FINAL TRANSCRIPT

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PRESENTATION

Operator

Good afternoon ladies and gentlemen. And welcome to AmBev's Investor Relations first quarter 2005 conference call. [OPERATOR INSTRUCTIONS]. It is now my pleasure to introduce your host, Mr. Joao Castro Neves, CFO of AmBev. Sir, the floor is yours.

Joao Castro Neves - *AmBev - CFO and IR Officer*

Thank you. Good morning. I mean good afternoon everyone. And thanks for joining us for our first quarter results conference call. We are pleased to announce a strong set of results for Q1, which were largely in line with AmBev's estimate.

We can attribute our success to a few major factors. The first is improved Latin American macroeconomic conditions. The second is a strong dedication of the Labatt team through this [cost] in Canada. And the third is the hard working general personnel in AmBev's operation.

As a result, we are happy to report strong EBITDA growth of 63.2%. Today we have -- I have here with me Mr. Luiz Fernando, General Manager for Latin America, who will give you further detail on Brazilian operations, Juan Vergara, Executive Officer for Hispanic America, who will share highlights on Quinsa, and Carlos Brito, who will discuss our North American operations. And then I will give you more detailed breakdown of the quarter's financials. I would like now to turn the call over to Luiz.

Luiz Fernando - *AmBev - General Manager for Latin America*

Good afternoon everyone. I am pleased to share further details about what was a very strong quarter for our Brazilian operations, and especially for our Brazilian business where, for the third consecutive quarter we achieved double-digit volume growth, which was at 12.9% in Q1.

Given improving consumer demographics and steady trends, beer consumption in Brazil has been steadily growing. According to ACNielsen, the Brazilian beer market grew by 7.3% in the first quarter. And we achieved a growth of roughly 5 percentage points on top of that.

One of our top priorities for Brazilian operations is to maximize the value that we capture from economic growth, making sure that we continue to expand our size of what is an ever increasing time.

Our overall Brazilian beer market share, we managed steady at roughly 68%, which is an impressive accomplishment given our end of December price increase. We attribute this success to the diligence and commitment of the AmBev sales team, executing our in-market programs. Our team not only understands what it takes to sell our products successfully, but also has the dedication to execute these initiatives.

I want to emphasize that although AmBev's beer market share is back at 68%, we are not satisfied with this level. We are pursuing an even greater position. And we are going about this in an intelligent manner, in a way that we will not compromise our profitability.

Also important to mention is that the market share recovery allows us, once again, to devote more time to revenue management initiatives. We are proud to say that direct distribution in Brazil is very responsible for 47.6% of AmBev volumes.

Moreover, our two beer brands, Bohemia and Original have seen significantly higher growth than the average portfolio. Bohemia brands grew 23%, and Original, 28%. All these commercial improvements led to 24.9% increase in net sales.

Moving to the performance of our margins. Increasing flat efficiency achieved from AmBev's continuous excellence programs and discipline, higher share of returnable bottles in the sales mix, and some carry-over of the hedge in place in the fourth quarter last year, helped offset the impact of higher aluminum price and allowed gross margin to expand by 440 basis points, to 68.6%.

The gross margin improvement, coupled with flat SG&A control, led to an expansion in the EBITDA margin of 660 basis points, to 48.5%.

It's important to mention that despite our recent SG&A discipline, we continue to invest in the asset of our brand. And we are very satisfied with the extremely positive recent performance in [indiscernible], which are in the upper range of historical levels.

In the soft drink business we are continuing our right [fuelled] strategy, choosing to target profitability rather than volumes. First quarter 2005, volume growth was 2.6%, while ACNielsen reported market growth was 3.7%. That caused market share in March to decline to 16.3% from 17.2% last year.

We attribute the market share decline to a lower price gap of our brands to the market leader. It is fair to say, however, that is not aligned with our marketing strategy. And was a consequence of price adjustment implemented by our competitor below our expectations.

Net revenues increased by 13.6%, boosted by higher net sales per hectoliter, which reached BRL81.7, a 7.1% increase over fourth quarter last year, and 10.7% over first quarter last year. And including share of gained sales in the mix, and higher aluminum and PET cost resulted in a 6.3% increase in costs prior to year, to BRL44.

Nonetheless, gross margin expanded 620 basis points, to 46.1% and EBITDA margins expanded by 680 basis points to 31.4%. We are increasing our investment in the soft drink business as markets continue to expand. This investment in brands is laying the groundwork for future volume growth and market share expansion. That drove an increasing sales and market spend of 8% compared to first quarter last year.

With EBITDA margins above 30%, a level higher than most global brewers, we certainly consider the soft drink segment to be a very attractive growth area for AmBev. We are confident that our investment in this increasing customer segment will help us to increase volumes and market share over the medium term.

I will now pass it over to Juan.

Juan Vergara - *AmBev - Executive Officer for Hispanic America*

Thank you Luiz. And good afternoon. Hispanic Latin America, our HILA business unit, delivered solid nominal EBITDA growth of 15% for the quarter. Although this is a very good number on a stand-alone basis, it is not in line with AmBev's commitment to 15% real EBITDA growth.

We did experience several unique [realities] during the quarter. And we are working obviously very hard to reduce the impact of these factors on future quarters.

On the one hand, Quinsa had a terrific first quarter, delivering EBITDA growth of 25%. Both volume and net sales per hectoliter for beer and soft drinks increased, driving net sales up by 21.6% in dollar terms. Also part of it, COGS have been kept tightly under control.

The virtuous combination of increased net sales and effective cost management drove EBITDA margin expansion of 140 basis points.

Furthermore, our largest share of Quinsa ownership helped offset the Brazilian reais officiation in comparison to the currencies of most other countries where Quinsa operates today.

On the other hand, in Northern HILA - or HILA ex-Quinsa, EBITDA in reais declined by 54% in this region. And, while we are obviously not satisfied with this result, it is important to emphasize that these figures do not reflect our operational potential nor do they take on a long-term trend. But the fact is that we did experience tougher macro and competitive scenarios.

But this development in Northern HILA -- HILA actually extremely promising. And we are confident in our people's abilities to deliver the required growth rate in the future.

The decline in EBITDA in Central America was due to a combination of various factors, mostly in Guatemala, which includes first day different tax basis this quarter versus the same quarter last year, tougher competition on the discount front. And not least a decline in total market volume. This combination of factors caused a decline in both volume and net sales per hectoliter. However, the good news is that our Brahma brand remains solid in brand equity and share of market.

In the Dominican Republic, despite a favorable soft drinks market share performance, we continue to hold a strong leadership. We felt -- and really felt the impact of the economic slow down with a very severe soft drink total market decline of 32% versus the same period last year.

In Peru, we followed the market leaders in the soft drinks industry, as they raised prices for the first time in years, and at the same time decided, as we did in the past in Brazil, to close the gap and get rid of non-profitable SKUs, even if that meant dropping some share.

Despite the decrease in volumes we experienced which, as you know, you all know, is cyclical following a price increase. And it deepens when we struggle with staff reductions and portfolio clean up. We do believe, and we have proven that in Brazil, that a sharper portfolio with improved pricing is fundamental for profitability in the long run. Especially in a market like Peru, where profit margins are relatively thin.

