

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission file number 0-20486

COMPAÑÍA CERVECERÍAS UNIDAS S.A.

(Exact name of Registrant as specified in its charter)

UNITED BREWERIES COMPANY, INC.

(Translation of Registrant's name into English)

Republic of Chile

(Jurisdiction of incorporation or organization)

Vitacura 2670, Twenty-Third Floor, Santiago, Chile

(Address of principal executive offices)

Felipe Dubernet, (562-24273536), fdubern@ccu.cl Vitacura 2670, Twenty-Third Floor, Santiago, Chile
(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to section 12(b) of the Act.

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
American Depositary Shares, each representing two shares of our Common Stock, without par value	CCU	New York Stock Exchange
Common Stock	N/A*	New York Stock Exchange*
	CCU	Santiago Stock Exchange Chile Electronic Stock Exchange

* Not for trading, but only in connection with the registration of American Depositary Shares which are evidenced by American Depositary Receipts

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Not applicable

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not applicable

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Common stock, with no par value: 369,502,872

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

YES NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definitions of "accelerated filer", "large accelerated filer", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

—

†The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

ITEM 17 ITEM 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Table of Contents

	<u>Page</u>
UNITED STATES.....	3
Introduction	i
Forward Looking Statements	ii
PART I.....	3
ITEM 1: Identity of Directors, Senior Management and Advisers	3
ITEM 2: Offer Statistics and Expected Timetable.....	3
ITEM 3: Key Information	3
A. Selected Financial Data	3
B. Capitalization and Indebtedness	5
C. Reasons for the Offer and Use of Proceeds.....	5
D. Risk Factors	6
ITEM 4: Information on the Company	15
A. History and Development of the Company	15
B. Business Overview.....	24
1) Summary	24
2) Overview.....	25
3) The Beverage Market.....	27
4) Production and Marketing	31
5) Raw Materials and other Supplies.....	44
6) Sales, Transportation and Distribution	45
7) Seasonality	49
8) Geographical Markets	52
9) Competition	53
10) Government Regulation.....	56
C. Organizational Structure	60
D. Property, Plants and Equipment.....	61
E. Environmental Matters	64
ITEM 4A: Unresolved Staff Comments	65
ITEM 5: Operating and Financial Review and Prospects	65
A. ADJUSTED OPERATING RESULT	66
B. Liquidity and Capital Resources.....	73
C. Research and Development.....	76
D. Trend Information.....	77
E. Off Balance Sheet Arrangements.....	78
F. Contractual Obligations.....	79
ITEM 6: Directors, Senior Management and Employees.....	80
A. Directors and Senior Management.....	80

B.	Compensation.....	85
C.	Board Practices.....	86
1)	Directors Committee.....	87
2)	Audit Committee.....	89
D.	Employees.....	90
E.	Share Ownership.....	91
ITEM 7:	Major Shareholders and Related Party Transactions.....	91
A.	Major Shareholders.....	91
B.	Related Party Transactions.....	92
C.	Interests of Experts and Counsel.....	99
ITEM 8:	Financial Information.....	99
A.	Consolidated Statements and Other Financial Information.....	99
B.	Significant Changes.....	101
ITEM 9:	The Offer and Listing.....	101
A.	Offer and Listing Details.....	101
B.	Plan of distribution.....	102
C.	Markets.....	102
D.	Selling Shareholders.....	102
E.	Dilution.....	103
F.	Expenses of the Issue.....	103
ITEM 10:	Additional Information.....	103
A.	Share Capital.....	103
B.	Memorandum and Articles of Association.....	103
C.	Material Contracts.....	107
D.	Exchange Controls.....	107
E.	Taxation.....	109
F.	Dividends and Paying Agents.....	116
G.	Statement by Experts.....	117
H.	Documents on Display.....	117
I.	Subsidiary Information.....	117
ITEM 11:	Quantitative and Qualitative Disclosures about Market Risk.....	117
A.	Qualitative Information About Market Risk.....	117
B.	Quantitative Information About Market Risk.....	120
ITEM 12:	Description of Securities Other than Equity Securities.....	123
PART II	124
ITEM 13:	Defaults, Dividend Arrearages and Delinquencies.....	124
ITEM 14:	Material Modifications to the Rights of Security Holders and Use of Proceeds.....	124

ITEM 15: Controls and Procedures.....	124
ITEM 16A: Audit Committee Financial Expert.....	125
ITEM 16B: Code of Ethics.....	125
ITEM 16C: Principal Accountant Fees and Services.....	126
ITEM 16D: Exemptions from the Listing Standards for Audit Committees.....	126
ITEM 16E: Purchases of Equity Securities by the Issuer and Affiliated Purchasers.....	126
ITEM 16F: Change in Registrant’s Certifying Accountants.....	126
ITEM 16G: Corporate Governance.....	127
ITEM 16H: Mine Safety Disclosure.....	129
PART III.....	129
ITEM 17: Financial Statements.....	129
ITEM 18: Financial Statements.....	129
ITEM 19: Exhibits.....	130

Introduction

In this annual report on Form 20-F, all references to “we”, “us”, “Company” or “CCU” are to Compañía Cervecerías Unidas S.A., an open stock corporation (sociedad anónima abierta) organized under the laws of the Republic of Chile, and its consolidated subsidiaries. Our fiscal year ends on December 31st. The expression “last three years” means the years ended December 31, 2017, 2018 and 2019. Unless otherwise specified, all references to “U.S. dollars” “dollars” “USD” or “US\$” are to United States dollars, and references to “Chilean pesos” “pesos” “Ch\$” or “CLP” are to Chilean pesos. We prepare our consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). See the notes to our consolidated financial statements included in pages F-1 through F-137 of this annual report. We use the metric system of weights and measures in calculating our operating and other data. The United States equivalent units of the most common metric units used by us are as shown below:

1 liter = 0.2642 gallons	1 gallon = 3.7854 liters
1 liter = 0.008522 US beer barrels	1 US beer barrel = 117.34 liters
1 liter = 0.1761 soft drink unit cases (8 oz cans)	1 soft drink unit case (8 oz cans) = 5.6775 liters
1 liter = 0.1174 beer unit cases (12 oz cans)	1 beer unit case (12 oz cans) = 8.5163 liters
1 hectoliter = 100 liters	1 liter = 0.01 hectoliters
1 US beer barrel = 31 gallons	1 gallon = 0.0323 US beer barrels
1 hectare = 2.4710 acres	1 acre = 0.4047 hectares
1 mile = 1.6093 kilometers	1 kilometer = 0.6214 miles

Forward Looking Statements

This annual report contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to as the “Securities Act”, and Section 21E of the Securities and Exchange Act of 1934, which we refer to as the “Exchange Act”. These statements relate to analyses and other information, which are based on forecasts of future results and estimates of amounts not yet determinable. They also relate to our future prospects, development and business strategies.

These forward-looking statements are identified by the use of terms and phrases such as “anticipate”; “believes”; “could”; “expects”; “intends”; “may”; “plans”; “predicts”; “projects”; “will” and similar terms and phrases. We caution you that actual results could differ materially from those expected by us, depending on the outcome of certain factors, including, without limitation:

- our success in implementing our investment and capital expenditure program;
- the nature and extent of future competition in our principal marketing areas;
- the nature and extent of a global financial disruption and its consequences;
- political, social and economic developments in Chile, Argentina and other countries where we currently conduct business or may conduct business in the future, including other Latin American countries; and
- other factors discussed under “Item 3: Key Information – Risk Factors”, “Item 4: Information on the Company” and “Item 5: Operating and Financial Review and Prospects”.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this annual report. We undertake no obligation to publicly update any of these forward-looking statements to reflect events or circumstances after the date of this annual report, including, without limitation, changes in our business strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

PART I

ITEM 1: Identity of Directors, Senior Management and Advisers

Not applicable.

ITEM 2: Offer Statistics and Expected Timetable

Not applicable.

ITEM 3: Key Information

A. Selected Financial Data

The following table presents selected consolidated financial data as of December 31, 2018 and 2019 and for the years ended December 31, 2017, 2018 and 2019, which has been derived from our consolidated financial statements prepared in accordance with IFRS and included elsewhere in this annual report, and as of December 31, 2015, 2016 and 2017 and for the years ended December 31, 2015 and 2016, which has been derived from our consolidated financial statements prepared in accordance with IFRS and not included in this annual report. The financial data set forth below should be read in conjunction with the consolidated financial statements and related notes and “Item 5: Operating and Financial Review and Prospects” included elsewhere in this annual report.

IFRS	<u>Year ended December 31,</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1. Income Statement Data:			(millions of CLP) ⁽¹⁾		
Net sales	1,498,372	1,558,898	1,698,361	1,783,282	1,822,541
Gross profit	813,296	817,078	899,622	923,271	914,223
Other Income by Function ⁽²⁾	6,577	5,144	6,718	228,455	22,585
Other Expenses ⁽³⁾	(2,372)	(2,027)	(2,662)	(1,428)	(1,428)
Exceptional Items (EI) ⁽⁴⁾	-	-	-	-	-
MSD&A ⁽⁵⁾	(612,565)	(619,543)	(668,783)	(681,576)	(704,571)
Adjusted Operating Result ⁽⁶⁾	204,937	200,652	234,894	468,722	230,808
Other Gains (Losses)	8,512	(8,346)	(7,717)	4,030	3,157
Net Financial Expenses	(15,256)	(14,627)	(19,115)	(7,766)	(14,603)
Results as per Adjustment Units	(3,283)	(2,247)	(111)	742	(8,255)
Equity and Income from Joint Ventures	(5,228)	(5,561)	(8,914)	(10,816)	(16,432)
Foreign Currency Exchange Differences	958	457	(2,563)	3,300	(9,054)
Income Taxes	(50,115)	(30,246)	(48,366)	(136,127)	(39,976)
Net income for the year:	140,526	140,082	148,108	322,085	145,646
Attributable to:					
Equity Holders of the Parent Company	120,808	118,457	129,607	306,891	130,142
Non-Controlling Interests	19,717	21,624	18,501	15,194	15,504
Basic and Diluted Income per Share	326.95	320.59	350.76	830.55	352.21
Basic and Diluted Income per ADS ⁽⁷⁾	653.90	641.17	701.52	1,661.10	704.42
Dividend per Share ⁽⁸⁾	163.5	176.3	178.9	498.3	255.0
Dividend per ADS in US\$ ⁽⁷⁾⁽⁸⁾	0.47	0.53	0.59	1.49	0.62
Weighted Average Shares Outstanding (000)	369,503	369,503	369,503	369,503	369,503

Shares Outstanding as of December 31st (000) 369,503 369,503 369,503 369,503 369,503

IFRS	<u>Year ended December 31,</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
2. Balance Sheet Data:	(millions of CLP) ⁽¹⁾				
Total Assets	1,825,447	1,872,027	1,976,229	2,405,865	2,353,691
Total Non-Current Liabilities	249,235	228,998	280,651	371,025	427,481
Total Financial Debt ⁽⁹⁾	180,901	184,624	214,593	290,952	330,155
Capital Stock	562,693	562,693	562,693	562,693	562,693
Total Equity Attributable to Equity Holders of the Parent Company	1,057,816	1,077,298	1,101,077	1,280,127	1,328,054
Total Shareholders' Equity	1,187,522	1,200,656	1,226,829	1,389,116	1,442,927
3. Other Data					
Sales Volume (in millions of liters):					
Total Volume	2,392.7	2,478.4	2,602.0	2,853.0	3,003.2

- (1) Except for the number of shares outstanding, per share and per ADS amounts and sales volume.
- (2) In 2018, Other Income by Function includes the gain of CLP 208,842 million received from the Compañía Cervecerías Unidas Argentina S.A. and Anheuser-Busch InBev S.A./N.V. ("ABI") transaction (the "Transaction"). See Note 30 to our consolidated financial statements included herein. For more details about the Transaction, see "Item 4: Information on the Company – A. History and Development of the Company" and Note 1 – Letter C of our consolidated financial statements included herein.
- (3) Other expenses are part of the 'Other expenses by function' as presented in the Consolidated Statement of Income. These Other expenses mainly consist of losses related to the sales and write off of fixed assets.
- (4) EI are part of 'Other expenses by function' as presented in the Consolidated Statement of Income.
- (5) Marketing, Sales, Distribution & Administrative expenses
- (6) For management purposes, Adjusted Operating Result is defined as Net Income before other gains (losses), net financial expense, equity and income of joint ventures, foreign currency exchange differences, result as per adjustment units and income taxes. Please see "Item 5: Operating and Financial Review and Prospects – A. ADJUSTED OPERATING RESULT" for more details regarding Adjusted Operating Result and a reconciliation of the most directly applicable IFRS measure to Adjusted Operating Result.
- (7) Per ADS amounts are determined by multiplying per share amounts by 2. As of December 20, 2012, there was an ADS ratio change from 1 ADS to 5 common shares, to a new ratio of 1 ADS to 2 common shares.
- (8) Dividends per share are expressed in CLP as of payment dates, with charge to prior year's net income. Dividends per ADS expressed in USD serve as reference purposes only; we pay all dividends in CLP. The Chilean peso amounts as shown here have been converted into USD at the respective observed exchange rate in effect at each payment date or, in respect of the dividend payable for the year ended December 31, 2019, at the observed exchange rate in effect as of April 24, 2020.
- (9) Includes short-term and long-term financial debt (mainly bank loans, bonds and financial leasing).

Exchange Rates. Prior to 1989, Chilean law permitted the purchase and sale of foreign currency only in those cases explicitly authorized by the Central Bank of Chile. The Central Bank Act, which was enacted in 1989, liberalized the rules that govern the ability to buy and sell foreign currency. Currently, pursuant to the Central Bank Act, the Central Bank of Chile has the authority to mandate that certain purchases and sales of foreign currency specified by law are to be carried out in the formal exchange market. The formal exchange market is formed by banks and other entities authorized by the Central Bank of Chile. All payments and distributions made to our holders of ADSs must be transacted in the formal exchange market.

In order to keep fluctuations in the average exchange rate within certain limits, the Central Bank of Chile has in the past intervened by buying or selling foreign currency on the formal exchange market. In September 1999, the Central Bank of Chile decided to limit its formal commitment to intervene and decided to exercise it only under extraordinary circumstances, which are to be announced in advance. The Central Bank of Chile also committed to provide periodic information about the levels of its international reserves.

The observed exchange rate is the average exchange rate at which commercial banks conduct authorized transactions on a given date, as certified by the Central Bank of Chile. The Central Bank of Chile generally carries out its transactions at the spot market rate. Authorized transactions by banks are now generally conducted at the spot market rate.

Purchases and sales of foreign currencies effectuated outside the formal exchange market are carried out in the mercado cambiario informal (the informal exchange market). The informal exchange market reflects the supply and demand for foreign currency. There are no limits imposed on the extent to which the rate of exchange in the informal exchange market can fluctuate above or below the observed exchange rate. On April 1, 2020 the USD observed exchange rate relating to March 30, 2020 was CLP 852.03 per USD.

The following table sets forth the low, high, average and period-end observed exchange rates for USD for each of the indicated periods starting in 2015 as reported by the Central Bank of Chile. The Federal Reserve Bank of New York does not report a noon buying rate for CLP.

	Daily Observed Exchange Rate ⁽¹⁾			
	(CLP per USD)			
	<u>Low</u> ⁽²⁾	<u>High</u> ⁽²⁾	<u>Average</u> ⁽³⁾	<u>Period-end</u> ⁽⁴⁾
2015	597.10	715.66	654.79	710.16
2016	645.22	730.31	676.70	669.47
2017	614.75	679.05	649.05	614.75
2018	588.28	698.56	642.06	694.77
2019	649.22	828.25	702.88	748.74
October 2019	709.71	735.05	721.94	735.05
November 2019	735.05	828.25	778.23	812.13
December 2019	744.62	804.29	767.22	748.74
January 2020	754.16	799.11	774.94	799.11
February 2020	776.99	818.32	797.34	818.32
March 2020	809.81	867.83	840.38	852.03

Source: Bloomberg

(1) Historical pesos.

(2) Rates shown are the actual low and high, on a day-by-day basis for each period.

(3) For yearly data, the average of monthly average rates during the period reported, and for monthly data, the average of daily average rates during the period reported.

(4) Published on the first day after month (year) end.

The exchange rate on April 24th, 2020, the latest practicable date, was CLP 859.95 per USD.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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 64% of our sales revenues in 2019, the International Business Operating segment (which includes Argentina, Bolivia, Paraguay and Uruguay) contributed 25%, and the Wine Operating segment, including the domestic markets in Chile and Argentina, as well as exports, accounted for 12% 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 2.9% between 2009 and 2019, and 1.1% in 2019. 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, as was the case in 2009. 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 unfavorable conditions in the international markets and to constant social demands, which could have a negative impact on the demand for our products, as well as on third parties with whom we conduct business with. 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.

The beginning of a massive social movement during the fourth quarter of 2019 has 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. See “—Uncertainties about how Chile's social situation will develop could negatively impact its economy and hence our results of operations and financial condition.”

Uncertainties about how Chile's social situation will develop could negatively impact the Chilean economy and our results of operations and financial condition.

Beginning on October 18, 2019, protests spread throughout Chile, initially sparked over an increase in the Santiago metro system fares. Protestors vandalized metro stations and other public and private sector assets in Santiago and other major cities. The protests and associated violence have caused commercial disruptions throughout the country, especially in Santiago. A number of demands have been raised throughout the protests, which are generally related to increased economic inclusion and social equality. In response to these events, the government has announced a robust social agenda intended to increase basic pensions, expand social health coverage, increase the tax burden on wealthy taxpayers, reduce working hours, increase the minimum wage, and reduce and stabilize certain public service tariffs, including those related to public transport and electricity. To fund the social agenda, the government and part of the opposition reached an agreement, which introduces certain modifications to the tax reform bill of 2018 that eventually was passed by the Chilean Congress on January 2020.

In response to this social unrest, on November 15, 2019, the majority of the political parties in Chile reached an agreement, which among other items contemplated initial steps toward a potential amendment of the Chilean constitution.

In spite of these measures, the Chilean markets continue to be volatile, and social unrest and violence are still to be fully controlled. The long-term effects of the recent social unrest on the Chilean economy and a possible change in the Constitution are hard to predict and could result in an adverse effect on our results of operations and financial condition.

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 205.8 billion as of December 31, 2019, while the New York Stock Exchange (“NYSE”) had a market capitalization of approximately USD 27.8 trillion and the NASDAQ National Market (“NASDAQ”) had a market capitalization of approximately USD 13.9 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. However, in 2018 Argentina once again entered into a recession and its GDP decreased by 2.5% and accumulated inflation reached 47.6%, while in 2019 the Argentine GDP contracted by 2.2% and inflation reached 53.8%. Consequently, given that the cumulative inflation rate exceeded 100% over the last three years, 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.

If economic conditions in Argentina were to slow down, or contract further, if inflation were to accelerate further, 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. 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.

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 2019 the Argentine peso depreciated 72% against the USD on average, and 59% as of the end of 2019. 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.

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. These measures included, among others, different methods to directly and indirectly regulate price increases of various consumer goods, including beer, with the intention of reducing inflation. Additionally, the measures implemented in the past to control the country's trade balance and exchange rate negatively impacted the free import of goods and the repatriation of profits.

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 in Argentina a tax reform law was passed by Congress 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 onwards), starting in 2018. In addition, dividends to be distributed are subject to a withholding tax subject to gradual increase from 0% to 13% (7% for 2018 and 2019 and 13% from 2020 onwards). In December 2019, a

new law was passed which modified certain provisions of the 2017 tax law. Among other matters, it extended the 30% income tax rate and the 7% withholding rate on dividends for an additional year, through 2020. Thus, the 25% income tax rate and the 13% withholding rate on dividends, originally scheduled to apply in 2020, are scheduled to enter into force in 2021. In addition, regarding the Personal Property Tax, which applies to foreign shareholders who hold equity participations in Argentine companies, this reform increases 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 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 materials 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. 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 Ambev S.A. (“Ambev”), which in turn is a subsidiary ABI. 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 Cervecería y Maltería Quilmes S.A.I.C. y G. (“Quilmes”), a subsidiary of Ambev. As a result of its dominant position and large size in Argentina, Quilmes has significantly larger economies of scale than us in both production and distribution.

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

We depend 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. However, 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, Boortmalt. 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. 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 with the environment and natural resources, the Company has defined long-term policies to develop a responsible and sustainable use of water. Through its 2020 Environmental Vision plan, initiated in 2010, the Company has reduced the consumption of this resource by approximately 46% per liter produced as of 2019. Furthermore, through the new 2030 Environmental Vision plan, the Company commits to continue optimizing the consumption of water per liter produced, by reaching a 60% decrease in the next ten years.

Additionally, the Chilean Congress is currently discussing the passing of a bill which establishes, among other things, a new regime for the constitution of rights to use water temporarily, 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 *Dirección General de Aguas* (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.

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 case of the recent 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, limit our production and distribution capacity, and/or generate a contraction in the demand for our products. 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 in order 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, and consequently in our financial condition or results of operations.

As of the date of this report, we continue selling, producing and distributing our products, all across our business operations. Given the high degree of uncertainty about the spread of COVID-19 or regarding future measures that may be adopted across the countries where we operate, we cannot predict the impact the pandemic may have on our operations in the near future, and therefore, any future adverse effects it may have on our results of operations and financial condition.

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 taken measures to create a backup structure for its critical systems, 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, elaboration and commercialization of ethyl alcohol, alcoholic beverages and vinegar, is currently in the legislature. The bill aims to establish restrictions on advertising 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 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, 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. During 2018, regulations were issued that established the collection, valorization and other associated obligations for tires, and we expect regulations for the collection, valorization and other associated obligations for packaging materials to be issued in 2020. See "Item 4: Information on the Company – E. Environmental Matters."

Additionally, the congress is discussing a bill that would limit the creation of disposable products, regulating single-use plastics and strengthening returnability. This bill would: require plastic bottles to be made with 25% recycled material by 2025, and 50% by the year 2030; 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 mentioned, the bill is still under discussion and could undergo changes by the congress.

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. This project includes, in addition to the establishment of a long-term climate strategy, the creation of adaptation and mitigation plans, which would include a monitoring system and be subject to review every 5 years, to which regional action plans may be added.

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 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. 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 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.

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, 2020, Inversiones y Rentas S.A. ("IRSA") a Chilean closely held 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 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% in 2017, depreciated by 1.4% in 2018 and depreciated 9.7% in 2019. 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 and depreciated 11.2% in 2019. 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 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 depository and may then exercise their voting rights by instructing the depository, 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 depository fails to receive timely voting instructions from some or all ADS holders, the depository 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 depository 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 depository 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 depository 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 depository 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 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 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 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 and the production and commercialization of rum since 2007. Also, we had been involved in the production and commercialization of sweet snacks products from 2004 until December 2018.

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.

Our principal executive offices are located at Avenida Vitacura N°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 19711, 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. The SEC maintains a website at <http://www.sec.gov/> that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC. Form 20-F reports and the other information submitted by us to the SEC may be accessed through this website.

In 1986, IRSA, our current controlling 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.

In September 1992, we issued 4,520,582 ADSs, each representing five shares of our common stock, in an international American Depositary Receipt ("ADR") offering. The underlying ADSs were listed and traded on the NASDAQ, until March 25, 1999. Since that date, the ADSs have been listed and traded on the NYSE. On December 20, 2012, the ratio of ADSs to shares of common stock was changed from 1 to 5, to a new ratio of 1 to 2.

Prior to November 1994, we independently produced, bottled and distributed carbonated and non-carbonated soft drinks in Chile. In November 1994, we merged our soft drink and mineral water businesses with the one owned by Buenos Aires Embotelladora S.A. ("BAESA") in Chile (PepsiCo's bottler in Chile at that time) creating Embotelladoras Chilenas Unidas S.A. ("ECUSA") for the production, bottling, distribution and commercialization of soft drink and mineral water products in Chile. Through ECUSA, we began producing PepsiCo brands under license. We have had control of ECUSA since January 1998, when the shareholders agreement was amended. On November 29, 1999 we purchased 45% of ECUSA's shares owned by BAESA for approximately CLP 54,118 million. We currently own 99.98% of ECUSA's shares. In January 2001, ECUSA and Schweppes Holdings Ltd. signed an agreement to continue bottling Crush and Canada Dry brands. See "Item 4. B. Business Overview – 4. Production and Marketing – Chile Operating segment".

In 1994 we purchased 48.4% of the equity of the Chilean wine producer Viña San Pedro S.A. ("VSP") for approximately CLP 17,470 million. During the first half of 1995, VSP's capital was increased by approximately CLP 14,599 million, of which we contributed approximately CLP 7,953 million. From August through October 1997, VSP's capital was increased again by approximately CLP 11,872 million, of which we contributed approximately CLP 6,617 million, plus approximately CLP 191 million in additional shares bought during October 1997 in the local stock market. Furthermore, in October 1998 and during 1999, we purchased additional shares in VSP through the local stock exchanges for an amount of approximately CLP 5,526 million. From March through June 1999, VSP's capital was increased by approximately CLP 17,464 million, of which we contributed approximately CLP 10,797 million.

In December 1995, we entered into a joint venture agreement pursuant to which Anheuser-Busch acquired a 4.4% interest in CCU Argentina. The agreement involved two different contracts: an investment and a licensing contract. Through CCU Argentina, we began our expansion into Argentina by acquiring an interest in two Argentine breweries: 62.7% of the outstanding shares of Compañía Industrial Cervecería S.A. ("CICSA"), were acquired during January and February 1995 and 98.8% of the outstanding shares of Cervecería Santa Fe S.A. ("CSF"), were acquired in September 1995. In 1997, CCU Argentina increased its interest in CICSA to 97.2% and in CSF to 99.9% through the purchase of non-controlling interests. In January 1998, we decided to merge these two breweries into one company operating under the name of CICSA. Following the merger, CCU Argentina's interest in CICSA was 99.2%. In April 1998, CCU Argentina completed the purchase of the brands and assets of Cervecería Córdoba S.A. As of mid-1998, after the resolution of certain labor issues, we began the production of the Córdoba brand at our Santa Fe plant.

After a capital increase approved by our shareholders in October 1996, we raised approximately USD 196 million between December 1996 and April 1999. Part of this capital expansion was accomplished between December 1996 and January 1997 through our second ADR offering in the international markets.

In November 2000, we and Malterías Unidas S.A. (currently Maltexco S.A.) became joint owners (50% each) of Cervecería Austral S.A. ("Cervecería Austral"), a Chilean company located in the city of Punta Arenas that produces, sells and distributes Austral beer in Chile. Additionally, Cervecería CCU Chile Limitada ("Cervecería CCU") has a two-year renewable license agreement, subject to compliance with the conditions established in the agreement, for the production of Austral Lager beer, returnable liter containers and kegs in Chile and a distribution agreement for the sale and marketing of all Austral products in Chile, with the exception of the

Magallanes Region, where selling and distribution is carried out by Comercial Patagona Ltda., a subsidiary of Cervecería Austral.

During 2000, VSP, through its subsidiary Finca La Celia S.A. ("FLC"), acquired the winery Finca La Celia in Mendoza, Argentina, initiating its international expansion, allowing VSP to include fine quality Argentine wines into its export product portfolio. In December 2001, Viña Santa Helena S.A. ("VSH") created its own commercial and productive winemaking operation, distinct from its parent, VSP, under the Viña Santa Helena label in the Colchagua Valley. Between November 2000 and March 2001, VSP's capital was increased by approximately CLP 22,279 million, of which we contributed approximately CLP 13,402 million.

In May 2002, we acquired a 50% stake in Compañía Cervecera Kunstmann S.A., currently Cervecería Kunstmann S.A. ("CK"), a brewery located in the southern city of Valdivia, in Chile. In June 2003, our beer division began selling Kunstmann nationwide. In November 2006, we acquired additional shares of CK that allowed us to consolidate this subsidiary into our consolidated financial statements as of that month.

In February 2003, we began the sale of a new product for our beverage portfolio, pisco, under the brand Ruta Norte. Pisco is a grape spirit very popular in Chile that is produced in the northern part of the country. Our pisco, at that time, was only produced in the Elqui Valley in the Coquimbo Region and was sold throughout the country by our beer division sales force. In March 2005, we entered into an association with the second-largest pisco producer at that time, Cooperativa Agrícola Control Pisquero de Elqui y Limarí Ltda. ("Control"). This new joint venture was named Compañía Pisquera de Chile S.A. ("CPCh"), to which the companies contributed principally with assets, commercial brands and – in the case of Control – also some financial liabilities. Currently we own 80% of CPCh and Control owns the remaining 20%.

On April 17, 2003, the Schörghuber Group, at the time an indirect owner of 30.8% of our ownership interest, gave Quiñenco, also at the time an indirect owner of 30.8% of our ownership interest, formal notice of its intent to sell 100% of its interest in FHI to Heineken Americas B.V., a subsidiary of Heineken International B.V. As a result of the sale, Quiñenco and Heineken Americas B.V., the latter through FHI, became the only two shareholders of IRSA, the owner of 61.6% of our equity at that time, each with a 50% interest in IRSA. Heineken International B.V. and FHI subsequently formed Heineken Chile Ltda., to hold the latter's 50% interest in IRSA. Therefore, Quiñenco and Heineken Chile Ltda. are the only two current shareholders of IRSA, with 50% equity each. On December 30, 2003, FHI merged into Heineken Americas B.V., which together with Heineken International B.V. remained as the only shareholders of Heineken Chile Ltda. At present IRSA owns, directly and indirectly, 60.0% of our equity.

In August 2003, VSP formed Viña Tabalí S.A., a joint venture in equal parts with Sociedad Agrícola y Ganadera Río Negro Ltda., for the production of premium wines. This winery is located in the Limarí Valley, Chile's northernmost winemaking region, which is noted for the production of outstanding wines.

In January 2004, we entered the sweet snacks business by means of a joint venture between CCU Inversiones S.A. and Industria Nacional de Alimentos S.A., a subsidiary of Quiñenco, with a 50% interest each in Calaf S.A., which was renamed Foods Compañía de Alimentos CCU S.A. ("Foods"), a corporation that acquired the trademarks, assets and know-how, among other things, of Calaf S.A.I.C. and Francisca Calaf S.A., traditional Chilean candy makers, renowned for more than a century. In 2007 we acquired the brand Natur, adding a new line of products to our ready-to-eat portfolio. In August 2008, Foods bought 50% of Alimentos Nutrabien S.A. ("Nutrabien"), a company that specializes in brownies and other high-quality baked goods under the brand Nutrabien.

In October 2004, VSP acquired the well-known Manquehuito Pop Wine brand, a sparkling fruit-flavored wine with low alcohol content, broadening its range of products. At VSP's extraordinary shareholders meeting held on July 7, 2005, the shareholders approved a capital increase that was to be partially used for stock option programs. During October and November 2005, VSP's capital was increased by approximately CLP 346 million. We did not participate in this capital increase.

In December 2006, we signed a joint venture agreement with Watt's S.A. ("Watt's"), a local food related company, under which, as of January 30, 2007, we participate in equal parts in Promarca S.A. ("Promarca").

This new company owns, among others, the brands “Watt’s”, “Watt’s Ice Frut”, “Yogu Yogu” and “Shake a Shake” in Chile. Promarca granted both of its shareholders (New Ecusa S.A., a former subsidiary of ECUSA, which as of the date of this annual report has been merged into ECUSA, and Watt’s Dos S.A., a subsidiary of Watt’s S.A.), for an indefinite period, the exclusive licenses for the production and sale of the different product categories.

In January 2007, Viña Tabalí S.A. bought the assets of Viña Leyda, located in the Leyda Valley, a new winemaking region south of Casablanca Valley and close to the Pacific Ocean. Viña Leyda produces excellent wines that have won awards in different international contests. After this acquisition, Viña Tabalí S.A. changed its name to Viña Valles de Chile S.A. In September 2007, VSP bought a 50% interest in Viña Altaír S.A. which belonged to Château Dassault, in line with our strategy of focusing on premium wines. As a consequence, VSP owns 100% of said company. Between April and June 2007, VSP’s capital was increased by approximately CLP 13,692 million, of which we contributed approximately CLP 5,311 million.

In May 2007, CPCh entered the rum market with our proprietary brand Sierra Morena and later, in 2008, added new rum brand extensions and introduced various pisco based cocktails. In June 2010 CPCh purchased Fehrenberg, a small, but well-recognized spirits brand produced in Chile. In July 2011 CPCh began the distribution of Pernod Ricard products (Chivas Regal, Ballantine’s, Havana Club, Absolut, among others). Furthermore, in 2011, CPCh signed a license agreement for the commercialization and distribution in Chile of the pisco brand Bauzá. In addition, in 2011 CPCh acquired 49% of the licensor company Compañía Pisuera Bauzá S.A. (“Bauza”), the owner of the brand in Chile, and CPCh sold such interest to Agroproductos Bauzá S.A. in January 2016.

In December 2007, we entered into an agreement with Nestlé Chile S.A. and Nestlé Waters Chile S.A., the latter of which acquired a 20% interest in our subsidiary Aguas CCU-Nestlé Chile S.A. (“Aguas CCU”), the company through which we develop our bottled water business in Chile. As part of this new association, Aguas CCU introduced in 2008 the Nestlé Pure Life brand in Chile. On June 4, 2009 ECUSA received a notice from Nestlé Waters Chile S.A. whereby it exercised its irrevocable option to buy 29.9% of Aguas CCU’s equity, pursuant to the terms and conditions of the association agreement. The completion of the deal represented a profit before taxes for ECUSA of CLP 24,439 million. On September 30, 2009 in the extraordinary shareholders’ meetings, Aguas CCU and Nestlé Waters Chile S.A. approved the merger of both companies, the latter being the surviving company under the name Aguas CCU-Nestlé Chile S.A. The current shareholders of Aguas CCU are ECUSA (50.10%) and Nestlé Chile S.A. (49.90%).

In 2008, the licensing contract, that grants CCU Argentina the exclusive right to produce, package, commercialize and distribute Budweiser beer in Argentina, was extended until 2025. After subsequent capital increases, the last one in June 2008, Anheuser-Busch reduced its interest in CCU Argentina to 4.04% and we increased our participation to 95.96%. In April 2008, we bought the Argentine brewer Inversora Cervecera S.A. (“ICSA”) after receiving the approval of the Argentine antitrust authorities. CICSA paid an aggregate amount of USD 88 million to acquire ICSA. ICSA owns, among other assets, the Bieckert, Palermo and Imperial beer brands, which together represented approximately 5.8% of the Argentine beer market, and a brewery in Luján, Buenos Aires, with a nominal production capacity of 270 million liters per year.

In November 2008, CCU and its affiliate VSP entered into a Merger Agreement with Compañía Chilena de Fósforos S.A. and its subsidiaries Terciados y Elaboración de Maderas S.A. and Viña Tarapacá S.A. (“VT”), in order to merge VT into VSP. Under the terms of the Merger Agreement, and prior to its execution, CCU had to acquire 25% of VT’s equity. On December 3, 2008, the extraordinary shareholders’ meetings of VSP and VT approved the merger of both companies. Once all the legal requirements were fulfilled, the merger by absorption of VT by VSP was completed on December 9, 2008, with an effective date for accounting purposes of October 1, 2008. The surviving company was named Viña San Pedro Tarapacá S.A. (“VSPT”), which began consolidating its financial statements with ours on October 1, 2008, with operations commencing on December 9, 2008. VSPT’s capital was increased, as a consequence of the merger, by issuing 15,987,878,653 shares to be exchanged for the total number of shares issued by VT at a ratio of 1,480.30828 new VSPT shares per each share of the absorbed company.

In December 2010, our subsidiary Inversiones Invex CCU Ltda., acquired a 4.04% equity stake in CCU Argentina from Anheuser-Busch Investment, S.L. After the acquisition, CCU, through its subsidiary Inversiones Invex CCU Ltda., became the sole equity holder of CCU Argentina. This transaction had no effect on the Budweiser brand production and distribution contract, which was set to expire in 2025 (prior to the 2017 offer letter signed between ABI and CCU Argentina described below). The license for the distribution of the brand in Chile expired in 2015. Currently, CCU's subsidiaries Inversiones Invex CCU Ltda. and Inversiones Invex CCU Dos Ltda. own 80.649% and 19.351%, respectively, of CCU Argentina's share capital. CCU Argentina owns 77.005% of CICSA's share capital, Inversiones Invex CCU Dos Ltda owns the remaining 22.995%.

In December 2010, CICSA acquired equity interests in Saézn Briones y Cía. S.A.I.C. and Sidra La Victoria S.A. Through this transaction, CICSA became the controlling shareholder of these companies. These companies own the assets used in the production, packaging and marketing of cider and other spirits businesses in Argentina, which are marketed through several brands, the most important cider and spirits brands are Real, La Victoria, Saézn Briones, 1888 and in spirits, El Abuelo. In 2015 Sidra La Victoria S.A. merged with and into Saézn Briones y Cía S.A.I.C.

