

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Before making an investment decision, you should consider all of the information set forth in this annual report. In particular, you should consider the special features applicable to an investment in Brazil and applicable to an investment in Ambev, including those set forth below. In general, investing in the securities of issuers in emerging market countries, such as Brazil, involves a higher degree of risk than investing in the securities of issuers in the United States.

Risks Relating to Brazil and Other Countries in Which We Operate

Economic uncertainty and volatility in Brazil may adversely affect our business.

Our most significant market is Brazil, which has periodically experienced extremely high rates of inflation. Inflation, along with governmental measures to fight inflation and public speculation about possible future measures, has had significant negative effects on the Brazilian economy. The annual rates of inflation, as measured by the *Índice Nacional de Preços ao Consumidor* (National Consumer Price Index), reached a hyper-inflationary peak of 2,489.1% in 1993. Brazilian inflation, as measured by the same index, was 4.1% in 2009, 6.5% in 2010, 6.1% in 2011, 6.2% in 2012, and 5.6% in 2013. Brazil may experience high levels of inflation in the future. There can be no assurance that recent lower levels of inflation will continue. Future governmental actions, including actions to adjust the value of the *real*, may trigger increases in inflation. We cannot assure you that inflation will not affect our business in the future. In addition, any Brazilian government's actions to maintain economic stability, as well as public speculation about possible future actions, may contribute significantly to economic uncertainty in Brazil and may heighten volatility in the Brazilian securities markets and securities issued abroad by Brazilian issuers. It is also difficult to assess the impact that turmoil in the credit markets will have in the Brazilian economy, and as a result on our future operations and financial results.

The Brazilian currency has devalued frequently, including during the last two decades. Throughout this period, the Brazilian government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations and periodic mini-devaluations, during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. There have been significant fluctuations in the exchange rates between Brazilian currency and the U.S. dollar and other currencies. For example, in 2009, the *real* appreciated by 34.2%, resulting in an exchange rate of R\$1.741 per US\$1.00 as of December 31, 2009. In 2010, the *real* further appreciated by 4.5% resulting in an exchange rate of R\$1.666 per US\$1.00 as of December 31, 2010. In 2011, the *real* depreciated by 12.5% resulting in an exchange rate of R\$1.876 per U.S. \$1.00 as of December 31, 2011. In 2012, the *real* further depreciated by 8.9% resulting in an exchange rate of R\$2.044 per U.S. \$1.00 as of December 31, 2012. In 2013, the *real* continued to depreciate resulting in an exchange rate of R\$2.343 per U.S. \$1.00 as of December 31, 2013, a 14.6% depreciation in that year.

Devaluation of the *real* relative to the U.S. dollar may create additional inflationary pressures in Brazil by generally increasing the price of imported products and requiring recessionary governmental policies to curb aggregate demand. On the other hand, further appreciation of the *real* against the U.S. dollar may lead to a deterioration of the current account and the balance of payments, as well as dampen export-driven growth. The potential impact of the floating exchange rate and measures of the Brazilian government aimed at stabilizing the *real* is uncertain. In addition, a substantial increase in inflation may weaken investor confidence in Brazil, impacting our ability to finance our operations through the international capital markets.

Devaluation of the real relative to the U.S. dollar may adversely affect our financial performance.

Most of our sales are in *reais*; however, a significant portion of our debt is denominated in or indexed to U.S. dollars. In addition, a significant portion of our cost of sales, in particular those related to packaging such as cans and bottles made of polyethylene terephthalate, or PET, as well as sugar, hops and malt are also denominated in or linked to U.S. dollars. Therefore, any devaluation of the *real* may increase our financial expenses and operating costs and could affect our ability to meet our foreign currency obligations. Although our current policy is to hedge substantially all of our U.S. dollar-denominated debt and cost of sales against changes in foreign exchange rates, we cannot assure you that such hedging will be possible or available at reasonable costs at all times in the future.

Volatility in commodities prices may adversely affect our financial performance.

A significant portion of our cost of sales is comprised of commodities such as aluminum, sugar, corn, wheat and PET bottles, the prices of which fluctuated significantly in 2013. An increase in commodities prices directly affects our consolidated operating costs. Although our current policy is to mitigate our exposure risks to commodity prices whenever financial instruments are available, we cannot assure that such hedging will be possible or available at reasonable costs at all times in the future.

Set forth below is a table showing the volatility in prices of the principal commodities we purchase:

Commodity	High Price	Low Price	Average in 2013	Fluctuation
Aluminum (US\$/ton)	2,222.00	1,833.50	1,957.01	21.2%
Sugar (US\$ cents/pounds)	20.70	16.87	18.55	22.7%
Corn (US\$ cents/bushel)	599.75	443.00	522.30	35.4%
Wheat (US\$ cents/bushel)	826.75	636.00	715.36	30.0%
PET (US\$/ton)	1,884.00	1,454.00	1,656.42	29.6%

Increases in taxes levied on beverage products in Brazil and unfair competition arising from tax evasion may adversely affect our results and profitability.

Increases in Brazil's already high levels of taxation could adversely affect our profitability. Increases in taxes on beverage products usually result in higher beverage prices for consumers. Higher beverage prices generally result in lower levels of consumption and, therefore, lower net sales. Lower net sales result in lower margins because some of our costs are fixed and thus do not vary significantly based on the level of production. We cannot assure you that the Brazilian government will not increase current tax levels, at both state and/or federal levels, and that this will not impact our business.