Most important, our distribution systems, both in Peru and in Dominican Republic continued to improve by the minute as we advanced quickly with the implementation and practices of AmBev's best practice.

In Venezuela, first quarter volume grew by nearly 34%, as we continued to moderately, but steadily gain share in a market, which is currently booming. One piece of press news from Venezuela is that today, actually today, we launched Brahma Ice. And that puts us in the game of a segment we were not present, a segment, which today accounts for 40% of the market.

In Ecuador, the successful Brahma launch, with improving sales and execution contributing to the volume growth of nearly 130% in that region, that's ahead of our decision business plan. We know it's not going to be an easy ride in Ecuador. But we never expected it to be anyway, especially now that we know, after the Peru experience with lack of hard [indiscernible].

Finally, preparation for our beer launches in Peru and the Dominican Republic are in different stages. In Peru, our newly-built plant is already brewing and packaging. And, despite all efforts by our competitors to delay our launch through a series of, let's call them, legal injunctions, we expect to be in market soon, competing not in Bavaria's favorite turf of lawyers and courtrooms and political influence, but with salesmen and brands, one corner sale at a time. Which is a game we all know won't be easy. But it is a game our people love. And is the one we know how to play and will play.

In the Dominican Republic, after going through a very tough hurricane season at the end of 2004, which delayed our construction, the plans are now proceeding beautifully. And we are now on schedule for a fourth quarter launch in the Dominican Republic.

In summary, despite a tougher than anticipated quarter, we continue to get excited with the prospects not only of these two green field countries, but with the HILA region in general, where we will continue to invest for the long term to gain our fair share of that market.

Thank you, and now I will turn it over to Brito.

Carlos Brito - *AmBev - CEO for North America*

Well, thank you very much Juan. And good afternoon everyone. I'm happy to say that Labatt's progress -- progress from Canada for the first quarter is on track with our targets. We are implementing progress throughout the organization that are improving productivity, stretching our commercial dollars, and improving revenue performance.

We are firmly dedicated to our goal of 15% EBITDA growth this year - '05, and are committed to deliver on cost reduction and revenue performance targets.

We are currently rolling out our Zero Base Budget system, fixed cost control program that is currently in place in AmBev's Latin American operations. The Labatt team has committed to mapping planned expenses in detail, which is as evaluated base on incremental benefits, after expense outlay before they are approved.

Implementation is on schedule. And we are excited by the improvement that this program will bring, and is already bringing to our Canadian operations. We also continue to reassess our manufacturing footprint. And we have announced the closure of our Toronto [material] facility on March 31.

Another important development for the Company, Labatt, is the new bonus system we have put in place. It's very similar. It's closely based on the bonus system that has been so successful in our Latin American operations. In that, it creates a highly motivated work environment, where our teams are awarded bonus payments that are strictly dependent on achieving operating targets.

The system has been carefully designed so that each employee targets correlate to our core corporate targets, which then ensures that the goals of the employee's management team and the shareholders are all aligned.

We have also made market progress on the revenue side. For example, some of which was discussed in the fourth quarter of '04 conference call in March. There was a price increase for the Lucky Lager brand in Ontario. This change is driving price point repositioning throughout the entire of that segment, and there prices move from a 4, or previously CAD23.70 to Canadians to CAD26.40 per case of 24 during the first quarter of this year. We implemented that price increase on January 3.

Let's -- also the top line side of things, we have to invest more and be more focused on the Light beer segment, which proved to be a very resilient segment, despite all the discount activity taking place. What we need to do in order to tackle these opportunities is really to review our Light brand portfolio, which we are doing right now, which today includes five brands. And we are going to be much more focused on the way we go to market and the brands we are going to be supporting from now on.

Let's now move on to the financials for the first quarter. Net sales in Canadian dollars decreased 0.5 percentage point, a consequence of an 8% decline in shipment volumes. Almost compensated by an 8% increase in net sales per hectoliter.

The decline in volumes is explained by stable domestic volumes, and a 36 decrease on exports. Exports performed as a consequence of this continuing the co-packing agreement that we had in place for last year, and also a 23% decrease for the first quarter in the exports of Labatt brand products into the U.S.

Continued savings and a favorable U.S. dollar exchange rate contributed to a lower COGS per hectoliter, which decreased by 3.1%. That helped gross profit growth of 6.4%, which is the same as a gross margin expansion of 410 basis points, 64.5% gross profit.

Now EBITDA margin improved by 690 basis points, to 25%. This is due, for the most part, to lower SG&A expenses, which was driven by reduced headcount and the impact of our nearly implemented Zero Base Budget practice across all functions of Labatt.

We have also shifted the timing of certain marketing expenses because of some reviews in the marketing progress, which also lowered our SG&A expenses for the first quarter.

We know that there are still tough challenges ahead in Canada. But be sure that the combination of an increasingly diligent and driven team and our strong brand portfolio will continue to bring us success in Canada going forward.

So thank you very much, and I will now pass it onto Joao.

Joao Castro Neves - *AmBev - CFO and IR Officer*

Okay. Let's now discuss the impacts and results from EBITDA for net income. The consolidated EBITDA from all of our three business units, BRL1.452b. In a per share basis, useful to compare to first quarter results, EBITDA reached BRL26.64, delivering 11.9% growth.

Depreciation and amortization reached BRL266m, an increase of 29%. The higher amount was a consequence of consolidating the depreciation of Labatt's operations, which was not done in the first quarter of last year.

Moving onto provisions for contingencies, an amount of BRL30m was booked this quarter, majorly represented by complementary provisions related to an ongoing labor dispute.

We get now to other operating income and expenses, which is a line with significant impact in AmBev's P&L. The net amount booked this quarter was a loss of BRL411m, explained in the most part by the goodwill amortization of Labatt of BRL333m.

On top of that, the most relevant components to these results were BRL78.7m related to goodwill amortization at Labatt level, BRL53m of goodwill amortization related to past AmBev transactions in Latin America. And a gain of BRL44.2m related to fiscal incentives in Brazil.

The correlation to the goodwill of the Labatt deal, there are two important things to highlight. The first one is that we converted the outstanding amount in the balance sheet to reais, eliminating the volatility caused by fluctuations in the exchange rate to the euro.

Second, we revised the amortization schedule. And now we are comfortable to disclose the third amortization for 2005 at BRL923m. In addition to the amount of BRL333m already charged in the first quarter, BRL196.7m are expected in each remaining quarter this year.

Finally, [inaudible] that the goodwill balance, as of March 31, was up BRL15.9b.

Next, let's briefly go over financial results. We had a negative result in first quarter of BRL275m. The most relevant impact to that amount were total interest expenses up BRL174m, a net loss of BRL68m, reflecting the impact of exchange rate variation in our hedging instrument. BRL37.1m related to tax charge in Brazil on financial transactions, and an interest income of BRL22.5m.

