Operator:

Good afternoon, and thank you for waiting. We would like to welcome everyone to the AmBev 1Q09 Results Conference Call. Today with us we have Mr. João Castro Neves, CEO for AmBev, and Mr. Nelson Jamel, CFO and Investor Relations Officer.

We would like to inform you that this event is being recorded and all participants will be in a 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. 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 the 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. Nelson Jamel, CFO and Investor Relations Officer. Mr. Jamel, you may begin your conference.

Nelson Jamel:

Thank you, Dorothy, and good morning everyone. I am pleased to be with you today to discuss our 2009 1Q results. Before I start, I would just like to remind you that as usual the percentage changes discussed during this call are organic in nature and, effective this quarter, AmBev has adopted IFRS as its new reporting basis.

For purposes of discussing our performance and the underlying trends in our business, we have also decided to present the key performance lines in our statement of operations on a normalized basis.

Normalized figures exclude relevant items that are not recurring in nature. The main example in our 1Q results is the gain recognized in connection with the Perpetual licensing of the Labatt branded beer in the United States. As normalized figures are non-GAAP measures however, we continue to disclose our consolidated net income, EPS, EBIT and EBITDA on a fully reported basis.

As usual, I will start the call by sharing a brief overview of the quarter and then João will provide you with an overview of our results in Brazil, Hila Ex, Quinsa and Canada. I will close by providing more specifics regarding the 1Q financials.

Turning to the results, during the 1Q, our consolidated EBITDA reached more than R$2.5 billion, which represents a 16.3% increase when compared to the 1Q08, and was driven by strong results in our Brazilian beer and Quinsa businesses, with Brazil soft drinks delivering a good quarter and Canada delivering growth on a very high comparison from 1Q08.

Brazil EBITDA increased by 17.3% supported by beer volume growth of 7.6% and CSD & Nanc volume growth of 12.6%. João will provide you with more detail of the key drivers in a few minutes. Our EBITDA margin in Brazil increased 290 b.p. benefited from good volume growth, good performance on pricing and cost management and low comps from 1Q08.

In HILA-ex, we lost R$39 million compared to R$16 million in 1Q08 as our volumes declined 9.7% in the period. Our Quinsa operations delivered strong results with EBITDA growing 22.8% despite flattish volumes for the region in the period. In Canada, despite 1Q volume decline of 2.7%, EBITDA increased by 3.5% as a result of good top line performance and fixed cost savings.

Normalized net income totaled R$1.4 billion in the quarter, which was 13.9% higher than last year. Normalized earnings per share increased by 13.5% in the quarter. I will comment further on net income at the end of this call.

I will now hand it over to João as we start to look a little deeper into the results of each of our operations. João.

João Castro Neves:

Thank you, Nelson, and good morning everyone. Let me start by discussing our performance in beer Brazil. Great volume performance in the 1Q were driven by growth in consumer disposable income, a more favorable weather and Carnival calendar as well as pricing in line with inflation. Disposable income growth was supported by a 6% minimum wage increase in real terms and food inflation deceleration, which delivered consumer purchasing power growth in real terms for the first time in six quarters. According to Nielsen, our market share reached 67.1% in the period a 70 b.p. decline versus 1Q08. However, we are pleased that our March market share was 67.2% which is already 20 b.p. higher than March 2008.

As mentioned in our 4Q conference call, we started to implement our price increases for the summer during the 4Q and as a result, we lost 80 b.p. of share through January 2009. Since then we have recovered 20 b.p. of share which compared to previous periods of share performance after price increases, is one of the best market share evolution we have. In addition, we have observed a more rational behavior in the industry as some of our peers have started or completely followed our price increases.

We remain committed to trying to optimize profitability while also improving our market share and we are pleased with the performance of our 2008 and 2009 innovations which represent new ways of connecting with our consumers and enhance our brands' preference while maintaining our profitability in the future.

Our beer net revenues per hectoliter in Brazil grew 2.7% when compared to last year. But when you exclude revenues from malt and by-products, beer net revenues per hectoliter actually grew +3.5%. This increase reflects our price increases at the end of last year, which is partly offset by excise taxes increases which became effective on January 1st.

Our beer cost of goods sold per hectoliter declined 5.9% in the 1Q when compared to last year as we benefited from our currency hedges, our efficiency projects, higher fixed cost absorption and easy comps from consumption of more expensive imported malt in 1Q08.

Beer SG&A, excluding the D&A, grew by 5.5% in the period. This increase is a result of higher volumes, general inflation, carry over impact from our increase in direct distribution from last year and investments to support our innovations, which is partly offset by fixed cost gains in the period. Normalized beer EBITDA finished the quarter 18% higher than 1Q08, with EBITDA margin expanding 370 b.p. when compared to last year.