In recent years, taxes on the beverage industry were increased at the Brazilian federal and state levels. Federal taxes were increased in October 2012 based on price-to-consumer researches. In addition, in April 2013 an aggregate increase of two percentage points was approved to the rates of the following federal taxes as applicable to beer: (1) the Excise Tax (*Imposto sobre Produtos Industrializados*), or the IPI Excise Tax, (2) the Social Integration Program Contribution (*Programa de Integração Social*), or the PIS Contribution, and (3) the Social Security Funding Contribution (*Contribuição para Financiamento da Seguridade Social*), or the COFINS. Moreover, in 2013 the following five Brazilian states increased their rates for the State Value-Added Tax on the Distribution of Goods and Services (*Imposto sobre Circulação de Mercadorias e Serviços*), or the ICMS Value-Added Tax, applicable to beer: Minas Gerais, Sergipe, Amazonas, Mato Grosso and the Federal District. In addition, in January 2014, the state government of Bahia increased the ICMS Value-Added Tax rate applicable to beer. No assurance can be given that the Brazilian government, at both state and/or federal levels, will not consider further tax increases on beverages in the future.

In addition, the Brazilian beverage industry experiences unfair competition arising from tax evasion, which is primarily due to the high level of taxes on beverage products in Brazil. An increase in taxes may lead to an increase in tax evasion, which could result in unfair pricing practices in the industry. The federal government issued regulations requiring the mandatory installation of production (volume) control systems, known as "SICUBE", in all Brazilian beer and carbonated soft drinks, or CSD, factories in order to assist governments to fight tax evasion in the beverage industry. The installation of this equipment in the production lines has been completed and it covers more than 98% of our total volume. The objective of reducing tax evasion is being achieved for federal taxes. State governments have started using data from the SICUBE in order to identify potential state tax evasion; however this procedure is being still implemented by states and only a few sanctions have been issued to date.

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy; Brazilian economic and political conditions have a direct impact on our business.

The Brazilian economy has been characterized by significant involvement on the part of the Brazilian government, which often changes monetary, credit and other policies to influence Brazil's economy. The Brazilian government's actions to control inflation and affect other policies have often involved wage and price controls, the Central Bank's base interest rates, as well as other measures, such as the freezing of bank accounts, which occurred in 1990.

Actions taken by the Brazilian government concerning the economy may have important effects on Brazilian corporations and other entities, including Ambev, and on market conditions and prices of Brazilian securities. Our financial condition and results of operations may be adversely affected by the following factors and the Brazilian government's response to the following factors:

- devaluations and other exchange rate movements;
- inflation;
- investments;
- exchange control policies;
- employment levels;
- social instability;
- price instability;
- energy shortages;
- water rationing;
- interest rates;
- liquidity of domestic capital and lending markets;
- tax policy; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

Our Latin America South operations are subject to substantial risks relating to its business and operations in Argentina and other countries in which it operates.

We own 100% of the total share capital of Latin America South Investment, S.L., or LASI, the net revenues from which in 2013 corresponded to 20.3% of our consolidated results of operations. LASI is a holding company with operating subsidiaries in Argentina and other South American countries. As a result, LASI's financial condition and results of operations may be adversely affected by the political instability, fluctuations in the economy and governmental actions concerning the economy of Argentina and the other countries in which its subsidiaries operate and, consequently, affect our consolidated results.

For example, in the early 2000s, Argentina experienced political and economic instability. A widespread recession occurred in 2002, including a 10.9% decrease in real GDP, high unemployment and high inflation. In the past, the Argentine economic and social situation has rapidly deteriorated, and may quickly deteriorate in the future; we cannot assure you that the Argentine economy will not rapidly deteriorate as in the past. Additionally, in January 2014 the Argentinean peso underwent a significant devaluation, losing 18.7% of its value relative to the *real* in that month. See "—Risks Relating to Our Operations—Our results of operations are affected by fluctuations in exchange rates."

The devaluation of the Argentine peso, along with inflation and deteriorating macroeconomic conditions in Argentina, could have, and may continue to have, a material adverse effect on our Latin America South operations and their results, as well as in our ability to transfer funds from and within Argentina. If the economic or political situation in Argentina deteriorates, or if additional foreign exchange restrictions are implemented in Argentina, our liquidity and operations, and our ability to access funds from Argentina could be adversely affected.

Risks Relating to Our Operations

We are subject to Brazilian and other antitrust regulations.

We have a substantial share of the beer market in Brazil and thus we are subject to constant monitoring by Brazilian antitrust authorities. In addition, in connection with the 1999 business combination of Companhia Cervejaria Brahma, or Brahma, and Companhia Antarctica Paulista Indústria Brasileira de Bebidas e Conexos, or Antarctica, that shaped most of the Brazilian operations as currently conducted by us, we entered into a performance agreement with the Brazilian antitrust authorities, which required us to comply with a number of restrictions, including the divestment of certain assets. Since July 28, 2008, we have been deemed to have complied with all those restrictions, according to Brazil's highest antitrust authority, the *Conselho Administrativo de Defesa Econômica* (Administrative Council for Economic Defense), or the CADE. In addition, since such business combination, we have been involved in a number of other antitrust legal proceedings. For further information on these matters, see "Item 8. Financial Information—A. Consolidated Financial Statements and Other Financial Information—Legal Proceedings—Antitrust Matters." We cannot assure you that Brazilian antitrust regulation will not affect our business in the future.

Our participation in the Argentine beer market increased substantially following the acquisition of our interest in Quilmes Industrial Société Anonyme, or Quinsa. Our operation in Argentina is subject to constant monitoring by Argentinean antitrust authorities. We cannot assure you that Argentinean antitrust regulation will not affect our business in Argentina in the future, and therefore, impact the benefits that Ambev anticipates will be generated from this investment.

We are subject to regulation on alcoholic and CSD beverages in the countries in which we operate.

Our business is regulated by federal, state, provincial and local laws and regulations regarding such matters as licensing requirements, marketing practices and related matters. We may be subject to claims that we have not complied with existing laws and regulations, which could result in fines and penalties. Recently, the federal government as well as certain Brazilian states and municipalities in which we operate have enacted legislation restricting the hours of operations of certain points of sale, prohibiting the sale of alcoholic beverages at highway points of sale and prohibiting the sale of CSDs in schools. In addition, the Brazilian Congress is evaluating proposed regulation imposing hygienic seals on beverage cans, as well as regulation on the consumption, sales and marketing of alcoholic beverages, including beer which, if enacted, may impose restrictions on the advertisement of alcoholic beverage products on television during specified times of the day and the hours of operation of certain points of sale, among other things. These restrictions may adversely impact our results of operations. For further information, see "Item 4. Information on the Company—B. Business Overview—Regulation."

