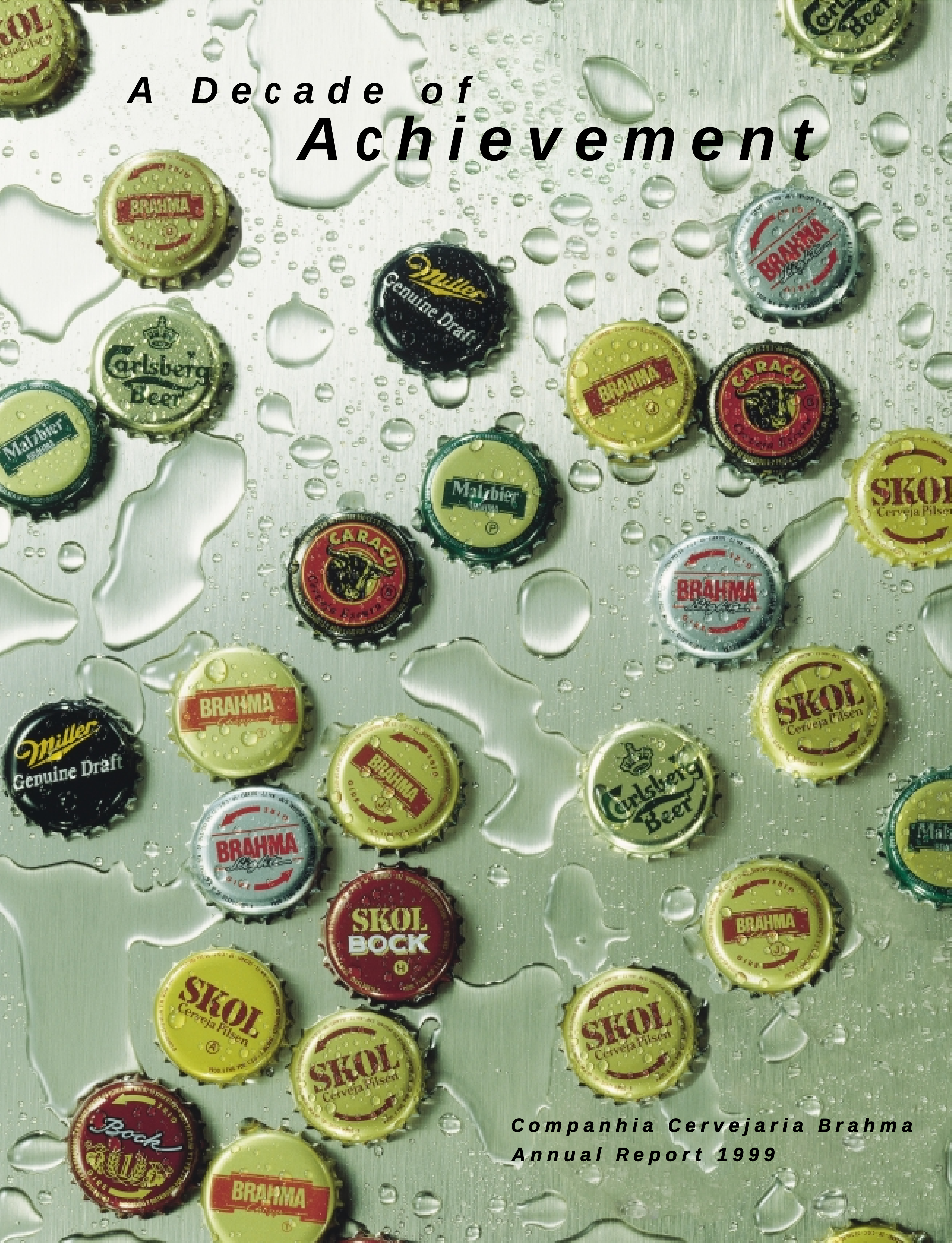
A Decade of Achievement



Companhia Cervejaria Brahma

Annual Report 1999

Companhia Cervejaria Brahma is the sixth largest brewery in the world and the leading beverage company in Latin America. It maintains a 50% share of the Brazilian beer market, the world's fourth largest, through its brands Brahma Chopp and Skol. Brahma began its expansion to other Latin American markets in 1994. Through its plants in Argentina and Venezuela, it has conquered market shares of 14% and 10%, respectively, over the past five years. Additionally, it produces and distributes international beer brands Miller and Carlsberg in Brazil. Brahma is also the third largest producer of soft drinks in Brazil, through proprietary brands and is the sole Brazilian Pepsi bottler.

An exceptional 1999 was the perfect ending to a decade-long cycle of growth. This is the topic of our annual report. The numbers prove the success achieved by our modern approach to management, supported by a culture of frugality, efficiency, agility and informality.

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Our Beliefs and Values

Eight principles guide our business, as well as our professional and commercial partnerships at Companhia Cervejaria Brahma:

Quality

We incorporate, develop, and implement technologies that allow our products, processes and services to be executed with the highest degree of Quality.

Consumers

We hold ourselves ultimately accountable to the consumer. Our goal is to achieve rising consumer preference for our products.

Environment and Community

We respect the environment, and abide by the laws and customs of the communities in which we operate. This principle guides our business activities, products and services.

Customers

Our customers connect us to the consumer and deserve our continuous commercial and marketing support.

People

We invest permanently in our people. Our approach is straight forward and rigorous, and a sense of urgency and non-complacency are our hallmarks.

Communication

We actively encourage participation, integration, and agile communication among all our employees and partners.

Ethics

Ethics and integrity guide all our actions and activities, including our relations with employees, customers, consumers, suppliers, distributors, and the government.

Results

Value creation represents the only assurance that Brahma and its meritocratic system may continue to grow and attract capital by adequately remunerating the capital of its shareholders and investors.

Long-term Business Vision

Brahma strives to be recognized as the largest beverage company in Latin America, and the world's Lowest Cost Producer in its industry, measured by EBITDA margin, with annual EVA growth of 15%.

We will achieve our goals by recruiting, training, and retaining the best people, by anticipating the needs and desires of our consumers, and by producing and delivering products and services known worldwide for their excellence.

Financial Highlights

	1999	1998	99/98 % change
Income Statement			
R$ millions			
Net Sales	3,248.3	3,155.7	2.9%
Gross Profit	1,343.2	1,355.9	-0.9%
EBIT	464.6	335.8	38.4%
Net Income	322.3	329.1	-2.1%
EBITDA	902.7	666.6	35.4%
Balance Sheet			
R$ millions			
Total Assets	5,425.9	4,669.3	16.2%
Shareholders' Equity	1,606.4	1,428.4	12.5%
Other Financial Information			
EVA (R$ million)	203.9	97.0	110.2%
NOPAT (R$ million)	577.0	442.0	30.5%
ROE (%)	20.1%	23.0%	-
Per Share Data (R$ per 1,000 shares)			
Book Value per Share	232.55	207.69	12.0%
Dividends per Share	25.79	20.98	22.9%
Earnings per Share	46.66	47.85	-2.5%
EBITDA per Share	130.68	96.92	34.8%
Per ADR Data (US$ per ADR)			
Book Value per Share	2.60	3.59	-27.6%
Dividends per Share	0.29	0.36	-20.5%
Earnings per Share	0.52	0.83	-36.9%
EBITDA per Share	1.46	1.68	-12.8%
Shares Outstanding (million)	6,907.6	6,877.8	0.4%
ADRs Outstanding (million)	138.2	137.6	0.4%
Market Capitalization (R$ million)	7,871.3	3,619.7	117.5%
Market Capitalization (US$ million)	4,399.8	3,128.8	40.6%
Operating Data			
Sales Volume (million hl)			
Beer	43.2	42.5	1.5%
Soft Drinks	8.5	12.1	-29.9%
Total	51.7	54.6	-5.4%
Employees	10,136	10,708	-5.3%

Map of Plants and Operations

Venezuela

Cervecera Nacional, acquired in 1994

Brahma's Share:
10% of the 15 million-hectoliter beer market

Plants: **1 (beer)**

Production capacity:
2.2 million hectoliters

Brazil

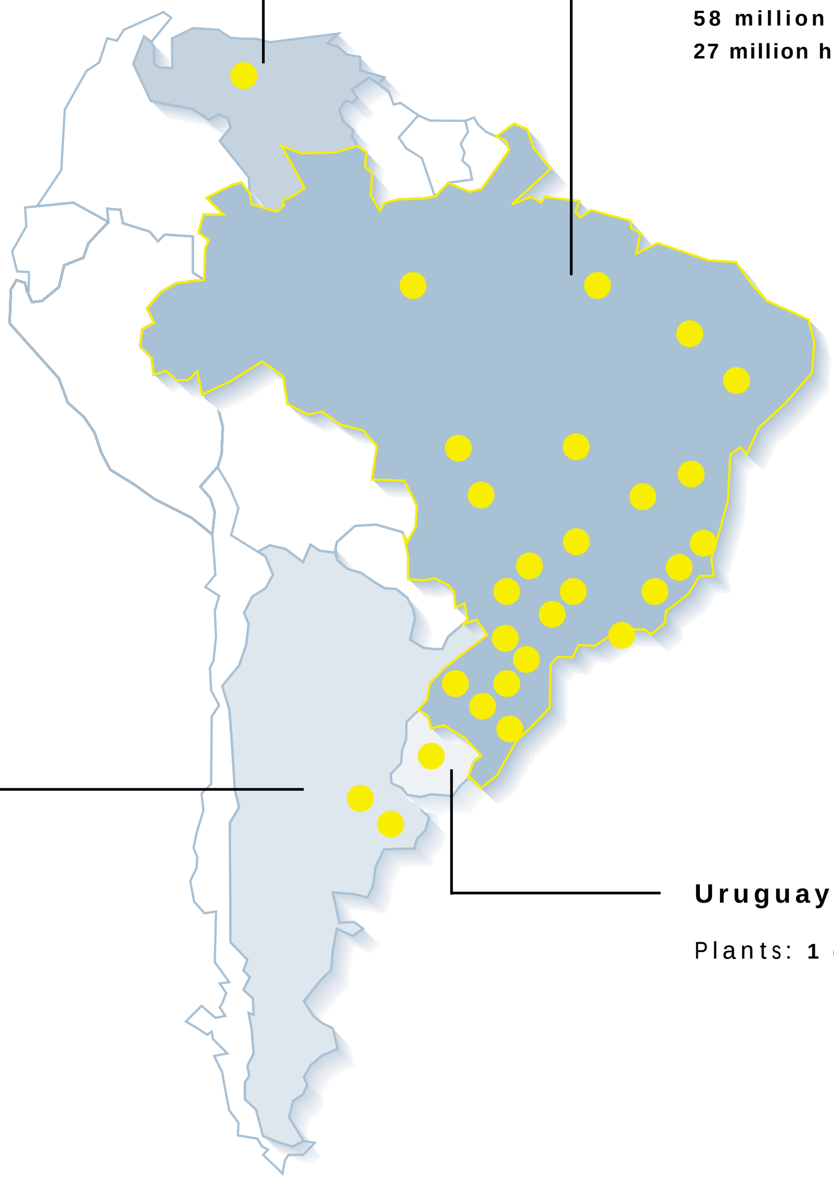
Operating in the Brazilian beverage market since 1888

Brahma's share:
49% of the 82 million-hectoliter beer market

10% of the 110 million-hectoliter soft drinks market

Plants: **11 (beer); 7 (soft drinks); 5 (combined beer and soft drinks); 1 (malt)**

Production capacity:
58 million hectoliters (beer);
27 million hectoliters (soft drinks)



Argentina

CCBA, inaugurated in 1994

Brahma's share:
15% of the 13 million-hectoliter beer market

Plants: **1 (beer), 1 (malt)**

Production capacity:
2.2 million hectoliters

Uruguay

Plants: **1 (malt)**

A Decade of Achievement

1989

• Change in ownership

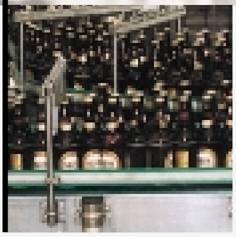
1991

• Expansion to northeastern Brazil with the inauguration of the Equatorial plant

1992

• Initiation of plant modernization program

• Implementation of our Distribution Excellence Program



1994

• Acquisition of Cervecera Nacional in Venezuela

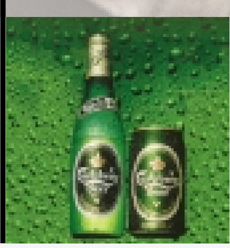
• Inauguration of two new plants: CCBA, in Argentina; and Lages, in southern Brazil

1995

• Joint venture with Miller Brewing Co.

• Opening of the largest beverage plant in Latin America: Nova Rio

1996

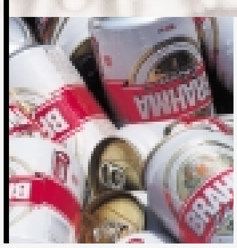


- Agreement to produce and distribute Carlsberg in Brazil
- Initiation of Direct distribution program

1997

- Signing of new franchise agreement with Pepsi
- Joint venture with Unilever to produce and distribute Lipton Ice Tea in Brazil
- Inauguration of Sergipe plant in northeastern Brazil

1998



- Opening of Aguas Claras do Sul plant in southern Brazil
- Implementation of Zero Budget Program

1999

1999 marks the beginning of a new era in the Company's history. As a result of ten years of continuous growth, Brahma is taking an important step toward becoming a multinational. The creation of AmBev reaffirms our commitment to our consumers, employees, distributors and shareholders, and places a new challenge ahead of us: continuing to build a beverage company with endless potential.

In the last decade, net sales rose **17%** annually, and EBITDA grew **32%**

Earnings per share increased at an average rate of **25%** per year


Return on equity
averaged over
20% per year


Our share price
rose on average
40% per year
including dividend
distribution

Message to Our Shareholders

From an historic perspective, 1999 crowns the end of a decade in which profound changes in Companhia Cervejaria Brahma's corporate structure and management style produced substantial improvements in efficiency, productivity, and quality. These significant accomplishments paved the way to our ultimate goal of creating value for our shareholders.

Furthermore, a strategic alliance was sealed with Companhia Antarctica Paulista, a traditional Brazilian beverage producer, creating American Beverage Company (AmBev). Approved by the local anti-trust authorities, AmBev has become the third-largest brewery in the world and the largest beverage company in Latin America. The prospects for success of this new venture are firmly anchored in Brahma's record of achievement over the last decade. These achievements are best portrayed by the following highlights, which we believe are those valued most by our investors:

- **Average annual increases of 17% in net sales and 32% in EBITDA over the last ten years**
- **Compounded annual growth rate of 25% in earnings per share**
- **Return on equity of over 20% per year**
- **The rise in our share price averaged 40% annually, including dividends**

Note: Figures calculated in local currency – R$

Equally worth highlighting is the investment of R$1.7 billion made to consolidate and expand of our Skol and Brahma Chopp brands, which today hold enviable positions as the fourth and sixth largest brands in the world, respectively.

A steady effort and coordinated approach allowed our organization to overcome the difficulties faced by the Brazilian economy during the past year. In line with our long-term vision, we exceeded our annual targets and benefited from a prudent risk management policy shown to be particularly effective in light of the sharp devaluation of the Brazilian currency in the first quarter of 1999.

Our success over the last ten years can be attributed to our strategy, based on principles that have stood the test of time and experience:

- **Be the world's Lowest Cost Producer;**
- **Achieve maximum efficiency in distribution;**
- **Build consumer preference for our brands, growing our "share of value"**

In the context of AmBev, we add to our existing strategy:

- **Export Guarana Antarctica through our alliance with Pepsico;**
- **Be the catalyst for consolidation of the Latin American beverage industry.**

I have always believed that what really distinguishes an excellent organization from the rest is a company's people and its corporate culture. Our success is rooted in our people and culture. Our people are carefully recruited and trained – they are imbued with a culture that values urgency, determination, non-complacency, and personal challenge. They are exceptionally motivated by a compensation structure that rewards performance, and by the prospect of becoming stockowners of the Company. This incentive has already been earned by over 200 of our employees.

I am convinced that our strategy will make possible even better results in 2000 than what was achieved in 1999. The expectations for Brazilian economic growth are more favorable now than at any time in recent memory. Renewed growth will, without a doubt, increase demand for our products, translating into rising profitability for our company.

The competitive advantages behind our success in this decade, allied with the colossal potential of AmBev, reinforce our enthusiasm and conviction that there is more to come in the years, and decades, that lie ahead for Brahma and its shareholders.

Marcel Herrmann Telles

CEO and Chairman of the Board

“

I have always believed that what really distinguishes excellent companies from the rest is a company's people and its culture. People and culture are at the root of our success. Our people are carefully recruited and trained – they are imbued with a culture that values urgency, determination, non-complacency, and personal challenge.

