Transcript - AmBev 3Q02 Conference Call

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Operator: Good morning ladies and gentlemen. At this time we would like to welcome everyone to the AmBev Conference Call to discuss the earnings results for the third quarter of 2002.

We would like to remind you that this conference call is being webcasted at the address www.ambev-ir.com. We are informed that all participants will only be able to listen to the conference during the company's presentation. After the company's remarks are over, there will be a question and answer period. At that time, further instructions will be given.

Should any participant need assistance during the conference, please press star 0 for an Operator. Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of our management and on information currently available to the company.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties, and assumptions, because they relate to future, and therefore depend on circumstances that may or may not occur in the future.

The future results and shareholder values of AmBev may differ materially from those expressed in or suggested by those forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict. Investors are cautioned not to put undue reliance on any forward-looking statements.

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. Marcel Telles, Co-chairman of the Board of Directors. Mr. Telles, you may begin your conference.

Marcel Telles: Thank you (Melanie) and Good morning everyone. Our operating results this quarter were very strong, and from the treasury desk we were able to protect ourselves from the currency volatility and interest rates fluctuations.

When results are good, everyone wants to join. So here with me today I have Brito, Felipe, Juan, Miguel and Luiz Fernando. The essence of our company has been and will continue to be management's ability to deliver outstanding results even under unfavorable macroeconomic scenario.

AmBev's long-term strategy has been and will continue to be based on 5 key pillars:

· - to grow the top line through revenue management and per capita consumption. As Luiz Fernando and Miguel will explain, we have mapped out opportunities to exploit both the revenue and per caps sides of the equation.

· - to improve the efficiency of our distribution network. It does not only mean cost savings, but also the potential for taking advantage of trading our full beverage portfolio through both direct sales and third-party multi-brand distributors

· - to leverage the soft drink business profitability by taking full advantage of both the already in place infrastructure and sales technology for the beer business. On top of that, the addition of high-margin products to our portfolio, such as Gatorade and Pepsi Twist, will further enhance profitability. Juan will make further comments on the CSD business.

· - to maintain our continuous commitment to reduce costs as much as we can. We see no limits for this and Felipe and Brito will elaborate more on that.

· - and, finally, to attract, train and moreover KEEP the best people by letting them grow at the pace of their talent and sharing with them the results of their efforts.

Additionally, this great potential will be enhanced by the initiatives we have taken to level out competition in the market place. I am talking about the tax evasion problem and Felipe will detail this issue further on.

I will now ask Luiz Fernando to talk about our beer business.

Luiz Fernando: Thanks Marcel.

Volumes this quarter rose 2.5%, with market share up to 70.1% compared to 67.8% in June 2002 and 69.3% in September last year. The gain came both from on and off premise channels.

This is explained mostly by the result of our strategy to roll back consumer prices from January to September this year, and also by taking a new approach to supermarkets. We recently restructured our Key Accounts supermarkets management following a study together with Booz Allen.

The price gap between our brands and the other brands continued to narrow in areas where we focused the strategy to roll back consumer price.

Net sales per hectoliter were R$93.3/hl this quarter, more than R$1/hl over last quarter, since we were able to reduce discounts in cans.

In the end of October, we raised our prices by 8-10% on average because of the effect of the currency devaluation and inflation.

Our goal is to keep consumer prices at most in line with inflation so we are actively monitoring the effect of the price adjustment on the consumers. Our sales force is collecting frequent price data at the point of sale so we can work quickly to contain any pass through which may impact volumes. The average consumer price of our products is expected to stabilize at around R$1.90 per bottle.

We continue to simplify execution for our sales force by investing in tools that help them work with retailers to maximize value. Their palm top computers are now equipped with a new program that shows them the higher margins they make per bottle of our brands compared to our competitor's brands.

A critical part of our strategy is to strengthen our position at the point of sale and drive per caps by continuing to invest in our proprietary sub-zero coolers. We have 105,000 beer coolers in the market today and we plan to double that within the next few years. In addition to placing them just at the on premise channel, as we have done so far, we will begin placing a new version of them in off premise channels to make cold beer available for take home consumption.

Finally, we are strengthening our distribution and execution by optimizing our sales force, including third party distributors, creating specialized sales forces for some specific channels.

Using our experience and results in direct distribution, we have convinced many of our distributors to resize their sales force. This will allow us to expand our coverage and to include the right solution for new product launches such as Skol Beats.

I will let Miguel tell you about marketing now.

Miguel: Good morning.

For the past year we started developing research to map beer consumption in Brazil. We have found that there are two main opportunities to increase per capita consumption: bringing beer to new consumption occasions besides the traditional "beer blast" that is responsible for 62% of the industry volume, and through segmentation.

During the past few months we have begun to implement strategies to attack these opportunities.

This month we are introducing Skol Beats.

Skol Beats is a new beer packaged in an innovative long neck clear bottle that targets the "Night Out" occasion when people hang out at parties or clubs. This consumption is individual, and beer does not currently play an important role.

Another important achievement is that AmBev's draft beer will now be available at McDonald's in Brazil. Brazilians do not drink beer with their meals – share of stomach is just 2% - and McDonald's is a great place to begin with this occasion.

We also launched Chopp Express, making it possible for Brazilians to enjoy home delivery of ice cold draft beer for parties and family gatherings.

Our initial efforts to develop segmentation through super premium brand Bohemia have shown strong results. Sales have more than doubled in the first nine months of the year, reaching R$85 million, and volume increased 77%. Bohemia is a profitable way to explore per capita growth, and is the perfect beer for the daily indulgence when you want to cool down at home after work. Bohemia share already represents 2% of total market share and 2.8% in share of value. In São Paulo Bohemia has 5.8% market share.

We continue to have high expectations for the prospects for development of new occasions and segmentation in the Brazilian beer market, growing both per caps and also as an important tool for revenue management.

Now let's talk about how we see the beer market going forward.

In the past we've compared market volumes to GDP. More recently, we've begun using a more scientific econometric analysis. Among a variety of different variables studied, the strongest correlation stands out. Four factors – demographics, real income, consumer confidence and real prices – explain 92% of the behavior of the beer market in the last few years.

Brazil has long suffered from weak macroeconomic conditions, and the real income growth triggered by the real plan has largely been reversed despite declining real prices. In the last year, consumer confidence has also been affected by the various crises that began in 2001.