In addition, there is a global trend of increasing regulatory restrictions with respect to the sale of alcoholic and CSD beverages. Compliance with such regulatory restrictions can be costly and may affect earnings in the countries in which we operate.

Our results of operations are affected by fluctuations in exchange rates.

We have historically reported our consolidated results in *reais*. In 2013, we derived 36.6% of our net revenues from operating companies that have functional currencies that are not *reais* (that is, in most cases, the local currency of the respective operating company). Consequently, any change in exchange rates between our operating companies' functional currencies and *reais* will affect our consolidated income statement and balance sheet. Decreases in the value of our operating companies' functional currencies against *reais* will tend to reduce those operating companies' contributions in terms of our financial condition and results of operations. For example, in January 2014 the Argentinean peso underwent a significant devaluation, losing 18.7% of its value relative to the *real* in that month. This recent devaluation of the Argentine peso, and further devaluations of this currency in the future, if any, will decrease the value we record in our consolidated financial statements for our net assets in Argentina given that our functional currency is the Brazilian *real*. The translation of the results of operations and cash flows of our operations in Argentina will also be impacted accordingly.

In addition to currency translation risk, we incur currency transaction risks whenever one of our operating companies enters into transactions using currencies other than their respective functional currencies, including purchase or sale transactions and the issuance or incurrence of debt. Although we have hedge policies in place to manage commodity price and foreign currency risks to mitigate our exposure to currencies other than our operating companies' functional currencies, there can be no assurance that such policies will be able to successfully or cost-effectively hedge against the effects of such foreign exchange exposure, particularly over the long-term.

If we do not successfully comply with laws and regulations designed to combat governmental corruption in countries in which we sell our products, we could become subject to fines, penalties or other regulatory sanctions and our sales and profitability could suffer.

Although we are committed to conducting business in a legal and ethical manner in compliance with local and international statutory requirements and standards applicable to our business, there is a risk that our management, employees or representatives may take actions that violate applicable laws and regulations prohibiting the making of improper payments to foreign government officials for the purpose of obtaining or keeping business, including laws relating to the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions such as the U.S. Foreign Corrupt Practices Act.

In addition, on January 29, 2014 the Brazilian government enacted Law No. 12,846/13 imposing strict liability on companies for acts of corruption perpetrated by their employees, or the Brazilian Antibribery Act. According to the Brazilian Antibribery Act, companies found guilty of bribery could face fines of up to 20% of their gross annual income for the previous year or, if gross income cannot be estimated, such fines could range from R\$6 thousand to R\$60 million. Among other penalties, the Brazilian Antibribery Act also provides for the disgorgement of illegally obtained benefits, the suspension of corporate operations, asset confiscation and corporate dissolution. The adoption of an effective compliance program may be taken into consideration by Brazilian authorities when applying a penalty under the Brazilian Antibribery Act. Therefore, if we become involved in any investigations under the Brazilian Antibribery Act and if our compliance program is not deemed sufficiently effective by Brazilian authorities, our business could be adversely affected.

Competition could lead to a reduction of our margins, increase costs and adversely affect our profitability.

Globally, brewers compete mainly on the basis of brand image, price, quality, distribution networks and customer service. Consolidation has significantly increased the capital base and geographic reach of our competitors in some of the markets in which we operate, and competition is expected to increase further as the trend towards consolidation among companies in the beer industry continues.

Competition may divert consumers and customers from our products. Competition in our various markets could cause us to reduce pricing, increase capital investment, increase marketing and other expenditures, prevent us from increasing prices to recover higher costs, and thereby cause us to reduce margins or lose market share. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations. Innovation faces inherent risks, and the new products we introduce may not be successful.

Additionally, the unfair pricing practices in some markets and the lack of transparency, or even certain illicit practices, such as tax evasion and corruption, may skew the competitive environment, with material adverse effects on our profitability or ability to operate.

The ability of our foreign subsidiaries to distribute cash upstream may be subject to various conditions and limitations.

Our foreign subsidiaries' ability to distribute cash (to be used, among other things, to meet our financial obligations) through dividends, intercompany advances, management fees and other payments is, to a large extent, dependent on the availability of cash flows at the level of such foreign subsidiaries and may be restricted by applicable laws and accounting principles. In particular, 36.6% (R\$12.8 billion) of our total net revenues of R\$34.8 billion in 2013 came from our foreign subsidiaries. In addition, some of our subsidiaries are subject to laws restricting their ability to pay dividends or the amount of dividends they may pay.

If we are not able to obtain sufficient cash flows from our foreign subsidiaries, this could negatively impact our business, results of operations and financial condition because the insufficient availability of cash at our holding company level may constrain us from paying all of our obligations.

We rely on the reputation of our brands and damages to their reputation may have an adverse effect on our sales.

Our success depends on our ability to maintain and enhance the image and reputation of our existing products and to develop a favorable image and reputation for new products. The image and reputation of our products may be reduced in the future; concerns about product quality, even when unfounded, could tarnish the image and reputation of our products. An event or series of events that materially damages the reputation of one or more of our brands could have an adverse effect on the value of that brand and subsequent revenues from that brand or business. Restoring the image and reputation of our products may be costly or not possible. Moreover, our marketing efforts are subject to restrictions on the permissible advertising style, media and messages used. In a number of countries, for example, television is a prohibited medium for advertising alcoholic products, and in other countries, television advertising, while permitted, is carefully regulated. Any additional restrictions in such countries, or the introduction of similar restrictions in other countries, may constrain our brand building potential and thus reduce the value of our brands and related revenues.