In August 2011, the board of directors of VSPT agreed to spin-off Viña Valles de Chile S.A. ("VDC"), a corporation owned, in equal parts, by VSPT and Sociedad Agrícola y Ganadero Río Negro Limitada ("ARN"). VDC had two major vineyards: Viña Tabalí and Viña Leyda. According to such agreement, VSPT would remain the sole owner of Viña Leyda (whose net assets would remain within VDC) and ARN would remain the sole owner of Viña Tabalí (whose net assets would be assigned to the spun off company). This transaction concluded on December 29, 2011, through a stock swap contract, whereby VDC became a subsidiary of VSPT, that is, directly and indirectly, 100% owned by VSPT.

In September 2012, CCU acquired 100% of the shares of the Uruguayan companies Milotur S.A. ("Milotur"), Marzurel S.A. ("Marzurel") and Coralina S.A. ("Coralina") and, indirectly of Andrimar S.A. ("Andrimar"), a wholly-owned subsidiary of Milotur. These companies own the assets of a business developed in Uruguay that engages in the production and commercialization of mineral and flavored bottled water under the Nativa brand, and carbonated soft drinks under the Nix brand. Milotur also commercializes Schneider and Heineken beer brands, the latter due to an amendment to the trademark license agreement in force with Heineken Brouwerijen B.V.

In December 2012, Aguas CCU completed an acquisition of 51.01% of the company Manantial S.A. ("Manantial"), a Home and Office Delivery ("HOD") business of purified water in bottles with the use of dispensers. The partnership enabled Aguas CCU to participate in a new business category. The shareholders agreement of Manantial included a call option to purchase the remaining shares.

On June 18, 2013, the extraordinary shareholders' meeting approved the issuance of 51,000,000 of common shares which were registered in the "Superintendencia de Valores y Seguros" ("SVS"), currently "Comisión para el Mercado Financiero" ("CMF"), under N° 980 on July 23, 2013. On November 8, 2013 CCU successfully concluded this capital increase, the total number of shares issued pursuant to the capital increase having been subscribed and paid, raising a total amount of CLP 331,718,929,410. This capital increase was made in order to continue our expansion plan, which includes organic and inorganic growth in Chile and the surrounding region. Part of this capital increase was offered in the international markets, representing our third ADR offering.

In December 2013, CCU acquired 50.005% of Bebidas del Paraguay S.A. ("Bebidas del Paraguay"), and 49.959% of Distribuidora del Paraguay S.A. ("Distribuidora del Paraguay"), entering the Paraguayan market with the production, marketing and sale of non-alcoholic beverages, such as soft drinks, juices and water, and the marketing and sale of beer, under various brands, both proprietary and under licensees and imported.

Furthermore, in 2013, CCU, through its subsidiary CCU Inversiones S.A., increased its stake in VSPT to 64.72% by acquiring additional outstanding shares of VSPT. VSPT is formed by the wineries San Pedro, Tarapacá, Santa Helena, Viña Leyda, Misiones de Rengo, Viña Mar, Casa Rivas, Finca La Celia, and Bodega Tamarí. These are all important and renowned cellars in Chile and Argentina, each with its own distinctive brands. Since the merger, VSPT has become the second-largest Chilean wine exporter and one of the leaders

in the domestic market. In June 2013, the merger of Viña Misiones de Rengo S.A. and Viña Urmeneta S.A. was completed, with Viña Valles de Chile S.A., as the legal successor. In May 2014 Vitivinícola del Maipo S.A. merged into Viñas Orgánicas SPT S.A., the latter being the legal successor. Additionally, in April 2015 Viña Santa Helena S.A. merged into Viña San Pedro Tarapacá S.A., pursuant to the Chilean Corporations Act, due to the fact that Viña San Pedro Tarapacá S.A. became the sole shareholder of the company for more than 10 days.

In May 2014, CCU entered the Bolivian market through a partnership with Grupo Monasterio, acquiring 34% of Bebidas Bolivianas BBO S.A. ("BBO"). BBO produces and commercializes alcoholic and non-alcoholic beverages in Bolivia. CCU's initial stake in BBO was 34%, which was obtained by a capital injection, and which contemplated the right of CCU to acquire additional interests that would enable it to own 51% of the shares of BBO in a second stage. This transaction also included contracts that allow BBO to operate CCU's brands in Bolivia. The Company has recorded this investment under joint ventures and associated companies. In 2014, BBO acquired Cordillera beer brand from SABMiller.

As of June 6, 2014, CIGSA reached agreements with Cervecería Modelo S.A. de CV. and Anheuser-Busch LLC, for the termination of the contract which allowed CIGSA to import and distribute on an exclusive basis, Corona and Negra Modelo beers in Argentina, and the license for the production and distribution of Budweiser beer in Uruguay. CIGSA received compensation in respect of these agreements in the amount of ARS 277.2 million, equivalent to USD 34.2 million.

In November 2014, CCU, directly and through its subsidiary CCU Inversiones II Ltda., signed a series of contracts and agreements with the Colombian entity Postobón S.A. and related companies ("Grupo Postobón"), by which we agreed to initiate a joint venture for the manufacturing, commercialization and distribution of beer and malt based non-alcoholic beverages in Colombia. The joint venture was established through a company named Central Cervecería de Colombia S.A.S. ("CCC"), in which CCU and Grupo Postobón participate in equal parts. This transaction included the following contracts and agreements: an investment framework agreement, a shareholders agreement, a long-term logistics and distribution contract and a sales contract governing services to be provided by Grupo Postobón to CCC, a trademark license agreements granted to CCC by CCU and Grupo Postobón, a shared services agreement governing services to be provided by Postobón to CCC, and an exclusive license granted by Heineken to CCC for the import, production and distribution of Heineken products in Colombia. As of September 2015, CCC also has an exclusive contract to import, produce and distribute Coors Light in Colombia. Additionally, as of April 1, 2016, CCC also has an exclusive license granted by Heineken to import, produce and distribute Tecate in Colombia and Sol as of July 1, 2017.

In November 2015, ECUSA entered into a joint operation agreement with Empresas Carozzi S.A. ("Carozzi") for the production, commercialization, and distribution of instant powder drinks under the brands Sprim, Fructus, Vivo and Caricia. This joint operation is carried out by Bebidas Carozzi CCU SpA ("Bebidas Carozzi CCU"), of which ECUSA acquired 50% of the share capital. Carozzi is in charge of the production of the respective products, and ECUSA of its distribution.

In 2015 we sold the brands Calaf and Natur to Carozzi, leaving Foods only with its 50% stake in Nutrabien. During 2016, Foods acquired the remaining 50% stake of Nutrabien.

On January 29, 2016, Aguas CCU and ECUSA exercised the call option, acquiring 48.07% and 0.92% of the shares of Manantial respectively. As a consequence, CCU is currently the indirect owner of 100% of the shares of Manantial, remaining as the only direct shareholders of Manantial: (i) Aguas CCU with 99.08% of the capital stock, and (ii) ECUSA with 0.92% of the capital stock.

In February 2016 CCU and Watt's, among others, entered into an "International Association Agreement" in order to expand the brand Watt's to certain South American countries, through Promarca Internacional SpA, currently a wholly owned subsidiary of Promarca S.A.

In March 2016, we, through our subsidiary Bebidas del Paraguay S.A., acquired 51% of Sajonia Brewing Company SRL (formerly Artisan SRL) which produces and commercializes Sajonia craft beer in Paraguay.

In 2016, CCC acquired the brand and assets related to the craft beer brand “3 Cordilleras” of Artesana Beer Company S.A. in Colombia. CCC is reported under Joint Ventures and Associated Companies.

In 2017, we began producing and commercializing Miller Genuine Draft (“MGD”) in Argentina.

As of April 2017, CCC also has a license agreement to commercialize and distribute the Miller Lite and Miller Genuine Draft brands in Colombia.

In June 2017, CPCh incorporated to its portfolio the Peruvian pisco brand BarSol, through the acquisition of 40% of Americas Distilling Investments LLC, which is based in the United States and owns the BarSol brand and productive assets based in Peru.

On June 15, 2017, Foods and CCU Inversiones S.A. signed a purchase agreement, for the sale of all the shares of its subsidiary Nutrabien, with Ideal S.A, a subsidiary of Grupo Bimbo, subject to the approval of the antitrust authorities in Chile. Having received said approval, the sale of 100% of the shares of Nutrabien to Ideal S.A. was completed on December 17, 2018.

On August 16, 2017, CCU, through its subsidiary CCU Inversiones II Ltda., acquired 50% of Zona Franca Central Cervecera S.A.S. (“ZF CC”), a company incorporated in Colombia in which CCU and Grupo Postobón are the sole shareholders in equal parts. The price of the transaction amounted to USD 10.2 million, equivalent to CLP 6.4 billion. Until November 2019, the main purpose of ZF CC was to act exclusively as an industrial user of one or more free-trade zones, providing toll manufacturing services to CCC, which was the company that produced, marketed and distributed beer and malt beverages. Since November 2019, ZF CC is producing and selling to CCC, which continues to market and distribute our products.

In December 2017, CCU, through its subsidiary CCU Inversiones S.A., increased its stake in VSPT by acquiring additional outstanding shares of VSPT through a tender offer, which concluded at the end of January 2018, and allowed us to increase our total stake from 67.22% to 83.01%.

On September 6, 2017, CCU and CCU Argentina signed an offer letter with ABI (together with CCU Argentina, the “Parties”), under which the early termination of the “Budweiser” license agreement in Argentina was agreed to in exchange for the transfer to CCU Argentina of a portfolio of beer brands and cash payments, among other matters. This transaction was subject to the prior approval of the Comisión Nacional de Defensa de la Competencia (“CNDC”) and the Secretario de Comercio del Ministerio de Producción de la Argentina (“SECOM”), which are Argentina’s antitrust regulators. 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. On April 27, 2018, after receiving the approval from CNDC and SECOM, the Parties were legally obliged to close the transaction. On May 2, 2018, the abovementioned transaction (the “Transaction”) was executed, which included, among other matters: (i) the early termination of the Budweiser brand license agreement in Argentina, between the Parties, and (ii) the transfer to CCU Argentina of the ownership of the Isenbeck, Diosa, Norte, Iguana and Báltica brands, as well as the transfer of the licenses for Argentina of the international brands Warsteiner and Grolsch. In order to achieve an orderly transition of the aforementioned brands, the Transaction contemplates several contracts in which (i) CCU Argentina will produce Budweiser, on behalf of ABI, for a period of up to one year; (ii) ABI will produce Isenbeck and Diosa, on behalf of CCU Argentina, for a period of up to one year; and (iii) ABI will carry out the production and distribution of Iguana, Norte, Báltica, Grolsch and Warsteiner, on behalf of CCU Argentina, for a period of up to three years (the “Transition Brands”). As a consequence, as of May 2, 2018, CCU Argentina began commercializing Isenbeck and Diosa and ceased selling Budweiser. As part of the terms of the Transaction, CCU Argentina received from ABI a cash payment of US\$ 306 million, as part of its compensation for the early termination of the license contract for the Budweiser brand, as well as an additional US\$ 10 million for producing Budweiser on behalf of ABI for a year. CCU Argentina will also receive from ABI payments of up to US\$ 28 million per year, for a period of up to three years, depending on the scope and length of the transition of the production and/or commercialization of the Transition Brands.

On August 9, 2018, CCU exercised its option to purchase from Grupo Monasterio, holder of 66% of BBO capital stock, 30,286, ordinary shares of BBO, representing 17% of the total capital stock of BBO, with which CCU increased its stake from 34% to 51%, with Grupo Monasterio retaining the remaining 49%. Subsequently, on

December 17, 2018, CCU contributed the totality of its BBO shares to its subsidiary CCU Inversiones II Ltda., the current shareholder and controller of BBO.

On August 17, 2018, CCU placed a three million UF bond in the Chilean market. The 25-year bullet note was priced at 2.85% in UF's (Chile's inflation adjusted currency), which represented a spread of 68 bps over the Chilean Central Bank bond (BCU) with the same duration.

In September of 2018, CCU was included for the first time in the Dow Jones Sustainability Index Chile, created in 2015, which assesses and selects companies based on an analysis of their environmental, social and governance (ESG) performance.

On September 4, 2018, CCU and 29 other companies in Chile, signed a Zero Waste to Landfill Clean Production Agreement (CPA), together with the Chilean government's Sustainability and Climate Change Agency (ASCC) and the Recycling Industry National Association. In this agreement, the participant companies committed to reducing to zero the waste that they send to landfills, within a period of two years.

In November of 2018, and as part of our electromobility plan, CCU began to operate the first 100% electric, high-tonnage truck in the country. With a capacity of up to 13 tons and a range of 280 kilometers, the heavy-load vehicle will be used to transport CCU's products in Santiago. CCU's goal is for electric trucks to represent 50% of the fleet by 2030.

At the end of 2018, CCU finalized the construction of the new distribution center for non-alcoholic beverages as part of the CCU Renca Project. The new distribution center has a 22,500 square meter warehouse and uses 100% electricity-powered machinery, in addition to being a zero-waste-to-landfill operation.

In 2019, CCU started the construction of the production plant for non-alcoholic beverages, as part of the CCU Renca Project, and it is expected to be operational by the end of 2020. This project incorporates the latest technology for efficient and sustainable production and distribution.

On May 31, 2019, CCU, through its subsidiary Viña San Pedro Tarapacá S.A., completed the purchase of the wine assets of Pernod Ricard Argentina SRL, which included the brands Graffigna, Colón and Santa Silvia.

On August 8, 2019, CCU announced that CPCh, acting through the companies Inversiones Internacionales SpA and International Spirits Investments USA LLC, communicated to LDLM Investments LLC their decision to start a process of selling their total participation in Americas Distilling Investments LLC, owner of the Peruvian company Bodega San Isidro SRL and Barsol brand.

In December 2019, as part of our 2030 Environmental Vision, CCU committed for the next ten years to: (i) continue reducing greenhouse gas emissions per liter produced to reach a 50% reduction, (ii) continue optimizing water consumption per liter produced, until a 60% reduction is achieved, (iii) 100% valorization of industrial solid waste, (iv) use 75% renewable energy, (v) use 100% reusable, recyclable or compostable packaging, and (vi) aim for our packaging to be made on average of 50% recycled material.

Capital Expenditures

The capital expenditure figures for the last three years shown below reconcile to the Cash Flow statement as shown in the Consolidated Statements of Cash Flows.

Our capital expenditures for the last three years were CLP 125,765 million, CLP 131,440 million and CLP 140,488 million, respectively, totaling CLP 397,693 million of which CLP 290,710 million was invested in Chile and CLP 106,983 million outside Chile.

In recent years, our capital expenditures were made primarily for the expansion of our production and bottling operations, improving the distribution chain, additional returnable bottles and boxes, increasing marketing assets (mainly refrigerators), environmental improvements and the integration of new operations, among others.

During 2017, 74% of our capital expenditures were allocated to our operations in Chile. These investments were necessary to improve our capacity and operational efficiencies, as well as the quality of our production processes, logistics and distribution, including the initiation of the process of changing pallets from wood to plastic and the start of construction of a new distribution center in Santiago. We also invested in our businesses in Argentina with capacity increases to support increased sales volume.

During 2018, 75% of our capital expenditures were allocated to our operations in Chile. These investments were made to increase production capacity and productive efficiencies, as well as the quality of our logistics and distribution processes, continuing with the process of changing from wood to plastic pallets and the start-up of the new distribution center in Santiago. Additionally, we have acquired new lands and plantations for our wine business, as well as invested in the automation of the elaboration process. We also invested in our businesses in Argentina with capacity increases to support increased sales volume.

During 2019, 70% of our capital expenditures were allocated to our operations in Chile. These investments were necessary to improve our capacity and productive efficiencies, as well as the quality of our logistics and distribution processes, including the completion of the process of changing pallets from wood to plastic. Also, we have started the construction of a new production plant for non-alcoholic beverages in Santiago, automated our winemaking process and expanded our ability to process grapes for our wine operations and started to invest in our business in Argentina with additional capacity to support greater sales volumes.

The following table shows our primary capital expenditures for the period 2017 - 2019. See "Item 5: Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Capital Expenditures" for the 2020 - 2023 period.

CLP Million	2017	2018	2019
Chile	93,452	98,683	98,577
Abroad	32,313	32,757	41,911
Total	125,765	131,440	140,488

B. Business Overview

1) Summary

CCU is a multi-category beverage company with operations in Chile, Argentina, Bolivia, Colombia, Paraguay and Uruguay. CCU is one of the largest players in each one of the beverage categories in which it participates in Chile, including beer, soft drinks, mineral and bottled water, juice, wine and pisco, among others. CCU is the second-largest brewer in Argentina and also participates in the cider, spirits and wine industries. In Uruguay and Paraguay, the Company is present in the beer, mineral and bottled water, soft drinks and juice categories. In Bolivia, CCU participates in the beer, water, soft drinks, juice and malt beverage categories. In Colombia, the Company participates in the beer and malt beverage industry. The Company's principal licensing, distribution and / or joint venture agreements include Heineken Brouwerijen B.V., PepsiCo Inc., Seven-up International, Schweppes Holdings Limited, Société des Produits Nestlé S.A., Pernod Ricard Chile S.A., Promarca S.A. (Watt's) and Coors Brewing Company.

CCU reports its consolidated results pursuant to the following Operating segments, essentially defined with respect to its revenues in the geographic areas of commercial activity: Chile, International Business and Wine. These Operating segments mentioned are consistent with the way the Company is managed and how results will be reported by CCU. These segments reflect separate operating results which are regularly reviewed by each segment Chief Operating Decision Maker in order to make decisions about the resources to be allocated to the segment and assess its performance. Corporate revenues and expenses are presented separately as Other.

In 2015 the Committee of International Business was created, which brought together management of business activities in Argentina, Uruguay and Paraguay. Following this, the Río de la Plata Operating segment (consisting of the business activities referred to above) was renamed the International Business Operating segment. The Committee of International Business also represents and looks after the interests associated with investments in Colombia, which continue to report their results under Equity and Income of JVs and are associated on a consolidated basis.

CCU completed the 2016-18 Strategic Plan, which included, among other initiatives, the "ExCCelencia CCU" program. During 2016 we implemented the integration of the route-to-market of the beer and non-alcoholic category in Chile throughout the country. Simultaneously, the Company incorporated into the Chile Operating segment the business activities performed by the Strategic Service Units ("SSU"), which include Transportes CCU Limitada ("Transportes CCU"), Comercial CCU S.A. ("Comercial CCU"), CRECCU S.A. ("CRECCU") and Fábrica de Envases de Plásticos S.A. ("Plasco"). This change enables us to capture additional efficiencies and improve the service level of our logistics operation.

At the end of 2018, CCU launched the 2019-21 Strategic Plan, which continues to be based on our three Strategic Pillars: Growth, Profitability and Sustainability. Our plan has six strategic goals: 1) grow profitably in all our business units; 2) strengthen our brands; 3) continue to innovate; 4) execute our "ExCCelencia CCU" program to capture additional efficiencies; 5) continue working towards the integral development of our employees; and 6) taking care of our planet through the development and implementation of our 2030 Environmental Vision.

2) Overview

Overview: Chile Operating segment

We estimate that our weighted volume market share for the Chile Operating segment was approximately 42.7%, 43.4% and 43.8% in 2017, 2018 and 2019, respectively. The calculation of the weighted average for past periods includes markets and industries that CCU entered at a later date. Weighted volume market share includes all categories in which CCU participates in the Chilean domestic market, excluding HOD and powder drinks according to Nielsen figures.

We produce and sell alcoholic and non-alcoholic beverages in Chile. In the beer category, we carry a wide portfolio of products which includes premium, mainstream and convenience brands, which are primarily marketed under different proprietary brands and licensed brands. We are the exclusive producer and distributor of Heineken, Sol and Coors beer in Chile; the exclusive distributor of imported Tecate beer and Blue Moon beer and we produce and distribute Kunstmann and Austral beer in Chile via distribution or license agreements.

Our non-alcoholic beverages in Chile include carbonated soft drinks (both cola and non-cola), juices, sports and energy drinks, ice tea; and water, which include mineral, purified and flavored bottled water. These include both our proprietary brands and brands produced under license, from PepsiCo (carbonated and non-carbonated soft drinks), Schweppes Holdings (carbonated soft drinks) and Promarca (juice and fruit-flavored beverages). In the energy drinks business, we are the exclusive distributor of Red Bull energy drinks in Chile. We also produce and distribute purified waters under license from Société des Produits Nestlé S.A. and others, and distribute the imported brand Perrier. We also participate in the ready-to-mix category with instant powder drinks in a joint operation with Carozzi.

We also produce and distribute pisco and cocktails, rum, flavored alcoholic beverages ("FABs") and cider in Chile. In addition, we distribute Pernod Ricard products, such as whisky, vodka, rum, gin and other spirits, in non-supermarket retail stores.

Wholesale and retail prices of all the previously mentioned categories are not regulated in Chile. Wholesale prices are subject to negotiation between the producer and the purchaser; while retailers determine retail prices to the final consumer. We believe that the key factors determining retailers' prices include: national and/or local price promotions offered by the manufacturer, the nature of product consumption (on-premise or off-premise), the type of packaging (returnable or non-returnable), the applicable tax structure and the desired profit margins considering all related costs and expenditures such as marketing, sales, distribution, and administrative expenses (MSD&A) and production.

During 2016 we implemented the integration of the route-to-market of the beer and non-alcoholic category in Chile throughout the country, and at the same time, the Company incorporated into the Chile Operating segment the business activities performed by the SSU, which include Transportes CCU, Comercial CCU, CRECCU and Plasco.

Comercial CCU is responsible for the sale of the Company's whole portfolio of products through a single sales force in the Metropolitan Region including the capital Santiago, and several other large cities such as Viña del Mar, Rancagua, La Serena, and Concepción, those areas where this synergic sales model is more efficient. Additionally, product distribution is handled by our subsidiary Transportes CCU. Comercial Patagona Limitada ("Comercial Patagona") handles our sales and distribution in the Magallanes Region. In the case of our HOD service, Manantial directly handles its own sales and distribution, given the nature of the business.

As part of CCU's innovation and digital transformation initiatives, we broadened our remote sale platforms through the launch of a modern online sales website in Chile during 2019, called "La Barra", providing a new experience for consumers through home delivery of our portfolio. During 2019, through La Barra we delivered products to over 24,000 households in Chile. In addition, we began to develop a similar platform in Argentina.

In Argentina, Bolivia, Paraguay and Uruguay we use our own sales force, as well as third party distributors.

Plasco, a subsidiary of CCU, produces nearly all plastic caps and injected preforms we use to produce plastic bottles in the Chile Operating segment.

Overview: International Business Operating segment

We estimate that our weighted volume market share for the International Business Operating segment was approximately 14.7%, 15.8% and 16.7% in 2017, 2018 and 2019, respectively, including beer in Argentina according to Ernst and Young for 2018 and 2019 and according to Nielsen (including cider) for 2017; beer, carbonated soft drinks, juice, mineral water and flavored water in Uruguay, according to IDRetail; beer, carbonated soft drinks, juice and mineral water in Paraguay, according to CCR; and in Bolivia beer and malt, according to Ciesmori, and carbonated soft drinks according to internal estimates. The calculation of the weighted average for past periods includes markets and industries that CCU entered at a later date, and since 2018 figures include our operations in Bolivia. The 2018 figure amounts to 20.0% if Bolivia is not considered in the calculation.

We produce and/or import, sell and distribute beer under proprietary brands and licensed brands in Argentina, Bolivia, Paraguay and Uruguay. We also produce, sell and distribute cider in Argentina.

In Argentina, we are the exclusive producer and distributor of Heineken, Amstel, Sol, Grolsch, Warsteiner and Miller beer brands; and the exclusive distributor of imported Kunstmann and Blue Moon beer brands. Also, from Argentina we export Imperial to Uruguay; Schneider and Heineken to Bolivia, Paraguay and Uruguay. Additionally, through our subsidiaries in Paraguay and Bolivia, we have the license to distribute beer under the Heineken brand.

In Uruguay, CCU, through its subsidiaries, produces and distributes mineral and flavored bottled water under the Nativa and Nativa MAS brand, carbonated soft drinks under the Nix brand, juices under Watt's brand, isotonic beverages under FullSport brand and we launched an energy drink under the Thor brand. Also, we export Watt's juice and Full Sport to Paraguay. As of 2019, we started to distribute imported wine, from VSPT, under the brand Misiones de Rengo, Finca La Celia and Eugenio Bustos.

In Paraguay, CCU, through its subsidiaries, produces and distributes carbonated soft drinks under the brand Pulp, Puro Sol for juices, La Fuente for waters, and Zuma for flavored water, and has been granted the license to produce and distribute juice under the Watt's brand. In addition to imported beer distribution in Paraguay, the Company entered into craft beer market production with the Sajonia brand.

In Bolivia, CCU, through its subsidiary BBO, produces and distributes beer under the brands Real, Capital and Cordillera; and carbonated soft drinks under Mendocina, Free Cola, Sinalco and Malta Real. The latter is a soft drink with sugar based on malt, but without alcohol. BBO also participates with Mendocina in the water category and Natur-All in juices.

Overview: Wine Operating segment

VSPT produces and markets a full range of wine products for the domestic and export markets, reaching over 80 countries. The weighted average volume market share was 18.2%, 17.7% and 17.7% in 2017, 2018 and 2019, respectively. The calculation of the weighted average for past periods includes markets and industries that CCU entered at a later date. In 2019 VSPT's sales amounted to approximately 29.9% of total measured domestic industry sales by volume in Chile, according to Nielsen, and 12.3% of total Chilean wine export sales by volume, when excluding bulk wine, according to Wines of Chile Association.

VSPT's primary vineyards are located in the main viticulture valleys in Chile, with production plants in the cities of Molina, Totihue, Isla de Maipo and also in Mendoza and San Juan, Argentina.

Overview: Joint Ventures and Associated Companies

CCU is equal joint owner with Maltexco S.A. (former Malterías Unidas S.A.) of Cervecería Austral, a company that produces, sells and distributes Austral beer in Chile. Additionally, Cervecería CCU has a two-year renewable license agreement, subject to compliance with the conditions established in the agreement, for the production of Austral Lager beer, returnable liter containers and kegs in Chile and a distribution agreement for the sale and marketing of all Austral products in Chile, with the exception of the Magallanes Region, where selling and distribution is carried out by Comercial Patagona Ltda., a subsidiary of Cervecería Austral.

In Colombia, CCU entered into a series of contracts and agreements with Grupo Postobón, by which the parties agreed to initiate a joint agreement for the manufacturing, commercialization and distribution of beer and malt based non-alcoholic beverages through CCC in Colombia. CCC is a 50-50 joint venture between CCU and Grupo Postobón, in which neither party exercises full control; thus, CCU uses the equity method to account for this investment. CCC has exclusive contracts to import, produce and distribute Heineken, Amstel, Murphys, Buckler, Coors Light, Tecate and Sol in Colombia. In 2016, CCC acquired the brand and assets related to the craft beer brand "3 Cordilleras" of Artesana Beer Company S.A. As of April 2017, the Miller Lite and Miller Genuine Draft brands were incorporated by means of a license agreement for the development and/or marketing of these brands in Colombia. In August 2017, through its subsidiary CCU Inversiones II Ltda., CCU acquired 50% of the shares of ZF CC, in which Grupo Postobón holds the remaining 50%. Until November 2019, the main purpose of ZF CC was to act exclusively as an industrial user of one or more free-trade zones in Colombia, providing toll manufacturing services to CCC, which was the company that produced, marketed and distributed beer and malt beverages. Since November 2019, ZF CC is producing and selling to CCC, which continues to market and distribute our products. In February 2019, CCC launched Andina, our first mainstream beer brand produced locally in the new brewery, located north of Bogota, in the municipality of Sesquile, Cundinamarca. Also, CCC began producing in the plant our licensed global brands, including Heineken and Tecate, among others. In July 2019, CCC launched our first malt-based soft drink, Natumalta, aligned with Grupo Postobón's leadership in soft drinks in Colombia. At the end of October of 2019, we launched Andina Light, and at the end of 2019, a new contract was signed with Coors Brewing Company D/B/A Molson Coors International ("MCI"), for the production, marketing and distribution of the Miller Lite and Miller Genuine Draft brands.

3) The Beverage Market

The Beverage Market: Chile Operating segment

We estimate that annual beer consumption in Chile was 856 million liters in 2019 or approximately 46 liters per capita. The following table shows estimates for total and per capita consumption levels for beer in Chile for the years 2015 - 2019:

<u>Year</u>	<u>Total Beer Sales Volume</u> ⁽¹⁾ (in millions of liters)	<u>Per Capita</u> (liters)
2015	767	43
2016	780	43
2017	799	43
2018	821	44
2019	856	46

⁽¹⁾ Source: GlobalData, Quarterly Beverage Forecast. Figures have been rounded.

The non-alcoholic beverages market in Chile consists of both carbonated and non-carbonated beverages. The principal types of carbonated beverages are colas, non-colas and carbonated mineral bottled water. The non-carbonated beverages are fruit juices, functional drinks and non-carbonated mineral, purified and flavored bottled water.

The table below sets forth estimates of total and per capita consumption of non-alcoholic beverage in Chile during each of the last five years:

<u>Year</u>	<u>Total Non-Alcoholic Beverage</u>							
	<u>Sales Volume⁽¹⁾</u> (in millions of liters)				<u>Per Capita</u> (liters)			
	<u>Carbonated Soft drinks</u>	<u>Nectar & Juices⁽²⁾</u>	<u>Functional drinks⁽³⁾</u>	<u>Water⁽⁴⁾</u>	<u>Carbonated Soft drinks</u>	<u>Nectar & Juices⁽²⁾</u>	<u>Functional drinks⁽³⁾</u>	<u>Water⁽⁴⁾</u>
2015	2,270	417	67	638	126	23	4	35
2016	2,249	424	74	668	124	23	4	37
2017	2,215	434	87	710	121	24	5	39
2018	2,150	436	89	714	116	23	5	38
2019	2,180	416	99	750	116	22	5	40

⁽¹⁾ Source: GlobalData, Quarterly Beverage Forecast. Figures have been rounded.

⁽²⁾ Includes Nectars, juices and still drinks

⁽³⁾ Includes Sports drinks, Energy drinks, ice tea and ice coffee.

⁽⁴⁾ Includes HOD, packaged water, flavored water, enhanced water.

The following table sets forth Nielsen estimates as to the percentage of total carbonated soft drinks sales in Chile, represented by each of the two principal categories of carbonated soft drinks during the last three years:

<u>Type</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Colas	54%	55%	57%
Non-colas	46%	45%	43%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Traditionally, beer, wine and pisco have been the principal alcoholic beverages consumed in Chile. Pisco is a distilled wine spirit, produced in the regions of Atacama and Coquimbo in the north of Chile.

The table below sets forth estimates of total and per capita spirits consumption in Chile during the last five years:

<u>Year</u>	<u>Total Spirits Sales Volume⁽¹⁾</u> (in millions of liters)	<u>Per Capita</u> (liters)
2015	71	4
2016	71	4
2017	72	4
2018	76	4
2019	79	4

⁽¹⁾ Source: GlobalData, Quarterly Beverage Forecast. Figures have been rounded.

The beverage excise taxes in Chile are as shown in the following table:

<u>Category</u>	<u>Current Excise Tax</u>
Beer	20.5%
Wine	20.5%
Spirits	31.5%
Sugar containing Softdrink ⁽¹⁾	18.0%
No sugar containing Softdrink ⁽²⁾	10.0%
Flavored Water	10.0%

(1) more than 15 gr / 240 ml of sugar

(2) with 15 gr / 240 ml or less of sugar

The Beverage Market: International Business Operating segment

The Argentine beer market is estimated by us to be around 2.3 times the size of Chile's beer industry. Traditionally, beer and wine have been the principal alcoholic beverages consumed in the country. We estimate that annual beer consumption in Argentina was 2,003 million liters in 2019 or approximately 45 liters per capita.

The table below sets forth our estimates of total and per capita beer, spirits and cider consumption in Argentina during the last five years:

<u>Year</u>	<u>Argentina</u>			<u>Per Capita</u>		
	<u>Total Sales Volume</u> ⁽¹⁾			<u>(liters)</u>		
	(in millions of liters)					
	<u>Beer</u>	<u>Spirits</u>	<u>Cider</u>	<u>Beer</u>	<u>Spirits</u>	<u>Cider</u>
2015	1,875	130	95	43	3	2
2016	1,778	130	89	41	3	2
2017 ⁽²⁾	2,032	135	88	46	3	2
2018 ⁽²⁾	2,080	153	93	47	3	2
2019 ⁽²⁾	2,003	162	77	45	4	2

⁽¹⁾ Source: GlobalData, Quarterly Beverage Forecast. Figures have been rounded.

⁽²⁾ Internal estimates for beer category.

In December 2017, the Argentine Congress passed a new bill (which became effective on March 1, 2018), which, amongst other measures, increases the excise tax on several beverages. The following table shows current nominal Argentinean excise taxes:

<u>Category</u>	<u>Current Excise Tax</u>
Beer	14.0%
Whisky	26.0%
10% - 29% alcohol content	20.0%
30% or more alcohol content	26.0%
Wine - cider	0.0%
Flavored soft drinks, mineral water and juices	4.0% - 8.0%

In Uruguay, we participate in the beer and non-alcoholic beverages categories since our entrance to the market in 2012. The table below sets forth estimates of total and per capita beer and non-alcoholic beverage consumption in Uruguay in the last five years:

<u>Year</u>	<u>Uruguay</u>				<u>Per Capita</u>			
	<u>Total Sales Volume</u> ⁽¹⁾				<u>(liters)</u>			
	(in millions of liters)							
	<u>Beer</u>	<u>Carbonated Soft drinks</u>	<u>Nectar & Juices</u> ⁽²⁾	<u>Water</u> ⁽³⁾	<u>Beer</u>	<u>Carbonated Soft drinks</u>	<u>Nectar & Juices</u> ⁽²⁾	<u>Water</u> ⁽³⁾
2015	106	386	33	360	31	111	10	104
2016	100	377	34	399	29	108	10	115
2017	103	374	35	436	29	107	10	125
2018	110	372	33	457	31	106	9	130
2019	108	355	35	506	31	101	10	144

⁽¹⁾ Source: GlobalData, Quarterly Beverage Forecast. Figures have been rounded.

⁽²⁾ Includes Nectars, juices and still drinks

⁽³⁾ Includes HOD, packaged water, flavored water, enhanced water.

In Paraguay, we participate in the beer and non-alcoholic beverages categories since our entrance to the market in 2013, both proprietary and under license. The table below sets forth our estimates of total and per capita beer and non-alcoholic beverage consumption in Paraguay in the last five years:

Paraguay								
<u>Year</u>	<u>Total Sales Volume</u> ⁽¹⁾				<u>Per Capita</u>			
	<u>Beer</u>	(in millions of liters)		<u>Water</u> ⁽³⁾	<u>Beer</u>	(liters)		<u>Water</u> ⁽³⁾
		<u>Carbonated Soft drinks</u>	<u>Nectar & Juices</u> ⁽²⁾			<u>Carbonated Soft drinks</u>	<u>Nectar & Juices</u> ⁽²⁾	
2015	290	541	55	282	43	80	8	42
2016	297	547	57	316	43	80	8	46
2017	303	554	57	346	44	80	8	50
2018	327	586	73	364	46	83	10	52
2019	329	584	77	368	46	82	11	51

⁽¹⁾ Source: GlobalData, Quarterly Beverage Forecast. Figures have been rounded.

⁽²⁾ Includes Nectars, juices and still drinks

⁽³⁾ Includes HOD, packaged water, flavored water, enhanced water.

In Bolivia, we participate in the beer and non-alcoholic beverages categories, both proprietary and under license. BBO is consolidated in our Income Statements since August 2018. The table below sets forth our estimates of total and per capita beer and non-alcoholic beverage consumption in Bolivia during 2018 and 2019:

Bolivia						
<u>Year</u>	<u>Total Sales Volume</u> ⁽¹⁾			<u>Per Capita</u>		
	<u>Beer</u>	(in millions of liters)		<u>Beer</u>	(liters)	
		<u>Carbonated Soft drinks</u>	<u>Water</u> ⁽²⁾		<u>Carbonated Soft drinks</u>	<u>Water</u> ⁽²⁾
2018	389	1,116	231	35	100	21
2019	347	1,053	229	31	93	20

⁽¹⁾ Source: GlobalData, Quarterly Beverage Forecast. Figures have been rounded.

⁽²⁾ Includes HOD, packaged water, flavored water, enhanced water.

