Main lawsuits with probable likelihood of loss:

(a) Sales taxes

In Brazil, the Company and its subsidiaries are involved in several administrative and judicial proceedings related to ICMS, IPI, PIS and COFINS taxes. Such proceedings include, among others, tax offsets, credits and judicial injunctions exempting tax payment.

(b) Labor

The Company and its subsidiaries are involved in labor proceedings with former employees or former employees of service providers. The main issues involve overtime and related effects and respective charges.

(c) Other lawsuits

The Company is involved in several lawsuits brought by former distributors which are mainly claiming damages resulting from the termination of their contracts.

The processes with possible probabilities are disclosed in Note 30 – *Contingencies*.

27. FINANCIAL INSTRUMENTS AND RISKS

Risk factors

The Company is exposed to foreign currency, interest rate, commodity price, liquidity and credit risk in the ordinary course of business. The Company analyzes each of these risks both individually and as a whole to define strategies to manage the economic impact on Company’s performance consistent with its Financial Risk Management Policy.

The Company’s use of derivatives strictly follows its Financial Risk Management Policy approved by the Board of Directors. The purpose of the policy is to provide guidelines for the management of financial risks inherent to the capital markets in which Ambev S.A. carries out its operations. The policy comprises four main aspects: (i) capital structure, financing and liquidity, (ii) transactional risks related to the business, (iii) financial statements translation risks and (iv) credit risks of financial counterparties.

The policy establishes that all the financial assets and liabilities in each country where Ambev S.A. operates must be denominated in their respective local currencies. The policy also sets forth the procedures and controls needed for identifying, measuring and minimizing market risks, such as variations in foreign exchange rates, interest rates and commodities (mainly aluminum, wheat, corn and sugar) that may affect Ambev S.A.’s revenues, costs and/or investment amounts. The policy states that all the currently known risks (e.g. foreign currency and interest) shall be mitigated by contracting derivative financial instruments. Existing risks not yet evident (e.g. future contracts for the purchase of raw material or property, plant and equipment) shall be mitigated using projections for the period necessary for the Company to adapt to the new costs scenario that may vary from ten to fourteen months, also through the use of derivative financial instruments. Most of the translation risks are not mitigated. Any exception to the policy must be approved by the Board of Directors.

Derivative financial Instruments

Derivative financial instruments authorized by the Financial Risk Management Policy are futures contracts traded on exchanges, full deliverable forwards, non-deliverable forwards, swaps and options. At December 31, 2014, the Company and its subsidiaries had no target forward, swaps with currency verification or any other derivative operations representing a risk level above the nominal value of their contracts. The derivative operations are classified by strategies according to their purposes, as follows:

i) Cash flow hedge derivative instruments – The highly probable forecast transactions contracted in order to minimize the Company's exposure to fluctuations of exchange rates and prices of raw materials, investments, equipment and services to be procured, protected by cash flow hedges that shall occur at various different dates during the next fourteen months. Gains and losses classified as hedging reserve in equity are recognized in the income statement in the period or periods when the forecast and hedged transaction affects the income statement. This occurs in the period of up to fourteen months from the balance sheet date in accordance with the Company’s Financial Risk Management Policy.

ii) Fair value hedge derivative instruments – operations contracted with the purpose of mitigating the Company’s net indebtedness against foreign exchange and interest rate risk. Cash net positions and foreign currency debts are continually assessed for identification of new exposures. The results of these operations, measured according to their fair value, are recognized in financial results.

iii) Net investment hedge derivative instruments – transactions entered into in order to minimize exposure of the exchange differences arising from translation of net investment in the Company's subsidiaries located abroad for translation account balance. The effective part of the hedge is allocated to equity and the ineffectiveness part is recorded directly in financial results.

iv) Derivatives measured at fair value though profit or loss – operations contracted with the purpose of protect the Company against fluctuations on income statement, but do not meet the hedge accounting requirements set out in IAS 39 *Financial Instruments: Recognition and Measurement*. They refer to derivative financial instruments contracted in order to minimize the volatility of income tax and social contribution related to the foreign exchange gains/losses on loan agreements between the Company and its subsidiaries abroad. Such derivatives are measured at fair value with gains and losses recognized on an accrual basis within income tax expense, on income statement.

The following tables summarize the exposition of the Company that were identified and protected in accordance with the Company's Risk Policy. The following names have been applied:

Operational Hedge: Refers to the exposures arising from the core business of AmBev S.A., such as: purchase of inputs, purchase of fixed assets and service contracts linked to foreign currency, which is protected through the use of derivatives.

Financial Hedge: Refers to the exposures arising from cash and financing activities, such as: foreign currency cash and foreign currency debt, which is protected through the use of derivatives.

Net investment hedge – cash abroad: Refers to exposures arising from cash hold in foreign currency in foreign subsidiaries whose functional currency is different from the consolidation currency. Once the derivatives contracted for protection of this cash are accounted in entities whose functional currency is the Real, a portion of the net assets equivalent to the cash position of these subsidiaries was designated as net investment hedge object, in such manner the hedge result can be recorded in other comprehensive income of the group , following the result of the hedged item.

Net investment hedge - Dominican Republic: As detailed in note 21 (d.4) the Company constituted a liability related to acquisition of Non-controlling interest in the Dominican Republic operations. This financial instrument is denominated in Dominican Pesos and is recorded in a Company which functional currency is the Real. The Company assigned this financial instrument as a hedging instrument for part of its net assets located in the Dominican Republic, in such manner the hedge result can be recorded in other comprehensive income of the group, following the result of the hedged item.

The types of hedges are defined as follows: cash flow hedge - CFH, net investment hedge - NIH and economic hedges - ECO.