Looking forward, we continue to see positive trends in demographics, with the beer consuming population growing about 2% per year. While the recent elections have caused wide uncertainty in the market, the majority of the population that voted for Lula is optimistic about the prospects for change – this is good for consumer confidence. With the threat of higher inflation, the trend for real income may be a negative. Our strategy, to keep real consumer prices stable in real terms, should continue to be a mild positive.

We believe that the current outlook points to beer market growth of approximately 2% in 2003.

I will now pass it over to Juan.

Juan: Good morning, this past quarter is a nice one to compare versus last year. Net sales per hectoliter grew by 18.7%. Total net sales reached 247 million Reais, up 9.2% and EBITDA jumped from 14 to 53 million or 8.5% of AmBev's EBITDA in the quarter, a very positive result driven by our focus on a healthier core portfolio, cost and revenue management, the later designed to maximize healthy volume.

We have continued to close price gaps and have been raising our prices along with the market leader, sometimes ahead -- and will continue to do so. We have definitely positioned Pepsi's price to retail at parity with guaraná Antarctica in practically every market and improved Pepsi's trademark average pricing, significantly, with pepsi twist's price and packaging strategy.

Overall, our volumes this quarter fell 8% versus a year ago. this is explained by the combined effect of a softer market, price increases affecting mostly non core brands and difficult comps versus last year's third quarter when we executed a very successful sales incentive that brought us to new levels of distribution.

A couple of initiatives and a couple of numbers on which i would like to comment this quarter:

- on the cost side, cogs declined versus last year and also versus last quarter as a result not only of hedged raw materials but successful cost negotiations, improved yields and the closing of our Paulínia plant, transferring all its production to our more efficient Jundiaí facility. Later on Brito will comment further on overall cost improvements.

- on the marketing front, first our flagship brand guaraná Antarctica, which by the way grew 1% in volume versus last year's third quarter despite the price increases and the difficult comps.

By the end of the third quarter we released new packaging graphics after months of development and research, / coupled with very successful advertising featuring various Brazilian icons, amongst them guaraná Antarctica itself and soccer megastar Ronaldo -- our leading spokesman. We expect this updated packaging and advertising to contribute significantly to Guaraná's already powerful brand equity.

Second marketing highlight is for Pepsi Twist, which has gained half a share point as of September, / despite only being available in single serve cans and 600 ml pet, and with limited distribution. We continue to roll-out this product nationally and are now gradually introducing premium priced 2-liter pet. Most important, Pepsi Twist is -- and will continue to be -- priced at parity with the market leader in all packages and all channels.

Last, but not least, EBITDA margin this month reached 21.4%, a number which allows us to raise our full year guidance from the low tens to the mid tens.

At this point you might be questioning whether soft-drinks EBITDA margin is sustainable -- or not. Our belief, and guidance if you may, is that on a quarterly basis we will continue to experience ups and downs as we continue to invest in developing our core portfolio, but we do expect a slight improvement, on a total year basis, from our forecasted mid tens EBITDA margin in 2002.

Thank you, I will now pass it on to Brito.

Brito: Thanks Juan, and good morning. From this quarter on, I will be talking to you about my new area of responsibility – operations, which includes manufacturing, logistics, procurement, and human resources.

Comparing this quarter with the same quarter last year, given the 2,45 exchange rate this quarter compared to the 2,55 last year's third quarter, we gained R$15 million on the cost of goods sold. There was also a gain of R$15 million based on better prices and terms from our suppliers and an additional R$6 million gain from efficiency gains.

Had it not been for the hedging of our variable costs, our COGS would have been R$94 million worse than it was.

I will talk a little bit now about the cost initiatives we have been working on this year on the Operations side.

On the fixed cost front (G&A) we are working on two initiatives. First, with the creation of our Shared Service Center, we have been working not only on streamlining processes in the field but also on centralizing some of these processes to cut FTEs. In order to set the Shared Service Center we did incur some upfront and one time expenses in people and systems of R$10 million. We already cut some FTEs, with the cost of these layoffs being reflected in this quarter. In the following quarters we should see savings from this reduction of FTEs. Also on the G&A front, another initiative is the simplification of our manufacturing management system at the plant level. We use to control too many things and we are now trying to focus on what is really relevant and in doing this, cutting some staff from the plants.

On the variable cost front (COGS), we have two other initiatives: one dealing with cost of raw materials and another one with consumption of these materials or efficiency. On the cost side, we have been trying to deal with a temporary inflationary pressure caused by the currency devaluation, with dollar denominated raw materials and with getting more knowledge behind the most important raw materials we buy, so as to get better leverage in dealing with suppliers. On the efficiency side we conducted a benchmark study to establish the gaps we still have to what is considered best in class worldwide. As a result of this study, we identified some relevant gaps to work on and we redefined our existing Engineering Center to better support the closing of these gaps.

Now Felipe will drive you through our results.

Felipe: Hello everyone.

Our cash SG&A, excluding direct distribution, fell 10.5% in nominal terms, or R$29 million in the quarter, compared to last year, despite inflation of nearly 8% in the last twelve months. Had we incurred inflation on top of the year-ago cash SG&A base (excluding direct distribution), the real savings would have amounted to approximately R$66 million, the above mentioned R$29mm plus the R$37 million for inflation which was fully offset.

I reinforce our cash cost cutting efforts: R$100 million for this second half , compared to last year's second half, despite the inflation and some non-recurring expenses. Those will come from the following areas:

· - R$10 mm from fixed costs at the plant level, which will be reflected in cost of goods sold

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- R$90mm from selling expenses, reduction of commercial fixed costs and better channel management with supermarkets, and a decline in Reais terms of international expenses.

For next year, we redesigned our zero based budget process to improve our competitive advantage of being the lowest cost producer. The first step was to take the level of costs we had in Brahma in 1999 and update for inflation and volumes, when applicable.

Second, we replicated the ideal cost structure for Antarctica and folded it into our budget.

Third, we reflected the organization changes that were made to AmBev since 99.

Finally, we benchmarked the real cost structures of existing business units and compared it to the ideal budget.

Our commitment of R$150-200 million for 2003, compared to full year 2002, is based on 6% inflation that would imply a cost savings effort of up to R$250 mm.