The Beverage Market: Wine Operating segment

The following chart shows our estimates for the wine market and per capita consumption levels for wine in Chile for the last five years:

<u>Year</u>	<u>Total Volume</u> ⁽¹⁾	<u>Per Capita</u>
	(in millions of liters)	(liters)
2015	231	13
2016	233	13
2017	236	13
2018 ⁽²⁾	235	13
2019	240	13

⁽¹⁾ Source: GlobalData, Quarterly Beverage Forecast. Figures have been rounded.

⁽²⁾ Internal estimates.

Wines in Chile can be segmented by product type. Chilean wineries produce and sell premium, varietal and popular-priced wines within the domestic market. Premium wines and many of the varietal wines are produced from high-quality grapes, aged and packaged in glass bottles. Popular-priced wines are usually produced using non-varietal grapes and are not aged. These products are generally sold in either cartons or jug packaging.

4) Production and Marketing

Production and Marketing: Chile Operating segment

The production, marketing and sales of beverages in Chile generated net sales of CLP 1,047,119 million, CLP 1,109,574 million and CLP 1,164,304 million in 2017, 2018 and 2019, respectively, or 61.7%, 62.2% and 63.9% of CCU's consolidated Net sales in those years. Our sales by volume in Chile increased 4.9% in 2019.

Under each license agreement, we have the right to produce and/or sell and distribute the respective licensed products in Chile. Generally, under our license agreements, we are required to maintain certain standards of quality with respect to the production of licensed products, to achieve certain levels of marketing and, in certain cases, to fulfill minimum sales requirements. We strongly believe that we are in compliance with all of our license agreements.

Our brand Cristal is the best selling beer brand in Chile, followed closely by Escudo, the second most popular beer in the country. Other relevant brands are: Royal Guard, our proprietary premium beer brand; Morenita, our dark beer brand; Dorada, our convenience brand; and Stones, a flavored sweetened beer, with 2.5% alcohol content. From time to time, we introduce innovations and brand extensions to our most relevant brands, highlighting during 2019 the following: Cristal Summer Lager, Escudo Negra and Escudo Ambar, Royal Guard Pacific IPA, Austral 1520, Kunstmann Hazy IPA, Kölsch and Oktoberfest, Coors Original (stubby bottle) and Red Citrus Stones.

In October 2001, Cervecería Austral entered into a license agreement with our subsidiary Cervecería CCU to produce and sell our brand Cristal, as well as any other brand owned by or licensed to Cervecería CCU in the southern part of Chile. The agreement also permits us to commercialize and distribute the Austral brand in Chile, with the exception of the Magallanes Region, where selling and distribution is carried out by Comercial Patagona Ltda., a subsidiary of Cervecería Austral. This agreement is currently renewable for periods of two years, subject to compliance with the contract conditions.

On April 28, 2003, through our subsidiaries Cervecería CCU and CCU Argentina, we and Heineken Brouwerijen B.V. signed license and technical assistance agreements providing us with the exclusive rights to produce, sell and distribute Heineken beer in Chile and Argentina commencing June 18, 2003. On October 12, 2011, we signed with Heineken Brouwerijen B.V. the Amended and Restated versions of the Trademark License Agreements, which provide us with the exclusive rights to produce, sell and distribute Heineken beer in Chile and Argentina, in force as of January 1, 2011. These agreements have an initial term of ten years, and shall automatically be renewed each January 1 for a new period of ten years, unless either party gives notice of its decision not to renew, in which case the agreements will be in force until the last renewal period expires. Heineken is one of the leading brands in the premium segment in Chile, the beer segment with the highest growth in recent years. In 2018, CCU launched Heineken 0.0 in Chile, the first country in Latin America to offer this non-alcoholic premium brand.

In 2013 we launched the Sol brand (from Heineken) in the north of Chile, completing the national roll out of the brand in 2014. As of 2015, we started to produce Sol beer brand in our facilities. We have an exclusive ten year license, automatically renewable on a yearly basis, for ten-year periods (rolling contract), unless notice of non-renewal is given. In addition, we also have the license to import, sell and distribute Tecate in Chile.

During January 2015, we launched Coors and Coors Light in Chile. The license agreement with Coors Brewing Company allows for the automatic renewal under similar conditions (rolling contract), each year for a period of five years after the initial termination date, subject to the compliance with the contract conditions. Furthermore, we import, sell and distribute Blue Moon under the same conditions.

The following table shows our proprietary parent beer brands, brands produced under license and brands imported under license for the Chilean Market:

Premium	Mainstream	Convenience
Royal Guard	Cristal	Dorada
Heineken ⁽¹⁾	Cristal Cer0,0 ^{o(2)}	
Heineken 0.0 ⁽²⁾⁽³⁾⁽⁶⁾	Escudo	
Austral ⁽¹⁾	Morenita	
Polar Imperial ⁽¹⁾	Stones	
Kunstmann	Andes	
D'olbek	Bavaria	
Sol ⁽¹⁾		
Coors ⁽³⁾		
Tecate ⁽⁴⁾		
Blue Moon ⁽⁴⁾		
Szot ⁽⁵⁾		
Guayacán		

(1) Produced under license.

(2) Non-alcoholic beer.

(3) Imported/Produced under license.

(4) Imported.

(5) Distribution contract.

(6) Commercialization began in February 2018 and the production in Chile is expected to begin in July 2020.

Our beer products sold in Chile are bottled or packaged in returnable and non-returnable glass bottles, aluminum cans or stainless steel kegs at our main production facilities in the Chilean cities of Santiago, Temuco, Valdivia, and Punta Arenas.

During the last three years we sold our beer products in Chile in the following containers:

<u>Container</u>	<u>Percentage of Total Beer Products Sold</u>		
	<u>2018</u>	<u>2018</u>	<u>2019</u>
Returnable ⁽¹⁾	30%	30%	25%
Non-returnable ⁽²⁾	67%	67%	72%
Returnable kegs ⁽³⁾	4%	4%	3%
Total	100%	100%	100%

(1) Returnable beer containers include glass bottles of various sizes.

(2) Non-returnable beer containers include glass bottles and aluminum cans, both of assorted sizes.

(3) Returnable kegs are stainless steel containers, which have a capacity of 20, 30 and 50 liters.

The following table sets forth our beer sales volume breakdown in Chile by category, for each of the last three years:

<u>Category</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Premium	21%	23%	24%
Mainstream	75%	73%	71%
Convenience	4%	4%	5%
Total	100%	100%	100%

Our soft drinks include proprietary brands, in addition to brands produced under license from PepsiCo, Inc., Schweppes Holdings Ltd. and Promarca S.A., which are produced in three production plants: Santiago, Temuco and Antofagasta.

Our subsidiary Aguas CCU produces, commercializes and distributes mineral, purified and flavored waters. We have two proprietary mineral water brands, Cachantun and Porvenir, which are bottled at their sources, located in Coinco (O'Higgins Region) and Casablanca (Valparaíso Region). We also commercialize Nestlé Pure Life, a brand of purified water, Mas and Mas Woman, which are brands of flavored waters. Aguas CCU also distributes the imported brand Perrier. Manantial, a subsidiary of Aguas CCU, also produces, commercializes and distributes purified water with our Manantial brand, primarily in the home and office delivery (HOD) format.

In 1994, our subsidiary ECUSA and Cadbury Schweppes plc ("Cadbury Schweppes"), the latter through its subsidiaries CS Beverages Ltd. and Canada Dry Corporation Ltd., entered into license agreements for all Cadbury Schweppes products. On December 11, 1998, The Coca-Cola Company announced an agreement with Cadbury Schweppes to acquire certain of the latter's international beverage brands, including those licensed to ECUSA, and in August 1999 the agreement was reported to have been consummated. In September 2000, after more than a year's litigation, both in Chile (suits at civil courts and antitrust authorities) and England (arbitration under ICC rules), ECUSA and The Coca-Cola Company reached an agreement superseding ECUSA's previous license contracts with CS Beverages Ltd. and Canada Dry Corporation Ltd. The new agreement, referred to as the "Bottler Contract", was executed between ECUSA and Schweppes Holdings Ltd., concerning the Crush and Canada Dry brands, and was approved by the Chilean antitrust commission, thus putting an end to the proceeding regarding the Cadbury Schweppes brands issue and dismissing all complaints filed in consideration of the agreement. On January 15, 2009, the parties executed an amendment to the Bottler Contract which, among others, extended its duration until December 31, 2018, renewable for consecutive five-year periods, subject to compliance with the contract conditions. The contract was renewed until December 31, 2023.

In August, 2002, we began importing, selling and distributing Gatorade, a sport drink. In March 2006, a new franchise commitment letter and exclusive bottling appointment ("Gatorade Contracts") were executed between ECUSA and Stokely Van-Camp, Inc., a subsidiary of PepsiCo, Inc., authorizing ECUSA to bottle, sell and distribute Gatorade products in Chile, for an initial term ending on March 31, 2010, automatically renewable for successive two or three-year periods if certain conditions set forth in the Gatorade Contracts were met. In October 2013, ECUSA and Stokely Van-Camp, Inc. entered into a Second Amendment to the Gatorade Contracts under which such Contracts were renewed for a period ending on December 2018, subject to automatic renewal for an additional period equal to the term of the Shareholders Agreement of Bebidas CCU-PepsiCo SpA, that is, 2043, upon satisfaction of certain conditions. Since said conditions were satisfied, the Gatorade Contracts were automatically renewed in December 2018 as stated above. Since October 2006, we have been producing Gatorade locally.

In November 2007, ECUSA signed an exclusive bottling agreement with Pepsi Lipton International Limited, authorizing ECUSA to produce, sell and distribute ready to drink tea beverages in Chile. This agreement was set to expire on March 31, 2020, however, on October 30, 2019, the parties extended its term until December 31, 2030.

The license agreement for juice products under the brand Watt's, which granted us exclusive production rights, was first signed in June 1987 and originally had a 33-year term. In February 1999, a new license agreement was signed allowing us to produce new flavors and bottle Watt's juices in non-returnable packaging (wide mouth glass and plastic bottles). A new license agreement between us and Watt's S.A. was signed in July 2004. This new contract granted us a ten-year license renewable automatically for three consecutive periods of three years if the conditions set forth in the contract were fulfilled at the date of renewal. In December 2006, we signed a joint venture agreement with Watt's S.A., under which, as of January 30, 2007, we participate in equal parts in Promarca S.A. This company owns the brands "Watt's", "Watt's Ice Frut", "Yogu Yogu", "Shake a Shake" and "Frugo", among others in Chile. Promarca S.A. granted both of its shareholders (New Ecusa S.A., a former subsidiary of ECUSA, which as of the date of this annual report has been merged into ECUSA, and Watt's Dos S.A., a subsidiary of Watt's), for an indefinite period, the exclusive licenses for the production and sale of the different product categories.

Since December 2007, through our subsidiary Aguas CCU, we produce and sell the Nestlé Pure Life brand in Chile under a license contract of the same date, with an initial term of five years, renewable for successive periods of five years if certain conditions are met. Since 2012, under the Manantial brand we carry out the business of home and office delivery of purified water in bottles with the use of dispensers (HOD).

In October 2013, CCU together with its subsidiary ECUSA executed a series of contracts and agreements with PepsiCo Inc. and affiliates, which allowed them to expand their current relationship in the non-alcoholic beverages segment with specific focus on the carbonated soft drinks, as well as extending long-term relationship duration. Pursuant to these agreements, which took into account the creation of an affiliate, Bebidas CCU-PepsiCo SpA, the licenses to produce, sell and distribute in Chile Pepsi, 7up and Mirinda (Pepsi brands) and Bilz, Pap, Kem and Nobis (CCU brands) were granted to ECUSA until December 2043.

In line with our multicategory business strategy, in November 2015 we entered the ready-to-mix category through a joint operation agreement with Carozzi, for the production, commercialization, and distribution of instant powder drinks under the brands Sprim, Fructus, Vivo and Caricia. In December 2015 we started to distribute Red Bull in Chile. Aligned with our innovation process in non-alcoholic beverages during 2017, we continue to strengthen Pepsi Zero, launched late 2016 in the Chilean market, by increasing consumer interest through new packaging formats. From time to time, we and our partners introduce innovations and brand extensions to our most relevant brands. For example, in 2019, we and our partners introduced 7UP Zero, Kem introduced Piña Maracuyá limited version, Pop (Pap brand extension) candy cane flavor and Watt's Selección Cranberry.

The following table shows the soft drink and water parent brands produced and/or sold and distributed by us through our non-alcoholic subsidiary ECUSA, during 2019:

Brand	Product Category	Ownership	Affiliation⁽¹⁾
Bilz	Soft Drink, Non-Cola	Proprietary	CCU
Pap	Soft Drink, Non-Cola	Proprietary	CCU
Kem	Soft Drink, Non-Cola	Proprietary	CCU
Kem Xtreme	Soft Drink, Non-Cola	Proprietary	CCU
Nobis	Soft Drink, Non-Cola	Proprietary	CCU
Canada Dry Ginger Ale	Soft Drink, Non-Cola	Licensed	Schweppes
Canada Dry Agua Tónica	Soft Drink, Non-Cola	Licensed	Schweppes
Canada Dry Limón Soda	Soft Drink, Non-Cola	Licensed	Schweppes
Crush	Soft Drink, Non-Cola	Licensed	Schweppes
Pepsi	Soft Drink, Cola	Licensed	PepsiCo
Seven-Up	Soft Drink, Non-Cola	Licensed	PepsiCo
Lipton Ice Tea	Ice Tea	Licensed	PepsiCo
Mirinda	Soft Drink, Non-Cola	Licensed	PepsiCo
Gatorade	Isotonic	Licensed	PepsiCo
Ocean Spray	Juices	Licensed	PepsiCo
Adrenaline Red	Energy	Licensed	PepsiCo
Red Bull	Energy	Licensed	Red Bull
Frugo	Fruit-flavored beverage	Licensed	Promarca
Watt's	Juice	Licensed	Promarca
Watt's Light	Juice	Licensed	Promarca
Watt's Selección	Juice	Licensed	Promarca
Cachantun	Mineral Water	Proprietary	Aguas CCU
Mas	Flavored Water	Proprietary	Aguas CCU
Mas Woman	Flavored Water	Proprietary	Aguas CCU
Porvenir	Mineral Water	Proprietary	Aguas CCU
Perrier	Mineral Water	Licensed	Nestlé
Nestlé Pure Life	Purified Water	Licensed	Nestlé & others
Manantial	HOD	Proprietary	Manantial
Vivo	Ready-to-mix	Licensed	Bebidas Carozzi CCU
Fructus	Ready-to-mix	Proprietary	Bebidas Carozzi CCU
Sprim	Ready-to-mix	Proprietary	Carozzi
Caricia	Ready-to-mix	Licensed	Carozzi

⁽¹⁾ CCU indirectly owns 50% of Promarca S.A. and 50.1% of Aguas CCU. ECUSA owns 50% of Bebidas Carozzi CCU. Aguas CCU and ECUSA own 99.08% and 0.92% of Manantial, respectively.

During the last three years, we sold our non-alcoholic beverage products in the following packaging formats:

Container	Soft drinks			Mineral, purified and flavored water		
	2017	2018	2019	2017	2018	2019
Returnable ⁽¹⁾	29%	20%	19%	28%	28%	29%
Non-returnable ⁽²⁾	67%	77%	77%	72%	72%	71%
“Post-Mix” ⁽³⁾	4%	3%	3%	-	-	-
Total	100%	100%	100%	100%	100%	100%

⁽¹⁾ Returnable soft drink containers include both glass and plastic bottles of assorted sizes. Returnable water containers include glass bottles of assorted sizes and returnable 20-liter jugs (HOD).

⁽²⁾ Non-returnable soft drink containers include glass and plastic bottles, and aluminum cans of assorted sizes. Non-returnable water containers include plastic bottles and certain glass bottles of assorted sizes.

⁽³⁾ Post-mix cylinders are sold specifically to on premise locations for fountain machines.

The following table shows the sales mix of our non-alcoholic beverages by category during each of the last three years:

Category	2017	2018	2019
<i>Carbonated soft drinks</i>			
Colas			
	Licensed	16%	18%
			19%
Non-colas			
	Proprietary	33%	32%
	Licensed	23%	23%
			23%
<i>Non-carbonated soft drinks</i>			
Juices			
	Licensed	21%	21%
			21%
Others ⁽¹⁾			
	Licensed	6%	6%
			5%
Soft drinks total	100%	100%	100%
<i>Mineral water</i>			
	Proprietary	40%	39%
	Licensed	0%	0%
			0%
Purified water			
	Licensed	14%	14%
			15%
Flavored water			
	Proprietary	18%	19%
			19%
HOD		28%	28%
			29%
Total Bottled Water	100%	100%	100%

⁽¹⁾ Includes functional drinks and teas.

After the completion of the CPCh transaction with Control in 2005, we expanded our proprietary parent brand portfolio considerably, adding brands such as Campanario in the pisco mainstream and cocktail categories, as well as Control C, Mistral, Horcón Quemado, Espíritu de los Andes and Tres Erres MOAI in the ultra-premium pisco segment, Mistral, Bauzá (until January 2016) and Tres Erres in the premium pisco segment and La Serena in the popular-priced pisco category. Furthermore, from time to time we introduce new brands of piscos and cocktails extensions and flavors. For example, during 2019 we introduced Sabor Andino Sour.

Our spirits are produced at four plants which are located in regions of Atacama and Coquimbo in the north of Chile. The bottling process is done in the Ovalle plant bottling facility. Horcón Quemado is produced and bottled in a third-party plant in the Atacama Region.

In the rum market, our proprietary parent brands are Cabo Viejo and Sierra Morena. Also, CPCh distributes Pernod Ricard products, including Chivas Regal, Ballantine's, Havana Club and Absolut, among others.

In 2018 CPCh entered the cider category with the launch of Cygan, a beverage made from green and red apples, with an alcohol content of 4.5° and 64 calories per 100 ml.

The following table shows our parent pisco, cocktail and FAB brands:

Premium	<u>Pisco and Cocktails</u>		<u>FAB</u>
	Mainstream	Convenience	
Control C	Campanario	La Serena	Mistral Ice
Mistral	Ruta Cocktail		Bauzá Ice ⁽¹⁾
MOAI	Sol de Cuba		Iceberg
Horcón Quemado	Sabor Andino Sour		Sierra Morena Ice
Tres Erres			
Bauzá ⁽¹⁾			
Espíritu de los Andes			

⁽¹⁾In January 2016 CPCh divested its interest in Compañía Písquera Bauzá S.A.

In June 2017, CPCh added the Peruvian brand Barsol to its portfolio through the acquisition of 40% of Americas Distilling Investments LLC, which is based in the United States and owns the Barsol brand and productive assets based in Peru.

On August 8, 2019, CCU announced that CPCh, acting through the companies Inversiones Internacionales SpA. and International Spirits Investments USA LLC, communicated to LDLM Investments LLC their decision to start a process of selling their total participation in Americas Distilling Investments LLC, owner of the Peruvian company Bodega San Isidro SRL and Barsol brand.

Production and Marketing: International Business Operating segment

Our International Business Operating segment generated Net sales of CLP 460,317 million, CLP 483,926 million and CLP 464,487 million in 2017, 2018 and 2019, respectively, representing 27.1%, 27.1% and 25.5% of CCU's consolidated Net sales in those years. The International Operating segment includes our operations in Argentina, Bolivia, Paraguay and Uruguay.

CCU, through its subsidiary CCU Argentina, owns and operates breweries located in the cities of Salta, Santa Fe and Luján. Our main beer brands include Schneider, Imperial, Palermo, Santa Fe, Salta, and Córdoba and we hold exclusive license agreements for the production and commercialization of Miller, Heineken, Amstel and Sol. As of May of 2018, CCU Argentina's brand portfolio also includes Isenbeck, Diosa, Iguana, Norte and Báltica, as well as the exclusive license agreements for the production and commercialization of Grolsch and Warsteiner, and no longer includes the license agreement for Budweiser. See "Item 4: Information on the Company – A. History and Development of the Company." CCU Argentina imports the Kunstmann and Blue Moon beer brands. Furthermore, CCU Argentina exports beer to several countries, mainly under the brands Schneider, Imperial and Heineken.

On April 28, 2003, CCU Argentina and Heineken Brouwerijen B.V., a subsidiary of Heineken International B.V., signed license and technical assistance agreements that provide us with the exclusive rights to produce, sell and distribute Heineken beer in Argentina commencing June 18, 2003. On October 12, 2011, we and Heineken Brouwerijen B.V. signed the Amended and Restated versions of the Trademark License Agreements which provide us with the exclusive rights to produce, sell and distribute Heineken beer in Argentina, in force as of January 1, 2011. These agreements have an initial term of ten years, and shall automatically be renewed each year (January 1st) for a new period of ten years, unless any party gives notice of its decision not to renew, in which case the agreements will be in force until the last renewal period expires. Heineken beer is the second-largest brand in terms of volume in the premium segment in Argentina.

On November 28, 2012, CICSА and Heineken Brouwerijen B.V. entered into a Trademark License Agreement which granted us the exclusive rights to produce, sell and distribute Heineken beer in Paraguay. This agreement had an initial term of ten years, automatically renewable for a period of five years unless either party gave notice of its decision not to renew, in which case the agreements would be in force until the last renewal period expired.

On April 20, 2018, Bebidas del Paraguay S.A. and Heineken Brouwerijen B.V. signed a Trademark License Agreement and a Distribution Agreement which provides us with the exclusive rights to produce, sell and distribute Heineken beer in Paraguay. This agreement has an initial term of five years from May 1, 2018, and will be automatically renewed for subsequent three year periods unless any party gives notice of its decision not to renew. Therefore, and as agreed on June 11, 2018, the Trademark License Agreement entered on November 28, 2012, by CICSА and Heineken Brouwerijen B.V. was terminated with retroactive effects as of April 30, 2018 and, in its place, Heineken Brouwerijen B.V. and CICSА entered into a supply agreement which provides CICSА the non-exclusive right to sell and supply Heineken Lager in the Paraguayan market to Bebidas del Paraguay S.A., for a period of five years beginning on April 30, 2018.

In 2013, we started exporting Heineken to Milotur, our subsidiary in Uruguay, and in 2015 to BBO, our then associated company in Bolivia. On June 4, 2013, CICSА, Milotur and Heineken Brouwerijen B.V. signed a trademark license agreement that provides us with the exclusive rights to produce, sell and distribute Heineken beer in Uruguay, in force as of May 1, 2013. This agreement has an initial term of ten years, and automatically renews on January 1 of each year for a new period of ten years, unless any party gives notice of its decision not to renew, in which case the agreements will be in force until the last renewal period expires. In Uruguay, we participate in the mineral and flavored water business with the Nativa and Nativa MAS brand, in soft drinks with the Nix brand, and in Watt's branded juices, isotonic drinks with the Fullsport brand and energy drinks with Thor brand. In addition, we import Heineken, Schneider, Imperial and Kunstmann beer.

On July 15, 2015, CICSА, BBO and Heineken Brouwerijen B.V. signed the Ancillary Trademark License Agreement which provides us with the exclusive rights to produce, sell and distribute Heineken beer in Bolivia, in force as of January 1, 2015. This agreement has an initial term of ten years, and will be automatically renewed for five-year periods unless any party gives notice of its decision not to renew, in which case the agreement will be in force until the last renewal period expires.

In September 2014, CICSА began with the exclusive distribution in Argentina of imported Sol beer. The Sol beer brand is owned by Heineken. This licensing agreement has an initial term of ten years in Argentina, automatically renewable on the same terms (rolling contract), each year for a period of ten years, unless notice of non-renewal is given.

In October 2006, we signed a long-term contract with ICSА to brew, bottle and package beer in the former Ambev plant in Luján, near Buenos Aires, that was purchased by ICSА. In January 2007, we began brewing our local brands in this plant, obtaining enough production capacity to ensure future growth. In April 2008, we acquired ICSА, including the Luján plant and the brands Imperial, Bieckert and Palermo. ICSА also had a brewing contract agreement with Ambev and, under such contract CICSА brewed beer for Ambev during the peak demand season of 2008-2009.

The license agreement between CCU Argentina and Anheuser-Busch LLC (See "Item 4: Information on the Company – A. History and Development of the Company"), which provided CCU Argentina with the exclusive

right to produce, package, commercialize, sell and distribute Budweiser beer in Argentina and Uruguay, had an initial term of 20 years commencing in December 1995, which in March 2008 was extended to December 2025 (CCU and ABI agreed to the early termination of the license agreement for Uruguay in 2014). In 2010, the license agreement was modified due to regulatory reasons under the context of the merger between Anheuser-Busch LLC and InBev. As a result, certain contractual restrictions were released, and rights granted to Anheuser-Busch LLC waived, both in favor of CCU Argentina. On September 6, 2017, CCU and CCU Argentina reached an agreement with ABI for the early termination of the Budweiser license in Argentina, in exchange for a portfolio of brands (Isenbeck and Diosa, which were at the time owned by SAB Miller; and Báltica, Iguana, and Norte, which were owned by ABI), representing similar volumes to Budweiser in Argentina, plus a series of payments over a three-year period. On April 27, 2018, after receiving approval from Argentina's antitrust regulators, CCU Argentina and ABI were legally obliged to close the transaction. As a result, on May 2, 2018, CCU Argentina and ABI (CCU Argentina and ABI, together identified as the "Parties") executed a transaction (the "Transaction"), which included, among other matters: (i) the early termination of the Budweiser brand license agreement in Argentina, between the Parties, and (ii) the transfer to CCU Argentina of the ownership of the Isenbeck, Diosa, Norte, Iguana and Báltica brands, as well as the transfer of the licenses for Argentina of the international brands Warsteiner and Grolsch. In order to achieve an orderly transition of the aforementioned brands, the Transaction provides that ABI will carry out the production and distribution of Iguana, Norte and Báltica on behalf of CCU Argentina, for a period of up to three years.

In August 2016 CICSA signed a license and distribution agreement with Coors Brewing Company to manufacture, package, commercialize and distribute the Miller brands in Argentina. We started to commercialize and distribute Miller Genuine Draft in April 2017, and to produce MGD in our own facilities as of May 2017.

CCU Argentina participates in the cider business, with the leading Real brand and other brands such as La Victoria and 1888. We also participate in the liquor business, under the El Abuelo brand, in addition to importing other liquors from Chile and distributing the wine brands Eugenio Bustos and La Celia. Since June 2019, we have added the Colon and Graffigna brands belonging to the Finca La Celia S.A. winery to our wine portfolio (Argentine subsidiary of Chilean subsidiary VSPT).

In 2012, the Company began in Argentina the migration process to its new proprietary returnable bottle in place of the generic container currently in the industry. The decision to implement this important project was based primarily on the change introduced by the main market player, who in 2011 started to replace the use of generic packaging by a proprietary container for one liter returnable products. The proprietary container's use results in significant important changes in logistics processes, including the adaptation of the building structure of plants, the acquisition of specific equipment, the adaptation of production lines and agreements with glass bottles and crates suppliers in order to achieve the timely supply of the new bottling process required inputs. The introduction of these proprietary returnable bottles resulted in significant impacts on the industry's value chain, with higher operating costs associated with the operation of recovery and classification of packaging that significantly affect the level of profitability and industry's return on capital employed (ROCE). This transition process required significant investments between 2012 and 2017 mainly in packaging, equipment and infrastructure. To partially finance these investments, bank loans were obtained in local currency with long repayment periods, mitigating the risk of exchange rate and interest rate fluctuations thereby minimizing the fluctuation risk. Due to the Transaction, CCU Argentina and ABI, among other matters, agreed that CICSA and Quilmes, may each use, without any payment or restriction whatsoever, the one liter returnable amber bottles, denominated as "proprietary", of the other company (hereinafter the "Free Use of Bottles"). For this purpose, the parties agreed that the term for the Free Use of Bottles will be three years, with the option to renew the term for three additional years in case any of the parties thereto has fulfilled certain investments in bottle requirements. At the end of the three or six year term, each party will be permanently authorized to use the other party's proprietary bottles for up to a 10% of its total bottled product (current authorization allows such use up to 0.5%). This agreement is favorable to CCU Argentina, as it will allow the company to obtain operational efficiencies.

In 2011, the Company started to export Schneider beer to Paraguay through Bebidas del Paraguay S.A., and in 2013 to Uruguay through Milotur. In Paraguay we participate in the beer and non-alcoholic categories since our entrance to the market in 2013, with the introduction of new brands and the acquisition of the craft beer brand Sajonia.

In 2018, the Company increased its stake from 34% to 51% in BBO. In Bolivia, CCU participates in the non-alcoholic beverages and beer business, with two plants located in the city of Santa Cruz de la Sierra. In non-alcoholic beverages, it participates in the soft drinks business with the brands Mendocina, Free Cola, Sinalco and Malta Real. The latter is a soft drink with sugar based on malt, but without alcohol. BBO, with Mendocina, also participates in the water category and Natur-All in juices. In beers, it has the brands Real, Capital and Cordillera. In addition, it markets the imported Heineken brand.

At present we produce and market premium, medium-priced and popular-priced beer brands in the International Business Operating segment, which includes Argentina, Bolivia, Paraguay and Uruguay.

The following table shows our proprietary parent beer brands, brands produced under license and brands imported under license for the Argentinean market:

<u>Premium</u>	<u>Mainstream</u>	<u>Convenience</u>
Heineken ⁽¹⁾	Budweiser ⁽³⁾	Córdoba
Sol ⁽¹⁾	Salta	Palermo
Kunstmann ⁽²⁾	Santa Fe	Bieckert
Imperial	Schneider	Báltica ⁽⁴⁾
Amstel ⁽¹⁾	Norte ⁽⁴⁾	Diosa
Miller Genuine Draft		Isenbeck ⁽⁴⁾
Grolsch ⁽¹⁾		Iguana ⁽⁴⁾
Warsteiner ⁽¹⁾		
Blue Moon ⁽²⁾		

⁽¹⁾ Licensed.

⁽²⁾ Imported.

⁽³⁾ Due to the early termination of the Budweiser license agreement, since May 2, 2018, CCU Argentina ceased the commercialization of this brand, and produces Budweiser, on behalf of ABI, for a period of up to one year.

⁽⁴⁾ As from May 2, 2018, ABI carries out the production and distribution of Iguana, Norte and Báltica, on behalf of CCU Argentina, for a period of up to three years.

In 2019 CCU launched the Nativa MAS brand in the flavored water category. Also in 2019, we began to export wine to Uruguay, from our subsidiary Viña San Pedro Tarapacá S.A. under the brands Misiones de Rengo, Eugenio Bustos and Finca La Celia . The following table shows our proprietary parent beer, wine, water and soft drinks brands, produced and/or imported under license for the market in Uruguay:

<u>Brand</u>	<u>Product Category</u>	<u>Ownership</u>	<u>Affiliation</u>
Heineken	Beer	Licensed ⁽¹⁾	Heineken Brouwerijen B.V.
Schneider	Beer	Proprietary ⁽¹⁾	CCU
Kunstmann	Beer	Proprietary ⁽¹⁾	CCU
Imperial	Beer	Proprietary ⁽¹⁾	CCU
Misiones de Rengo	Wine	Proprietary ⁽¹⁾	CCU
Eugenio Bustos	Wine	Proprietary ⁽¹⁾	CCU
Finca La Celia	Wine	Proprietary ⁽¹⁾	CCU
Nix	Soft Drink	Proprietary	CCU
Watt's	Juice	Licensed ⁽²⁾	Promarca
Nativa	Water	Proprietary	CCU
Nativa MAS	Flavored water	Proprietary	Aguas CCU
Nix	Water	Proprietary	CCU
FullSport	Sport Drink	Proprietary	CCU
Thor	Energy Drink	Proprietary	CCU

⁽¹⁾ Imported

⁽²⁾ CCU indirectly owns 50% of Promarca.

The following table shows our proprietary parent beer and soft drinks brands, produced and/or imported under license for the market in Paraguay:

<u>Brand</u>	<u>Product Category</u>	<u>Ownership</u>	<u>Affiliation</u>
Heineken	Beer	Licensed ⁽¹⁾	Heineken Brouwerijen B.V.
Schneider	Beer	Proprietary ⁽¹⁾	CCU
Paulaner	Beer	Licensed ⁽¹⁾	Paulaner Brauerei GmbH & Co KG
Kunstmann	Beer	Proprietary ⁽¹⁾	CCU
Sajonia	Beer	Proprietary	CCU
Sol	Beer	Licensed ⁽¹⁾	Heineken Brouwerijen B.V.
Pulp	Soft Drink	Proprietary	CCU
Puro Sol	Juice	Proprietary	CCU
Watt's	Juice	Licensed ⁽²⁾	Promarca
La Fuente	Mineral Water	Proprietary	CCU
Zuma ⁽³⁾	Flavored Water	Proprietary	CCU
FullSport	Sport Drink	Proprietary ⁽¹⁾	CCU

⁽¹⁾ Imported.

⁽²⁾ CCU indirectly owns 50% of Promarca.

⁽³⁾ Produced until February 2019.

The following table shows our proprietary parent beer and soft drinks brands, produced and/or imported under license for the market in Bolivia:

<u>Brand</u>	<u>Product</u>	<u>Category</u>	<u>Affiliation</u>
Heineken	Beer	Licensed	Heineken Brouwerijen B.V.
Cordillera	Beer	Proprietary	CCU
Real	Beer	Proprietary	CCU
Capital	Beer	Proprietary	CCU
Mendocina	Soft Drink	Proprietary	CCU
Free Cola	Soft Drink	Proprietary	CCU
Sinalco	Soft Drink	Licensed	Sinalco
Mendocina	Water	Proprietary	CCU
Malta Real	Malta based beverage	Proprietary	CCU
Natur-All	Juice	Proprietary	CCU

The following table sets forth our beer sales volume in Argentina by category during each of the last three years, including exports to other countries:

<u>Category</u>	<u>Argentina</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Premium	26%	31%	33%
Mainstream	60%	47%	43%
Convenience	<u>14%</u>	<u>23%</u>	<u>24%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Our beer products are bottled or packaged in returnable and non-returnable glass bottles, aluminum cans and stainless steel kegs at our production facilities. During the last three years, we sold our beer products in Argentina in the following packaging formats:

<u>Container</u>	<u>Percentage of Total Beer Sold in Argentina</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Returnable ⁽¹⁾	63%	51%	44%
Non-returnable ⁽²⁾	36%	48%	55%
Returnable kegs ⁽³⁾	1%	1%	1%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

⁽¹⁾ Returnable beer containers include glass bottles of various sizes.

⁽²⁾ Non-returnable beer containers include glass bottles and aluminum cans, both of assorted sizes.

⁽³⁾ Returnable kegs refer to stainless steel containers in assorted sizes.

Production and Marketing: Wine Operating segment

VSPT is one of Chile's largest producers and distributors of wine in terms of sales volume and Net sales. Our Wine Operating segment generated Net sales of CLP 204,454 million, CLP 206,519 million and CLP 212,322 million in 2017, 2018 and 2019, respectively, or 12.0%, 11.6% and 11.6% of CCU's consolidated Net sales in those years.

VSPT is composed of six different wineries in Chile and two in Argentina. Its main vineyards are located in Molina, approximately 200 kilometers south of Santiago. The VSPT estate in Molina is one of the largest single-site vineyards in Chile with an area of 1,057 hectares. As of December 31, 2019, VSPT's vineyards covered an aggregate of 3,918 hectares in Chile, distributed among 10 different plantations. The winery also has 336 hectares under long-term leases. In Argentina, VSPT has another 826 planted hectares located in the province of Mendoza and San Juan.

The following table indicates the breakdown of Wine Operating segment's volume in the domestic and export markets, including sales from FLC and Tamarí in Argentina:

Year	Domestic Volume	Export Volume ⁽¹⁾ (in millions of liters)	Total Volume
2015	62	76	138
2016	64	78	142
2017	68	75	143
2018	68	71	139
2019	67	74	141

⁽¹⁾ Includes Argentinean operations and bulk sales.

Viña San Pedro, Viña Tarapacá, Viña Leyda, Viña Santa Helena, Viña Misiones de Rengo, Viña Mar in Chile and Finca La Celia and Graffigna in Argentina, produce and market premium, varietal and popular-priced wines.