In relation to other non-operating income and expenses, the amount booked in the first quarter was a net loss of BRL176m. The major driver for that was the closure of our plant in Toronto, which generated a provision of BRL178.9m, related to losses in sales of fixed assets, severance costs and complementary pension benefits. That, of course, is a non-recurrent event.

Those impacts I just mentioned drove the Company to earnings before tax of BRL291.9m, BRL30.6m lower than 2004.

The income tax and social contribution provision for the quarter was BRL109.7m. Considering the provisions put in place, profit sharing of BRL39.4m, which is tax deductible, the effective tax rate over earnings after profit sharing was 43.4%, compared to 20.2% in 2004.

However, if we add that goodwill to net earnings base, we will get this quarter to a tax rate of 14.9%, while the one for first quarter 2004 would be 17.4%.

Net income for the quarter was BRL144m, 52% lower than in '04, while net income per share had a decrease of 67.4% to BRL2.65. Regardless of such a decrease, we are pleased with AmBev's improved operating performance and are really enthusiastic about the prospective book moving forward.

Finally, I wanted to touch on AmBev's debt position. Gross debt increased this quarter to BRL8.3b, while cash and cash equivalents decreased to BRL1.089b. As a result, net debt decreased by close to BRL1,908b, to BRL7.3b. Despite this increase, AmBev's leverage remains at a ratio of 1.3 times net debt to EBITDA for the twelve-month trading, demonstrating AmBev's strong debt profile.

Before opening to questions, I wanted to share with you that as AmBev's offer for AmBev holding shares was finally settled on May 3. We are ready now to move with the stock bonus. The sale information on that will be provided no later than the end of May.

Thank you. And we open now for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. The floor is now open for questions. [OPERATOR INSTRUCTIONS]. Our first question is coming from Bob Ford with Merrill Lynch. Please go ahead.

Bob Ford - *Merrill Lynch - Analyst*

Hi. Good afternoon everybody. First of all congratulations on the quarter. My first question had to do with the change in what I believe is the compensation program in Brazil. As I understand it you're scrapping the all-or-nothing bonus plan and you're going to move towards a tiered variable compensation plan. Could you expand on that, if that is, in fact, correct, and what you will move toward?

Joao Castro Neves - *AmBev - CFO and IR Officer*

Do you want me to touch on this or do you want me to go over?

Bob Ford - *Merrill Lynch - Analyst*

If you could just say whether or not it's correct and perhaps outline what you're moving toward.

Joao Castro Neves - *AmBev - CFO and IR Officer*

Okay Bob. Hi Bob. Well, it's a very similar system to what we had before. Of course, we will always have, as our target, to grow above 15%. But we will have a -- what we think is a more intelligent ramp up, where we have a minimum that will be slightly below the 15%, increasing rapidly as we move also above 15%.

So you have -- as you go up at 15%, you also have the incentive to grow above 15%, as you go to 16%, 17%, 18%, 19%, you get a higher number of salaries, a higher number of the bonus as you move up. But you have a threshold that will be slightly below 15%.

And the rest is the same. We continue to have the long-term incentives related to the stock performance of AmBev as well.

Bob Ford - *Merrill Lynch - Analyst*

Okay. Thank you. And additionally I understand that there's possibly -- or I sense that you're evaluating the possibility of combining your [OM] shares and your [TN] shares in a single series stock. I understand that they have -- it's probably less economically attractive for the shareholders. Do any holders seem to be very concerned about corporate governance? I was just wondering what your views are. And as you sound major institutional investors to the likelihood of merging the two series, what your views are on that.

Joao Castro Neves - *AmBev - CFO and IR Officer*

Okay. I think first of all, of course, we are always concerned about corporate governance. And we will always take any actions that we seem appropriate to enhance that.

At this point, as you were right to just mention Bob, there are concerns. Some people seem to think this is a good idea. And at the same time some other people think this is not such a good idea. So we are analyzing that. But I've actually never heard the rumors you've just mentioned. It's something that we should always look at. But there's definitely no decision made regarding that.

Bob Ford - *Merrill Lynch - Analyst*

Okay. And then just lastly, with respect to Canadian EBITDA, if you take out the influence of the change in reputation of your -- the timing of the marketing spend, I'm curious what the EBITDA comparison would have been year on year in Canada without that impact.

Carlos Brito - *AmBev - CEO for North America*

Hi Bob. This is Brito. And what we faced from the first quarter into the second quarter is CAD6m. So that would impact instead of 72 to 95, that would be 70 to 89.

Bob Ford - *Merrill Lynch - Analyst*

Thank you very much. And congratulations. It's good to hear.

Carlos Brito - *AmBev - CEO for North America*

Okay. Thanks.

Operator

Thank you. Our next question is coming from Jose Yordan with UBS. Please go ahead.

Jose Yordan - *UBS - Analyst*

Hi. Good afternoon. I had a couple of questions. One on Canada. I was wondering -- I'm sure you're aware of the performance of your major competitor in Canada. And I was curious as to how you were able to hold onto all your share and just have flat growth when their performance was pretty disastrous in terms of share losses and volume and all that. If you could just give us some idea of the dynamics of the industry right now.

And then a related question in Canada, the 8.6% decline in export pricing, was that a transfer price issues or just discounting to the trade in the U.S. or a mix change, or a combination of the above?

Carlos Brito - *AmBev - CEO for North America*

Hi Jose. This is Brito. Well, I'll start with the second question. And in the -- the increase in our export prices really is a fraction of the pricing dynamics that we see today across the border in the U.S. And you know that there is some pricing pressure, especially in the north east part of the country. But not only that. And that's where we have our stronghold for our Labatt family products.

So it is a reflection of a tougher pricing environment in the first quarter, given the volume that the industry saw. So it was as a soft start in the U.S. for the first quarter. So it's a price reflection.

For your first question, I think every time you go through a merger I think you take the eye a little bit off the ball. I'm not trying to explain our competitor's performance. But I think we should be careful when we analyze their performance and our performance, just because it is fair to say that this is the first quarter right after a major -- exchanging the way they do things on their side. So I think -- I wouldn't count on that first quarter, and just say that they have all these problems, I think, that should be discounted.

On our side, I think we have had some good first quarter on the western side of Canada. Also in Quebec we had a very good first quarter. And that covers around 60 to 65% of the business.

The pressures we feel continue to be in Ontario, and a little bit on what we call the private provinces. And especially in Ontario, which is 30% of the business -- 32% of the business, Molson has a bigger share than we do, and therefore may be under a little bit more pressure on their products. And I don't think in the west they performed that well as well.

So again, we were facing the same kind of challenges they are facing. And I think you are talking only about one quarter. And this special quarter they had all this merger going on. So I think we're a better company. I think we have better people and better brands. But I also need to discount their first quarter a little bit maybe.

Jose Yordan - *UBS - Analyst*

Do you think they -- whether they matched your price increase on their discount brands or would that be a factor at all in this?

Carlos Brito - *AmBev - CEO for North America*

Yes they did. Yes they did. We increased prices in January 3, the first week of January. And pretty much all the players during the month of January followed that price increase. And so from 23.70 -- 24 to 26.40. And that has been the new four for the discount segment now for the fifth month, entering the fifth month now, May.