Exposure	Risk	Notional	Instrument	Hedge	Fair Value Asset	Fair Value Liability	Gain / (Losses) Finance cost and income	Gain / (Losses) Operational results	Gain / (Losses) Other comprehensive income
Cost	(8,619.3)	8,619.3	Derivative	CFH	118.2	(438.3)	(922.4)	251.2	445.4
Expense	6,199.1	(6,199.1)	Derivative	ECO	427.9	(893.7)	324.9	-	-
Operational Hedge	**(2,420.2)**	**2,420.2**	-	-	**546.1**	**(1,332.0)**	**(597.5)**	**251.2**	**445.4**
Foreign currency cash	(2,242.7)	2,242.7	Derivative	ECO	113.8	(291.6)	150.3	-	-
Local currency cash	1,070.0	(1,070.0)	Derivative	ECO	0.1	(1.6)	(4.4)	-	-
Foreign currency debt	(588.9)	212.7	Derivative	ECO	-	(4.6)	(3.2)	-	-
Local currency debt	(397.4)	397.4	Derivative	FVH	4.7	(18.4)	(0.3)	-	-
Financial Hedge	**(2,159.0)**	**1,782.8**	**-**	**-**	**118.6**	**(316.2)**	**142.4**	**-**	**-**
Net Investment Hedge	**1,745.5**	**(1,745.5)**	**Derivative**	**NIH**	**223.2**	**(290.7)**	**413.3**	**-**	**(368.2)**
As of December 31, 2014	**(2,833.8)**	**2,457.5**			**887.9**	**(1,939.0)**	**(41.8)**	**251.2**	**77.2**

Exposure	Risk	Notional	Instrument	Hedge	Fair Value Asset	Fair Value Liability	Gain / (Losses) Finance cost and income	Gain / (Losses) Operational results	Gain / (Losses) Other comprehensive income
Cost	(7,955.1)	7,955.1	Derivative	CFH	290.5	(243.9)	(463.9)	220.6	280.9
Expense	4,259.3	(4,259.3)	Derivative	ECO	209.3	(564.8)	169.1	-	-
Operational Hedge	**(3,695.8)**	**3,695.8**			**499.8**	**(808.7)**	**(294.8)**	**220.6**	**280.9**
Foreign currency cash	(1,629.0)	1,629.0	Derivative	ECO	32.9	(85.7)	223.8	-	-
Local currency cash	350.0	(350.0)	Derivative	ECO	0.5	(0.6)	(8.2)	-	-
Foreign currency debt	(698.8)	304.4	Derivative	ECO	2.2	-	24.5	-	-
Local currency debt	(300.0)	300.0	Derivative	FVH	-	(17.4)	(30.4)	-	-
Financial Hedge	**(2,277.8)**	**1,883.4**			**35.6**	**(103.7)**	**209.7**	**-**	**-**
Net Investment Hedge	**3,210.0**	**(3,210.0)**	**Derivative**	**NIH**	**75.9**	**(65.6)**	**199.8**	**-**	**(429.9)**
As of December 31, 2013	**(2,763.6)**	**2,369.2**			**611.3**	**(978.0)**	**114.7**	**220.6**	**(149.0)**

I. .Market risk

a.1) Foreign currency risk

The Company incurs foreign currency risk on borrowings, investments, purchases, dividends and/or interest expense/income whenever they are denominated in a currency other than the functional currency of the subsidiary. The main derivatives financial instruments used to manage foreign currency risk are futures contracts, swaps, options, non deliverable forwards and full deliverable forwards.

a.2) Commodity Risk

A significant portion of the Company inputs comprises commodities, which historically have experienced substantial price fluctuations. The Company therefore uses both fixed price purchasing contracts and derivative financial instruments to minimize its exposure to commodity price volatility. The Company has important exposures to the following commodities: aluminum, sugar, wheat and corn. These derivative financial instruments have been designated as cash flow hedges.

a.3) Interest rate risk

The Company applies a dynamic interest rate hedging approach whereby the target mix between fixed and floating rate debt is reviewed periodically. The purpose of the Company’s policy is to achieve an optimal balance between cost of funding and volatility of financial results, taking into account market conditions as well as the Company’s overall business strategy.

The table below shows the Company’s exposure related to debts, before and after strategy hedge of interest rates.

	2014				**2013**			
	Pre - Hedge		**Post - Hedge**		**Pre - Hedge**		**Post - Hedge**	
	Interest rate	**Amount**	**Interest rate**	**Amount**	**Interest rate**	**Amount**	**Interest rate**	**Amount**
Brazilian Real	7.2%	1,162.7	8.7%	1,773.8	7.2%	1,254.0	8.2%	2,019.9
American Dollar	1.9%	537.1	2.1%	300.3	1.7%	732.8	1.7%	390.2
Dominican Peso	9.1%	3.9	9.1%	3.9	8.1%	29.0	8.1%	29.0
Interest rate postfixed		**1,703.7**		**2,078.0**		**2,015.8**		**2,439.1**
Brazilian Real	6.4%	832.2	5.1%	464.1	5.9%	682.7	3.5%	403.6
Argentinean Peso	23.7%	98.9	23.7%	98.9	-	-	-	-
Dominican Peso	10.4%	60.1	10.4%	60.1	13.0%	47.1	13.0%	47.1
American Dollar	3.9%	18.8	5.9%	12.6	0.5%	160.2	5.5%	16.0
Guatemala´s Quetzal	7.9%	8.1	7.9%	8.1	-	-	-	-
Interest rate pre-set		**1,018.1**		**643.8**		**890.0**		**466.7**

Sensitivity analysis

The Company mitigates risks arising from non-derivative financial assets and liabilities substantially, through derivative financial instruments. In this context, the Company has identified the main risk factors that may generate losses from these derivative financial instruments and has developed a sensitivity analysis based on four scenarios, which may impact the Company’s future results, as described below:

1 – Probable scenario: Management expectations of deterioration in each transaction’s main risk factor. To measure the possible effects on the results of derivative transactions, the Company uses parametric Value at Risk – VaR. is a statistical measure developed through estimates of standard deviation and correlation between the returns of several risk factors. This model results in the loss limit expected for an asset over a certain time period and confidence interval. Under this methodology, we used the potential exposure of each financial instrument, a range of 95% and horizon of 21 days after December 31, 2014 for the calculation, which are presented in the module.

2 – Adverse scenario: 25% deterioration in each transaction’s main risk factor as compared to the level observed on December 31, 2014.

3 – Remote scenario: 50% deterioration in each transaction’s main risk factor as compared to the level observed on December 31, 2014.

