ANHEUSER-BUSCH COMPANIES, INC.
Form 10-Q
October 28, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

/X/ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2005.

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 1-7823

ANHEUSER-BUSCH COMPANIES, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	43-1162835
(State of Incorporation)	(I.R.S. Employer Identification No.)

One Busch Place, St. Louis, Missouri 63118

(Address of principal executive offices) (Zip Code)

(314) 577-2000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days.

Yes /X/ No / /

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes /X/ No / /

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes / / No /X/

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

$1 Par Value Common Stock - 776,334,810 shares as of September 30, 2005.

Anheuser-Busch Companies, Inc. and Subsidiaries
Consolidated Balance Sheet (Unaudited)

(In millions, except per share)	September 30, 2005	December 31, 2004
Assets		
Current Assets:		
Cash	$ 191.9	$ 228.1
Accounts receivable	814.0	696.1
Inventories:		
Raw materials and supplies	394.0	405.0
Work in progress	92.4	80.0
Finished goods	205.3	205.3
Total inventories	691.7	690.3
Other current assets	206.8	203.9
Total current assets	1,904.4	1,818.4
Investments in affiliated companies	3,245.3	3,150.2
Plant and equipment, net	9,004.9	8,847.4
Intangible assets, including goodwill of $1,032.7 and $984.1	1,237.6	1,191.9
Other assets	1,050.9	1,165.5
Total assets	$ 16,443.1	$ 16,173.4
Liabilities and Shareholders Equity		
Current Liabilities:		
Accounts payable	$ 1,202.5	$ 1,194.8
Accrued salaries, wages and benefits	243.0	291.4
Accrued taxes	222.7	152.9
Accrued interest	113.8	125.2
Other current liabilities	219.9	204.7
Total current liabilities	2,001.9	1,969.0
Postretirement benefits	443.7	454.2
Debt	8,007.8	8,278.6
Deferred income taxes	1,641.6	1,727.2
Other long-term liabilities	1,069.3	1,076.3
Shareholders Equity:		
Common stock, $1.00 par, authorized 1.6 billion shares	1,467.2	1,463.0
Capital in excess of par value	1,560.8	1,425.3
Retained earnings	16,454.1	15,407.2

Treasury stock, at cost	(15,258.9)	(14,638.5)
Accumulated non-owner changes in equity	(944.4)	(988.9)
Total Shareholders Equity	3,278.8	2,668.1
Commitments and contingencies	-	-
Total Liabilities and Shareholders Equity	$ 16,443.1	$ 16,173.4

See the accompanying footnotes on pages 5 - 11.

Anheuser-Busch Companies, Inc. and Subsidiaries
Consolidated Income Statement (Unaudited)

(In millions, except per share)	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Gross sales	$ 4,689.4	$ 4,679.6	$13,371.8	$13,279.8
Excise taxes	(600.9)	(599.5)	(1,701.5)	(1,712.7)
Net sales	4,088.5	4,080.1	11,670.3	11,567.1
Cost of sales	(2,513.8)	(2,361.3)	(7,217.0)	(6,765.8)
Gross profit	1,574.7	1,718.8	4,453.3	4,801.3
Marketing, distribution and administrative expenses	(708.4)	(672.5)	(2,009.6)	(1,909.1)
Litigation settlement	(105.0)	-	(105.0)	-
Operating income	761.3	1,046.3	2,338.7	2,892.2
Interest expense	(112.5)	(107.2)	(343.2)	(314.8)
Interest capitalized	4.1	4.7	14.8	15.7
Interest income	0.2	1.9	2.4	3.4
Other income/(expense), net	(9.8)	2.5	10.9	32.5
Income before income taxes	643.3	948.2	2,023.6	2,629.0
Provision for income taxes	(272.2)	(367.7)	(775.8)	(1,020.3)
Equity income, net of tax	147.1	103.9	390.2	299.1
Net income	$ 518.2	$ 684.4	$ 1,638.0	$ 1,907.8
Basic earnings per share	$.67	$.86	$2.11	$2.38
Diluted earnings per share	$.66	$.85	$2.09	$2.35

See the accompanying footnotes on pages 5 -- 11.

Anheuser-Busch Companies, Inc. and Subsidiaries
Consolidated Statement of Cash Flows (Unaudited)

(In millions)	Nine Months Ended September 30, 2005	2004
Cash flow from operating activities:		
Net Income	$ 1,638.0	$ 1,907.8
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	732.3	692.0
(Decrease) / Increase in deferred income taxes	(55.6)	134.9
Undistributed earnings of affiliated companies	(180.2)	(120.1)
Gain on sale of business	(15.4)	-
Other, net	147.5	(17.9)
Operating cash flow before changes in working capital	2,266.6	2,596.7
Increase in working capital	(98.4)	(205.3)
Cash provided by operating activities	2,168.2	2,391.4
Cash flow from investing activities:		
Capital expenditures	(823.1)	(726.5)
Proceeds from sale of business	48.3	-
Acquisitions	-	(726.0)
Cash used for investing activities	(774.8)	(1,452.5)
Cash flow from financing activities:		
Increase in debt	-	1,435.1
Decrease in debt	(320.2)	(508.4)
Dividends paid to shareholders	(591.1)	(549.9)
Acquisition of treasury stock	(620.4)	(1,410.3)
Shares issued under stock plans	102.1	99.5
Cash used for financing activities	(1,429.6)	(934.0)
Net (decrease) / increase in cash during the period	(36.2)	4.9
Cash, beginning of period	228.1	191.1
Cash, end of period	$ 191.9	$ 196.0

See the accompanying footnotes on pages 5 -- 11.

