Operator:

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to the AmBev conference call to discuss the earnings results for the 2Q06.

We inform that all participants will only be able to listen to the conference during the company's presentation. After the company's remarks are over, there will be a question and answer period. At that time, further instructions will be given. Should any participant need assistance during this conference, please press *0 for an operator.

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities litigation reform act of 1996. Forward-looking statements are based on the beliefs and assumptions of AmBev's management and on information currently available to the company.

Forward-looking statements involve risks, uncertainties and assumptions, because they relate to future events and, therefore, depend on circumstances that may or may not occur in the future. The future results and shareholder values of AmBev may differ materially from those expressed and or suggested by these forward-looking statements.

Today with us we have Mr. João Castro Neves, CFO and Investor Relations Officer; Mr. Luiz Fernando Edmond, CEO for Latin America; Mr. Carlos Lisboa, Marketing Executive Officer; and Mr. Miguel Patrício, CEO for North America; and Graham Staley, CFO for North America.

Now I will turn the conference over to João Castro Neves, CFO and Investor Relations Officer. Please, Mr. Neves, you may begin your conference.

João Castro Neves:

Thank you. Good morning everyone, and welcome to AmBev's 2Q results conference call. I am João Castro Neves, CFO of AmBev, and with me today I have Luiz Fernando Edmond, our General Executive Officer for Latin America; Miguel Patrício, General Executive Officer for North America; Carlos Eduardo Lisboa, Marketing Executive Officer for Latin America; and Graham Staley, CFO for North America.

I would like to start the call by sharing a brief overview of what was a good 2Q for AmBev. Luiz Fernando, Miguel and Lisboa will then provide you with the details about our operations in Brazil, HILA and Canada. I will wrap up providing the specifcs regarding the 2Q financials.

During the 2Q, our consolidated EBITDA reached US$ 1.586 billion, which represents a 11.9% growth comparing to the 2Q05, and our earnings per share, excluding goodwill amortization, presented a growth of 23%. The total beer volume grew 5.2%, and CSD, 14.2%. We had a good performance on our Brazilian business, with EBITDA growing 14.3%. We are also very happy with our Quinsa and Canada operations, which delivered an EBITDA growth of, respectively, 25.2% in USD, and 11.3% in Canadian dollars.

In HILA-ex, although we are not delivering any positive EBITDA results, we are succeeding in our strategy of growing volumes. In the 2Q06, for example, we presented a 17.8% beer volume growth, and 11.5% soft drinks volume growth.

All of our operations together brought a net income of R$ 483 million, which is 58.3% higher than the 2Q05. Due to the excellent results, we are pretty confident that our initiatives will continue to be effective and successful throughout the year of 2006.

With that, I would like to turn the call over to Luiz Fernando.

Luiz Fernando Edmond:

Good morning everyone, I am pleased to provide you details regarding our 2Q results. During the quarter, AmBev delivered solid results in Brazil, beer volumes achieved a 4.4% growth, as a result of a very good month of June, in the back, of course, of the World Cup, which managed to compensate the bad weather we had on the other 2 months.

We had 68% beer market share for the 2Q, which is 60 basis points above the 2Q05 number, and achieved a 69% market share in July, which reassures our strong brand equity and excellent execution, also helping to grow volumes.

Our team was very much prepared to get the most from the opportunity brought by the World Cup, and a strong performance of our core and premium brands, boosted by much focused marketing campaign, and the outstanding execution of our marketing programs continued to reach such results. We invited Lisboa today, our head of the marketing department in Latin America, to talk about our marketing efforts, and some of the excellent work done for the World Cup.

In the pricing front, our net revenues per beer hectoliters in Brazil reached R$ 137.9, a growth of 7.8% when compared to the R$ 128 in the 2Q05. Brand and revenue management, good performance of the premium segment and our direct distribution strategy continue to increase the net revenues beyond the inflation.

We are enthusiastic about the way our beer business is growing, and continue to work at full speed to catch all opportunities presented, such as the economic growth. The World Cup momentum was also good for our soft drinks operation. The decision to concentrate marketing investments in this quarter resulted in positive results, and Lisboa will also comment on that. The result was a 8.6% volume growth and even with higher SG&A investment, a 3.6% EBITDA growth, reaching R$ 126 million. In addition, we had an increase of 40 basis points in market share, reaching 16.8% in the 2Q06, versus 16.4% in the 2Q05. July market share reached 17.2%.

Our net revenues per hectoliter decreased 1.8%, highly impacted by a package mix shift towards multi-serving packaging. It is important to highlight that we see also a good cost of goods sold. The mix shift effect, together with a better FX hedge in the 2Q05 more than offset the commodities pressure, allowing us to drop the COGS per hectoliter.

