D. Risk Factors

RISKS RELATING TO CHILE

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

We are predominantly engaged in business in Chile. The Chile Operating segment generated 61 % of our sales revenues in 2017, the International Business Operating segment (which includes Argentina, Paraguay and Uruguay) contributed 27%, and the Wine Operating segment, including domestic market and exports, accounted for 12% of sales 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 3.0% between 2007 and 2017, and 1.5% in 2017. In the past, slower economic growth in Chile resulted in a decline in the 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 in 2009 and catastrophic events such as earthquakes in 2010 and 2015. Therefore, economic growth rates of past periods cannot be extrapolated to future performance.

Furthermore, Chile, as an emerging market economy, is more exposed to unfavorable conditions in the international markets, which could have a negative impact on the demand for our products as well as third parties with whom we conduct business. Any combination of lower consumer confidence, disrupted global capital markets and/or reduced 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 costs.

The Company has implemented efficiency plans and revenue management, cost and expense improvements through the “ExCCelencia CCU” program. CCU has also diversified its operations geographically in recent years. The Company’s conservative capital structure and high liquidity have contributed to its Level 1 classification by credit rating agencies Fitch Chile Clasificadores de Riesgo Limitada and International Credit Rating Compañía Clasificadora de Riesgo Limitada (“ICR”). The Company’s bonds are also rated AA+ by both rating agencies. However, securities ratings are subject to revision or withdrawal at any time, and there can be no guarantee that the Company’s foregoing initiatives will insulate it from the effects of any such downturns or negative conditions.

Currency fluctuations may affect our profitability

Because we purchase the majority of our supplies at prices set in U.S. dollars and export wine in U.S. dollars, 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. Any future changes in the value of the Chilean peso against said currencies would affect the revenues of our wine export business. The effect of the exchange rate variation on export revenues would partially offset the cost of raw materials expressed in Chilean peso terms.

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 294.3 billion as of December 31, 2017, while The New York Stock Exchange (“NYSE”) had a market capitalization of approximately USD 29.6 trillion and the NASDAQ National Market (“NASDAQ”) had a market capitalization of approximately USD 11.3 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 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 and economic conditions prevailing in Argentina, as demand for drinkable 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 2.3% and inflation was close to 40%. In 2017, GDP growth was 2.8% and inflation was close to 20%, showing a slight recovery in the economy; however, we cannot assure you that economic conditions in Argentina will continue to improve or that our business will not be materially affected if Argentine economic conditions were to deteriorate. While the Company has implemented efficiency plans and revenue management, cost and expense improvements through the ExCCelencia CCU program, we cannot guarantee that our business will not be materially affected if Argentine economic conditions were to deteriorate in the future.

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

Argentina has faced and continues to face inflationary pressures. The increase in inflationary risk may erode macroeconomic growth and limit the availability of financing, causing a negative impact on our operations. In the past, during periods of high inflation, the Argentine government has regulated prices of consumer goods, including beverages, which has 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. In the years 2015, 2016 and 2017 inflation in Argentina was approximately 27%, 40% and 20%, respectively.

IAS 29 requires that financial statements of any entity, whose functional currency is the currency of a hyperinflationary economy, whether based on the historical cost method or on the current cost method, be stated in terms of the measuring unit current at the end of the reporting period. Even though the standard does not establish an absolute rate at which hyperinflation is deemed to arise, it is common practice to consider there is hyperinflation where changes in price levels exceed 100% on a cumulative basis over the last three years, along with other several macroeconomic-related qualitative factors.

Despite the high inflation rates in Argentina in recent years, we do not consider that Argentina qualifies as a hyperinflationary economy for any of the three years included in our audited consolidated financial statements. Accordingly, we have not restated our audited consolidated financial statements. However, if inflation rates in Argentina escalate in the future, the Argentine peso may qualify as a currency of a hyperinflationary economy, in which case our audited consolidated financial statements and other financial information may need to be adjusted by applying a general price index and expressed in the measuring unit (i.e. the hyperinflationary currency) current at the end of each reporting period. We cannot determine at this time the impact this would have on our results of operations and financial condition.

