D. Risk Factors

Our business, financial condition and results of operations could be materially and adversely affected if any of the risks described below occur. As a result, the market price of our common shares could decline, and you could lose all or part of your investment. This annual report also contains forward-looking statements that involve risks and uncertainties. See “Forward-Looking Statements.” The risks below are not the only ones facing our Company. Additional risks not currently known to us or that we currently deem immaterial may also adversely affect us. The following risk factors have been grouped as follows:

- Risks relating to Chile;
- Risks relating to Argentina
- Risks relating to our Business
- Risks relating to our ADSs

RISKS RELATING TO CHILE

We are substantially dependent on economic, political and social conditions in Chile, which may adversely impact the results of our operations and financial condition.

Chile is our most significant market. The Chile Operating segment generated 67% of our sales revenues in 2020, the International Business Operating segment (which includes Argentina, Bolivia, Paraguay and Uruguay) contributed 22%, and the Wine Operating segment, including the domestic markets in Chile and Argentina, as well as exports, accounted for 13% of revenues. Thus, our operating and financial performance is dependent, to a large extent, on the overall level of economic activity in Chile. The Chilean economy experienced an average annual growth rate (measured by GDP) of 2.5% between 2010 and 2020 (3.3% when the contraction of 5.8% materialized in 2020, as a result of the negative effects of the COVID-19 pandemic, is not considered). In the past, slower economic growth in Chile resulted in a lower growth rate of consumption of our products and, consequently, adversely affected our profitability. Chile’s economic growth rate has been affected in the past by the disruption in the global financial markets and global recessions, as was the case in 2009 and 2020. Therefore, economic growth rates of past periods cannot be extrapolated to future performance.

Furthermore, Chile, as an emerging and open economy, is more exposed to constant social demands and unfavorable conditions in the international markets, which could have a negative impact on the demand for our products, as well as on third parties with whom we conduct business. Furthermore, the beginning of a massive social movement during the fourth quarter of 2019 triggered material political and economic changes, such as the development of a new constitution and increased pressure or demand on public spending. These measures have increased uncertainty levels in Chile, which could affect economic growth through a deterioration of business and consumer confidence. This could have a negative effect on the demand of our products.

Any combination of lower consumer confidence, disrupted global capital markets and/or depressed international economic conditions could have a negative impact on the Chilean economy and, consequently, on our business. In addition, a global liquidity crisis or an increase in interest rates could limit our ability to obtain the cash necessary to meet our commitments and, therefore, increase our financial expenses.

Currency fluctuations may affect our profitability

Because we purchase the majority of our supplies at prices set in USD and we export wine in prices set in USD, Canadian dollars, euros and pounds, we are exposed to foreign exchange risks that may adversely affect our financial condition and the results of our operations. The effect of the exchange rate variation on export revenues partially offsets the FX impact on the cost of raw materials expressed in CLP.

The relative liquidity and volatility of Chilean securities markets may increase the price volatility of our American Depositary Shares (“ADSs”) and adversely impact a holder’s ability to sell any shares of our common stock withdrawn from our American Depositary Receipt (“ADR”) facility.

The Chilean securities markets are substantially smaller, less liquid and more volatile than major securities markets in the United States. For example, the Santiago Stock Exchange, which is Chile’s principal stock exchange, had a market capitalization of approximately USD 184.4 billion as of December 31, 2020, while the New York Stock Exchange (“NYSE”) had a market capitalization of approximately USD 30.9 trillion and the NASDAQ National Market (“NASDAQ”) had a market capitalization of approximately USD 19.9 trillion as of the same date. In addition, the Chilean securities markets can be materially affected by developments in other emerging markets, particularly other countries in Latin America.

The lower liquidity and greater volatility of the Chilean markets relative to markets in the United States could increase the price volatility of the ADSs and may impair a holder’s ability to sell shares of our common stock withdrawn from the ADR facility in the Chilean market in the amount, at the price and at the time the holder wishes to do so. See “Item 9: The Offer and Listing”.