We continue to expect positive results from the implementation of flow meters in soft drinks, which we are also starting next month, and should be 100% implemented in September of next year. Just like in the beer industry, the flow meters will provide a fair playing field for the industry, reducing the discounting pressure from informal competitors.

It is important to highlight that our increase in SG&A, to a lesser extent in Beer Brazil, and to a higher extent in soft drinks, is mainly linked to the World Cup, and we do not expect such growth in the following quarters.

We continue to execute our strategy for our HILA-ex operations, which is to grow volumes minimizing our cash outlays. We are still in what we consider a start-up phase in come countries, and we do not expect any significant contribution to the AmBev results for 2006.

But we are managing to build local partnerships, and break monopolies. We are now focusing on strengthening our operations by getting volume and market share, as well as building brand equity.

In the 2Q, we were able to grow 14.6% on consolidated volumes. Peru and Dominican Republic delivered market share increase, while Central America and Ecuador operations, faced a tougher competitive scenario, mostly affected by price.

Despite our negative EBITDA on this quarter, mainly due to investments for launching Brahma in Peru and Dominican Republic, we see a lot of perspectives on the long run, and we are particularly happy with the share gains in Peru, and we are working hard to deliver the guidance for the year.

On the other hand, once again achieved very good results for Quinsa, with 21.2% of EBITDA growth, and 16.6% of volume growth. We are enthusiastic with the transaction closed last week and, although Quinsa operations have been improving a lot since the first part of the transaction, we believe we still have synergies to capture, with an even greater integration of our management teams, and best practices sharing from both sides. From now on, we will be consolidating 100% of the future results.
We are already working on detailing synergies, and for sure there is some, such as procurement synergies, but I will not provide any figures yet. I have been frequently asked about delisting, and we made no decisions yet, so for the moment it should remain as it is. The last question I have been asked is regarding structure. Once again, we plan to keep the current management team, which is doing very good.

In conclusion, I would say that 2006 has been very good so far, with a great execution during the World Cup. I would like to reiterate my pride for all AmBev employees, whose high capacity and continued efforts has brought some strong results. I am pretty comfortable to say that our team is prepared to take profits from all the good opportunities we foresee and also quickly react to any challenges that the competitive scenario might bring.

I will now turn the call to Lisboa, who will be talking about our marketing strategy. Thank you.

Carlos Lisboa:

Good morning everyone.

As João and Luiz have just mentioned, we are very pleased with the quarter's results, and especially with the outcomes of our World Cup plan.

As an obvious opportunity to, not only capitalize on new consumption occasions and therefore boost volumes, but also to strengthen brand equity through intensified bonds with consumers, we have designed an extensive and very detailed plan for the World Cup. A plan that started over one year ago and involved the entire AmBev team, focused on both beer and soft drinks.

I should mention that I will eventually speak on behalf of Francisco Sá, the Head of our CSD and Nanc business, to exemplify some of the successfully implemented strategies.

We have developed a variety of actions in different fronts, but I will spare your time and limit this presentation to some examples.

First, the communications front. To actually reach consumers and stand out from the crowd in a context of several categories tackling the same subject, we carefully studied the alternatives and negotiated a meticulous media plan involving open TV, cable, radio, internet and magazines. And based on extensive research with consumers, our brands created messages that were able to trigger emotional reaction within the target audience.

For instance, Brahma and Guaraná Antarctica, traditionally associated with Brazilian icons, emphasized their bond with the national team, while Skol approached the soccer subject in its own audacious way, with a lot of humor and irreverence.

This strategy generated results beyond the beer category. We were the first advertiser to approach the World Cup in national television. According to Datafolha Institute, in São Paulo Capital, Guaraná Antarctica, Brahma and Skol emerged in the list of top four brands in ad recall on June, all of them occupying the top three positions in favorite ad. In addition, Brahma was elected by consumers as the most related brand to the World Cup in Brazil, also according to Datafolha, and was the first (if not only) brand to approach the country team's elimination, an occurrence that was highly emphasized by the local press.

Second, the Trade front. A variety of actions were developed across the entire country since early in the year to fortify our relationship with customers, maximize game occasions and stimulate consumption. To list a few:

- Point-of-connection support for the acquisition of TV sets and Cable TV to stimulate on-premise game watching
- Point of connection adornment highlighting our brands
- Point of connection training on how to operate under heavy demand conditions and how to stimulate consumption before, during and after the games
- Active telemarketing; we called point of connections before and after the games to prevent out-of-stock

Third, the Promotions front. In order to increase brand equity and volume, we have created major promotions, such as:

- Guaraná Antarctica official sponsor T-shirts, which actually became the official outfit for Brazilians
- Guaraná Antarctica and Pepsi joint SMS promotion
- Brahma collectible draft beer glasses

Finally, the Innovations front. We have developed new products and packaging especially for the occasion.