Jose Yordan - *UBS - Analyst*

Okay. And I can have a follow-up as well on the share series. I have got many questions. And I asked myself the question about why the decision was made to give a one OM share for every five you own, regardless of class. And I guess that we -- investors and analysts have never really gotten an answer to why that was other than the board decided it.

And now we're hearing the prior question about merging, perhaps, in the future the two classes. Anything -- you can shed any light on why we're even thinking about all this at this point because my guess is it has to do with, I guess, deals in the future -- deal structure issues in the future. But to hear your comment on that would be great.

Joao Castro Neves - *AmBev - CFO and IR Officer*

Hi Jose. This is Joao. I think number one, just going back to your comment and Bob's comment whether we are thinking about merging those two shares. And as I said, I don't know where this is coming from. The Company has never stated any intention to do that. So I just want to reinforce that point.

And I think second, the two basic reasons we mentioned actually want -- for doing the one to five OM shares, one is related to new structure, as you mentioned. We still think it's important to have the flow from the OM shares as we still analyze and we still think there is room for deals in Latin America where we wanted to use our holding shares. That's definitely one.

And second, we have to -- we also had the protection from the [customer] base that they did want the float for the main shares to continue to exist.

Jose Yordan - *UBS - Analyst*

Okay. Thanks a lot.

Operator

Thank you. Our next question is coming from Lore Serra with Morgan Stanley. Please go ahead.

Lore Serra - *Morgan Stanley - Analyst*

Okay. I have a couple of questions. Let me ask then one at a time. First, in terms of beer, in the Brazilian beer business, you report a very good pricing in the first quarter. And I am wondering if you see this level of pricing as sustainable as we enter the second quarter and beyond?

Luiz Fernando - *AmBev - General Manager for Latin America*

Hi Lore. This is Luiz. [indiscernible] we believe this is the sort of price that we intend to maintain for the rest of the year.

Lore Serra - *Morgan Stanley - Analyst*

Okay. Do you have any [indiscernible] tax to the time to raise prices in the region we have seen tax change afterwards or [inaudible].

Luiz Fernando - *AmBev - General Manager for Latin America*

Sorry, Lore. Could you repeat the question please?

Lore Serra - *Morgan Stanley - Analyst*

Yes. At times when we have seen you raise prices, we have seen subsequently that in the following quarters taxes come up and offset some of the price increase. Do you anticipate that happening this time around?

Luiz Fernando - *AmBev - General Manager for Latin America*

Yes, we always pass both inflation and taxes for prices. So of course it always can happen in the future. But if they happen, of course we have our means to recover from these tax increases. And we are adding some revenue initiatives. So even some prices increase -- very slow price increase if they were to happen. But at this point we don't see any pressure coming from the government. So if it happens, of course, we should be passing them to price.

Lore Serra - *Morgan Stanley - Analyst*

Right. And you, in the fourth quarter conference call, gave us an outline of the hedge rates, I don't know if this was for [indiscernible] for 2005 for the raw material cost. And you said in your press release that there was some hedge raised, in effect, for the fourth quarter. So could you just clarify for us what were your raw material hedges at in the first quarter and any updates in terms of your thoughts for the progression in 2005 please?

Joao Castro Neves - *AmBev - CFO and IR Officer*

Yes, Lore. I don't actually have the numbers that we published on the fourth quarter here with me. But basically the numbers that we disclosed in the last quarter is the hedge rates for the year are maintained. But the first quarter was [2.91]. And for the year we mentioned the average of 3.02.

Lore Serra - *Morgan Stanley - Analyst*

Okay. And could you just update us on events that some raw materials are going up, aluminum and PET. Have you seen the majority of that increase in the first quarter? Or should we expect to see some of these costs increase further as we progress to 2005?

Joao Castro Neves - *AmBev - CFO and IR Officer*

We saw some of it on the first quarter. That's why we mentioned the carry over and efficiencies were able to more than offset them. There is a greater -- there is some impact on beer. And also, as we mentioned in the last quarter, we believe that the initiatives -- the [procuring] initiatives, the efficiency initiatives that we have, we believe that they will compensate for any, especially aluminum for the year.

While for soft drinks I think there is a little bit more pressure on soft drinks given that you have PET, aluminum and sugar. Mostly PET and aluminum having a bigger effect. We also have procuring initiative and efficiency initiatives on top of them. But soft drinks will probably suffer a little bit more, as beer will not.

Lore Serra - *Morgan Stanley - Analyst*

Okay. And just lastly on Canada. I am wondering -- you provided the first quarter '04 numbers and that was very helpful. Can you provide us the quarterly numbers for 2004 so we could see the progression of income throughout the year?

Joao Castro Neves - *AmBev - CFO and IR Officer*

Yes, we plan to do that. You will see that on the [indiscernible].

Lore Serra - *Morgan Stanley - Analyst*

Okay. Thank you.

Joao Castro Neves - *AmBev - CFO and IR Officer*

Yes.

Operator

Thank you, our next question is coming from [Timothy Deramci] with Bear. Please go ahead.

Carlos Laboy - *Bear Stearns - Analyst*

Good afternoon everyone. This is Carlos Laboy. Two questions. First on Brazil. How do you slam the brakes on your Brazilian market share momentum at 68 to 70% if your competitors are shooting themselves in the foot? And are you going to have to increase prices? How do you do that? Why would you do that?

And on Canada, for Brito, can you expand on how you are seeing industry volumes, market share pricing trends unfolding for this summer? And where do you see the Light beer volumes being sourced from?

Joao Castro Neves - *AmBev - CFO and IR Officer*

Brito, would you like to take the last one first?

Carlos Brito - *AmBev - CEO for North America*

Yes. So Carlos, could you repeat the last one? Sorry.

Carlos Laboy - *Bear Stearns - Analyst*

Yes, the question on Canada is how are you seeing industry volumes, market share pricing trends unfolding for the summer? And where do you see your new Light beer volumes being source from as you reconsider the Light beer category?

Carlos Brito - *AmBev - CEO for North America*

Okay. In terms of industry, the first quarter we saw some industry softness. And that industry is 1.5% down in Canada domestic industry, as opposed to year on year. So 1.5% down.

In terms of the summer, we are preparing a whole series of activities to try to take advantage of the summer since the second quarter and third quarter is a very important quarter to our business.

In terms of the Light segment, we do have five brands today in the Light category. It's not working for us. It's very clear when you look at the different segments in the Canadian market. We are having some good performance from the mainstream domestic segment. We are having some good performance on the specialties, be it domestic and imports. But we have to reassess the way we are supporting our brands in the Light segment, and that is what we are doing. And also on the discount segment.

On the Light segment, today we have five brands. And it's not working because it's just -- what I have in mind it's four or five brands. It doesn't make sense. And we're going more and more towards a one-brand type national proposition for the Light category. I wouldn't be prepared to expand a lot and give a lot of details on that. But yes, we are going to be refocusing behind one brand.

Carlos Laboy - *Bear Stearns - Analyst*

Brito --

Carlos Brito - *AmBev - CEO for North America*

And then the volume -- sorry, the volume is going to be sourced from Molson pretty much because Molson dominates the Light category. Coors Light has two thirds of that segment. So if we are successful, that's where the volume's going to come from.

