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. 60% of our sales revenues in 2015 was generated from our Chile Operating segment, 27% came from the International Business Operating segment, which includes Argentina, Paraguay and Uruguay, and 13% came from the Wine Operating segment. Thus, the results of our operations and financial condition are dependent to a large extent on the overall level of economic activity in Chile. The Chilean economy has experienced an average annual growth rate of 3.8% between 2010 and 2015, and 2.1% in 2015. In the past, slower economic growth in Chile has slowed down the rate of consumption of our products and adversely affected our profitability. Chile’s economic performance was affected by the disruption in the global financial markets in 2009 and catastrophic events such as earthquakes in the years 2010 and 2015. Therefore 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 products of 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.

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our American Depositary Shares (“ADSs”) and adversely impact a holder’s ability to sell any shares of our common stock withdrawn from our American Depositary Receipt (“ADR”) facility.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 US$ 190.6 billion as of December 31, 2015, while The New York Stock Exchange (“NYSE”) had a market capitalization of approximately US$ 24.5 trillion and the NASDAQ National Market (“NASDAQ”) had a market capitalization of approximately US$ 7.90 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 in the Chilean market shares of our common stock withdrawn from the ADR facility in the amount and at the price and 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 which govern open stock corporations and publicly listed companies such as us have as a principal objective promoting disclosure of all material corporate information to the public, 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 have operations in Argentina, and economic conditions there have adversely affected the results of our operations in the past and may do so in the future.

We have significant assets in Argentina and we have generated significant income from our operations in this country.

As demand for alcoholic and non-alcoholic beverages is usually correlated with economic conditions prevailing in the local market, which in turn is dependent on the macroeconomic condition of the country, the financial condition and results of our operations in Argentina are, to a considerable extent, dependent upon political and economic conditions prevailing in Argentina. From 1999 through 2002, Argentina suffered a prolonged recession, which culminated in an economic crisis. Although the economic situation in Argentina has improved since the economic crisis of 2002, we have been observing a slowdown of the economy, and therefore, 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.

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

A devaluation of the Argentine peso may adversely affect our operating results. In 2015 Argentina experienced an average devaluation of the Argentine peso versus the dollar of 14% year over year. We cannot assure you that the Argentine economy will recover or that it will not face a recession, nor can we predict what effect such a recession would have on our operations in Argentina. In 2009, the Company first reported its financial statements under IFRS, using the Argentine peso as the functional currency for our Argentine subsidiaries. The results are calculated in Argentine pesos and then translated into Chilean pesos for consolidation purposes.

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

The measures taken by the previous Argentine government to address the country’s economic crisis of 2002 severely affected the Argentine financial system’s stability and have had a materially negative impact on the country´s economy. Recently, the Argentine government lifted restrictions on foreign exchange transactions for obligations entered into after December 17, 2015. Restrictions on obligations entered into before December 17, 2015 will remain in effect until May 2016. If Argentina were to experience a new fiscal and economic crisis, the Argentine government could implement economic and political measures, which could adversely impact our business.

Since January 2006, the Argentine government has adopted different methods to directly and indirectly regulate the prices of various consumer goods, including bottled beer, in an effort to slow inflation. Additionally, measures taken by the previous Argentine government to control the country’s trade balance and to limit the access to foreign currencies have negatively impacted the free import of goods and royalty payments by the Company, and also the repatriation of profits. This situation has recently changed following the installation of the new government in December 2015. We cannot assure you that the current Argentine government will not implement this type of measures and that these will not have an adverse effect on our operations in Argentina.

RISKS RELATING TO OUR BUSINESS

Potential changes to Chilean tax rules may result in an increase in the prices of our products and a corresponding decline in sales volumes.

Changes such as the new Chilean tax reform (the "Tax Reform Act") that became effective on October 1, 2014, and implemented a series of changes to the tax rates and tax policies, increasing among other things the excise tax for alcoholic and sugar-containing beverages in Chile, forced us to implement price increases for certain categories, leading to a possible decline in volume.