We are subject to different corporate disclosure requirements and accounting standards than U.S. companies.

Although the securities laws of Chile that govern open stock corporations and publicly listed companies such as us promote disclosure of all material corporate information to the public as a principal objective, Chilean disclosure requirements differ from those in the United States in certain important respects. In addition, although Chilean law imposes restrictions on insider trading and price manipulation, the Chilean securities market is not as highly regulated and supervised as the U.S. securities market. We have been subject to the periodic reporting requirements of the Exchange Act since our initial public offering of ADSs in September 1992.

RISKS RELATING TO ARGENTINA

We are substantially dependent on economic, political and social conditions in Argentina, which may adversely impact our operating results and financial position.

In addition to our Chilean operations, we have significant assets in Argentina and we generate significant income from our operations in this country.

The financial position and results of our operations in Argentina are, to a considerable extent, dependent upon political, social and economic conditions in Argentina, as demand for beverage products generally depends on the prevailing economic conditions in the local market. In the past, Argentina has suffered recessions, high levels of inflation, currency devaluations and significant economic decelerations in various periods of its history. During 2016, Argentina's GDP contracted by 2.1% and inflation was close to 40%. In 2017, GDP growth was 2.7% and inflation was close to 20%, showing a slight recovery in the economy. In 2018, Argentina once again entered into a recession and its GDP decreased by 2.5% and accumulated inflation reached 47.6%. Consequently, given that between 2016 and 2018 the cumulative inflation rate exceeded 100%, Argentina was deemed to be a hyperinflationary economy as of July 1, 2018 (see Note 2 to our consolidated financial statements included herein) pursuant to IAS 29. In 2019, the Argentine GDP contracted by 2.2% and inflation reached 53.8%. In 2020, the GDP contracted 9.9%, mainly due to the restriction measures taken to control the spread of the COVID-19 pandemic, while inflation reached 36.1%. Accordingly, given that inflation between 2017 and 2020 exceeded 100%, Argentina is still considered a hyperinflationary economy.

If economic conditions in Argentina were to slow down or further contract, if inflation continue to accelerate, or if the Argentine government’s measures to attract or retain foreign investment and international financing in the future to incentivize domestic economy activity are unsuccessful, such developments could adversely affect Argentina’s economic growth and in turn affect our financial health and results of operations.

Inflationary pressures in Argentina may negatively impact demand for our goods, profitability and future investments.

Argentina has faced and continues to face inflationary pressures. Increased inflationary risk may erode macroeconomic growth and limit the availability of financing, which may negatively impact our operations. In past periods of high inflation, the Argentine government had regulated prices of consumer goods, including beverages, which impacted our profitability. Even without government regulation, high inflation may impede our ability to pass on higher costs to customers, which would also negatively impact profitability.

The Argentine peso is subject to volatility which could adversely affect our results.

A depreciation of the Argentine peso may negatively affect our consolidated financial results. Our Argentine subsidiaries use the Argentine peso as their functional currency and their financial statements are translated to CLP for consolidation purposes, which may produce variations to the Company's consolidated net income and shareholders' equity, due to translation effects. Also, most of our raw material costs in Argentina are indexed to the dollar. In 2020, the Argentine peso depreciated 46.7% against the USD on average, and 40.5% as of the end of 2020 (end-of-period). This resulted in a significant translation effect in our reported revenues, costs and expenses, as well as pressure on dollarized costs.

Given that we cannot predict how macroeconomic conditions will evolve in the future in Argentina, nor when Argentina will cease to qualify as a hyperinflationary economy for accounting purposes, we cannot foresee how CCU's business will be affected by Argentina's future macroeconomic environment. In order to mitigate the impact of the current macroeconomic challenges, Compañía Cervecerías Unidas Argentina S.A. ("CCU Argentina") has implemented efficiency and revenue management plans, as well as cost and expense improvements through the "ExCCelencia CCU" program. However, we cannot guarantee that our business will not be materially affected by Argentina's macroeconomic environment.