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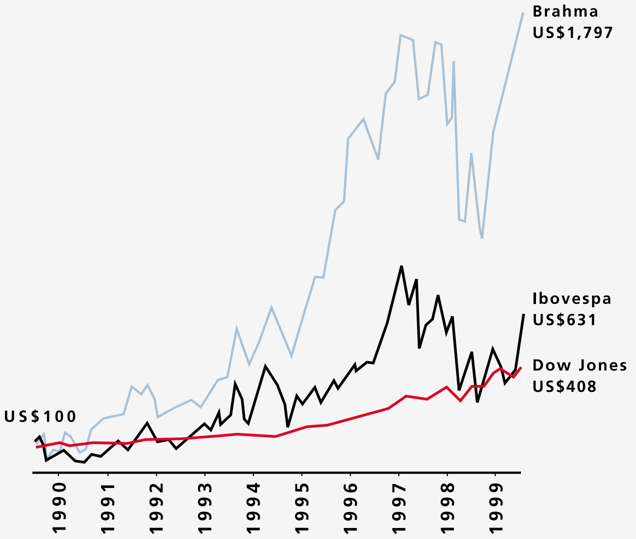
The "Sales People" event brings employees from all areas of the company to the point of sale to experience the daily battle for consumer preference firsthand.

Value of US$100 invested on January 1, 1990



A Record of Success

Ten years ago, Companhia Cervejaria Brahma had annual productivity of 1,900 hectoliters per employee. In 1999, productivity reached 8,800 hectoliters per employee, an increase of 363%. Our financial results are also a compelling story: net profit jumped from R$96.5 million in 1990 to R$322.3 million in 1999 (an increase of 234%).

First among these achievements, Brahma is the proud leader of the Brazilian beer market and ranks third in the soft drink industry. Our Brahma and Skol brands, are the two best-selling beer brands in the country. In addition, the Company produces and sells, under license, the internationally renowned Miller, Carlsberg, Pepsi and Lipton Ice Tea brands. Expanding beyond its Brazilian borders, Brahma has established an important presence in Argentina and Venezuela.

A natural consequence of the success of our business, the company's market value grew exponentially from US$ 293 million in 1990 to US$ 4.4 billion at the end of 1999.

The first and most decisive factor in our history can be attributed to the radical change undertaken in Brahma's corporate culture, based the following set of long-lasting principles:

- **A strong emphasis on results;**
- **Focus on the essential;**
- **Dissemination of the concept and practice of employee ownership and empowerment;**
- **A sense of urgency, responsiveness, and initiative (let's find a way to do it better – now!);**
- **Straightforward solutions.**

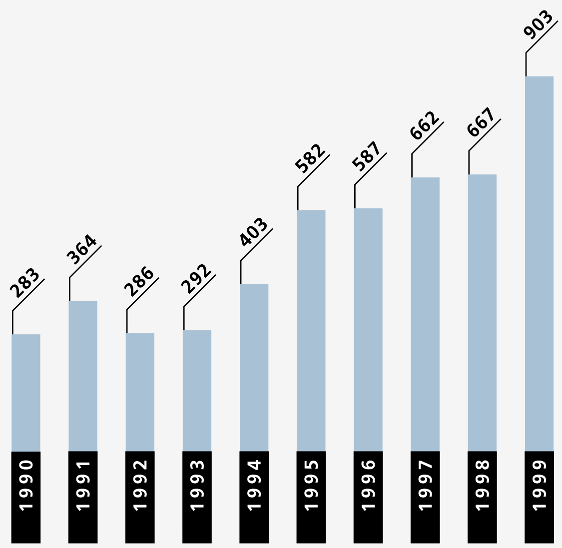
In this context, it was possible to build a series of competitive advantages for our business, including:

- **Well consolidated brands;**
- **An organization that places a high priority on continuous education and the tools that can make it happen;**
- **A drive toward being the Lowest Cost Producer, ensuring that we can withstand the test of pricing pressures imposed by the Brazilian market – the most competitive beverage market in Latin America;**
- **Special attention to consumer satisfaction – at all levels of the organization;**
- **Highly prepared and motivated people who are dedicated the company's goals.**

The topics that follow present in greater detail the concepts behind our company's management and explain their influence on our performance over the last decade.

EBITDA

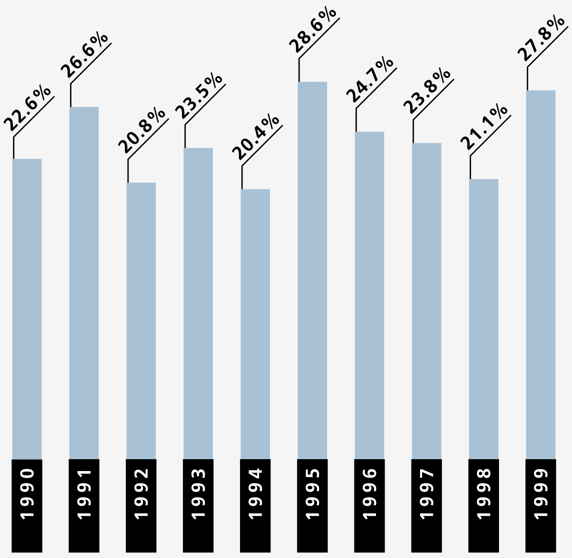
R$ million



Our market value of US$293 million in 1990 grew exponentially to US$4.4 billion at the end of 1999

EBITDA Margin

as a % of net sales



Focus on Profitability

At Brahma, the period from 1990 to 1999 is a history of rising profits, made possible by gains in productivity and efficiency, and in the development of our brands and distribution networks. As a result of the steady rise in competition over the last decade, the continuous modernization of our information systems has become a top priority.

Our strategic planning process begins with setting a goal for annual growth in Economic Value Added (EVA). Based on this target, collective and individual objectives are established for the entire organization.

The realization of these predetermined objectives is the passport to the annual bonus program, which creates incentives through employee profit sharing. This program has proven to be a powerful instrument, capable of mobilizing the Company's best efforts in its reach for excellence.

EVA is an irrefutable method for evaluating value creation while, the Zero Budget Program is our most powerful cost cutting formula yet. By mobilizing all ranks of our organization to rigidly adhere to expense controls, profit margins rose. The EVA method and the Zero Budget Program are particularly relevant topics to our business experience.

The returnable packaging line at our Nova Rio plant: the average productivity increase of 18% per year over the past decade guaranteed higher profitability, while capital employed was reduced.

EVA

Brahma's primary goal is to produce tangible results for its stakeholders. As a consequence, the company has selected EVA as the single most effective measure of its overall performance. EVA holds a clear advantage as a reliable indication of the true return on shareholder investment. Far from being just another fad, this gauge of financial performance is based on objectivity and common sense. EVA aims to measure returns only after considering the cost of capital employed in generating those returns.

Adopted in 1996, we apply this system today to all our business units, that are evaluated by their effective value added. As a direct result, employees and shareholders have total convergence of interests. Our employees are encouraged to perform their everyday activities and to make decisions by taking into consideration the value they are bringing to the company. This is an attitude characteristic of an owner, which places employee interests on par with that of our shareholders.

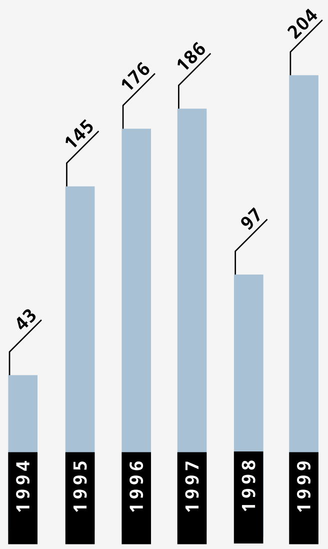
From the perspective of creating a more valuable investment, Brahma has developed a share buyback program in which it invested R$684 million from 1990 to 1999. Since the repurchased shares are canceled, the remaining shares outstanding are progressively revalued as the EVA is distributed over an increasingly smaller base.

Also, the company is always keen on minimizing capital employed. Therefore, it carefully manages capital needs and returns excess capital to its shareholders through the dividend. As a result, dividend payments over the past several years have been above the 25% minimum required by Brazilian law. By reducing its need for capital, the company produces greater EVA.

Fermentation tanks at our Nova Rio Plant in the state of Rio de Janeiro – the largest brewery in Latin America.

EVA (Economic Value Added)

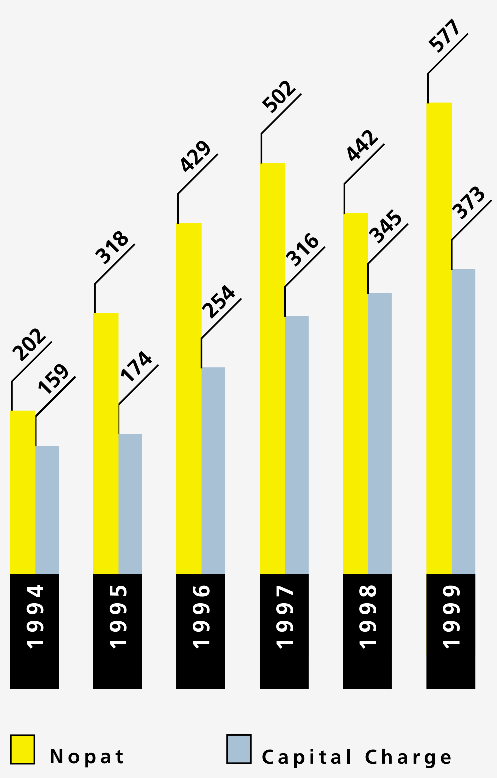
R$ million



EVA brings total convergence of interests between our employees and our shareholders

NOPAT and Capital Charge

R$ million



The Zero Budget Program

To control our fixed costs, the Zero Budget Program was implemented at the end of 1998, and should be highlighted as one of the last year's most significant accomplishments. The central objective of this program is to constantly reassess our cost structure, looking for ways to raise efficiency everywhere and increase our profits.

The program also has the distinct advantage of mobilizing and motivating our people, encouraging them to think and act like business "owners".

The results of this effort have been overwhelmingly positive, with expense reduction of R$152 million in 1999, 16% below the same period last year. The expense reduction program will continue to be applied in the year 2000 with a series of improvements dictated by experience. One of these improvements will be the implementation of the Zero Cost Program, specifically directed toward reducing variable costs through the training and mobilization of 4,500 employees.

"The introduction of the Zero Budget Program in controlling our use of forklifts and warehouse services has had surprising results: the expense reduction has been greater than we had envisioned, since our controls became more efficient. More importantly, our people on the "front lines" began to look at things in a different way. They have begun to monitor and plan, step by step, each of the cost elements in their activities."

Distribution Supervisor

Jundaí plant, São Paulo

Productivity

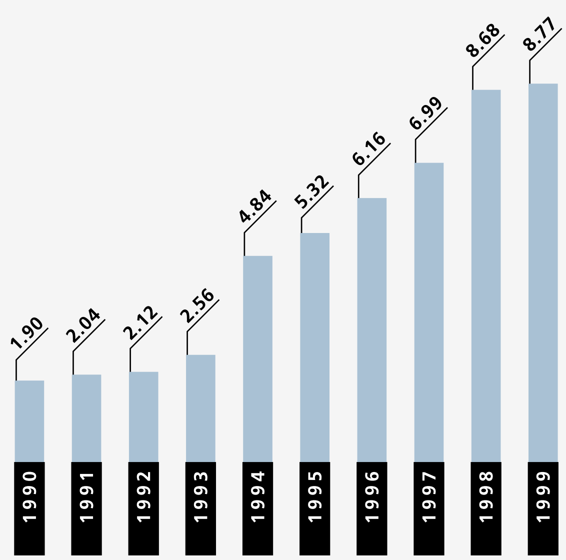
During these past 10 years, nearly R$3 billion was applied to completely renovate our plants. These initiatives translated into average annual productivity growth of 18.4% over the past decade. During the same period, our overall production capacity rose by more than 100%.

Productivity gains are fundamental to Brahma's strategy for being the lowest cost producer in the world. No other measure will allow our company to successfully face the pressures in a market where the price competition is as tough as ours.

Forklifts in action at our Nova Rio plant, in the state of Rio de Janeiro.

Plant Productivity

Thousand hectoliters per employee per year




BRAHMA

Managing for Excellence

Quality is not enough for us. We want to reach excellence in all that we do, from our raw materials to the final product, from the plant to the consumer's table. Quality and excellence are two fundamental concepts, that Brahma selected in early 90's, with the intention of achieving total quality management. This strategy has been executed with the support of the company's Excellence Programs.

The first Excellence Program was initiated in 1992. Focusing on the company's exclusive, third party distributors, the program's objective was to revolutionize the concept of beverage distribution in Brazil. Designed as an operations manual for the Brahma and Skol distributors, it has proven to be a powerful instrument to empower the distributors and professionalize the network, with the purpose of increasing sales and profitability. The 1999 version of the Excellence Program introduces a new concept called "execution at the point of sale". It takes a new approach to improving the services provided to our customers and standardizes best practices system-wide according to the profile of each sales channel. This method guides our distributors toward finding the best solutions to increase our product distribution with the ultimate goal of selling more, and improving the quality of our sales effort.

Preference for our products is assured through rigorous quality controls.

Control room at the Nova Rio plant – where high technology permits rising productivity ratios.

Another important step we implemented to integrate our management system was the Quality Control Circles Program in 1997. Its purpose is to motivate and commit the factory operators to the search for improved procedures and processes. By eliminating defects, this program increases productivity. Project teams select topics organized around specific projects with goals that are consistent with Brahma's overall corporate targets. To date, more than 150 project teams comprised of over 1,000 machine operators have met twice a month. The measure of the program's success is the 2,600 projects that have been implemented to date, achieving cost savings of more than R$5 million.

More important than the numbers, however, is the change in attitude among the teams involved in this project. On a voluntary and participative basis, it has enhanced the quality of our products, improved the work environment, reduced costs and waste, and promoted the professional and personal development of the project members.

To solve complex problems, Brahma University is investing in the Black Belt Program. This program is the first of its kind in Brazil. Participants, chosen for their leadership and growth potential from all areas of the business, learn the use of statistical tools. This practice permits more in-depth and systematic analysis of problems, guaranteeing specific solutions and more precise action. The program can be applied to any problem where incremental improvements would not suffice to reach international levels of competitiveness. Employees who graduate from this program become certified as Black Belts. They belong to a category of professionals who have reached levels of excellence respected worldwide among the leading corporations and brands.

People

Along with our strategic alliances and technological development efforts, the creation of an educated and highly motivated workforce is part of our commitment to be on the cutting edge of the New Economy. With this conviction, one of our greatest concerns, in this decade of achivement, has been to establish new paradigms for the relationship between the company and its employees and forge radical changes in our corporate culture. This is where the concept of “excellence” begins. We want our people to be the best so that the company can be unsurpassed in the market. Our people are carefully recruited, well trained and exceptionally motivated.

Over the last 10 years, we have distributed nearly R$302 million in performance-based bonuses to our personnel. Top ranking employees can double their annual income. This compensation program is extended to all employees, without exception, and relies only on individual performance. Our philosophy is “those who work like owners and exceed their targets can earn like owners”.

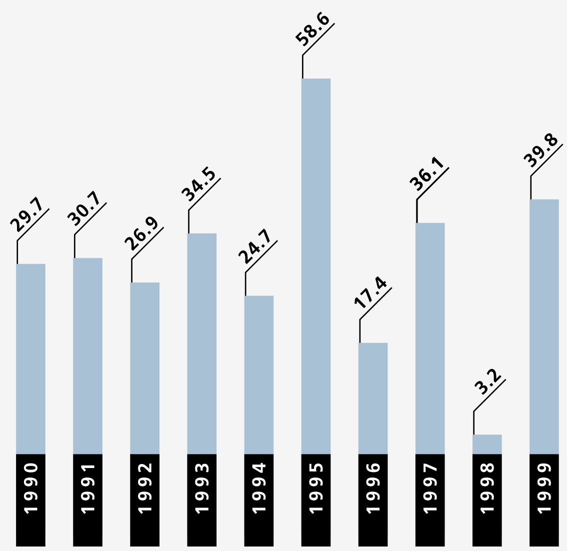
The Company Stock Option Plan has transformed more than 200 employees into shareholders of the company. The Trainee program has also been especially successful: since 1990 more than 400 people have joined the company through this program. Today 56% of them are managers and 2 have become top executives.

We supply our employees with extensive training and scholarship programs in Brazil and abroad. In 1999 more than 7,000 employees were trained in areas such as packaging, sales, research, or obtained brewmaster titles, and MBA degrees. Much of this training is applied through the Brahma University program, created in 1995 to define and coordinate objectives for the various training programs developed by the Company.

Black Belts – Brahma professionals who are chosen for their leadership and growth potential – are trained for two years to tackle the specific challenges of the competitive Brazilian beverage market.