ANHEUSER-BUSCH COMPANIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Unaudited Financial Statements

The unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles and applicable SEC guidelines pertaining to quarterly financial reporting, and include all adjustments necessary for a fair presentation. These statements should be read in combination with the consolidated financial statements and notes included in the company's annual report on Form 10-K for the year ended December 31, 2004.

2. Business Segments Information

Comparative business segment information for the third quarter and nine months ended September 30 is presented below (in millions):

THIRD QUARTER	Domestic Beer	International Beer	Packaging	Entertain.	Corporat & Elims
2005					
Gross Sales	$3,475.2	318.9	616.1	408.4	(129.2
Net Sales:					
- Intersegment	$0.7	-	238.6	-	(239.3
- External	$2,940.2	252.3	377.5	408.4	110.1
Income Before Income Taxes	$738.8	22.3	40.3	143.5	(301.6
Equity Income	-	$147.1	-	-	-
Net Income	$458.0	161.0	24.9	89.0	(214.7
2004					
Gross Sales	$3,566.0	284.6	611.6	360.6	(143.2
Net Sales:					
- Intersegment	$0.7	-	240.1	-	(240.8
- External	$3,022.4	228.0	371.5	360.6	97.6
Income Before Income Taxes	$933.3	36.5	48.9	112.9	(183.4
Equity Income	-	$103.9	-	-	-
Net Income	$578.7	126.5	30.3	70.0	(121.1

NINE MONTHS	Domestic Beer	International Beer	Packaging	Entertain.	Corpora & Elim

2005					
Gross Sales	$10,121.0	864.0	1,831.5	904.4	(349.
Net Sales:					
- Intersegment	$2.1	-	674.7	-	(676.
- External	$8,587.3	694.1	1,156.8	904.4	327.
Income Before Income Taxes	$2,293.4	70.1	120.4	215.1	(675.
Equity Income	-	$390.2	-	-	
Net Income	$1,421.9	433.7	74.6	133.4	(425.

2004					
Gross Sales	$10,387.1	715.2	1,758.8	827.2	(408.
Net Sales:					
- Intersegment	$2.1	-	688.1	-	(690.
- External	$8,813.2	574.3	1,070.7	827.2	281.
Income Before Income Taxes	$2,747.5	90.5	138.2	183.7	(530.
Equity Income	-	$299.1	-	-	
Net Income	$1,703.5	355.2	85.7	113.9	(350.

Effective in the first quarter 2005, the company's transportation business is included within the domestic beer segment and its real estate business is reported as a corporate item. These businesses previously comprised the "other" segment. Segment results for 2004 have been updated to conform to the 2005 reporting convention. The change in composition is not material for any period presented.

3. Earnings Per Share

Earnings per share are calculated by dividing net income by weighted-average common shares outstanding for the period. The difference between basic and diluted weighted-average common shares is the dilutive impact of unexercised in-the-money stock options. There were no adjustments to net income for any period shown for purposes of calculating earnings per share. Weighted-average common shares outstanding for the third quarter and nine months ended September 30 are shown in the following table (millions of shares):

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	Third Quarter		Nine Months	
	2005	2004	2005	200
Basic weighted average shares outstanding	776.5	797.4	777.6	802.
Diluted weighted average				

shares outstanding	780.8	806.6	783.2	812.

4. Non-Owner Changes in Shareholders Equity

The components of accumulated non-owner changes in shareholders equity, net of applicable income taxes, as of September 30, 2005 and December 31, 2004 follow (in millions):

	Sept. 30, 2005	Dec 2
Foreign currency translation loss	$(437.5)	$(5
Deferred hedging gains and (losses)	10.1	
Deferred securities valuation gains	-	
Minimum pension liability	(517.0)	(5
Accumulated non-owner changes in shareholders equity	$(944.4)	$(9

Net income plus non-owner changes in shareholders equity, net of applicable income taxes, for the third quarter and nine months ended September 30 follows (in millions):

	Third Quarter		Nine Months	
	2005	2004	2005	2
Net income	$518.2	$684.4	$1,638.0	$1,
Non-owner changes in equity:				
Foreign currency translation gains and (losses)	55.6	13.3	129.0	
Net change in deferred hedging gains and (losses)	8.2	(9.2)	11.4	
Deferred securities valuation gains and (losses)	0.4	21.5	(95.9)	
Combined net income and non-owner changes in equity	$582.4	$710.0	$1,682.5	$1,

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5. Goodwill

Following is goodwill by business segment, as of September 30, 2005 and December 31, 2004 (in millions). For balance sheet classification, goodwill related to consolidated companies is included in other assets, while goodwill related to equity investments is included in investment in affiliated companies. The change in international beer segment goodwill during 2005 is due to post-acquisition balance sheet adjustments related to Harbin and fluctuations in foreign currency exchange rates.

	Sept. 30, 2005	Dec. 31, 2004
Domestic Beer	$21.2	$21.2
International Beer	1,249.4	1,177.8
Packaging	21.9	21.9
Entertainment	288.3	288.3
Total goodwill	$1,580.8	$1,509.2

6. Derivatives

All of Anheuser-Busch's derivatives qualify as hedges in accordance with FAS 133, "Accounting for Derivatives and Other Hedging Instruments." The company therefore defers in accumulated non-owner changes in shareholders equity the portion of hedging gains and losses that equal the change in cost of the underlying transactions. As the underlying hedged transactions occur, these deferred hedging gains and losses are reclassified into earnings to match the cost of the hedged transaction. The company reclassified the following pretax gains and losses from accumulated non-owner changes in equity into earnings during the third quarter and nine months (in millions). These gains and losses effectively offset changes in underlying prices of hedged commodity purchases by the company.