Turning now to Brazil soft drinks and Nanc, we had a strong performance in volumes driven by industry growth and market share gains in the period. Our market share reached 18.1% for the quarter, which is 40 b.p. higher than last year, we are also pleased with our market share performance as it reached 18.4% in March 2009 which is 120 b.p. higher than March 2008. We continue to be very excited and see plenty of opportunities in the CSD business both from a market share and also profitability perspective.

CSD and Nanc net revenue per hectoliter grew 2.7% in the period as a result of pricing in selected markets, partly offset by excise tax increases and product impacted mix. We will continue to track and monitor pricing opportunities closely.

Soft drinks cost of goods sold per hectoliter fell by 0.5% in the quarter despite very low comparison from 1Q08 as our currency hedge gains and lower PET prices offset higher sugar prices.

SG&A expenses, excluding depreciation and amortization, increased by 39.5% in the quarter due to very low comparisons from 1Q08, higher volumes and timing of marketing investments to support our brands and innovations. CSD delivered good EBITDA result, 13.5% higher than last year with EBITDA margin contracting by 60 b.p. to 46.2%.

Turning briefly to HILA-ex, we continue to face challenges in the region with an EBITDA loss of R$38.9 million for the quarter, driven by significant industry decline in beer industry in some of our key markets. Beer volumes declined 25.6% in the period as a result of significant industry decline across the region, while CSD and Nanc volumes were up 3.2% due to strong performance in Peru and Dominican Republic.

Moving on to QUINSA and our operations in the South of Latin America, we are pleased with our EBITDA growth in the quarter in spite of the industry slowdown throughout the region. In Argentina, both our beer and soft-drinks units are suffering the important contraction in consumption.

We have been able to deliver an EBITDA growth of 22.8% and a margin expansion of 60 b.p. This growth was based on higher market shares, revenue management initiatives and a strong discipline in costs and expenses. Overall volume growth was 0.4% with beer volumes increasing 0.7% and soft drinks declining 0.1%.

Net revenues per hectoliter grew organically both in beer and soft drinks as a result of prices increases introduced in line with inflation throughout the region during the last 12 months, as well as focused revenue management due to good performance of innovations introduced last year, efficient trade spend management and strong performances from our premium brands, fundamentally in Argentina and Bolivia.

We recently did some strategic moves to strengthen our position within the region. We took control over the Pepsi franchise in Bolivia and we added up the Budweiser brand to our portfolio in Paraguay. I am very confident that these steps will add value to our business by consolidating our top line and achieving cost synergies.

Our costs and SG&A expenses were negatively affected by increases in labor, transportation and some raw materials during the year. Nevertheless, the continuous search for savings through ZBB, our Procurement Center and all the processes and best practices implemented have been effective at minimizing the impact. We also benefited from currency hedging, effectively defending our Company from the devaluations that affected the region.

We have been able to overcome the industry deceleration within the region so far, with all our efforts aimed at keeping our EBITDA growing. We expect a tough year, based on industry contractions throughout the zone, mainly in Argentina.

Now let us turn to our results in Canada. I am very pleased that our Canadian strategy continues to drive results forwards, delivering a 3.5% increase in EBITDA versus last year. This was achieved in spite of an estimated 1.4% decline in beer industry volumes, and in light of general economic turmoil across the country.

As you have seen through the last five quarters, the top line has been a significant bright spot for Labatt. We continue to lead the pricing agenda, posting a 2.9% increase in domestic net revenue per hectoliter in the 1Q. This growth was fueled by the strong price increases we implemented late last year and early this year, as well as by the structured approach to revenue maximization built into our Commercial Excellence Programs.

In the quarter, we grew the combined market share of our focus brands Bud, Bud Light, Stella, Keith's and Lakeport family by 160 b.p. These brands drove share gains in the critical import, core and light segments and in both the Central and Western Canadian markets. However, due to industry decline in the segments and provinces where we have higher market share, our overall market share declined by 10 b.p. in the quarter.

Our dream has consistently been to grow EBITDA and market share by focusing on a few and big things. We remain committed to disciplined revenue management, vigorous support of our focus brands and product innovation. As an example, in February marked the launch of Keith's Premium White, an extension of the Alexander Keith's Family of Fine Beers. It competes in the growing white beer category, carrying the heritage and tradition of its mother brand, leader in the domestic premium segment.