Performance-Based Variable Pay

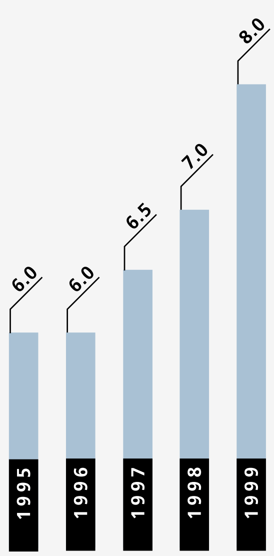
R$ million



In the last 10 years, we distributed more than R$302 million in profit sharing to our employees

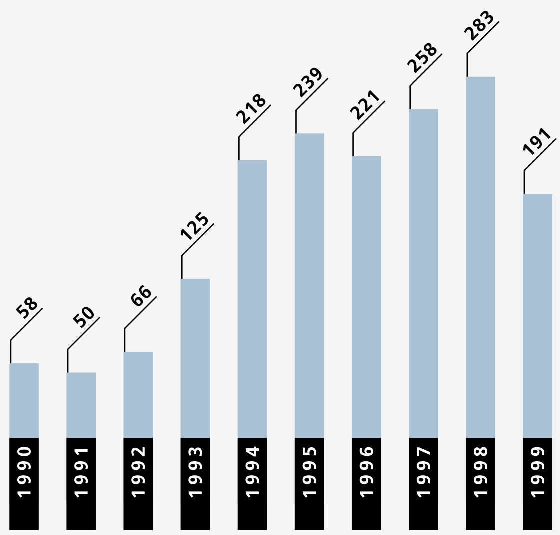
Investment in Training Programs

R$ million



Marketing Investments

R$ million

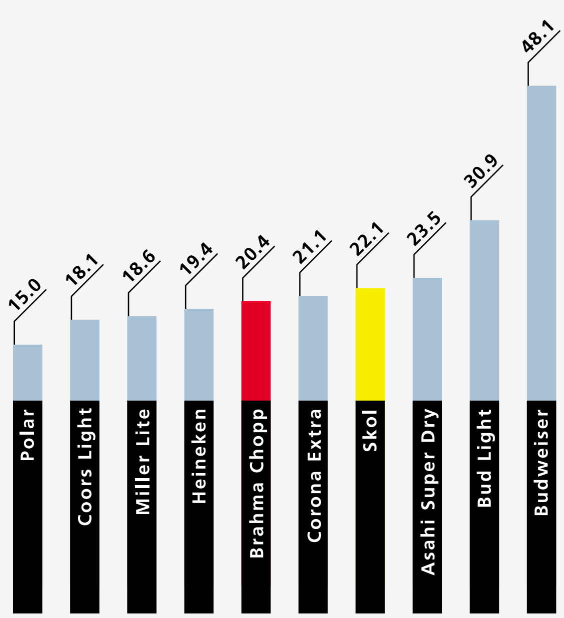


In this decade, R$1.7 billion was invested in the consolidation and expansion of our brands

Ten Best Selling Beer Brands in the World, 1998

In million hectoliters

Source: Impact International



The Power of Our Brands

Our brands are among our most valuable assets, and as such are carefully protected, developed and consolidated. Our Brahma and Skol brands, have been able to maintain their long standing traditions and at the same time establish trends and preferences through innovation.

Brahma Chopp is currently the 6th best selling brand worldwide. Another brand, Skol, purchased in 1980, stands out as one of the fastest growing brands in the world. In 1998, it became the fourth brand in the world and now ranks number one in Brazil.

From 1990 to 1999, R$1.7 billion was invested to expand and consolidate our brands. One of these investments was to develop the technology to capture and process consumer and market information, mapping the levels of penetration of our brands. This system allows us to optimize our investments in advertising and promotion.

In January 1999, we abandoned traditional sales incentives and structured a new system to increase client satisfaction and consumer preference by focusing on execution at the point of sale. In doing so, we have intensively trained our entire sales force, and indirectly, the entire company in this customer-oriented policy. As a result, the company has begun to realize the value of each new space that we won in terms of sales. In this first year of implementation, the points of sale that participated in the project were carefully selected among the more than one million points of sale served by our distribution network.

Execution at the point of sale has become integrated into Brahma's culture as an additional competitive advantage – and one of the most difficult to be imitated.

Skol Becomes the Brazilian Beer Market Leader

As a direct result of the execution at the point of sale program, the company realized significant gains in both the market share, and in particular the share of value commanded by our beer brands. Skol became the beer market leader and Brahma Chopp has been able to reverse its recent decline in sales.

Skol grew significantly through its young, innovate appeal, reaching national leadership in 1999. In addition to the desired characteristics of this brand are the investments made in conjunction with our distribution network preference to increase the brand's consumer preference.

"The concrete measures we took to integrate sales and marketing in 1999 were instrumental in our market share gains. This success has been our reward for ten years of hard work, during which we sought to increase the efficiency of our marketing and execution at the point of sale to guarantee our leadership in an extremely competitive market."

Marketing Manager


Malzbier
BRAHMA
BRAHMA
BRAHMA
BRAHMA
BRAHMA
SKOL
SKOL
SKOL
SKOL
BOCK
Carlsberg
Beer

Rising Sales in 1999

Despite the turbulence felt by the Brazilian economy in 1999, and below-average temperatures, net sales increased 2.9% as a direct result of our strategy and programs. We achieved an important milestone on the beer side, when we maintained prices stable throughout the year, breaking the historical practice of pricing according to seasonality – higher in the summer and lower in winter. This new policy, combined with rising productivity, allowed us to offset higher raw material costs as a result of the sharp currency devaluation in January 1999.

A new tool for boosting sales was introduced last year with the launch of a new refrigerator specially designed for 600 ml beer bottles. We call it “Chilled to Perfection.” This new equipment is a Brahma exclusive: in addition to being innovative and resistant, it is ecologically friendly by not using CFC (chlorofluoro carbon).

This new refrigerator is now available in the states of São Paulo, Rio de Janeiro, Minas Gerais, Bahia and all the major cities in Brazil. In 2000 we intend to boost the number of points of sale equipped with this appliance.

Companhia Cervejaria Brahma currently sells over 18 brands in Brazil. Its product line includes beer, soft drinks, ice tea, water and sport drinks.

In the soft drinks market, 1999 was again characterized by strong price competition. We consolidated consumer preference for our brands (Pepsi, Brahma Guaraná, Sukita and 7UP) as a strategy to enhance our share of value and guarantee better profitability. Our proprietary orange flavored soft drink, Sukita, was a perfect example of this success. A new advertising campaign doubled its preference levels. We sustained our higher pricing policy with promotional activities such as “Bolada Pepsi”, “Star Wars” and “Virada Pepsi”.

The Sukita advertising campaign in 1999 reached one of the highest levels of recall in the country, causing preference for the orange-flavored soft drink to double. A series of television commercials featuring the adventures of a mature gentleman who tries to win over his younger neighbor, was a hit in Brazil.

Portfolio

Besides ranking number one in beer and third in soft drinks, Brahma has come even closer to its goal of becoming a Total Beverage Company. It offers an extensive line of products and brands which cater to a wide variety of consumers in the “premium”, ”standard” and “light” segments.

Through a joint venture with Unilever, Lipton Ice Tea became the leader in its segment in 1999. In Brazil, this market segment is still small, but offers rapid growth potential and attractive profitability, following the trends in international beverage markets. With 12% market share, the sales volume for Marathon, our isotonic sport drink, rose 30% in 1999 and now ranks second in its segment.

In November 1997, the Pepsi product line became part of our soft drink portfolio through a production and distribution franchise agreement. This addition completed our portfolio by adding a cola flavor with strong potential for growth in Brazil.

Distribution

Distribution in the beverage industry is one of the most critical elements of any company's strategy. For this reason, Brahma has successfully developed comprehensive programs to improve its distribution network over the last 10 years through the introduction of best practices and benchmarking, leading to a more efficient system.

The integration and qualification of our exclusive, third party distributors is a priority for the Brahma University, by uniting company executives and distributors with the common objective of sharing knowledge and creating a stronger distribution capabilities through teamwork.

In 1999, we created UBTV to raise the qualifications of our distributors. UBTV, a powerful support tool, uses closed-circuit television to disseminate training programs to the sales team throughout our network. It also creates a closer link between the company and its distributors by connecting them with all business units. The first training module was launched in March 1999, and focused on "execution at the point of sale."

There are 253 distributors already taking part in UBTV. In 1999, 44 informative training programs were transmitted, and 52 more are planned for 2000.

The company has been operating through direct distribution in critical areas where its resellers were having trouble competing. This system provides knowhow and experience in this key operating area bringing greater focus to the front-line and boosting the Company's entire distribution effort.

The highlights of 1999 were standardization of best practices for direct distribution through better planning of the daily sales effort, along with a series of adjustments to raise the cost/benefit ratio of our distribution effort as a whole.

Over the years, we have developed a series of programs designed to ensure that our distributors continually improve to become the best in the market, possessing superior quality, efficiency and costs. All of the tools developed to attain this goal, such as the Zero Based Budget methodology (used by Brahma in its own cost reduction program) are made available to our entire distribution network.

"

UBTV is a closed circuit television system that connects Brahma with its network of 350 third party distributors. The channel broadcasts training programs to more than 2000 salespeople throughout Brazil. This program represents yet another corporate initiative to improve our relationship with our partners, helping them to optimize their business. The outcome has been surprisingly positive.

"

UBTV Project Coordinator

Ambassadors

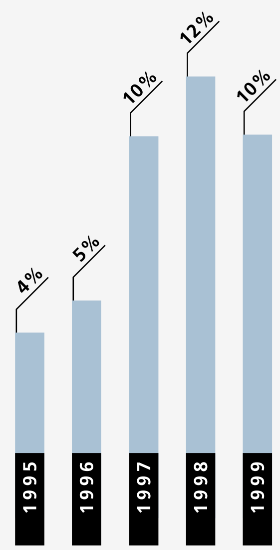
The company's first Distributor Excellence Program was created in 1992 with the objective of revolutionizing the concept of beverage distribution in Brazil. In the form of an operations manual for Brahma and Skol distributors, the program has proved itself to be a fantastic instrument to enhance distribution capabilities and raise the professionalism of our network. The goal is to assist our distributors in obtaining increased sales and rising profitability. The 1999 version of this program focused on a new chapter called "execution at the point of sale," which standardizes the most successful strategies for providing the highest quality service to the point of sale, according to the profile of each sales channel. It guides distributors towards the best ways to increase product availability and improve delivery, with one simple objective: sell more and sell better.

> "*Those achieving the highest ranking in the Distributor Excellence Program are named "Ambassadors." Three additional distributors attained this prestigious position in 1999. Partners day after day, this team is fundamental to Brahma's continued success.*"
>
> **Third Party Distribution Manager**

Ambassadors celebrated their achievement with a group photograph at one of São Paulo's most traditional bars, from left to right: José Eduardo Land (Aeroporto – São Paulo, SP); Basilio Fernandes de Barros (Nova Radar – Osasco, SP); Francisco de Assis Pinto (Cervale – Ceres, GO); Alexandre Solera (Brava – Brasilia, DF); Armando Antônio Rizatti (Rizatti – Franca, SP); Mauro Carvalho Jr. (Colorado – V. Grande, MT); Norberto S. Leite (Rotele – Campo Grande, MS); Carlos Alberto da Fonseca (Beer Garden – Caieiras, SP); Vilmondes José de Souza (Cerbel – Goiânia, GO); Reinaldo Solera (Nova Era – Goiânia, GO).

Brahma's Share of the Venezuelan Beer Market

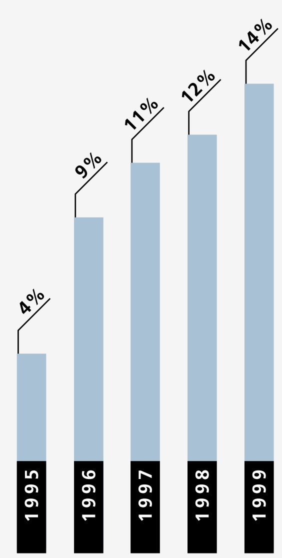
Source: Datos



Our objective is to serve as a catalyst for the consolidation of the beverage sector in Latin America

Brahma's Share of the Argentine Beer Market

Source: Nielsen



Higher can sales and distribution improvements led Brahma to a record market share of 14% in Argentina.

International Operations

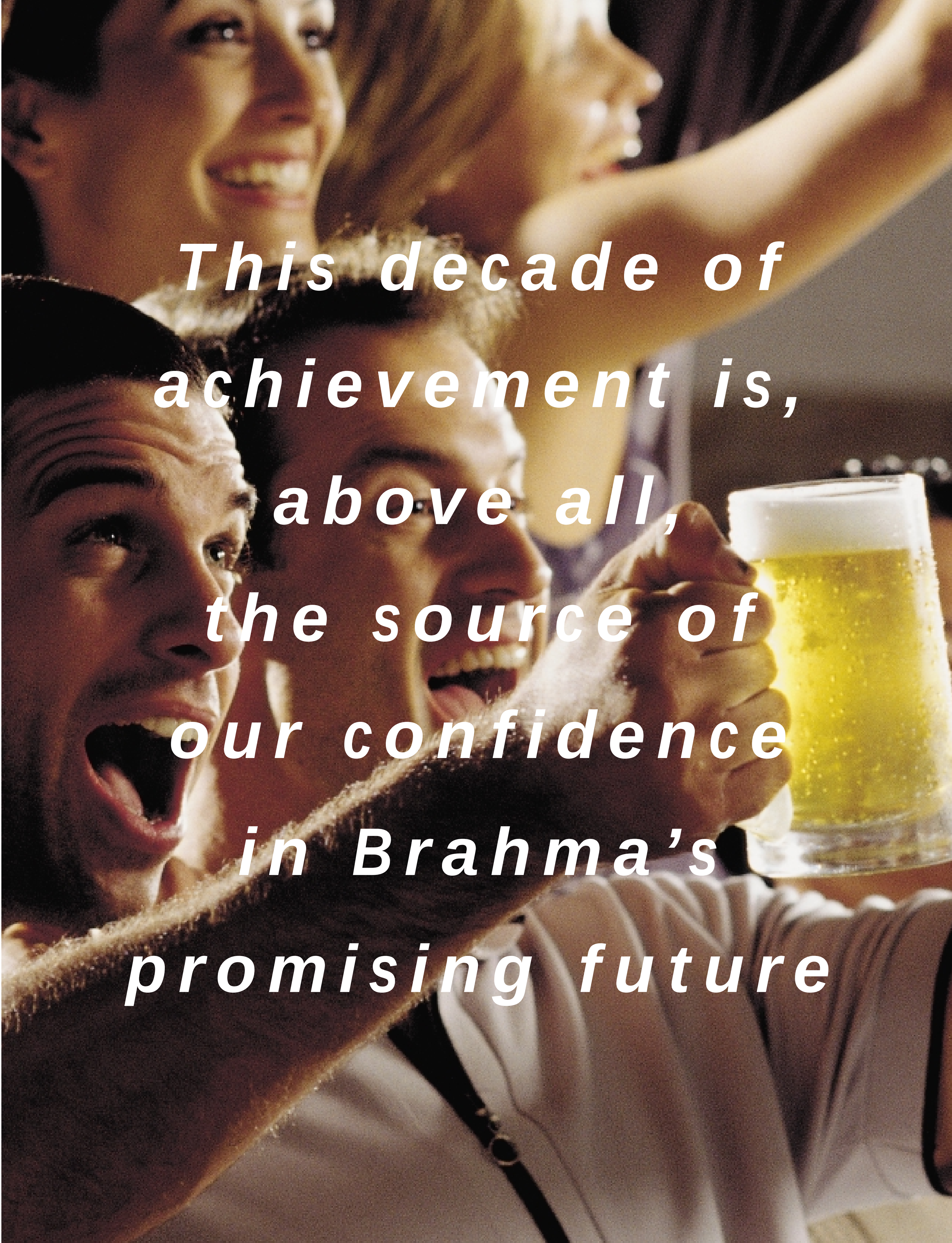
International expansion is the prime goal of our growth strategy; we have taken steps to achieve it by actively pursuing all opportunities and targeting areas with the highest growth potential. Our search prioritizes areas with the most promising prospects for rapid growth.

Several Latin American markets are characterized by the existence of a single dominant player. In some cases, our significant competitive advantages may allow us to become a new market entrant. We should expand our presence through aquisitions where the potential for value generation is significant.

We aquired Cia. Cervecera Nacional of Venezuela in 1994. The facility produces 900,000 hectoliters annually, and has more than doubled its market share since then to 10%. As a result of the economic difficulties in that country in 1999, beer consumption diminished significantly. However, we believe that by positioning ourselves properly, and with additional investment in our brands slated for 2000, Brahma can benefit from a recovery.

