Marketing Operations

- Brazilian Beer Market Overview

- AmBev’s Marketing Strategy
The Brazilian Beer Market

The 4th largest beer market in the world and growing

Beer Volume - Brazil (million HL)

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (million HL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>87.5</td>
</tr>
<tr>
<td>2003</td>
<td>85.6</td>
</tr>
<tr>
<td>2004</td>
<td>89.3</td>
</tr>
<tr>
<td>2005E</td>
<td>91.7</td>
</tr>
</tbody>
</table>

Source: LCA
The Brazilian Beer Market

Volume, as disposable income, is concentrated in southern regions

- 64% of population
- 74% of GDP
- 75% Beer volume

Source: IBGE, LCA
Beer Consumer Profile

Beer consumption is highly concentrated in young, middle class males.

**Penetration by Gender**
- Male: Total Population 49%, Beer Consumption 62%
- Female: Total Population 51%, Beer Consumption 38%

**Penetration by Age**
- under 18 years: Total Population 33%, Beer Consumption 0%
- 18 - 29 years: Total Population 22%, Beer Consumption 39%
- 30 - 39 years: Total Population 15%, Beer Consumption 29%
- 40 - 49 years: Total Population 13%, Beer Consumption 19%
- 50 - 59 years: Total Population 8%, Beer Consumption 13%

**Penetration by Social Economic Level**
- Low Income Class: Total Population 45%, Beer Consumption 25%
- Middle Class: Total Population 31%, Beer Consumption 39%
- Upper-Middle Class: Total Population 19%, Beer Consumption 27%
- Upper Class: Total Population 5%, Beer Consumption 9%

Source: LCA, IBGE, Inbev
The Brazilian Beer Market

Beer market is concentrated in AmBev’s stronghold

Volume Contribution by Channel - 2004
- Supermarkets: 25%
- Grocery Stores: 13%
- On Premise (Bar): 62%

Volume Contribution by Packaging - 2004
- Can: 28%
- Long Neck: 4%
- Returnable: 68%

Volume Contribution by Occasion - 2004
- Others: 40%
- Beer Blast: 60%

Source: Nielsen, Ipsos
AmBev is the clear market leader with high opportunity to grow the premium segment.

Volume Contribution by Market Segment

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>93%</td>
</tr>
<tr>
<td>Core</td>
<td>75%</td>
</tr>
<tr>
<td>Low Price</td>
<td>0%</td>
</tr>
</tbody>
</table>

AmBev Share by Segment

- Premium = 93%
- Core = 75%
- Low Price = 0%

Lowprice: < 85% price index
Core: 85% < x < 115% price index
Premium: > 115% price index

Source: Nielsen
Per Capita Beer Consumption

Vast Room for growth in Brazil despite being the 4th largest beer market in the world

Per Capita Beer Consumption (in liters)

Source: Canadean 2003
AmBev’s Market Strategy

- Strengthen core performance
- Develop the premium segment
- Grow volume and profitability through per capita programs
Market Intelligence

Decision making based on facts

Exploratory
- Usage and Attitudes
- Behaviour
- Creative Sessions

Development
- Product/ Package/ Price Tests
- Communications Tests

Launch
- Final Mix Test
- Market Simulation

Consumer
- Consumer profile
- Market Segmentation

Sales
- Sales Data
- Behavior at POS
- Service/ Sales Diagnosis

Brand
- Consumer Tracking
- Brand Equity
- Advertising/ Positioning

Decision making based on facts
Exploring Usage and Attitudes

Market trends and opportunities

- Identify key beverage occasions
- Describe each occasion
- Identify Key need sates
- Quantify occasion volume
- Map growth opportunities

Key occasions

- Beer Blast
- Daily Indulgence
- Flavor With Food
- Healthy Good Morning
- Light Snack
- Night Out
- On the Go
- Pit Stop
- Wake Up
Brand Equity

Brand positioning based on attributes proven to be relevant and differentiated

- Attribute 1: 32
- Attribute 2: 25
- Attribute 3: 18
- Attribute 4: 14
- Attribute 5: 9
- Attribute 6: 6
- Attribute 7: 3
Monitoring Brand Equity
AmBev brands standing out in main category attributes
Preference is the most important brand image KPI for AmBev brands.
Consumer Tracking

Robust and detailed information on our consumer for every brand in the Market *

Preference

- Gender
- Social Economic Class
- Age
- Region

(*) Data received twice a month
Market Intelligence

Decision making based on facts

Exploratory
- Usage and Attitudes
- Behaviour
- Creative Sessions

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- Consumer profile
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- Service/Sales Diagnosis

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- Consumer Tracking
- Brand Equity
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Decision making based on facts
Brand Preference