Negative publicity focusing on our products or on the way we conduct our operations may harm our business.

Media coverage and publicity generally can exert significant influence on consumer behavior and actions. If the social acceptability of beer or soft drinks were to decline significantly, sales of our products could materially decrease. In recent years, there has been increased public and political attention directed at the alcoholic beverage and soft drink industries. This attention is a result of public concern over alcohol-related problems, including drunk driving, underage drinking and health consequences resulting from the misuse of beer (for example, alcoholism), as well as soft-drink related problems, including health consequences resulting from the excessive consumption of soft drinks (for example, obesity). Negative publicity regarding alcohol or soft drink consumption, publication of studies that indicate a significant health risk from consumption of alcohol or soft drinks, or changes in consumer perceptions in relation to alcohol or soft drinks generally could adversely affect the sale and consumption of our products and could harm our business, results of operations, cash flows or financial condition as consumers and customers change their purchasing patterns.

Key brand names are used by us, our subsidiaries, associates and joint ventures, and licensed to third-party brewers. To the extent that we, one of our subsidiaries, associates, joint ventures or licensees are subject to negative publicity, and the negative publicity causes consumers and customers to change their purchasing patterns, it could have a material adverse effect on our business, results of operations, cash flows or financial condition. As we continue to expand our operations into emerging and growth markets, there is a greater risk that we may be subject to negative publicity, in particular in relation to labor rights and local work conditions. Negative publicity that materially damages the reputation of one or more of our brands could have an adverse effect on the value of that brand and subsequent revenues from that brand or business, which could adversely impact our business, results of operations, cash flows and financial condition.

Demand for our products may be adversely affected by changes in consumer preferences and tastes.

We depend on our ability to satisfy consumer preferences and tastes. Consumer preferences and tastes can change in unpredictable ways due to a variety of factors, such as changes in demographics, consumer health concerns regarding obesity, product attributes and ingredients, changes in travel, vacation or leisure activity patterns, weather, negative publicity resulting from regulatory action or litigation against us or comparable companies or a downturn in economic conditions. Consumers also may begin to prefer the products of competitors or may generally reduce their demand for products of our business segment. Failure by us to anticipate or respond adequately to changes in consumer preferences and tastes could adversely impact our business, results of operations and financial condition.

Seasonal consumption cycles and adverse weather conditions may result in fluctuations in demand for our products.

Seasonal consumption cycles and adverse weather conditions in the markets in which we operate may have an impact on our operations. This is particularly true in the summer months, when unseasonably cool or wet weather can affect sales volumes.

If any of our products is defective or found to contain contaminants, we may be subject to product recalls or other liabilities.

We take precautions to ensure that our beverage products are free from contaminants and that our packaging materials (such as bottles, crowns, cans and other containers) are free from defects. Such precautions include quality-control programs for primary materials, the production process and our final products. We have established procedures to correct problems detected.

In the event that contamination or a defect does occur in the future, it may lead to business interruptions, product recalls or liability, each of which could have an adverse effect on our business, reputation, prospects, financial condition and results of operations.

Although we maintain insurance policies against certain product liability (but not product recall) risks, we may not be able to enforce our rights in respect of these policies, and, in the event that a defect occurs, any amounts that we recover may not be sufficient to offset any damage we may suffer, which could adversely impact our business, results of operations and financial condition.

We may not be able to protect our intellectual property rights.

Our future success depends significantly on our ability to protect our current and future brands and products and to defend our intellectual property rights, including trademarks, patents, domain names, trade secrets and know-how. We have been granted numerous trademark registrations covering our brands and products and have filed, and expect to continue to file, trademark and patent applications seeking to protect newly developed brands and products. We cannot be sure that trademark and patent registrations will be issued with respect to any of our applications. There is also a risk that we could, by omission, fail to renew a trademark or patent on a timely basis or that our competitors will challenge, invalidate or circumvent any existing or future trademarks and patents issued to, or licensed by, us.

Although we have put in place appropriate actions to protect our portfolio of intellectual property rights (including trademark registration and domain names), we cannot be certain that the steps we have taken will be sufficient or that third parties will not infringe upon or misappropriate proprietary rights. If we are unable to protect our proprietary rights against infringement or misappropriation, it could have a material adverse effect on our business, results of operations, cash flows or financial condition, and in particular, on our ability to develop our business.

We rely on key third parties, including key suppliers, and the termination or modification of the arrangements with such third parties could negatively affect our business.

We rely on key third-party suppliers, including third-party suppliers for a range of raw materials for beer and soft drinks, and for packaging material, including aluminum cans, glass, kegs and PET bottles. We seek to limit our exposure to market fluctuations in these supplies by entering into medium- and long-term fixed-price arrangements. We have a limited number of suppliers of aluminum cans, glass and PET bottles. Consolidation of the aluminum can industry, glass and PET bottle industry in certain markets in which we operate has reduced local supply alternatives and increased the risk of disruption to aluminum can, glass and PET bottle supplies. Although we generally have other suppliers of raw materials and packaging materials, the termination of or material change to arrangements with certain key suppliers, disagreements with suppliers as to payment or other terms, or the failure of a key supplier to meet our contractual obligations or otherwise deliver materials consistent with current usage would or may require us to make purchases from alternative suppliers, in each case at potentially higher prices than those agreed with this supplier, and this could have a material impact on our production, distribution and sale of beer and have a material adverse effect on our business, results of operations, cash flows or financial condition.

For certain packaging supplies, raw materials and commodities, we rely on a small number of important suppliers. If these suppliers became unable to continue to meet our requirements, and we are unable to develop alternative sources of supply, our operations and financial results could be adversely affected.

We are exposed to the risk of litigation.