Argentina's legal regime and economy are susceptible to changes that could adversely affect our Argentine operations.

Argentine provincial governments have taken measures to address the country's economic crises, and most recently, to address the COVID-19 pandemic, which have severely affected the stability of Argentina's financial system and the free pricing of goods.

Specifically, in 2020, Argentine provincial governments applied various methods to directly and indirectly regulate price increases of various consumer goods, including beer, in order to reduce or control inflation. Additionally, past measures implemented to control the country's trade balance, the reserves of USD dollars, and the exchange rate, negatively impacted the free import of goods and the repatriation of profits. Currently, these measures have eased, but we cannot assure that they will not be implemented again in the future.

RISKS RELATING TO OUR BUSINESS

Possible changes in tax laws in the countries where we operate could affect our business and, in particular, changes in corporate and excise taxes could adversely affect our results and investments.

Our businesses are subject to different taxes in the countries where we operate, including, among others, income taxes and specific taxes on alcoholic and non-alcoholic beverages. An increase in the rates or application of these taxes, or any other, could negatively affect our sales and profitability.

In 2017, Argentine Congress passed a tax reform law that, among other measures, aimed to gradually reduce the income tax rate for profits from 35% to 25% (30% for 2018 and 2019 and 25% from 2020 and onwards), starting in 2018. In addition, withholding tax on distributed dividends are subject to a gradual increase from 0% to 13% (7% for 2018 and 2019 and 13% from 2020 and onwards). In December 2019, a new law was passed which modified certain provisions of the 2017 tax reform law. Among other matters, it extended the 30% income tax rate and the 7% withholding rate on dividends for an additional year, through 2020. Currently, a bill is being discussed in the Argentine Congress to extend the 30% income tax rate and the 7% withholding rate on dividends for 2021. In addition, regarding the Personal Property Tax, which applies to foreign shareholders who hold equity participations in Argentine companies, the 2019 reform increased the applicable rate from 0.25% to 0.50% in respect of the equity participation set forth in the Financial Statements.

Fluctuations in the cost of our raw materials may adversely impact our profitability.

We purchase malt, rice and hops for beer, sugar for soft drinks, grapes for wine, pisco and cocktails, and packaging materials from local producers or in the international market. The prices of these materials are subject to volatility caused by market conditions, and have experienced significant fluctuations over time reflecting global supply and demand for commodities as well as other factors, such as fluctuations in exchange rates, over which we have no control.

Although we historically have been able to implement price increases in response to increases in raw material costs, we cannot assure you that our ability to recover increases in the cost of raw materials will continue in the future. If we are unable to raise prices in response to higher raw material costs, any future increases in raw material costs may reduce our margins and profitability if we are not able to offset such cost increases through efficiency improvements or other measures.

Consolidation in the beer industry may impact our market share.

In all the countries where we operate, we compete with Anheuser-Busch InBev S.A./N.V. (“ABI”) and its subsidiaries, the largest beer company in the world. ABI has expanded globally in recent years, through a series of mergers and acquisitions, and today has more than 500 brands and operations in 50 countries.

The foregoing consolidation in the market, as well as any further consolidation of our competitors, may increase their pricing and/or investment competitiveness, which could negatively affect our market share, and accordingly, our results.

Competition in the Chilean beer market may erode our market share and lower our profitability.

Our largest competitor in the Chilean beer market by volume is Cervecería Chile S.A. (“Cervecería Chile”), a subsidiary of ABI. In the past, Cervecería Chile has implemented aggressive commercial practices, and during the last years, has made several investments to expand its production capacity in Chile. Additionally, in August 2020, Cervecería Chile signed a distribution agreement with Embotelladora Andina S.A. and Embonor S.A., the main bottlers of The Coca-Cola Company's products in Chile, to expand its distribution network. This is a five-year renewable agreement which became effective on November 1, 2020. If Cervecería Chile continues its aggressive commercial practices in the future, completes its expansion plans, and achieves a stronger distribution network, we cannot assure you that this or other competitive activities will not have a material adverse effect on our profitability or market share.