Carlos Laboy - *Bear Stearns - Analyst*

And how do you see the volume trends for the summer? Do you think it remains weak, lackluster, or do you think it improves from here?

Carlos Brito - *AmBev - CEO for North America*

Well, let me tell you a little bit about April. The numbers are not finalized yet, but we had a very tough April. Not very good. Volume in terms of our volumes, there are some explanations to that, but the fact of the matter, and again, the numbers are not closed yet, but volumes are 7% down in April -- our volumes -- domestic volumes, as opposed to April last year. So a very bad month of April.

We could say that the fact that Easter moved from April to March, that did help, of course, a little bit the first quarter. It didn't help April with COGS.

And the other thing the competitors are also saying, and I have to recognize it is playing some kind of role in that, and I don't know yet to what extent, is the whole thing about the hockey strike. And April is normally the play-off month. And this time around we didn't have any activity. And that impacts a lot the on-premise as well as the off-premise.

So again, April volumes are not finalized yet. We don't have a big reading yet in terms of what industry did and share. But it looks like our volumes are going to be 7% down in April as opposed to last year.

I wouldn't consider that to be reflective of the summer, also because in April we didn't have a whole bunch of activities - almost none. And May is when we start having the activities for the summer.

Carlos Laboy - *Bear Stearns - Analyst*

Thank you.

Operator

Thank you. Our next question --

Luiz Fernando - *AmBev - General Manager for Latin America*

No, no. I think Carlos had a second -- a first question. And if I understood, you were asking how will we increase our market share from now on in Brazil. Is that correct?

Carlos Laboy - *Bear Stearns - Analyst*

Yes. You have a lot of market share momentum from what you're doing on brand income and how you're going to market. How does that suddenly stop now that you're about 68 to 70% level and your competitors are not doing a very good job?

Luiz Fernando - *AmBev - General Manager for Latin America*

Well, Carlos, actually this is the first time in the last three to four years that we are able to maintain our market share even after increasing prices. So we are very happy with not losing market share after having a 7% -- 6 to 7% price increase during December. So this is the first time that this happened.

Now, after three months, with a stable market share, we believe we have some tools. We have our plans that we continue to perform very well in terms of preference and willingness to buy. We have the premium segment that is performing very well. As I said, Bohemia, Original, not only Bohemia but and Original, [but Skol is]. Our non-alcohol segment is growing by 60%. So I think the premium segment will help us in the future.

We have consolidated our direct distribution system. And we will continue to grow, at some point this year, we will continue to grow our direct distribution network. Together with our multi-brand distributors, we are increasing in the whole country.

And, of course, we have seen the effect of the full measures in place now. Not everything that we would like to have. I think we still have some opportunities to increase the efficiency of the full measures. But for the first time, compared to the increases of prices faster than they used to do in the past.

So I think -- I think we had a very good quarter in terms of market share. March was lost in the supermarket segment that faced a -- we didn't have any holidays, where usually we put our money back to our brands to support our brands in terms of promotions and discounts the main days during the month. We didn't have during this last [indiscernible]. So that's it.

Carlos Laboy - *Bear Stearns - Analyst*

So if your market share momentum remains strong, do you see more pricing?

Luiz Fernando - *AmBev - General Manager for Latin America*

Yes, it continues to be strong. We believe in the next month we could be increasing some market share in the country.

Carlos Laboy - *Bear Stearns - Analyst*

Thank you.

Operator

Thank you. Our next question is coming from [Daniel Paris] with [Sebredon] Investors. Please go ahead.

Daniel Paris - *Sebredon Investors - Analyst*

Thank you. Good afternoon. One of the other perceptions that's out there in the investment community, partially driven by some of the European analysts talking about Interbrew is the degree to which the dividend -- they refer to as the dividend lead. But basically talking about basically that all of AmBev's free cash is going to be paid out in dividends.

Given the complexity of figuring out your dividend, using the interest on capital and then normal dividend, it's going to be hard to figure that out. Your current results for this quarter complex as well. Is there a back of the envelope, maybe off of an EBIT or an EBITDA number, back of the envelope calculation that we could do that would give us a good sense of what you might return to shareholders in the dividend in any given year - some percent of the EBIT or EBITDA that we could use to track this?

Joao Castro Neves - *AmBev - CFO and IR Officer*

Hi Dan. I think what we have said, in fact, number one is we -- we will continue to use dividends and share buybacks to give money back to our shareholders. We have the additional benefit, given the fact that our owners' equity has increased a lot. We have -- we will probably be paying a higher amount on internal capital, as we have mentioned in previous quarters. And you should also see the dividend increasing.

I don't think there is, at this point, an easy way to do a back of an envelope. The easiest way would be, of course, looking at the cash generated and then taking from that the CapEx that we mentioned, that is close to BRL450m. Out of that, if we -- we also have mentioned that we have a minimum cash balance of about BRL700m. The BRL450m in CapEx are of course of costs in U.S. dollars. And you can say we have about 300m that we consider to be the minimum cash to operate the Company.

Daniel Paris - *Sebredon Investors - Analyst*

So 300m in U.S. dollars?

Joao Castro Neves - *AmBev - CFO and IR Officer*

In U.S. dollars, yes. Okay. So if you take the cash generated by your own projections, and you take out the CapEx, and you could take out this minimum cash requirement. From there you can imagine that if we have a lack of better opportunity for acquisition or better projects after all of them are including CapEx, you can take that.

And from there it will be split in that, not [equal]. And the greatest part will be in internal capital, which is a limit, of course. And then dividends. And then the last part will be in share buybacks.

What we have said in the past is the average that we saw in terms of share buybacks, taking aside 2004, was an average between BRL300 and BRL400m in terms of share buyback.

Daniel Paris - *Sebredon Investors - Analyst*

And you want to keep that roughly the same. And everything else that is available is in the form of either the traditional dividend or the return on capital?

Joao Castro Neves - *AmBev - CFO and IR Officer*

Yes. First return on -- first the return on capital. Second, dividends. But there is always the possibility that we will maintain that range of BRL300 to BRL400m for share buybacks.

Daniel Paris - *Sebredon Investors - Analyst*

Yes. Okay. Fair enough. Again, the perception issue again, some people were getting -- I saw one note referring to doubling the dividend yield. They seem to all be working back from a fixed amount of dividends. Also in a 4% yield. One was saying it could be even double that. So I got the sense that at least some of the sell side is working backwards off a set number that perhaps they have gotten from you. And that's what I was trying to ascertain.

Joao Castro Neves - *AmBev - CFO and IR Officer*

Yes, that's not coming from us. But basically what people are doing is -- of course, and that does have a strong cash generation for this year and, of course, going forward. And as we have that going forward, the reality, you will probably see higher amounts of money flowing back, unless there is, as I said, an acquisition.

So this is people basically doing calculations off -- the -- of the amounts that I just mentioned to you, the cash generated, minus CapEx and minus the minimum cash requirements, and dividing by the current share price. So if you do that, people are getting between 4 to 8. But that's analysts' own calculations and not Company guidance.