	2005		2004	
	Gains	Losses	Gains	Losses
Third Quarter	$6.6	$1.1	$14.6	$2.1
Nine Months	$9.0	$6.4	$50.8	$2.9

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The company immediately recognizes in earnings any portion of derivative gains or losses that are not 100% effective at offsetting price changes in the underlying transactions. Anheuser-Busch recognized net pretax gains due to this hedge ineffectiveness of $0.1 million for the third quarter and net ineffective pretax losses of $0.3 million for the nine months of 2005, compared to a net gain of $2.4 million and $26 million for third quarter and nine months of 2004, respectively. The gain for the nine months of 2004 includes $19.5 million related to the sale of commodity hedges.

7. Stock Based Compensation

The company currently accounts for employee stock options in accordance with FAS 123, "Accounting for Stock-Based Compensation." Under FAS 123, the company recognizes no compensation expense related to stock options and instead provides pro forma disclosures of net income and earnings per share as if compensation expense had been recognized based on the fair value of the stock options on the grant date.

In the first quarter 2005, for pro forma reporting purposes Anheuser-Busch began assuming that 100% of the expense associated with non-forfeitable stock options is recognized at the grant date. The company previously assumed all stock option expense was amortized over the three-year vesting period. Following is the pro forma impact on net income and earnings per share for the third quarter and nine months ended September 30 (in millions, except per share). The company expects full year 2005 pro forma stock option expense of approximately $.12 per share.

	Third Quarter		Nine
	2005	2004	2005
Reported Net Income	$518.2	$684.4	$1,638.0
Pro Forma Impact of Expensing Stock Options	(13.4)	(29.1)	(39.1)
Pro Forma Net Income	$504.8	$655.3	$1,598.9
Reported Basic Earnings Per Share	$.67	$.86	$2.11
Pro Forma Impact of Expensing Stock Options	(.02)	(.04)	(.05)
Pro Forma Basic Earnings Per Share	$.65	$.82	$2.06
Reported Diluted Earnings Per Share	$.66	$.85	$2.09
Pro Forma Impact of Expensing Stock Options	(.02)	(.04)	(.05)
Pro Forma Diluted Earnings Per Share	$.64	$.81	$2.04

In December 2004, the FASB issued revised and renamed guidance on stock option accounting, FAS 123R, "Share-Based Payment." FAS 123R requires compensation expense related to stock options to be recognized in the income statement, based on the fair value of options at the date of grant. Anheuser-Busch currently plans to adopt FAS 123R in the first quarter 2006.

8. Pension and Postretirement Health Care Expense

The components of total pension expense for the third quarter and nine months ended September 30 are shown below (in millions):

	Third Quarter	
	2005	2004
Service cost (benefits earned during the period)	$ 22.4	$ 22.5
Interest cost on benefit obligation	42.0	40.2
Assumed return on plan assets	(48.3)	(47.2)
Amortization of prior service cost and net actuarial losses	22.3	14.7
Expense for defined benefit plans	38.4	30.2
Cash contributed to multi-employer pension plans	4.1	4.1
Cash contributed to defined contribution pension plans	5.7	4.7
Total pension expense	$ 48.2	$ 39.0

The components of total postretirement health care expense for the third quarter and nine months ended September 30 are shown below (in millions):

	Third Quarter		
	2005	2004	20
Service cost (benefits earned during the period)	$ 6.4	$ 5.6	$1
Interest cost on benefit obligation	9.9	8.7	2
Amortization of prior service cost and net actuarial losses and (gains)	0.6	(2.7)	
Total postretirement healthcare expense	$16.9	$11.6	$5

9. Tsingtao Bond Conversion

In April 2005, the company converted its two remaining Tsingtao convertible bonds into Series H common shares, thereby increasing Anheuser-Busch's economic ownership in Tsingtao from 9.9% to 27%, and its voting stake from 9.9% to 20%. Local government authorities hold the proxy voting rights for the 7% difference between the company's voting and economic stakes. The increased economic stake allows the company to nominate an additional director, giving the company two of 11 board seats. Because of the additional share ownership and board representation, Anheuser-Busch believes it can exercise significant influence over Tsingtao and therefore began applying the equity method of accounting for Tsingtao in May 2005, on a one-month lag.

10. Contingencies

In the third quarter 2005, Anheuser-Busch and its outside insurance companies settled all claims associated with previously disclosed lawsuits filed by Maris Distributing Company. As a result of the settlement, the company paid $120 million and incurred a $105 million pretax charge ($.12 per share), which is reported as a separate line item on a pretax basis in the income statement.

The company and certain of its subsidiaries are involved in other claims and legal proceedings in which monetary damages and other relief is sought. The company is vigorously contesting these claims; however resolution is not expected to occur quickly, and their ultimate outcome cannot presently be predicted. It is the opinion of management that the ultimate resolution of these claims, legal proceedings and other contingencies, either individually or in the aggregate, will not materially affect the company's financial position, results of operations or liquidity.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition and liquidity and cash flows of Anheuser-Busch Companies, Inc. for the third quarter and nine months ended September 30, 2005, compared to the third quarter and nine months ended September 30, 2004, and the year ended December 31, 2004. This discussion should be read in conjunction with the consolidated financial statements and notes included in the company's annual report to shareholders for the year ended December 31, 2004.