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 Chilean pesos for consolidation purposes, which may produce variations to the Company’s consolidated net income and shareholders’ equity, due to translation effects. The Argentine peso depreciated against the U.S. dollar by an average of 14%, 60%, and 12% and in 2015, 2016 and 2017, respectively, which resulted in a significant translation effect in our reported revenues and expenses.

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

Measures taken by previous Argentine governments to address the country’s economic crises severely affected the stability of Argentina's financial system and have had a materially negative impact on the country’s economy. If Argentina were to experience a new fiscal and economic crisis, the Argentine government could implement economic and political measures that could adversely impact our business.

In January 2006, the Argentine government adopted different methods to directly and indirectly regulate the price increases of various consumer goods, including bottled beer, with the intention of reducing inflation. Additionally, the measures implemented by the previous Argentine government to control the country’s trade balance and exchange rate negatively impacted the free import of goods and the repatriation of profits. This situation has changed following the installation of the new government in December 2015. We cannot guarantee that the current, or future, Argentine government will not implement legal and economic measures that could adversely affect our operations in Argentina.

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.

On October 1, 2014 the Chilean tax reform act (the “Tax Reform Act”) became effective, which implemented a series of changes to the tax rates and tax policies. The Tax Reform Act establishes that, as of 2017, Open Stock Corporations should calculate their taxes based on the “Partially Integrated System” without the possibility to opt for the alternative “Attributed Income Regime”. The "Partially Integrated System" provides for a gradual increase in the First Category Income tax rate, increasing from 20% to 21% for the 2014 business year, to 22.5% for the 2015 business year, to 24% for the 2016 business year, to 25.5% for the 2017 business year, and to 27% starting in the 2018 business year.

In Argentina, a tax reform bill was passed by Congress that, among other measures, gradually reduces the income tax rate for profits from 35% to 25% (30% for 2018 and 2019 and 25% from 2020 onwards), starting in 2018. In addition, dividends to be distributed will be subject to a withholding tax that will gradually increase from 0% to 13% (7% for 2018 and 2019 and 13% from 2020 onwards) applicable starting in 2018.

Since 2014, the excise tax in Chile has been 20.5% for beer and wine, 31.5% for spirits, 18% for non-alcoholic beverages with high sugar content (more than 15 grams per 240 ml) and 10% for other beverages with sugar.

The aforementioned tax reform bill in Argentina increases the excise tax levied on various beverages, including beer, from 8% to 14% of the manufacturer's sales price.

An increase in the rate or application of such taxes, or any other taxes, could adversely affect our sales, profitability and investments.

Fluctuations in the cost of our raw materials may adversely impact our profitability if we were unable to pass those costs on to our customers.

We purchase malt, rice and hops for beer, sugar for soft drinks, grapes for wine, pisco and cocktails, and packaging material from local producers or in the international market. The prices of those 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. In particular, where raw material price fluctuations do not keep pace with market conditions in the markets in which we operate, we may have limited capacity to raise prices to offset increases in costs. If we are unable to increase prices in response to increases in 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.

Since 2000, the regions in which we operate and the world have seen the consolidation of the beer market. Companhia de Bebidas das Américas (“AmBev”) and Interbrew were merged, creating InBev, which in turn merged with Anheuser Busch Companies, Inc. (“Anheuser-Busch”), creating Anheuser-Busch InBev (“AB Inbev”), the world leader in beer. AB Inbev controls Quilmes Industrial S.A. ("Quilmes") in Argentina and Cervecería Chile S.A. (“Cervecería Chile”) in Chile, direct competitors of CCU in those markets.

Additionally, in 2005, SABMiller plc merged with Grupo Empresarial Bavaria, a Colombian brewer with operations in Colombia, Peru, Ecuador and Panama, becoming the second largest brewer in the world, and later acquired Cervecería Argentina S.A. Isenbeck (“CASA Isenbeck”), the third largest brewer in Argentina, previously a subsidiary of Warsteiner Brauerei Hans Cramer GmbH & Co. (“Warsteiner”).

