Bernardo Paiva
Head of Sales and Distribution
Maximize Profitability and Market Share
Sales Operations
Infra-structure

- 1,000,000 POS
- 9 Regional offices
- 1 Key Account specific structure
- 42 DDC’s
- 271 Third party distributors
- 9,000 Sales reps
- 1,400 Supervisors
- 900 Sales and trade managers
- 4,900 Delivery trucks
Sales Operations
Strategy

Market Share + Profitability

Brands
Availability
Pricing
Execution
RTM Cost to Serve

TecSales
<table>
<thead>
<tr>
<th>Key Success Factor</th>
<th>Core Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximize number of AmBev brands at POS</td>
<td>Sales Team Reconfiguration</td>
</tr>
</tbody>
</table>
Sales Team Reconfiguration

### Previous Model
- Single Brand Sales Manager
  - Single Brand Sales Supervisor
    - M1
    - M2
    - M3

**One sales team for each family of brands**

### Current Model
- Tri Brand Sales Manager
  - Tri Brand Sales Supervisor
    - M1
    - M2+M3

**Functional Sales Team**
- #1 brand + premium portfolio
- #2 + #3 brands + CSD
Availability
Sales Team Reconfiguration Objectives

- Capture volume opportunities (Increase in visit frequency)
- Focus on Beer, Core and Premium (SKU reduction)
- More time to execute (improved visit quality)

- Greater coverage (100% of POS served)
- Brands Synergy
- Higher productivity (Brands Synergy)
Availability
Sales Team Reconfiguration Results – Real example

Total Beer

Growth + 9.6 pp

Premium Beer

Growth + 11.0 pp
Availability
Sales Team Reconfiguration Results – Real example

Pilsen Coverage (Number of POSs)

New configuration

SK +13,676
BR +14,922
AN +14,422

DN Pilsen

SK +6pp
BC +6pp
AP +6pp

BRAZIL

SK + 3
BR + 2
AN + 4

SK +3
BC +6pp
AP +6pp
### Number of Brands per POS

<table>
<thead>
<tr>
<th></th>
<th>Brazil - INC</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Track record</th>
</tr>
</thead>
<tbody>
<tr>
<td>AmBev</td>
<td>1.91</td>
<td>1.98</td>
<td>2.08</td>
<td>+5%</td>
<td></td>
</tr>
<tr>
<td>Competitors</td>
<td>0.91</td>
<td>1.00</td>
<td>0.91</td>
<td></td>
<td>+4%</td>
</tr>
<tr>
<td>Total</td>
<td>2.82</td>
<td>2.98</td>
<td>2.99</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

AmBev = SK. BH. AP. BOH
Comp. = NS. KA. BAV. Itaipava. Crystal
Aug/03, Aug/04, Aug/05

Availability
Track record
Key Success Factors

- Maximize Net Revenue
- Minimize impact on consumer prices - not exceed inflation
- Focus on relative consumer price

Core Initiatives

- Price to retailer
- Price to Consumer/Price Point
- Brand/Premium Mix
- Channel and Package Mix
Pricing
Enabling effective pricing strategy

Proprietary Research

- Frequency: every 4 months
- Scope: 800,000 POS
- Researched items (by brand)
Pricing Principles

- Maximize value through price differentiation
- Assure minimum impact over price to consumers
- Customized price strategies based on market research
- Pre-defined discounts and pricing algorithm programmed into sales rep hand held
- No discounts offered without clear counterpart
## Average Price at POS

<table>
<thead>
<tr>
<th>Brazil - INC Packaging - RGB</th>
<th>2003</th>
<th>2004</th>
<th>2005 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AmBev</strong></td>
<td>2.01</td>
<td>2.10</td>
<td>2.17</td>
</tr>
<tr>
<td><strong>Competitors</strong></td>
<td>1.50</td>
<td>1.62</td>
<td>1.69</td>
</tr>
<tr>
<td><strong>Price Gap</strong></td>
<td>0.51</td>
<td>0.48</td>
<td>0.48</td>
</tr>
</tbody>
</table>

AmBev = All Brands Average Price at POS  
Comp. = Non AmBev Average Price at POS  
Source: AC Nielsen, Average Price Year
Explore synergies with core brands