Also in 1994, we built a beer plant in the city of Lujan, in the province of Buenos Aires, Argentina, which produced 1.8 million hectoliters of beer in 1999. In view of the small share of the Buenos Aires market commanded by the Brahma brand, we promoted a radical change in our distribution. We implemented direct distribution to a carefully selected 40% of the retail outlets. By successfully improving the service quality, our sales in Argentina's largest metropolitan area rose by 50% in 1999.

Our efforts on the distribution front, combined with promotions in can packaging in the Argentine market led to a record market share, rising from an average of 11.4% in 1998 to 13.5% in 1999, reaching 15.6% in the month of November 1999.


This decade of
achievement is,
above all,
the source of
our confidence
in Brahma's
promising future

Financial Section and Environmental Policy

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Board of Directors and Principal Executives

Board of Directors

Permanent Members

Marcel Herrmann Telles – Chairman of the Board

Jorge Paulo Lemann

Danilo Palmer

Alternate Members

Vicente Falconi Campos

Principal Executives

Magim Rodriguez Junior – Chief Operating Officer

Carlos Alves de Brito – Sales Director

Claudio Braz Ferro – Manufacturing Director

Guilherme Rodolfo Laager – Director of Logistics and IT

José Adilson Miguel – Distribution Director

Juan Manuel Vergara Galvis – Marketing Director

Luis Felipe Dutra Leite – CFO and Investor Relations Director

Audit Committee

Permanent Members

Adolpho Gonçalves Nogueira

Ary Waddington

Ricardo Scalzo

Alternate Members

Osmar José Fumagali

John Richard Lewis Thompson

Walter Prugger

Board of Advisors

Juracy Montenegro Magalhães

Highlights of the Decade

	1999	1998	1997	1996
Income Statement				
R$ million				
Net Sales	3,248.3	3,155.7	2,779.4	2,376.8
Gross Profit	1,343.2	1,355.9	1,154.4	1,014.4
EBIT	464.6	335.8	389.9	404.0
Net Income	322.3	329.1	456.3	324.9
EBITDA	902.7	666.6	662.4	586.6
Balance Sheet				
R$ million				
Total Assets	5,425.9	4,669.3	4,303.3	3,515.9
Shareholders' Equity	1,606.4	1,428.4	1,350.7	1,264.8
Other Financial Information				
EBITDA Margin (%)	27.8%	21.1%	23.8%	24.7%
ROE (%)	20.1%	23.0%	33.8%	25.7%
ROA (%)	5.3%	7.0%	10.6%	9.2%
Per Share Data (R$ per 1,000 shares)				
Book Value per Share	232.55	207.69	192.32	173.03
Dividends per Share	25.79	20.98	18.86	10.58
Earnings per Share	46.66	47.85	64.97	44.45
EBITDA per Share	130.68	96.92	94.31	80.26
Shares Outstanding (million)	6,907.6	6,877.8	7,023.5	7,309.4
Market Capitalization (R$ million)	7,871.3	3,619.7	5,121.0	4,236.7
Operating Data				
Sales Volume (million hl)				
Brazil	40.6	39.8	38.8	36.3
Argentina	1.7	1.4	1.3	1.1
Venezuela	0.9	1.3	1.2	0.9
Total Beer	43.2	42.5	41.3	38.3
Soft Drinks	8.5	12.1	9.4	8.8
Total	51.7	54.6	50.7	47.1
Employees	10,136	10,708	10,955	9,987

Note: Figures prior to 1995 are presented in constant local currency as of December 31, 1995, indexed in UFIRs, a Brazilian measure of inflaton. This method is in accordance with Brazilian monetary correction accounting.

	1995	1994	1993	1992	1991	1990
	2,031.8	1,980.6	1,240.8	1,369.7	1,365.5	1,251.5
	967.9	852.2	563.6	567.3	606.7	514.0
	465.2	284.6	201.7	165.4	260.1	240.1
	257.4	144.4	116.7	89.1	108.4	96.5
	581.6	403.4	291.6	285.6	363.5	283.2
	3,202.6	2,405.9	1,759,6	1,741,4	1,481,5	842,2
	979.9	1,148.4	844.8	904.7	804.4	326.8
	28.6%	20.4%	23.5%	20.8%	26.6%	22.6%
	26.3%	12.6%	13.8%	9.8%	13.5%	29.5%
	8.0%	6.0%	6.6%	5.1%	7.3%	11.5%
	142.35	171.95	128.21	150.29	136.65	60.14
	65.80	5.46	65.80	10.58	18.86	20.98
	37.39	21.62	37.39	44.45	64.97	47.85
	84.49	60.40	44.25	47.44	61.75	52.12
	6,883.8	6,678.3	6,589.5	6,019.6	5,886.4	5,433.8
	2,781.8	2,345.2	2,243.9	1,583.0	2,933.9	410.6
	35.3	29.9	25.8	24.3	29.6	27.3
	0.6	0.0	0.0	0.0	0.0	0.0
	0.7	1.1	0.0	0.0	0.0	0.0
	36.5	30.9	25.8	24.3	29.6	27.3
	7.5	6.9	6.1	4.9	6.6	5.8
	44.0	37.8	31.9	29.2	36.1	33.1
	9,535	9,003	13,610	15,850	21,609	21,654

Management's Discussion and Analysis of Results of Operations and Financial Condition - 1999

The following table presents selected income statement items for the twelve months ended December 31, 1999 compared to the prior twelve-month period.

Financial Highlights

R$ million	**1999**	**1998**	**% change**
Net Sales	3,248.3	3,155.7	2.9%
Cost of Goods Sold	(1,905.1)	(1,799.7)	5.9%
Gross Profit	1,343.2	1,355.9	-0.9%
SG&A Expenses	(878.6)	(1,020.1)	-13.9%
EBITDA	**902.7**	**666.6**	**35.4%**
Total Depreciation	438.1	330.8	32.4%
Net Income	322.3	329.1	-2.1%
EPS (R$/1,000 shares)	**46.66**	**47.85**	**-2.5%**

Direct Distribution

The table below shows the impact of direct distribution on the Company's results by subtracting direct distribution cost from gross revenue.

R$ million	**1999**	**1998**
Gross Revenue	7,973.6	8,124.2
Distributor Remuneration	(1,127.1)	(1,119.1)
Cost of Direct Distribution	(225.5)	(207.2)
Revenue	**6,621.0**	**6,797.9**
Sales Deductions	(3,598.2)	(3,849.4)
Net Sales	**3,022.7**	**2,948.5**
Cost of Goods Sold	(1,905.1)	(1,799.7)
Gross Profit	**1,117.7**	**1,148.7**

R$/hl	**1999**	**1998**
Gross Revenue	154.3	148.7
Distributor Remuneration	(21.8)	(20.5)
Cost of Direct Distribution	(4.4)	(3.8)
Revenue	**128.2**	**124.4**
Sales Deductions	(69.6)	(70.5)
Net Sales	**58.5**	**54.0**
Cost of Goods Sold	(36.9)	(32.9)
Gross Profit	**21.6**	**21.0**

Figures may not add due to rounding.

Direct distribution, initiated in 1997, represented 22.9% of total sales volume in 1999 versus 20.1% in 1998. The total number of direct distribution operations reached 22.

Distribution cost per hectoliter increased to R$19.10/hl in 1999, 1.2% above the same period last year, partly because of the decline in soft drink volumes. Sales to supermarkets, where more non-returnables are sold, declined due to the price increase on beer sold in cans implemented by the company at the beginning of 1999. Sales where the returnable format is more prevalent, such as bars and restaurants, increased, causing a higher distribution cost per hectoliter, which was compensated for by higher profitability.

Net Sales

The increase in net sales per hectoliter of 8.8% was a result of stability in beer prices from levels usually seen during the seasonal peak. Additionally, sales from international operations rose in local currency as a result of the devaluation of the Real.

Breakdown of Sales Volume

'000 hl	1999	1998	% change
Brazil	40,595	39,820	1.9%
Argentina	1,674	1,392	20.2%
Venezuela	900	301	-30.8%
Beer	**43,169**	**42,513**	**1.5%**
Brahma	3,685	6,114	-39.7%
Pepsi	4,809	6,000	-19.8%
Soft Drinks	**8,494**	**12,114**	**-29.9%**
Total	**51,663**	**54,627**	**-5.4%**

Net Sales per Product

R$/hl	1999	1998	% change
Brazil	62.3	60.1	3.8%
Argentina	74.8	49.7	50.4%
Venezuela	107.2	60.4	77.6%
Average Beer	63.7	59.7	6.7%
Average Soft Drinks	45.4	39.0	16.4%
Average Total	62.9	57.8	8.8%

Sales Breakdown

% of net sales	1999	1998
Brazil	77.9%	75.8%
Argentina	3.9%	2.2%
Venezuela	3.0%	2.5%
Beer	84.8%	80.5%
Soft Drinks	11.8%	15.0%
Others	3.4%	4.5%
Total	100.0%	100.0%

Figures may not add up to 100% due to rounding.

Management's Discussion and Analysis of Results of Operations and Financial Condition - 1999

Beer

In Brazil, 1999 sales volume rose 1.9% compared to the same period last year. During the year, demand was weak due to a recession and abnormally cool weather conditions that prevailed during most of 1999, with beer industry volumes posting an increase of 1.6% according to Nielsen. Also, the base for comparison was unusually high due to the World Cup Games from May to July 1998. The company was able to outpace industry growth by making improvements to its sales and distribution systems, as well as continued investment in its brands, which maintained high levels of preference among Brazilian consumers. Brahma's market share rose 0.9 percentage points to 48.8% in 1999, and its share of value (share in total industry sales) rose 1.3 percentage points, reaching 51.8% according to Nielsen.

In Argentina, while the beer market remained relatively stable, company sales volume rose 20.2%, driven by improvements in and expansion of the direct distribution system, in particular in the metropolitan Buenos Aires area. Brahma's market share therefore rose from 11.4% in 1998 to 14.9% in 1999 according to Nielsen. Additionally, net sales per hectoliter reached R$74.8/hl, up 50.4% in local currency compared with 1998, primarily due to devaluation of the Real.

In Venezuela, however, the economic recession in 1999 caused a contraction of 12% in the beer market as well as down trading in favor of less expensive returnable packaging. As a result, Brahma's market share in Venezuela declined to 9.8%, versus 11.7% in 1998 according to Datos. Company sales volumes fell 30.8% in 1999 when compared to the same period in 1998.

The Company's consolidated beer packaging mix in 1999 was comprised principally of returnable bottles, which represented 73% of beer sales volume versus 75% in 1998.

Soft Drinks

In 1999 the Company focused on enhancing its share of value and building preference for its brands with the objective of guaranteeing breakeven EBITDA. The Company repositioned its soft drinks portfolio, supported by several successful promotions, such as Bolada Pepsi and Star Wars, and the re-launch of Brahma's proprietary orange flavor, Sukita.

Revenue per hectoliter during 1999 rose 16.4% when compared to the same period last year, primarily due to the impact of the devaluation of the Real on variable costs. However, volume sales declined by 29.9% since Brahma decided not to participate in the retail price reductions initiated by the competition.

Cost of Goods Sold

Total production cost excluding depreciation rose 6.3% to R$30.2/hl. This was due to the devaluation of the Real, which caused higher local prices for dollar denominated inputs, as well as inflationary pressures on the economy as a whole due to increases in fuel prices and public utility tariffs. These increases were partially offset by higher plant productivity, which had a positive impact on overhead and labor costs.

Cost per Hectoliter

R$/hl	1999	1998
Raw Material	9.5	8.5
Packaging	14.5	11.5
Labor	1.9	2.4
Depreciation	6.6	4.5
Other	4.3	6.1
Total COGS	36.8	33.0
COGS excluding depreciation	30.2	28.5

Figures may not add up to 100% due to rounding.

Cost Breakdown (% of COGS)	1999	1998
Raw Material	25.8%	25.7%
Packaging	39.3%	35.0%
Labor	5.2%	7.2%
Depreciation	18.0%	13.7%
Other	11.7%	18.4%
Total	100.0%	100.0%

Raw Material

Raw material costs were R$9.5 per hectoliter in 1999, a year on year increase of 11.8% (R$8.5/hl), due to the impact of the devaluation on dollar-indexed cost inputs, in particular malt.

Packaging

The per-hectoliter cost of packaging in 1999 was R$14.50, up 26.1% when compared to 1998, because of an increase in can prices, which rose nearly 18%.

Labor

Brahma's cost of labor fell 20.8% for the year, reflecting higher plant productivity. In 1999 the per-hectoliter cost of labor was R$1.9, compared to R$2.4 in 1998.

Depreciation

Per hectoliter depreciation in 1999 was R$6.6, up 46.7% on the year. The increase was due primarily to higher depreciation, specifically in the Jacareí and Nova Rio plants, as per a study of real depreciation rates prepared by our external consultants.

Indirect Costs

During the year, indirect costs per hectoliter fell 29.5% owing to higher productivity in the use of inputs as well as a review and optimization of third party services as part of the fixed cost reduction plan.

SG&A Expenses

Selling, general and administrative expenses fell by 13.9% to R$878.6 million in 1999 due primarily to the Zero Budget program. This plan was implemented in mid-1998 to question the company's cost structure with the objective of increasing its profitability. The results of the plan were extremely positive, leading to a reduction of R$162 million during 1999. This result far exceeded Brahma's initial internal target of an R$80 million reduction.

Selling expenses in particular fell by R$137.7 million due to i) non-recurring marketing expenditures in 1998 related to the World Cup of R$20 million; ii) the re-allocation of investments in coolers to capital expenditures amounting to R$25 million which had previously been allocated to marketing expenses; iii) a reduction of R$15 million from the reclassification of Eagle subsidiary selling expenses, which became direct distribution operations; iv) reduction of fixed commercial expenses due to the Zero Budget Program, and v) optimization of marketing expenses made possible by investments in market research and technology which allowed the company to better understand the habits of its targeted consumers.

Depreciation & Amortization

D&A not allocated to the cost of goods sold increased 12.4% in 1999 when compared to 1998 as a result of amortization of direct distribution investments, reaching R$95.4 million in 1999 versus R$84.9 million in 1998.

Management's Discussion and Analysis of Results of Operations and Financial Condition - 1999

Operating Profits

Operating Profits (excluding provisions and other operating items) were R$464.6 million, an increase of 38.4% when compared to 1998, while EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) rose 35.4%, from R$666.6 million in 1998 to R$902.7 million in 1999. This performance is principally due to reductions in SG&A expenses in line with Zero Budget program.

Net Interest Expense

In 1999 interest expense was R$804.4 million, 132.2% above 1998, with total debt of R$1.982 billion. In the beginning of 1999, the Brazilian currency was devalued, causing higher interest payments on U.S. dollar denominated debt. However, the Company's cash flow was not affected due to the use of risk management instruments such as swaps and derivatives, which led interest income to rise to R$675.1 million, 216.9% above the same period in 1998. Net interest expense, excluding provisions for interest on own capital, totaled R$129.3 million in 1999 compared to R$133.4 million in 1998, a decrease of 3%.

Non-Operating Income

Non-operating expense in 1999 was R$19.9 million, mainly due to the write-off of non-operating assets in the amount of R$45.3 million. The company also registered R$12.2 million in other non-operating expenses. Non-operating gains were booked during 1999 on ICMS (state VAT tax) and IPI (federal excise tax) credits on capital expenditures prior to October 1996 (R$37.6 million), and foreign exchange gains on assets abroad (R$57.3 million).

Provision for Contingencies

In 1999, net provisions for contingencies amounted to R$51.2 million due to challenges pending regarding the following tax matters: ICMS and IPI tax credits on capital expenditures before 1996 in the amount of R$37.6 million; PIS/Cofins tax levied on other operating income in the amount of R$23.8 million; and recognition of the deductibility of interest on own capital on the social contribution base for 1996, in the amount of R$20.1 million. These values are being provisioned because the Company has not yet received a definitive judicial decision regarding this matter. R$53.9 million in provisions were reversed following the expiration of the statute of limitations on tax assessments in previous years regarding the interpretation of Brazilian monetary correction.

Income Tax and Social Contribution

In 1999, the income tax and social contribution benefit was R$17.6 million. This is the result of tax savings of R$65.9 million in 1999 from the deductibility of interest on own capital on Social Contribution, and R$61.1 million due to the effect of the Company's hedging policy, where profits earned in foreign subsidiaries are not subject to social contribution tax. Moreover, a court decision regarding taxes paid in prior years in the amount of R$49.1 million related to revision of 1995 and 1996 statements was favorable to the company. Other tax benefits totaled R$5.9 million in 1999. Income tax of R$56.9 million was provisioned on profits earned in subsidiaries where the company does not possess tax loss carryforwards.

Profit Sharing

According to the Company by-laws, the maximum percentage of net income to be paid in profit sharing is 10% for employees and 5% for directors. Profit sharing provisions amounted to R$39.9 million in 1999 since the company performance objectives were achieved during 1999. In 1998, the amount was R$3.2 million.