During 2015, SAB Miller plc accepted an offer from AB Inbev to merge its operations. The merger has been approved in the various countries where SAB Miller plc and AB Inbev currently operate. In Argentina, the merger is still pending approval by the Comisión Nacional de Defensa de la Competencia ("CNDC"), the antitrust authority in Argentina. This poses a major challenge to our business as this would be one of the largest global mergers in the history of beer and soft drinks, creating a powerful global player capable of producing and distributing more than 700 million hectoliters per year, with a presence in more than 65 countries. This might increase the pricing and/or investment competitiveness of our competitor, which could negatively affect our market share.

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, a subsidiary of AB Inbev. In the past, Cervecería Chile has implemented aggressive commercial practices. Additionally, Cervecería Chile is in the process of expanding its production capacity in Chile. If Cervecería Chile continues its aggressive commercial practices in the future and completes its expansion plans, 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.

In Argentina we face competition from Quilmes and CASA Isenbeck, which as a result of the merger between AB Inbev and SAB Miller plc, become one player in the Argentine beer market. The merger is still pending approval by the CNDC. As a result of its dominant position in Argentina, Quilmes’ large size enables it to benefit from economies of scale in both production and distribution. Therefore, we cannot guarantee that we will be able to maintain or grow our current market share in the Argentine beer market.

On September 6, 2017, CCU and Compañía Cervecerías Unidas Argentina S.A. agreed with Anheuser-Busch InBev S.A./N.V. on an offer letter for a trademark exchange, terminating in advance the Budweiser trademark license agreement entered into by Compañía Cervecerías Unidas Argentina S.A. and Anheuser-Busch, Incorporated (currently Anheuser-Busch LLC, a subsidiary of ABI), dated March 26, 2008, in exchange for a portfolio of brands representing similar volumes, plus different payments of up to USD 400 million before tax, over a three-year period. This transaction was subject to the prior approval of the CNDC and the Secretaria de Comercio del Ministerio de Producción de la Argentina ("SECOM"), the Argentine Competition Law Enforcement Authority. On March 14, 2018, SECOM, based on the CNDC's favorable opinion, approved the transaction, pending review and approval by the CNDC of the terms and conditions of the definitive contracts in respect thereof.

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

In August 2016 the Chilean government approved labor reform Law N° 20,940, which went into effect in April 2017. The result of the new law is a more regulated labor market. In Argentina, the high levels of inflation and union pressure could affect our salary expenses.

The foregoing, as well as the implementation of new labor-friendly laws, 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 physical sales are private label products, 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.

Dependence on a single supplier for some important raw materials.

In the case of aluminum cans, both in Chile and Argentina, we purchase from a single supplier, Ball, which has production plants in both countries, although, if necessary, we could import aluminum cans from other plants from the same supplier or from alternative suppliers in the region. In Argentina, we purchase malt from a single supplier, Cargill. In the past, we have not experienced significant malt supply interruptions in Argentina. However, we cannot guarantee that we will not encounter a malt supply disruption in the future, nor can we guarantee that we will have the ability to obtain replacement supplies at favorable pricing or advantageous terms, which may adversely affect our future 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. While we have adopted policies for the responsible and sustainable use of water, a failure in our water supply or contamination of our wells could negatively affect our sales and profitability.

The Chilean Congress is currently discussing a bill that provides, among others, for a new regime of temporary water rights, which will apply to future water rights that are granted. The bill would also introduce a system of revocation of water rights, for those not in use. This bill could undergo modifications during its discussion in the Chilean Congress. The effects of any such regulations cannot be ascertained at this time, but may result in the Company losing certain water rights, which could adversely affect our future results.

The supply, production and logistics chain is key 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, riots, complaints by communities, safety failures, or other factors which are beyond our control.

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 a main supplier (Entel) and a contingency supplier (Sonda) for its critical systems, in addition to using high availability systems with component redundancy, but we cannot assure you that these measures will be sufficient to guard against all threats to our network security.