In line with our strong cost management culture, we were able to reduce the fixed costs associated with COGS, still this was not enough to offset the increases in raw material pricing and depreciation versus the previous year. In 1Q09 these commodity pressures resulted in an increase of 11.2% in COGS per hectoliter.

Nowhere is our ability to manage down fixed costs better highlighted than in cash SG&A, where we saw a decline of 3.2% versus last year. The ZBB mindset and ownership culture within our business continues to uncover new efficiencies and better ways of operating. This has allowed us to continually reduce our fixed costs without impacting the quality of our products, communication with consumers or the level of service to our customers.

We are very pleased with the financial performance of Labatt in the quarter. We have launched initiatives to address our gaps and are executing the plan we communicated would shape 2009. This is focused investment in our key brands, disciplined revenue management, smart trade programs and obsessive sales execution, which will continue to support our dream of growing both EBITDA and market share.

Going back to the overall AmBev business, 1Q09 was a positive start of what we still believe could be a challenging year. Normalized EBITDA growth of 16.3% was possible despite volume slowdown across many of our markets other than Brazil due to our discipline in pricing, focus on ZBB and productivity initiatives.

Despite a positive 1Q09, the outlook for 2009 still brings lots of uncertainties. This year is probably one of the most difficult ever as far as forecasting goes. We are seeing industry volumes being negatively impacted by the current global economic slowdown in some of the markets we operate, although Brazil, which represents close to 70% of our volumes, has been a more resilient market year to date and is showing industry volume growth year over year due to more favorable macroeconomic scenario and easier comparison from 2008.

Although it is still early to talk about outlook for the rest of 2009, we have prepared ourselves for a more difficult outlook and will focus on innovation and productivities initiatives to support our profitability for the rest of the year.

As I have stated before, I remain more optimistic about the resilience of the beverage industry than about other industries. I also believe we have the right teams, brands, plans and resources to support our profitability in 2009 and beyond.

Now I would like to go back to Nelson.

Nelson Jamel:

Thank you, João. In this final section I would like to guide you through the main lines between the normalized EBIT of R$2.226 billion and the net income of R$1.613 billion as disclosed on page four of our release.

Non-recurring items above EBIT added to R$217.4 million in the period, mainly due to gains in connection with the perpetual licensing of Labatt branded beer for consumption in the United States amounting to R$237.2 million. Our net financial expense reached R$325 million, an increase of 17% when compared to R$277 million in 1Q last year. This increase is primarily a result of higher interest expenses in our debt and higher carrying cost of our hedging instruments.

Our effective tax rate in the period was 23.9% compared to 21% last year. This increase is mainly a result of incremental growth in our pre-tax earnings when compared to 1Q08 which is taxed at nominal tax rates.

Our net debt decreased to R$6.4 billion at the end of March, compared to R$7.4 billion at the end of December, due to an increase in our cash position by around R$1 billion in the period. In April, we paid promissory notes from Banco do Brasil which matured in the period, adding up to R$1.7 billion.

So far in 2009, we distributed to shareholders R$263 million by way of interest on capital. We have also announced an additional R$265 million of interest on capital to be paid beginning May 29th, 2009.

Our operating cash flow generation in the 1Q totaled R$1.6 billion which is 85% higher than 1Q08. Operating cash flow generation will continue to be one of focus areas for 2009.

As we have mentioned before, regarding the use of cash in 2009 we will continue to prioritize paying the maximum amount of interest on capital possible, and despite latest downward trends to current interest rates, we are likely to retire the debt maturing in 2009, given current spread levels while pursuing more attractive financing alternatives.

We remain committed to maintaining our track record of proactively managing our capital structure and returning the remaining excess cash to our shareholders. I will now hand back to Dorothy to open up for questions.

Robert Ford, Merrill Lynch:

Good day, everybody, and congratulations on the quarter. I want to focus on perhaps one of the tougher areas, right, Canada, and if you could perhaps João, comment a little bit more broadly with respect to the outlook for Canada, both you and Molson appear to be losing share. I was curious as where you see that share going, and how you are responding to that?

And then if you could also comment somewhat on the outlook for inputs, my understanding is you have a tough compare in the 1H, and I was wondering to what extent that is expected to ease in the 2H of the year. Thank you.

João Castro Neves:

OK, Bob. If I understand correctly, I think I have like three the questions, all of them related to Canada, Canada outlook, Canada pricing, and Canada cost of goods sold for the year. I would say that the 1Q, as I said, we are excited with the quarter that despite the volume decline, we are able to deliver EBITDA growth.