Transaction	**Risk**	**Fair value**	**Probable scenario**	**Adverse scenario**	**Remote scenario**
Foreign exchange hedge	Dollar and Euro decrease	(167.4)	(371.2)	(1,789.0)	(3,410.6)
Input purchase		167.4	371.2	1,789.0	3,410.6
Commodities hedge	Decrease on commodities price	(145.8)	(149.3)	(556.6)	(967.3)
Input purchase		145.8	149.3	556.6	967.3
Foreign exchange hedge	Dollar and Euro decrease	(6.8)	(21.6)	(86.7)	(166.6)
Capex purchase		6.8	21.6	86.7	166.6
Foreign exchange hedge	Foreign currency increase	(465.9)	(505.6)	(1,419.7)	(2,373.4)
Fiscal expense		465.9	505.6	1,419.7	2,373.4
Cash flow hedge		**(785.9)**	**(1,047.7)**	**(3,852.0)**	**(6,917.9)**
Operational purchase		**785.9**	**1,047.7**	**3,852.0**	**6,917.9**
Net effect		**-**	**-**	**-**	**-**
Foreign exchange hedge	Foreign currency increase	(182.4)	(410.2)	(1,484.1)	(2,785.9)
Net debt		182.4	398.9	1,390.1	2,597.8
Interest rate hedge	Increase in tax interest	(15.2)	(23.4)	(314.4)	(298.8)
Interest expense		15.2	23.4	314.4	298.8
Fair value hedge		**(197.6)**	**(433.6)**	**(1,798.5)**	**(3,084.7)**
Net debt and interest		**197.6**	**422.3**	**1,704.5**	**2,896.6**
Net effect		**-**	**(11.4)**	**(94.1)**	**(188.1)**
Investment hedge	Foreign currency increase	(67.5)	(214.4)	(928.2)	(1,788.8)
Fiscal expense		67.5	214.4	928.2	1,788.8
Net Investment hedge		**(67.5)**	**(214.4)**	**(928.2)**	**(1,788.8)**
Fiscal expense		**67.5**	**214.4**	**928.2**	**1,788.8**
Net effect		**-**	**-**	**-**	**-**

As of December 31, 2014 the Notional and Fair Value amounts per instrument and maturity were as follows:

Risk / Hedge	Financial instrument	Nocional value 2015	2016	2017	2018	>2019	Total
Foreign currency	Future contracts	3,859.9	-	-	-	-	3,859.9
Foreign currency	Non Deliverable Forwards	2,355.3	-	-	-	-	2,355.3
Foreign currency	Deliverable Forwards	759.8	-	-	-	-	759.8
Commodity	Future contracts	872.4	0.6	-	-	-	873.0
Commodity	Swaps	771.4	-	-	-	-	771.4
Cost hedge		**8,618.8**	**0.6**	**-**	**-**	**-**	**8,619.4**
Foreign currency	Future contracts	(5.6)	-	-	-	-	(5.6)
Foreign currency	Swaps / Non Deliverable Forwards	(6,319.0)	125.5	-	-	-	(6,193.5)
Expense hedge		**(6.324,6)**	**125.5**	**-**	**-**	**-**	**(6,199.1)**
Foreign currency	Future contracts	3,366.6	-	-	-	-	3,366.6
Foreign currency	Swaps	252.0	-	-	-	-	252.0
Foreign currency	Non Deliverable Forwards	(1,375.8)	-	-	-	-	(1,375.8)
Foreign currency cash hedge		**2,242.8**	**-**	**-**	**-**	**-**	**2,242.8**
Interest rate	Future contracts	-	(370.0)	(300.0)	(400.0)	-	(1,070.0)
Local currency cash hedge		**-**	**(370.0)**	**(300.0)**	**(400.0)**	**-**	**(1,070.0)**
Foreign currency	Future contracts	212.7	-	-	-	-	212.7
Foreign currency debt hedge		**212.7**	**-**	**-**	**-**	**-**	**212.7**
Interest rate	Swaps	-	-	300.0	-	97.4	397.4
Local currency debt hedge		**-**	**-**	**300.0**	**-**	**97.4**	**397.4**
Foreign currency	Future contracts	(2,594.0)	-	-	-	-	(2,594.0)
Foreign currency	Non Deliverable Forwards	848.5	-	-	-	-	848.5
Net Investment Hedge		**(1,745.5)**	**-**	**-**	**-**	**-**	**(1,745.5)**
Total		**3,004.2**	**(243.9)**	**-**	**(400.0)**	**97.4**	**2,457.7**

Risk / Hedge	Financial instrument[	Fair value					
		2015	2016	2017	2018	>2019	Total
Foreign currency	Future contracts	(83.2)	-	-	-	-	(83.2)
Foreign currency	Non Deliverable Forwards	(110.2)	-	-	-	-	(110.2)
Foreign currency	Deliverable Forwards	19.1	-	-	-	-	19.1
Commodity	Future contracts	(99.7)	(7.3)	-	-	-	(107.0)
Commodity	Swaps	(38.4)	(0.4)	-	-	-	(38.8)
Cost hedge		**(312.4)**	**(7.7)**	**-**	**-**	**-**	**(320.1)**
Foreign currency	Future contracts	4.3	-	-	-	-	4.3
Foreign currency	Swaps/Non Deliverable Forwards	(469.2)	(0.9)	-	-	-	(470.1)
Expense hedge		**(464.9)**	**(0.9)**	**-**	**-**	**-**	**(465.8)**
Foreign currency	Future contracts	(73.8)	-	-	-	-	(73.8)
Foreign currency	Swaps	(13.0)	-	-	-	-	(13.0)
Foreign currency	Non Deliverable Forwards	(90.9)	-	-	-	-	(90.9)
Foreign currency cash hedge		**(177.7)**	**-**	**-**	**-**	**-**	**(177.7)**
Interest rate	Future contracts	-	(0.1)	(0.3)	(1.1)	-	(1.5)
Local currency cash hedge		**-**	**(0.1)**	**(0.3)**	**(1.1)**	**-**	**(1.5)**
Foreign currency	Future contracts	(4.6)	-	-	-	-	(4.6)
Foreign currency debt hedge		**(4.6)**	**-**	**-**	**-**	**-**	**(4.6)**
Interest rate	Swaps	-	-	(18.4)	-	4.7	(13.7)
Local currency debt hedge		**-**	**-**	**(18.4)**	**-**	**4.7**	**(13.7)**
Foreign currency	Future contracts	39.1	-	-	-	-	39.1
Foreign currency	Non Deliverable Forwards	(106.7)	-	-	-	-	(106.7)
Net Investment Hedge		**(67.6)**	**-**	**-**	**-**	**-**	**(67.6)**
Total		**(1,027.2)**	**(8.7)**	**(18.7)**	**(1.1)**	**4.7**	**(1,051.0)**

II. Credit Risk

Concentration of credit risk on trade receivables

A substantial part of the Company’s sales is made to distributors, supermarkets and retailers, within a broad distribution network. Credit risk is reduced because of the widespread number of customers and control procedures used to monitor risk. Historically, the Company has not experienced significant losses on receivables from customers.