Possible regulations for labeling materials and promotion 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, whose limits are reduced in a second stage, in June 2018, and which affect 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, elaboration and commercialization of ethyl alcohol, alcoholic beverages and vinegar, is currently in the legislature. The bill aims to establish restrictions on promotion material, 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 promotions and the prohibition of promotions 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, as a consequence, 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. It is expected that during 2018 regulations will be issued that will establish collection, valorization and other associated obligations for priority products, which we expect will be enforced during 2019 (See Item 4: Information on the Company – E. Environmental Matters).

Although none of the above environmental regulations, as they currently stand, represent a meaningful risk to the Company's operations, possible future regulations could have a significant effect on our business.

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

Natural disasters, climate change impact, terrorism, pandemics, strikes 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.

In 2016 and 2017, Chile was affected 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.

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 March 31, 2018, Inversiones y Rentas S.A. ("IRSA") a Chilean close corporation, directly and indirectly owned 60.0% 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 Chilean peso relative to the U.S. dollar could adversely affect the dollar value and the return on any investment in our ADSs. The Chilean peso has been subject to large nominal devaluations and appreciations in the past and may be subject to significant fluctuations in the future. For example, in the period from December 31, 2015 to December 31, 2016, the Chilean peso relative to the U.S. dollar depreciated by an average of 3.5% in nominal terms, whereas in the period from December 31, 2016 to December 31, 2017, the Chilean peso relative to the U.S. dollar appreciated by an average of 4.1% in nominal terms. See "Item 3: Key Information – A. Selected Financial Data – Exchange Rates".

While our ADSs trade in U.S. dollars, Chilean trading in the shares of our common stock underlying our ADSs is conducted in Chilean pesos. Cash distributions to be received by the depositary for the shares of our common stock underlying our ADSs will be denominated in Chilean pesos. The depositary will translate any Chilean pesos received by it to U.S. dollars at the then-prevailing exchange rate with the purpose of making dividend and other distribution payments on the ADSs. If the value of the Chilean peso declines relative to the U.S. dollar, 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 financial statements are reported in Chilean pesos, a decline in the value of the Chilean peso against the dollar would reduce our earnings as reported in U.S. dollars. Any dividend we may pay in the future would be denominated in Chilean pesos. A decline in the value of the Chilean peso against the U.S. dollar would reduce the U.S. dollar 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 dollars, 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 due to the fact that 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 stock holders, 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 Chilean pesos to U.S. dollars, investors would receive dividends and other distributions, if any, in Chilean pesos.

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 ("Chilean Corporations Act") and the 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 making a decision as to whether 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 the United States. See "Item 10: Additional Information – E. Taxation – Chilean Tax Considerations – Capital Gains" and "– United States Federal IncomeTax 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 us will be diluted proportionately.

ITEM 4: Information on the Company

A. History and Development of the Company

Our current legal and commercial name is Compañía Cervecerías Unidas S.A. We are a public corporation (sociedad anónima abierta) organized by means of a public deed dated January 8, 1902, following the merger of two existing breweries, one of which traces its origins back to 1850, when Mr. Joaquín Plagemann founded one of the first breweries in Chile (in Valparaíso). By 1916, we owned and operated the largest brewing facilities in Chile. Our operations have also included the production and commercialization of soft drinks since the beginning of the last century, the bottling and selling of mineral water products since 1960, the production and commercialization of wine since 1994, the production and commercialization of beer in Argentina since 1995, the production and commercialization of pisco since 2003, the production and commercialization of sweet snacks products since 2004 and the production and commercialization of rum since 2007.

We are subject to a full range of governmental regulation and supervision generally applicable to companies engaged in business in Chile, Argentina, Bolivia, Colombia, Paraguay and Uruguay. These regulations include labor laws, social security laws, public health, consumer protection and environmental laws, securities laws, and antitrust laws. In addition, regulations exist to ensure health and safety conditions in facilities for the production and distribution of beverages and sweet snacks products.