Operator:

Good afternoon, and thank you for waiting. We would like to welcome everyone to AmBev's 1Q07 earnings conference call. Today with us we have Mr. Luiz Fernando Edmond, CEO for Latin America, Mr. Miguel Patrício, CEO for North America, Mr. Graham Staley, CFO and Investor Relations Officer, and Mr. João Castro Neves, CEO for Quinsa.

We would like to inform you that this event is being recorded, and all participants will be in listen-only mode during the Company's presentation. After AmBev's remarks are completed, there will be a question and answer session. At that time, further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the 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. They 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. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of AmBev, and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Graham Staley. Mr. Staley, you may begin your conference.

Graham Staley:

Good morning, everyone. Welcome to AmBev's 1Q results conference call. I am Graham Staley, CFO of AmBev, and with me today are Luiz Fernando Edmond, CEO for Latin America and Miguel Patrício, CEO for North America. I have also invited João Castro Neves, CEO for Quinsa, to join us on this morning's call to share his perspectives on Quinsa's results.

I would like to start the call by sharing the brief overview of the quarter. Luiz Fernando, João and Miguel will then provide you with details about their operations in Brazil, Quinsa and Canada, and then, before opening up to general questions, I will deal with the two specifics regarding the 1Q financials.

During the 1Q, our consolidated EBITDA reached more than R$2 billion, which represents growth of 18.9% compared to the 1Q06. If we exclude the effect of AmBev stake increase in Quinsa from the 1Q07 result, then EBITDA would have been almost R$1.9 billion, a 10.9% growth. Our earnings per share growth, excluding total amortization, was 13.4%.

The Brazilian business delivered a good performance, and in spite of the low SG&A comparables of the 1Q07, delivered an EBITDA 9.5% higher than the same period last year. Volumes grew 5.1% for beer and 9.9% for CSD & Nanc.

Quinsa also had a good 1Q, and as a standalone business, saw an EBITDA growth of 19.5% in USD and in BRGAAP.

In Canada, gains in top line and also in the cost side, yielded an 8.8% EBITDA growth in CAD.

HILA-ex operations posted an improvement in comparison to last year, with positive EBITDA from the soft drinks operations. Losses in the beer business were cut by almost R$12 million.

Our combined operations delivered net income of R$646 million, and this result was mainly impacted by higher goodwill amortization, due to the Quinsa consolidation and a step up in the amortization curve for the Labatt goodwill,

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

Luiz Fernando Edmond:

Thank you, Graham. Good morning everyone. I will now provide you with details regarding the Brazil and HILA-ex operations.

Starting with Beer Brazil. In spite of all the market share loss in this quarter, we delivered a 5.1% volume growth for the 1Q, which is a great increase on the back of a tough 2006 comparison.

As we expected, the price increase we put through in January 2007, and also the increased importance of the supermarkets within the channel mix during those months, affected our market share. We are aiming to recover this within the next months.

I would like to emphasize that we are working hard to recover that market share, as we always do when we raise prices. We will not give up on market share. I would like to reinforce that the market share recapture will come from target actions, point of sale by point of sale, and not across-the-board initiatives.

Our net revenues/hectoliter, in Brazil, reached R$144.7, a growth of 5.1% when compared to the R$137.6 in the 1Q06. Our continuous strategy on revenue management, investing on innovation, premium brands and also direct distribution growth, has been allowing us to grow revenues beyond inflation, while keeping price to consumer in line with it.

I would like to highlight Bohemia's and Original's performance, which grew 17.6% and 30.7%, respectively.

In the SG&A line, we can see an impact from higher volumes and, more important, high marketing and sales expenses in the 1Q07 compared to the 1Q06, when we spent less in order to save our resources to invest during the World Cup, in the 2Q06.

Excluding depreciation and amortization, the SG&A for Beer Brazil grew 19.5%. This distortion should ease off in the 2Q.

We ended the 1Q07 in good shape, delivering an EBITDA 9.5% higher and an EBITDA margin of 52.1% for beer, which I take as a great result, considering the increased SG&A that I have just mentioned. The 2Q will bring tougher volume comparisons due to the World Cup, but we are committed to keep delivering good and consistent numbers.

Regarding CSD & NANC, we have revenues/hectoliter growing 5.3%, helped by mix and volumes, which were 9.9% higher than last year. The average market share for the quarter, 17.3% according to Nielsen, was slightly lower than the 17.4% of the same period of last year.

On the pricing front, we are seeing a different behavior from our main competitor, which is making it hard for us to pass on inflation.

I should highlight the amazing performance of H2OH!, which is already the leader of the Diet/Light segment in São Paulo, according to Nielsen data for March. We are enthusiastic about the perspectives for this product and this segment, which should go nationwide by the end of the year.

The COGS/hectoliter for CSD & NANC was affected by the anticipated commodities pressure, posting an increase of 9%. The same World Cup factor produced lower marketing expenses in the 1Q06. Excluding depreciation and amortization, SG&A was 17.1% higher. This numbers yielded a 10% increase in EBITDA, reaching a 38.4% EBITDA margin, 200 b.p. lower than 1Q06.

I would also like to comment on the recent acquisition of Cintra's production assets. This is a very important acquisition in that it addresses certain capacity issues for both beer and soft drink in the Southeast region of Brazil at a very attractive price.

Both the beer and soft drinks markets are growing considerably. We have also launched some new brands and SKUs recently, so this increased capacity will allow us to address the higher demand we are facing.

We are only just beginning integration process and finding possible synergies, and we are excited about the positive effects of this transaction.

In HILA-ex, although we are still posting negative results, some initiatives implemented at the end of last year yielded positive results, like, for instance: revenue management initiatives have led to net revenues/hectoliter 6.5% higher for beer and 3.1% higher for soft drinks; several innovation products throughout the region, such as Brava Beats, in Guatemala and Brahma Beats, in Peru, and positive EBITDA results for the soft drink operation.