Those savings break down as follows:

- 20-30% from administrative reductions;

- 10-15% from selling expenses

- 10-15% from plant level fixed costs, in the cost of goods sold ;

- The rest will come from variable costs as Brito has just mentioned

Our financial results this quarter were driven by a mismatch in the way our assets and liabilities are measured under Brazilian GAAP.

The US dollar coupon rate increased sharply, from about 12% to 27% in the last 3 months. Therefore, since we marked to market our financial assets, a loss of R$730 million was registered in our net financial results.

While these financial assets were marked to market, our liabilities were accrued to maturity, the opposite from the treatment given to financial liabilities in USGAAP.

But since the company intends to carry all financial assets to maturity, the loss registered this quarter will be reverted over time.

Thus, our net financial expense was R$590 million in the quarter. However, had we marked our liabilities to market as well, a R$680 million gain would have been registered, leading then to a net financial income of R$90 million.

Our debt continued to be fully hedged this quarter and will continue to be going forward. We have paid down R$900 million short-term trade finance debt in the quarter. As of September 30, the short-term to long-term debt ratio was 1 to 4, compared to a ratio of 1 to 2 last year. This is a result of our commitment to enhance AmBev's credit rating profile.

Giving you a brief overview of our Income tax line this quarter, we had a net benefit of R$560 million, mostly due to the fact that part of our hedge consists of offshore transactions which generated non-taxable gains, while interest expenses are totally deductible in Brazil.

Finally, I would like to touch on an issue that has been raised in the last few days: the possibility of higher sales taxes. This has always been a risk and will continue to be, despite the already heavy tax burden in Brazil. Our policy is to adjust prices should any increase in taxes take place. However, we have always believed that there are alternative ways for the government to increase taxes collected other than increasing tax rates.

We have put together a team of four high-potential guys with the mission of mapping out and proposing solutions to the most used tax-evading situations.

This team turned up with surprising but highly interesting results: three specific situations accounting for nearly 100% of total taxes evaded in Brazil. The first one is what we call 'multiple use of the same invoice' ; the second situation is what we call 'no invoice or half invoice' – there is no invoice for a given sale or the invoice does not reflect the actual volume sold; and finally the third situation, which we call 'gap in the legislation' and by which local judges issue injunctions allowing for the non-payment of the substitute value added tax.

Having said that, our actions so far have been:

1 – We have been working closely to the Brazilian government and a federal legislation requiring the implementation of flow meters in the beer and soft drink industries has already been enacted. The flow meters will be installed less than two meters away from the filling machines, almost at eye level, connected to a 6-inch pipeline, making it difficult for anyone who attempts to tamper with the equipment. Data will be electronically transmitted to high levels of the government allowing them to compare volume produced with volume sold. This type of project has already worked in places like California, Belgium and Thailand, where it led to an 80% reduction in tax evasion. Finally, our partner for this project is a highly regarded Brazilian e-security company called Modulo, responsible for the electronic voting system in Brazil (a benchmark in the world), for the IRS tax collection website and for the new Brazilian Bank Clearance system; and

2 – Recently , the Federal Court has officially recognized the VAT as valid. Furthermore, on November 6th the Federal Court has officially forbidden local judges to issue injunctions allowing for the non-payment of the substitute VAT. Or in another words, any judge in Brazil must now abide by any decision taken by the Federal Court. In addition, all outstanding injunctions shall be revoked, such as what has already happened in the sates of Espírito Santo and Pernambuco.

Finally, once all competitors can compete on a level playing field, we will see the existing pricing gap between AmBev's brands and other low-priced brands narrowing. Translating this into our results:

1 - we believe in a significant market share gain, on top of our 69 to 70% historical market share. I remind you that although our market share is 70%, the preference for our brands is above 80%

2 – following an increase in volumes, relevant improvements in our margins will be realized.

Thank you all. And we will now take any questions you might have.

Operator: At this time if you would like to ask a question, press star, then the number 1 on your telephone keypad. If you would like to withdraw your question, press star, then the number 2 on your telephone keypad.

Your first question comes from Alex Robarts with Santander.

Alex Robarts: Hi guys. First question here is on the cost savings program into next year. And I guess I had three parts. In the 2Q release you talk about the 150 to 200 for next year related to SG&A. It sounds that this quarter you are kind of keeping that number, but expanding it to some of the cost of sales items as well. I just wanted to confirm if that had occurred.

Secondly, when you look at the 150 to 200, you have given us some very nice color here as far as the breakdown. Could you give us a sense of where that might fall next year, beer versus soft drink? And then kind of a timing idea as far as first half, second half? That would be very helpful?

And then I guess when you do look at this number in terms of savings, I wanted to understand the cooler aspect to this. You had done, you told us, 85,000 coolers in the first half of the year, and wanted to do another 35 in the second half of this year.

I didn't understand that other comment, the prior comment you had mentioned on the numbers before. But is in fact 35,000 additional coolers going to happen in the second half of 2002? And what would that be for next year as it kind of jives with this cost saving number? Thank you.

Felipe: First of all, savings will come from both beer and soft drinks. Both will share the benefits of those savings. Regarding the cooler placement program, since those coolers (unintelligible) are our assets, both (unintelligible) and investment. This investment amortizes (unintelligible).

And finally, in terms of savings, the way we approach those savings, based on (unintelligible) guidance, (unintelligible) costs (unintelligible) cost of goods sold (unintelligible) would get variable costs as raw materials and packaging and so on. We will also have fixed costs (unintelligible) fixed costs at the plant (unintelligible). Also (unintelligible) costs (unintelligible).

Those are basically (unintelligible) accounting standards. (Unintelligible) the cost of goods line (unintelligible).

Marcel Telles: This is Marcel here. If I may add to what (Felipe) has said, we have noticed during this year that this number is a ballpark figure (unintelligible) confusing to analysts and investors. So we are going to try to give more and more (unintelligible). But there is a lot of aspects to those numbers.

One of (Felipe) mentioned is that some of the fixed costs sometimes are embedded in costs of goods sold. The other that he already mentioned is inflation, that sometimes, depending on the inflation level, makes the whole (unintelligible) much, much more intense than with lower inflation levels.

And finally, sometimes – and this happened this year, and will happen again next year – there are initiatives that we decide to go ahead during this year, during the year, that are going to deduct from those numbers, although they are not shown.

Examples for debt this year is what we spend in (DFC)s, the (Bohemia) launch for the second half of this launch (unintelligible). They are of course (happening). We wanted to do them. So when you see the numbers, you will see the 100, when actually you should see (105), the problem being that the (unintelligible) went away to those initiatives.