Quilmes dominates the beer market in Argentina and we may not be able to maintain our current market share.

Our main competitor in Argentina is Cervecería y Maltería Quilmes S.A.I.C.A. y G. (“Quilmes”), a subsidiary of ABI. As a result of its dominant position and large size in Argentina, Quilmes has significantly larger economies of scale than us both in production and distribution.

Changes in the labor market in the countries in which we operate may affect profit margins in our business.

In all the countries where we operate, we are exposed to changes in the labor market that could affect our profitability and future growth. These changes could include fluctuations in the labor supply, as well as changes in labor legislation, among others. In Argentina, high levels of inflation and union pressure may affect our salary expenses.

The foregoing, as well as the implementation of new labor regulations, could have an adverse effect on our expenses and negatively affect our margins.

We depend upon the renewal of certain license agreements to maintain our current operations.

Most of our license agreements include certain conditions that must be met during their term, as well as provisions for their renewal at their expiry date. We cannot guarantee that such conditions will be fulfilled, and therefore that the agreements will remain in place until their expiration or that they will be renewed, or that any of these contracts will not undergo early termination. While approximately two-thirds of our sales volume are derived from private label products, the termination of, or failure to renew our existing license agreements, could have an adverse impact on our operations.

Consolidation in the supermarket industry may affect our operations.

The Chilean supermarket industry has gone through a consolidation process, which has increased the purchasing power of a few supermarket chains. As a result, we may not be able to negotiate favorable prices, which could negatively affect our sales and profitability.

Additionally, and despite having insurance coverage, this supermarket chain consolidation has the effect of increasing our exposure to counterparty credit risk, given the fact that we have more exposure in the event one of these large customers fails to fulfill its payment obligations to us for any reason.

The shortage of critical raw and packaging materials could negatively impact our supply chain, affecting our operations and results.

The shortage of critical raw and packaging materials, either due to changes in consumption patterns and/or problems associated with international trade logistics, the latter for the case of raw and packaging materials purchased in markets outside of the countries where we operate, could affect our supply chain and negatively impact our production levels and, consequently, our results. This issue has become more relevant recently due to the COVID-19 pandemic, which has abruptly increased the demand for some packaging formats and has interrupted the normal operation of international trade logistics. If we face the interruption or lack of supply of critical raw and packaging materials, we cannot assure that we can obtain favorable prices or advantageous terms in their acquisition, which could negatively affect our results.

Water supply is essential to the development of our businesses.

Water is an essential component for the production of our beverage products and the irrigation of our fields. Any failures in our water supply, regulatory changes that limit the use of this resource, water scarcity or a contamination of our water sources, could negatively affect our sales and profitability.

As a commitment to the environment and natural resources, the Company has implemented long-term policies to develop a responsible and sustainable use of water. Through its 2020 Environmental Vision plan, initiated in 2010, the Company reduced the consumption of this resource by approximately 49% per liter produced as of 2020. Furthermore, through the 2030 Environmental Vision plan, the Company committed to continue optimizing the consumption of water per liter produced, by reaching a goal of 60% decrease in consumption over the next ten years.

Additionally, since 2011 the Chilean Congress has discussed the passing of a bill which will establish, among other things, a new regime for the constitution of rights to use water temporarily which will be applicable to future water rights granted, a deadline for regularization and registration of rights, and introduces an expiration system for the non-use of water, as well as the regulation of the environmental, scenic, landscape and social function of the waters. This project may undergo modifications during its discussion in Congress. Furthermore, decrees issued by the Dirección General de Aguas (“DGA”) (the Chilean water authority) declared prohibition zones for the constitution of rights to use groundwater, establishing the obligation to create communities of groundwater, which in turn could restrict the exercise of rights that the Company currently owns as well as the change in its extraction points. Without prejudice of the foregoing, the President has the capability to declare, during a period of extraordinary drought, due to a request by, or based on a report of, the DGA, a water scarcity zone for a maximum period of six months, in which the Chilean water authority could redistribute water available in natural sources and authorize the extraction of water from superficial or ground sources.