Daniel Paris - *Sebredon Investors - Analyst*

Okay. Fair enough. Thank you.

Operator

Thank you. Our next question is coming from Tania Sztamfater with Unibanco. Please go ahead.

Tania Sztamfater - *Unibanco - Analyst*

Hi, hello everybody. I'd like to know if you could give us some more color on the actions that we would take in order to revert your market share loss under [indiscernible] business? As considering that on 1 side you mentioned that the loss would still see the lower price gap with your competitor. And we know that on that segment you are market follower, so I would expect a price decrease.

And on the other hand you mentioned that you -- we should expect further brand investment and your marketing expenses grew 8% on a year on year basis. So then I would expect marketing expenses, maintenance or increase. Should I expect both or what will be the actions?

Joao Castro Neves - *AmBev - CFO and IR Officer*

Okay, first let me clarify something, you should compare first quarter last year with first quarter this year, our market share in soft drinks remains stable. Of course, we are not satisfied with the March losses and we believe and our studies show that we lost because our price gap compared to the leader has been the lowest gap ever.

And, of course, when we increased prices during February we had the [B&C] pressure going forward, so we decided we should pass this pressure to prices immediately and we haven't seen our competitors doing the same. So, of course, we have many strategies and I won't discuss all of them here because it would be an advantage for them.

But we have, we do have we've been studying many alternatives. We have this additional investment that we plan to make this year. As we announced at last quarter we have an additional BRL20m in the soft drinks plan for this year. We will do this in March but if its not we are at this level of profitability that we have to descend volume and we believe if, if the region doesn't react in price [indiscernible], they don't increase their prices we will have to implement some additional initiatives this year.

So I wont -- I wont discuss what kind of initiative we have, of course, we do that in the future as we [indiscernible] them. But at this point we feel like we have prepared. We are just waiting to see what happens to our competitor's price in the next few weeks to pick the season.

Tania Sztamfater - *Unibanco - Analyst*

Okay. Thank you and just 1 more question on your goodwill. The changes in the projections of goodwill amortization, is that done with because the first -- the first of -- the first one's were preliminary? Or this reduction is this to some changes in Brazil you have on what will be the results of the Canadian operation?

Carlos Brito - *AmBev - CEO for North America*

Well basically we think the -- this current method for the amortization of the goodwill makes more sense. It relates directly to the results of the Labbatt operation.

Tania Sztamfater - *Unibanco - Analyst*

Okay, could you give us some guidance on what do you expect to be the tax use for the next quarters? If you expect it to be to stay at the same level of the first quarter? Or given the fact that you have a larger amount of revenues, you expect it to come back to a lower level?

Joao Castro Neves - *AmBev - CFO and IR Officer*

Do you mean the -- the effective tax rate?

Tania Sztamfater - *Unibanco - Analyst*

Yeah the effective tax rate sorry.

Joao Castro Neves - *AmBev - CFO and IR Officer*

Okay, that's alright. Well basically we don't -- we don't give out guidance on this figure and match that quarter by quarter. I think if you take the historical number for AmBev in terms of cash earnings and not just with the goodwill, historically it will have worked down and in the number that you will see it's between 20% to 25%. That's probably a good rate to work with, but again taking cash earnings.

Tania Sztamfater - *Unibanco - Analyst*

Do you have a -- a off balance sheet loss going forward that you could activate more?

Joao Castro Neves - *AmBev - CFO and IR Officer*

Well as you can -- as you can use in the calculation, of course, we have a number of tax claiming initiatives. And giving those back to initiatives its thanks to those as well as any tax issue from the back that we have been able to maintain our historical number of between 20% to 25% as an effective tax rate.

Tania Sztamfater - *Unibanco - Analyst*

Okay and just 1 final question on the HILA X operation. Do you expect the EBITDA level to stay at the current level of 4% given the fact that you mentioned before? Or do you expect it throughout the year to come back to the levels seen in during last year?

Joao Castro Neves - *AmBev - CFO and IR Officer*

We don't expect HILA to be any major drawback on AmBev in general. But we continue to invest in implementing AmBev's best practices and investing in the distribution system. So we intend to stay pretty much neutral and obviously the level of investment will be at -- will be tuned to the level of how good, how we are doing in the open market. So there will be no major, positive or negative new stuff coming from HILA.

Tania Sztamfater - *Unibanco - Analyst*

Okay. Thank you.

Joao Castro Neves - *AmBev - CFO and IR Officer*

Thank you.

Operator

Thank you [OPERATOR INSTRUCTIONS]. Our next question is coming from Alex Robarts with Santander please go ahead.

Alex Robarts - *Santander - Analyst*

Yeah hi, just a couple of questions here on Canada. You -- you've gave us some pretty good guidance, or general guidance -- hello.

Carlos Brito - *AmBev - CEO for North America*

Yes. We hear you.

Alex Robarts - *Santander - Analyst*

I'm sorry just you've given us some nice guidance in Brazil viz a viz your revenue per hectoliter. And I am just wondering if you could give some clues in Canada, I mean specifically interested to see that 3.5% increase in revenues per hectoliter domestically there?

And I know you had, there was a 3% increase last year in February and just wondering if, in fact, this particular increase was just a function of that Lucky Lager price increase? Was there -- were there other pricing actions and maybe kind of giving us the sense of going forward this year?

Are there some levers that you can use on the packaging and brand front, that might give us some positive or mid single digit revenue per hectoliter growth?

Carlos Brito - *AmBev - CEO for North America*

Hi Alex this is Brito. I wouldn't like at this point to give any guidance in terms of revenue per hectoliter, just because again we've implemented some actions in terms of revenue management, I mentioned the main 1. We've done some others, minor ones. And we will continue to do this throughout the year.

But I mean at this point I wouldn't like to commit or give any guidance. My only guidance is really in terms of EBITDA 15% growth, that's the whole bonus system and target planning cascading throughout the company was done based on that. And we do have some leverage to get there but I wouldn't like to go much further than that.

Alex Robarts - *Santander - Analyst*

Okay, just specifically then on the quarter was that 3.5% increase, was that specific to the Lucky Lager move or --?

Carlos Brito - *AmBev - CEO for North America*

No, no, no there -- that was also some annualized to our quarterly. In fact in some other price factors that we saw during the last year that you now see reflected on the first quarter.

Alex Robarts - *Santander - Analyst*

Okay, and just a sense of just the value brand Carlos portfolio in your Ontario province, is that -- what rough range is that as a percentage of your total volume?

Carlos Brito - *AmBev - CEO for North America*

Okay, that's a good point. The share, the different segment today in Ontario it grew in December to from 25%, 24% of total market to 30%. And there it stayed, now it's the fourth month April, that it stayed pretty much at 30% 32%. So of course it's a very high level but in a way it is good news, if I could say so, in the sense that it's not growing any more.

Now what -- what you see is a lot of activity in our brands -- in our brands getting shares from other brands within that 30% to 32% size of segment. And in that segment we did lose some share. Because again we are here to build brands and to make money selling brands at a premium, not to sell at floor price. So we decided to have only brand there, which is Lucky. We didn't support the brand so we did lose some share there as opposed to some other segments where we grew share.