Net Income

Net income in 1999 was R$322.3 million, or R$46.66 per 1,000 shares and R$0.93 per ADR.

Liquidity and Capital Resources

Liquidity

The Company's primary sources of liquidity have been cash flows from operating activities and borrowings. Operating profit before depreciation, amortization, and interest expense (EBITDA) was R$902.7 million in 1999 and R$666.6 million in 1998. These resources were primarily used for:

(1) interest payments and amortization of debt;
(2) capital expenditures;
(3) investments in subsidiaries;
(4) payment of dividends and interest on own capital; and
(5) the share buyback program.

Net Working Capital

Net working capital increased from R$386.1 million to R$843.0 million at December 31, 1999, an increase of 118.3%. This was the result of strong cash flow generation, which led to a rise of R$603.1 million in cash and equivalents during the year.

Indebtedness and Financing Strategy

Total Debt

At December 31, 1999, the Company's total outstanding third-party debt plus sales tax deferrals totaled R$1.982 billion, consisting of: (1) R$1.030 billion in borrowings in local currency, including R$99.7 million of financed ICMS taxes; and (2) R$951.7 million in foreign currency borrowings, primarily denominated in U.S. dollars. Amortizations of short-term U.S. dollar debt during 1999 were R$400 million; however, due to the effect of the devaluation of the Real, the value of U.S. dollar denominated debt increased in local currency, with total debt rising 5.4%.

Short-Term Debt

The Company's short-term debt in 1999 consisted of financing for the importation of raw materials and equipment in the amount of R$1.043 billion, up 16% compared to 1998. Short-term debt at December 31, 1999 was mostly denominated in US dollars, with weighted average interest rates between approximately 7.8% and 10.6%.

Long-Term Debt

The Company's long-term debt totaled R$938.7 million at December 31, 1999, down 4.3% compared to the prior year. This amount consists primarily of loans from governmental agencies including the BNDES programs (FINAME – Fund for Financing the Acquisition of Industrial Machinery and Equipment – and FINEM – Financing Enterprises) and IFC used to finance the company's capital expenditure program from 1994-1998.

Sales Tax Deferrals

Certain Brazilian states in the past have provided tax incentives for companies to construct production facilities within their states. These incentives generally allow for the postponement of the payment date of state value-added tax (ICMS), and have permitted the modernization of a significant portion of the Company's production capacity, leading to improved productivity and more modern plants. In 1999, sales tax deferrals totaled R$99.7 million, a reduction of R$20.7 million compared to 1998, primarily due to accelerated payments to take advantage of discounts offered by certain states.

Management's Discussion and Analysis of Results of Operations and Financial Condition - 1999

Net Debt

Although total debt remained approximately stable, Brahma's net debt (total debt minus cash and cash equivalents) decreased from R$798.9 million at December 31, 1998, to R$284.2 million at year-end 1999, primarily due to strong cash flow generation and a successful risk management policy.

Risk Management

In the 3Q98, the Company adopted a strategy to minimize its exposure due to loans denominated in foreign currency by investing in securities indexed to the U.S. dollar, swap contracts and other derivatives in Brazil and abroad, protecting the company's net income from losses. In Argentina, the Company adopted the same policy during the first half of1999, while in Venezuela all assets and liabilities are indexed to the Bolivar.

Capital Expenditures

Capital expenditures totaled R$312.4 million in 1999, with R$143.1 million resulting from the impact of the devaluation on foreign assets while actual investments in the maintenance of current capacity were R$169.3 million. The Company invested R$40 million in freezers and replacements of crates and glass bottles, while approximately R$130 million was invested in industrial plants and direct distribution.

The Company's capital expenditures caused an increase of 1.1% in productivity in 1999 compared to the previous year, reaching 8,776 hl/employee/year.

Dividends

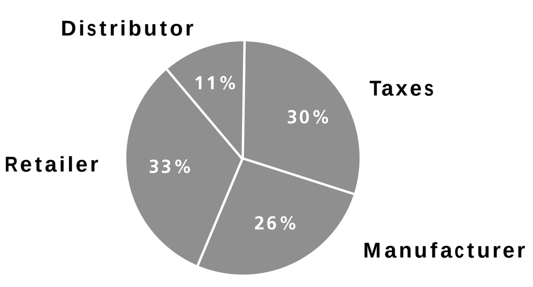
Management has proposed a dividend payment of R$20.65 per 1,000 common shares and R$22.715 per 1,000 preferred shares, corresponding to 49.46% of adjusted net income for the fiscal year ended December 31, 1999 (excluding the mandatory contribution to the Legal Reserve). Of this amount, a net value of R$7.20 per 1,000 common shares and R$7.92 per 1,000 preferred shares have already been credited to shareholders in the form of interest on own capital at July 20, 1999. Tax will be withheld in accordance with current legislation, which will result in a net distribution of R$ 13.45 per thousand common shares, R$ 14.795 per thousand preferred shares and R$ 4.9317 per thousand preferred shares which were fully paid up at the time of the capital increase approved at the Board Meeting held on November 18, 1999, and ratified at the meeting on December 20, 1999, to be paid as of March 15, 2000.

Market Price Composition

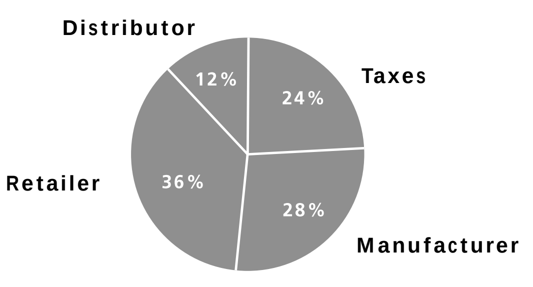
The following charts present the composition of the retail price for Brahma's products in 1999.

Breakdown of the Consumer Price – 1999 (%)

Beer



Soft Drinks



Companhia Cervejaria Brahma

Financial Statements at December 31, 1999 and 1998
and Report of Independent Accountants

Report of Independent Accountants
February 11, 2000

To the Board of Directors and Stockholders
Companhia Cervejaria Brahma

1 We have audited the accompanying financial statements of Companhia Cervejaria Brahma as of December 31, 1999 and 1998 and the consolidated financial statements of Companhia Cervejaria Brahma and its subsidiaries as of these same dates. These financial statements are the responsibility of company management. Our responsibility is to express an opinion on these financial statements.

2 We conducted our audits in accordance with Brazilian auditing standards which require that we perform the audits to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audits taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the companies, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements and (c) assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation.

3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Companhia Cervejaria Brahma and of Companhia Cervejaria Brahma and its subsidiaries at December 31, 1999 and 1998 and the results of operations, the changes in stockholders' equity and the changes in financial position of Companhia Cervejaria Brahma as well as the consolidated results of operations and of changes in financial position for the years then ended, in conformity with accounting principles determined by Brazilian corporate legislation.

PricewaterhouseCoopers	Júlio César dos Santos
Auditores Independentes	Partner
CRC 2SP000160/O-5 "S" RJ	Contador CRC 1SP137878/O-6 "S" RJ

Companhia Cervejaria Brahma

Balance Sheet at December 31
In thousands of reais

	Parent company		Consolidated	
Assets	**1999**	**1998**	**1999**	**1998**
Current assets				
Cash and banks	19,513	1,638	33,643	20,373
Marketable securities	585,336	239,653	1,663,772	1,060,653
Trade accounts receivable	177,904	199,181	322,905	334,639
Allowance for doubtful accounts	(13,631)	(10,631)	(28,599)	(29,548)
Dividends receivable		34,976		
Other receivables	33,270	33,375	134,265	73,684
Taxes recoverable	84,377	36,980	193,702	102,825
Inventories	201,345	195,745	383,333	372,685
Receivable from subsidiaries	5,186	77,463	3,684	4,226
Prepaid expenses	13,161	13,782	16,405	19,666
Total current assets	**1,106,461**	**822,162**	**2,723,110**	**1,959,203**
Long-term assets				
Compulsory deposits	3,820	4,121	6,713	7,228
Deposits for fiscal incentives	18,323	19,901	38,747	41,118
Judicial deposits	28,221	16,905	42,705	32,597
Financed sale of shares	89,038	76,835	89,038	76,835
Deferred income tax and social contribution	106,699	100,938	240,774	134,147
Receivable from subsidiaries	192,265	233,455	95,173	37,063
Properties for sale and others	13,251	3,507	39,944	14,767
Total long-term assets	**451,617**	**455,662**	**553,094**	**343,755**
Permanent assets				
Investments				
Subsidiaries				
Investment in subsidiaries	1,925,086	1,555,382		
Goodwill on acquisition of subsidiary			23,956	26,766
Properties not in use and other investments	9,318	3,674	37,205	11,611
Total investments	**1,934,404**	**1,559,056**	**61,161**	**38,377**
Property, plant and equipment (PP&E)	847,013	1,092,397	1,898,580	2,115,962
Deferred charges	108,028	122,949	189,917	212,025
Total fixed assets	**2,889,445**	**2,774,402**	**2,149,658**	**2,366,364**
Total assets	**4,447,523**	**4,052,226**	**5,425,862**	**4,669,322**

The accompanying notes are an integral part of these financial statements.

Liabilities and stockholders' equity	Parent company 1999	Parent company 1998	Consolidated 1999	Consolidated 1998
Current liabilities				
Accounts payable	189,969	160,133	315,774	255,093
Loans and financing	656,469	600,323	1,042,928	898,749
Salaries, profit sharing and social security	68,914	30,950	87,248	49,242
Dividends and interest on own capital	100,597	97,109	101,870	99,438
Income tax and social contribution	475		13,199	18
Other taxes and contributions	167,635	129,170	258,697	200,304
Payable to subsidiaries	885	22,486		
Other	40,088	32,226	69,407	70,275
Total current liabilities	**1,225,032**	**1,072,397**	**1,889,123**	**1,573,119**
Long-term liabilities				
Loans and financing	729,316	758,431	938,663	981,169
Sales tax deferrals	444,774	311,369	463,670	315,613
Other accounts payable	646	1,692	5,098	7,377
Payable to subsidiaries	176,063	262,033		
Deferred income tax and social contribution	93,069	43,866	176,644	58,008
Provision for contingencies and obligations	172,248	174,022	288,570	255,170
Total long-term liabilities	**1,616,116**	**1,551,413**	**1,872,645**	**1,617,337**
Minority interest			**57,719**	**50,450**
Stockholders' equity				
Subscribed and paid-up capital	990,327	975,029	990,327	975,029
Capital reserves	68,170	43,616	68,170	43,616
Revaluation reserve		2,306		2,306
Revenue reserves	554,509	660,788	554,509	660,788
Treasury stock	(6,631)	(253,323)	(6,631)	(253,323)
Total stockholders' equity	**1,606,375**	**1,428,416**	**1,606,375**	**1,428,416**
Total liabilities and stockholders' equity	**4,447,523**	**4,052,226**	**5,425,862**	**4,669,322**

Companhia Cervejaria Brahma

Income Statement
Years Ended December 31
In thousands of reais

	Parent company		Consolidated	
	1999	**1998**	**1999**	**1998**
Gross revenue				
Sales	4,616,633	4,775,744	6,846,479	7,005,073
Sales deductions				
Excise tax (IPI)	(723,290)	(700,205)	(976,057)	(983,654)
Value-added tax (ICMS)	(480,831)	(434,745)	(715,771)	(660,111)
Other taxes, discounts and returns	(1,277,291)	(1,583,576)	(1,906,377)	(2,205,634)
Net sales	**2,135,221**	**2,057,218**	**3,248,274**	**3,155,674**
Cost of sales	(1,326,242)	(1,187,844)	(1,905,053)	(1,799,726)
Gross profit	**808,979**	**869,374**	**1,343,221**	**1,355,948**
Operating expenses (income)				
Selling	144,104	286,386	350,700	488,406
Direct distribution	131,131	103,152	225,536	207,216
Administrative	131,074	142,681	196,417	234,451
Provision for (reversal of) contingencies and obligations	15,060	(52,567)	51,203	(117,660)
Directors' fees	8,792	3,279	10,523	5,152
Depreciation and amortization	46,203	38,977	95,408	84,891
Interest expense	625,820	298,183	804,426	346,413
Interest on own capital	178,169	144,290	178,169	144,290
Interest income	(404,686)	(111,698)	(675,118)	(213,043)
Reversal of interest on own capital	(178,169)	(144,290)	(178,169)	(144,290)
Investments in subsidiaries				
Equity method	(320,993)	(201,966)		
Exchange loss on investments abroad	(13,304)	(2,273)	(57,265)	(9,783)
Other operating expenses (income), net	(484)	7,039	(9,042)	1,453
Total operating expenses	362,717	511,193	992,788	1,027,496
Operating profit (carried forward)	**446,262**	**358,181**	**350,433**	**328,452**

The accompanying notes are an integral part of these financial statements. Please note that "operating profit" is defined as gross profit less operating and net interest expenses.

	Parent company 1999	Parent company 1998	Consolidated 1999	Consolidated 1998
Operating profit (brought forward)	**446,262**	**358,181**	**350,433**	**328,452**
Non-operating (expenses) income				
Loss arising from changes in holdings in subsidiaries			(2,975)	(1,873)
Other non-operating (expenses) income, net	(92,722)	(20,594)	(16,901)	28,986
Income before taxes	**353,540**	**337,587**	**330,557**	**355,565**
Income tax and social contribution	4,763	13,144	17,585	(34,374)
Income before profit sharing	**358,303**	**350,731**	**348,142**	**321,191**
Profit sharing				
Employees	(27,242)	(21,633)	(29,468)	(3,224)
Directors	(8,766)		(10,398)	
Net income before minority interest and unrealized profits	**322,295**	**329,098**	**308,276**	**317,967**
Minority interest			14,019	10,703
Unrealized profits				428
Net income for the year	**322,295**	**329,098**	**322,295**	**329,098**
Number of outstanding shares at year-end (thousands)	6,907,611	6,877,754		
Net income per thousand shares at year-end – R$	46.66	47.85		

Companhia Cervejaria Brahma

Statement of Changes in Stockholders' Equity
In thousands of reais

	Subscribed and paid-up capital	Bonus and premium on share subscriptions	Capital reserves Investment subsidies State programs	Capital reserves Investment subsidies Income tax
At December 31, 1998	975,029	20,770		22,846
Capital increase – cash subscription	15,298			
Fiscal incentives			24,554	
Repurchase of shares				
Cancellation of shares				
Realization of revaluation reserve				
Net income for the year				
Appropriation of net income for the year				
Statutory reserves				
Interest on own capital, prepaid and payable				
At December 31, 1999	**990,327**	**20,770**	**24,554**	**22,846**

	Subscribed and paid-up capital	Capital reserves Bonus and premium on share subscriptions	Capital reserves Income tax incentives
At December 31, 1997	927,777	20,770	20,872
Capital increase			
Cash subscription	46,606		
Capitalization of reserve	646		
Fiscal incentives – income tax			1,974
Repurchase of shares			
Cancellation of shares			
Realization of revaluation reserve			
Net income for the year			
Appropriation of net income for the year			
Statutory reserves			
Interest on own capital,prepaid and payable			
At December 31, 1998	**975,029**	**20,770**	**22,846**

The accompanying notes are an integral part of these financial statements.

Revaluation reserve	Revenue reserves				
Associated company	Legal	For capital increase	Treasury stock	Retained earnings	Total
2,306	121,063	539,725	(253,323)		1,428,416
					15,298
					24,554
			(6,019)		(6,019)
		(252,711)	252,711		
(2,306)		2,306			
				322,295	322,295
	16,115	128,011		(144,126)	
				(178,169)	(178,169)
	137,178	**417,331**	**(6,631)**		**1,606,375**

Revaluation reserve	Revenue reserves				
Associated company	Legal	For capital increase	Treasury stock	Retained earnings	Total
2,468	104,608	412,316	(138,080)		1,350,731
					46,606
		(646)			
					1,974
			(155,703)		(155,703)
		(40,460)	40,460		
(162)				162	
				329,098	329,098
	16,455	168,515		(184,970)	
				(144,290)	(144,290)
2,306	**121,063**	**539,725**	**(253,323)**		**1,428,416**

Companhia Cervejaria Brahma

Statement of Changes in Financial Position
Years Ended December 31
In thousands of reais

	Parent company 1999	Parent company 1998	Consolidated 1999	Consolidated 1998
Financial resources were provided by				
Operations				
Net income for the year	322,295	329,098	322,295	329,098
Expenses (income) not affecting working capital				
Investments in subsidiaries				
Equity in the method	(320,993)	(201,966)		
Exchange loss on abroad investments	(13,304)	(2,273)		
Provision for loss on unsecured liabilities of subsidiaries	93,313	54,830		
Provision for loss on investments			1,854	
Net book value of investment sold		18,555		
Depreciation and amortization	298,368	225,713	438,069	330,782
Net book value of property, plant and equipment disposals	63,470	75,795	107,611	144,758
Provision for (reversal of) contingencies and obligations	15,060	(52,567)	51,203	(117,660)
Interest on loan agreements with subsidiaries, net	15,109	8,664		
Interest expense on provision for contingencies and obligations	14,982	8,370	18,688	9,619
Deferred income tax and social contribution	43,442	(8,113)	12,009	19,015
Long-term foreign exchange and monetary variations	108,164		128,714	
Unrealized profits				428
Amortization of goodwill and negative goodwill, net	(7,697)	(1,626)	2,810	(431)
Loss arising from changes in holdings in subsidiaries			2,975	1,873
	632,209	454,480	1,086,228	717,482
Stockholders				
Capital subscription	15,298	46,606	15,298	46,606
Dividends received	133,551	35,555		
Change in minority interest			7,269	(3,349)
Third parties				
Increase (decrease) in long-term liabilities				
Loans and financing	(137,279)	68,398	(171,220)	108,818
Deferral of taxes on sales	133,405	143,462	148,057	147,650
Other accounts payable	(1,046)	68	(2,279)	(20,623)
Payable to subsidiaries	(143,001)	35,242		
Provision for contingencies and obligations	(31,816)	5,267	(36,491)	23,725
Transfer of property, plant and equipment to long-term receivables	5,447	1,854	16,690	
Transfer of property, plant and equipment to permanent investments	5,659		23,230	
Investment subsidies	24,554	1,974	24,554	1,974
Total funds provided	**636,981**	**792,906**	**1,111,336**	**1,022,283**

The accompanying notes are an integral part of these financial statements.