Concentration of credit risk on counterpart

In order to minimize the credit risk of its investments, the Company has adopted procedures for the allocation of cash and investments, taking into consideration limits and credit analysis of financial institutions, avoiding credit concentration, i.e., the credit risk is monitored and minimized to the extent that negotiations are carried out only with a select group of highly rated counterparties.

The selection process of financial institutions authorized to operate as the Company’s counterparties is set forth in our Credit Risk Policy. This Credit Risk Policy establishes maximum limits of exposure to each counterparty based on the risk rating and on each counterparty's capitalization.

In order to minimize the risk of credit with its counterparties on significant derivative transactions, the Company has adopted bilateral “trigger” clauses. According to these clauses, where the fair value of an operation exceeds a percentage of its notional value (generally between 10% and 15%), the debtor settles the difference in favor of the creditor.

As of December 31, 2014, the Company held its main short-term investments with the following financial institutions: Banco do Brasil, Caixa Econômica Federal, Bradesco, Morgan Stanley, Deutsche Bank, Itaú, Citibank, Toronto Dominion Bank, ING, JP Morgan Chase, Santander and HSBC. The Company had derivatives agreements with the following financial institutions: Barclays, Citibank, Merril Lynch, Morgan Stanley, Deutsche Bank, Itaú, JP Morgan Chase, Santander, ScotiaBank, Société Générale, Banco Bisa, Goldman Sachs, BNB, BNP Paribas, Macquarie and TD Securities.

The carrying amount of cash and cash equivalents, investment securities, trade receivables excluding prepaid expenses, taxes receivable and derivative financial instruments are disclosed net of provisions for impairment and represents the maximum exposure of credit risk as of December 31, 2014. There was no concentration of credit risk with any counterparties as of December 31, 2014.

III. Liquidity Risk

The Company believes that cash flows from operating activities, cash and cash equivalents and short-term investments, together with the derivative financial instruments and access to loan facilities are sufficient to finance capital expenditures, financial liabilities and dividend payments in the future.

IV. Capital management

Ambev S.A. is continuously optimizing its capital structure targeting to maximize shareholder value while keeping the desired financial flexibility to execute the strategic projects. Besides the statutory minimum equity funding requirements that apply to the Company’s subsidiaries in the different countries, Ambev S.A. is not subject to any externally imposed capital requirements. When analyzing its capital structure, the Company uses the same debt ratings and capital classifications as applied in the Company’s financial statements.

Financial instruments

(a) Financial instruments categories

Management of these financial instruments held by the Company is effected through operational strategies and internal controls to assure liquidity, profitability and transaction security. Financial instruments transactions are regularly reviewed for the effectiveness of the risk exposure that management intends to cover (foreign exchange, interest rate, etc.).

The table below shows all financial instruments recognized in the financial statements, segregated by category:

	2014					
	Loans and receivables	**Held to maturity**	**Financial assets/liabilities at fair value through profit or loss**	**Derivatives hedge**	**Financial liabilities through amortized cost**	**Total**
Financial assets						
Cash and cash equivalents	9,722.1	-	-	-	-	9,722.1
Investment securities	-	68.0	713.0	-	-	781.0
Trade receivables and other assets excluding prepaid expenses	5,257.0	-	-	-	-	5,257.0
Financial instruments derivatives	-	-	541.8	346.0	-	887.8
Total	**14,979.1**	**68.0**	**1,254.8**	**346.0**	**-**	**16,647.9**
Financial liabilities						
Trade payables and other liabilities	-	-	3,289.8	-	9,182.7	12,472.5
Financial instruments derivatives	-	-	1,191.5	747.4	-	1,938.9
Interest-bearing loans and borrowings	-	-	-	-	2,622.7	2,622.7
Total	**-**	**-**	**4,481.3**	**747.4**	**11,805.4**	**17,034.1**

	2013					
	Loans and receivables	**Held to maturity**	**Financial assets/liabilities at fair value through profit or loss**	**Derivatives hedge**	**Financial liabilities through amortized cost**	**Total**
Financial assets						
Cash and cash equivalents	11,538.2	-	-	-	-	11,538.2
Investment securities	-	63.8	288.6	-	-	352.4
Trade receivables and other assets excluding prepaid expenses	4,999.7	-	-	-	-	4,999.7
Financial instruments derivatives	-	-	245.0	366.3	-	611.3
Total	**16,537.9**	**63.8**	**533.6**	**366.3**	**-**	**17,501.6**
Financial liabilities						
Trade payables and other liabilities	-	-	2,520.7	-	8,313.6	10,834.3
Financial instruments derivatives	-	-	651.1	326.9	-	978.0
Interest-bearing loans and borrowings	-	-	-	-	2,905.8	2,905.8
Total	**-**	**-**	**3,171.8**	**326.9**	**11,219.4**	**14,718.1**

(b) Classification of financial instruments by type of fair value measurement

IFRS 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Also pursuant to IFRS 13, financial instruments measured at fair value shall be classified within the following categories:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date valuation;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – unobservable inputs for the asset or liability.