The supply, production and logistics chain is critical to the timely supply of our products to consumer centers.

Our supply, production and logistics chain is crucial for the delivery of our products to consumer centers. An interruption or a significant failure in this chain may negatively affect our results if the failure is not quickly resolved. An interruption in the chain could be caused by various factors, such as strikes, utility shutdowns such as customs and ports, planning errors of our suppliers, terrorism, safety failures, complaints by communities, or other factors which are beyond our control.

Catastrophic events in the regions in which we operate could have a significant adverse effect on our financial condition.

Natural disasters, climate change impact events, pandemics or other catastrophic events could impair our ability to manufacture, distribute or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to manage such events effectively if they occur, could adversely affect our sales volume, cost and supply of raw materials, earnings and could have a significant effect on our business, operational results, and financial position.

Chile has been affected in the past by several natural disasters, including large floods, mudslides and forest fires. These events did not have a significant effect on our operations, although a future catastrophic event could have a significant effect on our business, results of operations and financial condition.

Health crises, pandemics or the outbreak of contagious diseases at a global or regional level could have a negative impact on our operations and financial position.

A health crisis, pandemic or the outbreak of disease at a global or regional level, such as the outbreak of COVID-19, which was declared a pandemic by the World Health Organization in March 2020, could have a negative impact on our operations and financial position. The above-mentioned circumstances could impede the normal operation of the Company, interrupt our supply chain, limit our production and distribution capacity, and/or generate a contraction in the demand for our products, as happened during the period of higher restrictions during the second and third quarter of 2020. The degree of impact on our operations will depend on factors that we cannot predict, such as the duration, spread, and severity of the health crisis.

Any prolonged restrictive measures put in place to control an outbreak of a contagious disease or other adverse public health development in any of our targeted markets may have a material and adverse effect on our business operations. The ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore, we cannot predict the impact it may have on the world, the economies where we operate or the financial markets.

The Company has contingency plans to protect the health of the people and to maintain the continuity of our operation, but we cannot assure you that these plans will be sufficient to mitigate a material impact on our results and financial position from such events. Specifically, since March 2020, we have implemented a regional plan with three priorities: (i) the safety of our people and the community we interact with, (ii) operation continuity, and (iii) financial health. This has allowed us to continue supplying our clients and consumers with our products and maintaining a safe work environment. At the close of this annual report, CCU continues selling, producing and distributing its products normally in all the countries where it operates, where restriction measures continue to be implemented to face new COVID-19 outbreaks.

If we are unable to protect our information systems against data corruption, cyber-based attacks or network security breaches, our operations could be disrupted.

We are increasingly dependent on information technology networks and systems, including the Internet, to process, transmit and store electronic information. In particular, we depend on our information technology infrastructure, including data centers, for sales, production, planning and logistics, marketing activities and electronic communications within the Company and with our clients, suppliers and our subsidiaries. Security breaches of this infrastructure can create system disruptions, shutdowns or unauthorized disclosure of confidential information. If we are unable to prevent such breaches, our operations could be disrupted, or we may suffer financial damage or loss because of lost or misappropriated information. The Company has developed a cybersecurity plan which addresses critical aspects, but we cannot assure you that these measures will be sufficient.

Possible regulations for labeling materials and advertising of alcoholic beverages and other food products in the countries in which we operate could adversely affect us.

Law N° 20,606 of 2012 and Law N° 20,869 of 2015, relating to the Nutritional Composition of Foods and their Advertising and the complementary regulations, in force since June 2016, establish certain restrictions on the advertising, labelling and marketing of foods classified as "high" in certain defined critical nutrients, which affects a part of our portfolio of non-alcoholic beverages. We cannot assure you that this regulation will not have an impact on our sales volumes and, therefore, on our results.