We still have a lot to improve in the region, but we have our team committed to it, and looking forward to better results in the future.

Before I turn this over to João, I want once again to thank our people for consistently overcoming new challenges and delivering another quarter of great results. I will now turn the call to João Castro Neves. Thank you.

João Castro Neves:

Good morning, everyone. The region continues to grow at strong rates, laying the base for another impressive quarter for the Company.

Consolidated beer volumes grew 3.4%, with very strong performance in Argentina, Bolivia and Uruguay. Real growth was actually higher, since we had to dispose of three beer brands in Argentina at the end of last year. Thus, on an apple-to-apple basis, consolidated beer volumes increased 8.8%.

The Company performed particularly well in the premium segment, on a consolidated basis. Established premium brands, new brand introductions and brands that were positioned into the premium segment accounted for approximately 5.4% of total volumes in 2007, compared to 3.5% last year. This growth contributed to our higher consolidated net revenues/hectoliter for the quarter, which grew 10.7% in USD terms.

In terms of the individual beer markets, Argentina continued to perform very well despite the loss of the three brands. In fact, we sold more volume during the 1Q07 without the three brands than we did last year with them.

The Bolivian business continues to perform outstandingly, despite an uncertain operating environment, with volumes increasing strongly. In fact, we are doubling capacity at our Santa Cruz plant this year, to meet the increased demand of the past two years. This will increase our total capacity in the country by approximately 25%.

In Chile, we have just launched the Stella Artois brand. This introduction is aimed at the top image on premise point of sales and selected supermarket outlets. With this introduction, we are aiming at the premium segment of the Chilean market, which is the largest in Latin America, in relative terms, accounting for an estimated 10% of the total market.

Paraguay was the exception in our region in that the economy experienced a deflation, and then, the beer market suffered.

Last, but not least, in terms of our beer business in Uruguay, beer volumes also increased strongly during the quarter, with a strong performance by our premium brand, Patricia.

In soft drinks, we posted 15.9% volume growth, despite a very tough comparison against last year. This is the result of strong performance in both Argentina and Uruguay.

Good execution in the point of sale and strong brand positioning have boosted volume growth, which combining the strong control in cost and expenses has resulted an EBITDA growth of 19.5% in USD in the quarter. EBITDA reached R$339 million in the quarter, with a margin of 44.1%.

I am very excited with the results that have been delivered, and I am enthusiastic about our prospects for continued growth. The going will get tougher in the future, as comparisons become more difficult and challenges multiply, but given the quality and expertise of our people, I am confident that our team can deliver.

I will now invite Miguel to take over.

Miguel Patrício:

Thank you, João. Good morning, everyone. I will now talk about the Canadian operations, and I just want to highlight that I will use the result in CAD USD, to exclude the currency effect.

Talking about volumes, domestic sales were pretty much flat, combining a still tough competitive situation in the Ontario market with good development coming from the Prairies region.

We posted a decrease of 8.1% in export volumes, but it is import to explain that this number represents shipments to wholesalers, which is affected by inventory movements in both the wholesaler and the retailer. Depletion volumes, or the sales to retailers, were flat in the quarter, according to our estimates.

Net revenues/hectoliter in the domestic market presented a good 2.2% growth, which is explained by pricing below inflation but with less discounting and a better product mix from our side. Also, the high costs of raw material, especially malt and corn, are impacting the whole market and putting pressure on prices. This situation allowed us to reduce discounts, yielding positive effects on revenues but, obviously, with a negative effect on COGS.

We are still finding gains and efficiency improvements on the cost side, which offset some of the commodities pressure, yielding an increase of 0.5% in COGS/hectoliter, but the commodities pressure presented a more difficult cost environment going forward.

Continuous application of ZBB led to gains in the SG&A line, which was partially reinvested in the brands and partially delivered to the bottom line, contributing to a 2.7% lower SG&A.

Higher revenues and lower cost yield an increase of 15.9% in EBIT and 8.8% in our EBITDA, and an EBITDA margin of 190 b.p. higher than in the 1Q06.

Before I finish, I would like to make a quick comment on the Lakeport acquisition. We are still working on our market strategy, but we also have the team working on the integration process to guarantee a smooth transaction for Lakeport into the Labatt.

Now, I will hand back to Graham.

Graham Staley:

Thank you, Miguel. Now, I would like to wrap up this formal section by guiding you through the main lines between the reported EBIT of R$1.741 billion and the net income of R$646 million, as shown on page 16 of our release.

Total operational expenses amounted to R$370 million in the quarter, compared to R$246 million last year. This difference is mostly explained by higher Labatt goodwill amortization, mainly R$282 million in 1Q07, compared to R$243 million in 1Q06. Plus, the amortization of Quinsa goodwill, amounting to R$58 million and related to the second part of the acquisition transaction.

Our net debt stood at R$8.1 billion at the end of the quarter, and yielded a financial expense of R$296 million. I would like to highlight that in the last three quarters the financial expense has been much more stable than in the past, which is a result of a fine tuning of our hedging strategies put in place last year, developed to reduce volatility.

The provision for income tax and social contributions was an expense of R$423 million. This number includes the goodwill amortization of the InBev Brazil AmBev merger of R$87.8 million, which is a non-cash expense, as explained in 3Q06.

The increase in income tax was the consequence of three main factors: firstly, higher income before taxes, with an effect of approximately R$40 million; secondly, lower interest on capital, which had an effect of approximately R$40 million; and finally, higher non-deductible goodwill amortization, which had an effect of approximately R$70 million.

Earnings per share, earnings per thousand shares in the quarter amounted to R$10.26, an increase of 1.5% compared to the 1Q06. Excluding goodwill amortization, earnings per thousand shares increased 13.4%.

