy of the company. Secondly, in view of the application of a certain time lapse, the Plan aims at increasing senior management's loyalty to the company.

## Looking Ahead

We have grown very rapidly, and are now in the process of building a transnational company. That doesn't happen overnight. It is still early days, and we have a lot of knitting to do. There is a need for new vehicles to integrate our efforts, and a greater sense of urgency in delivering the results. The primary focus of the technical team will be skill transfer to emerging markets over the next two or three years. The profit potential of pushing up the efficiencies of emerging market breweries to the mature-market average is enormous.

Operationally, we have room to improve, after the coming together of the two parts of the company in 1999. Inevitably in 2000 our agenda was mainly driven by transactional issues and the IPO. We are now a global company, but the internal chemistry has to catch up with the external reality. We have good people around the world and need to make the most of them. We see what we need to do. And we think we know how to get there.



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