Furthermore, the Tax Reform Act establishes two different systems: "The Partially Integrated System" and the "Attributed Income Regime". The "Partially Integrated System" provides for a gradual increase in the First Category Income tax rate, going 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. The Tax Reform Act provides that corporations will apply by default the "Partially Integrated System", unless a future Extraordinary Shareholders Meeting agrees to opt for the "Attributed Income Regime".

Implementation of these or similar future reforms that we are not aware of nor foresee, might adversely affect our business, our operating result and our financial position.

Fluctuations in the cost of our raw materials may adversely impact our profitability if we are 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 and are determined by the 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.

In 2005, SABMiller Plc merged with Grupo Empresarial Bavaria, a Colombian brewer with operations in Colombia, Peru, Ecuador and Panama, forming the then second-largest brewer in the world. In 2010 SABMiller Plc acquired Cervecería Argentina S.A. ("CASA Isenbeck"), the third-largest brewer in Argentina, previously subsidiary of Warsteiner Brauerei Hans Cramer GmbH & Co. ("Warsteiner").

In March 2004, Companhia de Bebidas das Américas ("AmBev") and Interbrew announced an agreement to merge, creating the world's largest brewer under the name InBev. Additionally, in January 2007, AmBev assumed control of Quilmes Industrial S.A. ("Quilmes"). In Chile, Quilmes sells its beer through Cervecería Chile S.A. ("Cervecería Chile"). In November 2008 InBev and Anheuser-Busch Companies, Inc. ("Anheuser-Busch") merged, creating Anheuser-Busch Inbev ("AB Inbev"), the worldwide leader in beer. In 2013, AB Inbev finalized the acquisition of Grupo Modelo.

During 2015 SAB Miller plc accepted an offer from AB Inbev to merge its operations. The merger has not yet been completed as it is subject to regulatory approvals. With this we face a major challenge: we are witnessing one of the largest global mergers in the history of beer and carbonated soft drinks, which will create a powerful global player, capable of producing and distributing more than 700 million hectoliters per year, with presence in more than 65 countries. We are monitoring the scope and implications of the possible regulatory restrictions to this merger in the different countries where SABMiller plc and AB Inbev currently operate, and possible consequences for our operations.

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. In the past, Cervecería Chile has engaged in aggressive pricing. If Cervecería Chile were to amplify its aggressive price discounting practices in the future, we cannot assure, given the current environment, that any such discounting or other competitive activities will not have a material adverse impact on our profitability or market share.

Additionally, if commercial conditions in the beer market continue to be relatively favorable in Chile, more enterprises may attempt to enter this market, either by producing beer locally or through importation. While we expect per capita beer consumption in Chile to continue to increase, mitigating the effect of competition, the entry into the market of additional competitors could erode our market share or lead to price discounting.

Our beer brands in Chile may face increased competition from other alcoholic beverages such as wine and spirits, as well as from non-alcoholic beverages, such as carbonated soft drinks.

Beer consumption in Chile may be influenced by changes in the relative price of domestic wine, spirits and/or other non-alcoholic beverages. Increases in domestic wine prices have tended to lead to increases in beer consumption, while reductions in wine prices have tended to reduce or slow the growth of beer consumption. As a result of our lower market share in the Chilean wine, spirits and soft drinks markets as compared to our market share in the Chilean beer market, we expect that our consolidated profitability could be adversely affected if beverage consumers were to shift their consumption from beer to either wine, spirits or non-alcoholic beverages.

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, if consummated, would become one player in the Argentine beer market. As a result of its dominant position in Argentina, Quilmes’ large size by itself enables it to benefit from economies of scale in the production and distribution of beer throughout Argentina, a position that would strengthen as a result of the merger. Therefore, we cannot assure you that we will be able to grow or maintain our current market share in the Argentine beer market.

Restrictions in the gas supply from Argentina and taxes on carbon dioxide emissions could increase our energy costs, and higher oil prices could increase our distribution expenses.