This discussion contains forward-looking statements regarding the company's expectations concerning its future operations, earnings and prospects. On the date the forward-looking statements are made, the statements represent the company's expectations, but the company's expectations concerning its future operations, earnings and prospects may change. The company's expectations involve risks and uncertainties (both favorable and unfavorable) and are based on many assumptions that the company believes to be reasonable, but such assumptions may ultimately prove to be inaccurate or incomplete, in whole or in part. Accordingly, there can be no assurances that the company's expectations and the forward-looking statements will be correct. Important factors that could cause actual results to differ (favorably or unfavorably) from the expectations stated in this discussion include, among others, changes in the pricing environment for the company's products; changes in U.S. demand for malt beverage products, including changes in U.S. demand for other alcohol beverages; changes in consumer preference for the company's malt beverage products;

changes in the cost of marketing the company's malt beverage products; regulatory or legislative changes, including changes in beer excise taxes at either the federal or state level and changes in income taxes; changes in the litigation to which the company is a party; changes in raw materials prices; changes in packaging materials costs; changes in energy costs; changes in interest rates; changes in foreign currency exchange rates; unusual weather conditions that could impact beer consumption in the U.S.; changes in attendance and consumer spending patterns for the company's theme park operations; changes in demand for aluminum beverage containers; changes in the company's international beer business or in the beer business of the company's international equity partners; changes in the economies of the countries in which the company's international beer business or its international equity partners operate; changes in the company's credit

rating resulting from future acquisitions or divestitures; and the effect of stock market conditions on the company's share repurchase program. Anheuser-Busch disclaims any obligation to update or revise any of these forward-looking statements.

RESULTS OF OPERATIONS

Consolidated net sales increased 0.2% in the third quarter and 0.9% for the nine months of 2005, while reported diluted earnings per share declined 22.4% and 11.1%, respectively, for the same periods. Reported earnings per share include one-time items in both the third quarter and nine months of 2005 and year-to-date 2004 that make direct comparisons difficult. The one-time items in 2005 are a litigation settlement involving a domestic beer wholesaler, settlement of tax matters in Chile related to the sale of the company's investment in Compania Cervecerias Unidas S.A. (CCU), income tax reform legislation in Ohio and a gain on the sale of an interest in a theme park in Spain. The 2004 item is a one-time gain related to the sale of commodity hedges. Excluding these one-time items to make 2005 and 2004 results comparable, earnings per share for the third quarter and nine months of 2005 decreased 8.2% and 6.9%, respectively (see complete discussion on pages 18 through 21).

The company is disappointed in its sales and earnings results, but is encouraged by improvement in its market share performance at the consumer level. Both the company and the domestic beer industry have experienced volume declines and significant cost pressures. Anheuser-Busch has undertaken a number of initiatives in 2005 to enhance beer volume and market share growth, and in the third quarter the company's market share increased in supermarkets, according to IRI data. Although the company is confident it will restore its sales and earnings growth momentum in the future, Anheuser-Busch now expects 2005 earnings per share excluding one-time items to be 10% to 11% below 2004 results, as shown below.

	Earnings Per Share		
	2005	2004	D

Projected / Reported	$2.34 - $2.37	$ 2.77	
Gain on Sale of Spanish Theme Park	(.024)	--	
Chile Income Tax Settlement on CCU Sale	(.009)	--	
Deferred Income Tax Benefit from Ohio Tax Legislation	(.009)	--	
One-time Litigation Settlement	.118	--	
Commodity Hedge Gain	--	(.015)	
Gain on Sale of CCU	--	(.018)	
Deferred Income Tax Benefit From Mexican Income Tax Rate Reduction	--	(.012)	
Excluding One-Time Items	$2.42 - $2.45	$ 2.73	(10)

BEER SALES RESULTS

The company's beer volume for the third quarter and nine months is summarized in the following table:

Reported Beer Volume (millions of barrels) for Periods Ended September 30

	Third Quarter			Nine Mont	
		Versus 2004			Ver
	2005	Barrels	%	2005	Barrels
Domestic	27.2	Dn (0.4)	Dn (1.4)%	78.0	Dn (2.1)
International	6.2	Up 1.3	Up 26.0%	15.4	Up 6.4
Worldwide A-B Brands	33.4	Up 0.9	Up 2.8%	93.4	Up 4.3
Int'l Equity Partner Brands	8.6	Up 3.4	Up 66.0%	19.7	Up 5.0
Total Brands	42.0	Up 4.3	Up 11.5%	113.1	Up 9.3

During the third quarter of 2005, domestic beer sales-to-wholesalers decreased 1.4% compared with the third quarter 2004, while wholesaler sales-to-retailers declined 1.0%. Sales in late August and early September were negatively impacted by Hurricane Katrina, with sharp declines in the hurricane affected areas. Sales trends quickly recovered in Mississippi, Alabama and Louisiana with the exception of the New Orleans market. Third quarter sales-to-retailers comparisons with 2004 were also adversely impacted by differences in timing of price increases. Third quarter 2004 sales-to-retailers include the sales build up in advance of the company's fourth quarter 2004 price increase. No comparable build-up occurred in the third quarter 2005 due to the company's decision to defer price increases throughout most of the country until early 2006. Sales-to-retailers for the period including the third quarter plus the first two weeks in October were down 0.4%, which eliminates the distortion from the normal inventory build and depletion surrounding the price increase in 2004. During the nine months of 2005, domestic beer sales-to-wholesalers declined 2.6%, and wholesaler sales-to-retailers decreased 0.6% (on a comparable selling day adjusted basis). Wholesaler inventories were reduced significantly in the first nine months of 2005, from approximately two and one half days higher than the prior year at the end of 2004 to approximately one day lower than the prior year at the end of the third quarter.