Mosel for example has a different strategy in that they have 3 brands in Ontario in the discount segment. So we have different strategies there.

Alex Robarts - *Santander - Analyst*

And Lucky might be I mean what about 5% -- less than 5% of your volume or less that 10%?

Carlos Brito - *AmBev - CEO for North America*

In Ontario I will do a rough calculation here, just a second, I could confirm that number to you. But it could be -- should be 8% by Ontario volume.

Alex Robarts - *Santander - Analyst*

Okay, that's helpful and --

Carlos Brito - *AmBev - CEO for North America*

[indiscernible] that number but in the back of the envelope type thing, I think that's pretty much around 8%.

Alex Robarts - *Santander - Analyst*

Okay, and just as you are into Canada here 5 months of the year, you talked about last -- last fall the 60mn synergy number and I just recall as you'd gotten into the synergies your last experience in 2003 with Telmus in Argentina. I mean you gave us some interesting progress reports, as you've got into this for the first 5 months, are you feeling confident about the 60m in synergies?

And have we -- roughly do you think we can see some of this, this year? And are you even seeing some of this in the first quarter?

Carlos Brito - *AmBev - CEO for North America*

Oh yeah, sure I feel very comfortable about the synergies. What I saw -- what I said that last time was that we had some track record in delivering synergies through the AmBev combinations and then through the Telmus transaction.

Of course, any -- you cant really see if you look at [special] and cost numbers, fixed cost numbers for the first quarter, although we are still in the -- on the way to implement really fully, you will see that the mind sets already there, and people are being much more careful on how they manage the fixed cost base. So it's already hit them and you can see reflected on the first quarter numbers.

Of course, the challenge in Canada and we all know that, is that we have to be very careful in how we manage the market place in price points and packages and brands. Because, of course, we would like to give back the synergies on -- back to the market. So the challenge here is not to get the synergies but it's to keep the base solid, so it's just to put the synergies on top. As opposed to just use the synergies to bridge some other shortfalls.

Alex Robarts - *Santander - Analyst*

And I guess the last question is really for Joao and I was just trying to get a sense of -- you have this cost of sales hedge on for these quarters these year. Is there a rough number or sense you could give us on -- in the first quarter for Brazil? What was the specific cost of having that hedge, I guess it was the difference of 291 versus the prevailing rate of about 250? Was there -- could you give us a sense of what the cost of that hedge was for this first quarter?

Joao Castro Neves - *AmBev - CFO and IR Officer*

Hi Alex, that would probably be close to BRL30m on top of the calculation of [indscernible] that would affect our variable cost, so roughly BRL30m.

Alex Robarts - *Santander - Analyst*

Okay thank you very much.

Joao Castro Neves - *AmBev - CFO and IR Officer*

Yeah.

Operator

Thank you. Our next question is coming from Andrea Teixeira with JP Morgan. Please go ahead.

Andrea Teixeira - *JP Morgan - Analyst*

Hi. I just want to get some clarification on the revenue management fall in Canada. If you could talk about this new increasing in the number of price points, also for other brands?

And also if you can talk about what is the effect on the cost, we saw the depreciation of Canadian dollar, and then some of the effects of the synergies as we -- you talked about?

How can you from that reduction 2% reduction in cost per hectoliter, how much of that would be attributed to depreciation in the Canadian dollar, vis a vis the synergies? Thank you.

Carlos Brito - *AmBev - CEO for North America*

Well starting from the second question I will have to get back to you because I don't have the split in terms of the variable cost reduction, what's the currency and what's best practice implementation and also what's volume. So I would have to get back to you. Sorry about that.

The first question about revenue management and the price points, I think what -- again as I just mentioned we do have some other initiatives that are going to be break out as we go towards the end of the year, in different provinces, different packages. So revenue management is going to be very active in Canada just as the way it was in Latin America has always been.

So we are getting more and more research and data to be able to be more, more smarter about how we do price increases and how do we get less money, to let less money be on the table, as opposed to general price increases from the past. So that's what we are trying to do.

Again I wouldn't like to give any guidance in terms of I think its too early in the year to do that. The guidance that we are really committed to is the 15% EBITDA growth year on year for the Canadian business.

Andrea Teixeira - *JP Morgan - Analyst*

Okay, great. Can you also talk about the situation of Molson, they are trying to, you think that they are trying to recover the volumes in the market share would mostly come from those value protection brands or new strategy? How has they evoluted in terms of how they were in the first quarter in April, if that is what they did in April?

Carlos Brito - *AmBev - CEO for North America*

I don't know what their strategy is but what I read in the market place is that they continue to be a very rational competitor. So that's good news for us, so they are not doing anything that we would rate as, anything that would show in the market place.

The only thing that we can say it's a different point of view, is that they are investing more in terms of having more brands, of supporting more brands in the discount segment than we are. So that's 1 thing that they are doing different. I cannot say its irrational it's just a different take on the whole discount category.

Andrea Teixeira - *JP Morgan - Analyst*

And that would mean that it would be help increase some market spending going forward to get some protection to Lucky?

Carlos Brito - *AmBev - CEO for North America*

No, no we are committed to -- again we didn't give any guidance on the market spend. But we at this point we don't feel that we need more money than we have in our budgets for supporting brands.

What we are doing this year is that we are supporting fewer brands, so we are focusing our efforts. And we are trying to stretch those markets in commercial dollars a little more to get more out of it with the same kind of assets.

So that's the challenge that we put to our market people. And that's 1 of the reasons why we phased $6m from first quarter to the second, because we thought that the programs that we had for the firs quarter, not all of them were fully optimized.

Andrea Teixeira - *JP Morgan - Analyst*

Okay great. That's very helpful. Thank you very much.

Carlos Brito - *AmBev - CEO for North America*

Welcome.

Operator

Thank you. Our next question is coming from [David Ballantey] with Lehman Brothers. Please go ahead.

David Ballantey - *Lehman Brothers - Analyst*

Good afternoon gentlemen. I have a quick question on your net debt. I was wondering if you could explain to me why the 2, 3 key reasons why the net debt went up in the first quarter of 2005?

And also perhaps if you could provide us a guidance as to where you expect that net debt level to be for December 1, 2005 basically?

Joao Castro Neves - *AmBev - CFO and IR Officer*

Hi this is Joao. Well we are basically committed to maintaining the guidance of having our net debt EBITDA of between 1.3 and 1.5 times EBITDA. That's I think those are the best numbers for you to work with.

David Ballantey - *Lehman Brothers - Analyst*

Right okay. Can you perhaps just remind me and explain of what your blended coupon rate was in the quarter, accounting for the impact of any swap transactions that you have on your debt?

Joao Castro Neves - *AmBev - CFO and IR Officer*

I think the best number that I can give it to you at this point David is the number that I mentioned during the opening remarks, which is basically BRL174m.

David Ballantey - *Lehman Brothers - Analyst*

Alright, okay. Thank you.

Operator

Thank you. Our next question is coming from [Dan Vergers] from Wells Capital Management. Please go ahead.