In terms of outlook, in terms of volume, first you know that we are not disclosing any guidance and it is actually very difficult to know where industry is going. So we remain focus in the levers we control. I think first what we have been able to show, if you look at the last five quarters, but more specific in the last two quarters, is our ability to grow year against year, we grew around 3.5% now just this quarter and another 2,1%, above 2% in the last quarter too.

So two quarters of important growth, which I think leads to at least for the moment a conclusion that the industry as a whole is behaving more rationally than in the past. Certainly, there has been more discount in the last two quarters, when compared to the years before than many people expected or than people have gone through.

We do not see any changes to that. But of course, if there are changes we would respond. But again, always remembering that our objective there should be able to grow EBITDA and share at the same time, which we also think it is a feasible objective for 2009.

In terms of COGS, which of course will impact the EBITDA perspective for Canada, I would say that this is probably the worst quarter given that we have a very tough comparison against the last year, where specifically in January we had a very good quarter cost wise. So we do not think that the 1Q is a reflection of what goes forward, I think that we have easier comps and a better situation COGS wise, which of course will also help us to achieve this objective of EBITDA and share.

Robert Ford:

Who do you think is taking share right now in Canada? Is it Sleeman, is it some of the discounters and how do you respond to that without getting with a sort of problem with pricing?

João Castro Neves:

OK, Bob, I think that we are seeing two things. I mean, first, what we said in the beginning was that we are being affected by the different regions that where we have higher market share, the market has actually declined more in those regions, so most of the explanation comes from that.

But since that you have seen both us as well as Molson losing share, what we see in a very short-term is a higher level of discomfort from craft beers and those craft beers took some of that small share that we saw that we lost. So, it is a combination mostly from a market industry decline in the regions where we have higher market share and somewhat specifically taken both from us and the competition, or Molson, from the crafts which are discounting slightly higher than they used to.

Robert Ford:

And these craft beers, they are typically priced at a premium to the mainstream, is that correct?

João Castro Neves:

Yes, that is correct. They have been actually trying to develop or testing in our billing different price points below what used to be a premium price in domestic beer.

Robert Ford:

OK. Thank you very much.

Lore Serra, Morgan Stanley:

Yes, good morning. I was having trouble hearing you so I hope this is not repetitive, but I was hoping you could expand a bit more on the policies on the shareholders distributions and you mentioned that you made some debt repayments in April. But what I would like to understand is that last year you paid about R$3 billion I think in total dividends including interest on capital, with the increase you have in the cash flow which was impressive in the 1Q, should we think about that number being stable in 2009 or should we think about it possibly going up?

Nelson Jamel:

Hi, Lore. Let me take your question about the use of cash. Last year indeed, that is the amount we paid, something like R$3 billion including the interest on capital and it was aligned with our, I mean, traditionally we have been managing proactively our capital structure in a way to maximize the returns to the shareholders. So what we see this year, as we said before, it all starts with, of course, our cash flow generation and as I said before, when we make our forecast an outlook for the balance of the year, we expect something between R$4 billion and R$6 billion of operational cash flow to be generated.

And then we start to discuss the use of this cash which we have a couple of options. The first one, which we also indicated before is to maximize the payout to the interest on capital. So we already had in 2009, in January R$250 million and we are going to have another R$260 million paid in May and we will continue to pay the maximum possible IOC amount that in our sense is the better way to payout given its fiscal benefits.

I think it is important to highlight that the IOC tax benefit, they lead to a lower or optimal leverage for our capital structure. So looking at the debt we have, we have in this year almost R$3 billion maturing and we already paid a little bit more than half of it so far,for the balance of the year, we will have the remaining and looking at the spreads levels that we see today we are likely to retire the remaining part, which you will see probably happening in July, the biggest amount of that on more stable base balance for the rest of the year.

So after we do that, of course, we are pursuing more attractive financial alternatives, like BNDES lines for our CAPEX programs, so that is the type of debt that we are still chasing, and then as we still remain cautious with regards to the market conditions for the balance of the year and this debt maturing in the near future, we have decided to keep the cash for a while and maintain the flexibility and I believe we have to have a better view of this, first of all, the size of the remaining cash and then you get your final decision about the destination.

So, we are not giving any guidance on specific numbers, but it could lead, for instance, to something like the R$3 billion debt that we have to pay and then the remaining excess cash to be distributed, first of all, via the interest on capital and then the remaining cash we are going to get to a final decision but could reach to something like the number that you saw last year, but it all depends on how much we can generate, between R$4 billion to R$6 billion, I know it is a wide range, but that is how cautious we remain regarding the outlook for 2009.

Lore Serra:

Terrific. That is very helpful. And just on a related financial note, we have seen a lot of volatility recently in both commodities and in currency in the Real, should we assume that AmBev continues to hedge sort of on a 12-month forward basis on a consistent basis into 2010 at this point?