Based on internal research, we learned that Brahma is recognized as an example of a credible Brazilian that overcame barriers and successfully went abroad, and therefore had the endorsement to also bring news from overseas.

Keeping this in mind, we have created Brahma Bier, our first innovation in the mainstream segment: a genuine German beer recipe to celebrate the World Cup, launched nationwide in the main beer presentations in Brazil – 600 ml bottles and cans.

Another innovation was Skol Redondaço, a 28-pack of cans with a handy grip and easy to carry. In order to promote upsizing – as it differs from the conventional 12-pack presentations – Redondaço was very convenient for those who preferred to watch the games with friends at home.

But our innovations were not limited to beer. Also based on consumer research, we have designed an unique soft drinks recipe, Guaraná Seleção, combining the flavors of Guaraná Antarctica with a variety of tropical fruits.

Moreover, Gatorade also celebrated the occasion with a limited edition of two special flavors designed based on the colors of the Brazilian flag.

The message that remains is: careful planning and military execution definitely paid off. Despite Brazil's early and regretful elimination, the World Cup was indeed a second summer for AmBev. Volumes in June were strong enough to compensate for the very bad weather during April and May and, as a result, we celebrated the best month of June in terms of volumes in the history of AmBev. In addition, we were able to reinforce the positioning of our brands and significantly improve their health indicators.

I take this chance to reinforce our commitment to keep on dedicating all efforts and creativity to building brand equity and creating value to shareholders.

Thank you.

Now I invite Miguel to take over.

Miguel Patrício:

Good morning. I would now like to address about the results for the 2Q06. First of all, we are very pleased to report that in Canadian dollars, we delivered double digit growth in EBITDA. It followed double digit growth in the 1Q, resulting in a strong 1H growth of 11.6%.

Planned growth and continued improvements in costs, remained our dual engine of growth. The industry so far this year has been stronger than we anticipated, it presented the same mix that our market share has stabilized in 2Q.

The market in Canada, our EBITDA had tremendous movement, benefiting from both the industry and market share growth. In addition, a number of initiatives we have put in place countrywide, mainly incremental investments behind the acceleration of Bud Light and the launch of Brahma, are generating very positive results, accounting for most of the growth this quarter. However, on the negative side, Ontario remains a major challenge, and we have plenty of effort to do in this problem.

We have sustained or increased in a consistent manner our net revenues per hectoliter in most regions of Canada, Ontario being the sole exception. However, because we are growing mostly in regions like British Columbia and Alberta, where net revenues per hectoliter are lower than the national average, there has been a negative impact on Labatt's consolidated figure.

Top management continues to be trend for the company. Higher brewery efficiency has translated into 8.1% Canadian dollars reduction, in COGs [inaudible] the reported in the quarter. It is worth to say, zero-based budgeting is a well established part of our way to do business, securing a truly cost conscious attitude across the whole company.

Continued cost savings, are of vital importance in funding the additional marketing investments we are making in Canada. Increasing investment level are necessary in light of the challenging environment in which we operate, especially in Ontario.

Going forward, our strategy will be unchanged with a permanent commitment to cost reduction, the continuous pursuit of top line growth, both via price and volume, and disciplined executions.

In the coming month, cost reduction will remain critical importance for profit growth. Our team will have to absorb any cost inflation that may come our way. In light of both increase the in competition of value brands in Ontario and the step-up of trade spend in Quebec, we are unlikely to achieve any net price increase for the balance of the year.

As I said in the last quarter, we will react to price provocations from our competition; we are expecting price promotions to be reduced this quarter, but if it does not happen we will react very quickly.

In conclusion, Canada remains a challenging environment in which to do business, but we are progressing.

Thank you very much. I will now hand back to João.

João Castro Neves:

Thank you, Miguel. First I would like to talk about the SG&A evolution. As always, we placed huge focus on cost. Our SG&A numbers grew 36.8% year on year in Brazil, explained by a higher amount of deferred assets amortization of InBev Brazil incorporation, reaching R$ 227 million in 2Q06. Excluding the depreciation and amortization, our SG&A grew 23.6%, mainly due to higher marketing investments in the World Cup.

Particularly in soft drinks operations, we had a higher SG&A increase due to the shifting of investments to this quarter, as already explained last quarter and also today by Luiz Fernando. It is always important to highlight our operational leverage, by which in Brazil, volumes were up by 5.5%, net revenues 10.6% and EBITDA by 14.3%.

Regarding our hedging strategy, we managed to lock in a good sugar and aluminum prices, which, together with favorable FX hedge delivered 8.2% lower COGS per hectoliter for the Brazilian business.

Now I will be guiding you on the main lines between EBITDA and Net Income.

We achieved R$1,586 million EBITDA and a Net Income of R$483 million.

Other operational expenses presented a loss of R$ 243 million in the quarter, which is pretty much explained by Labatt’s goodwill amortization of R$ 242 million.