We are now and may in the future be party to legal proceedings and claims (including labor, tax and alcohol-related claims) and significant damages may be asserted against us. See "Item 8. Financial Information—A. Consolidated Financial Statements and Other Financial Information—Legal Proceedings" and note 30 to our audited consolidated financial statements as of and for December 31, 2013, included elsewhere in this annual report, for a description of our material litigation contingencies. Given the inherent uncertainty of litigation, it is possible that we might incur liabilities as a consequence of the proceedings and claims brought against us, including those that are not currently believed by us to present a reasonably possible chance of loss to us.

We may not be able to recruit or retain key personnel.

In order to develop, support and market our products, we must hire and retain skilled employees with particular expertise. The implementation of our strategic business plans could be undermined by a failure to recruit or retain key personnel or the unexpected loss of senior employees, including in acquired companies. We face various challenges inherent in the management of a large number of employees over diverse geographical regions. Key employees may choose to leave their employment for a variety of reasons, including reasons beyond our control. The impact of the departure of key employees cannot be determined and may depend on, among other things, our ability to recruit other individuals of similar experience and skill at an equivalent cost. It is not certain that we will be able to attract or retain key employees and successfully manage them, which could disrupt our business and have an unfavorable material effect on our financial position, income from operations and competitive position.

Climate change, or legal, regulatory or market measures to address climate change, may negatively affect our business or operations, and water scarcity or poor quality could negatively impact our production costs and capacity.

There is a growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. In the event that such climate change has a negative effect on agricultural productivity, we may be subject to decreased availability or less favorable pricing for certain agricultural commodities that are necessary for our products, such as barley, hops, sugar and corn. In addition, public expectations for reductions in greenhouse gas emissions could result in increased energy, transportation and raw material costs and may require us to make additional investments in facilities and equipment due to increased regulatory pressures. As a result, the effects of climate change could have a long-term, material adverse impact on our business and results of operations.

We also face water scarcity risks. The availability of clean water is a limited resource in many parts of the world, facing unprecedented challenges from climate change and the resulting change in precipitation patterns and frequency of extreme weather, overexploitation, increasing pollution, and poor water management. As demand for water continues to increase around the world, and as water becomes scarcer and the quality of available water deteriorates, we may be affected by increasing production costs or capacity constraints, which could adversely affect our business and results of operations.

Our operations are subject to safety and environmental regulations, which could expose us to significant compliance costs and litigation relating to environmental issues.

Our operations are subject to safety and environmental regulations by national, state and local agencies, including, in certain cases, regulations that impose liability without regard to fault. These regulations can result in liability which might adversely affect our operations. The environmental regulatory climate in the markets in which we operate is becoming stricter, with greater emphasis on enforcement.

While we have budgeted for future capital and operating expenditures to maintain compliance with environmental laws and regulations, there can be no assurance that we will not incur substantial environmental liability or those applicable environmental laws and regulations will not change or become more stringent in the future.

We operate a joint venture in Cuba, in which the Government of Cuba is our joint venture partner. Cuba has been identified by the U.S. Department of State as a state sponsor of terrorism and is targeted by broad and comprehensive economic and trade sanctions of the United States. Our operations in Cuba may adversely affect our reputation and the liquidity and value of our securities.

In January 2014, one of our wholly-owned subsidiaries acquired from our indirect controlling shareholder, ABI, a 50% equity interest in Cerveceria Bucanero S.A., or Bucanero, a Cuban company in the business of producing and selling beer. The other 50% equity interest in Bucanero is owned by the Government of Cuba. Bucanero is operated as a joint venture in which we appoint the general manager. Its main brands are Bucanero and Cristal. In contrast to the 118.8 million hectoliters of beer sold by us in 2013, Bucanero sold only 1.3 million hectoliters in that year. Although Bucanero's production is primarily sold in Cuba, a small portion of its production is exported to, and sold by certain distributors in, other countries outside Cuba (but not the United States). Bucanero also imports and sells in Cuba a quantity of Beck's branded products produced by one of our German affiliates that is less than five thousand hectoliters.

Cuba has been identified by the United States government as a state sponsor of terrorism, and the U.S. Treasury Department's Office of Foreign Assets Control and the U.S. Commerce Department together administer and enforce broad and comprehensive economic and trade sanctions based on U.S. foreign policy towards Cuba. Although our operations in Cuba are quantitatively immaterial, our overall business reputation may suffer or we may face additional regulatory scrutiny as a result of our activities in Cuba based on Cuba's identification as a state sponsor of terrorism and target of U.S. economic and trade sanctions. In addition, there are initiatives by federal and state lawmakers in the United States, and certain U.S. institutional investors, including pension funds, to adopt laws, regulations or policies requiring divestment from, or reporting of interests in, or to facilitate divestment from, companies that do business with countries designated as state sponsors of terrorism, including Cuba. If U.S. investors decide to liquidate or otherwise divest their investments in companies that have operations of any magnitude in Cuba, the market in and value of our securities could be adversely impacted.

In addition, the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996 (known as the "Helms-Burton Act") authorizes private lawsuits for damages against anyone who traffics in property confiscated without compensation by the Government of Cuba from persons who at the time were, or have since become, nationals of the United States. Although this section of the Helms-Burton Act is currently suspended by discretionary presidential action, the suspension may not continue in the future. Claims accrue notwithstanding the suspension and may be asserted if the suspension is discontinued. The Helms-Burton Act also includes a section that authorizes the U.S. Department of State to prohibit entry into the United States of non-U.S. persons who traffic in confiscated property, and corporate officers and principals of such persons, and their families. In 2009, ABI received notice of a claim purporting to be made under the Helms-Burton Act relating to the use of a trademark by Bucanero, which is alleged to have been confiscated by the Cuban government and trafficked by ABI through their former ownership and management of this company. Although ABI and we have attempted to review and evaluate the validity of the claim, due to the uncertain underlying circumstances, we are currently unable to express a view as to the validity of such claims, or as to the standing of the claimants to pursue them.

Information technology failures could disrupt our operations.