Consumer Price Focus

Leverage market initiatives
Pricing
Channel management – Track record

<table>
<thead>
<tr>
<th>Year</th>
<th>Contrib. Mrg Can / Contrib. Mrg RGB</th>
<th>Can Participation on Beer Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>72.7%</td>
<td>24.8%</td>
</tr>
<tr>
<td>2004</td>
<td>24.7%</td>
<td>24.7%</td>
</tr>
<tr>
<td>2005</td>
<td>96.9%</td>
<td>23.3%</td>
</tr>
</tbody>
</table>
Pricing

Net sales per hectoliter – Track record

Net Sales = Considers 2003 as base 100 and discount inflation
Price at POS. = Considers 2003 as base 100 and discount inflation
Execution
Key Success Factors and Core Initiatives

Key Success Factors

- Win main clients’ loyalty
- Influence consumer and shopper behavior at the POS

Core Initiatives

- Standardized POS Execution
- Relationship Initiatives
- Sub Zero Coolers
Execution
Standardized POS Execution

- Cold Product Availability
- Optimized Portfolio
- Brand Communication
- Adequate Pricing
Execution
On Premise Initiatives
Execution
On Premise Initiatives

Out of season Carnival - Fortal

Brazilian Team Soccer Games

Zeca Pagodinho’s Show - São Paulo
Video Loyalty Program
Execution
Off Premise Initiatives
Execution
Off Premise Initiatives
Execution
Sub Zero Coolers
Execution Challenges

- Differentiate from competitors
- Develop Premium segment
- Increase Per capita consumption
- Strengthen the connection between our brands and consumers
### Cost to serve

**Key Success Factors and Core Initiatives**

<table>
<thead>
<tr>
<th>Key Success factors</th>
<th>Core Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure the best service level</td>
<td>Third-party consolidation</td>
</tr>
<tr>
<td>Lowest possible cost</td>
<td>Tri-brand operations</td>
</tr>
<tr>
<td></td>
<td>Direct distribution</td>
</tr>
<tr>
<td></td>
<td>Operational efficiency</td>
</tr>
</tbody>
</table>
Cost to serve
Tri Brand Operations

Number of Third Party Distributors

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Skol</strong></td>
<td>23%</td>
<td>43%</td>
</tr>
<tr>
<td><strong>Brahma</strong></td>
<td>27%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Antarctica</strong></td>
<td>50%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Source: AmBev
Cost to serve
Tri Brand Volume

<table>
<thead>
<tr>
<th>Year</th>
<th>Tri-brand</th>
<th>Bi-brand</th>
<th>Mono-brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>36.9%</td>
<td>22.4%</td>
<td>40.7%</td>
</tr>
<tr>
<td>2003</td>
<td>52.9%</td>
<td>19.6%</td>
<td>27.5%</td>
</tr>
<tr>
<td>2004</td>
<td>71.9%</td>
<td>13.1%</td>
<td>15.1%</td>
</tr>
<tr>
<td>2005 YTD</td>
<td>80.1%</td>
<td>10.2%</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

Source: AmBev
Direct Distribution as a percentage of total sales

- **2000**: 32.9%
- **2002**: 36.9%
- **2004**: 43.8%
- **YTD 2005**: 48.9%

**Cost to serve**

Direct Distribution Expansion

**5 pp year**
Cost to serve
Operational efficiency

Cases per round trip

2002: 100%
2003: 112.9%
2004: 130.7%
2005: 142.1%

Delivery efficiency

2002: 97.9%
2003: 98.6%
2004: 99.1%
2005 YTD: 99.2%
Sales Operations
Enabling Strategy with information

Daily Reports

- Availability
- Pricing
- Execution
- RTM Cost to Serve

Sales Rep Goals

Compensation
Ensure uniform, military-like execution of sales initiatives in 1,000,000 POC to achieve AmBev’s strategies

- Right Structure
- Standard Sales Processes
- Technology
- People

“Complexity within a box”

TEC SALES
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Four Imperatives

TEC SALES

STRUCTURE

PROCESS

PEOPLE

TECHNOLOGY
INBev AmBev
INVESTOR DAY 2005