Growth potential driven by gap between consumer preference and AmBev market share

Source: Nielsen, Ipsos, YTD 2005
AmBev’s Market Strategy

- Strengthen core performance
- Develop the premium segment
- Grow volume and profitability, through per capita programs
Core Portfolio Strategy

Skol
- The leading brand in Brazil
- Youngest, most modern and innovative brand in the Brazilian market

Brahma
- Second largest brand
- Strongly associated to Brazilian identity and male friendship

Antarctica
- #3 national brand with strong regional presence in north and northeast
- More than a beer, a brewery recognized for beer expertise and quality
“The Beer that Goes Down Round”
Skol – A True National Brand

Source: Nielsen
<table>
<thead>
<tr>
<th>Skol Superior</th>
<th>Excellent: Could Not Be Better</th>
<th>Acceptable</th>
<th>Unacceptable</th>
<th>Skol Inferior</th>
</tr>
</thead>
<tbody>
<tr>
<td>High (65+)</td>
<td></td>
<td><strong>Goes down smooth</strong></td>
<td>Is very flavorful (-11)</td>
<td>Extremely confident (-21)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Has real beer taste (-11)</td>
<td>Strong minded/willed (-23)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Preferred by those w/ you (-10)</td>
<td>Made w/quality ingredients (-18)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Is worth the cost (-4)</td>
<td></td>
</tr>
<tr>
<td>Mod (56-64)</td>
<td></td>
<td><strong>Young/Young spirit</strong></td>
<td>Is always on sale (-10)</td>
<td>Is a well deserved reward (-14)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Isn’t bitter (-1)</td>
<td>Friendly/Outgoing (-17)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Optimistic (-15)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Happy/Playful (-18)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sold almost anywhere (-27)</td>
</tr>
<tr>
<td>Low (&lt;56)</td>
<td>Practical/Easy to serve (-11)</td>
<td>Quenches your thirst (-3)</td>
<td>Is cheap (+5)</td>
<td>Good to serve to guests (-16)</td>
</tr>
<tr>
<td></td>
<td>Tradit. manuf. process (-11)</td>
<td></td>
<td>Consistent quality (-9)</td>
<td>Modern/Innovative (-20)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Humble/Simple (+1)</td>
<td>Is great on the beach (-12)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Great after sports (-9)</td>
<td>Helps you relax/have fun (-12)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Goes well with food (-11)</td>
<td>Successful (-25)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Can drink a lot of it (-12)</td>
<td>Present at the hip places (-19)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Has body (-10)</td>
<td>Attractive (-15)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Gives you energy (-6)</td>
<td>Most sold in this city (-30)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Has a lighter color (-2)</td>
<td>Lifts your spirits (-17)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Adventurous (-10)</td>
<td>Great advertising (-26)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Has a strong taste (-18)</td>
<td>Creamy head that lasts (-12)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Has more alcohol (-8)</td>
<td>Known around the world (-20)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Rebel (-5)</td>
<td>Conservative/Traditional (-18)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Is only for men (=)</td>
<td>Sponsors events/sports (-26)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Made by large company (-26)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Values national things (-27)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sophisticated (-19)</td>
</tr>
</tbody>
</table>
Skol Positioning

“Skol. The beer that goes down round”

Goes down round

Liquid
Smooth and light liquid proposition

Spirit
The most daring innovative and fun personality; resembles a young spirited lifestyle
Skol’s Success pillars

1. Positioning & Advertising
2. Events Platform
3. Product Innovation
Skol’s Events Platform

- Provide a full brand experience
- Consolidate brand values: youth, daring, entertainment, innovation
- Leverage impact with young adults (core target)
Skol’s Innovation Platform

1st can

1st long neck

First 473ml Can

Cold Pack

Skol Beats
Skol’s Innovation Platform

2005 - Another Step Ahead
Skol’s Image

Strong positioning leading to dominance of main category attributes

- Attribute 1
- Attribute 2
- Attribute 3
- Attribute 4
- Attribute 5
- Attribute 6
Skol’s Market Share Evolution

Strong positioning leading to great market results

1995: 14.6%

YTD 2005: 32.1%

Source: Nielsen
“The Beer that Goes Down Round”
Brahma

Leading brand in the most important market - São Paulo

Source: Nielsen
Brahma Positioning

Male friendship
Brazilian spirit - "Ginga"
Brahma Positioning
BOA ("The Good One")

Antarctica Pilsen
Antarctica

- Strong presence in North and Northeast
- 3rd position in Brazil
- Antarctica market share above 20%

Source: Nielsen
Antarctica’s Positioning

More than a beer, a brewery
Quality and beer expertise
Antarctica’s Positioning

Regional Events
BOA ("The Good One")
Video antarctica 2
Core Portfolio Strategy

Skol

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AmBev’s Marketing Strategy

- Strengthen core performance
- Develop the premium segment
- Grow volume and profitability through per capita programs
Premium segment more than doubled participation in the total beer volume since 1998.