Our net debt dropped R$ 112 million totaling R$ 5.2 million, yielding a financial expense of R$ 340 million. Not only our net debt dropped, but we also enhanced the profile, by reducing short term debt.

Non-operation revenues presented a loss of R$ 21 million, mainly connected to a R$ 14 million provision for the creation of the Shared Service Center in North America, which is now up and running.

The provision for Income tax and Social Contribution totaled an expense of R$ 139 million. We have FX exposition in our Income Tax and Social contribution. In order to eliminate this effect, we hedge this exposition. On previous quarters, this hedge was accounted as a financial result. For this quarter, we reclassified this hedge result to be a part of the Income Tax result and resulted in a gain of R$ 87 million, in line with hedge accountings.

We presented a profit sharing provision of R$ 54 million. Minorities participation in other subsidiaries presented a loss of R$ 17.9 million.

Net profits per thousand share amounts to R$ 7.4, an increase of 59.9% compared to 2Q05 figures.

Regarding our dividend strategy and our policy, we remain committed to distribute all excess of the cash we generate.

We have just issued local debt debentures in the amount of approximately R$ 2 billion, which we used to pay for the acquisitions of BAC's remaining shares in Quinsa. So, the amount of internal cash generated used for this purpose was not significant, we had to pay 2.6 and we have used about 0.6 or 0.3 million with the debt generated cash. Therefore, there will be little impact on the payout for the year.

We are very proud of this debt issuance. It was the first time we approached the local market on a significant way and ended up achieving the lowest cost ever for comparable tenures, achieving 101.75% of CDI for 3 years, the local interest rates, and 102.5% of CDI for 6 years. We understand this figures are a recognition from the market of our excellent credit profile and consistent growth pattern. Another positive sign was the credit rating increase, from BBB-, which is already investment grade, to BBB from both Fitch and S&P.

Once again, we would like to emphasize the importance of our people in achieving such extraordinary results.

Now we are open for questions.

Julia Rizzo, Credit Suisse:

Hello, good morning everyone. Could you please breakdown Canada growth between industrial growth and market share gain?

AmBev:

Sure, for the quarter, the growth of the market was about the same as our growth, about 3%. So we were stable in market share this quarter versus last year. Industry had a very good result and, at least in the quarter, we changed a long-term decline trend.

Julia Rizzo:

OK. Could you, please, also give me more color on your strategy for exports; what is a normal level, what can I work for and the main drivers in Canada?

AmBev:

Well, we are in depletion versus last year, so we did not have variation every quarter, because in the United States there are shipments in depletion so shipments are basically what we sell to the whole-sellers, depletion in what we sell to consumers. In this quarter we had a big change in terms of shipments. From year to date, the depletion of the Canadian brands in Canada are about 1% below last year.

Julia Rizzo:

And what are your expectations for the 2H?

AmBev:

I would prefer not to comment on the expectations for the 2H, if you do not mind.

Julia Rizzo:

OK, so can I have one more question on Quinsa? I would like to do the same breakdown in terms of performance; how much was industry growth and how much was market share gains on Quinsa?

AmBev:

Well, Quinsa is a portion that depends on five different countries so the breakdown is a little bit more complicated, because, as you see in the press release, we have a little gain in Paraguay and of course in Paraguay, Uruguay and Bolivia we have very high market shares, but although we have very high market shares, we still have gained some market share in Paraguay. We have pretty much stable share in Argentina, and we are gaining share in Chile.

I think maybe some outstanding comments were the performance of Bolivia, which had a very significant growth, and mostly, of course, is the share was stable mostly coming from the market place. And that is also true for most of our operations in soft drinks both in Uruguay and in Argentina; we have also had slight gain in market share, but also very good performance of the market place.

Julia Rizzo:

OK, thank you very much.

Lori Serra, Morgan Stanley:

Yes, mainly on what concerns Canada; your competitor mentioned on their conference call that July got off to a very weak start in terms of volumes for them, and they seem to be adopting a posture of greater price promotion. So, I was wondering if you could sort of reconcile that with your hopes that the market will be less promotional into the 3Q. And any comments on whether what we are seeing is industry related or not. That would be helpful, thanks.

AmBev:

Lori, if you do not mind, I would prefer not to talk about July; what I can tell is that the results for July were not that bad for us, let me put it that way, and were better than we anticipated before [inaudible]. But, in terms of pricing environment, last quarter I made it official that we would answer any provocation from competition and we did this quarter the 63 in Ontario, we were more aggressive in pricing. But, based on the comments from our competitors in their call, I would expect the environment to get less competitive in terms of pricing.

Although I see, if they increase the price strategy, we will do the same. So, I am expecting to have a reduction in terms of pricing, but again, we are prepared to deal if that is necessary.