So having said all that, it is up to us to make those numbers more and more transparent. And we will try to do that from now on.

Alex Robarts: Okay thanks. But just – I mean the two things were – are you going to be able to – are you trying to get 35,000 more coolers the second half? And is there a sense of what you might have for next year as far as coolers?

Man: At this time we already have 105,000 coolers in the market. And we plan to finish the year at 115,000. And what we said here is that in the next two years we plan to double the number of coolers in the market.

Alex Robarts: Okay great. That is helpful. And the second last question really is more of a strategic one. And it is related to the (Quilmes alliance). I mean when you stand back here I guess it has been really six months since you have announced this the first or the second of May.

Are you guys – when you look at the economics of the deal, do you think that they have changed in the last six months? And I guess related to that, is there room in the contract or when you speak with (Quilmes), to amend the current economics?

And finally related to that, you learned this morning that really late March/early April is when we expect to get the final announcement in Europe from the Heineken claim. I know your kind of proposal will last until about that time, I guess through April. Maybe you could comment on what happens if we don't get the final – I mean – by then? It goes into June or July? Would you also extend the offer to accommodate that kind of different timeframe? Thank you.

Man: Basically we stand – we totally stand by the deal. And when the deal was closed, most or all of the economic scenarios and the numbers of (unintelligible) very clear to us. So no surprises on that. So the numbers are basically what we thought they would be. Of course strategic value continues to be there. So we are totally comfortable with the deal.

The second thing that you mentioned, we haven't heard the (unintelligible) conference call. But it was imagined they told the market that there is a firm resolution by the (unintelligible) to close as of the contractual closing date. And again, I am commenting without having heard what they said.

What I know is that there is a judgment for the injunction. There will be a ruling by the end of November. That could be one of the (unintelligible) points, depending on how the injunction was ruled. But what I understand is that there is a firm commitment from the (unintelligible) the problems and the economic value of going farther than the date – the contractual date for the closing.

There is a firm commitment from them, not in the injunction, but on the merit of Heineken's claim, for the date that we have as the final closing date. So no need to extend just because the (ICC) is basically saying they will rule before then.

Alex Robarts: And it is April 30, correct?

Man: Yes.

Alex Robarts: Thank you.

Operator: Your next question comes from (Vincent Bertrand) with (Minetta) Asset Management.

Vincent Bertrand: Hi. First of all, I am sorry. If you could please (unintelligible), because I couldn't listen very well to the previous question. So my question is related to –

Man: Okay. Can you hear me better now?

Vincent Bertrand: Yes. Better. Thank you. My first question is regarding the cash and marketable securities. First of all I wanted to know if it is US denominated investments in marketable securities.

Man: It is a mix.

Man: But currently we have nearly 80% of our marketable securities is actually in the US Treasuries in dollars. And this investment is part of our hedging (unintelligible) besides the (forward) agreements.

Vincent Bertrand: Okay. And then you announced that you would purchase some stocks. You have a buyback problem. And I was wondering if you were considering also to buy back debt, because you have like one billion in cash basically.

Man: We have been learning a lot from the relationship with debt investors, as well as the equity investors. And that is always a possibility. There is nothing right now towards this direction. But it is some opportunity of course from both sides – investors and the company. And any specific moment we would consider that.

Operator: Your next question comes from (Robert Ford) with Merrill Lynch.

Robert Ford: Good afternoon gentlemen. I would like to congratulate you on a very solid (unintelligible). First I wanted to ask you a little bit about the flow meter (unintelligible) of.

Man: A little louder please?

Robert Ford: Sure. I wanted to ask first about the flow meters. And I wanted to get a sense of what you believed would be the timing of getting installation of flow meters into the key states in which you experience the greatest proportion of tax evasion. I also wanted to know if these are already authorized for both (ICMS) and (IPI), or is the Federal legislation applicable to (IPI) (unintelligible)?

Felipe: This is (Felipe). The existing legislation applies to (IPI). But many states have (unintelligible). They are implementing their own legislation that says (unintelligible) those bottom meters will cover both (IPI) and (ICMS).

We have just gotten the right equipment. We are working (unintelligible) in order to (unintelligible) all the (stations) or qualifications for the equipment, accordingly to the study by (unintelligible) Security Company. And we believe those meters will be starting to (unintelligible) by next year, rolling out gradually to throughout the year and the following years.

Robert Ford: You know (Felipe), (unintelligible) relatively easy to control. We are talking about relatively just a few number of breweries that are probably a source of the pricing dysfunctionality in the industry. How realistic is it to expect that we could see much better compliance among the (Tubaína) bottlers? Because this legislation equally applies to the soft drink industry as well.

Man: I think you are right, assuming that it could be much more effective for beer than to soft drinks. But at the end of the day, any company will – must have their own equipment. And (Juan) here, he wants to comment, to add some comments on that as well.

Juan: Yeah, obviously you have got a significant amount of (Tubaínas) spread around. But you have also got a regional branch. So a lot of those so-called (Tubaínas), they are in a mid-way between the various manufacturers and getting bigger on a regional basis.

So is it controllable at 100%? Probably not. But it is a start working with the bigger ones.

Robert Ford: And just lastly, given that (Mato Grosso) and (Pernanbuco) are already moving on legislation, what are the hurdles in the bigger states, where you have arguably a bigger problem – in Sao Paulo, Rio and Minas Gerais. What is the timing – or what do you think the timing could be in these more important states, especially (unintelligible)?

Man: I think we have nearly eight states, accounting for a large chunk of our beer market share. And those are our focus here. We have a (unintelligible) and many others. (Unintelligible) start. And we believe to see all of (them) following toward this direction, if they all see the benefit from this equipment, helping them to collect more.

Robert Ford: Great. Thank you very much.

Man: Thank you.

Operator: Your next question comes from (Lorrie Sarah) with Morgan Stanley.

Lorie Serra: Actually I wanted to ask two questions. Let me ask the one that is a follow-up to the issue on (Quinta). What I understand – and tell me if I am not understanding this correctly – is that the deal with (Quinta) could close if you get anti-trust ruling without any material adverse changes, as well as a ruling on the injunction.

So if you get a ruling on the injunction that is positive by the end of the month, could the deal potentially close before you get to the final ruling from the (ITC) in Europe?