The principal brands are set forth below:

Brand	Icon	Premium	Varietal	Popular- Priced
Viña San Pedro				
Altaír	X			
Sideral	X			
Cabo de Hornos	X			
Kankana del Elqui	X			
Tierras Moradas	X			
1865 Selected Vineyard		X		
1865 Selected Blend		X		
1865 Selected Collection		X		
Castillo de Molina		X		
Épica		X		
35 South			X	
Urmeneta			X	
Gato Negro			X	
Gato				X
Manquehuito				X
San Pedro Exportación				X
9Lives		X		
Viña Tarapacá				
Tarapakay	X			
Gran Reserva Etiqueta Azul	X			
Gran Reserva Etiqueta Negra		X		
Tarapacá Gran Reserva		X		
Gran Tarapacá			X	
Tarapacá Reserva		X		
Tarapacá Varietal			X	
León de Tarapacá			X	
Viña Santa Helena				
Santa Helena Gran Reserva		X		
Santa Helena Reserva		X		
Santa Helena Varietal				X
Santa Helena Gran Vino				X
Santa Helena Dulce				X
Alpaca				
Alpaca Orgánico		X		
Alpaca Premium		X		
Alpaca Varietal			X	
Viña Misiones de Rengo				
Misiones de Rengo Black		X		
Misiones de Rengo Cuvée		X		
Misiones de Rengo Reserva		X		
Misiones de Rengo Varietal			X	
Misiones de Rengo Espumante		X		
Viña Mar				
Viña Mar		X	X	
Viña Mar Espumante		X		
Viña Leyda				
Leyda Lot	X			
Leyda Reserva		X		
Leyda Single Vineyard		X		

La Celia				
	La Celia Supremo	X		
	La Celia		X	
	La Consulta		X	
	La Finca			X
	Eugenio Bustos			X
Graffigna				
	Graffigna		X	
	Graffigna GR		X	

The following table presents our breakdown of total sales volume in thousands of liters by category of the Wine Operating segment during 2019:

<u>Category</u>	<u>Domestic</u>	<u>Export</u> ⁽¹⁾	<u>Total</u>
		(in thousands of liters)	
Premium	8,292	6,688	14,980
Varietal	7,812	59,986	67,798
Popular-Priced	50,700	6,255	56,955
Bulk	-	967	967
Total	66,803	73,895	140,700

⁽¹⁾ Includes Argentinean operations and bulk wine.

Domestic Market. Our Chilean domestic wine is packaged in glass bottles, cans, cartons, and bag-in-box containers at VSPT's production facilities in Molina and Isla de Maipo. The following chart shows our packaging mix for domestic wine sales for the last three years:

<u>Container</u>	<u>Percentage of Total Domestic Wine Sold in Chile</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Carton	47%	48%	48%
Glass Bottles	53%	52%	52%
Bag-in-Box	-	-	-
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Export Market. According to industry sources, exports of Chilean wine increased from approximately 43 million liters in 1990 to 869 million liters in 2019, at a compounded annual growth rate of 11%. During 2018 and 2019, Chilean wine exports reached 849 million liters and 869 million liters, respectively. We believe that Chilean wine exports have grown steadily due to their comparatively low prices and positive international image, as well as due to external factors, such as low wine production in the Northern Hemisphere in recent years.

VSPT exported from Chile 72 million liters of wine in 2017, 68 million liters of wine in 2018 and 64 million liters of wine in 2019. During 2019, VSPT exported wine to more than 80 countries worldwide. Exports accounted for net sales of CLP 116,534 million, CLP 111,672 million and CLP 112,718 million in the last three years, respectively. In 2019, VSPT's primary export markets included the United States, Japan, Brazil, Finland, Paraguay, the Netherlands and China.

Most exported wine is sold in glass bottles, except for a certain quantity of unbranded wine that is occasionally sold in bulk, as well as some wine that is sold in bag-in-box containers. The following chart shows our packaging mix for export Chilean wine volume in the last three years:

<u>Container</u>	<u>Percentage of Total Export Wine Volume from Chile</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Glass Bottles	91%	91%	92%
Bulk	-	-	-
Bag in box	<u>9%</u>	<u>9%</u>	<u>8%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

5) Raw Materials and other Supplies

The main raw materials that we use are sugar, soft drink concentrates, fruit pulps, malt, rice, hops, grapes and water. The sugar and fruit pulps that we use are from local and international origin suppliers. We obtain our supply of malt through long term contracts with malt suppliers from Chile and Argentina. Rice is sourced mainly from international suppliers in spot transactions.

Water is essential in our production. We obtain all of our water from wells located at our plants and/or from public utilities. The water is treated at facilities located at our plants to remove impurities and to adjust the characteristics of the water before it is used in the production process.

We own two mineral water sources in Chile from which the Cachantun and Porvenir brand mineral water products are obtained. These water springs are located in two areas near Santiago: Coinco and Casablanca, respectively. All of our mineral water products are bottled at their respective sources and distributed throughout the country. Purified water is produced with water pumped from our wells and treated in the plant.

The most relevant packaging materials are: glass bottles, aluminum cans, PET bottles, caps, films, labels, corrugated cases and folding cartons. Long term contracts are signed with the main strategic suppliers.

Glass bottles used in our packaging are purchased from the main local glass suppliers, Cristalerías Chile S.A. and Verallia Chile S.A. and Cristalerías Toro S.A.I.C. in Chile, and Rigolleau S.A., Cattorini Hnos S.A.I.C.F.E.I. and Owens Illinois Argentina S.A. in Argentina. During 2019, all of our aluminum cans were purchased from global suppliers, Ball Chile S.A. and Ball Argentina S.A. We buy our labels, films and corrugated cartons mainly from local suppliers. The majority of our polyethylene terephthalate (“PET”) resins are imported from Asia. Bottles and injected preforms are produced by our subsidiary Plasco.

We maintain testing facilities at each of our plants and factories where raw materials are analyzed according to our standards. Additionally, the samples are analyzed at various stages of production to ensure product quality. For example, samples of Heineken beer are periodically sent to the Heineken facilities in The Netherlands to verify the quality of the product. Samples of Nestlé Pure Life water are sent to Perrier in France, and samples of Pepsi and Schweppes are analyzed by PepsiCo either at our plants or at the point of sale. See “Item 4: Information on the Company – A. History and Development of the Company.”

Prices of our main raw materials used in the production are tied to the USD, and have fluctuated in Chilean and Argentine peso terms due to general commodity price fluctuations in the international markets as well as to the variation of the Chilean and Argentine peso against the USD. In addition, from time to time, prices of grapes and wine have varied depending on fluctuations in supply and demand factors.

Standard and customary commercial terms and conditions are widely used in all our contracts and supply agreements. Strategic alliances and supplier diversification allow us to reduce dependency on a single supplier of

raw and packaging materials. During the past ten years, we have not experienced any material shortage or difficulties in obtaining adequate supplies of necessary raw materials, nor do we expect to do so in the future.

VSPT's main raw and packaging materials are purchased and harvested grapes, purchased wine, glass bottles, carton containers, corks and cardboard boxes. VSPT obtained approximately 42.5% of the grapes used for export wines from our own vineyards during 2019. Of the wine sold in the domestic market, approximately 11.5% are grapes from our vineyards. In 2019, approximately 38.3% of the wine used in domestic and export sales was purchased from ten local producers: Vinícola Patacón SpA, Agrícola y Comercial Bodegas de las Mercedes Ltda., Anatolio Segundo Albornoz Vargas, Corretajes Torres y Cía. Ltda., Coop. Agrícola Pisquera Elqui Ltda., Ureta Export Fine Wines Ltda., Aguilera y Barrios SpA, Vitivinícola Melior Ltda., Viñedos Gurfinkel Ltda. and Viña Siegel S.a.. VSPT has various alternative sources of supply, which can be used when they are favorable. VSPT's glass bottles are mainly purchased from Cristalerías Chile and Verallia; however, when prices have been favorable, VSPT has purchased glass bottles from other local and international suppliers. Carton containers are purchased from SIG Combibloc Inc. and are assembled in VSPT's own automated packing lines.

6) Sales, Transportation and Distribution

Sales, Transportation and Distribution: Chile Operating segment

We distribute all of our products in Chile directly to retail, supermarket and wholesale customers. This system enables us to maintain a high frequency of contact with our customers, obtain more timely and accurate marketing-related information, and maintain good working relationships with our retail customers.

After production, bottling and packaging, our beverages are either stored at one of our production facilities or transported to a network of 29 owned or leased distribution centers that are located throughout Chile. Products are generally shipped from the region of production to the closest distribution center, allowing us to minimize our transportation and delivery costs.

Product distribution is carried out by Transportes CCU throughout the country or by Comercial Patagona in the Magallanes Region.

Beginning in October 2001, all of the distribution centers and transportation companies used to store and deliver all of our products are managed on a consolidated basis by Transportes CCU.

Comercial Patagona is a subsidiary of Cervecería Austral and, as of July 2002, is responsible for the sale and distribution of our products and those of Cervecería Austral in the Magallanes Region. Comercial Patagona reaches 1,043 points of sale.

We distribute our products throughout Chile to:

- off-premise retail: small and medium-sized retail outlets, which in turn sell our products to consumers for take-out consumption;
- on premise retail: retail establishments such as restaurants, hotels and bars for on-premises consumption;
- wholesalers; and
- supermarket chains

In the last three years, the percentage mix of the above distribution channels for our products in Chile was as follows:

<u>Percentage of Total Products Sold</u>			
<u>Distribution Channels</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Off-premise retail	37%	37%	38%
On-premise retail	15%	12%	10%
Wholesalers	15%	17%	18%
Supermarkets	<u>33%</u>	<u>33%</u>	<u>34%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

In October 2005, we launched Comercial CCU, a subsidiary responsible for a single sales force dedicated to selling our beverages, in order to capture synergies and focus on sales execution. Originally, this plan was piloted in rural areas and small cities in southern Chile. As of 2008, the territory covered by Comercial CCU expanded to include the north of Chile from Arica to Copiapó/Vallenar, and the south, from Curicó to Coyhaique except for the city of Concepción.

As of August 2016, following the restructuring in Chile that encompassed combining the route-to-market of the beer and non-alcoholic categories in the whole country, Comercial CCU also covers the beer and non-alcoholic category in the Metropolitan Region including the capital Santiago, and several other large cities such as Viña del Mar, Rancagua, La Serena, and Concepción.

For areas not covered by Comercial CCU we have dedicated sales forces. Together with Comercial CCU we have a total sales force of 995 people, reaching 112,009 points of sale, related to the Chile Operating segment. In 2019, as previously mentioned, we broadened our remote sales platforms through the launch of a modern e-commerce website in Chile, "La Barra", reaching 24,200 households with our on-line portfolio (www.labarra.cl). None of our customers accounted for more than 2.5% of our total sales by volume, with the exception of four large supermarket chains that represented in the aggregate 32.1% of our total sales by volume. One of these supermarket chains represented over 10.0% of our total sales by volume.

Our customers make payment for our products either in cash or checks at the time of delivery or in accordance with one of several types of credit arrangements that we offer. Sales through credit arrangements accounted for 41.8%, 42.4% and 41.0% of our sales in Chile during 2017, 2018 and 2019, respectively. Losses on credit sales in Chile have not been significant.

Sales, Transportation and Distribution: International Business Operating segment

In Argentina, after production, bottling and packaging, our beer is either stored at the production facilities or transported to a network of six distribution centers leased or owned by us.

As of December 31, 2019, we have the capacity to reach 190,826 points of sale in Argentina with our direct and indirect sales force. Approximately 69% of our beer in Argentina is sold and/or distributed through third-party sales and distribution chains, including two independent Coca-Cola bottlers who distribute our products mainly in the north and south of the country, representing in the aggregate 18% of our total sales by volume. We have a direct sales force which sells our beer products to customers within San Juan, Mendoza, Córdoba, Santa Fé, Rosario, and Buenos Aires City, in addition to 75 regional and national supermarket chains throughout the country. None of our retail customers individually accounted for more than 4% of our total beer sales by volume.

Looking for greater operational efficiency, during 2016 and 2017 we modified our route to the market, moving volume from direct sales to wholesalers within the outer Buenos Aires Metropolitan Area and Salta.

In Argentina, though most beer is sold through wholesalers and distributors, we also sell our products to retailers and supermarket chains. In the last three years, the percentage mix of the above distribution channels for our beer products in Argentina was as follows:

	<u>Argentina</u>		
<u>Distribution Channels</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Wholesalers/distributors	68%	70%	69%
Retailers	16%	12%	12%
Supermarkets	<u>17%</u>	<u>19%</u>	<u>19%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

In Uruguay our commercial distribution system reaches the whole country and all supermarkets. During 2016, as a result of restructuring, we changed from a direct sales system in Montevideo to an indirect sales system. In 2019, we maintained approximately 17,940 points of sale.

In the last three years, the percentage mix of the distribution channels for our beer and non-alcoholic products in Uruguay was as follows:

<u>Uruguay</u>			
<u>Distribution Channels</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Indirect	87%	86%	86%
Retailers	-	-	
Supermarkets	12%	14%	14%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

In Paraguay, we have four distribution centers and a direct sales force. Together with a network of distributors and wholesalers, we reach a total of 30,683 points of sale, which allows us to have national coverage with our products.

In the last three years, the percentage mix of the above distribution channels for our beer and non-alcoholic products in Paraguay was as follows:

<u>Paraguay</u>			
<u>Distribution Channels</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Indirect	18%	14%	9%
Retailers	64%	66%	68%
Supermarkets	18%	20%	22%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

In Bolivia, we have four distribution centers and a direct sales force. We reach a total of 40,522 points of sale, which allows us to have national coverage with our products. The percentage mix of the above distribution channels for our beer and non-alcoholic products in Bolivia was as follows:

<u>Bolivia</u>		
<u>Distribution Channels</u>	<u>2018</u>	<u>2019</u>
Off-premise retail	43%	37%
On-premise retail	15%	12%
Wholesalers	38%	47%
Supermarkets	4%	4%
Total	<u>100%</u>	<u>100%</u>

Our International Business segment customers make payments for our products either in cash or checks at the time of delivery or in accordance with one of several types of credit arrangements that we offer. In Argentina, sales through credit arrangements accounted for 89%, 88% and 88% of total sales during 2017, 2018 and 2019, respectively. In Bolivia, sales through credit arrangements accounted for 17%, 13% and 14% of total sales, respectively. In Uruguay, sales through credit arrangements accounted for 100% of total sales during 2017, 2018 and 2019. In Paraguay, sales through credit arrangements accounted for 40%, 38% and 43% of total sales during 2017, 2018 and 2019, respectively. Losses on sales through credit arrangements in the International Business segment have not been significant.

Sales, Transportation and Distribution: Wine Operating segment

Domestic. After production, bottling, and packaging, wine is either stored at the production facilities or transported to one of our 29 distribution centers located throughout Chile. VSPT wines are distributed and sold in Chile through our sales and distribution network, under the same system and payment terms as all our other products.

We distribute our wine products throughout Chile in the territories not covered by Comercial CCU or Comercial Patagona, with our own sales force, to:

- off-premise retail: small and medium-sized retail outlets, which in turn sell wine to consumers for take-out consumption;
- on premise retail: retail establishments such as restaurants, hotels and bars for on-premises consumption;
- wholesalers; and
- supermarket chains.

For the last three years, the percentage mix of the above distribution channels for our wine products in Chile was as follows:

<u>Distribution Channels</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Off-premise retail	29%	28%	28%
On-premise retail	5%	5%	5%
Wholesalers	26%	29%	28%
Supermarkets	<u>39%</u>	<u>38%</u>	<u>39%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

We reach a total of 33,732 points of sale with our dedicated sales force of 74 people, together with the sales force of Comercial CCU.

Export. VSPT has a presence in more than 80 countries. In order to increase its presence in the international market, we have distribution agreements with key distributors, such as Pernod Ricard in Sweden, Finland and Norway; Shaw Ross International in the U.S.; Asahi in Japan; Interfood and EPICE in Brazil; and Delta Wines in The Netherlands. In Canada we have distribution agreements with Phillipe Dandurand wines and Mark Anthony Group, in Korea with Keumyang and Hitejinro, as well as agreements with other distributors.

Our Wine Operating segment customers make payment for our products either in cash or checks at the time of delivery or in accordance with one of several types of credit arrangements that we offer. Sales through credit arrangements accounted for 83.9%, 83.5% and 83.4% of total sales during 2017, 2018 and 2019, respectively. Losses on credit sales have not been significant.

7) Seasonality

Seasonality: Chile Operating segment

As a result of the seasonality of our different beverages, our sales and production volumes are normally at their lowest in the second and third calendar quarters and at their highest in the first and fourth calendar quarters (i.e., those months corresponding to the holidays as well as the summer vacation season in Chile).

The following table shows our annual sales volume of beer, non-alcoholic beverages and spirits in Chile, excluding exports, by quarter in the last three years:

<u>Seasonality Chile Operating segment</u>			
<u>Year</u>	<u>Quarter</u>	<u>Sales Volume</u> <u>(millions of liters)</u>	<u>% of Annual</u> <u>Sales Volume</u>
2017	1 st quarter	527.7	30%
	2 nd quarter	351.1	20%
	3 rd quarter	387.7	22%
	4 th quarter	<u>519.8</u>	<u>29%</u>
	Total	<u>1,786.3</u>	<u>100%</u>
2018	1 st quarter	518.7	27%
	2 nd quarter	383.4	20%
	3 rd quarter	417.0	22%
	4 th quarter	<u>567.8</u>	<u>30%</u>
	Total	<u>1,886.8</u>	<u>100%</u>
2019	1 st quarter	543.3	27%
	2 nd quarter	391.7	20%
	3 rd quarter	444.2	22%
	4 th quarter	<u>600.9</u>	<u>30%</u>
	Total	<u>1,980.2</u>	<u>100%</u>

Seasonality: International Business Operating segment

As a result of the seasonality of the beverage industry with respect to the categories in which we participate, our sales and production volumes are normally at their lowest in the second and third calendar quarters and at their highest in the first and fourth quarters (i.e., those months corresponding to the summer and holiday seasons in the region). The following table shows the annual sales volume for the International Business operating segment, including exports, during each quarter in the last three years (the International Business Operating segment includes BBO as of the third quarter of 2018):

Seasonality International Business Operating segment

<u>Year</u>	<u>Quarter</u>	<u>Sales Volume</u> (millions of liters)	<u>% of Annual</u> <u>Sales Volume</u>
2017	1 st quarter	174.1	26%
	2 nd quarter	124.1	18%
	3 rd quarter	155.3	23%
	4 th quarter	<u>219.1</u>	<u>33%</u>
	Total	<u>672.6</u>	<u>100%</u>
2018	1 st quarter	212.6	26%
	2 nd quarter	160.5	19%
	3 rd quarter	192.0	23%
	4 th quarter	<u>262.2</u>	<u>32%</u>
	Total	<u>827.3</u>	<u>100%</u>
2019	1 st quarter	238.3	27%
	2 nd quarter	162.9	18%
	3 rd quarter	203.9	23%
	4 th quarter	<u>284.8</u>	<u>32%</u>
	Total	<u>889.9</u>	<u>100%</u>

Seasonality: Wine Operating segment

As a result of the seasonality of the beverage industry with respect to the categories in which we participate, our sales and production volumes are normally at their lowest in the first and fourth calendar quarters and at their highest in the second and third quarters (i.e., the highest selling quarters correspond to autumn and winter in the Southern Hemisphere). The following table shows the annual sales volume for the Wine Operating segment during each quarter in the last three years:

Seasonality Wine Operating segment

<u>Year</u>	<u>Quarter</u>	<u>Sales Volume</u> (millions of liters)	<u>% of Annual</u> <u>Sales Volume</u>
2017	1 st quarter	31.8	22%
	2 nd quarter	36.4	25%
	3 rd quarter	40.8	28%
	4 th quarter	<u>34.2</u>	<u>24%</u>
	Total	<u>143.1</u>	<u>100%</u>
2018	1 st quarter	29.6	21%
	2 nd quarter	36.7	26%
	3 rd quarter	37.7	27%
	4 th quarter	<u>34.8</u>	<u>27%</u>
	Total	<u>138.9</u>	<u>100%</u>
2019	1 st quarter	29.4	21%
	2 nd quarter	36.2	26%
	3 rd quarter	39.5	28%
	4 th quarter	<u>34.4</u>	<u>25%</u>
	Total	<u>139.5</u>	<u>100%</u>

8) Geographical Markets

Chile is our primary market in terms of sales, followed by Argentina. In 2017, 2018 and 2019, Chile represented 72%, 72% and 74%, respectively, of CCU's consolidated Net sales, while Argentina, in the same time periods, represented 24%, 24% and 21%, respectively.

	Net Sales for the year		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(millions of CLP)		
Chile ⁽¹⁾	1,226,668	1,289,513	1,342,370
Argentina ⁽²⁾	413,467	421,607	390,444
Uruguay	16,402	17,709	17,806
Paraguay	41,824	43,565	47,149
Bolivia	-	10,888	24,773
Total	<u>1,698,361</u>	<u>1,783,282</u>	<u>1,822,541</u>

⁽¹⁾ Includes revenue from Net sales of the SSU and eliminations between geographical operations. In addition, includes Net sales of the Wine Operating segment.

⁽²⁾ Includes revenue from Net sales from the subsidiaries Finca La Celia S.A. and Los Huemules S.R.L. which are presented in Wine Operating segment and Chile Operating segment, respectively.

CCU's net sales are primarily generated in the domestic beverage market in the countries in which we have operations in Latin America. In 2017, 2018 and 2019, the domestic market represented 93% of CCU's consolidated net sales in each of these years.

	Net Sales for the year		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(millions of CLP)		
Domestic	1,572,617	1,664,614	1,702,110
Exports	125,743	118,668	120,431
Total	<u>1,698,361</u>	<u>1,783,282</u>	<u>1,822,541</u>

CCU's Wine Operating segment exports wine from Chile and Argentina to over 80 countries around the world. The following table provides the distribution of Wine Operating segment's exports in 2019 by market:

<u>Market</u>	<u>Volume</u> ⁽¹⁾	<u>Percentage of Total Exports</u>
	(thousands of liters)	
Europe	20,198	30%
Latin America	18,326	28%
USA and Canada	8,218	12%
Asia and Oceania	19,770	30%
Others	147	0%
Total	66,653	100%

⁽¹⁾ Includes Argentinean operations, excludes bulk wine.

9) Competition

Competition: Chile Operating segment

The beer market in Chile is highly competitive, characterized by a wide range of locally produced and imported beers. Our largest competitor in the beer business is Cervecería Chile (a subsidiary of Ambev S.A.), which commenced operations in Chile in 1991. Cervecería Chile's primary beer brands are Becker, Corona, Báltica, Stella Artois and Budweiser. Cervecería Chile has one production facility, which is under expansion, and imports products from various beer operations abroad. Cervecería Chile distributes its products through direct distribution and wholesalers.

Another relevant player in the beer market in Chile is Viña Concha y Toro, which imports Miller Genuine Draft and distributes Estrella Damm since 2018. Concha y Toro also owns a majority stake in Southern Brewing Company, makers of Kross craft beer.

Cooperativa Agrícola Pisquera Elqui Limitada ("Capel"), which we also compete with in the pisco category, imports Carlsberg and Bear Beer. We also compete with a number of smaller direct importers of international beer brands in Chile.

Our principal competitors in the non-alcoholic beverages business are companies which produce, bottle and distribute soft drinks in Chile under licenses from The Coca-Cola Company and its affiliates. The two principal soft drink players in Chile are the licensees of The Coca-Cola Company and us. The Coca-Cola Company operates through Embotelladora Andina S.A. and Coca-Cola Embonor S.A.

Our principal competitor in the mineral, purified and flavored water business is Vital Aguas S.A., a subsidiary of Embotelladora Andina S.A., in which Coca Cola Embonor S.A. has a minority stake. Our principal competitor in the juice, ice tea and sports drink business is Vital Jugos S.A., a subsidiary of Embotelladora Andina S.A., in which Coca Cola Embonor S.A. has a minority stake.

Our domestic competitors in the soft drink business have benefited from both internationally recognized brands (especially with regard to the Coca-Cola product line) and a large number of local bottling companies distributing their products throughout Chile. As a result of the formation of ECUSA, we also similarly benefited from the internationally recognized Pepsi brand as well as our competitive strengths, which include a portfolio of nationally well-known brands and a nationwide distribution system.

The spirits market in Chile is also highly competitive, characterized by a wide range of locally produced and imported products. Our largest competitor is Capel, which produces pisco locally and imports a number of spirits. Capel has nine production facilities located in the Atacama and Coquimbo regions in the north of Chile and distributes its products throughout the country. As of mid-2019, Capel's products began to be distributed by Embotelladora Andina and Embotelladora Embonor. We also compete against Diageo Chile Limitada, which imports premium spirits such as Johnnie Walker whiskey and Smirnoff vodka, among others. As of mid-2018, Diageo's products were distributed by Embotelladora Andina and Embotelladora Embonor. We also compete against several other smaller importers of international brands, as well as local producers of pisco. In January 2016 CPCh divested its interest in Compañía Pisquera Bauzá S.A.

On August 8, 2019, CCU announced that CPCh, acting through the companies Inversiones Internacionales SpA. and International Spirits Investments USA LLC, communicated to LDLM Investments LLC their decision to start a process of selling their total participation in Americas Distilling Investments LLC"), owner of the Peruvian company Bodega San Isidro SRL and Barsol brand.

The following chart shows estimates of our Chile market share for the last five years:

<u>Year</u>	<u>Chile Operating segment Volume market share</u> ⁽¹⁾
2015	41.6%
2016	42.3%
2017	42.7%
2018	43.4%
2019	43.8%

(1) Source: Nielsen. The calculation of the weighted average for past periods includes markets and industries that CCU entered at a later date. Excludes HOD and powder drinks.

Competition: International Business Operating segment

Since 2003, after the agreement between Quilmes and Ambev, the Argentine beer market consisted of three principal brewing groups: Ambev-Quilmes, us and CASA Isenbeck. The principal proprietary brands of these companies are Quilmes, Schneider and Isenbeck, respectively. In December 2006, ICSA, a new competitor, entered the Argentine beer market. ICSA began its operations at the former Ambev brewery in Luján producing three beer brands: Palermo, Bieckert and Imperial, which had previously belonged to Quilmes. These assets were sold by Ambev-Quilmes in response to requirements of the antitrust authorities in Argentina. In 2008, Compañía Industrial Cervecera S.A. acquired ICSA's shares after receiving the approval of the Argentine antitrust authorities. In November 2010, SABMiller acquired CASA Isenbeck.

Quilmes, the beer market leader in Argentina and our principal competitor, also has beer operations in Chile, Paraguay, Uruguay and Bolivia. Quilmes had five breweries in Argentina with an estimated total annual production capacity of 1,600 million liters. Quilmes' large size enables it to benefit from economies of scale in the production and distribution of beer throughout Argentina. In 1994, Companhia Cervejaria Brahma, one of the two largest beer producers in Brazil, commenced production at its new brewery in Luján, near Buenos Aires, which at present belongs to CCU Argentina. Prior to commencing production in Argentina, Companhia Cervejaria Brahma competed in the Argentine market with imported beer. In July 1999, the merger of Companhia Cervejaria Brahma and Companhia Antarctica Paulista was announced, creating Ambev. This merger was finally approved in March 2000, creating one of the largest beverage producers in the world.

In May 2002, Ambev and Quilmes announced that pursuant to an agreement between both parties, Ambev would transfer all of its beer assets in Argentina, Bolivia, Paraguay and Uruguay to Quilmes in exchange for 26.4 million new B shares of Quilmes. Additionally, according to that announcement, Ambev would purchase from the controlling shareholders of Quilmes 230.92 million class A shares for USD 346.4 million. The agreement further stipulated that Ambev can purchase at the end of a seven-year period the remaining Quilmes shares owned by the current controlling group, the Bemberg family, with Ambev shares. The Bemberg family had the option to sell to Ambev their remaining class A shares during a period beginning with the end of the first year and ending with the seventh year after the agreement was announced. This option was exercised in April 2006. This transaction was approved by the Argentine antitrust authorities on January 13, 2003, subject to the condition that Ambev and Quilmes divest themselves of certain brands and the Ambev plant in Luján, near Buenos Aires, to a company currently not present in the Argentine beer market. On February 14, 2003, through our subsidiary CICSA, we filed a complaint before the Argentine federal courts in order to be eligible to participate in the acquisition of these assets. In February 2006, the Argentine Supreme Court of Justice ruled against our complaint. In December 2006, the Argentine authorities approved the sale of these assets to ICSA, a company owned by local investors. On March 3, 2004, Ambev and Interbrew announced an agreement to merge the two companies, creating the world's largest brewer under the name InBev. This merger was closed in August 2004. On November 18, 2008 Anheuser Busch and InBev merged creating the global beer leader. Consolidation in the beer industry has resulted in larger and more competitive participants, which could change the current market conditions under which we operate.

In 2010 SAB Miller bought Casa Isenbeck (Isenbeck, Warsteiner and La Diosa brands) and launched Miller Genuine Draft and Miller Lite beer in Argentina.

During 2015 SAB Miller plc accepted an offer from AB Inbev to merge its operations. As a result of the merger between AB Inbev and SAB Miller plc, Quilmes and CASA Isenbeck became one player. This merger was approved by the Argentine antitrust authorities in April 2018, conditioned on AB Inbev's satisfaction of all its obligations under the swap agreement with CCU Argentina S.A. and Compañía Industrial Cervecera S.A.

In 2016 AB Inbev sold the Miller brands to Coors Brewing Company. In Argentina, CICSA signed an agreement with Coors Brewing Company to manufacture, package, commercialize and distribute the Miller brands through December 2026, with an automatic renewal for a period of five years if the renewal criteria have been satisfied.

On September 6, 2017, CCU and CCU Argentina reached an agreement with ABI for the early termination of the Budweiser license in Argentina in exchange for a portfolio of brands and several payments. See "Item 4: Information on the Company – A. History and Development of the Company".

The following table shows estimates of the market share of our International Business Operating segment including: beer and cider for 2015 through 2017, and beer for 2018 and 2019 in Argentina; beer, carbonated soft drinks, juice, mineral and flavored water in Uruguay; beer, carbonated soft drinks, juice and mineral water in Paraguay; and beer, malt and carbonated soft drinks in Bolivia:

<u>Year</u>	<u>International Business Operating segment Volume market share</u> ⁽¹⁾
2015	13.8%
2016	14.0%
2017	14.7%
2018 ⁽²⁾	15.8%
2019	16.7%

(1) Sources: Nielsen for Argentina until 2017 and Ernst and Young for 2018 and 2019. ID Retail for Uruguay, CCR for Paraguay, internal estimates and Ciesmori for Bolivia. The calculation of the weighted average for past periods includes markets and industries that CCU entered at a later date.

(2) Figures include our operation in Bolivia; excluding Bolivia, the 2018 figure is 20.0%.

Competition: Wine Operating segment

The wine industry is highly fragmented and competitive in both the domestic and the export markets. No single wine producer in Chile accounts for the majority of production and/or sales. In Chile, VSPT competes directly against all other Chilean wineries. Apart from VSPT, the leading wineries in Chile include Viña Concha y Toro S.A. ("Concha y Toro"), Viña Santa Rita S.A. ("Santa Rita") and Bodegas y Viñedos Santa Carolina S.A. ("Santa Carolina"). In addition, VSPT competes against numerous medium-sized wineries, including Viña Undurraga S.A. ("Undurraga"), Cousiño Macul S.A. ("Cousiño Macul") and Viña Montes, among others. We believe that VSPT's largest domestic competitors, such as Concha y Toro and Santa Rita, derive their relative competitive strengths from their wide portfolio of products, well-recognized brand names and established distribution networks. In 2019, Concha y Toro and Santa Rita had a volume market share of approximately 29.0% and 30.3%, respectively. VSPT also competes with many small wine producers.

Internationally, VSPT competes against Chilean producers as well as with wine producers from other parts of the world. According to information compiled by the Wines of Chile association, VSPT is the second-largest exporter of Chilean wines with a market share of 12.3% in 2019, excluding bulk wine. Our main Chilean competitors, mainly Viña Concha y Toro, Viña Santa Rita and Viña Santa Carolina, represented 30.6%, 5.3% and 4.5%, respectively, of total Chilean wine exports in 2019, excluding bulk wine.

The following table shows estimates of the volume market share of our Wine Operating segment (excluding bulk wine sales) for the last five years:

<u>Year</u>	<u>Wine Operating segment Volume market share</u> ⁽¹⁾
2015	18.0%
2016	18.1%
2017	18.2%
2018	17.7%
2019	17.7%

(1) According to Nielsen figures for domestic wine and Viñas de Chile for export figures. The calculation of the weighted average for past periods includes markets and industries that CCU entered at a later date.

10) Government Regulation

Government Regulation in Chile

We are subject to the full range of governmental regulation and supervision generally applicable to companies engaged in business in Chile. These regulations include labor laws, social security laws, public health, consumer protection, environmental laws, securities laws, and antitrust laws. In addition, regulations exist to ensure healthy and safe conditions in facilities for the production, bottling, and distribution of beverages. For a more detailed discussion of environmental laws, see “Item 4. Information on the Company – E. Environmental Matters.”

Regulations specifically concerning the production and distribution of “alcoholic beverages” are contained in Chilean Law N° 18,455 and its Ordinance, which set the standards for human consumption of such beverages, by minutely describing the different types of alcohol; the minimum requirements that must be met by each class of beverage; raw materials and additives that may be used in their manufacture; their packaging and the information that must be provided by their labels; and the procedure for their importation, among others.

Additional regulations concerning wine origin denominations are contained in Decree N° 464 of the Ministry of Agriculture, dated December 14, 1994, as amended, which also laid out the wine-growing regions and set rules regarding grape varieties, vintage year, labeling and selling requirements. Pisco origin denominations, also applicable to us, are regulated in Decree N° 521 dated May 27, 2000 of the Ministry of Agriculture and likewise contains provisions relating to pisco producing regions, raw material standards, manufacturing procedures, packaging and labeling.

The large-scale production of alcoholic beverages does not need any licenses or permits other than those required for the general run of commercial and industrial enterprises engaged in the manufacture of consumer commodities.

According to Law N° 19,925 enacted in 2004, which amended and restated the Act on Sale and Consumption of Alcoholic Beverages (former Law N° 17,105), all establishments dealing in alcoholic beverages, whether wholesale or retail, require a special municipal license, the cost of which is fixed by the law and varies according to the nature of the outlet or point of sale (i.e. liquor store, tavern, restaurant, hotel, etc.). We are in possession of all licenses necessary for our wholesale operations.

Law N° 19,925 also set opening and closing hours; limited geographical areas for the sale of alcohol; reduced the maximum number of licenses to be granted by zones and population; increased criminal liability for selling alcohol to persons under eighteen years of age; and tightened the restrictions, imposing prison sentences and higher fines, among others, for violations formerly deemed lighter. One of its most important innovations was to forbid the sale of alcohol to minors at all outlets, and not just for on-premises drinking (the only exception retained is the case of children who are served meals when accompanied by their parents).

The regulatory agency for alcoholic beverages is the Servicio Agrícola y Ganadero (“SAG”).

The production, bottling and marketing of non-alcoholic beverages is subject to applicable sanitary legislation and regulations, particularly the Sanitary Code and the Food Ordinance (the *Reglamento Sanitario de los Alimentos*).

Non-alcoholic beverages are also subject to the provisions of Law N° 20,606 on Nutritional Composition of Food and Advertising enacted in 2012, Decree N° 13 of the Ministry of Health which was enacted on June 26, 2015, amending the Food Ordinance referred to above, Law N° 20,869 on Food Advertising, enacted on November 13, 2015, and Supreme Decree N° 1 of the of Ministry of Health enacted on December 11, 2017 and effective as of June 11, 2018, which set certain restrictions on and requirements for the advertising, labeling

and marketing of foods that are qualified as "high" in calories or any of the defined critical nutrients, such as sodium, sugar and saturated fats.

The third phase of the regulation reducing the maximum permitted calorie level (see table below), entered into effect in June 2019. We have taken measures to comply with this regulation and mitigate the impact of this new law. We cannot assure you that this regulation will not have an impact on our sales volumes and, therefore, on our results.

	Phase 1 June 2016	Phase 2 June 2018	Phase 3 June 2019
Calories kcal/100ml	100	80	70
Sodium mg/100ml	100	100	100
Sugar g/100ml	6.0	5.0	5.0
Saturated fat g/100ml	3.0	3.0	3.0

Law N° 19,937, enacted in 2004, and fully operative by February 2006, established the structure and powers for the current Sanitary Authority. The Ministry of Health's Regional Offices, which constitute the Sanitary Authorities, inspect plants on a regular basis, taking samples for analysis, directing the adoption of new safety procedures and applying fines and other penalties for infringement of regulations.

The production and distribution of mineral water is also subject to special regulation, Supreme Decree N° 106 of Ministry of Health enacted on January 22, 1997, as amended, as well as the Food Ordinance referred to above. Mineral water may only be bottled directly from sources, which have been designated for such purpose by a Supreme Decree signed by the President of Chile. The competent Sanitary Authority provides a certification of the data necessary to achieve such a designation. All of our facilities have received the required designation.

Independently of the products manufactured or services provided in each plant or facility, the premises are also regularly inspected by the Sanitary Authorities, regarding sanitary and environmental conditions, labor safety, and related matters.