Cash flow remains a top priority for me, and we remain committed to distributing all extra cash generated if we cannot identify value-enhancing alternative uses for the cash within the business. The strategy remains interest on capital to the limit, and the rest divided into dividends and buybacks.

As you may have seen, we have announced a new buyback program of R$1 billion, the previous program of R$1 billion, announced on February the 5th, having been completed.

Finally, before handing over for questions, I would like to make a few comments on the Quinsa Tender Offer that expired on April the 19th. Although not required by law, at the end of January AmBev made a voluntary offer to purchase the remaining shares on the same terms, including a control premium offered to the BAC, which shared control of Quinsa with AmBev.

We consider this a fair price; unfortunately, the offer was not accepted by a sufficient number of shareholders, and therefore expired. There are no plans to make a new offer.

As the majority shareholder, AmBev has no concerns if Quinsa remains a separate public Company, and will fully support the Quinsa board and management in complying with all the requirements laid down by Luxemburg law, as well, of course, SOX compliance.

As I close, I would like to say that my first four months as AmBev's CFO have lived up to all my expectations. I am excited to be part of the team, and I am pleased not only with the actual 1Q results, but also with the prospects for the rest of the year.

We will now open up the lines for questions, and I will hand back to the operator.

Bob Ford, Merrill Lynch:

Congratulations guys, good morning everybody. I have a question with respect to some of the news with respect to prevailing advertising practices, and I was hoping to hear your thoughts, in terms of the potential for any further regulation, in terms of the way you market and advertise in Brazil.

AmBev:

First, I think it is important to say that the Brazilian constitution guarantees that only Congress can rule on advertising. Neither the Federal Administration nor regulatory agencies, such as Anvisa, have constitutional power to do so.

Additionally, I would like to draw your attention to the fact that Brazil has build up an efficient and effective self-regulatory mechanism to control and avoid abuse in publicity. We have CONAR, which is a Brazilian self-regulatory council. It is an institution that has been contributing to the Brazilian democracy for more than 25 years.

Today, CONAR and the ten most significant national advertising media agencies published their position in favor of their constitutional rights to self-regulate publicity.

It is important to say that harmful use of alcohol is caused by a complex number of variables, and there is no simple solution to solve the problem. And, you see, Americans and European studies show that there are some correlations between advertising, total volume and per capita consumption, there is no statistical significance, so there is no statistical significance between advertising, volume and per capita consumption. Thus, no one can affirm that advertising restrictions will reduce the harmful drinking.

The WHO in its 2005 resolution on the topic, and on its most recent 2007 (23:09) reports stated that the industry, among many other stakeholders, is part of the solution of this complex social problem. Everybody has a role to play in this process, and we have always assumed our co-responsibility through the AmBev responsible drinking program.

We have underage education program, no underage consumption. We go to the market, we talk to the trade, we talk with the point of sales' owners, we use our people to go to the market to educate the trade. We have many other initiatives regarding "Do not drink and drive" advertising, the main roles in the country.

So, we are doing a lot. We are open to discuss; but, again, only the Congress can rule on advertising. Of course we have been debating, we are very open to debates, CONAR is debating and participating, but it is difficult to anticipate any outcome of this discussion.

Bob Ford:

All right, it is very comprehensive and very reassuring. Thank you.

Jose Yordan, UBS:

Good morning, everyone. My question was about HILA-ex. Beer volumes seem to have had a much bigger sequential decline than usual, and I am assuming it comes from Peru and Ecuador, given that those are the companies that you did not mention in the press release.

Any color you can give us on what is going on there with volumes and share, and your ongoing fight with Bavaria-SAB? Any comfort you give us on what is going to go on there? And when, perhaps, do you look to have a real business in Peru and Ecuador?

And then, my second question would just be if you can give us an update on the hedging of raw materials for 2008, what the status for that is.

AmBev:

Hi, Jose. We actually had different figures across the countries in HILA, but in terms of negative volume contribution, especially in beer, of course Peru and Ecuador… Whenever we launch or enter a country, there is a phase where we grow a lot of distribution in the market, so volume is growing and growing, but not necessarily sales to the consumer.

So, we have this effect of things settling down in Peru, especially in Peru. Of course, lots of reactions from SAB, including the introduction of a new bottle replacing the old one, and adding some volume to the unit-based bottle versus bottle increase, compared to last year. So this is one of the consequences in terms of market share.

But, again, we are very committed to the country, we have plans in place, we changed part of our structure, we have new innovations – not only the ones that we are launching now, but we have other stuff in place.

So, we are committed to the region. We had some problems again in Venezuela as well, with the Venezuela government putting some restrictions in place during the first four months of the year, not only in the 1Q, but they continued to put some restrictions. Of course it will affect all the players in that market, therefore some negative volume figures in Venezuela, very positive figures in Guatemala and the Dominican Republic in the 1Q.

We are, again, not really aiming to make any EBITDA results in the region, but we are working hard to grow a profitable business; but in the long term. In the short term, it is more about not losing cash in the region, balancing the right structure with the right investment behind our brands, building distribution, but without any too strong short term target.

Regarding the hedging policy, Graham can answer.

Graham Staley:

Right; obviously, as you can imagine, we are watching the USD changes in commodity prices very closely, as we always do. And I think, as we have explained to you before, we have a very professional risk management policy, which we follow religiously.

As a result of that, we have put in place some hedges for 2008, but since it is only an early part of the year, we are not at a point where we want to disclose those yet, for competitive reasons. So, if you can just hold your time on that, I am sure there will be disclosure later in the year.

Jose Yordan:

OK, thanks a lot.