In the past, the Argentine government restricted gas exports to Chile due to domestic supply problems. This increased the operating cost of our beer plants in Chile and Argentina, and of our non-alcoholic plants in Chile. As a consequence, the Chilean government implemented a strategy to diversify the country’s energy supply. The construction in Quintero of the first plant to process imported LNG (liquefied natural gas), which started its operation in August 2009, brought relief to the energy issue. Taxes on carbon dioxide emissions in Chile will go into effect in 2017, and the cost of these taxes will most likely be passed on to energy prices. We cannot assure that the supply of energy or the cost thereof will not experience future fluctuations. Electric power costs have increased significantly in the past mainly due to hydroelectric plants having lower water reservoir levels, which was exacerbated by the absence of new installed capacity at lower costs. Increases in oil prices or unfavorable hydric conditions could reduce our margins if we are unable to improve efficiencies or increase our prices to offset them.

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

In December 2014, the Chilean government presented to the Chilean Congress a bill for a labor reform which could result in a more rigid labor market. This reform has been approved by the Chilean Congress but is currently pending resolution by the Constitutional Court. The main elements of the labor reform are the following:

- Collective bargaining coverage is expanded to certain employees who were prevented from exercising this right, such as apprentices, temporary workers and others.
- Unions are recognized as the only party entitled to exercise the right to collectively bargain on behalf of the workers.
- Benefits obtained by a union in the course of a negotiation are extended for the benefit of any worker joining that union after the negotiation has concluded. The extension of said benefits to employees would be contingent to the assent of each union.
- Collective bargaining agreements currently in effect would constitute a floor for the negotiation of new conditions of employment. The financial situation of the company or business as of the date of discussions for a new agreement would not have any bearing on ongoing negotiations.
- The employer's right to replace those workers participating in a strike with current or new employees while the strike is taking place is curtailed.
- Modification of the definition of “minimum services” through “emergency teams” for which unions are obliged to provide the personnel required. These minimum services should be of a certain minimum level to prevent accidents and protect the equipment.
- Matters that may be subject to collective bargaining agreements are expanded, allowing the negotiation of more flexible workdays, adaptable systems and others.
- Unions may annually request from large companies information regarding the remunerations and duties associated with each category of employees.

In Argentina, the high levels of inflation could affect our salary expenses.

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 assure 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. 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, increasing the importance and purchasing power of a few supermarket chains. As a result, we may not be able to negotiate favorable prices, which may adversely 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 honor its payment obligations to us for any reason.

Dependence on a single supplier for some important raw materials.

In the case of cans, both in Chile and Argentina we purchase from a single supplier, Rexam, which has production plants in both countries. However, cans could also be imported from other Rexam plants or from alternative suppliers in the region. We have long term contracts for malt in Chile and in Argentina. We purchase one way polyethylene terephthalate resins (“PET”) from several suppliers located in China, Mexico and US and in the past we have also purchased in Argentina. While we have alternatives in procuring our supplies, if we were to experience disruptions in our supply chain we cannot assure you we will be able to obtain replacement supplies at favorable pricing or advantageous terms, which may adversely affect our results.

Water supply is essential to the development of our businesses.

Water is an essential component for beer, soft drinks, mineral and purified water. 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, a new regime of temporary water rights, which 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. After its enactment, regulations will be required for the implementation of the new regime, which is not expected to occur during the year 2016.

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, riots, complaints by communities 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 for digital 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.

Possible regulations for labeling materials and promotion of alcoholic beverages and other food products in Chile could adversely affect us.

Currently a bill that modifies law N° 18,455 is in the third phase of being passed. The bill fixes standards for production, elaboration and commercialization of ethyl alcohol, alcoholic beverages and vinegar. 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 promotion materials, restrictions in hours of promotion and prohibition of participation in sports and cultural events, among others. A regulatory change of this nature will affect our alcohol beverages portfolio and certain marketing activities.