A bill that modifies Law N° 18,455, which sets standards for the production, manufacture and commercialization of ethyl alcohol, alcoholic beverages and vinegar, is currently in the Chilean Congress. The bill aims to establish restrictions on advertising materials, labeling and commercialization of alcoholic beverages, including warnings about the consumption of alcohol on labeling and promotional materials, restrictions on the time of day of advertising and the prohibition of advertising during sports and cultural events, among others. A regulatory change of this nature would affect our alcoholic beverages portfolio and certain marketing activities.

If further legislation or other regulations that restrict the sale of alcoholic or non-alcoholic beverages is passed, it could affect the consumption of our products and therefore, adversely impact our business.

New applicable environmental regulations could affect our business.

CCU’s operations are subject to local, national and international environmental norms and regulations. These regulations cover, among other things, emissions, noise, disposal of solid and liquid wastes, and other activities inherent to our industry. On this topic, on June 1, 2016 Law N° 20,920 was enacted and established a framework for waste management and extended producer responsibility, and stimulation of recycling (“REP Law”), with the objective of lowering the generation of waste of priority products as determined by the bill and fostering recycling of the waste. On November 30, 2017, the Regulations on Procedures of the REP Law were published. During 2019, regulations were issued that established the collection, valorization and other associated obligations for tires, which were finally published in January 2021, and on March 16, 2021, the collection, valorization and other associated obligations for packaging materials were published. See “Item 4: Information on the Company – E. Environmental Matters.”

Additionally, in late March 2021, the Chilean Chamber of Deputies approved a bill that would limit the creation of disposable products, regulating single-use plastics and strengthening returnability. This bill would require that disposable plastic bottles that are commercialized must be manufactured containing a percentage of plastic that has been collected and recycled within the country in the proportions mandated by the regulation; it will also require large retail businesses (including e-commerce and delivery applications) to have returnable packaging among its products; prohibit establishments that sell food from using any kind of non-recyclable single-use containers for deliveries; and establish a "popular action" component in the auditing of such obligations. As of the date of this annual report, the bill is currently on its final revision stages in the Senate.

The Chilean Congress is also currently discussing a bill on climate change, the *Ley Marco de Cambio Climático*, which aims to establish principles, governance, management instruments and adequate financing mechanisms, to allow for an economic development low in greenhouse gas emissions, reduce vulnerability and increase resilience, in order to guarantee the compliance of climate change international commitments made by Chile.

CCU has been actively participating through the associations that represent the different industrial sectors, in public and private discussion panels with respect to the development and implementation of these new regulations. Furthermore, the Company, through its 2030 Environmental Vision plan, will commit to continue reducing greenhouse gas emissions per liter produced in order to reach a 50% reduction on such emissions, as well as continue optimizing water consumption per liter produced, until we reach a 60% reduction rate. We are also committed to reaching a 100% valorization of industrial solid waste, 75% use of renewable energy, 100% of reusable, recyclable or compostable packaging, and aiming for packaging to be made out on average of 50% recycled material.

Although we cannot predict the impact of such measures at this time, possible future regulations could have an adverse effect on our business.

If we are unable to maintain the image and quality of our products and a good relationship with our clients and consumers, our financial results may suffer.

The image and quality of our products is essential for the success and development of the Company. Problems with product quality could tarnish the reputation of our products and may adversely affect our sales revenues. The Company must also ensure that our sales force provides good customer service and adapts to fulfill the needs and preferences of our consumers. If we are unable to maintain a good relationship with our clients and consumers, our financial results may suffer.

RISKS RELATING TO OUR ADSs

We are controlled by one majority shareholder, whose interests may differ from those of holders of our ADSs, and this shareholder may take actions that adversely affect the value of a holder's ADSs or common stock.