	Parent company		Consolidated	
	1999	1998	1999	1998
Financial resources were used for				
Increase (decrease) in long-term receivables				
Compulsory deposits	(316)	(171)	(515)	(412)
Deposits for fiscal incentives	(1,578)	2,303	(517)	2,822
Judicial deposits	11,316	2,379	10,108	3,170
Financed sale of shares	12,203	22,712	12,203	22,712
Receivable from subsidiaries	(83,112)	(43,650)	58,110	6,345
Properties for sale and other	9,744	(1,622)	25,177	3,126
Permanent assets				
Investments	254,574	316,555	2,364	
Property, plant and equipment	89,756	185,364	312,383	411,196
Deferred charges	22,883	52,945	36,702	96,424
Transfer of property, plant and equipment items to permanent investments	5,659		23,230	
Interest on own capital	178,169	144,290	178,169	144,290
Repurchase of shares	6,019	155,703	6,019	155,703
Goodwill on acquisition of subsidiary				28,100
Acquisition of subsidiary				
Working capital				(19,363)
Permanent assets				74,817
Other long-term assets and liabilities, net				(55,454)
Total funds used	**505,317**	**836,808**	**663,433**	**873,476**
Increase (decrease) in working capital	**131,664**	**(43,902)**	**447,903**	**148,807**
Changes in working capital				
Current assets				
At the end of the year	1,106,461	822,162	2,723,110	1,959,203
At the beginning of the year	822,162	795,086	1,959,203	1,678,694
	284,299	27,076	763,907	280,509
Current liabilities				
At the end of the year	1,225,032	1,072,397	1,889,123	1,573,119
At the beginning of the year	1,072,397	1,001,419	1,573,119	1,441,417
	152,635	**70,978**	**316,004**	**131,702**
Increase (decrease) in working capital	**131,664**	**(43,902)**	**447,903**	**148,807**

Companhia Cervejaria Brahma

Notes to the Financial Statements
at December 31, 1999 and 1998
All amounts in thousands of reais unless otherwise indicated

1 Operations

(a) Business

Companhia Cervejaria Brahma is headquartered in Rio de Janeiro and conducts its operations in the context of a group of companies which are jointly active in the production and sale of beer, draft beer, soft drinks, other non-alcoholic drinks and malt. The benefits of intercompany services and the costs of the group's operating and administrative structure are allocated to the companies, individually or proportionately, as is most practicable and reasonable in the circumstances. It also imports raw materials and exports finished products.

The company has holdings in subsidiaries with operating and production activities predominately in Brazil and other South American countries. During the years ended December 31, 1999 and 1998, export sales were approximately 6% and 5% of total consolidated sales, respectively.

The company's shares are traded on the São Paulo and Rio de Janeiro Stock Exchanges and American Depositary Receipts – ADRs, which represent its shares, are traded on the New York Stock Exchange. It registered two classes of American Depositary Shares – ADSs, in conformity with the U.S. Securities Act of 1933 and subsequent changes, each one representing 20 shares with no par value. Banco Itaú S.A. and The Bank of New York are, respectively, the custodian bank in Brazil and the depositary bank abroad of these American Depositary Shares.

(b) Association for the Creation of Companhia de Bebidas das Américas – AmBev

On July 1, 1999, the company announced an association with Companhia Antarctica Paulista – Indústria Brasileira de Bebidas e Conexos – Antarctica to create AmBev.

This association was analyzed by the SEAE – Special Secretariat for Monitoring Economic Activities, which, on September 11, 1999, issued a technical opinion suggesting the approval of the association, however with some restrictions among which are the sale of the total tangible and intangible assets of Skol, which is owned by the company, as well as the sale of one of the two industrial plants owned by the company and by Antarctica located in the cities of Cuiabá and Manaus.

At the same time, the association came under review of the Secretariat of Economic Rights – SDE, linked to the Ministry of Justice, which issued a technical opinion dated January 31, 2000, recommending the approval of the association with some restrictions, among which are the sale of one of the three beer businesses of AmBev (Brahma, Skol or Antarctica).

AmBev management does not agree with the bases of the recommendations included in the reports issued by these federal agencies, as the restrictions would not make the association feasible, since if enforced, they would result in a business unit smaller than that of Companhia Cervejaria Brahma.

The documents pertaining to this association were presented to CADE – the Administrative Council for Economic Defence for review and comment. The company is awaiting the decision of this body before starting the integration process.

(c) Joint venture and Franchising/Licensing Agreements

The company has a joint venture and other agreements for the production and distribution of other product brands in the local market, all approved by the anti-trust authority, CADE, as described below:

(i) Joint venture Miller Brewing do Brasil Ltda., with Miller Brewing 1855, Inc., for the production and distribution of Miller products in Brazil and in other South American markets. Products are currently produced at the Brahma plant in Jacareí.

(ii) Franchise agreement with Pepsico International Inc., for a 20-year term renewable for a further 10 years, which provides the company the right to distribute Pepsi brand products throughout Brazil.

(iii) Licensing agreements with Carlsberg AS to produce and distribute Carlsberg beer in Brazil and with Indústrias Gessy Lever Ltda. to produce and distribute Lipton Ice Tea brand products.

2 Significant Accounting Policies

(a) Financial Statements

The financial statements of the parent company and the consolidated financial statements were prepared and are presented in accordance with the accounting principles determined by Brazilian corporate legislation and instructions of the Brazilian Securities Commission (CVM).

When preparing financial statements, estimates are necessarily applied to record certain assets, liabilities and other transactions. The financial statements, therefore, include various estimates and assumptions relating to the selection of the useful lives of property, plant and equipment, provisions for contingent liabilities, determinations of provisions for income tax and other similar provisions, and consequently the actual results of operations may be different in relation to the estimates.

(b) Determination of Net Income

Sales and cost of sales are recorded on shipment of products. Other income and expenses are recognized on an accrual basis.

Income tax is calculated at the rate of 15% plus a surcharge of 10%, and the social contribution on net income is calculated at the rate of 8% for 1998 and for the period from January through April 1999. For the period from May through December 1999, this contribution was calculated at the increased rate of 12% (Note 13).

(c) Current Assets and Long-term Receivables

The allowance for doubtful accounts is established in an amount considered sufficient to cover probable losses on collection.

Inventories are stated at the average cost of purchase or production, which is lower than replacement cost or realizable amounts.

Marketable securities comprising mainly bank deposit certificates and financial investment funds and other assets and receivables are recorded at cost or realizable amounts including, when applicable, accrued earnings and monetary and foreign exchange losses or gains.

(d) Permanent Assets

These are stated at cost including restatements up to December 31, 1995, and consider the following:

- Investments in subsidiary and jointly controlled companies are recorded by the equity method.

All amounts in thousands of reais unless otherwise indicated

- Property, plant and equipment is stated at cost and includes interest capitalized during the construction of major facilities. Maintenance and repairs are expensed as incurred.

- Bottles and crates are classified with property, plant and equipment. Losses from bottle and crate breakages during production are included in cost of sales.

- Depreciation is calculated on a straight-line basis considering the useful economic life of the assets at the annual rates listed in Note 7.

- Deferred charges, consisting mainly of pre-operating expenses incurred on the construction and expansion of plants and commercial units, are amortized on the straight-line basis over a period of up to ten years as from the date benefits start to be generated.

(e) Current and Long-term Liabilities

These are stated at known or estimated amounts including, when applicable, accrued charges and monetary and foreign exchange gains or losses.

(f) Contingent Assets

The company has filed various legal proceedings contesting the constitutionality of taxes, mainly IPI and ICMS, which, due to their contingent nature, are recorded as gains only when assured by a final unappealable favorable decision.

3 Consolidated Financial Statements

The December 31, 1999 and 1998 consolidated financial statements were prepared in conformity with the consolidation principles established by Brazilian corporate legislation and the instructions issued by the CVM, and include the financial statements of the company, its direct and indirect subsidiaries, and those of jointly controlled companies. The following are the principal subsidiaries included in these financial statements:

Name of company	Percentage ownership direct and indirect 1999 and 1998
Dahlen S.A.	100.0
Eagle Distribuidora de Bebidas S.A.	100.0
Jalua S.A.	100.0
Pepsi Cola Engarrafadora Ltda.	100.0
Malteria Pampa S.A.	100.0
Cervejarias Reunidas Skol Caracu S.A.	99.9
CRBS S.A.	99.7
Cervejaria Águas Claras S.A.	(*) 93.3
C.C.B.A. Sociedad Anonima	70.0
C.A. Cervecera Nacional	50.2

(*) 1998: 96.3%

In 1998, the company bought 60% of the capital of Malteria Pampa S.A. from Canada Malting Co. Ltd. for R$ 61,420, increasing its holding to 100%, of which 60% is direct and 40% indirect. The aggregate goodwill paid on these acquisitions amounted to R$ 28,100, reflecting future expected profitability, to be amortized over ten years on a straight-line basis as from 1998. During the third quarter of 1998, upon acquiring share control, Malteria Pampa S.A. became a wholly owned subsidiary.

The consolidated financial statements also include the proportional consolidation of the assets and liabilities of the following companies which are jointly controlled through stockholders' agreements:

	Direct percentage holding in the capital in 1999 and 1998	
	Total	**Voting**
Cervejaria Miranda Corrêa S.A.	60.7	49.5
Miller Brewing do Brasil Ltda.	50.0	50.0
Pilcomayo Participações S.A.	50.0	50.0
Cervejaria Astra S.A.	(*) 43.1	53.7

(*) 1998: 40.9%

Pursuant to the stockholders' agreements, decisions regarding these companies are made jointly and net income is distributed based on the percentage holding of each party in the total capital. The company proportionately consolidates these jointly controlled companies, because the agreements impede majority shareholdings (direct and indirect).

For the years ended December 31, 1999 and 1998, the base dates for the preparation of the subsidiaries' financial statements included in the consolidation coincide with those of the parent company (December 31), except for Malteria Pampa S.A. for the year ended December 31, 1998, when the financial statements used in the consolidation were prepared as of November 30, 1998.

On consolidation, investments are eliminated in the proportion of the participation of the investors in the stockholders' equity and in the results of the investees, and the intercompany assets and liabilities, income and expenses and unrealized profits on intercompany transactions.

Minority interest in equity and net income are presented separately. Also, the assets, liabilities and income and expense of companies under joint control are consolidated in proportion to the percentage holding.

Total assets proportionately consolidated amount to R$ 125,260 (1998 – R$ 137,302), and net working capital to R$ 16,020 (1998 – R$ 770 – negative).

All amounts in thousands of reais unless otherwise indicated

4 Inventories

	Parent company		Consolidated	
	1999	**1998**	**1999**	**1998**
Finished products	42,297	46,185	68,748	77,412
Work in progress	19,580	18,756	26,877	25,075
Raw materials	95,560	81,838	196,547	176,520
Production materials	17,938	19,537	32,604	38,376
Bottles and crates		845	12,268	9,776
Warehouse	25,970	25,440	44,495	41,478
Other		3,144	1,794	4,048
	201,345	195,745	383,333	372,685

5 Investments in Subsidiaries and Jointly controlled Companies

Position, holding and information at December 31, 1999:

			Subsidiaries	
Name of company	**Number of shares or quotas held**	**Direct holding – %**	**Adjusted stockholders' equity**	**Net income (loss) for the year**
Cervejaria Águas Claras S.A.	128,972,432	93.30	137,692	(2,746)
Cervejaria Astra S.A.	21,929,827	43.06	82,786	7,320
Cervejaria Miranda Corrêa S.A.	2,052,414	60.76	(9,322)	(9,339)
Cervejarias Reunidas Skol Caracu S.A.	12,756	99.69	139,292	(16,256)
CRBS S.A.	727,533,886	94.76	562,928	67,435
Dahlen S.A.	50,000	100.00	43,985	(1,068)
Eagle Distribuidora de Bebidas S.A.	115,611	99.94	206,163	(6,695)
Gibral Trading e Participações S.A.	1,666	33.32	36	
Pilcomayo Participações S.A.	20,783,000	50.00	(57,003)	(20,545)
Jalua S.A.	79,020,535	41.26	1,681,266	545,724
Arosuco Aromas e Sucos S.A.	360	99.10	47,465	22,076
Malteria Pampa S.A.	1,439,747,100	60.00	54,770	(15,916)
Miller Brewing do Brasil Ltda.	12,992,060	50.00	(13,272)	(4,525)
CCB Paraguay S.A.	30,000	99.90	1,107	631
Pepsi Cola Engarrafadora Ltda.	659,695,642	99.28	97,769	(101,010)
Other companies – indirect control				
Provision for loss on investments				
Goodwill on acquisition of subsidiary, net				
December 31, 1999				
December 31, 1998				

Parent company			Balances (parent company)	
Book value of investment	Equity in the earnings (losses)	Dividends received	Receivable (current and long term)	Payable (current and long term)
128,467	(3,362)		123	28,941
35,648	3,752	6,615	43,924	
		58	17,409	
138,862	(16,652)	59,953		63,995
533,432	63,236	66,925	6,904	
43,985	(1,068)			
206,039	(6,733)		314	
12				
693,689	285,932			37,357
47,046	27,854		66	45,792
32,862	(10,215)			
			3,821	
1,098	630			
97,065	(22,381)		45,726	
			79,164	863
(40,801)				
7,682				
1,925,086	320,993	133,551	197,451	176,948
1,555,382	201,966	35,555	310,918	284,519

All amounts in thousands of reais unless otherwise indicated

During the second quarter of 1999, the company formed Arosuco Aromas e Sucos S.A., which originated from the spin-off of the Cervejaria Miranda Corrêa S.A. subsidiary

The provision for loss on investments at December 31, 1999 basically refers to the company's participation in the amount by which liabilities exceed the assets of subsidiaries Pilcomayo Participações S.A., Miller Brewing do Brasil Ltda. and Cervejaria Miranda Corrêa S.A. In 1998, it refers to a similar provision for subsidiaries Pepsi Cola Engarrafadora Ltda., Pilcomayo Participações S.A. and Miller Brewing do Brasil Ltda. The contra-account for this provision is recorded in "Other non-operating (expenses) income".

The provision for loss on the investment in Pepsi Cola Engarrafadora Ltda., of R$ 48,448 at December 31, 1998, was reversed in 1999 by reason of a capital increase of R$ 242,552 in this subsidiary.

During the year ended December 31, 1999, Panaro S.A., which was not operating, was dissolved.

6 Transactions with Related Parties

	Parent company		Consolidated	
	1999	**1998**	**1999**	**1998**
Transactions during the year				
Sales	204,687	148,710	636,725	478,375
Cost of sales	(121,219)	(96,047)	(458,670)	(335,744)
Interest expense on loan agreements, net	15,109	8,664		
Guarantees and sureties provided	475,724	129,700	1,166,100	916,485

These transactions consist mainly of sales to beverage distributors which are controlled by the company or to other companies which, besides being producers, also distribute products to points of sale; these amounts were eliminated in the consolidated financial statements.

Transactions with subsidiary companies which are mainly engaged in the production and sale of beer, draft beer, and soft drinks, as well as non-alcoholic drinks and the bottling of mineral water, are at normal market prices and conditions, within the context of the Brahma group's operations. In 1999 and 1998, loan agreements between the parent company and subsidiaries have no due dates and bear interest charges equivalent to those obtained on financial resources raised in the market by the parent company.