Lori Serra:

OK. And just a follow-up, your guidance for the year reaches between 0%-4% EBITDA growth, and as you mentioned in the comment you have got a very good start in 2006. Are you thinking that your guidance may be conservative or, you mentioned in your comments that you would be spending more marketing and expecting to increase the marketing in the 2H06, or are there just too many [inaudible] parts to have confidence this way?

AmBev:

Well, Lori, I think we still have the Summer [inaudible], so July-August are very important months and September as well, for the 2H is more important than the 1H of the year. I would say it is too early to talk about a new guidance; I think this next quarter I would be more optimistic and positive about it; I would prefer to play on the conservative side right now, but, of course, we are slightly above our expectations for now. That does not mean that the rest of the year will continue in a very positive way.

Lori Serra:

OK, thanks.

AmBev:

Just to add on this, Lori, I think we have been getting a lot of questions regarding the guidance, and you saw in the press release we are not updating the guidance in any way. I think what we can say is, for both Canada and some of our other operations, we are definitely in the upper range of the guidance we have provided so far and there is a big seasonality, as Miguel said, in our business not just in cans, but also in the other operations. And if we were to make any changes, we would probably wait to have the 3Q and give you more data on this.

Lori Serra:

OK, thanks.

Juliana Rozembaum, Deutsche Bank:

Hi, good morning. Regarding the breakdown of how much was for the marketing expenditures in the 2Q and how much was the marketing budget for the year, have you already spent year to date?

AmBev:

Hi, as we stated last quarter, we are not opening up those lines any longer. What I can tell you, also consistent with what we said in the 1Q, is that, when compared to other years, I mean, the expenses in the 2Q were much above the average, and they are definitely no reference for projection for the rest of the year. It was heavily concentrated in the 2Q, or if you take even the growth in the 2Q, they are not a good reference for the rest of the year.

Juliana Rozembaum:

OK, can you discuss the underline cost pressures from raw materials in the quarter, I mean, they were not that meaningful, and I would like to see if you could discuss the price levels that you had embedded in your hedging during the quarter.

AmBev:

If you want, I can give you a little more color on the SG&A. Basically what we have been saying all along since we have started the [inaudible] SG&A is that we always drive for maintaining our SG&A going in line with inflation, as a reference. Second, also said it is true that around 30% of that SG&A for both the [inaudible] in Brazil, volumes will have an impact in about 30% of the SG&A. So, if we have volumes in beer as we have in the guidance of around 4%, and we have inflation of 5%, then our SG&A should be going up around 6.2%, for example, if it were just inflation and volume.

It is also true, we mentioned in the beginning of the year, that we expect this year that our investments will be slightly above last year because of the investments in the World Cup. And, of course, those investments will pay off during the year, given the good results we are having for the World Cup, as we had expected. So, a little bit more color to help the projection of SG&A for the year.

Regarding the hedge situation, we are locked for the year in both sugar and aluminum in the currency here for Brazil. And we have pretty much closed, of course this will always depend on less or additional volume, it is worth mentioning that last quarter we have gained net-net, gaining effects and losing through aluminum about R$ 100 million, so that will help the comparison, of course, of the cost of goods sold of 2006 against 2005. So 2006 will be, if you take effects sugar and aluminum, R$ 100 million better than 2005.

Juliana Rozembaum:

OK. Can you discuss the tariff prices on your hedging going forward?

AmBev:

As I just mentioned, for 2006 it is closed, there is no more impact given the projections we have for volumes. That will not impact how much we are going to have to buy of sugar and aluminum. So we are done for the year, we are basically fully hedged for 2006 in currency and the main commodities.

Juliana Rozembaum:

OK, great. Thank you.

Anthony Bucalo, Bear Stearns:

Good morning, everyone. Two questions; you spoke of some share gains in Peru and the Dominican Republic, and then a little bit of difficulties in Central America, if you could provide a little bit of detail on the competitive dynamics on those areas.

The second question is would from the [inaudible]; thinking about the transaction that occurred in Canada last week, Sapporo coming in, is there anything in the short or longer terms that may change substantially in the Canadian market looking ahead? Thank you.

Luiz Fernando Ziegler:

Anthony, this is Luiz. As you know, we do not like to give any details in a country to country basis, just because we have much more to lose than to gain in terms of all these details in the hand of our competitors, that are very strong, very dynamic and, of course, the impact on the HILA-ex results on our EBITDA are not significant at this point in time.

But anyhow, what I can tell you is that, of course we have different scenarios in different countries; in Dominican Republic we launched Brahma only 6-8 months ago, and I think Presidente had a lot of time to prepare a reaction against us, so of course we are facing tough competition there in terms of increasing there the mix of our [inaudible] liquid and in packages; of course, putting more pressure against Brahma to compete with all the young brands.