Lore Serra, Morgan Stanley:

Great. Actually, I have two questions. Let me just jump back to the hedges. I totally understand that you, for competitive reasons, do not want to give too much granularity to it, but in the 3Q conference call, you talked about the hedges in terms of the aluminum and the currency, and you talked about the hedging more for 2007, in terms of Brazil.

Can you give us any sense of grain cost hedges, and any thoughts on Canada and Quinsa, as well?

Graham Staley:

Let's say, we are not going to give any guidance on 2008. In terms of grain, obviously in the South America we have our own facility, so we are well-protected there. In Canada, we are, again, adopting the same risk management strategy. We have hedges in place for 2007 and we are looking at what to do in 2008.

As I said, I do not want to comment too much on what is actually in place, because this is a very competitive market and I just want to pass on that point at this point in time.

Lore Serra:

The first one is: I understand your point that you lose market share when you raise prices; it seems like this time it has been a little more pronounced than it was last time, if I am looking at the data correctly.

I wonder if you could comment on the pricing environment; have all your competitors followed, has there been some lagging, etc?

And the second part of the question was: the volume growth – not only for you, but the market – was very strong in the 1Q. I know weather was a factor, but any thoughts on the market or the strength of the market growth, on an ongoing basis throughout 2007, would be appreciated.

Luiz Fernando Edmond:

Lore, you are right. We really lost more market share than we expected, based on last year's results and previous years' results. Some points that changed this year: first of all, in cans, in supermarkets, our consumer price per can went above R$1.

So, we were selling most of our volume at R$0,99 – with Skol especially, but all of our brands went above the R$1 reference, so we knew that when it happened, that it would be a consequence in the market share. But the fact that our competitors took more time to follow our prices and decided not to follow in the same speed as they did in previous years, they did not increase prices as much as we did.

So, there were some gap increases compared to… Not necessarily in average, but when you go region by region, there were some gap increases for both of the main competitors in each region. So this is one of the reasons.

The second reason is that, as you know, in 2005 we increased prices in December, mid-December of 2005; this year, for different reasons, we decided to postpone the increase; and one of the reasons, of course, lower inflation compared to the previous prices that we had gave us more time to close this gap. So, we decided to do that in mid-January.

And when you look at the inventories that we were building in the trade in previous years, we lost some of the inventory compared to our competitors. Of course we did not run out of inventories, but we lost inventory pressure in the beginning of January, because, of course, we used the entire inventory we had in December, on a very high demand that we faced in December.

So, maybe we made the wrong decision to postpone that to January, because whenever we increase prices, there is a decrease in demand. When we did that in

January, we could not build the same kind of inventory before the price increase, like we were doing in December. So, we lost pressure in the market.

Again, our competitors price activity, not only did they not follow the price, not only did they not follow in the same pace, but given the Carnival in mid-February they decided to even increase their price activity in the off-trade for Carnival.

When you put together this price gap, especially in cans, and the inventory fact in the on-trade, they all together represent, say, 80% of our losses. Then you have region mix, channel mix, which is not our fault or our responsibility.

Of course, having said that, we have decided to implement several initiatives in the market. We anticipated some of the resources we had for the 2H into the 1H of the year, and we are working to find internally non-working money these resources, and we assure that we can find these resources to fund without significantly impacting any of our fixed expenses, not even the SG&A. I think other lines in the SG&A will fund our initiatives.

And, of course, our team is very committed and very oriented, in terms of recovering this market share in all regions. So, we are working hard for that, the good news is that the volume is very positive, the price is now implementing the market, consumer price is absolutely under control. Now, we have time to work exactly as we did in the past, that is, collecting information from the market, finding the right point of sales, the right regions, the right brands to act.

Of course, as I said in my speech, we will never implement across-the-board initiatives, but we have to work hard during the year to recover share. We do expect that from April 1st, either the share will be flat or start to recover in the next Nielsen issuing. So, I think that is all for the share in Brazil.

Lore Serra:

Great. And any thoughts in terms of the market? I mean, if you grew 5% in the quarter and you lost share, I know there is measurement issues with Nielsen, but it was obviously a very strong start to the year for the industry. Any thoughts on what your… I do not know if you think that that kind of growth is sustainable, but any perspective on that would be helpful.

Luiz Fernando Edmond:

It is difficult to talk about that without giving any guidance but, as you know, I think it is too early to say, but the volumes were very positive, the market was very positive in the 1Q, we are happy with that. And now we have to wait for the 2Q to be able to compare with last year, since during the World Cup period in 2006 we had a very strong quarter and, of course, the competitors are tougher from now on.

So, it is early to say, but what we see is that Brazil is performing well as a country, so that brings us some good perspectives going forward. I hope we can maintain our performance for the remaining of the year.

Lore Serra:

Thanks very much.

Andrea Teixeira, JP Morgan:

Hello, good morning everyone. Most of my questions were answered, but in terms of... pretty much the capital structure, you have been very strong in the buyback, and you have just renewed another R$1 billion. I was just curious, in the past we had João explaining pretty much what the uses of capital would be; I am just curious, Graham, if you can go through… You know, this year the cash flow that you have, and you still have, even with the buyback, is to close with R$1.6 billion in cash.

Can you just give us a sense: Is it going to still be interest on own capital as the first option, and then the buybacks, or dividends; and how much would you expect to give back to the market?

Is it that 5% threshold that you used to have as yield for dividends and buybacks as a reality for this year, or even bigger that that? I would appreciate. Thank you.

Graham Staley:

Yes. Thanks, Andrea. As I said in my comments earlier, and as you pointed out, there has been no change in the payout strategy, we still have the as the first priority to optimize the tax benefits from the interest on own capital. That has been impacted a little bit by the reduction in the effective rate that we used for the calculation of the IOC capacity, the TJLP; so that has been one of the factors impacting the 1Q results, but we still continue to optimize that.