There are currently no material legal or administrative proceedings pending against us in Chile with respect to any regulatory matter. We believe that we are in compliance in all material respects with all applicable statutory and administrative regulations with respect to our businesses in Chile.

Government Regulation in Argentina

We are subject to the full range of governmental regulation and supervision generally applicable to companies engaged in business in Argentina, including social security laws, public health, consumer protection and environmental laws, securities laws and antitrust laws. As closely held corporations, our subsidiaries in Argentina are principally governed by Law N° 19,550 on commercial companies included in the Civil and Commercial Code.

National Law N° 18,284 (the Argentine Food Code, or the "Food Code") regulates the manufacturing, packaging, import, export and marketing of food and beverages. The Food Code provides specific standards with which manufacturing plants must comply and regulates the production of food and beverages mentioned in the Food Code. The Food Code also specifies the different methods in which beer may be bottled as well as the information to be provided on labels. National Law N° 24,788, enacted in March 1997, and its Regulatory Decree N° 688/2009, regulates the sale and consumption of alcoholic beverages and its advertising and establishes the national minimum age requirements for the purchase of alcoholic beverages. Under this Law, the sale of alcoholic beverages is not permitted to persons under 18 years of age, and the health authorities of each province undertake the enforcement of the Food Code. In the Federal Capital and many provinces of Argentina, local law restricts the sale of alcoholic beverages, particularly between the hours of 11 p.m. and 8

a.m., and establishes harsh penalties for infringement. Additionally, Law N° 5,708 also establishes further advertising requirements for the Federal Capital.

There are currently no material legal or administrative proceedings pending against us in Argentina with respect to any regulatory matter. We believe that we are in compliance in all material respects with all applicable statutory and administrative regulations with respect to our business in Argentina.

Government Regulation in Uruguay

In Uruguay, we are subject to the full range of governmental regulation and supervision generally applicable to companies engaged in business in said country. As a closely held corporation, our subsidiaries are principally governed by Law N° 16,060, which regulates all commercial companies.

The main applicable laws are Decree N° 315/94 containing the National Bromatological Regulations, Code of Children and Adolescents regulating aspects related to sale and advertising of alcoholic beverages, Law N° 17,849 and its Regulatory Decree N° 260/07 regulating Integrated Packaging Management System, Mercosur Technical Regulations for labeling of packaged food, Law N° 18,159 regulates the promotion and defense of competition, Law N° 19,196 governing the criminal liability of employers for breach of occupational safety rules when it threatens or causes damage to the lives of workers, Law N° 19,855 regulating problematic consumption of alcoholic beverages, and Decree N° 272/18, effective as of March 1, 2020, with respect to food labeling.

There are currently no material legal or administrative proceedings pending against us in Uruguay with respect to any regulatory matter. We believe that we are in compliance in all material respects with all applicable statutory and administrative regulations with respect to our business in Uruguay.

Government Regulation in Paraguay

In Paraguay, Bebidas del Paraguay S.A. and Distribuidora del Paraguay S.A. are governed by the laws of the Republic of Paraguay, in particular by Law N° 1,034/83 of Merchants, and Articles N° 1,048 to N° 1,159 of Law N° 1,183/85 Civil Code and its subsequent amendments, Law N° 388/94 creating detailed rules on the establishment or formation, capital and powers of the shareholders' meetings of corporations, Law N° 3,228/07 which, in turn, modifies N° 388/94 regarding formalities for the organization of corporations, and Law N° 5,895/17 that establishes transparency rules in the corporate governance of companies constituted by shares, and Decree N° 9,043/17 as amended, that regulates Law N° 5,895/17 and establishes fines in case of non-compliance.

In addition, for the import, sale and advertising of alcoholic and non-alcoholic beverages, Bebidas del Paraguay is subject to the provisions of the Health Code Law N° 836/80, Law N° 1,334/98 of Consumer and User Protection, Law N° 1,333/98 on advertisement and promotion of tobacco and alcohol, Law N° 1,642/00 prohibiting the sale of alcoholic beverages to minors and its consumption on public roads, Executive Decree N° 1,635/99 and Resolution of the Ministry of Public Health and Social Welfare N° 643/12 regulating aspects relating to registration of food products as amended, Law N° 6,446/2019 which establishes the obligation to identify the final beneficiaries of the companies and creates two special registries, the Administrative Registry of Legal Entities and the Administrative Registry of Final Beneficiaries of Paraguay, and Decree N° 3,241/2020 regulating such Law N° 6,446/2019, among others.

There are currently no material legal or administrative proceedings pending against us in Paraguay with respect to any regulatory matter. We believe that we are in compliance in all material respects with all applicable statutory and administrative regulations with respect to our business in Paraguay.

Government Regulation in Bolivia

BBO is a closely held corporation governed by the laws of the Plurinational State of Bolivia, in particular by Chapter V (Corporations) of Decree Law N° 14,379 Commercial Code, which establishes provisions on the constitution of companies, rights and obligations of the shareholders, the administration and control bodies of the company, as well as the classification of the shares, issuance rules and records.

In addition, in view of the corporate purpose of BBO and the commercial activities carried out in Bolivia, regarding the production, import, export and marketing of alcoholic and non-alcoholic beverages, the following rules are applicable: Law N° 1,990 or General Law of Customs and Supreme Decree N° 25.870 that contains the regulation of the General Law of Customs, both regulate the regime of imports and exports, Law N° 2.061 of the National Service of Agricultural Health and Food Safety (“SENASAG”), regulating entities responsible for administering the agricultural health and food safety regime in the country, Resolution N° 15/2018 that contains the regulation for the classification and registration of food, issued by SENASAG, Law N° 259 on control of sale and consumption of alcoholic beverages, and Supreme Decree N° 29,519 that regulates competition and consumer protection.

There are currently no material legal or administrative proceedings pending against us in Bolivia with respect to any regulatory matter. We believe that we are in compliance in all material respects with all applicable statutory and administrative regulations with respect to our business in Bolivia.

Government Regulation in Colombia

CCC and ZF CC are simplified stock corporations governed by the laws of the Republic of Colombia, in particular, with respect to their corporate existence and operation, Law N° 1,258 of 2008, Law N° 222 of 1995 and the Colombian Commercial Code.

ZF CC must comply with the free trade zone regime, including Decree N° 2,685 of 1999, Law N°1,004 of 2005, Decree N° 2,147 of 2016, Decree N° 390 of 2016 and Decree N° 349 of 2018 and its approved master plan (plan maestro).

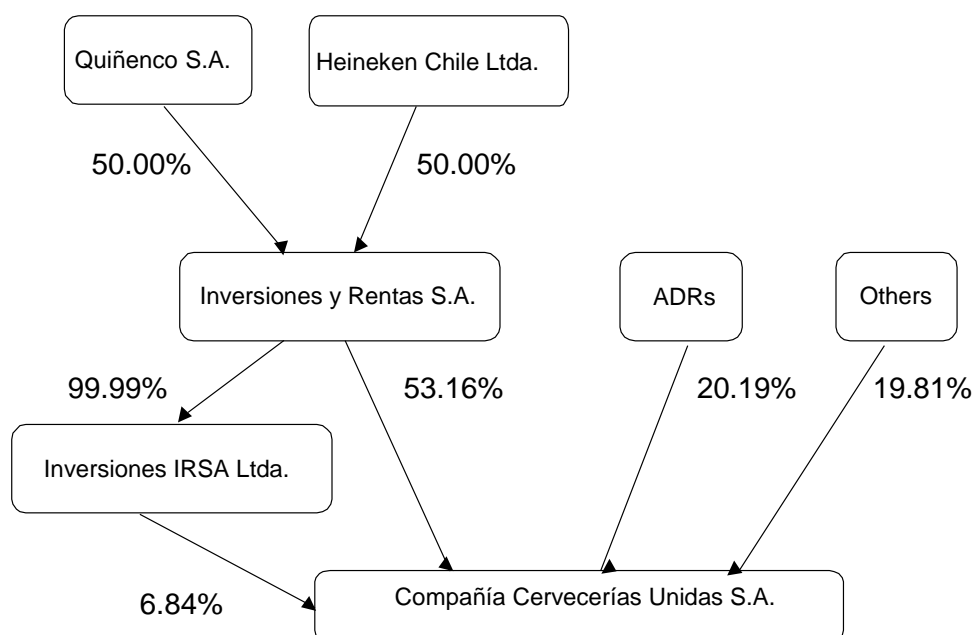
Furthermore, both CCC and ZF CC must comply with the free zone regime, including Law No. 1004 of 2005, Decree No. 1165 of 2019, Decree N° 2,147 of 2016, Decree N° 1,054 of 2019, Resolution No. 46 of 2019 and its general development master plan approved by the Ministry of Commerce, Industry and Tourism.

In addition, the specific rules relating to the activities and business that each company carries out are applicable to these companies, the main ones being: Law N° 9 of 1979, which establishes the conditions that raw materials for the production of alcoholic beverages must satisfy, Law N° 124 of 1994, which regulates the sale and consumption of alcoholic beverages and their advertising and establishes that the minimum age for the purchase of alcoholic beverages at the national level is 18 years of age, Decree N° 1,686 of 2012, which sets forth the sanitary requirements for the production, packaging, advertising, transportation, import and marketing of alcoholic beverages destined for human consumption, Decree N° 780 of 2016, which establishes, in the field of alcoholic beverages, the obligation to emphasize in advertising and related legends the prohibition of the sale of alcoholic beverages to minors, as well as the specifications that must be included in their packaging and labels, Decree N° 1,506 of 2014, Decree N° 216 of 2019 and Circular N° 486 of 2016, establishing the health requirements associated with the manufacture, processing, packaging, storage, distribution, marketing, sale, import or export of alcoholic beverages, and Law N° 223 of 1995 and Law N° 1,816 of 2016 regulating local taxes applicable to the production and distribution of alcoholic beverages, including beer, in Colombian territory.

There are currently no material legal or administrative proceedings pending against us in Colombia with respect to any regulatory matter. We believe that we are in compliance in all material respects with all applicable statutory and administrative regulations with respect to our business in Colombia.

C. Organizational Structure

Ownership Structure as of March 31, 2020



We are controlled by IRSA, which owns directly and indirectly 60.0% of the shares of our common stock. IRSA, since 1986, was a joint venture between Quiñenco and the Schörghuber Group through its wholly owned subsidiary FHI of the Netherlands. In April 2003, the Schörghuber Group sold FHI to Heineken Americas B.V., a subsidiary of Heineken International B.V. FHI and Heineken International B.V. formed Heineken Chile Ltda., through which 50% of IRSA shares are held. On December 30, 2003, FHI merged into Heineken Americas B.V. Currently, Quiñenco and Heineken Chile Ltda., a Chilean limited corporation controlled by Heineken Americas B.V., are the only shareholders of IRSA, each with a 50% equity interest.

Quiñenco is the holding company of one of the largest and most diversified business conglomerates in Chile, with investments in various sectors of the Chilean economy. Apart from CCU, Quiñenco's principal holdings include Banco de Chile (a leading financial institution in Chile), InveXans S.A. (the largest shareholder of the French cable producer Nexans S.A.), Empresa Nacional de Energía Enx S.A. (the second-largest fuel distributor in Chile), Compañía Sud Americana de Vapores S.A. (main shareholder of Hapag-Lloyd A.G., one of the largest container ship liners worldwide), and Sociedad Matriz SAAM S.A. (one of the main port operators in South America and the leading tugboat operator in America).

Heineken, the Dutch brewer, is one of the largest brewers in the world which markets and sells more than 300 brands in 190 countries and has more than 85,000 employees worldwide. Heineken group's beer volume was 241.4 million hectoliters during 2019.

The following table provides our significant subsidiaries as of December 2019:

<u>Subsidiaries</u>	<u>Country</u>	<u>Total Ownership Interest</u>
Cervecería CCU	Chile	100.00%
CCU Argentina	Argentina	99.99%
ECUSA	Chile	99.98%
VSPT ⁽¹⁾	Chile	82.99%

⁽¹⁾ Compañía Cervecerías Unidas S.A. indirectly, through CCU Inversiones S.A., has an aggregate 83.01% controlling interest in VSPT.

D. Property, Plants and Equipment

Set forth below is information concerning our production facilities as of December 31, 2019, all of which are owned and operated by us or our subsidiaries.

For the Chile Operating segment, we had an aggregated Supply Capacity per month of 440.1 million liters, including Manantial, with a Utilized Capacity during peak month of 63.0%. Utilized Capacity During Peak Month is equal to production output as a percentage of Nominal Installed Production Capacity during our peak month for each respective plant. The annual Nominal Installed Capacity for this segment is 48.4 million hectoliters. Our Chile Operating segment total facilities size is 587,765 square meters (total built area including warehousing logistics activities related to the production process). Supply Capacity per month is defined as nominal installed production capacity for the current product/packaging mix during 25 days per month and 3 shifts per day. The calculated slack (spare) capacity does not necessarily indicate real slack capacity. The real production capacity is less than the nominal installed production capacity as adjustments are required for real machinery performance, packaging mix, availability of raw materials and bottles, seasonality within the months and other factors. As a result, we believe that the peak monthly capacity utilization rates shown above understate real capacity utilization and that slack capacity is overstated.

Set forth below is a list of our 15 principal production facilities:

Chile Operating segment	
Location	Type of Plant
Santiago- Quilicura	Beer
Valdivia	Beer
Temuco	Mixed
Antofagasta	Non-alcoholic beverages
Coinco	Non-alcoholic beverages
Santiago -Renca	Non-alcoholic beverages
Casablanca	Non-alcoholic beverages
Coronel (Manantial)	Non-alcoholic beverages (HOD)
Santiago- Quilicura (Manantial)	Non-alcoholic beverages (HOD)
Puerto Montt (Manantial)	Non-alcoholic beverages (HOD)
Pisco Elqui	Spirits
Sotaquí	Spirits
Monte Patria	Spirits
Salamanca	Spirits
Ovalle	Spirits

The CCU Renca project, which is currently being developed, includes a new distribution center and a new production plant for non-alcoholic beverages, both incorporating the latest technologies for efficient and sustainable production and distribution. See “Item 5: Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Capital Expenditures.”

For the International Business Operating segment, we had an aggregated Supply Capacity per month of 111.3 million liters with a Utilized Capacity during peak month of 76.5%. The annual Nominal Installed Capacity for the International business is 12.2 million hectoliters.

Our International Business Operating segment total facilities size is 403,656 square meters (total built area including warehousing logistics activities).

Set forth below is a list of our 10 principal production facilities:

International Business Operating segment		
Location	Country	Type of Plant
Buenos Aires (Luján)	Argentina	Beer
Santa Fé	Argentina	Beer
Salta	Argentina	Beer
Sajonia	Paraguay	Beer
Santa Cruz	Bolivia	Beer
Pan de Azúcar	Uruguay	Non-alcoholic beverages
San Antonio	Paraguay	Non-alcoholic beverages
Santa Cruz	Bolivia	Non-alcoholic beverages
Allen	Argentina	Cider
Ciudadela	Argentina	Cider

For the Wine Operating segment, we had an aggregated Nominal Filling Capacity of 93,540 liters per hour and a Storage Capacity in Tanks and Barrels of 103.0 million liters. The total facilities size is 153,837 square meters.

Set forth below is a list of our five principal production and two storage facilities:

Wine Operating segment		
Location	Country	Type of Plant
Molina	Chile	Wine Production
Totihue	Chile	Wine Production
Isla de Maipo	Chile	Wine Production
Finca La Celia	Argentina	Wine Production
San Juan	Argentina	Wine Production
Lontué	Chile	Wine Storage
Viña Mar	Chile	Wine Storage

Our two principal production facilities through joint ventures are set forth below (see “Item 4: Information on the Company – B. Business Overview – Overview – Joint Ventures and Associated Companies”):

Joint Ventures		
Location	Country	Type of Plant
Punta Arenas	Chile	Beer ⁽¹⁾
Sesquille	Colombia	Beer ⁽²⁾

⁽¹⁾ Production in the Punta Arenas facility is under licensing agreements and, accordingly, we do not consolidate this facility.

⁽²⁾ In February 2019, CCU through its joint venture with Grupo Postobón, started beer production at the new three million hectoliter plant. Accordingly, we do not consolidate this facility.

In addition to our production plants listed above, we have 35 owned and 7 leased distribution centers in the countries in which we operate:

Own Distribution Centers	Country	Leased Distribution Centers	Country
Arica	Chile	Illapel	Chile
Iquique	Chile	La Vara	Chile
Calama	Chile	Castro	Chile
Copiapo	Chile	San Antonio	Chile
Coquimbo	Chile	Encarnacion	Paraguay
Ovalle	Chile	Coronel Oviedo	Paraguay
Llay Llay	Chile	Trinidad	Bolivia
Curauma	Chile		
Santiago Sur	Chile		
Rancagua	Chile		
Talca	Chile		
Chillan	Chile		
Talcahuano	Chile		
Los Angeles	Chile		
Valdivia	Chile		
Osorno	Chile		
Puerto Montt	Chile		
Coyhaique	Chile		
Cervecera	Chile		
Temuco	Chile		
Antofagasta	Chile		
Modelo	Chile		
Villarrica	Chile		
Punta Arenas	Chile		
Renca	Chile		
Sauce Viejo	Argentina		
Cordoba	Argentina		
Rosario	Argentina		
Munro	Argentina		
Mendoza	Argentina		
San Juan	Argentina		
Pan de Azúcar	Uruguay		
Asunción	Paraguay		
Ciudad del Este	Paraguay		
La Paz	Bolivia		

E. Environmental Matters

Chile

Our operations are subject to both national and local regulations in Chile in relation to environmental protection. Regarding human health, the fundamental law in Chile is the Health Code, which establishes minimum health standards and regulates air and water quality, as well as sanitary landfills. The local Sanitary Authority is the governmental entity in charge of the enforcement of these rules and has the authority to impose fines.

The environmental framework is governed by Law N° 19,300, enacted in 1994, as amended, which includes not only environmental protection rules but also rules concerning the preservation of natural resources. Among other matters, it creates the environmental impact assessment system, which requires any project or major amendment of an industrial activity that may affect the environment to evaluate its possible environmental impact, in order to fulfill related regulations and to implement mitigation, compensation and restoration measures.

Law N° 19,300 also creates a mechanism that establishes sources emission limits and environmental quality standards developed and detailed by specific regulations. In this sense, there is a special regulation for wastewater discharges into sewage systems, and another regulation for wastewater discharges into superficial water bodies. We comply with this law and related regulations in all material respects.

Over the years, we have implemented specific action plans in each of our operations through the Environmental Vision 2020, which seeks to achieve three objectives within the decade (2010 - 2020): a reduction of greenhouse gas emissions (“GHG”) per hectoliter by 20%, a reduction of water consumption per hectoliter by 33%, and reach 100% in the valorization of industrial solid waste.

In 2019, we continued making progress in our Environmental Vision 2020 plan, with a 29.2% reduction in greenhouse gases emissions per liter produced (the goal is 20%); a 45.8% decrease in water consumption per liter produced (the goal is 33%); and a 98.8% valorization of solid industrial waste (the goal is 100%). To support this last objective, we continued working on the Zero Waste to Landfill Clean Production Agreement (“CPA”). Related to the reduction of greenhouse gas emissions, we obtained the Gold Label of Energy Efficiency in Plasco and the Silver Label of Energy Efficiency in Temuco Plant from the Ministry of Energy and the Energy Sustainability Agency, respectively. Additionally, we were recognized with the Quantification, Reduction and Excellence Labels of HuellaChile, a Program of the Ministry of Environment, which recognizes the efforts in the management of GHG emissions.

Also in 2019, we renewed our commitment to environmental matters, by launching our 2030 Environmental Vision, which implies an even more challenging plan including three new areas of action and covering for the first time the six countries where we operate. Thus, we committed for the next ten years to: (i) continue reducing greenhouse gas emissions per liter produced to reach a 50% reduction, (ii) continue optimizing water consumption per liter produced, until a 60% reduction is achieved, (iii) 100% valorization of industrial solid waste, (iv) use 75% renewable energy, (v) use 100% reusable, recyclable or compostable packaging, and (vi) aim for our packaging to be made on average of 50% recycled material.

There are currently no material legal or administrative proceedings pending against us in Chile with respect to any environmental matter. We believe that we are in compliance in all material respects with all applicable environmental regulations.

Argentina

In Argentina, there are several statutes imposing obligations on companies regarding environmental matters at the municipal, provincial and federal levels in accordance with the General Environmental Protection Framework (Law N° 25,675), which establishes the Basic Environmental Protection Budgets, forming the fundamentals to develop all legislation and national environmental policy. In many cases, private entities operating public utilities such as water supply and sewage are in charge of controlling and enforcing those

regulations. Examples of new laws and regulations recently enacted are: (i) the National Register of Chemical Substances (Decree N° 900/12), which aims to improve the traceability of chemical substances by means of strict control of all chemical substances that enter or leave the industrial plant, (ii) Decree N° 801/2015 regarding the global system of classification and labeling of chemical products, which based on Decree N° 3,359/2015 was implemented in April 2016 for pure substances, and in January 2017 for mixed substances, and (iii) Law N° 26,190 the National Regime for the Use and Promotion of Renewable Sources of Energy, which was modified by Law N° 27,191 and regulated by Decree N° 531/2016, with the objective to gradually implement the Use of Renewable Sources of Energy in the plants.

Another important federal environmental legislation in Argentina is the Hazardous Waste Act (Law N° 24,051), which is supplemented by additional provincial legislation, to enforce the provisions of the Hazardous Waste Act when specific federal tests indicate the need to do so. The application of the provisions of the Hazardous Waste Act depends upon the magnitude of the public health risk and whether those conditions exist in more than one province. Hazardous waste is defined broadly and includes any residue that may cause harm, directly or indirectly, to human beings that may pollute the soil, water, atmosphere or the environment in general. Generally, claims involving hazardous waste give rise to strict liability in the event of damage to third parties. In addition, each province in which we operate facilities has enacted environmental legislation with broad and generic goals, as well as water codes and related agencies to regulate the use of water and the disposal of effluents in the water.

Over the last several years CCU Argentina has implemented a complete program for the treatment of its industrial waste, which involves the separation, collection, transportation and reusing of the generated solid waste, in compliance with the Industrial Waste Act (Law N° 25,612), as well as wastewater treatment plants. The waste program is part of our constant effort to improve environmental conditions.

Notwithstanding the foregoing, the regulation of matters related to environmental protection is not as well developed in Argentina as in the United States and certain other countries. Accordingly, we anticipate that additional laws and regulations will be enacted over time with respect to environmental matters.

While we believe that we will continue to be in compliance with all applicable environmental regulations, we cannot assure you that future legislative or regulatory developments will not impose restrictions on us, which could result in material adverse effects on our businesses, results of operations and our financial condition. There are currently no material legal or administrative proceedings pending against us in Argentina with respect to any regulatory matter. We believe that we are in compliance in all material respects with all applicable statutory and administrative regulations with respect to our business in Argentina.

ITEM 4A: Unresolved Staff Comments

Not applicable.

ITEM 5: Operating and Financial Review and Prospects

Overview

We face certain key challenges and risks associated with our business, as highlighted in Item 3.D. Risk Factors. The analysis of our results is based on financial statements prepared in accordance with IFRS as issued by the IASB. The three most recent years are considered in the discussion below.

A. ADJUSTED OPERATING RESULT

The following discussion should be read in conjunction with our consolidated financial statements and the notes included thereto in this annual report. In the following discussion, CLP amounts have been rounded to the nearest million pesos, unless otherwise indicated. Certain amounts (including percentage amounts) which appear herein have been rounded and may not sum to the totals shown.

We evaluate the performance of the segments based on several indicators, including Adjusted Operating Result, Adjusted Operating Result Before Depreciation and Amortization (ORBDA), ORBDA margin (% of ORBDA of total revenues for the Operating segment), volumes and sales revenues. Sales between segments are conducted using terms and conditions at current market rates.

Adjusted Operating Result and ORBDA are non-IFRS financial measures. Adjusted Operating Result reflects a subtotal in Note 6 under Operating segment's additional information (page F-46). A non-IFRS financial measure does not have a standardized meaning prescribed by either IFRS or U.S. GAAP. For management purposes, Adjusted Operating Result is defined as Net income before other gains (losses), net financial expenses, equity and income of joint ventures, foreign currency exchange differences, result as per adjustment units and income taxes (or alternatively, Adjusted Operating Result can be defined as "Income from operational activities" excluding "Other gains/(losses)"). For management purposes, ORBDA is defined as Adjusted Operating Result before depreciation and amortization.

The Company believes that the use of "Adjusted Operating Result" provides investors with a better understanding of the day-to-day performance of the Company, because elements included under "Other gains/(losses)" such as impacts derived from derivative contracts and marketable securities are not considered part of the core business of each Operating segment and therefore are managed at the corporate level. The performance of each Operating segment is assessed by this measure, and for the same reason this measure is used by each segment's Chief Operating Decision Maker to assess the performance of the Operating segments. This measure eliminates items that have less bearing on our operating performance and thus highlights trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company believes that disclosure of Adjusted Operating Result provides useful information to investors and financial analysts in their review of our operating performance and their comparison of operating performance to the operating performance of other companies in the beverage industry, but it may not be comparable to similarly titled indicators used by other companies. Further, the Company believes that the use of ORBDA provides useful information to investors and analysts in their review of financial results as it is easily comparable to other similar figures disclosed by other companies to calculate financial ratios in order to have comparable measures used in the industry. Neither Adjusted Operating Result nor ORBDA are substitutes for IFRS measures of earnings.

Adjusted Operating Result and ORBDA have important limitations as analytical tools. For example, they do not reflect (a) our cash expenditures or future requirements for capital expenditures or contractual commitments; (b) changes in, or cash requirements needed for, our working capital needs; (c) the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt; or (d) tax payments or distributions to our parent to make payments with respect to taxes attributable to us that represent a reduction in cash available to us. Although we consider the items excluded in the calculation of non-IFRS measures to be less relevant to the evaluation of our performance, some of these items may continue to take place and accordingly may reduce the cash available to us.

The following table presents the Net sales and Adjusted Operating Result, and the relevant percentage as a component of Net sales, for each of our Operating segments. Starting from the third quarter of 2016, the Company has incorporated into the Chile Operating segment the business activities performed by the Strategic Service Units (SSU), which include Transportes CCU, Comercial CCU, CRECCU and Plasco. Prior to December 2015, the revenue and expenses of the Strategic Service Units were reported under Others.

Year Ended December 31,

2017

2018

2019

(in millions of CLP, except percentages)

Net sales						
Chile Operating segment ⁽¹⁾	1,047,119	61.7%	1,109,574	62.2%	1,164,304	63.9%
International Business Operating segment ⁽²⁾	460,317	27.1%	483,926	27.1%	464,487	25.5%
Wine Operating segment ⁽³⁾	204,454	12.0%	206,519	11.6%	212,322	11.6%
Other/eliminations ⁽⁵⁾	(13,530)	(0.8)%	(16,736)	(0.9)%	(18,573)	(1.0)%
Total	1,698,361	100.0%	1,783,282	100.0%	1,822,541	100.0%

Adjusted Operating Result⁽⁴⁾						
Chile Operating segment ⁽¹⁾	182,784	77.8%	202,662	43.2%	200,429	86.8%
International Business Operating segment ⁽²⁾	45,266	19.3%	266,345	56.8%	19,653	8.5%
Wine Operating segment ⁽³⁾	24,519	10.4%	22,667	4.8%	28,477	12.3%
Other/eliminations ⁽⁵⁾	(17,676)	(7.5)%	(22,952)	(4.9)%	(17,750)	(7.7)%
Total	234,894	100.0%	468,722	100.0%	230,808	100.0%

Volume (in million liters)						
Chile Operating segment ⁽¹⁾	1,786.3	68.7%	1,886.8	66.1%	1,980.2	65.9%
International Business Operating segment ⁽²⁾	672.6	25.8%	827.3	29.0%	889.9	29.6%
Wine Operating segment ⁽³⁾	143.1	5.5%	138.9	4.9%	139.5	4.6%
Other/eliminations ⁽⁵⁾					(6.4)	
Total	2,602.0	100.0%	2,853.0	100.0%	3,003.2	100.0%

(1) Includes beers, non-alcoholic beverages, spirits and shared services units in Chile.

(2) Includes beers, cider, non-alcoholic beverages, malt and spirits in Argentina, Bolivia (from August 2018), Paraguay and Uruguay.

(3) Includes domestic volumes in Chile and Argentina and export wine sales to more 80 countries.

(4) Defined, for management purposes, as Net Income before other gains (losses), net financial expenses, equity and income of joint ventures, foreign currency exchange differences, results as per adjustment units and income taxes.

(5) Considers the non-allocated corporate overhead expenses and eliminations of transactions and volumes between operating segments.

The following is a reconciliation of our Net income; the most directly comparable IFRS measure to Adjusted Operating Result and ORBDA for the years ended December 31, 2015, 2016, 2017, 2018 and 2019.

	For the years ended December 31,				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in million CLP)				
Net income of year	140,526	140,082	148,108	322,085	145,646
Add (Subtract):					
Other gains (losses)	(8,512)	8,346	7,717	(4,030)	(3,157)
Financial Income	(7,846)	(5,680)	(5,051)	(15,794)	(13,118)
Financial costs	23,101	20,307	24,166	23,561	27,720
Share of net loss of joint ventures and associates accounted for using the equity method	5,228	5,561	8,914	10,816	16,432
Foreign currency exchange differences	(958)	(457)	2,563	(3,300)	9,054
Result as per adjustment units	3,283	2,247	111	(742)	8,255
Income taxes	50,115	30,246	48,366	136,127	39,976
Adjusted Operating result⁽¹⁾	204,937	200,652	234,894	468,722	230,808
Exceptional Item (EI)	-	-	-	-	-
Adjusted Operating result before (EI)	204,937	200,652	234,894	468,722	230,808
Depreciation and amortization	81,567	83,528	92,200	93,289	105,021
ORBDA before (EI)	286,504	284,180	327,094	562,011	335,829
Exceptional Item (EI)	-	-	-	-	-
ORBDA⁽²⁾	286,504	284,180	327,094	562,011	335,829

(1) Defined, for management purposes, as Net Income before other gains (losses), net financial expenses, equity and income of joint ventures, foreign currency exchange differences, results as per adjustment units and income taxes.

(2) Defined, for management purposes, as Adjusted Operating Result before depreciation and amortization.

The following table presents our Income statement for the periods noted below:

	Year Ended December 31,					
	<u>2017</u>		<u>2018</u>		<u>2019</u>	
	(millions of CLP, except percentages)					
Net sales	1,698,361	100.0%	1,783,282	100.0%	1,822,541	100.0%
Cost of sales	<u>(798,739)</u>	<u>47.0%</u>	<u>(860,011)</u>	<u>48.2%</u>	<u>(908,318)</u>	<u>49.8%</u>
Gross profit	899,622	53.0%	923,271	51.8%	914,223	50.2%
Other income by function	6,718	0.4%	228,455	12.8%	22,585	1.2%
Other expenses ⁽¹⁾	(2,662)	0.2%	(1,428)	0.1%	(1,428)	0.1%
Exceptional Items (EI)	-	-	-	-	-	-
MSD&A ⁽²⁾	<u>(668,783)</u>	<u>39.4%</u>	<u>(681,576)</u>	<u>38.2%</u>	<u>(704,571)</u>	<u>38.7%</u>
Adjusted Operating Result ⁽³⁾	234,894	13.8%	468,722	26.3%	230,808	12.7%
Net Financial Expenses	(19,115)	1.1%	(7,766)	0.4%	(14,603)	0.8%
Results as per adjustment units	(111)	0.0%	742	0.0%	(8,255)	0.5%
Exchange rate differences	(2,563)	0.2%	3,300	0.2%	(9,054)	0.5%
Equity and income from joint ventures	(8,914)	0.5%	(10,816)	0.6%	(16,432)	0.9%
Other gains/(losses)	(7,717)	0.5%	4,030	0.2%	3,157	0.2%
Income before taxes	196,474	11.6%	458,211	25.7%	185,622	10.2%
Income taxes	(48,366)	2.8%	(136,127)	7.6%	(39,976)	2.2%
Net income for the year	148,108	8.7%	322,085	18.1%	145,646	8.0%
Attributable to:						
Equity Holders of Parent Company	129,607	7.6%	306,891	17.2%	130,142	7.1%
Non controlling interest	18,501	1.1%	15,194	0.9%	15,504	0.9%

(1) Other expenses are part of the 'Other expenses by function' as presented in the Consolidated Statement of Income. These Other expenses mainly consist of losses related to the sales and write off of fixed assets.

(2) MSD&A, included Marketing, Selling, Distribution and Administrative expenses.

(3) Defined, for management purposes, as Net Income before other gains (losses), net financial expenses, equity and income of joint ventures, foreign currency exchange differences, results as per adjustment units and income taxes.

FISCAL YEAR ENDED DECEMBER 31, 2019 COMPARED TO FISCAL YEAR ENDED DECEMBER 31, 2018

The 2018 Income Statement reflects both ongoing operations and the impact of the CCU Argentina – ABI transaction (“the Transaction”), which had a positive impact of CLP 208,842 million on Adjusted Operating Result and CLP 157,359 million in Net income in 2018. See “Item 4: Information of the Company – A. History and Development of the Company.” See also Note 1 – Letter C of our consolidated financial statements included herein.

The main highlights of the Income Statement for the fiscal year ended 2019 were: (a) Net sales growth of 2.2%, driven by 5.3% higher volumes, partially offset by 2.9% lower average prices in CLP terms; (b) a decrease of 50.8% in Adjusted Operating Result, explained by a 92.6% decline in the International Business Operating segment, due to the Transaction, and the 1.1% decrease in the Chile Operating segment, partially compensated by the 25.6% increase in the Wine Operating segment, and (c) a decrease in Net income of 57.6%, mainly associated with the abovementioned reasons.

Net sales

Our Net sales increased 2.2% to CLP 1,822,541 million in 2019, from CLP 1,783,282 million in 2018, due to 5.3% higher consolidated volumes, partially offset by 2.9% lower average prices. Volume growth was mostly supported by a 7.6% and 4.9% increase in the International Business and Chile Operating segments, respectively, while the Wine Operating segment grew 0.5%. The 2.9% lower average price in CLP was primarily explained by the sharp depreciation of the ARS against the CLP, which resulted in a 10.8% lower average price in CLP terms from the International Business Operating segment. Net sales performance of each of our Operating segments during 2019 is described below:

Chile: Net sales increased 4.9% to CLP 1,164,304 million in 2019, from CLP 1,109,574 million in 2018, due to 4.9% higher sales volumes. Average prices were flat during the year, given that higher promotional activities were partially offset with revenue management initiatives and positive mix effects. The volume growth was explained by our continuous improvement in brand equity, innovation and commercial execution, allowing us to gain market share in our main categories.

International Business: Net sales decreased 4.0% to CLP 464,487 million in 2019, from CLP 483,926 million in 2018 as a result of 10.8% lower average prices in CLP, partially offset by 7.6% higher sales volumes. The consolidation, as of August 9, 2018, of BBO, our subsidiary in Bolivia, also contributed to volume growth this year. Excluding this effect, volumes grew 3.9% mostly driven by Argentina. The increase in sales volumes was mostly supported by our convenience packaging strategy together with our continuous improvement in brand equity, innovation and commercial execution. The lower average price in CLP terms was primarily explained by the sharp depreciation of the ARS against the CLP, not fully compensated with price increases in local currency, which ended below inflation.

Wine: Net sales increased 2.8% to CLP 212,322 million in 2019, from CLP 206,519 million in 2018. The increase in Net sales was the result of 2.3% higher average prices, primarily as a consequence of the stronger USD on export revenues, while volumes increased 0.5%, largely associated with weaker exports, partially compensated by the Argentine domestic market, related with the recently acquired brands in Argentina.

Cost of sales

Cost of sales consists primarily of the cost of raw materials, packaging, labor costs for production, personnel, depreciation of assets related to production, depreciation of returnable packaging, licensing fees, bottle breakage, utilities, and the costs of operating and maintaining plants and equipment.

Our Cost of sales increased 5.6% to CLP 908,318 million in 2019, from CLP 860,011 million in 2018, mostly due to a 5.3% increase in sales volumes, given that the Cost of sales per hectoliter expanded 0.3%. As a percentage of Net sales, Cost of sales increased to 49.8% in 2019, from 48.2% in 2018, mainly related to the depreciation of the CLP and the ARS against the USD and its impact in our USD-denominated costs. The Cost of sales for our Operating segments during 2019 is described below:

Chile: Cost of sales increased 7.7% to CLP 540,048 million in 2019, from CLP 501,256 million in 2018, driven primarily by the increase in sales volumes, given that the Cost of sales per hectoliter grew by 2.7%. The increase in the Cost of sales per hectoliter was explained by higher USD-linked costs from the depreciation of the CLP against the USD, partially compensated by efficiencies in manufacturing and procurement and lower costs of aluminum and PET. In all, Cost of sales as a percentage of Net sales expanded to 46.4% in 2019 from 45.2% in 2018.