And we have a very positive two first months, then we lost momentum and I think we believe we are now recovering from the momentum that we lost from the beginning. So, we have a lot to do in terms of increasing the distribution and increasing preference, but I think we are in the right way.

In Central America it is different, because we have been there for three years and, after reaching a very strong market share after the first year, we have increased prices, and after that first price increase we have recovered market share. So we started to lose, and, in my view, we have not found the alternative of the strategy in terms of both distribution and return on equity to recover share in Central America.

Then, going to Peru, where we launched Brahma only one year ago, and we are doing very well; we have gained market share, we continue to gain, month after month we are gaining – of course this is slow – market share, we are improving distribution, we have a very good distribution network, because we based that on the soft drinks business that we have acquired form Pepsi. And we are increasing both distribution and return on equity, and, of course, market share. So, these are the scenarios for the countries; different initiatives that we have to put in place, but, again, I will not comment in all details just because everything that we say they use against us, because they are too big and, of course, we are the only competition they have in those countries.

Miguel, if you want to answer the second part of the question.

Graham Staley:

Hello, Tony, long time no speak. I think maybe this is a surprise for you – it certainly is a surprise for us – that Sapporo came in with the winning bid. We do not know them very well; as with many Japanese companies it is difficult to find out much about strategies and their perspective on the future, but obviously we welcome them into the market, learn all the time what they are trying to achieve. I know one good thing about the Japanese companies: they do track a long-term perspective, so we are unlikely to see any short-term irrational behavior, and that is good. So we look forward to them coming into the market, and we will stay posted to learn more about them.

Anthony Bucalo:

OK, thank you so much.

Tania Sztamfater, Unibanco:

Hi, everyone. I wanted to ask on your Brazil beer sales, if you could talk about July, since we have seen a good weather. And how do you see Itaipava? We have seen them gaining market share recently, and I wanted to know how [inaudible] if you were seeing any of your brands losing market share. How are you positioning your brands against Itaipava?

AmBev:

Tania, as you know, we are not giving any details in the July volumes until the end of the quarter. What I can tell is that of course the weather helps a lot, so usually we remember when we have good weekends and good sunny days, but not necessarily we know when we have cold days, so, in average, I would say that July was positive, and I would say that, until this point in time, August is still positive. So, I would expect the quarter to be at least in line with our expectations in terms of the guidance that we provided. It is difficult to anticipate anything in terms of the rest of the year, because of course in the winter season our volumes are weaker; even with better weather, volumes are weaker than the 1Q and the last quarter.

In terms of competition, you are right. Petrópolis is adding a lot of pressure in terms of market share, not necessarily… You see this effect in our market share; in terms of the industry you see a lot of market share that they are gaining coming especially from Femsa and from Schincariol in some businesses. So, in average, I would say that AmBev is not losing market share for Petrópolis. In average, if you pick all the leaders together, some of our brands are doing very well to compete not only against Itaipava, which is their strongest brand in São Paulo capital and in Rio, but against Crystal too, because in São Paulo and in the country side of Brazil they are using Crystal against us.

So it is different competition, it is different brands, and of course we are using different strategies against them too. But, in average, I would say that we are not losing market share, we have more pressure, of course, in the regions where we are launching or expanding distribution, because in some regions we have nothing to gain, we have only to lose, but I think we are reacting well not only with our plant, but in terms of our marketing programs, they are very attractive. But we have to keep an eye on them.

Until this point, there is no effect on our market share, but they are growing and of course they will become more and more important for us as they continue to grow. So, we see more effect on the competition, and especially not only in Femsa and Schincariol, but especially in the low price plants, the very small producers that we have in some regions that they are not significant, but they kind of concentrate the low price brands volume into their own brand.

Tania Sztamfater:

OK, thank you. And , in that sense, would you be able to talk about how much the premium brands are amounting on percentage in your total portfolio, given your strategy of pushing the participation of those brands in the portfolio?

AmBev:

The premium brands altogether are growing 1.5x-2x the average of the mainstream, of the core business - Antarctica, Brahma and Skol - and their share in our mix is around 6%, and growing. So, we came from 5% last year, in the average of the 1H of the year we did 6%.

Tania Sztamfater:

OK, great. Thank you. And, finally, on your soft drink operation, I just wanted to know if you could talk about 2H06, if we should expect growth to keep the strong level that you have seen in the 1H, given the [inaudible] of the offering of multi-serving packs.

AmBev:

Remember, in our guidance… First, the same impact you can expect from weather in beer you would expect in soft drinks. Again we will not talk on the weather, even having had a very positive 1H this year. We stick with our guidance.

Tania Sztamfater:

OK, thank you.

Trevor Sterling, Sanford Bernstein:

Hello, two questions, please. One relating to Brazilian, coming back to the question of FX hedges, you have clearly stated what your hedges are for the rest of this year, and locked in. I was wondering, have you started the hedge for 2007? And can you give us any indication clearly of the current spot is quite a lot lower than this year's hedge rate.