As of December 31, 2020, Inversiones y Rentas S.A. ("IRSA") a Chilean closely held corporation, directly and indirectly owned 60.00% of our shares of common stock. On March 1, 2021, IRSA announced by means of an amendment to its Schedule 13D, filed with the SEC, its intention to increase, subject to market and other conditions, its participation in CCU by an additional 6%, through open market purchases, privately negotiated transactions, tender offers or otherwise. As of March 31, 2021 and as of the date of this annual report, IRSA directly and indirectly owned 61.56% of our shares of common stock. Accordingly, IRSA has the power to control the election of most members of our board of directors and its interests may differ from those of the holders of our ADSs. IRSA also has significant influence in determining the outcome of any corporate transaction submitted to our shareholders for approval, including mergers, consolidations, the sale of all or substantially all of our assets and going-private transactions. In addition, actions by IRSA with respect to the disposal of the shares of common stock that it owns, or the perception that such actions may occur, may adversely affect the trading prices of our ADSs or common stock.

Chilean economic policies, currency fluctuations, exchange controls and currency devaluations may adversely affect the price of our ADSs.

The Chilean government's economic policies and any future changes in the value of the CLP relative to the USD could adversely affect the USD value and the return on any investment in our ADSs. The CLP has been subject to large nominal devaluations and appreciations in the past and may be subject to significant fluctuations in the future. For example, when comparing the average exchange rates for each period, the Chilean peso appreciated by 4.1% and 1.4% in 2017, and 2018, respectively, and depreciated by 9.7% and 12.8% in 2019 and 2020, respectively. When comparing the exchange rate as of the end of each period, the Chilean peso appreciated by 8.2% in 2017, depreciated 13.0% in 2018, depreciated 7.8% in 2019 and appreciated 5.0% in 2020. See "Item 3: Key Information – A. Selected Financial Data – Exchange Rates."

While our ADSs trade in USD, Chilean trading in the shares of our common stock underlying our ADSs is conducted in CLP. Cash distributions to be received by the depositary for the shares of our common stock underlying our ADSs will be denominated in CLP. The depositary will translate any CLP received by it to USD at the then-prevailing exchange rate with the purpose of making dividend and other distribution payments on the ADSs. If the value of the CLP declines relative to the USD, the value of our ADSs and any distributions to holders of our ADSs received from the depositary may be adversely affected. See "Item 8: Financial Information – A. Consolidated Statements and Other Financial Information – Dividend Policy and Dividends".

For example, since our consolidated financial statements are reported in CLP, a decline in the value of the CLP against the USD would reduce our earnings as reported in USD. Any dividend we may pay in the future would be denominated in CLP. A decline in the value of the CLP against the USD would reduce the USD equivalent of any such dividend. Additionally, in the event of a dividend or other distribution, if exchange rates fluctuate during any period of time when the ADS depositary cannot convert a foreign currency into USD, a holder of our ADSs may lose some of the value of the distribution. Also, since dividends in Chile are subject to withholding taxes, which we retain until the following year when the exact amount to be paid is determined, if part of the retained amount is refunded to the shareholders, the amount received by holders of our ADSs would be subject to exchange rate fluctuations between the two dates.

Holders of our ADSs may be subject to certain risks since holders of our ADSs do not hold shares of our common stock directly.

ADS holders may exercise voting rights associated with common stock only in accordance with the deposit agreement governing our ADSs. Accordingly, ADS holders will face practical limitations when exercising their voting rights because ADS holders must first receive a notice of a shareholders' meeting from the depositary and may then exercise their voting rights by instructing the depositary, on a timely basis, on how they wish to vote. This voting process necessarily will take longer for ADS holders than for direct common stockholders, who are able to exercise their vote by attending our shareholders' meetings. Therefore, if the depositary fails to receive timely voting instructions from some or all ADS holders, the depositary will assume that ADS holders agree to give a discretionary proxy to a person designated by us to vote their ADSs on their behalf. Furthermore, ADS holders may not receive voting materials in time to instruct the depositary to vote. Accordingly, ADS holders may not be able to properly exercise their voting rights.