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial asset at fair value through profit or loss	713.0	-	-	713.0
Derivatives assets at fair value through profit or loss	97.8	444.0	-	541.8
Derivatives - operational hedge	28.8	89.4	-	118.2
Derivatives – fair value hedge	-	4.7	-	4.7
Derivatives - net investment hedge	89.0	134.2	-	223.2
	928.6	**672.3**	**-**	**1,600.9**
Financial liabilities				
Financial liabilities at fair value through profit and loss (i)	-	-	3,289.8	3,289.8
Derivatives liabilities at fair value through profit or loss	173.5	1,018.1	-	1,191.6
Derivatives - operational hedge	221.9	216.4	-	438.3
Derivatives - fair value hedge	-	18.4	-	18.4
Derivatives - net investment hedge	49.9	240.8	-	290.7
	445.3	**1,493.7**	**3,289.8**	**5,228.8**

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial asset at fair value through profit or loss	288.6	-	-	288.6
Derivatives assets at fair value through profit or loss	62.3	182.7	-	245.0
Derivatives - operational hedge	154.3	136.2	-	290.5
Derivatives - net investment hedge	0.7	75.2	-	75.9
	505.9	**394.1**	**-**	**900.0**
Financial liabilities				
Financial liabilities at fair value through profit and loss (i)	-	-	2,520.7	2,520.7
Derivatives liabilities at fair value through profit or loss	38.4	612.7	-	651.1
Derivatives - operational hedge	160.9	83.1	-	244.0
Derivatives - fair value hedge	-	17.4	-	17.4
Derivatives - net investment hedge	31.0	34.5	-	65.5
	230.3	**747.7**	**2,520.7**	**3,498.7**

(i) Refers to the put option in the subsidiary as described in Note 21 d (4).

Reconciliation of changes in the categorization of Level 3

Financial liabilities at December 31, 2013	**2,520.7**
Total gains and losses in the period	769.1
Losses recognized in income statement	503.6
Losses recognized in other comprehensive income	265.5
Financial liabilities at December 31, 2014 (i)	**3,289.8**

(i) The liability was recorded under "Other liabilities" on the balance sheet

(c) Fair value of financial liabilities measured at amortized cost

The Company’s liabilities, interest-bearing loans and borrowings, trade payables excluding tax payables, are recorded at amortized cost according to the effective rate method, plus indexation and foreign exchange gains/losses, based on closing indices for each period.

Had the Company recognized its financial liabilities measured at amortized at cost, at market value, it would have recorded an additional loss, before income tax and social contribution, of approximately R$12.6 on December 31, 2014 (R$(11.6) on December, 31 2013), as present in the table below:

	2014			2013		
Financial liabilities	**Book**	**Market**	**Difference**	**Book**	**Market**	**Difference**
International financing (other currencies)	369.1	369.1	-	605.6	605.6	-
FINEP	86.5	86.5	-	86.4	86.4	-
BNDES - Local currency	1,444.8	1,444.8	-	1,381.0	1,381.0	-
BNDES - Foreing currency	236.7	236.7	-	342.4	342.4	-
Bond 2017	281.6	294.1	(12.5)	279.0	290.6	(11.6)
Fiscal incentives	181.9	181.9	-	190.2	190.2	-
Finance leasing	22.0	22.0	-	21.2	21.2	-
Trade and other paylables	9,182.7	9,182.7	-	8,313.6	8,313.6	-
	11,805.3	**11,817.8**	**(12.5)**	**11,219.4**	**11,231.0**	**(11.6)**

The criterion used to determine the market value of the debt securities was based on quotations of investment brokers, on quotations of banks which provide services to Ambev S.A. and on the secondary market value of bonds as of December 31, 2014, being approximately 98.04% for Bond 2017 (96.88% at December 31, 2013).

Calculation of fair value of derivatives

The Company measures derivative financial instruments by calculating their present value, through the use of market curves that impact the instrument on the computation dates. In the case of swaps, both the asset and the liability positions are estimated independently and brought to present value, where the difference between the result of the asset and liability amount generates the swaps market value. For the traded derivative financial instruments, the fair value is calculated according to the adjusted exchange-listed price.

Margins given in guarantee

In order to comply with the guarantee requirements of the derivative exchanges and/or counterparties in certain operations with derivative financial instruments, as of December 31, 2014 the Company held R$698.1 in investments securities or cash investments available on demand, classified as cash and cash equivalents (R$647.8 on December 31, 2013).

Offsetting of financial assets and liabilities

For financial assets and liabilities subject to settlement agreements by the net or similar agreements, each agreement between the Company and the counterparty allows this type of settlement when both parties make this option. In the absence of such election, the assets and liabilities will be settled by their gross, but each party shall have the option to settle on net, in case of default of the counterparty.

28. OPERATING LEASES

The Company primarily leases warehouses and offices. Lease terms are normally over a period of five to ten years, with renewal options.

Operating leases mature as follows:

	2014	2013
Less than 1 year	28.7	62.8
Between 1 and 2 years	53.2	160.3
More than 2 years	38.4	74.1
	120.3	**297.2**

In 2014, the operating lease expense in the income statement amounted to R$43.5 (R$65.2 and R$54.1 in 2013 and 2012, respectively).

29. COLLATERAL AND CONTRACTUAL COMMITMENTS WITH SUPLLIERS, ADVANCES FROM CUSTOMERS AND OTHER

	2014	2013
Collateral given for own liabilities	1,224.0	1,193.9
Other commitments	497.9	447.2
	1,721.9	**1,641.1**
Commitments with suppliers	8,271.4	11,918.7
Commitments - Bond 2017	300.0	300.0
	8,571.4	**12,218.7**

The collateral provided for liabilities totaled approximately R$1,721.9 as at December 31, 2014 including R$525.9 of cash guarantees. The deposits in cash used as guarantees are presented as part of the receivables. To meet the guarantees required by derivative exchanges and/or counterparties contracted in certain derivative financial instrument transactions, Ambev S.A. maintained as at December 31, 2014, R$698.1 in highly liquid financial investments or in cash (Note 27 – *Financial instruments and risks*).

Most of the balance relates to commitments with suppliers of packaging.

The Ambev S.A. is guarantor of the Bond 2017, in amount of R$300,0, remunerated at 9.5% per year, with semiannual interest payments and final maturity in July 2017.

Future contractual commitments as at December 31, 2014 are as follows:

	2014	2013
Less than 1 year	3,776.8	3,438.3
Between 1 and 2 years	2,555.6	2,379.4
More than 2 years	2,239.0	6,401.0
	8,571.4	**12,218.7**

30. CONTINGENCIES

The Company has contingent liabilities arising from lawsuits in the normal course of its business.

Contingent liabilities with a probable likelihood of loss are fully recorded as liabilities (Note 26 – *Provisions*).

The Company also has lawsuits related to tax, civil and labor, for which the likelihood of loss is classified by management as possible and for which there are no provisions. Due to their nature, such legal proceedings and tax matters involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions, and as a consequence the Company’s management cannot at this stage estimate the likely timing of the resolution of these matters.