We increasingly rely on information technology systems to process, transmit, and store electronic information. A significant portion of the communication between our personnel, customers, and suppliers depends on information technology. As with all large systems, our information systems may be vulnerable to a variety of interruptions due to events beyond our control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hacker attacks or other security issues. These or other similar interruptions could disrupt our operations, cash flows or financial condition.

We depend on information technology to enable us to operate efficiently and interface with customers, as well as to maintain in-house management and control. The concentration of processes in shared services centers means that any disruption could impact a large portion of our business. If we do not allocate, and effectively manage, the resources necessary to build and sustain the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, loss of customers, business disruptions, or the loss of or damage to intellectual property through security breach. As with all information technology systems, our system could also be penetrated by outside parties with the intent of extracting or corrupting information or disrupting business processes. Such interruptions could disrupt our business and could have a material adverse effect on our business, results of operations, cash flows or financial condition.

Natural and other disasters could disrupt our operations.

Our business and operating results could be negatively impacted by social, technical or physical risks such as earthquakes, hurricanes, flooding, fire, power loss, loss of water supply, telecommunications and information technology system failures, political instability, military conflict and uncertainties arising from terrorist attacks, including a global economic slowdown, the economic consequences of any military action and associated political instability.

Our insurance coverage may be insufficient to make us whole on any losses that we may sustain in the future.

The cost of some of our insurance policies could increase in the future. In addition, some types of losses, such as losses resulting from wars, acts of terrorism, or natural disasters, generally are not insured because they are either uninsurable or it is not economically practical to obtain insurance. Moreover, insurers recently have become more reluctant to insure against these types of events. Should a material uninsured loss or a loss in excess of insured limits occur, this could adversely impact our business, results of operations and financial condition.

Risks Relating to Our Common Shares and ADSs

The relative volatility and illiquidity of securities of Brazilian companies may substantially limit your ability to sell our common shares and ADSs at the price and time you desire.

Investing in securities of companies in emerging markets, such as Brazil, involves greater risk than investing in securities of companies from more developed countries, and those investments are generally considered speculative in nature. Brazilian investments, such as investments in our common shares and ADSs, are subject to economic and political risks, involving, among other factors:

- changes in the Brazilian regulatory, tax, economic and political environment that may affect the ability of investors to receive payment, in whole or in part, in respect of their investments; and
- restrictions on foreign investment and on repatriation of capital invested.

The Brazilian securities markets are substantially smaller, less liquid and more concentrated and volatile than major U.S. and European securities markets. They are also not as highly regulated or supervised as those other markets. The relative illiquidity and smaller market capitalization of Brazilian securities markets may substantially limit your ability to sell the Ambev common shares and ADSs at the price and time you desire.

Deterioration in economic and market conditions in other emerging market countries, as well as in developed economies, may adversely affect the market price of our common shares and ADSs.

Economic and market conditions in other emerging market countries, especially those in Latin America, influence the market for securities issued by Brazilian companies as well as investors' perception of economic conditions in Brazil. Economic crises in emerging markets, such as in Southeast Asia, Russia and Argentina, have historically triggered securities market volatility in other emerging market countries, including Brazil. For example, the recent and abrupt devaluation of the Argentine peso in January 2014 resulted in the depreciation of the currencies of most developing economies, including Brazil, and a drop in the stock indices of the stock exchanges of those countries, including the BM&FBOVESPA. In addition, global financial crisis originating in developed economies, including the subprime debt crisis in the United States and the sovereign debt crisis in Europe, have had an impact on many economies and capital markets around the world, including Brazil, which may adversely affect investors' interest in the securities of Brazilian issuers such as Ambev. Therefore, the market value of our common shares and ADSs may be adversely affected by events occurring outside of Brazil.

Our current controlling shareholders will be able to determine the outcome of our most significant corporate actions.

Our two direct controlling shareholders, Interbrew Internacional B.V., or IIBV, and AmBrew S.A., or AmBrew, both of which are subsidiaries of ABI, together with *Fundação Antonio e Helena Zerrener Instituição Nacional de Beneficência*, or FAHZ, held in aggregate 71.5% of our total and voting capital stock (excluding treasury shares) as of December 31, 2013.

ABI indirectly holds shares in us representing 61.9% of our total and voting capital stock (excluding treasury shares) as of December 31, 2013. ABI thus has control over us, even though (1) ABI remains subject to the Ambev shareholders' agreement among IIBV, AmBrew and FAHZ dated April 16, 2013, or the Ambev Shareholders' Agreement, and (2) ABI is jointly controlled by Messrs. Jorge Paulo Lemann, Marcel Herrmann Telles and Carlos Alberto da Veiga Sicupira, or the Braco Group, and the founding families that were the former controlling shareholders of Interbrew N.V./S.A. (as ABI was then denominated), or the Interbrew Founding Families. For further information on these matters see "Item 4. Information on the Company—A. History and Development of the Company—The InBev-Ambev Transactions" and "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders—Ambev's Major Shareholders—Ambev Shareholders' Agreement."

Our controlling shareholders are able to elect the majority of the members of our Board of Directors and Fiscal Council, and generally determine the outcome of most other actions requiring shareholder approval, including dividend distributions, the consummation of corporate restructurings, issuances of new shares, sales of materials assets and bylaw amendments. Under Brazilian Law No. 6,404/76, as amended, or the Brazilian Corporation Law, the protections afforded to non-controlling security holders may differ from, or be less comprehensive than, the corresponding protections and fiduciary duties of directors applicable in the U.S. or other jurisdictions. See "—As a Brazilian company, Ambev is subject to different corporate laws and regulations than those typically applicable to U.S.-listed companies, which may result in Ambev's shareholders having fewer or less well-defined shareholder rights than the shareholder rights of those companies."

Our shareholders may not receive any dividends.