International Business: Cost of sales increased 8.2% to CLP 248,881 million in 2019, from CLP 230,069 million in 2018, mainly driven by volume growth and the impact on USD-denominated costs. Cost of sales per hectoliter in CLP increased 0.6%, primarily due to the impact of the sharp depreciation of the ARS against the USD on USD-linked costs, as well as the effects of inflation in Argentina, partially offset by currency translation effects, given the devaluation of the ARS against the CLP, and efficiencies gains in manufacturing and procurement. As a result, Cost of sales as a percentage of Net sales increased to 53.6% in 2019 from 47.5% in 2018.

Wine: Cost of sales decreased 3.4% to CLP 128,764 million in 2019, from CLP 133,272 million in 2018. Cost of sales per hectoliter was down 3.8%, largely associated with a lower cost of wine, following a more normalized harvest in Chile in 2018 and 2019. As a percentage of Net sales, Cost of sales decreased to 60.6% in 2019 from 64.5% in 2018.

Gross profit

Our Gross profit decreased 1.0% to CLP 914,223 million in 2019, from CLP 923,271 million in 2018. Gross margin decreased to 50.2% in 2019 from 51.8% in 2018.

Marketing, Selling, Distribution and Administrative Expenses

Marketing, Selling, Distribution and Administrative expenses (“MSD&A”) primarily include advertising and promotional expenses, selling expenses, distribution costs such as product transportation costs, services provided by third parties and other administrative expenses.

Our MSD&A expenses increased 3.4% to CLP 704,571 million in 2019, from CLP 681,576 million in 2018. As a percentage of Net sales, our MSD&A were up 44 bps to 38.7% in 2019, from 38.2% in 2018. The MSD&A performance of each Operating segment during 2018 is described below:

Chile: MSD&A expenses increased 5.4% to CLP 429,093 million in 2019, from CLP 407,243 million in 2018, driven primarily by the increase in sales volumes. As a percentage of Net sales, MSD&A remained almost flat at 36.9% in 2019 compared to 36.7% in 2018.

International Business: MSD&A expenses decreased 0.2% to CLP 210,156 million in 2019, from CLP 210,591 million in 2018. However, as a percentage of Net sales, MSD&A increased to 45.2% in 2019 from 43.5% in 2018, primarily due to the negative impact from the high inflation in Argentina.

Wine: MSD&A grew 6.1% to CLP 55,596 million in 2019, from CLP 52,409 million in 2018. As a percentage of Net sales, MSD&A worsened to 26.2% in 2019 from 25.4% in 2018.

Other operating income/(expenses)

Other operating income/(expenses) decreased 90.7% to CLP 21,157 million in 2019, from CLP 227,027 million in 2018. The variation is primarily attributable to the CLP 208,842 one-time operating gain from the CCU Argentina and ABI transaction executed in the second quarter of 2018, partially offset by higher other operating income during 2019.

Adjusted Operating Result

Our Adjusted Operating Result dropped 50.8% to CLP 230,808 million in 2019, from CLP 468,722 million in 2018, and our Adjusted Operating Result as a percentage of Net sales declined to 12.7% in 2019, from 26.3%

in 2018. The results of 2018 include a one-time operating gain of CLP 208,842 million from the Transaction. See “Item 5. A. Adjusted Operating Result.”

The Adjusted Operating Result performance of each of our Operating segments during 2018 is described below:

Chile: The Adjusted Operating Result decreased 1.1% to CLP 200,429 million in 2019 from CLP 202,662 million in 2018. Consequently, the Adjusted Operating Result margin decreased 17.2% in 2019 from 18.3% in 2018, mainly explained by higher Costs of sales as a percentage of Net sales driven by the depreciation of the CLP against the USD and its impact on USD-linked costs.

International Business: The Adjusted Operating Result decreased 92.6% to CLP 19,653 million in 2019, from CLP 266,345 million in 2018. The Adjusted Operating Result margin decreased to 4.2% in 2019 from 55.0% in 2018, mainly explained by the one-time operating gain from the Transaction in Other operating income. Excluding this gain, the Adjusted Operating Result decreased 64.3% mainly due to negative external effects from the sharp depreciation of the ARS against the USD and the CLP, and the high inflation in Argentina.

Wine: The Adjusted Operating Result increased 25.6% to CLP 28,477 million in 2019, from CLP 22,667 million in 2018. The Adjusted Operating Result margin increased 13.4% in 2019 from 11.0% in 2018, mainly explained by lower Costs of sales as a percentage of Net sales.

Other: The Adjusted Operating Result for Others improved to a loss of CLP 17,750 million in 2019, from a loss of CLP 22,952 million in 2018, mainly due to lower corporate expenses.

Net Financial Expenses

Our Net financial expenses increased 88.0% to a loss of CLP 14,603 million in 2019, from a loss of CLP 7,766 million in 2018, mainly due to lower levels of Cash and cash equivalents held during 2019 when compared with 2018, associated with the one-time operating gain from the Transaction.

Equity and income from joint ventures and associated companies

CCU has 50% or less participation in Cervecería Austral, Foods, CCC and in other companies. The share of the gain/loss in the referred companies increased to a loss of CLP 16,432 million in 2019, from a loss of CLP 10,816 million in 2018, mainly due to a lower financial result in CCC in Colombia.

Result as per adjustment units and Foreign currency exchange differences

The adjustment applied to our net liabilities due to Chilean inflation and foreign exchange fluctuations resulted in a loss of CLP 17,309 million in 2019, compared to a gain of CLP 4,042 million in 2018. This variation is mainly due to a higher loss in Result as per adjustment units, largely explained by the application of Hyperinflation accounting in Argentina.

Other gains (losses)

Our Other gains (losses) amounted to a net gain of CLP 3,157 million in 2019, from a net gain of CLP 4,030 million in 2018. This lower result is mainly explained by higher non-operating expenses.

Income taxes

Our income taxes in 2019 amounted to CLP 39,976 million, compared to CLP 136,127 million in 2018. The CLP 96,151 million Income tax decrease was mostly explained by a contraction of 59.5% in consolidated taxable income.

Net income prior to non-controlling interests

Our Net income prior to minority shareholders in 2019 decreased 54.8% to CLP 145,646 million in 2019, from CLP 322,085 million in 2018.

Net income attributable to equity holders of the parent company

Our Net income attributable to equity holders of the parent company declined 57.6% to CLP 130,142 million in 2019, from CLP 306,891 million in 2018, mainly explained by the CLP 157,359 million gain at Net income level from the Transaction during 2018.

Net income attributable to Non-controlling interests

Net income attributable to non-controlling interests increased to CLP 15,504 million in 2019 from CLP 15,194 million in 2018, mainly due to a better result in our Wine Operating segment, partially compensated with a lower result in our International Business Operating segment.

FISCAL YEAR ENDED DECEMBER 31, 2018 COMPARED TO FISCAL YEAR ENDED DECEMBER 31, 2017

See “Item 5. Operating and Financial Review and Prospects” in our Annual Report on Form 20-F for the fiscal year ended December 31, 2018 for a comparative discussion for the years ended December 31, 2018 and 2017.

B. Liquidity and Capital Resources

Our principal source of liquidity has been cash generated by our operating activities, which amounted to CLP 262,161 million, CLP 429,313 million and CLP 242,320 million during the years 2017, 2018 and 2019, respectively.

Our cash flow from operations and working capital are our primary sources to meet both our short-term and long-term obligations. In the opinion of our management, they are sufficient for those purposes.

The principal component of cash flows generated by operating activities in 2019 were amounts collected from clients net of payments to suppliers of CLP 850,064 million compared to CLP 755,184 million in 2018 and CLP 764,197 million in 2017.

In 2019, our cash flows from financing activities totalled outflows of CLP 199,420 million compared to outflows of CLP 52,964 million in 2018 and outflows of CLP 53,001 million in 2017. The principal components of cash flows used in financing activities consisted of dividends paid of CLP 218,035 million in 2019, including dividends paid relating to minority interests (CLP 74,825 million in 2018 and CLP 75,128 million in 2017), of loan payments of CLP 27,050 million in 2019 (CLP 112,665 million in 2018 and CLP 25,754 million in 2017), partially offset by the proceeds from short-term and long-term borrowings of CLP 50,989 million in 2019 (CLP 184,008 million in 2018 and CLP 57,777 million in 2017), and other cash movement inflows of CLP 1,092 million in 2019 (inflows of CLP 819 million in 2018 and inflows of CLP 36 million in 2017). Additionally, in 2018, we paid CLP 49,223 million for the acquisition of an additional 15.79% interests in Viña San Pedro Tarapacá S.A. through CCU Inversiones S.A. (CLP 7,800 million in 2017 for the acquisition of an additional 2.5% interests in Viña San Pedro Tarapacá S.A. through CCU Inversiones S.A.).

In 2019, our cash used in investment activities totalled CLP 144,186 million compared to CLP 199,002 million in 2018 and CLP 173,614 million in 2017. The principal components of cash used in investment activities in 2019 consisted of capital expenditures of CLP 140,488 million (CLP 131,440 million in 2018 and CLP 125,765 million in 2017) and payments made to acquire interests in joint ventures, in non-controlling interests and to obtain control of subsidiaries or other businesses of CLP 22,202 million (CLP 65,325 million in 2018 and CLP 50,463 million in 2017). Partially offset by proceeds from other long term assets classified as investing of CLP 11,200 million in 2019. As of December 31, 2019, we had CLP 95,292 million (CLP 122,695 million in 2018 and CLP 67,349 million in 2017) in cash, overnight deposits, bank balances, time deposits and investments in mutual funds, which do not include CLP 101,077 million (CLP 196,319 million in 2018 and CLP 102,696 million

in 2017) corresponding to securities purchased under resale agreements. Indebtedness, including accrued interest, amounted to CLP 315,819 million as of December 31, 2019. Short-term indebtedness included:

- CLP 42,447 million of short-term bank borrowings,
- CLP 6,745 million of bonds payable, and
- CLP 4,857 million of lease liabilities.

As of December 31, 2019, long-term indebtedness, excluding the current portion, comprised:

- CLP 99,749 million of long-term obligations to banks,
- CLP 133,807 million of long-term obligations to the public represented by bonds, and
- CLP 28,213 million of long-term lease liabilities.

In April 2009 the Company issued two series of notes in the local market for UF 3 million (all outstanding amounts under the "I" Series bonds were paid during 2014), and UF 2 million for a total of CLP 104,188 million in order to refinance a previous loan of CLP 30,000 million and a USD 100 million syndicated loan that matured in November 2009. The current conditions of the bonds are as follows:

	"H" Series	"J" Series
UF amount	2 million	3 million
Term	21 years	25 years
Amortization	Semi-annual since year 11	Bullet
Interest Rate	UF+4.25%	UF+2.90%

As of December 31, 2019, some of our outstanding debt instruments required that we maintain certain financial ratios. The most significant covenants ("H" and "J", given that all outstanding amounts under the "E" Series bonds were paid during 2018) required us to maintain a consolidated interest coverage ratio of ORBDA (as calculated by CCU in accordance with particular debt instruments in order to measure such instruments' financial covenants) to interest expenses higher than 3.00 in CCU and CPCh; to maintain a consolidated leverage ratio (the ratio of adjusted liabilities to adjusted equity) lower than 1.50 in CCU and 2.50 in CPCh; to maintain a consolidated financial leverage ratio (the ratio of net financial debt to adjusted equity) lower than 1.50 in CCU; and a minimum consolidated adjusted equity of CLP 312,516.75 million in CCU and of UF 770 thousand (CLP 21,799 million as of December 31, 2019) in CPCh. Furthermore, we were required to maintain a ratio of our unpledged assets over our unsecured liabilities of at least 1.2. The definition of, and calculation mechanics for, all covenants were established when we first entered into these debt instruments, and were based on Chilean GAAP, which are no longer in use since the Company adopted IFRS, as issued by the IASB. For that reason, the Company in 2010 adapted, with the consent of its creditors, these requirements to the new accounting standards and principles (see Note 21 to our audited consolidated financial statements included herein).

At December 31, 2019, CCU met all of its financial debt covenants and had a consolidated interest coverage ratio of 12.11, a consolidated leverage ratio of 0.59 and consolidated financial leverage ratio of 0.07. The consolidated adjusted equity attributable to equity holders of the parent company as of December 31, 2019 was CLP 1,365,412 million. Our ratio of unpledged assets over unsecured liabilities was 7.45 (the ratio is 7.81 if IFRS-16 is not applied).

None of our indebtedness, or that of our subsidiaries, contains any term that restricts our ability to pay dividends other than the requirement to maintain a minimum consolidated equity.

The following table summarizes debt obligations held by us as of December 31, 2019. The table presents principal payment obligations in millions of CLP by interest rate structure, financial instrument and currency, with their respective maturity dates and related weighted-average interest rates:

Interest - Bearing Debts(1) as of December 31, 2019									
(millions of CLP, except percentages)									
Contractual Flows Maturities									
Fixed Rate		Average Int.Rate	2020	2021	2022	2023	2024	Thereafter	TOTAL
CLP (UF) ⁽²⁾	Bonds	3.3%	9,812	9,595	9,379	9,162	8,946	163,272	210,165
CLP (UF) ^{(2) (3)}	Banks	3.5%	3,681	2,206	2,206	1,611	1,611	24,740	36,054
CLP	Banks	4.1%	18,883	10,122	59,929	1,904	1,846	1,754	94,440
USD	Banks	3.3%	13,449	9,715	11,269	315	315	1,840	36,903
EUR	Banks	1.5%	107	101	101	30	30	-	369
ARS	Banks	53.7%	2,579	116	-	-	-	-	2,695
BOB	Banks	5.0%	42	1,696	1,696	3,392	3,392	922	11,141
UYU	Banks	4.9%	719	240	-	-	-	-	958
Sub-total			49,272	33,792	84,580	16,414	16,140	192,529	392,727
Variable rate		Average Int.Rate	2020	2021	2022	2023	2024	Thereafter	TOTAL
USD	Banks	3.1%	7,720	-	-	-	-	-	7,720
ARS	Banks	55.0%	4,385	-	-	-	-	-	4,385
Sub-total			12,105	-	-	-	-	-	12,105
TOTAL			61,378	33,792	84,580	16,414	16,140	192,529	404,832

(1) Including long-term debt obligations and capital lease obligations.

(2) UF as of December 31, 2019.

(3) Includes lease liabilities for an amount of CLP 43,256 million.

To hedge our market risks, we hold debt obligations in various currencies and enter into derivatives contracts. See "Item 11: Quantitative and Qualitative Disclosure about Market Risk."

Our treasury policy is to invest in highly liquid financial instruments issued by first-class financial institutions. Investments are made primarily in CLP. As of December 31, 2019, we had invested CLP 124,733 million in time deposits, mutual funds and securities purchased under resale agreements (Repos). The following table summarizes financial instruments, including time deposits, mutual funds and securities purchased under resale agreements (Repos), held by us as of December 31, 2019:

Short-Term Financial Instruments

(in millions of CLP)

Time deposits	17,768
Mutual Funds	5,888
Repos	101,077
Total	124,733

Capital Expenditures

During the year 2020, we plan to execute capital expenditures to support organic growth. On a consolidated basis, during 2020 we expect to invest CLP 184,914 million, mainly consisting of (i) CLP 103,172 million in production assets, which includes part of the construction of the new non-alcoholic plant in Santiago, Chile, and other investments to expand capacity in our businesses in Chile and Argentina, (ii) CLP 3,557 million in distribution assets, (iii) CLP 26,522 million in packaging and returnable packaging and (iv) CLP 23,980 million in marketing assets. Of the total investment planned for 2020, CLP 138,497 million will be allocated in Chile.

Our plans for capital expenditures through the period 2020-2023 are displayed in the following table:

(CLP Million)	2020	2021	2022	2023
Chile	138,497	131,084	95,319	69,636
Abroad	46,417	42,017	38,990	29,073
Total	184,914	173,101	134,309	98,709

Between the years 2020-2023, we plan to expend capital mainly to adapt, update and continue to increase production capacity, enhancing environmental protection, optimize our distribution system and facilities, investing in marketing assets and in returnable packaging. Capital expenditures are also directed at improving facilities and offices in our plants, implementing information and management systems in line with the development of our business.

We cannot ensure that we will make any of these proposed capital expenditures at the anticipated level or at all. Moreover, given the current highly uncertain business environment, associated with the economic impact from the COVID-19 pandemic, the estimated figures presented above could differ. Our capital investment program is subject to revision from time to time due to changes in market conditions for our products, general economic conditions in the countries where we operate, interest rates, inflation and foreign exchange rates, competitive conditions and other factors. In addition, we are analyzing the possibility of making acquisitions in the same or related beverage businesses, either in Chile or in other countries of South America's southern cone.

The financing of our investments comes mostly from cash flow from operations generated by the Company and new credits, always taking into account an adequate debt/equity structure in order to minimize capital costs, and at the same time debt levels and maturities compatible with our operational cash flow generation.

C. Research and Development

Innovation is the driver that allows CCU to meet constantly evolving demand. Our research and development efforts to continuously satisfy the market by introducing new products and brands, although significant, do not involve material expenditures, as we have a close relationship with the companies that own the brands subject to license contracts. The relationship with the license owners is a constant resource in these matters as well as in the application of production best practices, providing access to the "state of the art" techniques and knowledge in the industry.

In 2003, we entered into two technical agreements with Heineken Brouwerijen B.V. for assistance regarding all technical issues related to the production and bottling of Heineken Lager, one for Chile and the other for Argentina.

In May 2005, we entered into a technical assistance agreement with Heineken Technical Services B.V. (currently Heineken Supply Chain B.V.) for certain operational aspects of our breweries, with an initial term of one year, renewable for subsequent periods of one year each. See "Item 6: Directors, Senior Management and Employees" and "Item 7: Major Shareholders and Related Party Transactions".

In addition to brands and production techniques, the Company constantly invests in new technologies and digital transformation in order to compete in a challenging environment. In this regard, during 2019 we started updating our operational platforms and developed artificial intelligence tools to optimize the use of information in the sale and distribution processes, among other initiatives.

D. Trend Information

The Chilean economy grew 1.1% in 2019, with an inflation rate of 3.0% and an average unemployment rate of 7.2%. These figures represent a weaker economic environment when compared with 2018, where GDP grew 4.0%, inflation was 2.6% and unemployment reached 6.9%, and also when compared with the average GDP growth of 2.9% between 2009 and 2019. Although our consolidated volumes have been resilient to weaker macroeconomic conditions in the past, we cannot assure that the consumption of our products will not be affected in the future. Furthermore, the conditions in particular sectors of the economy may have different impacts in our business and factors such as competition and changes in relative prices among the various types of beverages can affect the consumption of our products.

The exchange rate between the CLP and the USD, has been subject to high volatility in the recent years. For example, when compared average exchange rates for each period, the CLP depreciated 9.7% in 2019, appreciated 1.4% in 2018, appreciated 4.1% in 2017 and depreciated 3.5% in 2016. Weaker economic conditions for the Chilean economy are usually related to a depreciation of the CLP. In this regard, we cannot rule out that the CLP will depreciate in the future eroding our profitability.

In terms of regulations, on June 26, 2015 Decree N° 13 of the Ministry of Health was published which modified the Food Ordinance (Supreme Decree N° 977 of the Ministry of Health) and enforced Law N° 20,606 of 2012 regarding the nutritional composition of food products and its promotion. See "Item 4: Information of the Company – B. Business Overview – 10. Government Regulation - Government Regulation in Chile."

In addition, as of the date of this report, there are a number of bills under discussion in the Chilean Congress that could impact our operation. For further information and a description of these bills, see "Item 3: Key Information – Risk Factors – Risk Relating to Our Business – Water supply is essential to the development of our businesses;" "Item 3: Key Information – Risk Factors – Risk Relating to Our Business – 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;" and "Item 3: Key Information – Risk Factors – Risk Relating to Our Business – New applicable environmental regulations could affect our business."

All CCU plants have electrical power contracts, either regulated or agreed to with distributors or generators, with prices tied to spot prices, coal prices and CPI (U.S. consumer price index). A shortage is not foreseen in the coming years. Natural gas for CCU plants in Chile comes from GNL Quinteros facilities, which imports gas from renewable sources at international prices. We do not foresee any shortages.

In 2019, the Argentine economy contracted by 2.2% and the Argentine peso depreciated 72.4% on average and 58.9% as of the end of each period. Depreciation of the Argentine peso against the USD may negatively affect our consolidated financial results due to most of our raw material costs in Argentina are indexed to the USD. 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.

Argentina has faced in the past, and continues to face, high inflation. The increase in inflationary risk may also erode macroeconomic growth and limit the availability of financing, causing a negative impact on our operations. In the years 2017, 2018 and 2019 inflation in Argentina was approximately 20%, 48% and 54%, respectively. Consequently, given that the cumulative inflation rate exceeded 100% in the last three years, Argentina, as prescribed by IAS 29, was declared a hyperinflationary economy as of July 1, 2018 (see Note 2 to our consolidated financial statements included herein).

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 material negative impact on the country's economy. These measures included, among others, different methods to directly and indirectly regulate price increases of various consumer goods, including beer, with the intention of reducing inflation. Additionally, the measures implemented in the past to control the country's trade balance and exchange rate negatively impacted the free import of goods and the repatriation of profits.

Regarding the COVID-19 pandemic, as of the date of this report, we continue selling, producing and distributing our products, all across our business operations. As we expect the pandemic to continue to develop throughout the region, we have prepared a comprehensive contingency plan in order to prioritize both the health and safety of all our workers and the people we relate with, as well as the continuance of our operations. To accomplish these objectives, we implemented protocols such as working remotely, actively promoting self-care measures and mandating new internal regulations relating to how our plants and distribution centers should be operated. For example, we are periodically sanitizing our facilities, minimizing physical interaction between workers, adding hand sanitation stations, and restricted access by third parties to our facilities unless it is strictly necessary, among other measures. Given the high degree of uncertainty about the spread of COVID-19 or regarding further measures that may be adopted across the countries where we operate, we cannot predict the impact the pandemic may have on our operations in the near future, and therefore, any further adverse effects it may have on our results or financial condition. Prior to the pandemic CCU had a strong financial position with a healthy balance sheet with low financial debt. This condition should allow us, if necessary, to access the local or international debt markets.

E. Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements involving any transactions, agreements or other contractual arrangements involving an unconsolidated entity under which we have:

- made guarantees;
- a retained or a contingent interest in transferred assets;
- an obligation under derivative instruments classified as equity; or
- any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or that engages in leasing, hedging or research and development arrangements with us.

The Company adopted IFRS 16 as of January 1, 2019 IFRS16. This standard requires that lease contracts must recognize an asset for the "Right of use assets" subject to operational lease contracts and a liability, which is equivalent to the present value of the payments associated to the contract.

During the initial measurement of lease agreements the Company excluded leases with remaining terms less than 12 months and leases with a value lower than US\$ 5,000 (ThCH\$ 3,747).

Short-term leases and low-value leases will be kept under the operating lease treatment, in which we record these payments as expenses, and none of them are reflected on our balance sheet.

We have no other off-balance sheet arrangements. See Note 34 to our consolidated financial statements included herein for a more detailed discussion of contingencies, including guarantees.

F. Contractual Obligations

The following table summarizes our known contractual obligations as of December 31, 2019:

<i>Contractual Obligations</i>	Payments due by period (in millions of CLP)				
	<i>Total</i>	<i>Less than 1 year</i>	<i>1 - 3 years</i>	<i>3 - 5 years</i>	<i>More than 5 years</i>
Long-Term Debt Obligations ⁽¹⁾	361,576	55,403	111,720	28,505	165,949
Lease Liabilities ⁽²⁾	43,256	5,975	6,652	4,049	26,580
Operating Lease Agreements ⁽³⁾	122,815	56,055	41,538	13,398	11,825
Purchase Obligations ⁽⁴⁾	1,485,950	254,066	667,738	488,205	75,941
Total	2,013,597	371,498	827,647	534,157	280,295

(1) Includes interest expense.

(2) Includes our obligations to lease our headquarters building (see Note 21 to the financial statements).

(3) In 2019 under this disclosure there are commitments related to service contracts, short-term and low-value lease agreements (see Note 34 to the financial statements).

(4) Includes raw material purchase contracts.

Critical Accounting Policies and Practices

A summary of our significant accounting policies are included in Note 2 and Note 3 to our audited consolidated financial statements, which are included in this annual report. The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and assumptions are based on historical experiences, changes in the business environment and information collected from qualified external sources. However, actual results may differ from estimates under different conditions, sometimes materially. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and results and/or require management's subjective judgments. The most critical accounting policies and estimates are mentioned below.

- a. The valuation of goodwill acquired to determine the existence of losses due to potential impairment.
- b. The valuation of commercial trademarks to determine the existence of losses due to potential impairment.
- c. The assumptions used in the current calculation of liabilities and obligations to employees.
- d. Useful lives of property, plant and equipment and intangibles.
- e. The assumptions used for calculating the fair of value financial instruments.
- f. The likelihood of occurrence and amounts estimated in an uncertain or contingent matter.
- g. The valuation of current Biological assets.

During the year ended on December 31, 2019, there have been no other changes in the use of accounting principles or relevant changes in any accounting estimates with regard to previous years that have affected these Consolidated Financial Statements. (See Note 4 to our Consolidated Financial Statements as of December 31, 2019).

ITEM 6: Directors, Senior Management and Employees

A. Directors and Senior Management

The following table sets forth certain information with respect to the members of our Board of Directors:

	Directors	Position	Position Held Since	At CCU Since
Board of Directors	Andrónico Luksic	Chairman of the Board	April 2013 (Chairman), November 1986 (Director)	November 1986
	Carlos Molina	Vice Chairman of the Board	May 2018 (Vice Chairman) April 2012 (Director)	April 2012
	Francisco Pérez	Director	July 1998	February 1991
	Vittorio Corbo	Director	April 2012	April 2012
	Pablo Granifo	Director	April 2013	April 2013
	Rodrigo Hinzpeter	Director	July 2015	July 2015
	José Miguel Barros	Director	April 2016	April 2016
	Rory Cullinan	Director	May 2018	May 2018
	Hemmo Parson	Director	May 2018	May 2018

Andrónico Luksic (66), was appointed chairman of the board of Compañía Cervecerías Unidas S.A. in April 2013 and has served as a director since November 1986. He is the chairman of the board of the Company's primary subsidiaries, including Cervecera CCU Chile Limitada, Embotelladoras Chilenas Unidas S.A., Compañía Cervecerías Unidas Argentina S.A. and he is also a member of the board of Central Cervecera de Colombia S.A.S. and Zona Franca Central Cervecera S.A.S. Mr. Luksic is currently the chairman of the board of Quiñenco S.A. and LQ Inversiones Financieras S.A., vice chairman of the board of Banco de Chile and Compañía Sud Americana de Vapores S.A., as well as a member of the board of directors of several other companies and institutions, including Antofagasta plc, Antofagasta Minerals S.A., Nexans, Tech Pack S.A., and Invexans S.A. Mr. Luksic is a member of the International Business Leaders' Advisory Council for the Mayor of Shanghai. He is a member of the International Advisory Board of Barrick Gold, the International Advisory Council of the Brookings Institution, the Advisory Board of the Panama Canal Authority, and the Chairman's International Council of the Council of the Americas. In addition, Mr. Luksic is a Trustee Emeritus at Babson College, and a member of the Harvard Global Advisory Council, the Columbia University World Projects Advisory Council, the International Advisory Board of the Blavatnik School of Government at Oxford University, the International Advisory Boards of both the Tsinghua University School of Economics and Management and the Fudan University School of Management, and the Americas Executive Board of the MIT Sloan School of Management.

Carlos Molina (63), has served as director of Compañía Cervecerías Unidas S.A since April 2012 and as vice chairman of the board since May 2018. He is also a member of the board of directors of Cervecera CCU Chile Limited, Embotelladoras Chilenas Unidas S.A., Compañía Cervecerías Unidas Argentina S.A., Viña San Pedro Tarapacá S.A., Foods Compañía de Alimentos CCU S.A. and Compañía Pisquera de Chile S.A., and CEO of Corporación Dinámica Industrial, S.A. in Mexico. He has over 30 years of management and strategic consulting experience in multiple industries, especially in beverages and consumer goods across the Americas. In beverages, his roles have included business development for Heineken Americas; planning and strategy for Femsca Cerveza; and board member of Kaiser in Brazil. Prior to these roles, Mr. Molina was a partner in Booz, Allen & Hamilton, a global business consulting firm. Mr. Molina meets the independence criteria under the Securities Exchange Act of 1934, as amended, the Sarbanes-Oxley Act of 2002 and the corporate governance rules of the New York Stock Exchange, and therefore holds the position of member of the audit committee. Mr. Molina has a BBA (Bachelor of Business Administration) from the University of Houston, and an MBA from the University of Texas.

Francisco Pérez (62), has served as director of Compañía Cervecerías Unidas S.A. since July 1998 and previously, between 1991 and 1998, he held the position of chief executive officer of said Company. In 1998 he

was appointed chief executive officer of Quiñenco S.A., a position he holds to date. He is a member of the board of several companies, including Cervecera CCU Chile Limitada, Embotelladoras Chilenas Unidas S.A., Viña San Pedro Tarapacá S.A., Compañía Cervecerías Unidas Argentina S.A., Compañía Pisquera de Chile S.A., Inversiones y Rentas S.A., Banco de Chile, Banchile Corredores de Seguros S.A., LQ Inversiones Financieras S.A., Sudamericana Agencias Aéreas y Marítimas S.A., Nexans, Hapag Lloyd and Invexans Limited. He is also chairman of the board of Compañía Sud Americana de Vapores S.A., Empresa Nacional de Energía Enx S.A., Invexans S.A. and Tech Pack S.A. He received a degree in Business Administration from the Pontificia Universidad Católica de Chile and a Master's degree in Business Administration from the University of Chicago.

Vittorio Corbo (77), has held the position of member of the directors committee of Compañía Cervecerías Unidas S.A., in his capacity as independent director, since he was elected director in April 2012, which he currently chairs. He is president of Vittorio Corbo y Asociados Limitada, member of the MIT Sloan Latin American Advisory Council, of the International Advisory Council of the Center for Social and Economic Research (CASE) of Warsaw, Poland, and member of the Public Opinion Committee of the Centro de Estudios Públicos (CEP) in Santiago, Chile and a Fellow of the International Economic Association. He was president of the Central Bank of Chile between 2003 and 2007, director of Banco Santander S.A. (Spain) between the years 2011-2014, chairman of the board of Banco Santander Chile between 2014 and 2018, and director of the Santander-México Group, Banco Santander Chile and ENDESA Chile. He is an economic advisor to large companies as well as family offices. He held senior management positions at the World Bank in Washington DC and has provided numerous consultancies to the World Bank, IDB, US-AID, CIDA, SIDA, FASID and the OECD, as well as governments and central banks in Latin America. He was Professor of Economics in Canada, the United States and Chile. Mr. Corbo meets the independence criteria under the Securities Exchange Act of 1934, as amended, the Sarbanes-Oxley Act of 2002 and the corporate governance rules of the New York Stock Exchange, and therefore holds the position of member of the audit committee. Mr. Corbo holds a degree (in Business Administration) Economics from the Universidad de Chile and a Ph.D. in Economics from MIT.

Pablo Granifo (61), has served as director of Compañía Cervecerías Unidas S.A. since April 2013. He has been the chairman of the board of Banco de Chile S.A. since 2007 and chairman of the board of Viña San Pedro Tarapacá S.A. since 2013. He is a member of the board of Cervecera CCU Chile Limitada and Embotelladoras Chilenas Unidas S.A. Additionally, he is chairman of the boards of Banchile Asesoría Financiera S.A., Socofin S.A., Banchile Securitizadora S.A., and Banchile Administradora General de Fondos S.A., and a member of the executive committee of Banchile Corredores de Seguros Limitada. He is also a member of the board of Empresa Nacional de Energía Enx S.A. He holds a degree in Business Administration from the Pontificia Universidad Católica de Chile.

Rodrigo Hinzpeter (54), has served as director of Compañía Cervecerías Unidas S.A. since July 2015. He is also member of the board of Cervecera CCU Chile Limitada, Embotelladoras Chilenas Unidas S.A., Compañía Cervecerías Unidas Argentina S.A. and Inversiones y Rentas S.A. Since 2014 he has been the general counsel of Quiñenco S.A. He is also member of the board of Invexans S.A. and Tech Pack S.A. Before that he was Secretary of Interior Affairs (2010-2012) and, later, the Secretary of Defense of the Government of Chile(2012-2014). He holds a Law degree from the Pontificia Universidad Católica de Chile.

José Miguel Barros (56), was appointed director of Compañía Cervecerías Unidas S.A. in April 2016. He is member of the board of various subsidiaries, including Cervecera CCU Chile Limitada, Embotelladoras Chilenas Unidas S.A., Viña San Pedro Tarapacá S.A. and Compañía Pisquera de Chile S.A. He is a senior managing director and partner of Chilean Investment Bank LarrainVial S.A. He is currently a member of the board of Lipigas S.A. and Stel Chile S.A. Mr. Barros holds a degree in Economics and Business Administration from Pontificia Universidad Católica de Chile and is a graduate from PADE, ESE Business School, Universidad de los Andes.

Hemmo Parson (51), was appointed director of Compañía Cervecerías Unidas S.A. in May 2018. He is also member of the board of Cervecera CCU Chile Limitada, Embotelladoras Chilenas Unidas S.A. and Compañía Cervecerías Unidas Argentina S.A. He has held various positions in Heineken and is currently serving as

Legal Director of Heineken Americas. In addition, he is a member of the board of directors of Surinaamse Brouwerij N.V. Mr. Parson holds a law degree from the University of Utrecht.

Rory Cullinan (60), He has served as director of Compañía Cervecerías Unidas S.A. since May 2018. He is also a member of the board of directors of Cervecera CCU Chile Limitada, Embotelladoras Chilenas Unidas S.A. and Compañía Cervecerías Unidas Argentina S.A. Mr. Cullinan has wide experience across different markets and sectors, working in Europe, Africa, America and Russia. Mr. Cullinan held various positions in the Royal Bank of Scotland, including as executive chairman.

The principal business activities of our current and former 2018 and 2019 directors are summarized in the following table:

<u>Directors</u>	<u>Business Activities</u>
Andrónico Luksic	Chairman of CCU
Carlos Molina	Director of Companies
Francisco Pérez	Quiñenco's CEO
Vittorio Corbo	Economist and Director of Companies
Pablo Granifo	Chairman of Banco de Chile and VSPT
Rodrigo Hinzpeter	General Counsel of Quiñenco
José Miguel Barros	Partner of LarrainVial
Hemmo Parson	Legal Director Heineken Americas
Rory Cullinan	Director of Companies
Didier Debrosse ^{(1) (2)}	President of Heineken Brazil
Marc Busain ⁽¹⁾	President of Heineken Americas

(1) Resigned as director of CCU S.A., effective May 1, 2018.

(2) Retired as President of Heineken Brazil as of March 1, 2019.

The shareholders' meeting held on April 13, 2016, elected as directors, for a term of three years, Messrs. Andrónico Luksic, Francisco Pérez, Pablo Granifo, Rodrigo Hinzpeter, Marc Busain, Carlos Molina, Didier Debrosse, José Miguel Barros and Vittorio Corbo, the latter independent according to article 50 bis of the Chilean Corporations Act.

On May 9, 2018, due to the resignation of directors Messrs. Marc Busain and Didier Debrosse, both effective as of May 1, 2018, the board of directors appointed, pursuant to article 32 of the Chilean Corporations Act, Messrs. Hemmo Parson and Rory Cullinan in these vacancies until the next shareholders' meeting. In addition, in said meeting, the board designated Mr. Carlos Molina as vice chairman of the board of directors, in lieu of Mr. Marc Busain

Pursuant to the above, the shareholders' meeting held on April 17, 2019 elected as directors, for a term of three years, Messrs. Andrónico Luksic, Francisco Pérez, Carlos Molina, Vittorio Corbo, Pablo Granifo, Rodrigo Hinzpeter, José Miguel Barros, Hemmo Parson and Rory Cullinan. None of our directors is party to a service contract.