The financial statements of significant subsidiaries were audited or reviewed by our independent accountants.

7 Property, Plant and Equipment

	Parent company		Consolidated		
	1999	1998	1999	1998	Annual depreciation rates – %
Cost					
Buildings and constructions	436,321	462,491	910,924	872,321	4
Machinery and equipment	1,246,441	1,268,694	2,182,646	2,093,904	10 to 20
Vehicles	18,521	17,049	29,125	33,161	20
Offsite equipment and other assets	143,537	139,943	278,195	290,067	10
Forestation and reforestation	2,231	2,196	3,082	3,047	4
	1,847,051	1,890,373	3,403,972	3,292,500	
Accumulated depreciation	(1,066,028)	(884,346)	(1,705,046)	(1,396,614)	
	781,023	1,006,027	1,698,926	1,895,886	
Cost of items not subject to depreciation					
Land	31,940	32,809	95,797	86,486	
Intangible assets	19,440	18,594	43,635	38,788	
Construction in progress	14,610	34,967	60,222	94,802	
	847,013	1,092,397	1,898,580	2,115,962	

Construction in progress, at December 31, 1999 and 1998, basically relates to operating improvements.

During 1998 and 1997, the new Sergipe and Rio Grande do Sul plants were completed and became operational. These investments were funded by the company's own resources and by financing from the National Bank for Economic and Social Development (BNDES), through the FINAME/FINEM programs, and from the International Finance Corporation – IFC.

At December 31, 1999, 13 plants owned by the company and its subsidiaries are in the phase of being decommissioned, with a book value, net of accumulated depreciation, of R$ 86,709 (December 31, 1998 – R$ 90,986).

During 1999, an internal study to evaluate the situation of non-operating assets and the potential for losses arising from the decommissioning of plants being phased out of was concluded. As a result of this study, which considered, among other assumptions, the useful life of the non-operating assets, technological obsolescence of machinery and equipment and an analysis of the feasibility of sale of the properties, certain assets, defined as not-reusable in the industrial process were excluded from fixed assets as these are to be sold or scrapped. The net book value of scrapped items was recorded in "Other non-operating expenses/income" and the items for sale transferred to the Properties for sale account. At December 31, 1999, a provision of R$ 7,710 was recorded to meet losses which may arise from decommissioning the remaining assets, which is considered sufficient by management.

Properties for sale at December 31, 1999 (R$ 5,447 of the parent company and R$ 16,690 consolidated) are classified as long-term receivables at the respective estimated realization amounts.

Properties not in use at December 31, 1999 (R$ 5,659 of the parent company and R$ 23,230 consolidated) are classified as permanent assets at their estimated realization amounts.

Companhia Cervejaria Brahma

Notes to the Financial Statements
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8 Loans and Financing

Local currency

Type/purpose	Interest charges	Final due date
Working capital	Interest of 14.7% p.a.	December 2005
Raw materials	Interest of 8.7% p.a.	July 2000
ICMS fiscal incentives	Interest of 0.2% p.a. above the UFIR	December 2025
Acquisition of equipment – BNDES – FINAME	Interest of 1.4% and 6% p.a. above the TJLP	August 2006
Plant construction and expansion – BNDES – FINEM	Interest of 1.2% and 5.5% p.a. above the TJLP	November 2005
Total local currency		

Foreign currency

Type/purpose	Interest charges	Final due date
Working capital	Interest of 7.8% to 8.3% p.a. plus exchange rate variation	June 2000
Raw material Imports	Interest of 7.3% to 9.3% p.a. plus exchange rate variation	September 2002
Equipment – IFC	Interest of 8.6% to 10.6% p.a. plus exchange rate variation	June 2003
Total foreign currency		
Total debt		

Abbreviations used:

IFC – International Finance Corporation
UFIR – Fiscal Reference Unit
TJLP – Long-term Interest Rate
LIBOR – London Interbank Offered Rate

	Parent company				Consolidated			
	Current		Long-term		Current		Long-term	
	1999	1998	1999	1998	1999	1998	1999	1998
		1,291			557	1,865	23,747	20,591
	23,894	14,143			23,965	14,143		
			89,709	82,790		4,201	99,746	120,445
	35,650	114,685	39,122	64,511	44,735	120,255	103,972	78,426
	176,228	64,899	545,977	523,974	181,828	79,115	551,347	548,480
	235,772	**195,018**	**674,808**	**671,275**	**251,085**	**219,579**	**778,812**	**767,942**

	Parent company				Consolidated			
	Current		Long-term		Current		Long-term	
	1999	1998	1999	1998	1999	1998	1999	1998
					172,954	92,840		
	347,318	365,691		14,147	464,245	493,342	1,622	22,888
	73,379	39,614	54,508	73,009	154,644	92,988	158,229	190,339
	420,697	**405,305**	**54,508**	**87,156**	**791,843**	**679,170**	**159,851**	**213,227**
	656,469	**600,323**	**729,316**	**758,431**	**1,042,928**	**898,749**	**938,663**	**981,169**

All amounts in thousands of reais unless otherwise indicated

(a) Collateral

Loans and financing for the expansion and construction of plants, as well as for purchases of equipment are secured by mortgages on the properties and financial liens on the equipment. Loans for the purchase of raw materials, primarily malt, are guaranteed by promissory notes and group companies.

(b) Due Dates

Long-term loans and financing fall due as follows:

	1999		1998	
	Parent company	Consolidated	Parent company	Consolidated
2000			220,338	283,246
2001	204,315	275,313	146,512	195,674
2002	180,172	214,974	141,668	170,415
2003	155,933	172,910	119,047	128,554
2004	130,808	161,837	97,043	129,067
2005 and subsequent years	58,088	113,629	33,823	74,213
Total	**729,316**	**938,663**	**758,431**	**981,169**

(c) IFC and BNDES

In 1996, the company and various subsidiaries obtained resources from the IFC amounting to US$ 158,000 thousand (consolidated – US$ 240,500 thousand), which were used to finance the 1994/1995 investment program in addition to own resources and BNDES and FINAME lines of credit. Part of the IFC loan (3.16%) may be converted into preferred shares of the company, at the option of IFC (10,745 thousand preferred shares have been reserved, as indicated in Note 9(c)).

In regards to this financing, the company and some of its subsidiaries assumed certain obligations with the IFC, including:

- Commitment to invest all the resources in the approved investment program as follows: (i) construction of two beer and soft drinks production plants; (ii) expansion and modernization of seven other plants and (iii) various capital expenditures.
- Maintain certain balance sheet indices within specified limits.
- Comply with the regulations of the World Bank environmental impact policy.
- Contract sufficient insurance coverage.
- Substantially maintain its current plants.

On December 31, 1999, the company and its subsidiaries are compliant with these contractual obligations.

The company also entered into a financing agreement with the BNDES amounting to R$ 858,367 to meet the requirements of the 1996-1998 investment plan, including projects for the construction of new plants, and the expansion and modernization of existing ones. Of this total, R$ 173,742 was received from FINAME and the remaining R$ 684,625 from FINEM. During 1999, investments for 1999 were included in this plan, without, however, any change to the previously contracted financing.

Tranches are released on proof of investments, and as at December 31, 1999, amounts still available for future release, as prescribed in the agreements, were R$ 41,267 – FINAME (December 31, 1998 – R$ 115,089) and R$ 45,661 – FINEM (December 31, 1998 – R$ 132,717).

(d) ICMS Fiscal Incentives – Deferral of Taxes

These fiscal incentives relate to programs offered by certain states under which a part of ICMS tax is deferred, generally over five years as from the original due date, with the intermediation of the states' financial agents. The deferred amounts usually range from 75% in the first year to 40% in the last year or to a fixed percentage throughout the program. Amounts deferred bear no interest and are only partially adjusted for inflation, in most cases from 60% to 80% of a general price index.

ICMS is also deferred under state programs to foster industrial production and is recorded as Deferral of taxes on sales, in long-term liabilities. Terms are similar to other tax financing plans and the payment terms are up to 10 years.

(e) Interest Income and Expenses

	Parent company		Consolidated	
	1999	**1998**	**1999**	**1998**
Interest Income				
Interest on financial investments	44,521	39,178	207,879	173,838
Monetary and foreign exchange variations on assets	53,066	3,479	60,287	4,760
Interest on overdue receivables	2,107	2,810	4,022	3,801
Income from hedging transactions	255,267	5,357	373,230	10,560
Income on loan agreements	41,921	46,159		
Other	7,804	14,715	29,700	20,084
Total Interest Income	404,686	111,698	675,118	213,043
Interest Expenses				
Interest and monetary variations on local loans	123,659	85,468	151,492	101,344
Interest and foreign exchange variations on foreign loans	310,063	86,222	401,815	134,643
Other variations	16,067	9,662	19,756	11,613
Bank expenses	1,134	1,624	3,445	3,798
Provisional Contribution on Financial Transactions tax (CPMF)	14,787	12,582	24,527	20,522
Expenses from hedging operations	81,900	26,254	111,685	41,598
Interest on loan agreements	57,030	54,823		
Financial expenses on provision for contingencies and obligations	14,982	8,370	18,688	9,619
Other	6,198	13,178	73,017	23,276
Total Interest Expenses	625,820	298,183	804,425	346,413

9 Stockholders' Equity

(a) Authorized Capital

Share capital can be increased up to a limit of 12,399,838 thousand shares, one-third common and two-thirds preferred, all of which are book entry shares with no par value.

(b) Subscribed and Paid-up Capital

At December 31, 1999, subscribed and paid-up capital comprises 6,925,584 thousand (December 31, 1998 – 7,282,405 thousand) shares, of which 2,635,679 thousand (December 31, 1998 – 2,667,456 thousand) are common and 4,289,905 thousand (December 31, 1998 – 4,614,949 thousand) preferred, with no par value. Foreign stockholders hold 87,382 thousand (December 31, 1998 – 670,640 thousand) common shares and 2,264,971 thousand (December 31, 1998 – 1,912,501 thousand) preferred.

(c) Treasury Stock

At December 31, 1999, there are 17,973 thousand (December 31, 1998 – 404,651 thousand) shares held in treasury, of which 7,228 thousand (December 31, 1998 – 31,777 thousand) are common and 10,745 thousand (December 31, 1998 – 372,874 thousand) preferred. The market value of treasury stock, based on the most recent quoted stock exchange price prior to December 31, 1999, is R$ 20,291 (December 31, 1998 – R$ 213,718).

Of these shares, 10,745 thousand preferred have been reserved for IFC, as authorized by CVM Communication CVM/GEO 146/95.

During 1999, the price of ordinary shares repurchased was R$ 668.61 per thousand shares. During 1998, the average price of shares repurchased was R$ 606.65 per thousand shares and the minimum and maximum prices were R$ 385.00 and R$ 760.00 per thousand shares, respectively.

As authorized at the Extraordinary General Stockholders' Meeting held on March 31, 1999, 31,777 thousand common and 364,371 preferred shares amounting to R$ 252,711 were cancelled, excluding the preferred shares set aside to comply with the convertibility provision in the contract with IFC. During the year ended December 31, 1998, 58,493 thousand common shares amounting to R$ 40,460 were cancelled.

The expiration date of the share repurchase program, which started on November 14, 1997 and was initially projected to close on February 9, 1999, was extended to May 10 and later to August 25, 1999. However, at the Board of Directors meeting of July 1, 1999, the cancellation of this share repurchase program was approved upon the creation of AmBev. During this repurchase program, 364,331 thousand preferred and 97,498 thousand common shares were acquired at a cost of R$ 297,984.

(d) Rights of Preferred Shares

Preferred shares have priority in respect to the proceeds in event of liquidation, and the right to receipt of a minimum non-cumulative dividend of 25% of net income. Pursuant to Law 9457/97, preferred shares are entitled to a dividend 10% greater than that paid to common share holders.

(e) Reserve for Capital Increase

This reserve receives the remaining net income of each year after appropriation to statutory reserves and proposed dividends.

(f) Revaluation Reserve

During the quarter ended March 31, 1999, the company opted to reverse the outstanding balance of this reserve, as prescribed in CVM Deliberation 288/98.

(g) Capital Reserves – Investment Subsidies

The company benefits from various state fiscal incentive programs which give it the right to partial or full rebates of various taxes. Not all states stipulate qualifying periods for benefits nor impose waiving these taxes. However, when conditional rights exist, they are under control of the company.

The benefit relating to the waiver of payment of these taxes is treated as an investment incentive, recorded on an accrual basis, or at the time it is considered probable that the company will meet the main requirements determined by the state programs.

(h) Interest on Own Capital

As from 1996, companies have the option to pay interest on own capital (stockholders' equity), which can be considered as part of the minimum mandatory dividend. The calculation is based on stockholders' equity and the interest rate may not exceed the annual TJLP average rate (13.2% for 1999 and 11.1% for 1998).

Interest on own capital was paid only by the parent company, adopting the "pro rata" daily variation of the TJLP applied to the changes in the equity accounts.

During the year ended December 31, 1999, interest on own capital amounted to R$ 178,169 (1998 – R$ 144,290), which, for financial statement presentation purposes, was appropriated directly to retained earnings. Although recorded in the statement of income accounts, its effect on pre-tax income is fully offset by the reversal of an equivalent amount in "Operating expenses (income)".

(i) Dividends

Although the company distributed interest on own capital, its dividend distribution policy has not been altered and continues to be based on net income as summarized below:

	1999	1998
Net income for the year	322,295	329,098
Appropriation to legal reserve (5%)	(16,115)	(16,455)
Dividend calculation basis	306,180	312,643
Dividend details		
Interim interest on own capital – 1st semester	62,118	51,742
Proposed interest on own capital – 2nd semester	116,051	92,548
Total interest paid and proposed	178,169	144,290
Withholding income tax – IRRF at 15%	(26,725)	(21,662)
Total interest on own capital, net, considered as a dividend	151,444	122,628
Dividend as a percentage of the base for calculation – %	58.19	46.15
Interest on own capital per thousand shares outstanding at year-end – R$		
Common	24,2941	19,7500
Preferred	26,7235	21,7250

At the meeting on July 7, 1999, the Board of Directors approved the payment of interest on own capital out of the first semester 1999 net income of R$ 8.4706 per thousand common shares (R$ 6.0100 in the first semester 1998) and R$ 9.3177 per thousand preferred shares (R$ 6.6110 in the first semester 1998). Tax was withheld on this interest and the net payment was R$ 7.2000 per thousand common shares and R$ 7.9200 per thousand preferred shares. This distribution, payable as from July 20, 1999, was considered as the interim 1999 dividend.

On December 20, 1999, the Board of Directors approved the payment of a final dividend out of the second semester 1999 net income, to be considered as interest on own capital, of R$ 15.8235 per thousand common shares (R$ 10.7775 in the second semester 1998) and R$ 17.4059 per thousand preferred shares (R$ 11.8553 in the second semester 1998) and, exceptionally, R$ 5.8020 per thousand on those preferred shares which were fully paid up at the time of the capital increase approved at the Board of Directors meeting on November 18, 1999. Tax will be withheld in accordance with current legislation, which will result in a net distribution of R$ 13.4500 per thousand common shares, R$ 14.7950 per thousand preferred shares and R$ 4.9317 per thousand preferred shares fully paid up at the time of the capital increase mentioned above, and will be payable as from March 15, 2000.

(j) Profit Sharing

The by-laws provide for the distribution to employees of up to 10% of net income, based on predetermined parameters. Executive officers are entitled to profit sharing in an amount which cannot exceed their annual remuneration or in aggregate the equivalent of 5% of net income, whichever is lower. Distribution of bonuses to the executives is based on meeting individual performance and efficiency goals, as approved by the Board of Directors.

For the year ended December 31, 1999, R$ 39,866 (consolidated) was allocated for the profit sharing of employees and executives (R$ 36,008 – parent company), complying with the limits in the by-laws. No bonuses were paid to executives for the year ended December 31, 1998, as the targets set by the company were not met.

(k) Stock Option Plan – Financed Sale of Shares

The purpose of the stock option plan is to further the social objectives of the company and to attract and retain the services of executives and certain employees. The Plan concedes both common and preferred shares.

The Plan is managed by a committee of non-executive members of the Board of Directors. This committee periodically develops stock option programs defining the conditions and the employees to be included and the price at which shares will be issued. This price cannot be less than 90% of the average price of shares traded on the Rio de Janeiro Stock Exchange (BVRJ) in the three business days prior to the concession date, indexed for inflation from the date the option is conceded through the exercise date. The number of shares that can be conceded during each year cannot exceed 5% of the total number of shares of each type of share on that date. When options are exercised, the company issues new shares. Stock options have no final date to be exercised. If an employee leaves, except on retirement, the company can repurchase these shares, at its option, for a price equal to (i) the price paid by the employee adjusted for inflation, if he leaves within the first 30 months after exercising his option, (ii) 50% of the price paid adjusted for inflation and 50% of the current market price, if the employee leaves after the first 30 months but before the 60th month after the option is exercised, and (iii) the market price from then on.