The company's estimated domestic market share (excluding exports) for the nine months of 2005 was 49%, compared to 2004 market share of 50%. Domestic market share is based on estimated U.S. beer industry shipment volume using information provided by the Beer Institute and the U.S. Department of Commerce. Anheuser-Busch's market share performance based on shipments was impacted by the company's wholesaler inventory reduction.

International volume, consisting of Anheuser-Busch brands produced overseas by company-owned breweries and under license and contract brewing agreements, plus exports from the company's U.S. breweries to markets around the world, increased 26% for the third quarter and 70% for the nine months of 2005. These increases are primarily due to the impact of the Harbin acquisition in the third quarter 2004, increased volume in Canada, the United Kingdom and Mexico for both the third quarter and nine months, and higher Budweiser sales volume in China for the third quarter. International volume excluding the Harbin acquisition increased 7.5% in the third quarter and was up 3.4% through the nine months.

Worldwide Anheuser-Busch brands volume, comprised of domestic volume and international volume, increased 2.8% and 4.8%, respectively, for the third quarter and nine months of 2005 to 33.4 million and 93.4 million barrels versus 2004.

Total brands volume, which combines worldwide Anheuser-Busch brand volume with international equity partner volume (representing the company's share of its foreign equity partners' volume on a one-month lag) was 42 million barrels in the third quarter 2005, up 4.3 million barrels, or 11.5% over third quarter 2004. Total brands volume was up 8.9%, to 113.1 million barrels for the nine months of 2005.

International equity partner brands volume grew 66% and 34%, respectively, for the third quarter and nine months of 2005 due to Modelo volume growth and the addition of

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Tsingtao equity volume beginning in May 2005, partially offset by the loss of volume from the sale of the company's equity investment in CCU in the fourth quarter 2004.

As previously stated, the domestic beer company is planning a price increase for early 2006. Discount reductions will likely comprise a larger portion of revenue enhancement initiatives in 2006 compared with recent years. As always, revenue enhancement initiatives will be tailored to specific markets, brands and packages.

THIRD QUARTER AND NINE MONTHS OF 2005 FINANCIAL RESULTS

Key operating results for the third quarter and nine months of 2005 are summarized below:

In millions, except per share	Third Quarter			
		Vs. 2004		
	2005	$	%	2005
Gross Sales	$4,689	Up $9	Up 0.2%	$13,372
Net Sales	$4,089	Up $9	Up 0.2%	$11,670
Income Before Income Taxes	$643	Dn $(305)	Dn (32.2)%	$2,024
Equity Income, Net of Tax	$147	Up $43	Up 41.6%	$390
Net Income	$518	Dn $(166)	Dn (24.3)%	$1,638
Diluted Earnings per Share	$.66	Dn $(.19)	Dn (22.4)%	$2.09

Anheuser-Busch reported gross sales of $4.7 billion and $13.4 billion, and net sales of $4.1 billion and $11.7 billion, respectively, in the third quarter and nine months of 2005. These amounts represent gross sales increases of 0.2% and 0.7% for the third quarter and the nine months of 2005. Net sales increased over 2004 by 0.2% and 0.9%, respectively, for the same periods. The differences between gross and net sales reflect beer excise taxes of $600 million and $1.7 billion for the third quarter and nine months, respectively.

The increases in net sales for the third quarter and nine months of 2005 were due to sales increases for international beer, packaging and entertainment operations partially offset by declines in domestic beer revenues. International beer net sales increased 11% and 21%, respectively, primarily due to the Harbin acquisition, increased volume in Canada, the United Kingdom and Mexico in both periods, and higher Budweiser sales volume in China for the third quarter. Commodity-based packaging operations net sales increased 2% in the third quarter and 8% for the nine months due to higher can and recycling revenues attributable to higher aluminum prices. Entertainment segment sales

increased 13% for the third quarter and 9% year-to-date due to higher attendance, admissions pricing and in-park spending for both periods. For both the third quarter and nine months, domestic beer segment net sales decreased almost 3%, due to lower beer volume and reduced revenue per barrel in the third quarter, and lower beer sales volume partially offset by higher revenue per barrel year-to-date. Domestic beer revenue per barrel declined 1.2% and grew 0.2% for the third quarter and nine months of 2005, respectively. Domestic revenue per barrel is calculated as net sales generated by the company's domestic beer operations on barrels of beer sold, determined on a U.S. GAAP basis, divided by the volume of beer shipped from the company's breweries to independent U.S. wholesalers. Net sales for the nine months also include higher sales for the company's real estate subsidiary.