Nelson Jamel:

Yes, we remain, I mean, committed to our policy and remember that we talked a lot about the policy, we have a period that we decided that is 12 months on a rolling basis that we implement in our hedges. We have certain flexibility deviates, let's say, something up to two months ahead or two months before so we can, of course, just given the volatility that we have seen in the market, but our primarily purpose is the hedge, to have a stable and predictable outlook in terms of our exposure, so both in terms of USD and the commodities that we can hedge, such as aluminum, sugar, barley, so that is what we do and have it hedged for the balance of the year and already a part of 2010 in line with this 12-month horizon that you know.

Lore Serra:

Thank you.

Jose Yordan, Deutsche Bank:

Good morning. I wanted to expand a little bit on the hedging question, Felipe Dutra, yesterday on its conference call basically confirmed that the cost of goods per hectoliter for AmBev would be going up in a low single digit for 2009, so that seems to be in line with what I was thinking.

But, again in 2010 from your previous answer, it seems like you have had to play some hedges at a pretty high cost and at a pretty high level of the Real so far this year given that we are on the fifth month. But in general, did you wait until the last possible minute to begin those or have you done it consistently throughout the year?

And then just a related question, you mentioned your hedges in Argentina, if you could review what your hedging policy is there. Is it different from Brazil? And how long and perhaps at what rate are you hedged in Argentina for the next year, or however long are you hedged? That would be helpful.

João Castro Neves:

OK, Jose, let me take part of this question and then Nelson can also jump in. Starting from the second part of your question on the hedges for, let us say for example, Latin America's South and what we did last year. What we implemented in the last couple of years for Latin America's South, as the other countries are also of HILA, we have implemented the same policy that we developed three or four years ago to Brazil.

Therefore, given that the policy, as Nelson just said, is to be hedged in the "T" period, which is 12 months ahead, but having the plus two or minus two, this is true for Brazil as well as for Argentina, Paraguay and Bolivia, what you will see is that if you look at the Argentinean Peso last year or the Guarani in Paraguay or the Bolivian Peso you will see that something similar to what happened in Brazil happened in all of those countries.

So those countries started accepted 100 in the beginning of 2008 and some of them came down to like 75, so we actually were able to take very good currency quote on quote given that declined on those currencies, and they did not actually have the same spike as you saw in Brazil in the last quarter of last year.

We do not disclose the hedge on a country-by-country basis, but if you just graph the currency of for example of those three countries for last year, you will see that they have a valley, an important valley and that the spike was in a much slower pace than it was in Brazil. So we have very good benefits, very good currency hedges in place and we are benefiting from that as we are speaking.

In Brazil is the same thing, so I understand Felipe mentioned about low single digits, yes, they are also here, but when you see, when you compare low single digits with a -5.9, I would say that the -5.9 has two components, one is an easy comp if you want against last year which makes the decline maybe higher, but the part that is related to the benefit of the currency of the USD that will remain quote and quote stable for the year, given that we do on a T basis, there was nothing like you have mentioned that we actually did more at the end of the year, not at all. So you have a spread benefit across the base.

Nelson Jamel:

And also to add to that, I think I understood from the question that you are trying to confirm if we are consistent with our policy of being 12 months hedged forward, and we are. Of course for 2010 I think we know that the average rate for our USD exposure in 2009 is R$1.88, which given the current rate in the market R$2.15, now down to R$2.10, R$2.08 that was what we saw yesterday, so what we have is that we have been consistent with the policy therefore these rates are the rate that we are looking for 2010, and of course we also see the commodities going down even further, you see PET going down by 36%, corn going down by 18%. Those are even commodities that have fluctuated so [inaudible] and so we already have this benefit in 2009, and also from the commodities that we were able to hedge, they are going down and therefore we are going to see the benefit for the year 2010.

So that will be a net impact of all that and again, consistently with the product purchases of the hedge policy, we are talking about 12 months ahead, so all the buying initiatives that we are pursuing in terms of productivity gains and better engineering, so we are always looking to keep our COGS definitely below inflation, this is something that we try to be here and that is what we have in terms of overview for the months to come.

Jose Yordan:

Just to get it straight, definitely your COGS/HL especially with Brazil will still be below inflation for 2009 that is kind of in the bag, but are you saying that for 2010 given the decline in the USD pricing of commodities that when all averages out you will still be below inflation for 2010? Or will you anticipate? Or is it fair to assume a little bit higher somewhere in the 5% to 6% range for the aggregate cost per hectoliter in 2010?