The company finances the purchase of shares in accordance with the pre-established conditions of the Plan. Financing arrangements are normally for periods of not more than four years and include interest of 8% per annum over and above a defined general price index. This financing is guaranteed by the shares issued when the option is exercised. At December 31, 1999, the outstanding balance of this financing was R$ 89,038 (1998 – R$ 76,835).

The movement on stock options during the years ended December 31, 1999 and 1998 is summarized as follows:

	Stock options (thousands of shares)	
	1999	**1998**
Stock options exercisable at the beginning of the year	371,550	361,109
Movement during the year		
Granted	138,473	145,649
Exercised	(39,327)	(110,810)
Cancelled	(30,092)	(24,398)
Stock options exercisable at the end of the year	440,604	371,550

10 Social Security Programs

(a) Instituto Brahma de Seguridade Social – IBSS

The IBSS is a private pension fund designed to supplement the benefits which the government social security system provides for employees of the companies of the Brahma Group which sponsor the fund.

Contributions of the sponsors are, at a minimum, sufficient to cover the difference between the percentage contributed by the active participants and the full rate computed actuarially. To fulfill its program, IBSS received during 1999 R$ 2,360 (1998 – R$ 3,162) in contributions from the parent company and R$ 693 (1998 – R$ 1,110) from subsidiaries. The cost of the benefit plan is determined actuarially and includes the capitalization of the unit benefit credit projected through retirement or death benefits of the beneficiary and also the distribution of capital coverage for death benefits. Based on this calculation, the company has been contributing 3.1% of the payroll. At December 31, 1999, IBSS has no technical deficit which would otherwise represent a liability to its sponsors.

Currently, IBSS has 5,951 members (1998 – 6,060), and 2,549 (1998 – 3,504) are receiving payments to supplement their government social security benefits (number of participants and benefited persons, unaudited).

(b) Fundação Assistencial Brahma

The Brahma Welfare Foundation was formed in 1983 to provide medical, dental, educational, sporting and social assistance to sponsoring company employees and their dependents (approximately 25,100 beneficiaries at December 31, 1999 and 1998 – unaudited). The companies, at their option, may contribute up to 10% of net income to support the Foundation.

Beneficiaries pay up to a maximum of 50% of the cost of medical and dental consultations and the balance is paid by the Foundation. Inpatient health services are normally fully covered. The Foundation administers medical and dental assistance through independent health providers who offer health insurance.

Actuarial calculations in 1999 and 1998 by qualified actuaries showed that the Foundation had a surplus. For this reason, and taking into consideration the resources already held by the Foundation, the company and its subsidiaries did not make any provisions in these years.

All amounts in thousands of reais unless otherwise indicated

11 Provision for Contingencies and Obligations

(a) General Considerations

This provision is set up to cover losses which legal counsel consider to be probable and the amounts of which can be reasonably estimated at December 31 of each year with respect to labor, tax, civil and commercial proceedings at the administrative and judicial levels. Management believes that the provision, including accrued interest, is sufficient to meet probable losses in the event of unfavorable rulings.

Additionally, for certain legal proceedings, the company is contesting the payment of various taxes and contributions and has made court deposits at equivalent or lower amounts pending final decisions.

There are other ongoing labor, tax, civil and commercial processes which, according to the evaluation of outside legal counsel, are subject to possible losses of approximately R$ 231,000, or losses considered to be remote. Based on this evaluation, periodically monitored by outside legal counsel, no provision for these contingencies has been set up for these processes.

Probable losses, for which provisions have been made based on the advice of outside legal counsel, are summarized as follows:

	Parent company		Consolidated	
	1999	**1998**	**1999**	**1998**
Income tax and social contribution	22,631	48,417	28,750	62,137
Labor claims	28,776	28,816	45,859	46,094
ICMS and IPI	63,630	69,192	113,561	85,721
PIS and COFINS	25,960	5,581	36,772	6,247
Distributor actions	7,214	8,678	25,908	25,690
Other	24,037	13,338	37,720	29,281
	172,248	174,022	288,570	255,170

(b) Movement During the Year

The increase in the provision for contingencies and obligations in 1999 over 1998, amounting to R$ 15,060 by the parent company (R$ 51,203 consolidated), arises from the setting up of new provisions, net of gains, the main ones being:

(i) The company obtained a preliminary injunction during 1999 which guaranteed the same level of PIS and COFINS contributions on billings. Unpaid amounts, which relate to other revenue, are recorded in liabilities until there is a final decision, with a contra-entry recorded in income. The amounts recorded are R$ 20,504 by the parent company and R$ 23,813 consolidated.

(ii) The company also obtained a preliminary injunction during 1999 which recognizes the right to deduct interest on own capital when computing the 1996 social contribution on net income. The benefit, amounting to R$ 20,121, was recorded in liabilities with a contra-entry recorded in income, until there is a final decision.

(iii) Liabilities amounting to R$ 24,207 for the parent company and R$ 37,418 consolidated, relating to the review of extemporaneous ICMS and IPI credits on the purchase of property, plant and equipment items, in periods prior to 1996.

(iv) Reversal of provisions amounting to R$ 48,384 for the parent company and R$ 53,893 consolidated, as a result of the prescription of prior-year tax risks in connection with monetary correction for tax purposes.

(c) Nature of the Main Contingencies and Obligations

(i) Income tax and social contribution

Relate mainly to the recognition of the deductibility of interest on own capital when computing the social contribution on net income for 1996.

(ii) Labor claims

Relate mainly to claims filed by former employees. At December 31, 1999, judicial deposits made by the company totalled R$ 17,551 (December 31, 1998 – R$ 16,905).

(iii) ICMS and IPI

Arise basically from ICMS and IPI credits related to property, plant and equipment acquisitions prior to 1996, in addition to other issues on the calculation basis of these taxes.

(iv) PIS and COFINS

Arise basically from unpaid PIS and COFINS amounts on other revenue, as the company has a preliminary injunction which exempts it from this charge.

(v) Distributor actions

These are mainly provisions related to rescissions of agreements with certain distributors as a result of non-compliance with company directives, and a general restructuring of the group's distribution network.

(vi) Other

Mainly related to processes involving the National Institute of Social Security (INSS), products and suppliers.

12 Financial Instruments

(a) General

The purpose of the use of derivative instruments and operations involving interest rates and currencies is to mitigate risks on assets and liabilities.

Operations are carried out with the intermediation of the financial operation area in accordance with a strategy previously approved by management.

Management considers that the risks involved are minimal since: (i) operations are not concentrated in any one bank and each operation is carried out within approved limits for each bank reputed for its financial security and (ii) gains and losses on derivative operations are usually neutralized by the offsetting effect on the asset and liability operations to which they relate.

All amounts in thousands of reais unless otherwise indicated

(b) Market Value of Financial Instruments

The market values of the main financial instruments, in general, approximate their book values as shown below:

	Parent company		Consolidated	
	1999	**1998**	**1999**	**1998**
Marketable securities	585,336	239,653	1,663,772	1,060,653
Loans and financing	1,385,785	1,358,754	1,981,591	1,879,918

Market value is estimated at a specific point in time, based on pertinent market information and on information related to the financial instrument. Estimates are of a subjective nature, involving uncertainties and significant judgements and, therefore, cannot be accurately determined. Changes in assumptions may affect these estimates.

The investments of the company, amounting to R$ 1,925,086 at December 31, 1999 (December 31, 1998 – R$ 1,555,382), are in unlisted companies, and therefore the market values are not readily available.

(c) Concentration of Credit Risk

A substantial part of sales is made to distributors comprising a broad distribution network. Direct sales are widely distributed to a large number of customers. The credit risk is minimized because of the large customer base and control procedures which monitor the credit risks. Historically, there have not been significant losses from trade receivables.

To minimize the credit risk of its investments, the company restricts the allocations of cash and/or investments, taking into consideration limits and credit ratings of financial institutions, avoiding counter-party concentrations.

(d) Foreign Currency

Transactions in foreign currency consist of short and long-term import financing, accounts payable to foreign suppliers, and investments in foreign markets.

Forward and futures transactions are contracted to hedge the global exposure in foreign currencies and exchange rate variances. Hedging activities in currencies are designed to manage global exposure and protect the company from possible foreign exchange fluctuations which could impact its cash inflows/outflows.

Gains and losses from futures and forward transactions, which hedge specific commitments in foreign currency, as well as interest rate and currency swaps, are recorded at market value in current assets or liabilities with a counter-entry to financial income or expenses.

(e) Interest Rate and Currency Swaps

At December 31, 1999, the total notional amount of interest rate and currency swap contracts amounted to R$ 370,651 (December 31, 1998 – R$ 783,348) for the parent company and R$ 1,181,827 (December 31, 1998 – R$ 1,049,126) consolidated, the main objectives being to exchange indices and protect foreign currency liabilities. Interest rate swaps relate mainly to financial investments.

13 Income Tax and Social Contribution on Net Income

(a) Composition of the Income Tax and Social Contribution Expense (Benefit)

	Parent company		Consolidated	
	1999	**1998**	**1999**	**1998**
Current year				
Social contribution	(18,428)	(651)	(13,704)	3,365
Income tax	(29,777)	(4,380)	(15,890)	11,994
	(48,205)	(5,031)	(29,594)	15,359
Deferred				
Social contribution	(6,604)	(4,376)	(31,123)	3,888
Income tax	50,046	(3,737)	43,132	15,127
	43,442	(8,113)	12,009	19,015
Net amount in the statement of income	(4,763)	(13,144)	(17,585)	34,374

All amounts in thousands of reais unless otherwise indicated

(b) Reconciliation of Income Tax and Social Contribution

The expense (benefit) for the years ended December 31, 1999 and 1998 is reconciled to the statutory rates, as follows:

	1999	1998
Consolidated net income, before income tax, social contribution and minority interests	290.691	352.769
Income tax and social contribution, at statutory rates	**107.556**	**116.414**
Adjustments to determine the effective rate		
Permanent additions and exclusions	4,532	(3,545)
Reversal of deferred tax liability on net income of foreign subsidiaries		(22,480)
Adjustments of equity gains from fiscal incentives in subsidiaries	1,101	617
Adjustment of social contribution on income of foreign subsidiaries	(61,084)	22
Tax on reversal of prior year provisions and refiling of income tax returns	(49,078)	(7,084)
Effects of losses for the year of subsidiaries without a history of profitability	56,877	25,147
Tax on reversal of provisions not deductible in prior years	(11,327)	(24,328)
Effect of the increase of the deferred social contribution rate on the 1998 balance	3,115	
Benefits from reduced rate applied to interest on own capital	(65,922)	(47,616)
Income tax incentives		(126)
Other	(3,355)	(2,647)
Consolidated income tax and social contribution expense (benefit)	**(17,585)**	**34,374**

(c) Composition of Deferred Taxes

The principal components of deferred taxes is as follows:

	Parent company		Consolidated	
	1999	1998	1999	1998
Long-term receivables				
Temporary differences				
Tax loss carryforwards	25,439	22,885	128,353	36,331
Provision for contingencies and obligations	61,452	47,999	83,770	62,936
Employees' profit sharing	11,565	1,762	12,838	2,325
Other	8,243	28,292	15,813	32,555
	106,699	100,938	240,774	134,147
Long-term liabilities				
Accelerated depreciation	22,472	29,768	23,107	30,994
Equity in the earnings of foreign companies	70,597	14,098	153,537	27,014
	93,069	43,866	176,644	58,008

Deferred income tax and social contribution assets, calculated on the basis of timing differences and income tax losses and negative social contribution bases, are recorded by the parent company and those subsidiaries with a history of profitability and expectations of probable realization in the short-term, and recorded at rates which will be in effect at the time of realization.

14 Insurance Coverage

The company's principal assets, such as property, plant and equipment and inventories, are insured. Also, there are insurance policies to cover the transportation of goods and products.

At December 31, 1999 the insurance coverage is summarized as follows:

Items insured	Risks covered	Effective until	Insured amount
Property, plant and equipment and inventories	Fire and sundry risks	December 31, 2000	240,000

Management considers that this coverage is sufficient to meet any losses arising from damages, considering that the plants are in different locations.

15 Changes in Information Systems – Year 2000 Issue

The company has been fully committed to all activities related to the beginning of the year 2000. To assure company-wide coordination of activities, specific resources were allocated and a corporate committee was formed which included representatives of the various operating areas. Consequently, no problems were identified regarding dates subsequent to 1999.

During 1999, R$ 567 (R$ 2,421 in 1998) was spent to conclude the project in which information systems were changed to be compliant with dates subsequent to 1999.

16 Foreign Currency Exposure

The company operates in Argentina, Venezuela and Uruguay, which represent approximately 23% and 19% of its total assets at December 31, 1999 and 1998, respectively. Additionally, certain loans and financing in Brazil are denominated in foreign currency (Note 8), as well as supplier's credits amounting to R$ 61,036 in the parent company (1998 – R$ 66,785) and R$ 113,578 consolidated (1998 – R$ 86,870).

The company's policy is to hedge its exposure in foreign currency, and for this reason it maintains swap operations to cover its currency risks (Note 12).

Environmental Policy

Environmental Protection

Policy

Environmental protection is a fundamental principle our company abides by. The measures we have taken comply with the following guidelines:

- To guarantee that we are meeting our obligations according to each applicable law and regulation;
- To give first choice to technologies, processes and raw materials with the least impact on the environment while maintaining our competitive advantage;
- To maintain a well trained and qualified team of people to constantly enhance the measures we are taking to protect the environment;
- To develop, promote and support educational programs to safeguard the environment in conjunction with our partners and the communities where we operate;
- To permanently monitor and evaluate the measures we are taking to protect the environment.

Investments

Brahma invested approximately US$33.5 million in the installation of IWTSs (Industrial Wastewater Treatment Plants) and in the conversion of its industrial plants during the past 3 years. In addition, the company invested another US$29,5 million in environmental research conducted by specialists in that field.

Solidwastes, By-products and Other Projects

The Fishing Park of São Raimundo, in Vitória do Mearim (state of Maranhão), is a project that recycles residues: each year 600 tons of Tambaqui and Curimatã fish are fed exclusively with spentgrains. Our commitment in that field intensified in 1991 when we released a promotion campaign entitled: "Recycle - Fall in love with the idea". Some of the initiatives we took to recycle residues are quite compelling:

- Spentgrains: used with much success in the feeding of milk cattle. Our factories generate enough spentgrains to feed a flock of 200,000 heads that produces 2 million liters of milk a day;
- beer yeast: used as raw material in the production of yeast extract a common flavor for the production of dehydrated soups and broth, and a food complement;
- pulp for labels: input for the manufacturing of cardboard;
- IWTSs Mud: used as soil fertilizer as a result of its chemical composition. As a component in the production of organic fertilizers and organo-minerals it generates excellent results in farming of flowers and fruits;
- Spent Keiselgur: an important component in the recovery of deplete lands due to the Calcium and Magnesium elements that it supplies. Mixed to IWTSs mud it contributes to the manufacturing of organic fertilizer.

Packaging

Brahma is also a pioneer in the recycling of industrial packaging. For example, corporations such as Latasa recycle aluminum to make new cans. Also, PET plastic is directed to Recipet, a company specialized in recycling that particular material. Finally, glass bottles are sold to the Cisper and Santa Marina companies.

Investor Information

Listing Information

Bovespa (São Paulo)	BRHA4 - Preferred
	BRHA3 -Common
BVRJ (Rio de Janeiro)	BRHAPN - Preferred
	BRHAON - Common
NYSE (New York)	BRH - Preferred
	BRHc - Common

The ordinary and preferred shares of the company are traded in Brazil on the São Paulo and Rio de Janeiro stock exchanges. The preferred shares have preference in respect to the proceeds of liquidation of the Company, without any premium to existing shareholders. Preferred shareholders are not entitled to vote at the Company's general shareholders meeting. Under the Brazilian Corporate Law, dividend payments to preferred shareholders must be 10% greater than dividend payments to ordinary shareholders.

On June 4, 1997 the Company recieved registration approval (Level 2) from the SEC to list ADRs on the New York Stock Exchange, with each ADR representing 20 preferred or ordinary shares.

Local Depositary Bank

Banco Itaú

Shareholder information

Tel.: (55 11) 237-5151

ADR Depositary Bank

The Bank of New York

Church Street Station, P.O. Box 11258

New York, NY 10286 USA

Tel.: (212) 815-5800

Please direct additional inquires to:

Investor Relations

Companhia Cervejaria Brahma

Av. Maria Coelho de Aguiar, 215

Bloco F, 6º andar

São Paulo, SP CEP 05804-900 Brazil

Tels.: (55 11) 3741-7553/7560/2555

Fax: (55 11) 3741-1856

Site: www.cervejariabrahma.com.br

COMPANHIA CERVEJARIA BRAHMA

www.cervejariabrahma.com.br