Cost of sales was $2.5 billion and $7.2 billion, respectively, for the third quarter and nine months of 2005, reflecting increases of $153 million, or 6.5%, and $451 million, or 6.7%, respectively, compared to 2004. The increases in cost of sales are attributable to higher costs for all of the company's major business segments, including higher aluminum and other packaging materials expense and increased energy costs for domestic beer; incremental production costs for international beer associated with the timing of the Harbin acquisition; increased energy costs, aluminum costs and higher manufacturing costs for the commodity-based packaging segment; and higher park operating expenses in entertainment operations. Gross profit as a percentage of net sales decreased 330 basis points in the nine months of 2005, to 38.2%, while third quarter 2005 gross margin was 38.5%, a decline of 360 basis points versus 2004. These decreases are primarily due to the decline in domestic beer volume combined with increases in domestic beer production costs per barrel significantly exceeding revenue per barrel.

Marketing, distribution and administrative expenses for the third quarter 2005 were $708 million, an increase of $36 million, or 5.3% compared with third quarter 2004. For the nine months of 2005, these expenses were $2.0 billion, an increase of $101 million, also up 5.3% versus prior year. For both the third quarter and year-to-date, the increases are the result of higher domestic beer marketing and selling costs, primarily for the Bud Family, including the national introduction of Budweiser Select and in support of the company's beer volume and market share growth initiatives; increased international beer marketing and distribution costs and higher beer distribution costs for

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company-owned U.S. beer wholesalers, partially offset by reduced on-going general and administrative expenses.

Third quarter 2005 also includes the one-time $105 million pretax litigation settlement ($.12 per share) discussed in Note 10. This expense is reported as a separate line item in the consolidated income statement and classified as a corporate item for segment reporting.

Operating income decreased $285 million, or 27% in the third quarter 2005 and declined $554 million, or 19% for the nine months versus comparable 2004 periods. Operating margins for the third quarter and nine months of 2005 were 18.6% and 20.0%, respectively, decreases of 700 and 500 basis points, due primarily to reduced domestic beer sales volume and higher costs, including the one-time litigation settlement. Excluding the litigation settlement, operating margins declined 440 basis points and 410 basis points, respectively, for the third quarter and nine months of 2005 as shown below.

	Third Quarter			Nine Mo	
	2005	2004	Change	2005	2004
Reported Operating Margin	18.6%	25.6%	(700) bps	20.0%	25.0%
Impact of Litigation Settlement	2.6	---	260 bps	0.9	---

Excluding Litigation Settlement	21.2%	25.6%	(440) bps	20.9%	25.0%

Interest expense less interest income was $112 million for the third quarter 2005, an increase of $7 million, or 6.6% compared to the third quarter 2004. Year-to-date, interest expense less interest income was $341 million, an increase of $29 million, or 9.4% versus 2004. These increases are primarily due to higher average outstanding debt balances in both periods compared to prior year, plus higher rates in the third quarter. Interest capitalized, which fluctuates depending on the amount and timing of capital spending and project in-service dates, was $4 million and $15 million, respectively for the third quarter and nine months of 2005, down slightly compared with 2004 amounts.

Other income/(expense), net reflects the impact of numerous items not directly related to the company's operations. For the third quarter and nine months of 2005, the company had other expense of $10 million and other income of $11 million, respectively, representing decreases versus 2004 of $12 million in the third quarter and

$22 million for the nine months. Other income for the nine months of 2005 includes the $15.4 million pretax gain ($.024 per share) from the sale of the company's 13% equity interest in the Port Aventura theme park in Spain, while other income for the nine months of 2004 includes the pretax gain of $19.5 million ($.015 per share) from the sale of commodity derivatives. For business segment reporting purposes, both of these gains are reported as corporate items. Year-to-date 2004 other income also includes a $19.1 million pretax gain related to the sale of two beer wholesaler partnerships, which is reported in domestic beer segment results.

Income before income taxes for the third quarter 2005 was $643 million, a decrease of $305 million, or 32% versus third quarter 2004. Pretax income for the nine months of 2005 was $2.0 billion, a decline of $605 million, or 23% versus 2004. Decreases for both periods primarily reflect lower profits in domestic beer, higher interest expense, the one-time litigation settlement and lower results for international beer and packaging operations, partially offset by improved performance for entertainment operations for both periods and the company's real estate subsidiary for the nine months. Excluding the $105 million litigation settlement, income before income taxes for the third quarter decreased $200 million, or 21%.

Domestic beer segment pretax profits declined 21%, or $195 million and 16.5%, or $454 million, respectively, in the third quarter and nine months of 2005. These decreases were due to lower net sales, as previously discussed, and higher costs. Higher costs primarily resulted from commodity cost pressures related to aluminum, glass and energy, higher costs for new packaging, plant operating costs and the incremental expenses to support the company's stepped-up pricing and marketing initiatives, including the national introduction of Budweiser Select. International beer pretax income was down $14 million for the third quarter and down $20 million year-to-date. The third quarter decline is primarily due to lower profits in China, including Harbin. For the nine months, international beer pretax income declined primarily due to lower profits in China (including Harbin) and the United Kingdom, partially offset by improved results in Canada. Packaging segment pretax profits were down $9 million and $18 million for the third quarter and nine months, respectively, primarily due to higher energy and materials cost for both can and glass manufacturing operations. Entertainment segment pretax results were up $31 million for both the third quarter and nine months of 2005, on a combination of increased attendance, admissions pricing and

higher in-park spending partially offset by higher park operating expenses. Entertainment results in 2004 were adversely impacted by four hurricanes in Florida.