On June 26, 2015 decree N° 13 of the Ministry of Health was published which modifies the Sanitary Food Products Regulations (DC 977 of the Ministry of Health) and enforces Law N° 20,606 of 2012 regarding the nutritional composition of food products and its promotion. Both regulations establish certain restrictions on promotion material, labeling, and commercialization of these products that have been classified as being "high" in calories or any of the defined critical nutrients, such as sodium, sugar and saturated fats. Additionally on November 13, 2015 Law N° 20,869 regarding the promotion of food products was published, restricting the time of day promotions for products high in calories or any of the defined critical nutrient can be aired on television and in the cinema.

This law will become effective as of June 27, 2016 and will affect a portion of our non-alcoholic portfolio. We are taking measures to mitigate the impact of this new law, though we cannot assure that these measures will be successful.

If further proposed bills are passed, or other regulations restricting the sale of non-alcoholic beverages or sweet snacks are enacted, this could affect consumption of our products and, as a consequence, negatively impact our business.

New environmental regulations, may negatively affect our profitability and reputation.

CCU's operations are subject to environmental regulations at local, national and international levels. These regulations cover, among other things, emissions, noise, disposal of solid and liquid wastes, and other activities inherent to our industry In Chile a bill has been approved by the Chilean Congress that establishes a framework for waste management and extended producer responsibility, also known as the recycling law, with the objective of lowering the generation of waste of proprietary products as determined by the bill and fostering recycling of the waste.

CCU places special care and dedicates constant efforts to the compliance with environmental regulations. Modifications to the existing regulation might involve new costs and investments by the Company.

Our products are taxed with different duties, particularly with respect to excise taxes on the consumption of alcoholic and non-alcoholic beverages.

The Argentine ad valorem excise tax is 8.7% for beer, and the Chilean ad valorem excise tax is 20.5% for beer and wine, 31.5% for spirits, 18% for non-alcoholic beverages containing more than 15 gr./240ml. of sugar and 10% for non-alcoholic beverages containing 15 gr./240ml. or less of sugar. An increase in the rate of these or any other tax could negatively affect our sales and profitability.

Currency fluctuations may affect our profitability.

Because we purchase some 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. Therefore, any future changes in the value of the Chilean peso against said currencies would affect the revenues of our wine export business, as well as the cost of several of our raw materials, especially in the beer and soft drink businesses where prices of raw materials are indexed to the U.S dollar. The effect of the exchange rate variation on export revenues would have an opposite effect on the cost of raw materials expressed in Chilean peso terms.

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

Natural disasters, climate change, 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 of raw materials, earnings and could have a material effect on our business, operational results, and financial position.

In 2015 Chile was affected by several natural disasters, including the large floods and mudflows in several towns of the Antofagasta, Atacama and Coquimbo regions during March 2015, and an 8.4 magnitude earthquake in the northern regions of Chile, followed by a tsunami on September 17, 2015. These events did not have a significant effect on our operations.

A future earthquake, tsunami or other natural disaster, however, 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 our financial results may suffer.

The image and quality of our products is essential for our success and growth. Problems with product quality could tarnish the reputation of our products and may adversely affect our revenues.

If we are unable to finance our operations we may be adversely affected.

A global liquidity crisis or an increase in financial interest rates may eventually limit our ability to obtain the cash needed to fulfill our commitments. Sales could also be affected by a global disruption if consumption decreases sharply, placing stress on our cash position.

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, 2016, Inversiones y Rentas S.A. (“IRSA”) a Chilean closed 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, 2014 to December 31, 2015, the daily average value of the Chilean peso relative to the U.S. dollar increased by 15% in nominal terms, whereas the year end value increased by 17% based on the observed exchange rate for U.S. dollars on those dates. See “Item 3: Key Information – 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 – 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.