We still have the same policy of distributing all our excess cash if we cannot find any alternative uses. Dividends… It always difficult to know what to with dividends, because we talk to investors, we try to understand what their perception is out there, and try to get the right balance on dividends. So, that will be something that will obviously be changing from time to time, but I think that probably, generally speaking, in line with the prior practice.

And then it comes to distributing the balance of the cash by a way of share buyback. Obviously, this year we have the two acquisitions which come into our cash flow, Lakeport and Cintra, a total of about US$350 million, so that impacts our cash flow.

At the same time, we have been very aggressive on cash flow, we are pushing that very hard to see if we can improve cash flow generation; our capital expenditure program, apart from those two acquisitions, is not too dissimilar to past practice. So that will give you some idea of what the cash flow forecast would look like.

And then within that, yes, we have been reasonably active in the first three months regarding the share buyback; that was taking advantage of opportunities we saw in the market at that particular point in time. There is no quickening of the pace, it is continuing in line with that strategy, but obviously, as the months go by, we may revisit that, and we may increase or slow the pace.

But generally speaking, you can take this guidance that we are just going to continue to distribute our excess cash flow, but take into consideration those two acquisitions this year, of about US$350 million.

Andrea Teixeira:

OK, great Graham, that is excellent. But when you say 'excess cash', I remember the threshold is about US$500 million, and the Company grew a lot, and that is probably going to grow beyond that. Should we consider anything between US$800 million as being more of a threshold for working capital cash?

Graham Staley:

I am not quite sure where the US$500 million comes from. The share buyback in the 1Q was R$765 million.

Andrea Teixeira:

Yes, I am referring to the safety cash, I would say, the reserve cash that you… I mean, in the past it used to be around US$500 million, it would be sort of the saved cash that you always wanted to maintain because of the seasonality.

Would a threshold of US$800 million, or more, a more feasible amount? Pretty much what you have right now, which it is R$1.6 billion.

Graham Staley:

The R$1.6 billion is a little bit misleading, because it does also include some deposits we have out there, in respect to some of our derivatives transactions. But I think you are in the right in the way that we are not planning to change our strategies whatsoever in terms of how we fund the business. So, without giving any guidance, that is probably a decent number to use in your projections.

Andrea Teixeira:

OK, great. And then, my other question is to Luis Fernando, in terms of the Cintra, implementation of the plan: should we see, despite operations together – I know that you started already doing all the integration, but should we see the numbers starting more to the 3Q and 4Q, or capacity is pretty much highly transferable, and we should be seeing something already in the 2Q? Thank you.

Luiz Fernando Edmond:

In terms of volume, what you should expect is, during June, probably, we start to produce soft drinks; we have very new lines, especially in the Piraí plant, and for the soft drinks it is easier to implement our quality standards and to start producing there.

So you should see, still in the 1H of the year, our soft drinks production coming from that plant. And beer requires more attention, requires some investments that we are already making, we already have 100% of the plant done, so it is some equipments, some set-ups that we have to implement, both in the packaging lines and the brewery area. So, I think that during the 3Q you should see beer leaving from that plant, both plants.

Of course that it will depend a little bit on what happens with the Cintra plant; I know that Mr. Cintra is working hard to sell the brand, and if he sells the brand to someone who adds capacity, or adds free capacity, that will be easier for us to implement 100% of our brands in those plants.

So, that will depend, beer will depend a little bit on what happens with the Cintra brand, but probably in the 3Q we should be ready to produce there.

Andrea Teixeira:

OK, great. Thank you very much, and congratulations again for the results.

David Belaunde, Lehman Brothers:

Good afternoon, just a couple of questions. First of all on Brazil, I was looking at the price mix over 5%, and I thought it was quite impressive, considering that inflation in Brazil has dropped about 3%, and you implemented price increases somewhere in the middle of the quarter, sort of at the end of January, if I remember correctly.

So, you must have had quite a bit of benefits there from product mix, from direct distribution and also from all the revenue management initiatives. So I just wanted to have some color about what you did in the quarter, whether you will increased again year-on-year very significantly direct distribution, or whether it was more product mix.

The second question is on Canada, where I have the impression that you lost share, probably against discounters in Ontario, but also against Molson Coors, which said that they were doing very well on the premium segment. So I just wanted to have a view as to where you were outperforming or underperforming by segment, not just by region. Thank you.

Luiz Fernando Edmond:

You are right in your comments, the first fact is, of course, the price increase that was implemented during January, and depending on the region, depending on the brand, something between 3% to 4% increase. So this, of course, is the major explanation for the revenue growth.

Then you have channel mix – so, cans have a higher net revenue/hectoliter, and depending on when the Carnival happens, you have some effects on this mix. So, we do not see any trend in terms of off-trade growing against the on-trade, but what happened is mostly the Carnival effect. The Carnival volume is basically non-returnable sold in the supermarkets.

Then you have the premium. We have been working hard for the last at least two years; since we recovered our market share level, we have been putting more resources and attention to our premium brands. So, as you can see, results in Bohemia and Original, there are returnable packages growing very fast, so distribution is growing fast, together with a great execution that we are doing in the markets, with some special programs to support the premium in the on-trade.

Of course our price in this these two brands – and in some other brands, like Skol Beats – are from 20% to 40% higher than the mainstream brands. As they are growing faster than the mainstream, that helps us a lot.

David Belaunde:

Right.

Luiz Fernando Edmond:

And, of course, you have direct distribution that continues to grow, we implemented several new direct distribution operations during the last year, and you saw some of the effects in the 1Q. This is pretty much what explains the 5% compared to the 3.5% price increase. It has been the case for a long time, so I would say that it should continue to be the trend in the future.

David Belaunde:

So you are still confident with R$1.44, I think it was this quarter, per hectoliter, even if inflation has come down, and some of your competitors have been pretty aggressive on pricing, is it something that you think can be sustained throughout the year?