Nelson Jamel:

I think it is too early to say that, but we have first of all positive commodities we do not hedge so they are fluctuating so we see downward trend, but I mean, we are too early in the year and obviously as I said, we hedge 12 months we still have an important exposure for 2010 not hedged so it is difficult to predict that.

And of course, the USD is negative but as I said, if you see the other elements of our costs to mitigate and offset that, well, we do not expect to have some of the things we have this year, where we have the benefit of the USD, but as stated we do not anticipate any estimates or are speculating on these estimates for after 2010.

Jose Yordan:

OK. Thanks a lot.

Alan Alanis, JPMorgan:

Hi, good day, everyone. I have a couple of questions. One regarding Canada, what are the synergies if any that you have seen between Anheuser-Busch and Labatt and how should we think about those going forward? And if you could remind us what were your characteristics or the agreement that you have for selling Bud Light and Budweiser, and I understand that those are the number one brands that you have in Canada and the ones that are growing the most. And the second question has to do with general CAPEX of AmBev, how should we think over CAPEX guidance for the full year of 2009?

João Castro Neves:

OK, Alan. Let me take the first part of Canada and then I will pass on to Nelson to talk about the CAPEX. I think about Canada there are two parts to your question, I think the first one, we are seeing a lot of benefits for this greater relationship with AB and I would say that for the most part in terms of synergies, since purchasing rice, purchasing services, different things that we can centralize, so actually this will and it is starting already helping us in the cost of goods sold part, and I am actually sure that it will also help us in the expense part. So those are very good news for our Canada operations.

In terms of the agreement, really nothing changed. This agreement, it was an agreement for 99 years, I think we are probably in the ninth year, I believe, so we already have nine years going ahead of us. I think what we also mentioned in the past which has not changed, this has a lot to do with that we have the number one beer brand in the country and also a fast growing brand, number one brand being Budweiser and a fast growing brand with Bud light.

The good thing is that they do demand a certain premium to our other mainstream domestic brands, which even after royalties we have a very, very good MACO which sometimes is not the case for when you have a royalty or a license brand. So actually we have been happy with the agreement since we started in 2004 and now we are happy that we can benefit from the scale given that the Canada is very close to the North American region, of course it is in the same region, so those are the good news from the relationship.

Alan Alanis:

And in terms of these royalties, are they reflected on COGS, correct?

João Castro Neves:

Yes. Correct. That´s exactly right.

Alan Alanis:

And is it fair to assume that part, I mean from the excellent SG&A management and cash SG&A that the reduction in 3.2 in SG&A, I mean about how much do you think it is because of the synergies with Anheuser-Busch?

João Castro Neves:

Well, first, the reason I mentioned, MACO, is exactly to give the line that already reflects royalty, so that is when you have a license made at the same or very similar MACO as yours or other mainstreams since you do not lose to cannibalization, and when you talk about the SG&A, what I tried to say was that I think we are ready and I pointed it has been faster to reflect the efficiency in the COGS, because if you are buying rice on a spot rate is automatic. So that is already happening as we speak.

I would say that the decline in the 1Q is still much more given the sort of mind set that that I think always amazes us that we were able to develop these last four or five years in Canada that we always give, now even an example internally for Brazil, for Latin America South, we would say that those guys are really good job so I would say that the 3% is much more a mindset that has been developed there, than already the benefits from the relationship of scale that we will now have with AB and I think this benefit we will still see going forward.

Alan Alanis:

Good. Thank you. And regarding CAPEX, Nelson?

Nelson Jamel:

Yes, what we saw in the 1Q, our CAPEX was R$154 million for AmBev as a whole versus R$200 million in the 1Q08. And that is consistent with what we indicated before that again cash is more than ever key for us. And we are selective on the investments we want to do, so we are making investments that are based to support our growth for the future but also being very focused on the returns of the investment, on the approval process, so last year, I do not know if you remember, in 2008 our total CAPEX was something like R$2 billion and then in 2007 it was R$1.6 billion, so our view for this year, for 2009, is that it should be closer to the level of 2007 and that is something that you could also see reflecting in the 1Q numbers.

Alan Alanis:

OK, very useful. Thank you very much.

Celso Sánchez, Citi:

Hi. Good morning. I guess first of all, could you talk a little bit, I am not sure I missed something earlier, it is a little tough to hear, but on the Canadian side, on Quebec specifically, could you talk a little bit about the competitive dynamics there and also the practices of retail trade and what role that you can have influencing that from a price fidelity or price discipline stand point, please?