In order to vote at shareholders' meetings, if a holder is not registered on the books of the ADS depositary, the holder of our ADSs is required to transfer their ADSs for a certain number of days before a shareholders' meeting into a blocked account established for that purpose by the ADS depositary. Any ADSs transferred to this blocked account will not be available for transfer during that time. If a holder of our ADSs is registered on the books of the ADS depositary, the holder must give instructions to the ADS depositary not to transfer such holder's ADSs during such period before the shareholders' meeting. A holder of our ADSs must therefore receive voting materials from the ADS depositary sufficiently in advance in order to make these transfers or give these instructions. There can be no guarantee that a holder of our ADSs will receive voting materials in time to instruct the ADS depositary on how to vote. It is possible that a holder of our ADSs will not have the opportunity to exercise a right to vote at all. Additionally, a holder of our ADSs may not receive copies of all reports from us or the ADS depositary. A holder of our ADSs may have to arrange with the ADS depositary's offices to inspect any reports issued.

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.

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.

In accordance with Chilean laws and regulations, any shareholder that votes against certain corporate actions or does not attend the meeting at which certain corporate actions are approved and communicates to the corporation their dissent in writing within the time period established by law may exercise a withdrawal right, tender their shares to the company and receive cash compensation for their shares, provided that the shareholder exercises their rights within the prescribed time periods. See "Item 10: Additional Information–Memorandum and Articles of Association–Rights, preferences and restrictions regarding shares." In our case, the actions triggering a right of withdrawal include the approval of:

- our transformation into a different type of legal entity;

- our merger with and/or into another company;
- the transfer of 50% or more of our corporate assets, whether or not liabilities are also transferred, to be determined according to the balance sheet of the previous fiscal year, or the proposal or amendment of any business plan that contemplates the transfer of assets exceeding said percentage; the disposition of 50% or more of the corporate assets of a subsidiary, which represents at least 20% of the assets of the corporation, as well as any disposition of shares which results in the parent company losing its status as controller;
- the granting of real or personal guarantees to secure third-party obligations exceeding 50% of the corporate assets except when the third party is a subsidiary of the company (in which case approval of the board of directors will suffice);
- the creation of preferences for a series of shares or the increase, extension or reduction in the already existing ones. In this case, only dissenting shareholders of the affected series shall have the right to withdraw;
- curing certain formal defects in our charter which otherwise would render it null and void or any modification of our bylaws that grant this right; and
- other cases provided for by statute or in our bylaws, if any.

In addition, shareholders may withdraw if a person becomes the owner of two-thirds or more of the outstanding shares of the corporation as a consequence of a share acquisition and such person does not make a tender offer for the remaining shares within 30 days from the date of such acquisition.

Minority shareholders are also granted the right to withdraw when the controller acquires more than 95% of the shares of an open stock corporation.

Our bylaws do not provide for additional circumstances under which shareholders may withdraw.

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 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.

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 –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 were incorporated in the Republic of Chile in 1902 as an open stock corporation, 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 marketing of soft drinks since the beginning of the last century, the bottling and selling of mineral water products since 1960, the production and marketing of wine since 1994, the production and marketing of beer in Argentina since 1995, the production and marketing of pisco since 2003, the production and marketing of sweet snacks products since 2004 and the production and marketing 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 healthy and safe conditions in facilities for the production and distribution of beverages and sweet snacks products.

Our principal executive offices are located at Vitacura 2670, 23rd floor, Santiago, Chile. Our telephone number in Santiago is (56-2) 2427-3000, and our website is www.ccu.cl. Our authorized representative in the United States is Puglisi & Associates, located at 850 Library Avenue, Suite 204, Newark, Delaware 19715, USA, telephone number (302) 738-6680 and fax number (302) 738-7210. The information on our website is not incorporated by reference into this document.

In 1986, IRSA, our current principal shareholder, acquired its controlling interest in us through purchases of common stock at an auction conducted by a receiver who had assumed control of us following the economic crisis in Chile in the early 80's, which resulted in our inability to meet our obligations to our creditors. IRSA, at that time, was a joint venture between Quiñenco S.A. ("Quiñenco") and the Schörghuber Group from Germany through its wholly owned subsidiary Finance Holding International B.V. ("FHI") of the Netherlands.