According to our bylaws, we generally pay our shareholders 40% of our annual adjusted net income as presented in our parent company (individual) financial statements prepared under accounting principles generally accepted in Brazil, or Brazilian GAAP, which differs from net income as presented in the parent company (individual) or consolidated financial statements prepared under IFRS. The main sources for these dividends are cash flows from our operations and dividends from our operating subsidiaries. Annual adjusted net income may be capitalized, used to absorb losses or otherwise appropriated as allowed under Brazilian GAAP and the Brazilian Corporation Law. Therefore, that net income may not be available to be paid out to our shareholders in a given year. In addition, we might not pay dividends to our shareholders in any particular fiscal year upon the determination of the Board of Directors that any such distribution would be inadvisable in view of our financial condition. While the law does not establish the circumstances rendering the payment of dividends inadvisable, it is generally agreed that a company need not pay dividends if such payment threatens its existence as a going concern or harms its normal course of operations. Any dividends not distributed would be allocated to a special reserve account for future payment to shareholders, unless it is used to offset subsequent losses or as otherwise provided for in our bylaws. It is possible, therefore, that our shareholders will not receive dividends in any particular fiscal year.

Brazilian foreign exchange controls and regulations could restrict conversions and remittances abroad of the dividend payments and other shareholder distributions paid in Brazil in reais in respect of the Ambev common shares (including shares underlying the Ambev ADSs).

Brazilian law provides that whenever there is a serious imbalance in Brazil's balance of payments or reasons to foresee such a serious imbalance, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil. For example, for approximately six months in 1989 and early 1990 the Brazilian government froze all dividend and capital repatriations that were owed to foreign equity investors, which were held by the Central Bank in order to conserve Brazil's foreign currency reserves at the time. These amounts were subsequently released in accordance with Brazilian government directives. Similar measures could be taken by the Brazilian government in the future.

As a result, the Brazilian government may in the future restrict the conversion and remittance abroad, to ADS holders or holders of Ambev common shares residing outside Brazil, of dividend payments and other shareholder distributions paid in Brazil in reais in respect of the Ambev common shares (including shares underlying the Ambev ADSs). The likelihood that the Brazilian government would impose such restrictions may be affected by the extent of Brazil's foreign currency reserves, the availability of foreign currency in the foreign exchange markets on the date a payment is due, the size of Brazil's debt service burden relative to the economy as a whole and other factors. We cannot assure you that the Central Bank will not modify its policies or that the Brazilian government will not institute restrictions or delays on cross-border remittances in respect of securities issued in the international capital markets. For further information on this matter, see "A. Selected Financial Data—Exchange Rate Information—Exchange Controls."

If you exchange your Ambev ADSs for the respective Ambev common shares underlying those ADSs, you risk losing some Brazilian tax and foreign currency remittance advantages.

The Ambev ADSs benefit from the foreign capital registration that The Bank of New York Mellon, as depositary of Ambev's ADS program, or the Depositary, has in Brazil, which permits it to convert dividends and other distributions with respect to the Ambev common shares underlying the Ambev ADSs into foreign currency and remit the proceeds of such conversion abroad. If you exchange your Ambev ADSs for the respective Ambev common shares underlying those ADSs, you will be entitled to rely on the Depositary's foreign capital registration for only five business days from the date of such exchange. After this five-day period, you will not be able to remit abroad non-Brazilian currency unless you obtain your own foreign capital registration. In addition, gains with respect to Ambev common shares will be subject to a less favorable tax treatment unless you obtain your own certificate of foreign capital registration or register your investment in the Ambev common shares with the Central Bank pursuant to Resolution No. 2,689. For a more complete description of Brazilian restrictions on foreign investments and Brazilian foreign investment regulations, see "Item 10. Additional Information—B. Memorandum and Articles of Association—Restrictions on Foreign Investment" and "A. Selected Financial Data—Exchange Rate Information—Exchange Controls." For a more complete description of Brazilian tax regulations, see "Item 10. Additional Information—E. Taxation—Brazilian Tax Considerations."

As a Brazilian company, Ambev is subject to different corporate laws and regulations than those typically applicable to U.S.-listed companies, which may result in Ambev's shareholders having fewer or less well-defined shareholder rights than the shareholder rights of those companies.

Ambev's corporate affairs are governed by its bylaws and the Brazilian Corporation Law, which may differ from the legal principles that would apply to Ambev if the company were incorporated in a jurisdiction in the United States, such as Delaware or New York, or in other jurisdictions outside of Brazil. In addition, shareholder rights under the Brazilian Corporation Law to protect them from actions taken by the board of directors or controlling shareholders may be fewer and less well-defined than under the laws of jurisdictions outside of Brazil.

Although insider trading and price manipulation are restricted under applicable Brazilian capital markets regulations and treated as crimes under Brazilian law, the Brazilian securities markets may not be as highly regulated and supervised as the securities markets of the United States or other jurisdictions outside Brazil. In addition, rules and policies against self-dealing and for the preservation of shareholder interests may be less well-defined and enforced in Brazil than in the United States or other jurisdictions outside Brazil, potentially causing disadvantages to a holder of Ambev ADSs as compared to a holder of shares in a U.S. public company. Further, corporate disclosures may be less complete or informative than required of public companies in the United States or other jurisdictions outside Brazil.

Certain shareholder entitlements may not be available in the U.S. to holders of Ambev ADSs.

Due to certain United States laws and regulations, U.S. holders of Ambev ADSs may not be entitled to all of the rights possessed by holders of Ambev common shares. For instance, U.S. holders of Ambev ADSs may not be able to exercise preemptive, subscription or other rights in respect of the Ambev common shares underlying their Ambev ADSs, unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements thereunder is available.

Holders of Ambev ADSs may be unable to fully exercise voting rights with respect to the Ambev shares underlying their ADSs.