João Castro Neves:

OK. Yes, we mentioned that a little bit earlier, Celso, what we said is that I think we are going through a much more rational moment in Canada than we were a year ago. I think that the way we are showing that on a quantitative basis when you look at our net sales per hectoliter growth quarter against quarter of last quarter and also in this 1Q, those were the best I think we had since we got in Canada.

So we were actually able to do this and at the same time given what we developed in the last few year also in terms of trade spend management we are having a good combination of net sales per hectoliter and good trade stand, which some times will affect also the net sales per hectoliter. So, that combination led us to an EBITDA growth and share gain, last year, and we think that combination could also lead us to that for 2009.

Of course, again, I think the crisis, at the same time that it helps making both industry in several regions where we operate, it makes the other competitors trade maybe on a more rational basis, but again given that we look at both things and given we see an increased activity in terms of promotions, be it through trade spend and some other way, we will respond, because we want to be able to do both things, but actually we are happy with the sort of quote on quote rationality that we have seen especially in the last couple of quarters.

Celso Sánchez:

OK. I guess caught part of that before, but that seems to be more of a regional color on Canada, I was wondering if you could be a little bit more specific about the issues you faced in Quebec which has obviously a different structure of market?

João Castro Neves:

We don´t really want to discuss the competitive dynamic on a province-by-province basis, I mean, you have seen what we disclosure in terms of agreement with the different customers, those things have remained in place for the first part, but I guess this is as much detailed as we want to get into, Celso.

Celso Sánchez:

OK. Thanks. And then if I can just follow up with a strategic question, you know, obviously the situation in the United States with the Pepsi system depends on the consolidation of the two big bottlers, in the United States by Pepsico, if that deal happens I wonder if PBG operations in Mexico might be of interest to you. Can you comment and up-to-date us with your thoughts on Mexico, either beer or soft drinks, how do you think about that market now and if it is any different from the interest you expressed very clearly in the past?

João Castro Neves:

I mean, I am going to make a very general comment, Celso, in the sense that I think we have said in the past that of course given that we think we understand Latin America very well and that Mexico is a very important market; of course, that is market that would like to operate, so that is the general comment.

But I do not see the Pepsi transaction at this point changing our perception of a near term entering in that market or not, so we think that neither in soft drink or beer, given the situation of the competitive scenario, whether they are thinking about engaged with anyone and anything or this dynamic that could be changed by this quarter or the next quarters potential acquisitions, I do not think that will change in any way our nearby entrance in the Mexican market. We continue to see that market as a very interesting one, but we do not see in the near term any chances of us entering in that market.

Celso Sánchez:

OK. Thank you.

Lore Serra, Morgan Stanley:

Excuse-me and thanks. I guess I would love to hear your thoughts a bit more on the outlook for the Brazilian beer market through the balance of the year, I know you mentioned in the opening comments that there is no certainty and the year might be tough, but you also talked about the resiliency of the market for 2009, I wonder if you could talk about what kind of trends you think you might have this year or the role maybe that innovation could play some of the things you have done recently, I´d interested in your perspective.

João Castro Neves:

OK. Yes, Lore, I think what I said in the opening comments, It is that what we saw in terms of it is a very difficult environment to forecast, of course we are very happy with the sort of the industry resilience connection, much more than resilience, the industry growth that we saw in the 1Q. As we said this was a lot due to the weather, to the late Carnival and those are things that we cannot control, so I mean, if the good weather remains, I think it is able to offset a lot of the potential decline that could come, from other point, I mean, if we were to say how the crises could hit Brazil I think unemployment would be one of them, but we saw in other years that good weather can more than offset that.

That is what we are seeing, it´s a difficult thing to forecast, but again, right now I think the world is changing from pessimistic to maybe cautiously neutral. If this world out there goes from this pessimistic scenario to a more cautiously neutral world, I think it will be positive for Brazil.

Of course, I think what we are seeing is that Brazil maybe did not have so much exposure to the credit history, it is basically solid, also in terms of not having a lot of credit out there, I think the level of exports in Brazil are also not too high that also allows the country to be more resilient and that is the reason why we are actually more excited about Brazil than we were.

Lore Serra:

OK. Thanks.

Lauren Torres, Hong Kong Shanghai:

Good morning. My question is a follow up on Brazil. I was just curious if you could bit a more specific with respect to channels, I know you had a good quarter based on whether and Carnival, but are you seeing more off-premises versus on-premises consumption? Is that the case? Or obviously it is just the weather on-premise consumption so well or doing well, I am thinking with categories that you are seeing trading down or are some of the higher price points doing well for you?

