

**Rating Action: Moody's upgrades AmBev to A3**

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**Global Credit Research - 27 Apr 2010**

Sao Paulo, April 27, 2010 -- Moody's Investors Service upgraded the local currency issuer and senior unsecured ratings of Companhia de Bebidas das Americas ("AmBev") to A3 from Baa1 and affirmed its Baa2 foreign currency issuer rating, which is constrained by Brazil's foreign currency ceiling of Baa2. The outlook for AmBev's foreign currency issuer rating is positive in line with Brazil's foreign currency ceiling's outlook; however, all of AmBev's other ratings have a stable outlook. This action concludes the review for upgrade Moody's initiated on March 17th, 2010.

"The upgrade to A3 recognizes AmBev's prudent financial management and resilient operating results during the recent economic crisis and over the past several years, combined with improved credit metrics and sovereign risk of many of the countries it operates in," explained Moody's VP Senior Analyst, Soummo Mukherjee. "The upgrade to A3 also importantly recognizes the progress and consequent change in outlook to positive from stable, made by AmBev's 74% owner since 2004, Anheuser Busch InBev ("ABI"), in terms of its improved liquidity and solid execution of its deleveraging plan without negatively impacting AmBev's credit profile so far," added Mukherjee.

AmBev's A3 rating is supported by its position as the largest brewer in Latin America and fourth largest worldwide in terms of volumes with a presence in 14 countries across the Americas. The rating recognizes AmBev's leading market positions in the Brazilian beer market with approximately 70% market share and a growing soft-drink beverage franchise (18% share in Brazil), as well as its strong position in Canada with a 43% share and clear leading positions in Argentina, Bolivia, Paraguay and Uruguay.

The A3 rating also considers AmBev's strong credit metrics for its rating category with one of the highest operating margins in the beverage sector driving strong and predictable cash flows. These factors are mainly balanced by the risks associated by its exposure to emerging economies, where outside of Brazil and Canada, approximately 20% of revenues and 17% of EBITDA are generated from, as well as by the close alignment with its parent company that currently still has a Baa2 rating with a positive outlook.

Throughout FY 2009 in light of the difficult global liquidity environment, AmBev essentially paid off all of its near-term debt maturities as they came due and thus reduced total adjusted debt by 31.3% from BRL 11 billion at the end of 2008 to 7.6 billion at the end of 2009. Meanwhile, its cash balance increased from 2008 to 2009 by 27.5% from BRL 3.2 billion to BRL 4.1 billion providing the company with excellent liquidity. AmBev achieved our quantitative upward rating triggers, which included an EBITA/Interest consistently above 5.5x (9.5x in FY 2009) and FCF / Total Debt of above 20% on a sustainable basis (48.9% in FY 2009).

The stable outlook assumes AmBev will maintain its leading position in key markets and continue to manage its shareholder return policies and liquidity in a prudent manner.

AmBev's rating or outlook could suffer negative pressure if its overall operating performance were to deteriorate due to greater than expected volatility in any of its major markets or if the company's leverage were to significantly increase due to a change in capital structure or because of a debt-financed acquisition. A downgrade could be considered should EBITA/Interest fall below 6.0x or Debt to EBITDA increase above 2.0x on a consistent basis. (All metrics according to Moody's standard adjustments and definitions)

Given the recent upgrade to A3, further upward pressure on AmBev's A3 rating is unlikely in the near-term. Longer-term factors that may influence upward rating momentum will be rating upgrades of AmBev's parent company, ABI, combined with continued improvement in the sovereign environment of AmBev's main markets.

Moody's last rating action on AmBev was on March 17th, 2009, when we placed AmBev's Baa1 local currency issuer and senior unsecured ratings on review for possible upgrade.

Ratings upgraded with a stable outlook are as follows:

- Global local currency issuer rating: from Baa1 to A3
- BRL senior unsecured debentures due in July 2012: from Baa1/Aaa.br to A3/Aaa.br

Ratings unchanged are as follows:

- Brazilian National Scale Issuer Rating: Aaa.br

- Foreign currency issuer rating: Baa2

Outlook for the foreign currency issuer rating: positive

The principal methodology used in rating AmBev was Moody's Global Alcoholic Beverage Rating Methodology (published in September 2009) and available on [www.Moodys.com](http://www.Moodys.com) in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Companhia de Bebidas das Américas (AmBev), based in São Paulo, Brazil, is the largest brewer in Latin América and the fourth largest worldwide in terms of volume. It produces, distributes, and markets beer, soft drinks, and other beverage products in 14 countries across the Americas. AmBev is also Pepsico's largest bottler outside the United States. The company's controlling shareholders are Anheuser-Bush InBev, the world's largest brewing company, with 74.0% of AmBev's voting shares and 61.8% of its total shares and the Zerrenner Foundation (FAHZ) with 16.6% of AmBev's voting shares and 9.3% of its total shares.

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