Luiz Fernando Edmond:

Usually, what they did is: they postponed their increases this year… Besides that, when they started to increase, they did not implement all the increase that we were expecting, but we have to see what happens in the coming months.

We have implemented several initiatives, some of them were already planned, we just anticipated it and guaranteed that our team was committed to do more in less time. We will read the market after all these initiatives are implemented, and then we decide if we need or not more resources.

I would not consider price to go down in the future, it has never been our policy, so we have to find our internal resources and to firm the initiatives from inside, without giving discounts across the board and hurting our profitability.

What we have always done is we want to keep or increase our market share, and in this case we want to recover market share, but without hurting our profitability. Once we achieve the profitability, we have to work together with the market share plan, to maintain it. So that is the case.

What I see in the future is that we can, I think we can. We are very confident that we can, but let us see the results in the coming months.

David Belaunde:

OK, thank you.

Miguel Patricio:

OK, David, answering your question about Canada, you are right. This quarter, differently from last year, when we had a better performance than Molson in share, this quarter Molson had a better performance in share than we had, and basically I would say that this was because they were more aggressive on the discount side than we were.

If you look at the two P&Ls from Labatt and Molson, we grew in SLs per hectoliter by 2.2%, and they grew 1.3%. And then if you see the bottom line, the EBIT, if you take the US numbers out, just to compare apples to apples, if you do not take the US out, EBIT grew 15.9% for us. If you take US out, only the Canadian operation, we grew 19.6%. The result from Molson was -11.8% on EBIT.

So I would say that yes, we lost share, in the 1Q we basically reduced dramatically the amount of LTOs, trying to put more discipline in the market place; it did not happen. I think right now, going forward, I think this is going to be far worse. In Québec there is a price war going on now, Molson reduced Coors Light to the minimum price possible in six major supermarket chains, and is paying for that, so there is a big mess in Québec right now.

And in Ontario we had to follow their steps – so, in the 1Q they made very strong promotions on buying 16-packs for the price of 12-packs, buying 20-packs for CAD$24; so very aggressive on pricing.

We lost a little bit of share, but we had a far better result financially. And, going forward, now we will have Lakeport from this quarter on, which is going to be very positive on the volume side. If you put volume of Lakeport in the 1Q with Labatt, our share would be flat.

So, I think that going forward, in terms of share, we are going to be more aggressive on pricing, for sure, because it did not happen the way we expected, so there was no discipline, or no less activity just from our side. But the good news is that we will Lakeport in our side, which is brand that is booming, and it is going to contribute very positively in the volume side. So I think those are the reasons for the share growth of Molson in the 1Q.

In terms of regions, we lost share in Ontario in the Atlantic; we gained share everywhere else. So, in the West, in Québec, in the Prairies, in British Columbia.

David Belaunde:

OK, great. Just a follow-up to that: would it be possible to have some kind of indications of how volumes are developing in April, in Canada and in Brazil, in beer?

Miguel Patricio:

Well, we do not disclose the following month, so I can tell you that the industry in April was not great in Canada.

David Belaunde:

OK. And the industry in Brazil, Luis Fernando, was great, I assume? Or…

Luiz Fernando Edmond:

It was good.

David Belaunde:

OK. Thank you.

Celso Sanchez, Citigroup:

Hi, good morning. I was just wondering if we could get some color, please, on João after the four months in your role; what kind of strategy or opportunities have you found in your review of the business, with respect to either opportunities on the revenue side or whether thego-to-the market approach that could use some fine tuning if there are any opportunities for realignment of deployment? And, of course, the usual: are there some cost opportunities that perhaps can still be taking out, despite the obviously very strong profitability of Quinsa, overall.

João Castro Neves:

Sure. I think the number-one opportunity goes hand-in-hand with one of the examples you just gave, which is I think we have developed in the last few years a very good, let us call it, pricing technology in Brazil, which I think has also a deployment in terms of being able to deploy that pricing technology on a POS by POS the chirurgical manner that we have talked in the past.

I think this pricing technology – especially in an environment where price is controlled – is actually very important for us, and it actually is already yielding some of the results, because some of the stuff we have done in the past, even the very basic stuff, is already actually helping us.

I think this will be one of the greatest opportunities we have for both Argentina, Uruguay, Bolivia, I think this is really big. So that is the number-one change that we have been able to find something to improve the current level of execution that is already a very good one.

I think the second one, related to the go-to-market, in terms of Argentina, I think we have so many changes in the short-term. There is also a lot of pressure not to change that locally given government unit situation, that type of thing, so I think there is one area.

But what we have developed here in the last few years is something very close to what you have seen in Brazil in terms of excellence program, which we call here Galaxia Q; it is a strong program, I think we are finding also opportunities to enhance that. What we are doing right now that is probably the second largest opportunity to take that to the other four countries. So, we are rolling that out, I think that is probably the second biggest impact we will have - one in revenue, and the second on the go-to-market.

I think the third one – our frugality, and our fanatical approach to cost will definitely yield some more results; we have started some specific programs, rolling out the ZBB on expenses, and what we call our Manufatura program, or our Plant Optimization Program, which will also yield results on the cost side.

So I think those two will yield results, not at the same magnitude as the pricing technology or the excellence program that we have, but I think it will also make a difference. And it goes hand-in-hand with, I think, the fourth opportunity, which is the ownership culture. I mean, I think that the main time we have spent in the last four months were, the main times, with the people, discussing culture and what types of changes we would see.

I think the sort of compensation plan that we have and that we were communicating to people is already… People are ready to understand the upsides and the downsides of having that type of thing, and I think after four months I am much more confident that this is something that appeals to the people that we have here. And it goes hand-in-hand with the frugality and with the cost approach that we have.