Man: Theoretic ally yes. My feeling is that both parties will rather do it with a final ruling.

Lorie Serra: Both parties, meaning you and the (Quinta) shareholders?

Man: Yes. But again, that is something that has not been (unintelligible) yet.

Lorie Serra: And as a follow up to that, I mean we also heard this morning about some of the financial issues that are complicating the timing on the (Quinta) side. What is AmBev's position if there is a need to break some of that debt rollover?

Man: We haven't heard – we are at a disadvantage here, because we haven't heard (Quinta)'s call. And you should understand that due to this (ICC) process, there is a lot of numbers and strategic decisions that are not being shared by both companies. So quite frankly, this question should be addressed to (Quinta).

Lorie Serra: Okay. Let me then jump back on the other issues. In the quarter, we saw a pretty significant decline in cost of goods sold per hectoliter, both in the beer and soft drink business on a sequential basis. And in the opening remarks you talked a bit about some of the factors, in addition to the hedge that (unintelligible) year on year.

But I am wondering if you could identify why on a sequential basis we would have seen such a large contraction in the cost of goods sold per hectoliter in both of those businesses? I mean my understanding, the hedge was active both in Q2 and 3Q.

Man: Hi (Lorrie), this is (Brito). As I mentioned at the beginning, we have been working pretty much since the beginning of the year in trying to get our KPI's in terms of productivity and yields bolstered to what is considered best in class. I think that could be part of what you were asking.

The other thing is that we have been very heavily trying to understand more and more about the remaining raw materials, such as cans, some agricultural things we buy for beer, that fluctuated a lot this year. We are trying to look for alternatives in either hedging or looking for new suppliers. And of course there is also the volume.

Every time in a quarter where you have some volumes going up, all efficiencies and yields will tend to get to a better standard. But I guess we will have more details on that in the next quarter, when I have the numbers a little e more organized and open to share with you guys.

Lorie Serra: Okay. But I guess what I understand is that there was nothing unusual about the third quarter in terms of the accounting for the third quarter, vis-à-vis the prior time?

Man: No. Not at all.

Lorie Serra: Okay. And just lastly on the price increase, one of the things that you mentioned was that you are expecting the price gap to the competitive brands to narrow. And I know that has been happening year to date, because the other guys have not been hedged, but you have.

But if you are raising pricing to sort of prepare yourself for 2003, when you don't have that hedge in place, what gives you the confidence that price gap is going to narrow? And I guess part of that question is understanding what you see in the marketplace if you are raising pricing right now, what you are seeing competitors do?

Marcel Telles: Good morning. This is Marcel here. I think that other than the hedge, there is two factors in the market. Right now we have two types of competitors here – those who pay taxes, those who don't. Those who don't pay taxes, it is basically what (unintelligible).

The other side, the side that pays taxes, I think they are and are going to be very focused on (unintelligible). We don't see and we haven't seen the kind of discounting that (unintelligible) has left here and in the beginning of this year, as they were basically (unintelligible) for sale.

I see (unintelligible) being very rational in the marketplace, and understanding that you don't buy share. Share is something that is built on the long-term – on the long-term, by investing in your brand, and having all the right initiatives in the marketplace.

So basically, as I said, I think that those that are in the informal side will have a tougher tax evading environment. And those that are in the legal side are playing more and more by the normal rules of the business.

Lorie Serra: Great. And if I could just ask though, on the branded side – and I know it is early days, given that you just started raising pricing at the end of October – but given that some of the branded producers moved pricing earlier in the year when you didn't, are you anticipating that they will also take additional pricing to follow your moves? Or is the gap going to widen?

Man: We – frankly, we don't know. I think from what I understand they have expressed that they would follow. We haven't seen that yet in the marketplace. But as someone mentioned during the conference call from our side, supermarket is something that you have one month someone doing a promotion, the other month the other guy doing a promotion.

So sometimes it takes a couple of months to understand what any one or any point in time is really doing about price. But up to now we haven't seen them moving prices. It won't seem consistent with what they have done and said in the past that they would follow.

Lorie Serra: Okay. Thank you.

Operator: Your next question comes from José Yordán with UBS Warburg.

José Yordán: Good morning. I have a follow-up on the issue of (unintelligible) (election). I was interested in the date when the Federal Court decision about injunctions, when that was issued. And as a related question, how much of the tax cheating would you say comes from the injunctions, and how much comes from under-invoicing? I am trying to gauge what the impact of the – which one has a bigger impact – the Federal Court decision or the installation of flow meters?

Felipe: Hi (Jose). This is (Felipe).

José Yordán: Hi.

Felipe: Basically the Federal legislation was issued last Friday. And regarding the tax evasion from both sides, we see one-third coming from this gap in legislation, and two thirds to be covered by the water meter business.

Marcel Telles: (Jose), this is Marcel here. One thing I would like to add, of course people move from one side to the other when you close one gap. But the interesting thing here is that this tax evasion that you get when you got the injunction was a legal one. And then the other two we mentioned are basically crimes.

José Yordán: Right.

Marcel Telles: So when you close this door, the guys can always go to the other ways of evading taxes. But they are more and more in the criminal side of the equation.

José Yordán: Okay. And just historically, I mean there have been efforts in the past to match – I remember an effort to match packaging supplied by the main suppliers of packaging suppliers in Brazil to the invoicing of the companies. And that was something that was basically failed. And I am just interested in your view on how this is different, and how you feel about whether this is the final answer to the problem or not.

Man: We are much more optimistic at this time that basically the (unintelligible) mentioned regarding control suppliers, invoices, etc., etc., a lot of things to be controlled. And you consider that suppliers could also sell without (unintelligible), it is (unintelligible) getting harder and harder to track the whole system.

And we see these flow meters as much more effective – simple equipments to be installed at the plant level. It is easier to control, electronically control, the information being transferred through Internet, etc. – much more powerful and effective.

José Yordán: And just as a clarification, you said the particular company would own the equipment, but it is mandated by the government that you have to install it?

Man: No. The more probable scenario, it will be equipment owned by the government, and will be installed at the plants by the government. And we are trying to add on top of that a legal thing in Brazil called "Fiel Depositário", the person who is responsible for -- fully responsible for the equipment, and who would go to jail if anyone tried to tamper with the equipment. And we believe that would be applied as well.