The right of a holder of our ADSs to force us to purchase the underlying shares of our common stock pursuant to Chilean corporate law upon the occurrence of certain events may be limited.

Because of the absence of legal precedent as to whether a shareholder that has voted both for and against a proposal, such as the depositary of our ADSs, may exercise withdrawal rights (as described in "Item 10. Additional Information – B. Memorandum and Articles of Association") with respect to those shares voted against the proposal, there is doubt as to whether a holder of ADSs will be able to exercise withdrawal rights either directly or through the depositary for the shares of our common stock represented by their ADSs. Accordingly, for a holder of our ADSs to exercise its appraisal rights, it may be required to surrender its ADRs, withdraw the shares of our common stock represented by its ADSs, and vote the shares against the proposal.

In the past, Chile has imposed controls on foreign investment and repatriation of investments that affected investments in, and earnings from, our ADSs.

Equity investments in Chile by persons who are not Chilean residents have historically been subject to various exchange control regulations that restrict repatriation of investments and earnings therefrom. In April 2001, the Central Bank eliminated most of the regulations that affected foreign investors, although foreign investors still have to provide the Central Bank with information related to equity investments and must conduct such operations within the formal exchange market. Additional Chilean restrictions applicable to holders of our ADSs, the disposition of the shares underlying them, the repatriation of the proceeds from such disposition or the payment of dividends may be imposed in the future, and we cannot advise you as to the duration or impact of such restrictions if imposed. See also "Item 10: Additional Information – D. Exchange Controls".

If for any reason, including changes in Chilean law, the depositary for our ADSs were unable to convert CLP to USD, investors would receive dividends and other distributions, if any, in CLP.

Preemptive rights to purchase additional shares of our common stock may be unavailable to holders of our ADSs in certain circumstances and, as a result, their ownership interest in our Company may be diluted.

The *Ley sobre Sociedades Anónimas* N° 18,046 (the "Chilean Corporations Act"), and its ordinance (*Reglamento de Sociedades Anónimas)*, require us, whenever we issue new shares for cash, to grant preemptive rights to all holders of shares of our common stock, including shares of our common stock represented by ADSs, giving those holders the right to purchase a sufficient number of shares to maintain their existing ownership percentage. We may not be able to offer shares to holders of our ADSs pursuant to preemptive rights granted to our shareholders in connection with any future issuance of shares unless a registration statement under the Securities Act is effective with respect to those rights and shares, or an exemption from the registration requirements of the Securities Act is available.

We intend to evaluate at the time of any future offerings of shares of our common stock the costs and potential liabilities associated with any registration statement as well as the indirect benefits to us of enabling U.S. owners of our ADSs to exercise preemptive rights and any other factors that we consider appropriate at the time, before deciding whether or not to file such a registration statement. We cannot assure you that any such registration statement would be filed.

To the extent that a holder of our ADSs is unable to exercise their preemptive rights because a registration statement has not been filed, the depositary will attempt to sell the holder's preemptive rights and distribute the net proceeds of the sale, net of the depositary's fees and expenses, to the holder, provided that a secondary market for those rights exists and a premium can be recognized over the cost of the sale. A secondary market for the sale of preemptive rights can be expected to develop if the subscription price of the shares of our common stock upon exercise of the rights is below the prevailing market price of the shares of our common stock. Nonetheless, we cannot assure you that a secondary market in preemptive rights will develop in connection with any future issuance of shares of our common stock or that if a market develops, a premium can be recognized on their sale. Amounts received in exchange for the sale or assignment of preemptive rights relating to shares of our common stock will be taxable in Chile and in the United States. See "Item 10: Additional Information – E. Taxation – Chilean Tax Considerations – Capital Gains" and "– United States Federal Income Tax Considerations – Taxation of Capital Gains". If the rights cannot be sold, they will expire and a holder of our ADSs will not realize any value from the grant of the preemptive rights. In either case, the equity interest of a holder of our ADSs in U.S. will be diluted proportionately.