As of 31 December 2014, estimates of amounts of possible losses associated with the Company’s material proceedings are as follows:

	2014	2013
PIS and COFINS	305.4	363.9
ICMS and IPI	5,648.8	3,807.4
IRPJ and CSLL	12,946.7	10,196.2
Labor	207.9	135.7
Civil	3,546.4	161.6
Others	1,668.2	1,386.6
	24,323.4	**16,051.4**

Principal lawsuits with a likelihood of possible loss:

Goodwill

In December 2011, the Company received a tax assessment related to the goodwill amortization resulting from Inbev Holding Brasil S.A. merger. In November 2014 the Lower Administrative Court concluded the judgment and now we await the publication of the decision. The decision was partly favorable; therefore, after the publication we will file an appeal with the Upper Administrative Court. We have not recorded any provisions for this matter, and our management, supported by the opinion of our external legal counsel, estimates possible losses in relation to this assessment to be approximately R$4.2 billion as of December 31, 2014 (R$3.9 billion as of December 31, 2013). In the event we are required to pay these amounts, ABI will reimburse the amount proportional to the benefit received by ABI pursuant to the merger protocol, as well as the related costs

In October 2013, we also received a tax assessment related to the goodwill amortization resulting from the merger of Quinsa into us. We filed an Appellate Division in December 2014 against the first level administrative decision, which maintained the assessment. The Appellate Division wait the judgment in Administrative Court Management estimates the amount of possible losses in relation to this assessment to be approximately R$1.2 billion as of December 31, 2014 (1.1 billion as of December 31, 2013). We have not recorded any provision in connection with this assessment.

Profits earned abroad

During the first quarter of 2005, certain of our subsidiaries received a number of assessments from the RFB relating to profits obtained by subsidiaries domiciled abroad. In December 2008, the Administrative Court handed down a decision on one of the tax assessments relating to earnings of our foreign subsidiaries. This decision was partially favorable to us, and in connection with the remaining part, we filed an appeal to the Appellate Division of the Administrative Court and are awaiting its decision. We have not recorded any provision in connection with this assessment. We estimate our exposure to possible losses in relation to these assessments to be R$4.2 billion at December 31, 2014 (R$ 3.8 billion at December 31, 2013) and to probable losses to be R$34.7 as of that date, for which we have recorded a provision in the corresponding amount at December 31, 2014 (R$32.3 at December 31, 2013).

Manaus Free Trade Zone - IPI

Goods manufactured within the Manaus Free Trade Zone – ZFM intended for consumption elsewhere in Brazil are exempt from the IPI. Our subsidiaries have been registering IPI presumed credits upon the acquisition of exempted inputs manufactured therein. Since 2009 we have been receiving a number of tax assessments from the RFB relating to the disallowance of such presumed credits, which are under discussion before the Administrative Court. Management estimates possible losses in relation to these assessments to be R$917 as of December 31, 2014 (R$723 as of December 31, 2013).

Irrevocable discounts granted

We are currently parties to legal proceedings with the State of Rio de Janeiro where we are challenging such State’s attempt to assess ICMS Value-Added Tax with respect to irrevocable discounts granted by the Company in January 1996 and February 1998 These proceedings are currently before the Brazilian Superior Court of Justice (Superior Tribunal de Justiça) and the Brazilian Supreme Court. In November 2013, November and December 2014, we received similar tax assessments issued by the State of Pará. Management estimates the total exposure in relation to this matter to be R$820 as of December 31, 2014 (R$760 as of December 31, 2013), of which approximately R$704 are considered as possible losses, therefore, without provision, and the other R$116 were provisioned in connection with one tax proceeding for which we believe there is a probable chance of loss. Such estimate is based on reasonable assumptions and assessments of management, but should our position not prevail the expected net impact on our income statement would be an expense for this amount.

Utilization of tax loss on mergers

The Company and its subsidiaries have received tax assessments from the Brazilian Tax authorities, from certain tax credits arising from alleged non-compliance with the Brazilian tax regulation concerning accumulated tax losses by companies in their final year of existence, following a merger.

No provisions have been made for these cases as it believes that no express legal grounds exist that limit the use of tax losses in cases where legal entities are extinguished (including in the case of mergers), and that therefore the tax inspector’s interpretation in these tax assessments does not apply. After a decision issued by the Administrative Court - CARF, the Company has considered part of the amount as remote loss. The Company estimates the possible exposure to losses on these assessments at approximately R$419 at December 31, 2014 (R$582 at December 31, 2013).

Subscription Warrants

Certain holders of warrants issued by Old Ambev in 1996 for exercise in 2003 have filed lawsuits to be able to subscribe the corresponding shares for an amount lower than what the Company considers to have been established at the time of the issuance of the warrants. The warrants object of those six proceedings represented, on December 31, 2014, 172.8 million Ambev common shares that would be issued at a value substantially below fair market value, should claimants ultimately prevail. The plaintiffs also claim they should receive past dividends related to these shares in the amount of R$572 (R$413 on December 31, 2013). The Company believes that the loss of this lawsuit is possible has not recorded any provision in connection therewith.

Antitrust Matters

On July 22, 2009, CADE, the Brazilian antitrust authority, issued its ruling in connection with Administrative Proceeding in 2004 as a result of a complaint filed by Schincariol (a South American brewery and beverage maker based in Brazil) which had, as its main purpose, the investigation of our conduct in the market, in particular our customer loyalty program known as “Tô Contigo”.

During its investigation, the former Secretariat of Economic Law of the Ministry of Justice (Secretaria de Direito Econômico), or SDE, concluded that the program should be considered anticompetitive unless certain adjustments were made. These adjustments were substantially incorporated into the version of the program at that time, and the program no longer exists. The SDE opinion did not threaten any fines and recommended that the other accusations be dismissed. After the SDE opinion, the proceeding was sent to the CADE, which issued a ruling that, among other things, imposed a fine in the amount of R$352 (R$524 as of December 31, 2014, reflecting accrued interests and R$ 488 on December 31, 2013). The loss should be limited to the amount of the fine and other legal fees relative for this process.

We have challenged the CADE’s decision before the federal courts, which have ordered the suspension of the fine and other parts of the decision upon our posting of a guarantee. We have posted a court bond (carta de fiança) for this purpose. The Company believes that the loss of this lawsuit is possible and therefore has not recorded any provision in connection therewith.