Source: Nielsen

**Premium Segment (% Volume)**

Brazil - 1998: 2%
Brazil - 2004: 4.5%
And there is still plenty of room for growth.
A comparison between beer and other consumption categories in Brazil also suggests room for further development of the premium segment.

Source: Nielsen 2004
**Premium Categories**

AmBev has the highest market share and the leading brand in all premium categories.

### Premium Volume Contribution by category

<table>
<thead>
<tr>
<th>Category</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium Pilsen</td>
<td>50%</td>
</tr>
<tr>
<td>Non Alcohol</td>
<td>14%</td>
</tr>
<tr>
<td>Dark</td>
<td>28%</td>
</tr>
<tr>
<td>Night Out</td>
<td>8%</td>
</tr>
</tbody>
</table>

### Leading Brand

<table>
<thead>
<tr>
<th>Type</th>
<th>Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium Pilsen</td>
<td>Bohemia</td>
</tr>
<tr>
<td>Non Alcohol</td>
<td>Caracu</td>
</tr>
<tr>
<td>Dark</td>
<td>Skol Beats</td>
</tr>
<tr>
<td>Night Out</td>
<td>Kronenbier</td>
</tr>
</tbody>
</table>

Source: Nielsen 2004
Premium Pilsen

Bohemia leading the premium pilsen growth in Brazil and in a position to become a 4th big player for Ambev

Bohemia Market Share (Total Beer)

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>0.60%</td>
</tr>
<tr>
<td>2004</td>
<td>1.80%</td>
</tr>
</tbody>
</table>

Source: Nielsen
The first beer in Brazil
Heritage, Superior Quality
Proprietary Merchandising Material
Premium Pilsen - Bohemia

Bohemia Line Extensions
Só uma cerveja com mais de 150 anos de tradição pode inaugurar novas tradições.

Uma tradição medieval que só não passou de pai para filho porque quem inventou era monge.

Também estávamos sentindo muita falta de você.
AmBev’s Marketing Strategy

- Strengthen core performance
- Develop premium segment
- Grow volume and profitability through per capita programs
Beverage Share of Stomach

Looking beyond the category is the name of the game

Source: InBev study
Beverage Map of Occasions

Strategy focused on 3 key occasions: 80% of beer consumption

60% Beer volume

- Beer Blast
- Daily Indulgence
- Flavor With Food
- Healthy Good Morning
- Light Snack
- Night Out
- On the Go
- Pit Stop
- Wake Up
Night Out

2nd Most Important Occasion for Beer

Alcohol Dominance
Skol Beats - Innovation Funnel

- U&A
- Mapping Night Out
- Brainstorming
- Innocheck
- Concept & Mix Test
- Product Test
- Communication Test
Mapping Night Out Main Need States

- ‘Cool’ name
- Premiumness
- Good taste
- Leaves no residual taste
- Thirst-quenching
- Relatively higher alcohol content
Skol Beats Concept

Skol Beats sets up the right mood for a night out

Emotionally
- Stylish Packaging
- Right Brand Support

Functionally
- Higher Alcohol Content
- Less Bitterness
- Cleaner After Taste
Skol Beats - Out of Home Media

Sign on buildings

Stand
Skol Beats – Proprietary Materials

- Light signs
- Buckets
- Wall Display
- Neon
Skol Beats – Volume Results

Skol Beats Volume Evolution (in 000hl)

- 2002: 7
- 2003: 93
- 2004: 111
- 2005E: 140

2 X Alcoholpops

Source: InBev
Night Out

Up Beat × Relaxed
Stella Artois
Draft Beer – New Concepts

Locations with high concentrations of people

Home consumption
Kiosk Chopp da Brahma

Providing the same quality and service of a regular bar
Kiosk Chopp da Brahma

Expansion Results in 2004:
The biggest growth among food & beverage franchising chains

The biggest growth among food & beverage franchising chains

Quiosque Chopp Brahma*  Casa do Pão de Queijo  McDonald’s  Dunkin’ Donuts  Habib’s  Bob’s  Spoleto  MR. Pretzels  Rei do Mate  China In Box

source: ABF 2004
Home Consumption

Chopp Express Store: brand experience and delivery
Non Alcohol Segment

With the launch of Liber, AmBev gained market share and increased the segment.

Non Alcohol Market Growth

Before Liber launching (04 x 03)
-6%

After Liber launching (05 x 04)
6%

AmBev Market Share

'Aug-04 46%

jul/05 57%

Source: Nielsen
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