And I guess just on more general sense I was curious to find out looking at the growth rates we saw on the 1Q, I know you are not giving guidance here but any sense of how sustainable those growth rates could be as we think about the rest of the year.

João Castro Neves:

Well, those are very good questions and I ended up not really addressing more before, so let me expand, as I said, I think, again Brazil can surprise us positively, but it can also surprise us negatively, so what we are doing to that we think is the best option, of course we are doing all those things that we already mentioned, but I think that also we are seeing a lot of opportunities in terms of innovations.

So I think that as the leader, we will continue delivering innovation, as we said, both in terms of liquid and packaging, it is too early to say that the innovations are working, we think they are definitely helping the sort of behavior the Brazilian beer market has given us so far, so we are happy with the very early results of our innovation introduction, but again it is early introduction. In terms of trading down, we have not seen really a trade down that could be expected that we have seen actually in other markets that we operate, we have not seeing that in Brazil. That is a very good point at this point in time, but maybe this is something we could see going forward.

In terms of channel, it is true that one thing that is happening, that has been happening slightly also before this let us say world crisis is that the off-trade channel has been probably slightly more in a down trade, and sometimes we see during crisis doing bigger shopping occasions and fewer times than going on a everyday purchase, either on the on trade or on a very small off trade, so no trading down, but definitely a slightly higher growth in the off channel than in the on trade.

Lauren Torres:

And I am not sure if you want to touch upon April but any sense or what you saw in April was too much what you saw in the 1Q in Brazil?

João Castro Neves:

We are not really touching upon April. I think what we are seeing in Brazil more specific than in the other markets, I think that the good sign we have here is that we have been able to implement our price increase so basically now fully in the market. Prices are sticking and volumes are resilient, so no specific on April, but I think the combination of pricing sticking and a volume resilient, I think it is good news for us.

Lauren Torres:

And last question. I guess there was maybe a hint out there that there is a potential for further tax increases in Brazil. Is there any color you have on that front?

João Castro Neves:

No. Actually we think there was a lot of hype in the same way that was last year in the sense that people talked a lot about the excise tax increase during 2008, but the excise increase really happened in January 1st of 2009, so actually the industry is still digesting that tax increase.

Right now, as I said, volumes are stable or growing actually, although we had a price increase and a tax increase, we have been able to offset that tax increase for the most part so that we are also very satisfied with that. And we think and we have been out there talking to Federal Governments and State Governments because tax is always something that keeps us awake at night, so we have been very close to them saying and showing that a further tax increase could impact industry volumes and if it impacts industry volumes it will also impact the tax collection, so that combination is negative for everybody. So we do not want that to happen.

And the last point I think something that has been also happening for the Brazilian Government, they have done a very good job in terms of bringing tax evaders into tax payers. So, they actually are able to grow their tax base, their tax collection not just by increasing the tax, but also by bringing those guys into the system. They have actually revamped the system that they had in place with an even better one, so I think that will also help them continue to increase the tax collection by bringing this new tax evaders into the tax system. So that is also good news I think for us, for the industry and as all for the Government.

Lauren Torres:

OK. Thank you.

Julia Rizzo, Banco Itaú:

Hi, good morning. I have just one question actually on Quinsa. I would like to know if the results could be sustainable mainly on the beer side and I saw like the volumes deteriorating, but actually the margins are quite high. Can you comment on your perspectives for the remainder of the year?

João Castro Neves:

Yes. Well, I think Latin American South market and as we said in the opening comments specifically Argentina and Bolivia are markets that we have seen a decline, not already decline in the quarter, but they are markets that we worry. When you look as a whole we were able to fully offset that with everything, I mean with pricing, with cost, with expenses.

I think we are going to be able to continue to deliver EBITDA growth but I think it would be too much to expect the same sort of growth that we delivered in the 1Q. I mean we delivered above 20% EBITDA growth with volumes being flat. So again, difficult to forecast what is going forward, let us say if volumes recover I think the sort of growth can be where it is or higher, and if volumes continue to be flat we will continue to pressure a lot in revenue management, cost control and hedges that help us as we said in expense control to the level that will allow us to keep EBITDA growing, not necessarily at same level that they are growing right now.

Julia Rizzo:

OK. Thank you very much.

Operator:

Ladies and gentlemen, we have reached out of time for questions. I will turn it back over to Mr. Jamel for closing remarks.

Nelson Jamel:

Thank you, Dorothy, and thank you everybody for the participation and the questions and that is it for today, we wish you a very good day. Thank you, bye-bye.

João Castro Neves:

See you in next quarter.

Operator:

Ladies and gentlemen, this concludes today's conference call. You may disconnect your line at this time.