So, I think those are the four main areas that we think we have found the opportunity, together here with the team. It is very good to have this sort of start that you saw. I think that is a positive good surprise with the macroeconomic and, for sure, we are ripping full benefit, we are not allowing any distraction on implementing new things, four months to ripping full benefits of the good economic environment that we are living.

We have some worries, as we said in the speech. We have some worries for the future, not just in terms of concept but some macroeconomic situations. But as long they continue like that we will take the full benefit; and I think the programs we have just talked about will also help us in case there is a downturn, we are going to be ready for tougher times, whenever they come. That is it.

Celso Sanchez:

Great, thank you. Just a follow-up: how much of the shift and the premium brands do you think we should look, going forward? Could it be a function of better execution or more focus execution on micro side, on the Company, side rather the macro environment? Do you think it is more the execution that can help it, drive it really, or it is just strictly a function of this, as the economy goes down?

João Castro Neves:

No, I think is a combination. I will tell you why: I think, number one, for sure, given that prices are somewhat controlled and, therefore, it starts to be not expensive or cheaper to people, people are trading up. So people are definitely trading up to better products. But at the same time, in the last seven months we launched important products. We have a product that we launched last September, which is called Quilmes Stout, which is a dark beer and is going much beyond our expectations.

Although we had very high expectations to it, and part of the game, if we look at the last ten years there has been an important shift from table wine, or from wine, to beer. And I think that the dark category, as we look at the launch of Quilmes Stout, for example, is actually improving or making this shift towards beer faster.

So I think it is both a combination of people having more income and trading up, and also a combination of the innovation and good products that we found. I think both Quilmes Stout, which is a seven-month products, but also Stella, which is a 14 or 15-month product that we have launched.

Stella is also growing at a very high rate. There was a premium segment here with Heineken, which we had in the past, and I think that both Stella and Quilmes Stout are showing that the size of the premium segment will continue to increase regardless of the economy situation. Even that with a situation would be a little bit tougher we would be growing anyway, because those two products appeal to consumers that are not just trading up but also moving from one category to the other. So I think the good news will continue.

Celso Sanchez:

OK. Thank you very much.

Alex Robarts, Santander:

Hi, everybody. Thanks. I wanted to go back to Brazil and ask about the cash SG&A expense for beer. The 19.5% was a big increase year on year. Is it fair for us to think about this as mostly market issues, and as opposed to the timing of the 1Q06 World Cup expenses; and looking up for the rest of the year, as you said out to recover share, and given this price gap increase versus your competitors, I mean, are we going to get, for the year, a double-digit increase in the cash SG&A?

Luiz Fernando Edmond:

Hi, Alex. No, again the only cause for the cash SG&A growth for the 1Q was the World Cup. Last year we postponed several investments to focus on the World Cup; and in this year we reorganized, we re-divided our money quarter by quarter, so I wish that this growth for the remaining of the year, but of course it should be in line with price/inflation + volume growth, and, as I said, it is too early to anticipate this.

We need more than this amount to recover the market share, but even if we need more money, we will find this money internally. We should and we can make some efforts, we can find resources from inside. So I would not expect anything significantly higher than the impact of volume + price situation.

Alex Robarts:

So, for the year, that is going to be the case going forward? It looks like, given this 1Q's increase, you are probably going to be above inflation for the full year. Is that a safe assumption?

Luiz Fernando Edmond:

Yes, it will be above inflation, because you have the inflation in the same volume base, and then you have volume growth on top of inflation. I forgot to mention that our direct distribution has grown, has increased, and will continue to increase in the next months. That is the impact. Again, nothing compared to the growth we had in the 1Q, but more related to volume, inflation and direct distribution.

Alex Robarts:

OK. Fine. I guess the second question is just going back to Quinsa. It looks like really this was, in the quarter, a nice top line story, and I think that the soft drink was very strong. I guess when I think about what the Coke System produced in Argentina for volume, it seems that you clearly surpass that. Is it safe to say that you got some market share from the Coke System in Argentina soft drinks? And this 15.9% as soft drink volume growth, is double-digit soft drink volume growth something that we could perhaps look for the coming quarters, or is it a comp issue here?

João Castro Neves:

Alex, I think, first, the 15.9%, which is definitely a very good result - actually both us in the Coke System are gaining share over the B brands. OK? That is the first point. I think, if I am not mistaken, Femsa are the leaders with, I think, 12% for Argentina, for example; so comparing with our 15.9%, which we are not splitting between Argentina and Uruguay; I can tell you that in terms of share we are both gaining share from B brands.

I think the second point is, for both Argentina and Uruguay, is that we have a very good momentum; so, we have not just industry growth, but we have growth in Argentina and in Uruguay for the past, I would say, almost three years. Slowly, but surely, we have been gaining maybe 0.4 or 0.8 p.p. of share on a yearly basis. I am not comparing quarter against quarter, or this quarter against last quarter.

So, I think we have been in an upstream for the past few years. For these past few months both us in Coke we have been going up, and going forward, to be quite honest, I do not see anything in the next few months that should reverse the good trend that we have from an industry perspective and also from the share perspective. I think both of the Seven Up brand, which is somewhat like Guaraná Antarctica, for example, to compare to Brazil, that you know is a very strong brand, they are the leader on the light/lemon segment, and it is doing very well. H2OH!, that we are looking at, that is a great success in Brazil, was launched here, and we have actually just launched a new flavor, here it is a little bit different market, we launched a product called Citrus, which is 60% of the market, and it is going very well, so this also helps the growth of CSD.

The Pepsi brand is also growing in preference on a monthly basis. We have a very good momentum on a brand perspective, on an industry perspective, and both we and Coke are getting shares from the B brands. So, we do not see anything that should change, that is our trend, so I am very positive to answer your question that we should see good growth, whether that it is high-single or low-double, we are very excited going forward, both industry and brand-wise.