Under Brazilian law, only shareholders registered as such in the corporate books of Brazilian companies may attend shareholders' meetings. Because all the Ambev common shares underlying the Ambev ADSs are registered in the name of the Depositary (and not the ADS holder), only the Depositary (and not the ADS holder) is entitled to attend Ambev's shareholders' meetings. A holder of Ambev ADSs is entitled to instruct the Depositary as to how to vote the respective Ambev common shares underlying their ADSs only pursuant to the procedures set forth in the deposit agreement for Ambev's ADS program. Accordingly, holders of Ambev ADSs will not be allowed to vote the corresponding Ambev common shares underlying their ADSs directly at an Ambev shareholders' meeting (or to appoint a proxy other than the Depositary to do so), unless they surrender their Ambev ADSs for cancellation in exchange for the respective Ambev shares underlying their ADSs. We cannot ensure that such ADS cancellation and exchange process will be completed in time to allow Ambev ADS holders to attend a shareholders' meeting of Ambev.

Further, the Depositary has no obligation to notify Ambev ADS holders of an upcoming vote or to distribute voting cards and related materials to those holders, unless Ambev specifically instructs the Depositary to do so. If Ambev provides such instruction to the Depositary, it will then notify Ambev's ADS holders of the upcoming vote and arrange for the delivery of voting cards to those holders. We cannot ensure that Ambev's ADS holders will receive proxy cards in time to allow them to instruct the Depositary as to how to vote the Ambev common shares underlying their Ambev ADSs. In addition, the Depositary and its agents are not responsible for a failure to carry out voting instructions or for an untimely solicitation of those instructions.

As a result of the factors discussed above, holders of Ambev ADSs may be unable to fully exercise their voting rights.

Future equity issuances may dilute the holdings of current holders of Ambev common shares or ADSs and could materially affect the market price for those securities.

We may in the future decide to offer additional equity to raise capital or for other purposes. Any such future equity offering could reduce the proportionate ownership and voting interests of holders of our common shares and ADSs, as well as our earnings and net equity value per common share or ADS. Any offering of shares and ADSs by us or our main shareholders, or a perception that any such offering is imminent, could have an adverse effect on the market price of these securities.

Our status as a foreign private issuer allows us to follow local corporate governance practices and exempts us from a number of rules under the U.S. securities laws and listing standards, which may limit the amount of public disclosures available to investors and the shareholder protections afforded to them.

We are a foreign private issuer, as defined by the Securities and Exchange Commission, or the SEC, for purposes of the Exchange Act. As a result, we are exempt from many of the corporate governance requirements of stock exchanges located in the United States, as well as from rules under the Exchange Act that impose certain disclosure obligations and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. For example, our officers, directors and principal shareholders are exempt from the reporting and “short-swing” profit recovery provisions under Section 16 of the Exchange Act. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. Accordingly, there may be less publicly available information concerning us than there is for U.S. public companies.

In addition, for so long as we remain as a foreign private issuer, we will be exempt from most of the corporate governance requirements of stock exchanges located in the United States. Accordingly, you will not be provided with some of the benefits or have the same protections afforded to shareholders of U.S. public companies. The corporate governance standards applicable to us are considerably different than the standards applied to U.S. domestic issuers. For example, although Rule 10A-3 under the Exchange Act generally requires that a company listed in the United States have an audit committee of its board of directors composed solely of independent directors, as a foreign private issuer we are relying on an exemption from this requirement under Rule 10A-3(c)(3) of the Sarbanes-Oxley Act of 2002 that is available to us as a result of features of the Brazilian Corporation Law applicable to our Fiscal Council. In addition, we are not required under the Brazilian Corporation Law to, among other things:

- have a majority of our Board of Directors be independent (though our bylaws provide that two of our directors must be independent and, in certain circumstances pursuant to the Brazilian Corporation Law, our minority shareholders may be able to elect members to our Board of Directors, who, as a result, would be deemed independent);
- have a compensation committee, a nominating committee, or corporate governance committee of the Board of Directors (though we currently have a non-permanent Operations, Finance and Compensation Committee that is responsible for evaluating our compensation policies applicable to management);
- have regularly scheduled executive sessions with only non-management directors (though none of our current directors hold management positions); or
- have at least one executive session of solely independent directors each year.

For further information on the main differences in corporate governance standards in the United States and Brazil, see “Item 6. Directors, Senior Management and Employees—C. Board Practices—Differences Between United States and Brazilian Corporate Governance Practices.”

Foreign holders of our ADSs may face difficulties in serving process on or enforcing judgments against us and other persons.

We are organized under the laws of Brazil and most of our directors and executive officers, as well as our independent registered public accounting firm, reside or are based in Brazil. In addition, substantially all of our assets and those of these other persons are located in Brazil. As a result, it may not be possible for foreign holders of our ADSs to expediently effect service of process upon us or these other persons within the United States or other jurisdictions outside Brazil or to efficiently enforce against us or these other persons judgments obtained in the United States or other jurisdictions outside Brazil. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil if certain formal and procedural conditions are met (including non-violation of Brazilian national sovereignty, public policy and “good morals”), holders of our ADSs may face greater difficulties in protecting their interests in the context of legal, corporate or other disputes between them and us, our directors and/or our executive officers than would shareholders of a U.S. corporation. In addition, Brazil does not have a treaty with the United States to facilitate or expedite the enforcement in Brazil of decisions issued by a court in the United States.

Judgments of Brazilian courts with respect to our shares will be payable only in reais.

If proceedings are brought in the courts of Brazil seeking to enforce our obligations in respect of our common shares, we will not be required to discharge any such obligations in a currency other than *reais*. Under Brazilian exchange control limitations, an obligation in Brazil to pay amounts denominated in a currency other than *reais* may only be satisfied in Brazilian currency at the exchange rate, as determined by the Central Bank, in effect on the date the judgment is obtained, and any such amounts are then adjusted to reflect exchange rate variations through the effective payment date. The then prevailing exchange rate may not afford non-Brazilian investors with full compensation for any claim arising out of, or related to, our obligations under our common shares.