The following table sets forth certain information with respect to our senior management as registered with the CMF, as of April 24, 2020:

Senior Management	Position	Position Held Since	At Company Since
Patricio Jottar	Chief Executive Officer	July 1998	July 1998
Marisol Bravo	Corporate Affairs Officer	June 1994	July 1991
Gabriela Ugalde	Chief Human Resources Officer	April 2018	April 2018
Felipe Dubernet	Chief Financial Officer	February 2014	May 2011
Felipe Benavides	General Counsel	March 2015	March 2015
Jesús García	General Comptroller	May 2015	May 2015
Martín Rodríguez	Head of Project Management Office and Innovation	March 2015	March 2015
Antonio Cruz	Corporate Development Manager	June 2017	June 2017
Francisco Diharasarri	General Manager CCU Chile	October 2003	June 1985
Fernando Sanchis	General Manager CCU Argentina	May 1995	November 1994
Sebastián Landi	International Business Manager	November 2019	November 2019
Pedro Herane	General Manager VSPT	April 2013	May 2010
Domingo Jiménez	General Manager CPCh	August 2018	May 2004
Juan Martin Vannicola	Corporate Industrial Processes Manager	April 2020	April 2020

Patricio Jottar (57), has served as our chief executive officer since 1998. Mr. Jottar is on the board of directors of a number of CCU's subsidiaries and affiliated companies, including, among others: Cervecera CCU Chile Limitada, Embotelladoras Chilenas Unidas S.A., Compañías Cervecerías Unidas Argentina S.A., Viña San Pedro Tarapacá S.A., Aguas CCU-Nestlé Chile S.A., Cervecería Kunstmann S.A., Bebidas CCU-Pepsico SpA, Bebidas del Paraguay S.A., Central Cervecera de Colombia S.A.S., Zona Franca Central Cervecera S.A.S., Distribuidora del Paraguay S.A., Foods Compañía de Alimentos CCU S.A and Promarca S.A. He is also chairman of the board of Compañía Pisquera de Chile S.A. Prior to joining the Company, he was chief executive officer of Santander Chile Holding. Mr. Jottar holds a degree in Business Administration from the Pontificia Universidad Católica de Chile and a Master's degree in Economics and Business Administration from the Instituto de Estudios Superiores de la Empresa, in Barcelona, Spain.

Felipe Dubernet (50), has been our chief financial officer since February 2014. He joined the Company in May 2011 and was the procurement officer until January 2014. He is currently a member of the board of several of CCU's subsidiaries, including Aguas CCU-Nestlé Chile S.A., Comercial CCU S.A., Fábrica de Envases de Plásticos S.A. and CRECCU S.A., among others. Prior to joining us, he worked for 15 years at Unilever holding several positions in Supply Chain and Finance in Chile, Brazil and the United States. He holds a degree in Civil Engineering from the Pontificia Universidad Católica de Chile.

Jesús García (57), joined CCU as general comptroller in May 2015. He is currently a member of the board of CCU Inversiones II Ltda., Inversiones Invex CCU Dos Ltda., Inversiones Invex CCU Ltda. and Inversiones Invex CCU Tres Ltda., and chairman of Fábrica de Envases Plásticos S.A. He has also worked with Heineken since 2000 in various financial positions in Spain, the Netherlands and Singapore, and previously with Diageo and with PricewaterhouseCoopers in Spain. Prior to joining CCU he served as senior regional tax manager Asia Pacific for the Heineken Group. He holds a degree in Business Law from Universidad de Sevilla, in Spain, and a Master's degree in Business Administration from Instituto Internacional San Telmo, in Sevilla, Spain.

Gabriela Ugalde (54), joined CCU as chief human resources officer in April 2018. Previously, she had been in charge of Organizational Development at Quiñenco S.A. since 2014. During her career she has worked for multinational and local companies, including Nestlé, CMR Falabella, Banco Itaú and Banco de Chile, where she has held management positions in the Human Resources Department. She received a degree in Psychology from the Pontificia Universidad Católica de Chile and a Master's degree from the same university.

Felipe Benavides (44), has been our general counsel since March 2015. He is currently a member of the board of Millahue S.A., Aguas CCU-Nestle Chile S.A. and Fábrica de Envases Plásticos S.A. in Chile; Andrimar S.A., Coralina S.A., Marzurel S.A. and Milotur S.A. in Uruguay; Bebidas del Paraguay S.A. and Distribuidora del Paraguay S.A. in Paraguay; and Bebidas Bolivianas BBO S.A. in Bolivia. Previously, he was the general counsel at SMU S.A. since 2013. He was also a senior associate at Cariola, Diez, Pérez Cotapos and an international associate for Debevoise & Plimpton LLP (New York). He received his Law degree from the Pontificia Universidad Católica de Chile and a LLM from Duke University.

Marisol Bravo (60), is our corporate affairs officer and has been with the Company since 1991. She is currently member of the board of directors of CRECCU S.A. Prior to her current position, she was head of special projects at CCU. Before joining us, she was assistant manager of marketing at Citicorp Mutual Funds. She received a degree in Business Administration from the Universidad de Chile.

Martín Rodríguez (59), joined CCU as head of the Project Management Office in March 2015 and in September 2017 he was also appointed head of innovation. He is currently member of the board of directors of CRECCU S.A. Previously, he was M&A manager and strategic development manager at Quiñenco S.A., where he held various positions since 1999. He also was a board member of Cervecera CCU Chile Limitada, Embotelladoras Chilenas Unidas S.A. and Foods Compañía de Alimentos CCU S.A. until March 2015. He holds a degree in Business Administration from the Pontificia Universidad Católica de Chile and he has an MBA from UCLA as well as a Master's degree in Economics from the Pontificia Universidad Católica de Chile.

Antonio Cruz (38) joined CCU as corporate development manager in June 2017. He is currently general manager of Foods Compañía de Alimentos CCU S.A. and member of the board of Bebidas del Paraguay S.A., Distribuidora del Paraguay S.A. in Paraguay; Bebidas Bolivianas BBO S.A. in Bolivia; as well as Andrimar S.A., Coralina S.A., Marzurel S.A. and Milotur S.A. in Uruguay, among others. He has been with CCU since June 2015, and before joining us, he worked at Quiñenco S.A. within its Business Development division. He holds a degree in Business Administration from the Pontificia Universidad Católica de Chile and an MBA from Columbia University in New York.

Francisco Diharasarri (59), is the general manager of CCU Chile and has been with the Company since 1985. Previously, he was general manager of Embotelladoras Chilenas Unidas S.A. and before that he was general manager of Cervecera CCU Chile Limitada and general manager of Fábrica de Envases Plásticos S.A. He is also currently chairman of the board of Aguas CCU-Nestlé Chile S.A., Comercial CCU S.A., CRECCU S.A., Bebidas Ecosa SpA., Foods Compañía de Alimentos CCU S.A., Manantial S.A. and Bebidas CCU-Pepsico SpA, and is also a member of the board of Bebidas Carozzi CCU SpA, Cervecería Austral S.A. and Promarca S.A., among others. He received a degree in Civil Engineering from the Universidad de Chile.

Fernando Sanchis (59), is the general manager of Compañía Cervecerías Unidas Argentina S.A. and he has been with the Company since 1995. Previously, he was chief financial officer of Embochile, a former PepsiCo bottler, and he also held the same position at Uruguay's PepsiCo's bottler. He is currently a board member of Compañía Cervecerías Unidas Argentina S.A. and Compañía Industrial Cervecera S.A. He received an accounting degree from the University of Buenos Aires in Argentina.

Sebastián Landi (45), is our international business manager since November 2019. He is the chairman of the board of Andrimar S.A., Coralina S.A., Marzurel S.A., Milotur S.A. in Uruguay and of Bebidas del Paraguay S.A., and a member of the board of Distribuidora del Paraguay S.A. and Bebidas Bolivianas BBO S.A, among others. Previously, he worked at Clorox since 2004, where he has held various positions in marketing first and then as general manager of Peru and finally general manager for Argentina, Paraguay & Uruguay. He is Chemistry Engineer and holds a Master's degree in Strategic Marketing.

Domingo Jiménez (39), is the general manager of Compañía Pisquera de Chile S.A. Previously, he was the finance director at CCU Chile. He has been with the Company since 2004, working in different subsidiaries, as well as Heineken Americas and Heineken USA. He received a degree in Business Administration from the Pontificia Universidad Católica de Chile.

Pedro Herane (50), has been the general manager of Viña San Pedro Tarapacá S.A. since April 2013. Prior to his current position, he was the commercial manager in charge of the Domestic Market at Viña San Pedro Tarapacá S.A. Prior to joining us, he was senior group manager at Procter & Gamble, where he worked for ten years in multiple positions in Chile, Latin America and United States. He received a Bachelor's degree in Business from University Adolfo Ibáñez in Chile and a Master's degree in Marketing and Communications from the Paris School of Management (ESCP – EAP) in France.

Juan Martin Vannicola (40), is the Corporate Industrial Processes Manager from April 2020. Previously, he held various Supply Chain positions at Heineken since 2009. He worked in the Netherlands as Global Logistics consultant, in the USA as Regional Logistics Manager of the Americas, and in Greece as Supply Chain Director, in charge of breweries, malteries, water plants and the distribution operations. He holds an Industrial Engineering degree from Instituto Tecnológico de Buenos Aires, Argentina. He also graduated from the Logistics Management Program in the Eindhoven University of Technology, the Netherlands.

Our senior managers are full time employees; therefore, they do not perform principal business activities outside the Company.

B. Compensation

The board of directors' gross compensation is determined by the shareholders at the annual shareholders' meeting. As approved at the annual shareholders' meeting held on April 17, 2019, the directors' monthly remuneration, for their attendance to meetings, independent of the number of meetings held in each period, was fixed at UF 100 per director, and UF 200 for the chairman, plus an amount equivalent to 3% of the distributed dividends, for the board as a whole, at a rate of one-ninth for each director and in proportion to the time each one served as such during the year 2019. If the distributed dividends exceed 50% of the net profits, the board of directors' variable remuneration shall be calculated over a maximum 50% of such profits. Those directors that are members of the directors committee (see "Item 6.C. Board Practices – Directors Committee") receive a gross remuneration of UF 50 for each meeting they attend, plus the amount that, as the percentage of the dividends, is required to complete one third of the total remuneration a director is entitled to, pursuant to Article 50 bis of Law N° 18,046 and Regulation N° 1,956 of the CMF. Directors that are members and observers of the audit committee receive a monthly gross remuneration of UF 50. UF stands for "Unidad de Fomento" which is an inflation linked accounting unit used in Chile. As of March 31, 2020 its value corresponded to CLP 28,597.46.

The described gross compensation for board members was also approved for 2020 at the shareholders' meeting held on April 15, 2020. Additionally, the shareholders at said meeting approved, with respect to directors that are members of the directors committee (see "Item 6.C. Board Practices – Directors Committee"), a monthly gross compensation for attendance to directors committee meetings, independent of the number of meetings held in each period, of UF 50, plus the amount that, as the percentage of the dividends, is required to complete one third of the total remuneration a director is entitled to pursuant to Article 50 bis of Law N° 18,046 and Regulation N° 1,956 of the CMF. For directors that are members and observers of the audit committee, a monthly gross remuneration of UF 50 for attendance to audit committee meetings, independent of the number of meetings held in each period, was determined.

In 2019, the total compensation paid by us and our subsidiaries to each of our directors for services rendered was as follows:

Director	Attendance Meetings fee⁽²⁾	Dividend Participation⁽²⁾		Total
		2018⁽³⁾	2019⁽⁴⁾	
		(in thousands of CLP)		
Andrónico Luksic Craig	43,872	511,485	92,376	647,733
Carlos Molina Solís	213,517	700,520	92,376	1,006,413
Francisco Pérez Mackenna	224,216	700,520	92,376	1,017,112
Vittorio Corbo Lioi	58,089	681,980	92,376	832,445
Pablo Granifo Lavín	160,296	548,568	92,376	801,240
Rodrigo Hinzpeter Kirberg	161,549	511,485	92,376	765,410
José Miguel Barros van Hövell tot Westerflieer	175,078	530,025	92,376	797,479
Didier Debrosse ⁽¹⁾	-	170,495	-	170,495
Marc Busain ⁽¹⁾	-	170,495	-	170,495
Rory Cullinan	201,748	340,990	92,376	635,114
Hemmo Parson	123,067	340,990	92,376	556,432
Total	1,361,432	5,207,550	831,384	7,400,366

⁽¹⁾ Resigned as director of CCU S.A., effective May 1, 2018.

⁽²⁾ Includes the remuneration for members of the audit and directors committees.

⁽³⁾ Charged to 2018's distributable Net Income. Considering the final dividend paid in 2019.

⁽⁴⁾ Charged to 2019's distributable Net Income. Considering the interim dividend paid in 2019.

For the year ended December 31, 2019, the aggregate amount of compensation paid by us to all our directors was CLP 7,400 million.

For the year ended December 31, 2019 the aggregate amount of compensation paid to our senior managers registered at the CMF during 2019, was CLP 7,994 million. We do not and are not required under Chilean law to disclose to our shareholders or otherwise make public information as to the compensation of our individual senior managers.

We do not maintain any stock option, pension or retirement programs for our directors or senior managers.

C. Board Practices

We are managed by our board of directors which, in accordance with our bylaws (Estatutos), is formed by nine directors who are elected at the annual shareholders' meeting. The entire board of directors is elected for three years and may be re-elected. The board of directors may appoint replacements to fill any vacancies that occur during periods between annual shareholders' meetings. If such vacancy occurs, the entire board of directors must be renewed at the next following shareholders' meeting.

The shareholders' meeting held on April 13, 2016, elected as directors, for a term of three years, Messrs. Andrónico Luksic, Francisco Pérez, Pablo Granifo, Rodrigo Hinzpeter, Marc Busain, Carlos Molina, Didier Debrosse, José Miguel Barros and Vittorio Corbo, the latter independent according to article 50 bis of the Chilean Corporations Act.

On May 9, 2018, due to the resignation of directors Messrs. Marc Busain and Didier Debrosse, both effective as of May 1, 2018, the board of directors appointed, pursuant to article 32 of the Chilean Corporations Act, Messrs. Hemmo Parson and Rory Cullinan in these vacancies until the next shareholders' meeting.

Pursuant to the above, the shareholders' meeting held on April 17, 2019 elected as directors, for a term of three years, Messrs. Andrónico Luksic, Francisco Pérez, Carlos Molina, Vittorio Corbo, Pablo Granifo, Rodrigo Hinzpeter, José Miguel Barros, Hemmo Parson and Rory Cullinan. None of our directors is party to a service contract with us or any of our subsidiaries that provides for benefits upon termination.

Our Chief Executive Officer and other senior managers are appointed by the board of directors and hold office at the discretion of the board of directors. There are regularly scheduled meetings of the board of directors once a month; extraordinary meetings are specially summoned by the Chairman, at the request of one or more board members where prior qualification of the necessity of such meeting has been met and, in any case, if requested by the absolute majority of the directors. The board of directors does not have an executive committee.

1) Directors Committee

The director's committee discussions, agreements, and organization are regulated, in every applicable matter, by the Chilean Corporations Act provisions relating to board of directors' meetings. The directors committee shall inform the board of directors about the manner in which it will request information and about its resolutions.

In addition to the general liabilities imputable to any director, the directors that compose the directors committee shall, in the exercise of their duties, be jointly and severally liable for any damage caused to the corporation or the shareholders.

According to the Chilean Securities Market Law and the Chilean Corporations Act, corporations whose market capitalization reaches or exceeds UF 1.5 million (as of March 31, 2020 approximately CLP 42,896 million) and at least 12.5% of its outstanding shares with voting rights are in the possession of shareholders that individually control or possess less than 10% of such shares, shall designate a "comité de directores" or "directors committee" and appoint at least one independent director. The directors committee shall be composed of three members and at least one member shall be independent. If the market capitalization or stock percentage falls below this threshold, the obligation to designate a directors committee no longer applies. However, corporations which do not meet these requirements may voluntarily assume the obligations concerning the directors committee, in which case they shall strictly follow the provisions of the Chilean Corporations Act.

Pursuant to the Chilean Corporations Act, the powers and duties of the directors committee are as follows:

- to examine the independent accountants' reports, the balance sheets, and other financial statements submitted by the corporation's managers or liquidators to the shareholders, and issue an opinion about them prior to their submission for shareholder approval;
- to propose to the board of directors the independent accountants and the risk rating agencies, which the board must then propose to the shareholders. Should the board of directors disagree with the directors committee's proposal, the board shall be entitled to make its own proposal, submitting both to the shareholders for their consideration;
- to examine the documentation concerning related-party transactions of the Company and its subsidiaries, and to produce a written report on such transactions. A copy of the report shall be delivered to the board, and shall be read at the board meeting in which the transaction is presented for approval or rejection;
- to examine the managers', principal executive officers' and employees' remuneration policies and compensation plans;
- to prepare an annual report of the performance of its duties, including the principal recommendations to shareholders;
- to advise the board of directors as to the suitability of retaining the independent accounting firm to provide non-audit services, which are not prohibited by the Chilean Securities Market Law, if the nature of such services could impair the accountants independence from the company; and
- all other matters contemplated in our bylaws or entrusted to the directors committee by a shareholders' meeting or the board of directors.

Regarding related party transactions mentioned in the third bullet point above, Chapter XVI of the Chilean Corporations Act applies to open stock corporations and its subsidiaries, while dispositions of Articles N° 44, 89

and 93 of the Chilean Corporations Act, are applicable only to closely held corporations, which are not subsidiaries of an open stock corporation. See “Item 7: Major Shareholders and Related Party Transactions”.

Pursuant to the Chilean Corporations Act, no person shall be considered independent who, at any time during the previous eighteen months:

1. Maintained any relationship, interest or economic, professional, credit or commercial dependence, of a nature and relevant volume, with the company, other companies of the financial conglomerate to which the company belongs, its comptroller, or principal executive officer of any one of them, or was a director, manager, administrator, principal executive officer or advisor of such companies;
2. Was a close relative (i.e., parents, father/mother in law, sisters, brothers, sisters/brothers in law), to any one of the persons referred to in 1 above;
3. Was a director, manager, administrator or principal executive officer of non-profit organizations that received contributions or large donations from any individual referred to in clause 1 above;
4. Was a partner or shareholder that possessed or controlled, directly or indirectly, 10% or more of the company's capital; a director; manager; administrator or principal executive officer of entities who had provided consulting or legal services, for relevant amounts, or of external audit, to the persons referred to in 1 above; or
5. Was a partner or shareholder who possessed or controlled, directly or indirectly, 10% or more of the company's capital; a director; manager; administrator or principal executive officer of principal competitors, suppliers or clients of the company.

Should there be more than three directors entitled to participate in the directors committee, the board of directors shall elect the members of the directors committee by unanimous vote. Should the board of directors fail to reach an agreement, preference to be appointed to the committee shall be given to directors elected with the highest percentage of votes cast by shareholders that individually control or possess less than 10% of the company's shares. If there is only one independent director, such director shall appoint the other members of the committee among non-independent directors. Such directors shall be entitled to exercise full powers as members of the committee. The chairman of the board of directors shall not be entitled to be appointed as a member of the committee nor any of its subcommittees, unless he is an independent director.

To be elected as independent director, the candidates must be proposed by shareholders that represent 1% or more of the shares of the company, at least 10 days prior to the date of the shareholders' meeting called to that end.

The candidate who obtains the highest number of votes shall be elected as independent director.

Following the election of a new board of directors at the shareholders' meeting held on April 17, 2019, Mr. Vittorio Corbo, elected as independent director in accordance with Article N° 50 bis of the Chilean Corporations Act, at the board meeting held the same date, appointed as members of our directors committee Messrs. Carlos Molina and Francisco Pérez. Therefore, the current members of the directors committee are Messrs. Vittorio Corbo, Francisco Pérez and Carlos Molina.

The members of the directors committee receive a remuneration the amount of which is established annually by the shareholders, taking into consideration the duties that the directors committee members shall perform, which shall not be less than a third of the remuneration of a director.

The compensation of our directors committee members, as approved at the shareholders' meeting of the Company held on April 15, 2020, consists (with effect as of May 2020) of a monthly gross remuneration for attendance to directors committee meetings, independent of the number of meetings held in each period, of UF 50 (as of March 31, 2020, approximately CLP 1,430 thousand), plus the amount required to complete the remaining third of the remuneration of a director.

The remuneration package approved for 2018 and 2019, at the shareholders' meetings of the Company held on April 11, 2018 and April 17, 2019, respectively, consisted of a monthly gross remuneration for attendance to directors committee meetings, independent of the number of meetings held in each period, of UF 34 and of UF 50, respectively, plus the amount required to complete the remaining third of the remuneration of a director.

The shareholders shall determine the budget of the directors committee and those of its advisors, which, pursuant to Chilean Corporations Act, shall not be less than the aggregate amount of the annual remuneration of the committee members. The directors committee shall be allowed to request the recruitment of professionals to fulfill its duties within the limits imposed by the budget. The activities of the directors committee, the annual report of the performance of its duties and its expenses, including its advisors' expenses, shall be included in the annual report and conveyed to the shareholders. The budget of the directors committee and its advisors, approved at the shareholders' meeting of the Company held on April 15, 2020, shall be equal to the aggregate amount of the annual remuneration of the committee members.

2) Audit Committee

In accordance with provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act") and the corporate governance rules of the New York Stock Exchange ("NYSE Rules") applicable to us as a foreign private issuer with securities listed on a U.S. national exchange, we have an audit committee.

Following the election of a new board at the shareholders' meeting held on April 17, 2019, the board of directors, at the meeting held the same date, appointed directors Messrs. Vittorio Corbo and Carlos Molina to our audit committee, both of whom meet the independence criteria under the Exchange Act and under the NYSE Rules. As in 2016, the board of directors also resolved that directors Messrs. José Miguel Barros and Francisco Pérez shall participate in the audit committee's meetings as observers.

The duties of the audit committee are:

- To be responsible for the hiring, remuneration and supervision of the work of public accounting firms hired to prepare or issue audit reports or review or certify such reports. The external auditors shall report directly to the audit committee regarding such matters.
- Resolve disputes that arise between our administration and the external auditors with regard to financial reports.
- Grant approval prior to the contracting of non-audit services provided by the external auditors.
- Establish a procedure for receiving and responding to complaints received with regard to accounting, accounting controls or other auditing matters whereby employees may anonymously and confidentially report their concerns related to these matters.
- Establish an annual budget for expenses and hiring of external consultants.

The audit committee meets regularly and also holds meetings with our managers, our comptroller, and our internal and external auditors in order to discuss a variety of topics related to its duties.

As approved at the shareholders' meeting of the Company held on April 17, 2019, members and observers of the audit committee receive a monthly gross remuneration of UF 50. As approved at the shareholders' meetings of the Company held on April 11, 2018, members and observers of the audit committee received a monthly gross remuneration of UF 25.

Finally, as approved at the shareholders' meeting of the Company held on April 15, 2020, members and observers of the audit committee are entitled to receive (with effect as of May 2020) a compensation consisting of a monthly gross remuneration for their attendance to audit committee meetings, independent of the number of meetings held in each period, of UF 50 (as of March 31, 2020, approximately CLP 1,430 thousand).

The total annual budget for operating cost and advisors of the audit committee, approved at each of the shareholders' meetings referred to above, amounts to UF 2,000.

D. Employees

The following table shows the breakdown of our employees by operating segments as of December 31 for each of the years listed below:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Chile	4,635	4,650	4,701
International Business ⁽¹⁾	2,030	2,578	2,582
Wine	1,242	1,197	1,273
Others ⁽²⁾	<u>363</u>	<u>372</u>	<u>405</u>
Total	<u>8,270</u>	<u>8,797</u>	<u>8,961</u>

(1) Includes Bolivia as of 2018.

(2) Includes corporate head office functions only.

All employees whose contracts are terminated for reasons other than misconduct are entitled by law to receive a severance payment. In the last three years, we made severance payments in the amounts of CLP 7,958 million, CLP 8,188 million and CLP 5,734 million, respectively.

In Chile, permanent employees are entitled to a basic severance payment, as required by law, of one month's salary for each year, or six-month portion thereof, worked. This condition is subject to a limitation of a total payment of no more than 11 months' pay for employees hired after August 14, 1981. Severance payments to employees hired before August 14, 1981 are not subject to this limitation. Our employees who are subject to collective bargaining agreements have a contractual benefit to receive a payment in case of resignation, consisting of a payment of one monthly base salary for each full year worked, not subject to a limitation on the total amount payable but subject to a limitation on the total number of employees who can claim the severance benefit during any one year. In 2019, we laid off 395 employees.

Chile Operating segment, Wine Operating segment and Other

In the Chile and Wine Operating segments and Other, as of December 31 of the last three years, we had a total of 6,240, 6,219 and 6,379 permanent employees, respectively. As of December 2019, 4,030 were represented by 43 labor unions. The average tenure of our permanent employees was approximately eight years.

Unionized employees represent approximately 60% of our total permanent workforce. Our management believes it generally has a good relationship with the labor unions representing our employees.

During 2019, 1,596 employees renewed their collective contracts, most of them for a period of two years.

We do not maintain any pension fund or retirement program for our employees. Workers in Chile are subject to a national pension fund law which establishes a system of independent pension plans, administered by Administradoras de Fondos de Pensiones ("AFPs"). We have no liability for the performance of the pension plans or any pension payments to be made to our employees.

In addition to our permanent work force, as of December 31, 2019, we had 535 temporary employees, who were hired for specific time periods to satisfy short-term needs.

International Business Operating segment

Collective bargaining in Argentina is done on an industry-wide basis, rather than, as in Chile, on a company-by-company basis. In Argentina, as in Chile, all employees who are terminated for reasons other than misconduct are entitled by law to receive a severance payment. According to the Argentine Labor Law, employees who joined us before October 1998 are entitled to the basic payment as required by law of one month's salary for each year

or fraction thereof worked. This monthly amount cannot exceed three times the average monthly salary established under the applicable collective bargaining agreement and cannot be less than the equivalent of two monthly salaries of the employee.

In Argentina, unionized employees represent approximately 71% of our total permanent workforce, moreover in Uruguay this number represent 59% of our total permanent workforce.

In addition to our permanent work force, as of December 31, 2019, we had 248 temporary employees, who were hired for specific time periods to satisfy short-term needs.

E. Share Ownership

Except as disclosed in “Item 7: Major Shareholders and Related Party Transactions – A. Major Shareholders”, as of March 31, 2020, our senior management and our board members in the aggregate directly owned less than one percent of our shares.

We do not maintain stock option or other programs involving our employees in the capital of the Company.

ITEM 7: Major Shareholders and Related Party Transactions

A. Major Shareholders

Our only outstanding voting securities are our shares of our common stock. The following table sets forth information concerning the ownership of our common stock as of March 31, 2020:

	Number of shares owned	Ownership %
INVERSIONES Y RENTAS S.A. (“IRSA”) ⁽¹⁾	196,421,725	53.1584%
INVERSIONES IRSA LIMITADA ⁽¹⁾	25,279,991	6.8416%
Controlling Shareholders	221,701,716	60.000%
JPMorgan Chase Bank N.A. (ADRs)	74,605,267	20.1907%
BANCO DE CHILE POR CUENTA DE TERCEROS NO RESIDENTES	22,331,157	6.0436%
BANCO ITAU CORPBANCA POR CTA. DE INVERSIONISTAS EXTRANJEROS	15,075,151	4.0798%
BANCO SANTANDER POR CUENTA DE INV. EXTRANJEROS	13,418,453	3.6315%
BANCO DE CHILE POR CUENTA DE CITI NA NEW YORK CLIENT	1,741,694	0.4714%
BANCO DE CHILE POR CUENTA DE CITI NA LONDON CLIENT	1,412,497	0.3823%
BANCO DE CHILE POR CUENTA DE CEP LUXEMBOURG CLIENT	1,409,503	0.3815%
BANCO SANTANDER-HSBC BANK PLC LONDON CLIENT ACCOUNT	1,383,491	0.3744%
BANCO SANTANDER HSBC GLOBAL CUSTODY CLIENTS SC	911,855	0.2468%
BANCO DE CHILE POR CUENTA DE CITI NA HONG KONG CLIENT	353,454	0.0957%
Custodian banks	58,037,255	15.7068%
AFPs as a group (Chilean pension funds)	784,390	0.2123%
Our directors and senior management as a group ⁽²⁾⁽³⁾	35,440	0.0096%
Other	14,338,804	3.8806%
TOTAL	355,164,068	96.1194%

(1) Inversiones y Rentas S.A. owns 99.9999% of Inversiones IRSA Limitada’s equity.

(2) Does not include the 221,701,716 shares of our common stock owned, directly and indirectly, by Inversiones y Rentas S.A., which is 50% beneficially owned by Quiñenco, a holding company of the Luksic Group, as discussed below, which is controlled by the Luksic family. Andronico Luksic, our director, is a member of the Luksic family.

(3) As of March 31, 2020, our director Francisco Pérez Mackenna has a 0.004% direct ownership interest in Compañía Cervecerías Unidas S.A. with 14,897 shares. Our director Vittorio Corbo Lioi indirectly owns 4,343 shares of Compañía Cervecerías Unidas S.A., equivalent to 0.001%, through the ownership of Vittorio Corbo y Asociados Limitada, of which it holds 82%. Our director José Miguel Barros van Hövell tot Westerflier indirectly owns 16,200 shares of Compañía Cervecerías Unidas S.A., equivalent to 0.004%, through Inversiones Carpe Vitam Limitada.

To the best of our knowledge our beneficial shareholders who, directly or indirectly, own more than 5% of the outstanding shares of our common stock is IRSA with 60.00%.

CCU is controlled by IRSA, which owns, directly and indirectly, 60.0% of the shares of our common stock. IRSA is a Chilean corporation owned 50% by Quiñenco, which is a holding company of the Luksic Group, and 50% by Heineken Chile Ltda., a subsidiary of Heineken Americas B.V. IRSA directly owns 196,421,725 shares of our common stock and, indirectly, through Inversiones IRSA Limitada, 25,279,991 additional shares of our common stock.

The shareholders of IRSA, Quiñenco S.A. and Heineken Chile Ltda., signed a Shareholders' Agreement, which was then registered in the Depósito Central de Valores ("DCV"). The agreement restricts IRSA's shareholders, Quiñenco and Heineken, from independently acquiring shares of CCU, with the exception of acquiring shares through IRSA. This Shareholders' Agreement also restricts the shareholders of IRSA from freely selling CCU's shares, as it imposes preferential rights, among other restrictions.

As of March 31, 2020, JPMorgan Chase Bank N.A. ("JPMorgan"), the depository for our ADR facility, was the record owner of 74,605,267 shares of our common stock (20.19% of the outstanding common stock) deposited in our ADR facility.

As of March 31, 2020, we had 3,864 shareholders of record. All shareholders have equal voting rights. It is not practicable for us to determine the number of our ADSs or our common shares beneficially owned in the United States as the depository for our ADSs only has knowledge of the record holders, including the Depository Trust Company and its nominees. As a result, we are not able to ascertain the domicile of the final beneficial holders represented by the one ADS record holder in the United States. Likewise, we cannot readily determine the domicile of any of our foreign shareholders who hold our common stock, either directly or indirectly.

To our knowledge, none of our common stock is currently owned by governmental entities. Our common stock is listed and traded on the principal Chilean stock exchanges.

B. Related Party Transactions

Regarding related party transactions, Chapter XVI of the Chilean Corporations Act is applicable to open stock corporations and their subsidiaries, while Articles 44, 89 and 93 are only applicable to closely held corporations which are not subsidiaries of an open stock corporation.

Pursuant to Chapter XVI of the Chilean Corporations Act referenced above, a related-party transaction shall be any and all negotiation, agreement or operation between the open stock corporation and any one of the following:

- one or more related persons pursuant to the Chilean Securities Market Law;
- a director, manager, administrator, principal executive officer or liquidator of the company, personally or acting on behalf of a person other than the company, or their respective spouses or close relatives (e.g. parents, father/mother in law, sisters, brothers, sisters/brothers in law);
- company or concern in which the persons referred to in the above clause are the owners, directly or indirectly through any other individual or corporation, of 10% or more of its capital; or of which any of the persons referred to in the above clause are a director, manager, administrator, principal executive officer thereof;

- those contemplated by the bylaws of the company or upon sufficient grounds determined by the directors committee, as the case may be, which can include subsidiaries in which the company owns, directly or indirectly, at least 95% of the equity or capital stock; and
- those in which the office of director, manager, administrator, principal executive officer or liquidator has been held by a director, manager, administrator, principal executive officer or liquidator of the company within the prior 18 months.

The following persons are considered under the Chilean Securities Market Law to be related persons:

- any entities within the financial conglomerate to which the company belongs;
- corporate entities that have, with respect to us, the character of parent company, affiliated companies or subsidiary. Parent companies are those that control directly or indirectly more than 50% of the subsidiary's voting stock (or participation, in the case of business organizations other than stock companies), or that may otherwise elect or appoint, or cause the election or appointment, of the majority of the directors or officers. A limited partnership (sociedades en comandita) may likewise be a subsidiary of a corporation, whenever the latter has the power to direct or guide the administration of the general partner (gestor) thereof. For these purposes, affiliated companies are those where one of them, without actually controlling the other, owns directly or indirectly 10% or more of the latter's voting stock (or equity, in the case of business organizations other than stock companies), or that may otherwise elect or appoint, or cause the election or appointment of, at least one board member or manager;
- persons who are directors, managers, administrators, principal executive officers or liquidators of us, and their spouses or their close relatives (i.e. parents, father/mother in law, sisters, brothers, sisters/brothers in law); as well as any other entity controlled by, directly or indirectly, any one of the above; and
- any person who, whether acting alone or in agreement with others, may appoint at least one member of our management or controls 10% or more of our voting capital.

The CMF may presume that any individual or corporate entity is related to a company if, because of relationships of equity, administration, kinship, responsibility or subordination, the person:

- whether acting alone or in agreement with others, has sufficient voting power to influence the company's management
- creates conflicts of interest in doing business with the company;
- in the case of a corporate entity, is influenced in its management by the company; or
- holds employment or a position which affords the person access to non-public information about the company and its business, which renders the person capable of influencing the value of the company's securities.

However, a person shall not be considered to be related to a company by the mere fact of owning up to 5% of the company, or if the person is only an employee of the company without managerial responsibilities.

Additionally, pursuant to Article 147 of Chapter XVI of the Chilean Corporations Act, an open stock corporation shall only be entitled to enter into a related-party transaction when it is in the interest of the company, the price, terms and conditions are similar to those prevailing in the market at the time of its approval and the transaction complies with the requirements and procedures stated below:

1. The directors, managers, administrators, principal executive officers or liquidators that have an interest or that take part in negotiations conducive to the execution of an arrangement with a related party of the open stock corporation, shall report it immediately to the board of directors or whomever the board designates. Those who breach this obligation will be jointly liable for damages caused to the company and its shareholders.

2. Prior to the company's consent to a related party transaction, it must be approved by the absolute majority of the members of the board of directors, with exclusion of the interested directors or liquidators, who nevertheless shall make public his/her/their opinion with respect to the transaction if it is so requested by the board of directors, which opinion shall be set forth in the minutes of the meeting. Likewise, the grounds of the decision and the reasons for excluding such directors from its adoption must also be recorded in the minutes.
3. The resolutions of the board of directors approving a related party transaction shall be reported at the next following shareholders' meeting, including a reference to the directors who approved such transaction. A reference to the transaction is to be included in the notice of the respective shareholders' meeting.
4. In the event that an absolute majority of the members of the board of directors should abstain from voting, the related-party transaction shall only be executed if it is approved by the unanimous vote of the members of the board of directors not involved in such transaction, or if it is approved in a shareholders' extraordinary meeting by two-thirds of the voting shares of the company.
5. If a shareholders' extraordinary meeting is called to approve the transaction, the board of directors shall appoint at least one independent advisor who shall report to the shareholders the terms of the transaction, its effects and the potential impact for the company. In the report, the independent advisor shall include all the matters or issues the directors committee may have expressly requested to be evaluated. The directors committee of the company or, in the absence of such committee, directors not involved in the transaction, shall be entitled to appoint an additional independent advisor, in the event they disagree with the appointment made by the board.

The reports of the independent advisors shall be made available to the shareholders by the board on the business day immediately following their receipt by the company, at the company's business offices and on its internet site, for a period of at least 15 business days from the date the last report was received from the independent advisor, and such arrangement shall be communicated to the shareholders by means of a "Relevant Fact" (Communication sent to the CMF and the stock markets in Chile).

The directors shall decide whether the transaction is in the best interest of the corporation, within five business days from the date the last report was received from the independent advisors.

6. When the directors of the company must decide on a related party-transaction, they must expressly state the relationship with the transaction counterparty or the interest involved. They shall also express their opinion on whether the transaction is in the best interest of the corporation, their objection or objections that the directors committee may have expressed, as well as the conclusions of the reports of the advisors. The opinions of the directors shall be made available to the shareholders the day after they were received by the company, at the business offices of the company as well as on its internet site, and such arrangement shall be reported by the company as a "Relevant Fact".
7. Notwithstanding the applicable sanctions, any infringement of the above provisions will not affect the validity of the transaction, but it will grant the company or the shareholders the right to sue the related party involved in the transaction for reimbursement to the company of a sum equivalent to the benefits that the operation reported to the counterpart involved in the transaction, as well as indemnity for damages incurred. In this case, the defendant bears the burden of proof that the transaction complies with the requirements and procedures referred to above.