José Yordán: Sounds good. If I could just have one follow-up on the whole (warrants) issue that flared up last week. If you could just give us – I mean obviously there is just two legal opinions here. And I would just be interested in knowing what your degree of comfort with your legal opinion is, and what your opinion is on the whole subject.

Man: It is always hard to say about (constants), because they are basically – we have a very clear understanding about the position we adopt. Basically there is a very distortion tank regarding the price should be adjusted or not, as a consequence of our (unintelligible) plant.

We really do not believe it is relevant up to these adjustments. And the opinion we have received from (CVM) is basically from the (CVM) legal department. And we will be (unintelligible) at the (CVM) to the Board of Directors.

And basically (unintelligible) a lot of arguments we have, a lot of legal opinions from the (unintelligible) most important top rate lawyers in Brazil, including some former (CVM) presidents. And so we have basically heard from them who really wrote the law.

Marcel wants to comment on that.

Marcel Telles: Okay. This is Marcel here, as (Felipe) said. I mean first of all this whole warrant thing, I mean it is so logical to us, because it is a matter of the law wanted to defend anyone that buys a warrant from the company issuing stock at a lower price.

So giving them the same rights as they give to minorities on a lot of occasions. I don't think the law wants the warrant owners to benefit from let's stay my stock option plan issued in '91 that came due after the warrant was in place.

So it seems very logical to us. We have been saying that year after year as our understanding of the question. And quite frankly, we were surprised by this opinion from the legal department of the (CVM). So we are appealing. Just because we think we are right from our side, we are bringing with us part of legal opinions.

But in the end, I mean we will respect any (CVM) final ruling. So as (Felipe) discussed, sometimes legal issues are something that you cannot be sure of. We think that the spirit of the law, not just one, will have a lot of legal opinions supporting that. And we will abide to whatever (CVM) decides.

José Yordán: Any idea when that final ruling will come?

Marcel Telles: I don't think – I mean we will tell them that that we are going to – that something important from (unintelligible) in terms of assigning the value of the stock, and that the warrant comes due next year in the first month. So it could be in two or three months – no more than that.

José Yordán: Okay, thanks.

Operator: Your next question comes from (Marco Vera) with Deutsche Bank.

Marco Vera: Hi. Good morning. Firstly, (Felipe), I understand that you guys are still deciding on your financial future. But the operational currency mismatch has been nice this year, and for our benefit. What is your latest view on what conditions may trigger another cause of hedge as we go into 2003, if indeed anything you think may trigger one?

Felipe: That is a tough question. I mean last year I think that our decision was -- you will probably speak about variable cost hedging. Last year our decision was almost a no brainer, when the foreign exchange rate went to 2.30 or 2.40. And we don't want to say here that we ever predicted a foreign exchange rate above three.

So – and we shouldn't – but what we (unintelligible) and got lucky in the end. I don't think there are the same conditions right now. I mean obviously foreign exchange rate (unintelligible) will make us think hard about hedging at the present levels or at all. And I think we will have to see more where the market develops.

We hear all the right things, we hear from the new government. It will be probably a matter of implementation, what happens to the war. What I am saying is that this is not as easy as it was last year. So we will see.

Marco Vera: Okay sure. Can you also talk about the main areas of opportunity or countries of opportunity you see in Central America as you roll out this (Cap Corp) alliance, and whether the recent consolidation spree there changes anything regarding your strategy, be it timing or specific (unintelligible) where to start?

Man: Well I think that our strategy continues to apply. I mean when we look mainly at Central America, you look at the markets there are and have been for a long time – perfect monopolies.

So anyone that acquires a business in one of these markets is probably applying the best of all the rules. I mean low taxation, very, very good pricing, a total monopoly –

just to give you an idea. Most of those markets, the contribution margin is much, much, much higher than our map revenue in Brazil.

We are a very, very profitable market if the situation was going to stay as it. I think that our strategy in those cases is not ever going to be to acquire a monopoly, but always to challenge the monopoly. Just because, as I said, the pricing structure allows us to be very, very aggressive in terms of expanding the market, of growing the per cap, and so on.

And there is something that we have developed here in the past is the people, and best processes. I mean so many people that we have are going to be free from Uruguay, Argentina, Paraguay, and some from Brazil, are young people. And all the best processes that we learn in the direct distribution implementation here in Brazil (fall in from) America.

And also in the Northern part of Latin America, our strategy is to go (unintelligible), and quite frankly challenging the existing monopolies.

Marco Vera: Correct. Okay. Just finally one more question on the warrants. Also understand you cannot forecast what the (CVM) will rule. But is there a commitment that you could communicate as to the (unintelligible) partners, or most of them, electing not to exercise if your legal opinion fails to convince the (CVM) and the (strike) price drops.

Man: I am commenting here as the Chairman of AmBev. I cannot speak for the shareholders.

Marco Vera: Thanks.

Operator: Once again we would like to remind everyone if you would like to ask a question, please press star, then the number 1 on your telephone keypad. Your next question comes from (Wilson Wright) with CSFB.

Wilson Wright: Sorry if this question was already asked and answered. But can you tell us how much of your cash at the end of the third quarter was held offshore in foreign currency?

Man: Eighty percent.

Wilson Wright: Eighty percent? Okay. And my second question is can you tell us how much debt you will be paying down during the fourth quarter – how much debt matures in the fourth quarter that you will pay down?

Man: I don't have this specific number. But I would say it is close to 700 million reais. But I would like you to call – ask you to call our IR people and get the right figure.

Wilson Wright: Okay great. Thanks a lot.

Man: You are welcome.

Operator: Your next question comes from (Juliana Rosenbaum) with BBA.

Juliana Rosenbaum: Hi. I would like to know if the guidance of flat volumes for the end of this year – and if you can already give us your first impressions on volume behavior after the price increase last October? Thanks.

Man: Hi (Juliana). First of all I would like to confirm our target to flat volumes this year. Actually we don't have numbers yet for volumes in November. We will see what happens after –

Operator: Excuse me, this is the Operator. Does someone need assistance?

Man: No. I don't.

Juliana Rosenbaum: Me neither.

Man: Okay. Well we have (unintelligible) prices by the end of October. So obviously volumes up to those were very good. And at the beginning of November it is too early to understand what is really going on in the market. We are watching it. And I think it is possible to keep our guidance for flat volumes, still keep with the guidance.

Juliana Rosenbaum: Okay. Thanks.