And the second question relates to Canada: you are still delivering very impressive drops in COGS per hectoliter, clearly ZBB is an ongoing process, but at some stage momentum is likely to slower a little bit; can you give us any guidance for will that later momentum continue all through 2006, or are we likely to see it slowing towards the end of the year?

AmBev:

I will take the first part. If we were to fully hedge 2007 by now, combining effects, sugar and aluminum, would be dealing 2007 against 2006 anywhere between 50-60 million. And since we have the period that we explained a few times here that we try to hedge between 6-12 months ahead from where we are; and we are now moving more towards 12 than to 6 months, as used to be the floor. Yes, we have already started hedging part of 2007.

Now, talking about Canada, well, we are having an amazing result in terms of COGS, and if you look at the results last year, we are also pretty impressive in terms of cost reduction. Of course that you cannot have forever this the amount cost reductions we are having now. However, I mean that, as I said, ZBB is part of our day-to-day, and we have to look for creativity everyday to reduce our costs, so we can increase investment on our brands and have good results in terms of profitability. So, we will always be looking for things to reinvent ourselves.

So, let me share with you one thing that we are doing now. We are implementing our "Shared Services Center" in North America with Brazil, so we centralized a lot of functions in Canada, in Mississauga, in Ontario, and also in Brazil. So, we have today 90 people in Jaguariúna, in Brazil, in a shared services center working for the North American organization, speaking in English and French as a shared service center. So, we will always be looking for this type of opportunity to reduce costs; of course we have more in our pipeline and it is part of our culture, and we are very proud of that. But I cannot give you a guidance for the future.

Trevor Sterling:

I understand. Thank you very much, indeed.

Alex Robart, Santander:

Hi, a couple of questions. First of all, just taking a look here at the cash SG&A growth in Brazil, I understand that a piece of that does relate to the direct distribution expenses, and I am wondering if you could give us a sense of how much of that growth is associated with that. And I guess the second part of it is: where are you right now in your total direct distribution vis-à-vis your soft drinks, and where do you want to go with plan? I know, it sounds like you have you passed the 50% mark, it is 60%-70% a goal; maybe you could give us some color there.

AmBev:

Alex, in terms of opening up, let me answer first the second part of your question. Yes, we are now slightly above, probably a little bit above 51% - we are not disclosing this figure on a quarter-by-quarter basis any longer -, we are a little bit above, and we are still seeing opportunities for obtaining growth. So, we are not setting up a new target, you know, “I am going to go to 70%”, but there is organic growth. We have direct distribution centers that can be enlarged and are being enlarged, and that can take us up to, it can add a few hundred points in the next two years. So, we are not sitting and waiting for things to happen, we are doing a few things, but we do not have a new number to say “in two years we will get to 60%”.

In terms of the cash SG&A growth, as I said before, we are not opening up by the S, by the G or by the A or in the selling, whether that is distribution expenses or not. In the quarter, I think what it is meaningful to note is that we had a growth of volume of 4.4% for beer and 8.6% for soft drinks, and that, of course, has an impact on this 30% that I mentioned to you. So, of course, it has big impact on our distribution expenses and everything related to transportation.

I think more meaningful than that are the expenses related to the World Cup, especially for soft drinks as we stated.

Alex Robart:

And just, right now, roughly, what is the split on direct distribution, beer and soft drink? Can you disclose that for us?

AmBev:

We have always worked with the total number, so I would rather just give you the total, which is slightly above 51%.

Alex Robart:

OK, fair enough. The second question relates to this upcoming Quilmes asset sale. I guess I just wanted to confirm a couple of things but, I mean, is this really going to be price based? In other words – I am assuming you could talk a little bit about this, since you are about to purchase these back shares – will this auction process be based on price? Can you pay [inaudible] controllers and sell this up until the last moment, which I guess – I understand – is May 2007?

And to the extent that the new purchaser, or the successful bidder, uses the distribution network of Quilmes in Argentina, is that going to be really accessed for the national distribution network in Argentina, or just in certain areas? Maybe you could give us a sense there; that would be helpful.

AmBev:

Sure. First, when you talk about the back shares that we are about to buy, actually we have already bought, we closed the transaction last Tuesday. So that is one thing behind; we have got the transaction closed and that is behind – we actually have already paid and got the shares from the [inaudible]. So that part, which is, in our view, the most important part of this transaction, was completed.

Regarding the sales of assets, Alex, I think the best way to think about it is to compare that with what happened with Brahma-Antarctica, when it was joined together and we created AmBev. This is a very similar decision; the anti-trust decision of Argentina was a very similar decision to the one taken by the Brazilian authorities. If you remember, that process was also an auction process, where we hired an investment bank to conduct that process. It is the same thing here: we have between now until, actually, February of 2007 to complete it; we are, of course, working to complete this before February 2007.