Additionally, the Company has other administrative proceedings with CADE and SDE, investigating certain conducts, which in the Company’s view, do not represent a competitive assessment.

ICMS tax incentives

Ambev is currently challenging tax assessments from the States of São Paulo, Rio de Janeiro and Minas Gerais, which question the legality of tax credits arising from existing tax incentives received by the Company in other States. During the third quarter of 2014, Ambev received other tax assessments related to the same issue, in the total amount of R$507. Ambev management estimates the possible losses related to these assessments to be approximately R$ 1,0 billion as of December 2014. Ambev has not recorded any provision in connection therewith.

IPI Excise Tax

In 2014, we received tax assessments from Brazilian Federal Tax Authorities related to IPI exercise tax, supposedly due over remittances of manufactured goods to other related factories, to which the decision from the Upper House of the Administrative Court is still pending.

Management estimates the possible losses related to these assessments to be approximately R$510 as of December 31, 2014.

In January 2015, Ambev received a new Assessment Notice for the recovery of IPI supposedly due on the delivery of finished products to other business units in the amount of R$568, classified as a possible loss.

Lawsuit against Brewers Retail Inc.

On 12 December 2014, claimants in Canada brought a lawsuit against the Liquor Control Board of Ontario (“LCBO”), Brewers Retail Inc. (“The Beer Store”) and the owners of The Beer Store (Molson Coors Canada, Sleeman Breweries Ltd. and Labatt Breweries of Canada LP). The lawsuit, brought pursuant to the Ontario Class Proceedings Act in the Ontario Superior Court of Justice, seeks a declaration that LCBO and *The Beer Store* agreed with each to allocate sales, territories, customers or markets for the supply of beer sold in Ontario since June 1, 2000, and a declaration that the owners of The Beer Store agreed to fix. The claimants are seeking damages not exceeding 1.4 billion Canadian for all mentioned parts. Considering that The Beer Store operates according to the rules established by the Government of Ontario and that prices at The Beer Store are independently set by each brewer, the Company believes that there are strong defenses and, accordingly, has not recorded any provision in connection therewith.

Disallowance of Expenses and Deductible Losses

In December 29, 2014, we received a tax assessment from the Brazilian Federal Tax Authorities at approximately R$ 1.2 billion. The assessment related to disallowance of alleged undeductable expenses and certain losses deductions mainly associated to financial investments and loans. Our management estimates the amount of possible losses in relation to this assessment. We have not recorded any provision in connection with this assessment.

Contingent assets

According to IAS 37, contingent assets are not recorded, except when there are real guarantees or favorable legal decisions.

31. RELATED PARTIES

Policies and practices regarding the realization of transactions with related parties

The Company adopts corporate governance practices and those recommended and/or required by the applicable law.

Under the Company’s bylaws the Board of Directors is responsible for approving any transaction or agreements between the Company and/or any of its subsidiaries, directors and/or shareholders (including shareholders, direct or indirect shareholders of the Company). The Compliance Committee of the Company is required to advise the Board of Directors of the Company in matters related to transactions with related parties.

Management is prohibited from interfering in any transaction in which conflict exists, even in theory, with the Company interests. It is also not permitted to interfere in decisions of any other management member, requiring documentation in the Minutes of Meeting of the Board any decision to abstain from the specific deliberation.

The Company’s guidelines with related parties follow reasonable or commutative terms, similar to those prevailing in the market or under which the Company would contract similar transactions with third parties. These are clearly disclosed in the financial statements as reflected in written contracts.

Transactions with management members:

In addition to short-term benefits (primarily salaries), the management members are entitled to participate in Stock Option Plan (Note 24 – *Share-based payments*).

Total expenses related to the Company’s management members are as follows:

	2014	2013	2012
Short-term benefits (i)	22.2	28.7	26.5
Share-based payments (ii)	39.3	44.5	37.5
Total key management remuneration	**61.5**	**73.2**	**64.0**

(i) These correspond substantially to salaries and profit sharing (including performance bonuses).

(ii) These correspond to the compensation cost of stock options granted to management. These amounts exclude remuneration paid to members of the Fiscal Council.

Excluding the abovementioned plan (Note 24 – *Share-based payments*), the Company no longer has any type of transaction with the Management members or pending balances receivable or payable in its balance sheet.

Transactions with the Company's shareholders:

a) Medical, dental and other benefits

The Fundação Antonio e Helena Zerrenner Instituição Nacional de Beneficiência (“Fundação Zerrenner) is one of Ambev S.A.’s shareholders, and at December 31, 2014 held 9.81% of total share capital. Fundação Zerrenner is also an independent legal entity whose main goal is to provide Ambev S.A.’s employees, both active and retirees, with health care and dental assistance, technical and superior education courses, facilities for assisting elderly people, through direct initiatives or through financial assistance agreements with other entities. On December 31, 2014 and December 31, 2013, actuarial responsibilities related to the benefits provided directly by Fundação Zerrenner are fully funded by plan assets, held for that purpose, which significantly exceeds the liabilities at that date. Ambev S.A. recognizes the assets (prepaid expenses) of this plan to the extent of amounts from economic benefits available to the Company, arising from reimbursements or future contributions reduction.

The expenses incurred by Fundação Zerrenner in providing these benefits totaled R$216.3 in the period ended December 31, 2014 (R$185.6 as of December 31, 2013), of which R$195.5 (R$163.7 as of December 31, 2013) related to active employees and R$22.8 (R$21.9 as of December 31, 2013) related to retirees.

b) Special Goodwill Reserve

As a result of the merger of InBev Holding Brazil S.A. by the Company in 2005, the Company benefits, each year, from the amortization of tax deductible goodwill pursuant to CVM Instruction 319/99. The balance of the special goodwill reserve as of December 31, 2014 was R$2.0 (R$313.9 as of December 31, 2013) which may be used for future capital increases.

c) Leasing

The Ambev S.A., through its subsidiary BSA (labeling), has an asset leasing agreement with Fundação Zerrenner, for R$63.3 for ten years, maturing on March 31, 2018.

d) Leasing – Ambev S.A. head office

Ambev S.A. has a leasing agreement of two commercial sets with Fundação Zerrenner, in the amount R$ 4.5, maturing on January 2016

e) Licensing agreement

The Company maintains a licensing agreement with Anheuser-Busch, Inc., to produce, bottle, sell and distribute Budweiser products in Brazil, Canada, Ecuador, Guatemala, Dominican Republic and Paraguay. In addition, the Company produces and distributes Stella Artois products under license to ABI in Brazil, Canada, Argentina, and other countries and, by means of a license granted to ABI, it also distributes Brahma’s product in parts of Europe, Asia and Africa. The amount recorded was R$1.6 (R$15.5 as of December 31, 2013) and R$293.1 (R$249.2 as of December 31, 2013) as licensing income and expense, respectively.