Operator: Your next question comes from (Jonathan Novutius) with BBP.

Jonathan Novutius: Hi. Good morning. Just a little expansion on the Central America deal with (Cap Corp). When would you expect income from that deal? And if you have any idea on the expense side, also on the (unintelligible)?

Man: We are – right now we are beginning to build the plant in Guatemala. We are going to export a lot of equipment from Brazil. It is going to be a relatively low cost investment there, in the range of 20-30 dollars per hectoliter, maybe even lower than that.

We hope to be operating in the second half of next year. From then on, I mean it depends on our ability to grow in the marketplace.

Jonathan Novutius: Thank you very much.

Operator: Your next question comes from (Carlos Laboyd) with Bear Stearns.

Carlos Laboy: Good morning. ((Juan) Rigar) is being too quiet. I was hoping he could expand on what he is doing execution-wise, particularly in the (unintelligible) consumption channel. He has talked about, I guess, his portfolio and cost cutting. But if you could give us some color on execution, and what he is focused on, that would be great.

Juan: Hi (Carlos). Well I don't think we are doing anything much different from what we have said before. I think in the past we have said that we have a long way to go in transferring beer technology into soft drinks. And that is exactly what we have been doing, except we are getting much better at doing that.

And the reason why we are getting much better, because we have improved significantly our planning process, our joint planning process. We are using our beer infrastructure to continue growing distribution. We are looking now not only at overall distribution numbers, but SKU by SKU distribution numbers. And we are seeing big opportunities there.

We are leveraging beer's marketing efforts in different segments, not only in the marketing programs themselves, but as (Fernando) mentioned, we are beginning to set up specialized salesmen for specific and very profitable and different segments, like a lot of the supermarkets, like points of (unintelligible), etc., etc.

So we are doing more of the same that we have reported before – stick to basics. I think we are just getting better at it. And most important, I think we are getting better at understanding pricing. I would say that is what we have evolved the most in transferring beer technology to soft drinks.

Thanks for waking me up (Carlos).

Carlos Laboy: You are welcome. And with regards to these meters, is there – can you comment on whether you have a sense as to whether there is a realistic budget from the government for this? Or are they going to be paid by the owners of these plants? Or how is this being funded? And what is the budget for this?

Man: It will be funded by the industry (Carlos). We have signed (unintelligible) already decided to fund us for the equipment.

Carlos Laboy: Thank you.

Operator: Your next question comes from Pablo Zuanic with JP Morgan.

Pablo Zuanic: Good morning everyone. I am trying to get a feeling here of what is happening with your third party distributors, because the way I look at it, you have increased prices for beer, controlling those price increases at a point of sale (unintelligible) this year. It was a problem last year in the second half. And still more than 70% of your volumes are going through third party distributors.

So can you give us a feel of what has been changing there? How has the number of distributors changed? Have they been able to sell more than one brand? What has been going on there at the third party distributor level please? I mean if you have some color in terms of why you are so confident that you will be able to control the price increase this time around.

Man: (Pablo) this is (Luis). First of all, of course the distributors are making a lot of money, because of course they are affected by price increases too. And volumes became much better at this time.

We have changed some of the distributors. The best of them – the ones that are really prepared for the future – they are being the concentrators. I mean when you have three distributors in the same area, you take the best ones and give to him the conditions to be the consolidator.

They are – already we have more than 100 distributors. They are multi-brand distributors. So these consolidations going on, and we believe in the next two years we will have only multi-brand distributors in Brazil.

In spite of this, the consolidator, the sales force will remain separate – one salesman for each of the brands, of the main brands. So we have one salesman for (Skull), one for Brahma, and one for Antarctica, as well as in direct distribution.

Pablo Zuanic: Right. Thank you. And then just a follow-up question. The guidance of flat volume growth for the full year really means that volumes are going to be up 10% in the fourth quarter. So I guess you are quite confident with that right now then?

Man: Yes. We are confident, since October was a great month for us (unintelligible) the best October we have ever had (unintelligible). And of course if November and December are to be the same against last year, it is completely possible to have flat volumes.

Pablo Zuanic: Okay thanks. And just one last question for (Felipe). I am just trying to think in terms of your free cash flow over the next two or three years. If the currency were to remain stable, it just seems to me that these tax benefits that you have been having in 2002 will not be there, because you will not have that mismatch on foreign dollars (unintelligible) assets being tax free.

And at that point you will have to start paying taxes on that P&L. And that would make a difference in terms of how we project free cash flow. Is there anything that I am missing there in terms of a large tax coming forwards, or any reasons that would make you believe that you will actually be able to continue to pay very low taxes, or actually have tax credits going forward?

Man: There is a huge amount of (unintelligible) forward. The – also during the following years (Pablo). And we will be managing that besides any other legal tax planning available for any (unintelligible) here in Brazil.

Pablo Zuanic: Right. And can you say what amount in terms of (unintelligible) forward?

Man: I think we – it is – the balance (unintelligible) I think it is above 1.5 feet in height at this point. And as the outrage accordingly leads to the current tax bracket. I would say the normal back rate in European Ls should be something from 15% to 20% brackets, besides the official 34%.

Pablo Zuanic: Okay. Thanks. And just one last question for Marcel. So it would be the question that I asked at the end of the second question Marcel, but coming back to the (Quinta) situation, the way I look at it, (Quinta) has significant maturities that are due in February. And as you mentioned, both sides don't feel comfortable about closing the deal until the (ICC) has made a final ruling, which won't be until April.

So if I am a bank, I am not going to roll over those loans, and (unintelligible) those banks I want to take control of (Quinta). And then (unintelligible) (Quinta) to whoever might want to buy the company. It would seem that the solution to avoid that would be for AmBev to actually lend money directly to (Quinta), although it will not have been closed.

I know we are speaking hypothetical scenarios. But I am concerned about that. Can you just give me some color in terms of how to think about this?

Marcel Telles: Again, most of those questions (unintelligible) from a legal standpoint, we were not allowed to share much operational informational information while the (ICC) process is going on. But anyway, my understanding is that most of the things that you mentioned, basically (unintelligible) by the (Quinta) management, or at least they have the solution figured out. But anyway, I mean this is something that they should expand on (Pablo).

Pablo Zuanic: Right. Thanks.

Operator: Once again, I would like to remind everyone if you would like to ask a question, please press star, then the number 1 on your telephone keypad. Your next question comes from (Daniella Bretthower) with Santander.