Alex Robarts:

Thanks. And just on the beer side, you obviously had a faster growth, or more beer volume in Argentina than the prior year quarter without the brand. Did you guys take prices well in Argentina beer early in the quarter, and what was your organic growth, if you could share with us in Argentine beer?

João Castro Neves:

We are not opening up, at least on a quarter by quarter basis; on the semester we will do that, but what I can tell you is that we have been moving prices, but we have been moving prices bellow inflation. So I think that given the inflation that we have and given the price increase, I think that is also helping to boost the beer volume. This is true for some industries, and we are benefiting from that; so the government, in a way, their strategy so far has been working where they control prices, but, on the other hand, you are getting very important volume increases.

This is a benefit that also we see going forward for the rest of the year. We are also excited with the path of growth as the economic environment continues to be the way we are looking at.

Alex Robarts:

Thank you very much.

Trevor Stirling, Sanford Bernstein:

One quick question, please. It is concerning the phasing of the heading strategy in 2007. You obviously gave us detailed guidance in the Q3 press release on the last year, indicating that cost of goods sold would go up in this quarter and than decline in subsequent quarters. Should we still rely on that press release, or the statements for this old guidance?

Graham Staley:

Yes. Good morning, Trevor. Absolutely, there has been no change to that detail we provided. Was it 3Q last year?

Trevor Stirling:

3Q06.

AmBev:

Certainly, it is reliable to use that going forward.

Trevor Stirling:

Great. Thank you very much.

Ricardo Fernandez, Banco Itaú:

Hi. Good morning, everybody. Two questions. First is on Argentina. I guess I share some of other people’s concerns regarding the obviously populist stands in Argentina against price increases above inflation or even below inflation, from what I can see, if you can measure inflation correctly in Argentina, but that is yet another question.

I guess that basically what I am saying is, the question is: the pricing technology, the revenue management systems you can improve in Argentina, will they allow you to push prices higher without actually pushing prices higher, if you know what I mean, in terms of the consumer perceiving it, in other words, product mix, so further and so on.

Because if volumes begin to decline, and obviously your costs are still increasing on some extent due to the very high inflation and environment, then you could wind up into a situation where margins actually start growing the other way.

So basically the question is: are the revenue management, pricing technology systems that you talked about going to be sufficiently capable of increasing prices but without really seeming to?

João Castro Neves:

Yes. First and foremost, a couple of points, I think it is a large question. I think, first, yes, it is hard to, I mean, what is inflation? We read in the newspaper, and you do, but what is inflation? I think we cannot get, I cannot get too much on details on why I think, but I am sure that the pricing technology will help us given the competitive situation.

But what I think, for a moment, and I said in the beginning that we are worried going forward, what is going to happen in Argentina, but as the government and unions are still increasing salaries above inflation and putting a lot of money in the market, and on the top of that, it is an election year, for 2007 all this extra money that is getting into the market and getting into consumer hands, it is very hard to imagine industry decline. So that is number one. Volumes coming down in an environment where people much more money, they are trading up, they are consuming more the mainstream, I think that is very unlikely to happen.

While this is unlikely to happen, I think the pricing technology will minimize or will help us closing some gaps regarding inflation, so I am not saying that we are going to go with inflation whatever that is, but I am sure it will help us. Part of that is definitely the product mix, but I will not say product mix is what I am referring to when I refer necessarily to pricing technology. But revenue mix is much a better one, because at the same time that they trade up from Quilmes to Quilmes Stout, from a product to Stella, they would also trade up from low-price brands to ours, to the leader of the market place, which is Quilmes.

Revenue management is helping us not only on the premium segment, but also helping us on the mainstream segment; by looking at the faster pace of our leader brand, which is Quilmes Cristal, and the other brands. So that is why I think we are going to have a very good combination this year of utilizing this price technology to close those gaps, without giving you too much information, for I cannot; with a situation where people really have a lot more money in their pockets.

I think the tough question would be to answer “OK what are the prospects for 2008, can the country continues to use that sort of policy going forward?”, then this is a tougher question to answer, OK? And you have to remember that in here we have a market base of 90% is 1 liter. So if you find something specific for that one product, it will also yield benefits very quickly to that segment of the market place.

Ricardo Fernandez:

OK. I understand. The other question is, I guess, a little bit more hypothetical but it is out there, and I talked to a lot of people and they seemed a little bit concerned about this, but there has been a lot of speculation that InBev may buy Budweiser, and I am not asking you to comment on whether that would happen or would not happen, but following the logic between the Interbrew and AmBev merger, you ended up with Labatt, and could have almost have gotten a chunk of Femsa.

Following that logic, if that were to happen, do you think it is likely that you would lined up with Budweiser US operations, or is that no longer the case in terms of geographical split if an event of that magnitude would happen?

Graham Staley:

Ricardo, obviously you said yourself that you would not expect us to comment on those sorts of rumors and gossips that are floating around us. There is absolutely no knowledge in doing so…

Ricardo Fernandez:

I am not asking to comment whether this is going to happen or not, I am asking you to comment on if this geographical split between Interbrew and AmBev exists.

Graham Staley:

Again, this point is speculate. I mean, we can speculate on if that can be a feasible combination, merger, acquisition disposal there is no knowledge in doing that, so no comments from AmBev on that topic.

Ricardo Fernandez:

OK. Have a good day.

Operator:

Thank you. I would like now to turn the floor over to Mr. Graham Staley for final remarks.

Graham Staley:

Thank you, everyone. Again, another great quarter for us. Thank you very much for your interest and involvement this morning. I look forward to talking to you again in a couple of months time, on the 2Q. Take care, everyone. Bye-bye.

Operator:

Thank you. This thus concludes today's AmBev Investor Relations conference call.