On October 29, 2013, the Company entered into an agreement with the company B2W - Companhia Digital S.A. to manage the platform of e-commerce company named “Partner AmBev”. The contract is for 2 years, and the object of it is to trade Ambev S.A. products through websites. Both parties have the same equity holders.

32. GROUP COMPANIES

Listed below are the main group companies. The number of companies consolidated totaled 38.

Argentina	
CERVECERIA Y MALTERIA QUILMES SAICA Y G Av. Del Libertador 498, 26º andar - Buenos Aires	99.74%
Bolivia	
CERVECERIA BOLIVIANA NACIONAL S.A. Av. Montes 400 e Rua Chuquisaca - La Paz	85.67%
Brazil	
AMBEV S.A. Rua Dr. Renato Paes de Barros, 1017 , 3º andar - Itaim Bibi, São Paulo	Consolidating Company
AROSUCO AROMAS E SUCOS LTDA Avenida Buriti, 5.385 - Distrito Industrial - Manaus - AM	100.00%
CRBS S. Avenida Antarctica, 1.891 Fazenda Santa Úrsula, parte - Jaguariúna - SP	100.00%
EAGLE DISTRIBUIDORA DE BEBIDAS S.A. Avenida Antarctica, 1.891 Fazenda Santa Úrsula, parte – Jaguariúna – SP	100.00%
CERVEJARIA REUNIDAS SKOL CARACU S.A. Avenida Antarctica, 1891 - Fazenda Santa. Úrsula, parte – Jaguariuna, SP	100.00%
Canada	
LABATT BREWING COMPANY LIMITED 207 Queens Quay - West, Suite 299 - M5J 1A7 - Toronto	100.00%
Chile	
CERVECERIA CHILE S.A Avenida Presidente Eduardo Frei Montalva, 9600 - Comuna de Quilicura - Santiago	100.00%
Espanha	
JALUA SPAIN, S.L Juan Vara Terán, 14 – Ilhas Canárias	100.00%
Ecuador	
COMPANHIA CERVECERA AMBEV ECUADOR S.A. Km 14,5 – Vía Dauley, Av. Las Iguanas - Guayaquil	100,00%
Luxembourg	
AMBEV LUXEMBOURG 5, Gabriel Lippmann, L - 5365 Munsbach	100.00%
Guatemala	
INDUSTRIAS DEL ATLÁNTICO, SOCIEDAD ANÓNIMA 43 Calle 1-10 Clzd. Aguilar Bartres Zona 12, Edifício Mariposa, nível 4 - 01012 - Zacapa	50.00%
Paraguay	
CERVECERIA PARAGUAY S.A Ruta Villeta KM 30 - Ypané	87.34%

Peru	
COMPANÍA CERVECERA AMBEV PERU S.A.C. Avenida República de Panamá, 3659 San Isidro - Lima 41 – Lima	100.00%
Dominican Republic	
CERVECERÍA NACIONAL DOMINICANA, S.A. Autopista 30 de Mayo, Distrito Nacional	55.00%
Uruguay	
LINTHAL S.A 25 de Mayo 444, office 401 - Montevideo	99,99%
NACIONALY MALTERIA PAYSSANDU S.A. Rambla Baltasar Brum, 2933 – 11800 - Paysandú	98.62%
MONTHIERS SOCIEDAD ANÓNIMA Cortinas Cesar, 2037 - Montevideo	100.00%

33. INSURANCE

The Company has a program of risk management in order to hire coverage compatible with its size and operation. Coverage was contracted for amounts considered sufficient by management to cover possible losses, considering the nature of its activity, the risks involved in their operations and the orientation of its insurance advisors.

34. EVENTS AFTER THE REPORTING PERIOD

i) In the Board of Directors’ Meeting held on December 31, 2014, the members of the Company’s Board of Directors approved the distribution of interest on own capital (“IOC”), to be deducted from the results of the 2014 fiscal year and attributed to the minimum mandatory dividends for 2014, of R$ 0.096 per share of the Company. The distribution of IOC shall be taxed pursuant to applicable law, which shall result in a net distribution of IOC of R$0.0816 per share of the Company.

The aforementioned payments shall be made as from January 30, 2015 (ad referendum of the Annual Shareholders’ Meeting), considering the shareholding on and including January 7, 2015, with respect to BM&FBovespa, and January 12, 2015, with respect to the New York Stock Exchange, without any monetary adjustment.

ii) In the Board of Directors’ Meeting held on February, 2015, the members of the Company’s Board of Directors approved the distribution of interest on own capital (“IOC”) of R$ 0.09 per share of the Company, from which R$0.03 shall be deducted from the Investments Reserve calculated in the financial statements for the year ended December 31, 2014 and R$0.06 shall be deducted from the results of the 2015 fiscal year based on the Company’s balance sheet dated January 31, 2015. The distribution of IOC shall be taxed pursuant to applicable law, which shall result in a net distribution of IOC of R$0.0765 per share of the Company.

The aforementioned payment shall be made as from March 31, 2015 (ad referendum of the Annual Shareholders’ Meeting), considering the shareholding on and including February 27, 2015, with respect to BM&FBovespa, and March 4, 2015, with respect to the New York Stock Exchange, without any monetary adjustment.

iii) In the Board of Directors’ Meeting held on February, 2015, the members of the Company’s Board of Directors approved and ratified, within the Company’s limit of authorized capital, in accordance with its By-laws, as well as Law No. 6,404/76, as amended, a capital increase in the total amount of R$ 20.2, upon issuance of 4,364,791 new common shares, at the average issuance price of R$4.62087234 per share, without preemptive rights. Therefore, the Company’s capital is changed to R$ 57,602.6, divided into 15,716,984,046 common shares, without pair value.