Equity income increased $43 million and $91 million in the third quarter and nine months of 2005, respectively. These increases primarily reflect the benefit of Grupo Modelo pricing and volume growth, a lower Mexican income tax rate and the recognition of the company's pro rata share in the net earnings of Tsingtao Brewing Company beginning in the second quarter 2005. Equity income for the comparable 2004 periods includes the company's share of CCU earnings. As previously discussed, the company sold its equity stake in CCU in the fourth quarter 2004.

Anheuser-Busch's reported effective tax rate was 42.3% in the third quarter 2005, an increase of 350 basis points versus the third quarter 2004. The increase in the third quarter is due to a limited tax benefit from the litigation settlement, partially offset by lower foreign taxes and on-going favorable benefits from the American Jobs Creation Act. For the nine months of 2005 the effective income tax rate declined 50 basis points, to 38.3% from 38.8% in 2004. The year-to-date decrease primarily reflects a $3.5 million favorable deferred income tax impact related to the sale of the company's investment in the Spanish theme park, a $6.8 million favorable settlement of certain income tax matters related to the sale of CCU in 2004, a $7.2 million reduction of deferred income taxes resulting from tax reform legislation enacted in Ohio and ongoing benefits from the American Jobs Creation Act.

The limited income tax benefit for the litigation settlement results from uncertainty regarding the timing of tax benefits under the Internal Revenue Code. The company has recorded the settlement on the basis that the entire settlement amount is considered a capital loss, which is only deductible for income tax purposes to the extent Anheuser-Busch has qualifying capital gains. The company currently does not have sufficient capital gains available in 2005 or the three prior tax years to allow a current deduction of the entire litigation settlement amount. Any loss not currently deductible can be carried forward and applied against future capital gains for five years.

Net income decreased $166 million, or 24% during the third quarter, and was down $270 million, or 14% for the nine months of 2005, versus the same periods last year. Reported diluted earnings per share were $.66 for the third quarter 2005, a decrease of 22% compared to prior year, and were $2.09 for the nine months, a decrease of 11%

compared to the nine months of 2004. Earnings per share benefited from the company's repurchase of nearly 13 million shares during the nine months of 2005.

As shown in the following tables (in millions, except per share), when one-time items are excluded as noted, the effective income tax rates for the third quarter and nine months of 2005 would have been 38.1% for both periods, while net income and diluted earnings per share would have declined 10.8% and 8.2% for the third quarter, respectively, and decreased 10.4% and 6.9% year-to-date. Excluding the nonrecurring items from earnings better reflects the company's underlying operations and enhances comparability between periods.

THIRD QUARTER	Income Before Income Taxes	Provision for Income Taxes	Net Income	Ea Per
2005				
Reported	$ 643.3	$ (272.2)	$ 518.2	
Litigation Settlement	105.0	(12.6)	92.4	
Excluding Litigation Settlement	$ 748.3	$ (284.8)	$ 610.6	
2004				
Reported	$ 948.2	$ (367.7)	$ 684.4	
Percentage Change -- 2005 vs. 2004				
Reported	(32.2)%		(24.3)%	(
Excluding Litigation Settlement	(21.1)%		(10.8)%	

NINE MONTHS	Income Before Income Taxes	Provision for Income Taxes	Net Income	Ea Per
2005				
Reported	$2,023.6	$ (775.8)	$1,638.0	
Gain on Sale of Spanish Theme Park	(15.4)	(3.5)	(18.9)	
Favorable Chile Income Tax Settlement on CCU Sale	-	(6.8)	(6.8)	
Deferred Income Tax Benefit from Favorable Ohio Tax Legislation	-	(7.2)	(7.2)	
Litigation Settlement	105.0	(12.6)	92.4	
Excluding One-Time Items	$2,113.2	$ (805.9)	$1,697.5	
2004				

Reported	$2,629.0	$(1,020.3)	$1,907.8	
Commodity Hedge Gain	(19.5)	7.4	(12.1)	
Excluding One-Time Gain	$2,609.5	$(1,012.9)	$1,895.7	
Percentage Change -- 2005 vs. 2004				
Reported	(23.0)%		(14.1)%	(
Excluding One-Time Items	(19.0)%		(10.4)%	

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LIQUIDITY AND FINANCIAL CONDITION

Cash at September 30, 2005 was $192 million, a decrease of $36 million from the December 31, 2004 balance. The primary source of the company's cash flow is cash generated by operations. Principal uses of cash are capital expenditures, share repurchase, dividends and business investments. The company generated operating cash flow before changes in working capital of $2.3 billion for the nine months of 2005. See the consolidated statement of cash flows for detailed information. Cash generated by the company's business segments is projected to exceed funding requirements for each segment's anticipated capital spending. The net issuance of debt provides an additional source of cash for share repurchase, dividends and business investments in order to maintain the company's leverage position. The nature, extent and timing of debt financing vary depending on the company's evaluation of existing market conditions and other factors.

The company's debt balance decreased $271 million since December 31, 2004, compared to an increase of $987 million during the nine months of 2004. The details of the changes in debt are outlined below.