Dan Vergers - *Wells Capital Management - Analyst*

Good afternoon. It would seem that you could generate significant savings in interest costs if you were to refinance the publicly traded Ambev bonds that you had outstanding. So can you tell us if you have any plans to do that and if not why?

Carlos Brito - *AmBev - CEO for North America*

Yes basically we, of course, we analyzed that since we've got a couple of questions on that, given the covenants that we have in place at this point, given the restrictions that we have at this point, it is the best thing to do. We will keep analyzing and if we can implement a new structure that would effectively have any savings in interest expense we will do them.

Dan Vergers - *Wells Capital Management - Analyst*

Thank you.

Operator

Thank you. Our next question is coming from Celso Sanchez with Citigroup please go ahead.

Celso Sanchez - *Citigroup - Analyst*

Hi. I have a couple of questions. I wonder if on the first 1 in Brazil if you could just expand a little bit and put some color on the super premium segment, the success -- or successful acceleration in growth? Do you -- can you give some ideas of brand indicators or trends in April, or comparatives from last year?

As I recall they always grew or did better than I thought the volumes of the portfolio did, so it doesn't really look that you had a worse end of year comp. So is this really just an acceleration that we expect to see for the next couple of years, and if that's the case is there going to be a price gap issue that [indiscernible]. That's my first question.

Luiz Fernando - *AmBev - General Manager for Latin America*

This is Luiz. Basically we are doing everything to have twice the growth that we have in the mainstream brands for this year. And we have a largely the target for the next couple of years to grow super brew brands twice the main stream. So we expect that will be done the rest of the year.

Of course, we had a very good first quarter, we don't expect to have the same growth for the rest of the year. But twice the mainstream will be rated. I think we have a couple of strategies that would work.

Since last year we've started with our markets project that they combine the sales force in a different manner, given 2000 -- leader brand in this region to carry the super premium brands together. Again leverage that forwards and execution for the super premium brand.

We are managing the price to consumers not our price to retailers but price the consumer much better than in the past, giving more focus, more relevance for the sales force. With the synergies with our more [indiscernible]. So we have better performance in terms of brand.

And we have some news that we will see probably in the next end of quarter, or maybe in the last part of the year. So these are what is in place now and we still have things to amass in the next couple of months.

Celso Sanchez - *Citigroup - Analyst*

Can you remind us the contribution margin as I recall on the Premium on [indiscernible] sorry, was that something in the order of 2 to 3 times that of the mainstream is that right?

Luiz Fernando - *AmBev - General Manager for Latin America*

We never disclose these margins by brand. All I can tell you is basically we have a Premium offer from 15% to 20% in the price to retailer compared to the mainstream. So I think this is -- you can find or you can have some confidence on that, but we don't disclose in this margins per brand.

Celso Sanchez - *Citigroup - Analyst*

thank you. And then I guess the next question is more on Canada. A couple of things but Molsen bought [Premor] a couple of weeks ago, is that something expanding into 1 of these premium brewers, like super premium brewers, craft brewers is that something that you would consider in Canada in terms of offsetting the pricing pressures you are seeing on the main stream?

Carlos Brito - *AmBev - CEO for North America*

Yes, I mean -- this is Brito. We do show -- we do have the number one specialty brand in Canada, which is Alexander Keith. And we are very happy with our brand. We are going to invest more this year behind it. So we don't feel at this point -- I got some echo so I didn't get your question 100%. But if I understood it correctly, we think in this segment we have a very good brand. And we are going to put just some more support behind it.

Celso Sanchez - *Citigroup - Analyst*

Okay. Thanks. And then as a follow-up, we understand that some of the revenue management activities you have undertaken in Ontario involved some new SKUs, some 18 and 15 packs for bottles. As I understand it, the 18 packs, although they're not that widely available, effectively are 20% or 18% discount per bottle -- per unit, I should say, at the retail level. Maybe you have seen that for a few weeks.

So is that something we should expect for the duration of the summer or is that really just ahead of the Victoria Day holiday or -- how should we look at that in terms of a driver of volume growth?

Carlos Brito - *AmBev - CEO for North America*

Yes, it's a very good point. We think one way just to address the price difference, so the price gap we have between the four -- the discount segment and the mainstream domestic premium brands, which is from 26.40 to 35.50, so a 35% mark-up there, is really to discover in between some different combination of packages and price points.

The 18 pack that you are referring to is an experience that we are currently doing just in one city in the province. So it's a pilot. We're not doing it throughout Ontario. Not even throughout Canada, of course. But that's right. It's a price point combination between the four and the mainstream price point. And we have some other initiatives to come to address that gap.

Celso Sanchez - *Citigroup - Analyst*

Is there any concern that the -- given that the very big discount, at least relative to the force of the mainstream, is there any concern that that refocuses consumer attention over the long term. Or is it really just going to be a short-term promotion?

Carlos Brito - *AmBev - CEO for North America*

For the time being it's just a test. But I think -- we think that the kind of market we have in Ontario you do need this kind of different price points because consumers do shop based on occasions. And you do have to capture these different occasions that consumers are looking for. Maybe a smaller pack and/or an interesting price point.

It's kind of hard to see the industry evolving. We're just -- basically two price points. The four and the 35.50, which is 35% premium.

Celso Sanchez - *Citigroup - Analyst*

Right, okay. Just the last question if I could. The evolution of the revenue over the course of the year, I understand that 15% commitment to EBITDA growth. But when you said you are committed to the revenue targets, can you remind us again what those are or the synergies of 60m with that? Should that be added to or should that effectively include the brewery closure that wasn't part of your original [synergy with] [indiscernible].

Carlos Brito - *AmBev - CEO for North America*

No, the BRL60m that we referred to when we went public with the transaction, that was on the cost side. And revenue, top-line target for this year, we never really disclosed any top-line target. What we disclosed from the very beginning was the 15% growth target EBITDA-wise year on year.

Celso Sanchez - *Citigroup - Analyst*

Okay. Sorry -- and then the [primary] closure of that 15m in savings a year. Should we think of that as incremental to the 60?

Carlos Brito - *AmBev - CEO for North America*

No. That's part of the 60 going forward, beginning in '06.

Celso Sanchez - *Citigroup - Analyst*

Okay. Great. Alright, thanks very much.

Carlos Brito - *AmBev - CEO for North America*

Thank you.

Operator

Thank you. At this time I would like to turn the call back over to Luiz Fernando for any closing remarks.

Luiz Fernando - *AmBev - General Manager for Latin America*

First let me say that I was expecting for a question about our volumes in April in Brazil. So I'm glad to say that we were at the high single digits both for soft drinks and beer. What is a very encouraging number for the rest of the year.

And that could well be together with 40,000 people, not only in Brazil, but in the rest of Latin America, going to the field in a program that we call "People that sells", [indiscernible] is obvious. Visually, our point of sales, understanding our performance, understanding the opportunities and challenges that we have here. So we do it every year. And we continue to do it every year.

Thank you all. And see you next quarter.

Operator

Thank you. This does conclude today's teleconference. You may disconnect your lines at this time and have a wonderful day.