Daniella Bretthower: Good afternoon. Can you give us some guidance on growth margins for the fourth Q of this year and for next year, because the hedge that you have on your variable cost had a great impact on your margins in the third Q. And that was very difficult to forecast.

And we were wondering, since the hedge is still in place, if we can expect similar margins in the fourth Q of this year. And then for next year once the hedge is not there, assuming that it is not there, should you go back to the 50% level? Thanks.

Man: All right (Daniella). We have no guidance regarding our margins. But I would like to remind you of a very recent price increase announcement that would offset part of the valuation impact of our cost of goods sold going forward.

Daniella Bretthower: So in other words, just to see if I got this straight, in the fourth quarter the growth margin should be more like the one we saw in the third quarter, assuming the currency stays around 3.50, let's say 55-54%? And then it should go down after that?

Marcel Telles: (Daniella), this is Marcel. We totally avoid to give those kind of numbers. But anyway, I am very confident that you can figure them out in the third quarter, and given what the increase in price was.

Daniella Bretthower: Thank you very much.

Operator: Your next question comes from (Celso Sanchez) with ING.

Celso Sanchez: Hi. My question really – it is a couple of questions. One is – I am not sure if I didn't hear correctly or you didn't mention the flow meters – what do you expect the phase in period for those to be? Obviously there is going to be a budget for them. And I think you addressed that with the thing you said. But do you have a sense for what the timing will be for the phase in completion, starting anything – any guidance along those lines?

Felipe: Hi (Celso), this is (Felipe). I believe it will be starting by the first half of next year. And it is hard to forecast how long it will take until roll out from Brazil and –

Celso Sanchez: Okay. But I think I might have heard the question before, but I am not sure if I heard the answer. There are certain states, presumably, that are targeted first. And are those the bigger states in terms of your volume? Or they are not necessarily a targeted rollout project or retail plan?

Marcel Telles: Marcel here. The targeting the states where the competitors have the largest volume, or at least where the competitors who we don't think abide by the tax rules, have the largest volumes.

Celso Sanchez: Okay. So the government is on board with that assessment? In other words, they have taken the recommendation or the information that you have helped provide presumably and understand where those states are and where those issues are?

Marcel Telles: Right.

Celso Sanchez: Okay. And then secondly, just can you give us a sense of the pricing right now, the gap between post a price increase between your 600 ml for example and competitors? You have given us a bit of an index in the past. I wonder if you could do that again.

Man: So our price it is good to say in average in Brazil. But our price has been reduced by one to two cents a month basically for (Skull). And our competitors. If you divide them into (Molson) and the others, (Molson)'s prices have raised recently. So the highest reduction in the gap was obviously from (Molson).

But in Rio de Janeiro and (unintelligible) we were really effectively reducing more than three cents against (unintelligible) and the others. So (unintelligible) reduced something like two or three percent.

Celso Sanchez: Okay. So the gap has reduced two or three percent. But your prices have come down a little bit less? And obviously the competitors – the lower end competitors have come up a bit to make up the 3%? Is that right?

Man: (Unintelligible) have reduced. And beer prices have raised. So that is why it is difficult to say. And it depends on the state you go, on the place you go. But on average our (unintelligible) and the gap has reduced almost 4%. And against the others, 2% or 3%.

Celso Sanchez: Okay. And maybe this is too hypothetical. But to the extent the flow meters are as effective as one would hope they would be, in 18 months time, let's assume the phase out is there. Do you imagine the gap narrowing by another five to ten percentage points? Or is that too much to expect?

Man: It is really difficult to say. But it is what we expect to happen.

Celso Sanchez: Okay.

Man: We would have to raise prices much more than we have done.

Celso Sanchez: Right. And then just finally on the (Cap Corp) you had mentioned I think $20-30 a hectoliter as the cost. Is that cash cost? Or does that include the value of the equipment you will be donating or contributing?

Man: Basically the value of the equipment we are contributing, of course it (unintelligible).

Celso Sanchez: I am sorry. You said the value of the equipment?

Man: The value of the equipment will continue.

Celso Sanchez: Okay. And as far as the additional cost per hectoliter for building the plant and that sort of thing, is that a significant more than that? Or is that something that you are not bearing, and your partner is?

Man: Basically we are both contributing assets. They are contributing land and some equipment. And we are contributing a portion of the equipment. Of course there is something that will have to be viewed there. What we said is basically that we are planning to build a one million hectoliter plant. We expect the market cost of this to be around $30 per hectoliter – to $30 million.

Celso Sanchez: Okay, for the plant itself? And then in addition to that, the equipment and so forth?

Man: No. All in all.

Celso Sanchez: All in all. Okay. Okay. All right. Thank you.

Man: You are welcome.

Operator: We have time for one more question from the participants on line. Your last question comes from José Yordán with UBS Warburg.

José Yordán: Hi. I just have a follow-up about the deduction for interest on capital. It is being talked about as one favorite target of the new government, to eliminate that. My question is just whether you could offset the tax benefit of the deduction on interest on capital with anything else, or can you accelerate the application of tactical carry-forwards to at least delay the impact of such an elimination on your tax rate?

Felipe: This is (Felipe).

José Yordán: Assuming of course it happens.

Felipe: Yeah. Assuming that happens, I think 2002 is a good example of what could be done on this front. We declared the payments of (unintelligible) instead of interest on capital. Here in Brazil (unintelligible) we had a lot of additional tax planning in place that completely offset any benefits from the interest on capital. And that said, if that happens in the future, we will always be trying to do our best to offset any increase in taxes.

José Yordán: I guess my question is could you do the same thing next year that you did this year if that is the case? I mean do you have many of those other benefits available to not make it necessary to take the interest on capital?

Man: It is always hard to anticipate that. It depends a lot. I mean part of the tax planning involves what happens in terms of offshore results compared to Brazilian results. And it is something to be managed accordingly throughout next year, if that happens.

José Yordán: Got you. Thanks a lot.

Man: You are welcome.

Operator: Ladies and gentlemen, we have reached the end of the allotted time for questions and answers. Mr. Telles, are there any closing remarks?

Marcel Telles: Yes, just to say thank you for everyone who has been in the conference call. And we will try to reach our target for the fourth quarter. Thank you.

Operator: This concludes today's conference call. You may now disconnect.

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