INCREASES

Description	Amount (millions)	Interest Rate (fixed unless no
Nine Months of 2005		
United Kingdom Brewery Capital Lease Obligation	$51.5	6.25%
Other	1.3	Various
	$52.8	
Nine Months of 2004		
U.S. Dollar Notes	$800.0	$550.0 at 5.0%; $250
Commercial Paper	628.4	1.16% Weighted Avera
Harbin Renminbi-Denominated Debt Assumed	118.4	5.57% Weighted Avera
Industrial Revenue Bonds	1.0	5.875%

Issuance Discounts	(1.6)	N/A
Other	8.4	Various
	$1,554.6	

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REDUCTIONS

Description	Amount (millions)	Interest Rate (fixed unless no
Nine Months of 2005		
U.S. Dollar Debentures	$150.0	7.25%
Commercial Paper	127.0	2.68% Weighted Avera
Net Change in Chinese Renminbi-Denominated Debt	39.0	5.41% Weighted Avera
U.S. Dollar Notes	1.3	5.35%
Other	6.2	Various
	$323.5	
Nine Months of 2004		
U.S. Dollar Notes	$251.2	$250.0 at 7.1%; $1.2
Euro Notes	251.0	$200.0 at 6.5%; $51.
ESOP Note	46.3	8.25%
Chinese Renminbi-Denominated Bank Loans	4.0	5.57% Weighted Avera
Other, net	15.1	Various
	$567.6	

In October 2005, Anheuser-Busch issued $100 million of 12-year, 5.49% fixed rate debt that was swapped to a LIBOR-based floating rate immediately on issuance. The company currently has $1.7 billion of debt available for issuance through existing SEC shelf registrations.

The company's commercial paper borrowings of $1.0 billion at September 30, 2005 were classified as long-term, since commercial paper is maintained on a long-term basis with on-going support provided by the company's $2 billion revolving credit agreement.

Capital expenditures during the nine months of 2005 were $823 million, compared to $727 million for the nine months of 2004. Full year 2005 capital expenditures are expected in the range of $1 billion to $1.1 billion.

Per share dividends paid by the company were $.27 in the third quarter and $.76 for the nine months of 2005, compared with $.245 and $.685, respectively, for the comparable 2004 periods. At its October meeting, the Board of Directors declared a regular quarterly dividend on outstanding shares of the company's common stock of $.27 per share, payable December 9, 2005, to shareholders of record November 9, 2005.

There have been only normal and recurring changes in the company's commitments since December 31, 2004.

Return on capital employed for the 12 months ended September 30, 2005 was 15.7%, compared to 18.4% for the 12 months ended September 30, 2004. The decline in return on capital employed is primarily due to the decrease in net income in 2005 versus 2004. Return on capital employed is computed as 12 months of net income before after-tax net interest (interest expense less interest capitalized) divided by average net investment. Net investment is defined as total assets less non-debt current liabilities. For the 12 months ended September 30, 2005, after-tax net interest expense was $269 million, calculated as pretax net interest expense of $434 million less income taxes applied using an assumed 38% tax rate. For the 12 months ended September 30, 2004, after-tax net interest expense was $244 million, calculated as pretax net interest expense of $394 less income taxes applied using an assumed 38% tax rate.

ITEM 3. RISK MANAGEMENT

The company's derivatives holdings fluctuate during any given year based on normal and recurring changes in purchasing and production activity. The company experiences fluctuations in derivatives use as raw material inputs change as a result of changes in domestic beer volume. Since December 31, 2004, there have been no significant changes in the company's underlying interest rate, foreign currency or commodity exposures, and there have been no changes in the types of derivative instruments used to hedge the company's exposures. Commodity market conditions have been trending towards higher prices due to increased worldwide demand.

ITEM 4. CONTROLS AND PROCEDURES

It is the responsibility of the chief executive officer and chief financial officer to ensure the company maintains disclosure controls and procedures designed to provide reasonable assurance that material information, both financial and non-financial, and other information required under the securities laws to be disclosed is identified and communicated to senior management on a timely basis. The company's disclosure controls and procedures include mandatory communication of material subsidiary

events, automated accounting processing and reporting, management review of monthly and quarterly results, periodic subsidiary business reviews, an established system of internal controls and rotating internal control reviews by the company's internal auditors.

The chief executive officer and chief financial officer evaluated the company's disclosure controls and procedures as of the end of the quarter ended September 30, 2005 and have concluded that they are effective as of September 30, 2005 in providing reasonable assurance that such information is identified and communicated on a timely basis. Additionally, there were no changes in the company's internal control over financial reporting during the quarter that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES

Following are the company's monthly common stock purchases during the third quarter 2005 (in millions, except per share):

	Shares	Avg. Price
Shares Remaining Authorized Under Disclosed Repurchase Programs at June 30, 2005	32.4	
Share Repurchases		
July	--	
August	1.0	$44.41
September	--	
Total	1.0	$44.41
Shares Remaining Authorized Under Disclosed Repurchase Programs at September 30, 2005	31.4	

All shares have been repurchased under a March 2003 Board of Directors authorization to repurchase 100 million shares. There is no prescribed termination date for this program. The numbers of shares shown include shares delivered to the company to exercise stock options.

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ITEM 6. EXHIBITS

4 Credit Agreement dated as of September 30, 2005 among the Company and JP Morgan Chase Bank, N.A., as Administrative Agent

12 Ratio of Earnings to Fixed Charges

31.1 Certification of Chief Executive Officer required by Rules 13a-14(a) or 15d-14(a) under the Exchange Act

31.2 Certification of Chief Financial Officer required by Rules 13a-14(a) or 15d-14(a) under the Exchange Act

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C.

Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ANHEUSER-BUSCH COMPANIES, INC.
(Registrant)

/s/ W. Randolph Baker

W. Randolph Baker
Vice President and Chief Financial Officer
(Chief Financial Officer)
October 28, 2005

/s/ John F. Kelly

John F. Kelly
Vice President and Controller
(Chief Accounting Officer)
October 28, 2005

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