And regarding the distribution agreements or any other agreements, they are very similar to the ones stated back when Brahma and Antarctica joined, with access to national distribution. There are some details on that, but basically, the buyer should have access to our national distribution to the most popular… The brands that are being sold already will participate in the country, so the volume of the brands is what somewhat limits that distribution.

But, again, very similar – if you remember when we sold Bavaria, back then, to Molson, Molson had some years to distribute the products in our trucks. But it is very hard to predict what will be the buyer's strategy regarding the brands or regarding distribution. So I would rather not say too much, since that would be speculating on who is going to be the buyer and what are they going to do with the brands and the distribution rights they acquire when they acquire those assets.

Alex Robart:

But is it safe to assume that it is really the highest bidder in terms of price?

AmBev:

It is an auction process in which there are many components, right? There is the distribution component, there is the brand component, there is the plant component. So it is the total offer that we will look at. The price is one of the components of the offer, not the only one.

Alex Robart:

And the last piece of this just, putting together Norte, Bieckert and Palermo, I mean, I guess those three brands – I understand that is, roughly, 8%-10% market share. Is that about right in your opinion?

AmBev:

Actually, what is required is Palermo, Bieckert and Imperial, which is a very small brand. So Palermo and Bieckert are really the brands that are required, Norte is optional – there are some details on that also. So, Palermo and Bieckert together have between 6.5%, 7.5% of the market share.

Alex Robart:

Thank you.

Victor Galliano, HSBC:

Hello. Most of my questions have been answered but maybe a follow-on on Canada. Could you do us – and the follow-on on the ZBB question – could you give us some sort of indication of what your target EBITDA margin would be, given a reasonable development of the market?

Graham Staley:

I think it is only fair to say that we are very pleased with our continuing costs performance, Miguel has already given a leading to that. And we see no end to that, we just see tremendous opportunities for going forward and we will continue to leverage that. Obviously it gets more difficult as time goes by, but the creativity of our people continues to amaze us. I think it would be wrong to give any further guidance, I think we just have to wait and see what that 3Q will look like. But we remain very confident that we can keep this momentum going.

Victor Galliano:

OK, fair enough. Thank you.

Lori Serra, Morgan Stanley:

Yes, I am sorry, just a follow-up to some of the cost questions that have been asked during the call. You mentioned that you have locked-in commodities for the balance of 2006. Can you give us a sense of whether, as we are headed to 2H06, we should see a material increase or sequentially from where you were in 1H in terms of the commodities cost? I guess that would be an assumption that one might need, given the trend, until very recently, in the commodity prices.

AmBev:

Lori, you have to remember – I think as we stated during the first few comments – that this will also depend on the mix. I mean, when you look at soft drinks, you see a drop on per hectoliter basis, that is higher than maybe you would expect, because of the shifting mix more toward multi-serve presentations. So it is hard to tell you exactly what to expect…

Lori Serra:

Well, maybe, if we look at the beer, whether mix change has not been much of an issue. That would be helpful.

AmBev:

I think, also to be in line with what we said in the beginning of the year, we expect COGs, of course depending on how much volume we will have, to be, at most, equal in nominal terms with 2005. And you have a total gain of R$ 100 million, that you can work with for the total year, for the combination of beer and soft drinks.

Lori Serra:

OK. And just on the marketing expenditures, I understand what you are saying about 2Q being higher than what you expected for the year, but if we look at beer, should we think about the year as a year where your marketing expenditures will be, more or less, in line with inflation? Or should we think about the year as a year in which we might see marketing costs above inflation?

AmBev:

What I said is that it should be above last year's, because of the World Cup.

Lori Serra:

Above inflation?

AmBev:

Yes. But, you have to remember: you have inflation, you have volume, and you have the World Cup. So, in order to predict the SG&A, or to forecast the SG&A for the year, you have to account for inflation, which would rather work, since it is a carryover inflation of 5% last year; you have the volume, whatever you project [inaudible] for beer and the net revenues of 11%-13% in soft drinks; and then you have the World Cup. But, again, the World Cup are investments that, for the most part, we see those investments with payback during the year.

Lori Serra:

OK, thank you.

AmBev:

OK.

Operator:

Thank you, this concludes the Question & Answer session. At this time, I would like to turn the floor back to Mr. João Castro Neves for the closing remarks.

João Castro Neves?

Well, I would just like to thank everyone for attending AmBev's conference regarding the 2Q results. We continue to work hard to deliver the results we have been giving and the guidance for 3Q and 4Q, and we will see you again for the 3Q results. Thank you, have a good day.

Operator:

Thank you. This thus concludes today's presentation. You may disconnect your line by this time and have a nice day.