Notwithstanding the above, the following related party transactions may be executed, pursuant to letters a), b) and c) of Article 147 of the Chilean Corporations Act, without complying with the requirements and procedures stated above, with prior authorization by the board:

1. Transactions that do not involve a "material amount". For this purpose, any transaction that is both greater than UF 2,000 (as of March, 31, 2020, approximately CLP 57 million) and in excess of 1% of the corporation's equity, or involving an amount in excess of UF 20,000 (as of March 31, 2020, approximately CLP 572 million) shall be deemed to involve a material amount. All transactions executed within a 12 month period that are

similar or complementary to each other, with identical parties, including related parties, or objects, shall be deemed to be a single transaction.

2. Transactions that pursuant to the company's policy of usual practice as determined by its board of directors, are in the ordinary course of business of the company. Any agreement or resolution establishing or amending such policies shall be communicated as a "Relevant Fact" and made available to shareholders at the company's business offices and on its internet site, and the transaction shall be reported as a "Relevant Fact", if applicable.
3. Transactions between legal entities in which the company possesses, directly or indirectly, at least 95% of the equity of the counterpart.

The usual practice policy adopted by the board of directors in the meeting held on January 13, 2010, as amended on July 6, 2011, July 5, 2016, and December 5, 2018 remains available to shareholders at the Company's offices in Avenida Vitacura N° 2670, 23rd Floor, Santiago, Chile, and on the web site www.ccu.cl. The foregoing website is provided for informational purposes only, and the information thereon is not incorporated into this annual report.

In the ordinary course of business, we engage in a variety of transactions with some of our affiliates and related parties. Financial information concerning these transactions is set forth in Note 11 to our consolidated financial statements.

Our corporate support units and strategic service units provide shared services to all the organization through service level-agreements. Shared services are provided in a centralized manner to capture the synergies between the different units. Service-level agreements are annual contracts specifying the services to be provided as well as the variables used to measure the levels of service and their prices. Service levels are evaluated directly by users three times a year.

Additionally, our logistic subsidiaries Transportes CCU and Comercial CCU provide logistic, warehousing and sales services on a consolidated basis to all of our strategic business units. These services are regulated by annual contracts specifying the services to be provided as well as the variables used to measure the levels of service and their prices. Service levels are evaluated directly by users three times a year.

We engage in a variety of transactions with affiliates of the Luksic Group and Heineken, the beneficial owners of IRSA, as well as with other shareholders of ours. Currently, Quiñenco and Heineken Chile Ltda., a Chilean limited corporation controlled by Heineken Americas B.V., are the only shareholders of IRSA, each with a 50% equity interest See "Item 4: Information on the Company – C. Organizational Structure".

On November 30, 2005, we and Heineken Brouwerijen B.V. amended the license and technical assistance agreements which provide us with the exclusive rights to produce, sell and distribute Heineken beer in Chile and Argentina commencing June 18, 2003. These agreements have an initial term of 10 years beginning in June 2003, renewable for subsequent periods of five years. See "Item 4: Information on the Company – B. Business Overview – Production and Marketing – Chile Operating segment" and "Item 4: Information on the Company – B. Business Overview – 4. Production and Marketing – International Business Operating segment".

On October 12, 2011, we and Heineken Brouwerijen B.V. signed the Amended and Restated versions of the Trademark License Agreements which provide us with the exclusive rights to produce, sell and distribute Heineken beer in Chile and Argentina, in force as of January 1, 2011. These agreements have an initial term of 10 years, and automatically renew on January 1 of each year for a new period of ten years, unless any party gives notice of its decision not to renew, in which case the agreements will be in force until the last renewal period expires.

On September 28, 2012, CICSA and Amstel Brouwerijen B.V. signed the Trademark License Agreement which provides with the exclusive rights to produce, sell and distribute Amstel beer in Argentina, effective as of August 1, 2012. This agreement has an initial term of ten years, and automatically renew on January 1 of each year for a new period of ten years, unless any party gives notice of its decision not to renew, in which case the agreements will be in force until the last renewal period expires.

On June 4, 2013, CICSA, Milotur and Heineken Brouwerijen B.V. entered into a Trademark License Agreement, which provides us with the exclusive rights to produce, sell and distribute Heineken beer in Uruguay, in force as of May 1, 2013. This agreement has an initial term of ten years, and automatically renews on January 1 of each year for a new period of ten years, unless any party gives notice of its decision not to renew, in which case the agreements will be in force until the last renewal period expires.

On November 10, 2014, Central Cervecera de Colombia S.A.S. and Heineken Brouwerijen B.V. signed a Trademark License Agreement which provides us with the exclusive rights to import, produce, sell and distribute Heineken beer in Colombia. This agreement has an initial term of thirteen years as of March 1, 2015, and will each year thereafter (January 1) be automatically renewed for subsequent five year periods unless, starting in 2029, any party gives notice of its decision not to renew, in which case the agreement will be in force until the expiration of the latest renewal period. This agreement was amended on March 29, 2019 to include Zona Franca Central Cervecera S.A.S. as brewer for the production of Heineken in Colombia.

On July 15, 2015, CICSA, BBO and Heineken Brouwerijen B.V. signed the Ancillary Trademark License Agreement, which provide us with the exclusive rights to produce, sell and distribute Heineken beer in Bolivia, in force as of January 1, 2015. This agreement has an initial term of ten years, and will be automatically renewed for a five-year period unless any party gives notice of its decision not to renew, in which case the agreement will be in force until the last renewal period expires.

Additionally, a Technical Assistance Agreement was executed with Heineken Technical Services B.V. (currently Heineken Supply Chain B.V.) on May 4, 2005, whereby the latter was appointed, on a non-exclusive basis, as our technical advisor in respect of operational aspects of our breweries, including also special services regarding project engineering for extensions of the breweries' capacity and construction of new plants, assistance in development of new products, production methods and distribution systems as well as advice on purchasing systems, among others. This agreement has an initial term of one year as from May 4, 2005, renewable for subsequent periods of one year each, unless either party gives at least three months' prior written notice to the other of its intention to terminate this agreement. This agreement has been renewed automatically each year.

In January 28, 2015, a Trade Mark License Agreement ("TMLA") was executed between our subsidiary Cervecería CCU and Heineken Brouwerijen B.V. to produce, sell and distribute beer under the brand name Sol in Chile. The TMLA contemplates a ten-year term as of July 1, 2014 and shall each year (as of July 1st) automatically be renewed for a new period of ten years, unless any party has given notice in writing of its decision not to renew.

On March 23, 2015, CICSA and Heineken Brouwerijen B.V. signed the Trademark License Agreement which provides with the exclusive rights to produce, sell and distribute Sol beer in Argentina, effective as of March 1, 2015. This agreement has an initial term of ten years, and will be automatically renewed, on January 1 of each year, for a ten-year period unless any party gives notice of its decision not to renew, in which case the agreements will be in force until the last renewal period expires.

On April 4, 2016, Central Cervecera de Colombia S.A.S. and Heineken Brouwerijen B.V. signed a Trademark License Agreement which provides us with the exclusive rights to import, produce, sell and distribute Tecate beer in Colombia. This agreement came into force on April 1, 2016, will continue to be in force until February 28, 2028, and each year thereafter (January 1) will be automatically renewed for subsequent five year periods unless, starting in 2029, any party gives notice of its decision not to renew, in which case the agreement will be in force until the expiration of the latest renewal period. This agreement was amended on March 29, 2019 to include Zona Franca Central Cervecera S.A.S. as brewer for the production of Tecate in Colombia.

On September 27, 2017, Central Cervecera de Colombia S.A.S. and Heineken Brouwerijen B.V. signed the Trademark License Agreement which provides us with the exclusive rights to import, produce, sell and distribute, Sol beer in Colombia. This agreement came into force on July 1, 2017, will continue to be in force until February 28, 2028, and shall each year thereafter (January 1) be automatically renewed for subsequent five-year periods unless, starting in 2029, any party gives notice of its decision not to renew, in which case the agreement will be in force until the expiration of the latest renewal period.

In January 2018, Bebidas del Paraguay S.A. and Heineken Brouwerijen B.V. signed the Trademark License Agreement which provides us with the exclusive rights to produce, sell and distribute Sol beer in Paraguay. This agreement has an initial term of five years, and will be automatically renewed for a three-year period unless any party gives notice of its decision not to renew, in which case the agreements will be in force until the last renewal period expires.

On April 20, 2018, Bebidas del Paraguay S.A. and Heineken Brouwerijen B.V. signed a Trademark License Agreement and a Distribution Agreement which provides us with the exclusive rights to produce, sell and distribute Heineken beer in Paraguay. These agreements have an initial term of five years from May 1, 2018, and will be automatically renewed for subsequent three-year periods unless any party gives notice of its decision not to renew. Therefore, and as agreed on June 11, 2018, the Trademark License Agreement entered on November 28, 2012, by CICSA and Heineken Brouwerijen B.V., which provided CICSA with the exclusive rights to produce, sell and distribute Heineken beer in Paraguay, was terminated with retroactive effects as of April 30, 2018 and, in its place, Heineken Brouwerijen B.V. and CICSA entered into a supply agreement which provides CICSA the non-exclusive right to sell and supply Heineken Lager in the Paraguayan market to Bebidas del Paraguay S.A., for a period of five years beginning on April 30, 2018.

On November 13, 2018, we and Heineken Brouwerijen B.V. signed an Amendment Agreement to the Amended and Restated Trademark License Agreement with Cercevera CCU Chile Limitada dated October 12, 2011, in order to include, as of January 1, 2018, the trade mark "Heineken 0.0" to the Trade Marks we have the exclusive rights to produce, sell and distribute in Chile.

Finally, in 2015, we revised and amended the 2014 amended and restated Framework Agreement entered with Banco de Chile, a Quiñenco subsidiary, which was in effect as of May 1, 2003, for the rendering of banking services to us and certain of our subsidiaries and affiliates, including, among others, payment to suppliers and shareholders, cashier service, transportation of valuables and payment of salaries.

Since the establishment of our directors' committee in 2001, as required by the Chilean Corporations Act, it has reviewed all related-party contracts, before being sent to our board of directors for approval, which was standard practice prior to the creation of the directors' committee. The above does not include related-party transactions that fall within the exemptions contemplated in letters a), b) and c) of Article 147 of the Chilean Corporations Act, which includes those executed according to the usual practice policy adopted by the board of directors on January 13, 2010 as amended on July 6, 2011, July 5, 2016 and December 5, 2018. Our principal related-party contracts include rental of properties, the rendering of services and product sales.

Our principal transactions with related parties for the twelve-month period ended December 31, 2019, are detailed below:

Company	Relationship	Transaction	Amount (in millions of CLP)
Amstel Brouwerijen B.V.	Related to the controller's shareholder	License and technical assistance	266
Antofagasta Minerals S.A.	Related to the controller's shareholder	Sales of products	38
BanChile Corredores de Bolsa S.A.	Related to the controller's shareholder	Investment Rescue/Investments	1,083,795
Banco BASA S.A.	Related to the subsidiary's shareholder	Sales of products	1
Banco de Chile	Related to the controller's shareholder	Derivatives/Interests/Investment Rescue/Investments/Sales of products/Services received	287,590
Canal 13 SpA.	Related to the controller's shareholder	Services received	2,055
Cervecera Valdivia S.A.	Shareholder of subsidiary	Dividends paid	3,886
Cervecería Austral S.A.	Joint venture	Dividends received/Purchase of products/Royalty/Sales of products/Services provided	15,330
Cervecería Kunstmann Ltda.	Related to non-controlling subsidiary	Sales of products/Services received	933
Chajha S.A.	Related to the subsidiary's shareholder	Sales of products	4
Cigar Trading S.R.L.	Related to the subsidiary's shareholder	Sales of products	1
Club Libertad	Related to the subsidiary's shareholder	Sales of products	3
Comercial Patagona Ltda.	Subsidiary of joint venture	Sales of products/Services received	7,520
Cooperativa Agrícola Control Pisquero de Elqui y Limarí Ltda.	Shareholder of subsidiary	Dividends paid/Loan/Purchase of products/Sales of products	5,475
Ecor Ltda.	Related to the subsidiary's shareholder	Services received	158
Emprendimientos Hoteleros S.A.E.C.A.	Related to the subsidiary's shareholder	Sales of products	16
Empresa Nacional de Energía Enx S.A.	Related to the controller's shareholder	Purchase of products/Services received	644
Empresas Carozzi S.A.	Shareholder of joint operation	Purchase of products/Sales of products	5,288
Foods Compañía de Alimentos CCU S.A.	Joint venture	Capital decrease/Consignation sales/Purchase of products/Services provided	12,489
Fundación Ramón T. Cartes	Related to the subsidiary's shareholder	Sales of products	4
Gráfica Editorial Inter-Sudamericana S.A.	Related to the subsidiary's shareholder	Sales of products	1
Hapag-Lloyd Chile SpA.	Related to the controller's shareholder	Services received	161
Heineken Brouwerijen B.V.	Related to the controller's shareholder	License and technical assistance/Purchase of products/Services received	24,429
Inversiones Enx S.A.	Related to the controller's shareholder	Sales of products	1,395
Inversiones Irsa Ltda.	Related to the controller	Dividends paid	14,494
Inversiones PFI Chile Ltda.	Shareholder of joint operation	Purchase of products/Services provided/Services received	12,797
Inversiones Punta Brava S.A.	Related to the controller's shareholder	Sales of products	1
Inversiones y Rentas S.A.	Controller	Dividends paid/Services provided	112,624
La Misión S.A.	Related to the subsidiary's shareholder	Sales of products	1
Minera Antucoya	Related to the controller's shareholder	Sales of products	3
Minera Centinela	Related to the controller's shareholder	Sales of products	9
Nestlé Chile S.A.	Related to the controller	Dividends paid	4,932
Palermo S.A.	Related to the subsidiary's shareholder	Sales of products	3
QSR S.A.	Related to the subsidiary's shareholder	Sales of products	94
Quiñenco S.A.	Controller's shareholder	Sales of products	20
Radiodifusión SpA.	Related to the controller's shareholder	Services received	306
SAAM Extraportuario S.A.	Related to the controller's shareholder	Services received	41
Société des Produits Nestlé S.A.	Related to the subsidiary's shareholder	Royalty	984
Tabacalera del Este S.A.	Related to the subsidiary's shareholder	Sales of products	3
Transbank S.A.	Related to the controller's shareholder	Services received	187
Viña Tabali S.A.	Related to the controller's shareholder	Services provided	70

Zona Franca Central Cervecera S.A.S.	Joint venture	Capital contribution	13,564
--------------------------------------	---------------	----------------------	--------

See Note 11 to our consolidated financial statements included herein for detailed information.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8: Financial Information

A. Consolidated Statements and Other Financial Information

See “Item 18: Financial Statements” and “Item 19: Exhibits” for the Company's Financial Statements and notes, audited by PricewaterhouseCoopers Consultores, Auditores SpA.

Wine Exports

We, through our subsidiary VSPT, exported wine to more than 80 countries in 2019. VSPT is the second-largest wine exporter in Chile. See “Item 4: Information on the Company – B. Business Overview – Competition – Wine Operating segment”.

The following table presents our total wine exports by volume and sales, as of December of the last three years as percentage of consolidated volume and sales for the last three years:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Exports (thousands of liters) ⁽¹⁾	75,462	71,169	73,895
% of total consolidated sales volume	3.14%	3.04%	2.87%
Exports (CLP million) ⁽¹⁾	123,023	118,206	119,197
% of total consolidated sales	8.41%	8.21%	7.18%

(1) Includes Argentinean operations and bulk wine.

Legal Proceedings

Nothing to report.

Dividend Policy and Dividends

Our dividend policy is reviewed and established from time to time by our board of directors and reported during our annual ordinary shareholders' meeting, which is generally held in April of each year. Each year our board of directors must submit its proposal for a final dividend for the preceding year for shareholder approval at the annual ordinary shareholders' meeting. As required by the Chilean Corporations Act, we must distribute a cash dividend in an amount equal to at least 30% of our Net income for that year, after deducting any accumulated losses from previous years, unless otherwise decided by unanimous vote of the issued shares of our common stock. Our board of directors has the authority to pay interim dividends during any one fiscal year, to be charged against the earnings of that year.

Our board of directors announced at our annual ordinary shareholders' meeting held on April 11, 2018, its dividend policy for future periods, authorizing the distribution of cash dividends in an amount at least equal to 50% of our Net income of the year attributable to equity holders of the parent company under IFRS for the previous year. Our dividend policy is subject to change in the future due to changes in Chilean law, capital requirements, economic results and/or other factors. During our annual ordinary shareholders' meeting held on April 17, 2019, a dividend of CLP 358.33030 per share of common stock (CLP 716.66059 per ADS using the ratio as of December 20, 2012 of 1 ADS to 2 common shares) was approved, in addition to the interim dividend of CLP 140 per share of common stock (CLP 280 per ADS) distributed in January 4, 2019. Together, these dividend payments amounted to CLP 184,134 million, representing 60.0% of the "Net income of the year attributable to equity holders of the parent company" for 2018.

Dividends are paid to shareholders of record at midnight of the fifth business day, including Saturdays, preceding the date set for payment of the dividend. The holders of ADSs on the applicable record dates are entitled to dividends declared for each corresponding period.

The board of directors, in its meeting held on December 4, 2019, approved the distribution, with a charge to 2019's Net income attributable to equity holders of the parent company, of an interim dividend of CLP 75 per share of common stock (CLP 150 per ADS), totaling CLP 27,712,715,400, which was paid as of December 26, 2019. Additionally, the board of directors, in its meeting held on March 4, 2020, resolved to propose to the next ordinary shareholders meeting, the distribution, with charge to 2019's Net income attributable to equity holders of the parent company, of a final dividend of CLP 179.95079 per share of common stock (CLP 359.90158 per ADS). The proposal, representing a total payment of CLP 66,492,333,723, was approved at our last annual ordinary shareholders' meeting held on April 15, 2020 and the final dividend paid as of April 24, 2020 to shareholders of record at midnight on April 18, 2020. Collectively, these dividend payments amounted to CLP 94,205 million, representing 72.4% of the "Net income of the year attributable to equity holders of the parent company" for 2019.

The following table sets forth the amounts of interim and final dividends and the aggregate amounts of such dividends per share of common stock and per ADS in respect of each of the years indicated:

Year ended	CLP Per share ⁽¹⁾			USD Per ADS ⁽²⁾			
	December 31	Interim	Final ⁽³⁾	Total	Interim	Final ⁽³⁾	Total
2015		66	97.47	163.47	0.18	0.29	0.47
2016		66	110.32	176.32	0.20	0.33	0.53
2017		70	108.89	178.89	0.23	0.36	0.59
2018		140	358.33	498.33	0.41	1.07	1.49
2019		75	179.95	254.95	0.20	0.42	0.62

(1) Interim and final dividend amounts are expressed in historical pesos

(2) USD per ADS dividend information provided solely for reference purposes only, as we pay all dividends in CLP. The amounts shown above have been adjusted to reflect this change. The Chilean peso amounts as shown here have been converted into USD at the respective observed exchange rate in effect at each payment date or, in respect of the dividend payable for the year ended December 31, 2019, at the observed exchange rate in effect as of April 24, 2020. Note: The Federal Reserve Bank of New York does not report a noon buying rate for CLP.

(3) The final dividend with respect to each year is declared and paid within the first five months of the subsequent year.

Pursuant to current Chilean foreign exchange regulations, a shareholder who is not a resident of Chile does not need to be authorized as a foreign investor in order to receive dividends, sale proceeds or other amounts with respect to its shares remitted outside Chile, but the investor must inform the Central Bank about any such transactions and must remit foreign currency through the formal exchange market. See "Item 10. Additional Information – D. Exchange Controls" for additional information on how ADR holders may remit currency outside Chile. Dividends received in respect of shares of common stock by holders, including holders of ADRs who are not Chilean residents, are subject to Chilean withholding taxes. See "Item 10: Additional Information – E. Taxation".

B. Significant Changes

Nothing to report.

ITEM 9: The Offer and Listing

A. Offer and Listing Details

For the periods indicated, the table below sets forth the reported high and low closing sales prices for the common stock on the Stock Exchanges in Chile as well as the high and low sales prices of the ADSs as reported by the NYSE. For more information on offer and listing details also see “Item 10: The Offer and Listing – C. Markets.”

Years	<u>Santiago Stock Exchange</u> <u>(per share of common stock)</u>		<u>NYSE</u> <u>(per ADS)</u>	
	<u>High</u> (CLP)	<u>Low</u> (CLP)	<u>High</u> (CLP)	<u>Low</u> (CLP)
2015	8,784	5,479	25.27	17.73
2016	8,120	6,500	24.17	18.78
2017	9,300	6,820	29.72	20.31
2018	9,587	7,848	30.35	24.30
2019	9,990	6,850	29.48	17.80
2017				
1st quarter	8,449	6,820	25.46	20.31
2nd quarter	9,120	8,236	27.28	25.16
3rd quarter	9,190	8,220	28.22	25.40
4th quarter	9,300	8,000	29.72	25.03
2018				
1st quarter	9,210	7,890	30.35	27.27
2nd quarter	9,100	7,848	29.86	24.37
3rd quarter	9,587	7,850	28.52	24.65
4th quarter	9,545	8,300	28.88	24.30
2019				
1st quarter	9,974	8,600	29.47	24.92
2nd quarter	9,940	8,812	29.48	25.55
3rd quarter	9,990	7,789	29.40	21.71
4th quarter	8,199	6,850	22.52	17.80
Last six months				
October 2019	8,199	7,201	22.52	19.78
November 2019	7,600	6,850	20.06	17.80
December 2019	7,700	7,052	19.84	17.81
January 2020	9,399	8,600	28.00	24.92
February 2020	7,490	6,144	19.14	15.62
March 2020	6,710	4,989	16.72	11.25

Significant trading suspensions of the Company's stock have not occurred in the last three years.

B. Plan of distribution

Not applicable.

C. Markets

Our common stock is currently traded on the Santiago Stock Exchange, the Chile Electronic Stock Exchange and, until October 8, 2018, the Valparaíso Stock Exchange under the symbol “CCU”. The Santiago Stock Exchange accounted for approximately 86.4%, 94.6% and 93.1% of the trading volume of our common stock in Chile in the last three years, respectively. The remaining 13.6%, 5.4% and 6.9% respectively, was traded mainly on the Chile Electronic Stock Exchange. Shares of our common stock were traded in the United States on the NASDAQ Stock Market between September 24, 1992 and March 25, 1999 and on the NYSE since March 26, 1999, in the form of ADSs, under the symbol “CCU”, with such ADSs being evidenced by ADRs, which until December 20, 2012, had each represented five shares of our common stock. Starting on December 20, 2012, the ratio was changed so that each ADS represented two shares of our common stock. The ADSs are issued under the terms of a deposit agreement dated September 1, 1992, as amended and restated on July 31, 2013, among us, JPMorgan, as depositary, and the holders from time to time of the ADSs.

The trading volume of our ADSs in the NYSE in the last three years is as follows:

<u>Year</u>	<u>Quarter</u>	<u>Traded Volume (thousands of ADS)</u>
2016	1 st quarter	10,853
	2 nd quarter	10,121
	3 rd quarter	16,093
	4 th quarter	15,288
	Total	52,355
2017	1 st quarter	11,269
	2 nd quarter	13,193
	3 rd quarter	9,606
	4 th quarter	11,597
	Total	45,665
2018	1 st quarter	8,848
	2 nd quarter	10,560
	3 rd quarter	14,465
	4 th quarter	12,038
	Total	45,911
2019	1 st quarter	12,259
	2 nd quarter	13,753
	3 rd quarter	17,288
	4 th quarter	24,402
	Total	67,702

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10: Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Provided below is a summary of certain material information found in our bylaws and provisions of Chilean law. This summary is not exhaustive. For more information relating to the items discussed in this summary, the reader is encouraged to read our updated bylaws, available in our website at www.ccu.cl. The information on our website is not incorporated by reference into this document.

Registration and corporate purposes. We are a public corporation (sociedad anónima abierta) organized by means of a public deed dated January 8, 1902, executed before the notary public of Valparaíso, Mr. Pedro Flores, and our existence was approved by Supreme Decree N° 889 of the Treasury Department, dated March 19, 1902, both of which were recorded on the reverse of folio 49, N° 45 of Valparaíso's Registry of Commerce for 1902, and published in Chile's Official Gazette on March 24, 1902. We were recorded on March 8, 1982, at Chile's Securities Registry of the CMF under N° 0007.

The last amendment to our articles of association, which incorporates the resolutions of the extraordinary shareholders' meeting held on June 18, 2013, that approved to increase the capital of the Company, by the issuance of 51,000,000 shares, were set forth in a public deed dated June 18, 2013, executed before the notary public of Santiago, Eduardo Diez Morello, an extract of which was recorded on the folio 48,216 N° 32,190 of the Santiago Registry of Commerce for 2013, published in the Official Gazette on June 25, 2013.

Under Article 4 of our bylaws, the corporation's principal purpose is to produce, manufacture and market alcoholic and non-alcoholic beverages, to manufacture containers and packaging, and to provide transportation services, among other businesses.

Directors. Under the Chilean Corporations Act, a corporation may not enter into a contract or agreement in which a director has a direct or indirect interest without prior approval by the board of directors, and then only if it is in the interest of the company, the price, terms and conditions are similar to those prevailing in the market at the time of its approval and the transaction complies with the requirements and procedures stated in Chapter XVI of the Chilean Corporations Act regarding Related Party Transactions. See "Item 7: Major Shareholders and Related Party Transactions".

The amount of any director's remuneration is established each year by the annual shareholders' meeting. Directors are forbidden, unless previously and duly authorized thereto by the board of directors, to borrow or otherwise make use of corporate money or assets for their own benefit or that of their spouses, certain relatives or related persons. These rules can only be modified by law.

It is not necessary to hold shares to be elected director, and there is no age limit established for the retirement of directors.

Rights, preferences and restrictions regarding shares. At least 30% of our net profits for each fiscal year are required to be distributed as dividends in cash to our shareholders, unless our shareholders unanimously decide otherwise. Any remaining profits may be used to establish a reserve fund (that may be capitalized at any time, amending the corporate bylaws by the vote of a majority of the voting stock issued), or to pay future dividends.

Compulsory minimum dividends, i.e., at least thirty percent of our net profits for each fiscal year, become due thirty days after the date on which the annual shareholders' meeting has approved the distribution of profits in the fiscal year. Any additional dividends approved by our shareholders become due on the date set by our shareholders or our board of directors.

Accrued dividends that corporations fail to pay or make available to their shareholders within certain periods are to be adjusted from the date on which those dividends became due and that of actual payment. Overdue dividends will accrue interest at established rates over the same period.

Dividends and other cash benefits unclaimed by shareholders after five years from the date on which they became due will become the property of the Chilean Fire Department.

We have only one class of shares and there are therefore no preferences or limitations on the voting rights of shareholders. Each of our shareholders is entitled to one vote per share. In annual shareholders' meetings, resolutions are made by an absolute majority of those present at the meeting, provided legal quorums (consisting of an absolute majority of our issued voting stock, in case the quorum is satisfied at its first call, or any number of shareholders present at the meeting if the meeting takes place at its second call) are met. A special or extraordinary meeting generally requires an absolute majority, in other words, 50% plus one of the shares entitled to vote; however, the Chilean Corporations Act provides that in order to carry certain motions, a two-thirds majority of the outstanding voting stock is necessary.

Our directors are elected every three years and their terms are not staggered. Our shareholders may accumulate their votes in favor of just one person or distribute their votes to more than one person. In addition, by unanimous agreement of our shareholders present and entitled to vote, the vote may be omitted and the election made by acclamation.

In the event of liquidation, the Chilean Corporations Act provides that corporations may carry out distributions to shareholders on account of a reimbursement of capital only after the payment of corporate indebtedness.

There are no redemption or sinking fund provisions applicable to us, nor are there any liabilities to our shareholders relating to future capital calls by us.

Under Chilean law, certain provisions affect any existing or prospective holder of securities as a result of the shareholder owning a substantial number of shares. The Chilean Securities Market Law, establishes that (a) any person who, directly or indirectly, owns 10% or more of the subscribed capital of an open stock corporation (the "majority shareholders") or that, as a consequence of an acquisition of shares, attains such percentage, and (b) all directors, liquidators, principal executive officers, administrators and managers of such corporations, regardless of the number of shares they possess, either directly or indirectly, must report any purchase or sale of shares to the CMF and to each of the stock exchanges in Chile where such corporation has securities listed, the day immediately following the execution of the transaction, through the technological means authorized by the CMF. This obligation shall also apply to the acquisition or sale of contracts or securities, the price or result of which is dependent upon or is conditioned on, in whole or in a relevant part, the fluctuation or evolution of the price of such shares. In addition, majority shareholders must inform the CMF and the stock exchanges with respect to whether the purchase is aimed at acquiring control of the corporation or just as a financial investment.

The Chilean Securities Market Law also provides that when one or more persons intend to take over a corporation subject to oversight by the CMF, they must give prior public notice. This notice must include the price to be offered per share and the conditions of the proposed transaction, including the expected manner of acquiring the shares.

Finally, Chapter XXV of the Chilean Securities Market Law was enacted on December 20, 2000, to ensure that controlling shareholders share with minority shareholders the benefits of a change of control, by requiring that certain share acquisitions be made pursuant to a tender offer.

Article 199 bis of the Chilean Securities Market Law extends the obligation to make a tender offer for the remaining outstanding shares to any person, or group of persons with a joint performance agreement, that, as a consequence of the acquisition of shares, becomes the owner of two-thirds or more of the issued shares with voting rights of a corporation. Such tender offer must be effected within 30 days from the date of such acquisition.

The Chilean Corporations Act provides shareholders with preemptive rights and requires that options to purchase stock representing capital increases in corporations and debentures duly convertible into stock of the issuing corporation, or any other securities extending future rights over such stock, must be offered preferably, at least once, to existing shareholders, in proportion to the number of shares owned by them. A corporation must distribute any bonus stock in the same manner.

The Chilean Corporations Act also provides shareholders with the right to withdraw from a corporation in certain situations. Unless there is an ongoing bankruptcy proceeding, if a shareholders' meeting approves any of the following matters, dissenting shareholders will be automatically entitled to withdraw from the corporation upon payment by the corporation of the market value of their shares:

- our transformation into a different type of legal entity;
- our merger with and/or into another company;
- the disposition of 50% or more of the 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 the corporate charter which otherwise would render it null and void or any modification of its bylaws that should 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 controlling shareholder 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.

Action necessary to change the rights of holders of stock. The rights of stockholders are established by law and pursuant to the bylaws of a corporation. For certain modifications of shareholders' rights, the law requires a special majority, such as the creation, increase, extension, reduction or suppression of preferred stock, which may be adopted only with the consent of at least two-thirds of the affected series. Consequently any other impairment of rights not specifically regulated needs only an absolute majority (more than 50%) of the stock entitled to vote. However, the waiver of the shareholders' right to receive no less than 30% of the net profits accrued in any fiscal year (the "minimum dividend") requires the unanimous vote of all stockholders. The above notwithstanding, no decision of the shareholders' meeting can deprive a shareholder of any part of the stock that he/she owns.

Our bylaws do not contemplate additional conditions in connection with matters described in this subsection.

Shareholders' meetings. Our annual shareholders' meetings are to be held during the first four months of each year. During the meetings, determinations are made relating to particular matters, which matters may or may not be specifically indicated in the summons for such meeting.

The quorum for a shareholders' meeting is established by the presence, in person or by proxy, of shareholders representing at least an absolute majority of our issued voting stock; if a quorum is not present at the time of the first call of the meeting, a second call of the meeting can be reconvened and upon the meeting being reconvened, shareholders present at the time of the second call of the reconvened meeting are deemed to constitute a valid quorum regardless of the percentage of the voting stock represented. In that case, decisions will be made by the absolute majority of stock with voting rights present or otherwise represented. The following matters are specifically reserved for annual meetings:

- review of our state of affairs and of the reports of external auditors, and the approval or rejection of the annual report, balance sheet, financial statements and records submitted by our officers or liquidators;
- distribution of profits of the respective fiscal year, including the distribution of dividends;
- election or revocation of regular and alternate board members, liquidators and external auditors; and
- determination of the remuneration of the board members, directors committee remuneration and budget, designation of the newspaper where summons for meetings shall be published and, in general, any other matter to be dealt with by the annual meeting being of corporate interest and not specifically reserved to extraordinary shareholders' meetings.

Extraordinary shareholders' meetings may be held at any time, when required by corporate necessity. During extraordinary meetings, determinations are made relating to any matter which the law or the Company's bylaws reserve for consideration by such extraordinary meetings, which matters shall be expressly set forth in the relevant summons. When in an extraordinary shareholders' meeting determinations relating to matters specifically reserved to annual meetings must be made, the operation and decisions of such extraordinary meeting will follow the requirements applicable to annual meetings. The following matters, are specifically reserved for extraordinary meetings:

- dissolution of the corporation;
- transformation, merger or spin-off of the corporation and amendments to its bylaws;
- issuance of bonds or debentures convertible into stock;
- the disposition of 50% or more of the 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 represent 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 of controlling shareholder; and
- guarantees of third parties' obligations, except when these third parties are subsidiary companies (in which case approval of the board of directors will suffice).

In addition to the above, annual and extraordinary shareholders' meetings must be called by the board of directors in the following circumstances:

- when requested by shareholders representing at least 10% of issued stock with voting rights regarding closely held corporations; and
- when required by the CMF, notwithstanding its right to call such meeting directly.

Only holders of stock recorded in the Register of Shareholders of open stock corporations at midnight of the fifth business day, including Saturdays, before the date of the pertinent meeting may participate with the right to be heard and vote in shareholders' meetings. Directors and officers other than shareholders may participate in shareholders' meetings with the right to be heard.

Shareholders may be represented at meetings by other individuals, regardless of whether or not those persons are shareholders themselves. A proxy must be conferred in writing, and for the total number of shares held by the shareholder and entitled to vote in accordance with the previous paragraph.

Limitations on the right to own securities. The right to own any kind of property is guaranteed by the Chilean Constitution, and the Chilean Corporations Act does not contain any general limitation regarding the right to own securities. There are, however, certain limitations on the right of foreigners to own securities of Chilean corporations, but only for certain special types of companies. We are not affected by these limitations, and our bylaws do not contain limitations or restrictions in this regard.

Article 14 of the Chilean Corporations Act forbids open stock corporations from including in their bylaws any provisions restricting the free transferability of stock. However, shareholders may enter into a private agreement on this matter, but, in order for these agreements to be effective against the company and third parties, they must be recorded by the corporation and thus made available to any interested third parties. See “Item 6: Directors, Senior Management and Employees – A. Directors and Senior Management”.

Takeover defenses. Our bylaws do not contain any provisions that would have the effect of delaying, deferring or preventing a change in control of us and that would operate only with respect to a merger, acquisition or corporate restructuring involving us (or any of our subsidiaries). See “Item 10: Additional Information – B. Memorandum and Articles of Association – Rights, preferences and restrictions regarding shares”.

Ownership threshold. Our bylaws do not contain any ownership threshold above which shareholder ownership must be disclosed. For a description of the ownership thresholds mandated by Chilean law, see “– Rights, preferences and restrictions regarding shares” above. See “Item 10: Additional Information – B. Memorandum and Articles of Association – Rights, preferences and restrictions regarding shares”.

Our bylaws do not impose any conditions that are more stringent than those required by law for effecting changes in our capital.

C. Material Contracts

Not applicable.

D. Exchange Controls

General Legislation and Regulations. The Central Bank of Chile is responsible for, among other things, monetary policies and exchange controls in Chile. See “Item 3. Key Information – Selected Financial Data – Exchange Rates”. Foreign investments can be registered with the Central Bank of Chile under Chapter XIV of the Central Bank Foreign Exchange Regulations, which regulates foreign exchange transactions, including access to the Formal Exchange Market. Pursuant to Law N° 20,780, on June 25, 2015 Law N° 20,848 was enacted, replacing Decree Law N° 600 of 1974 and establishing a new statute for direct foreign investments (henceforth, the “New Statute for Foreign Investment”). The New Statute for Foreign Direct Investments went into effect as of January 1, 2016. Foreign investors in companies that maintain a valid foreign investment agreement with the Government of Chile pursuant to the regulations of Decree Law N° 600 will fully retain the rights and obligations set forth in said agreements, provided that the agreements were executed prior to January 1, 2016. The New Statute for Foreign Investment does not grant investors eligibility for a tax invariability regime, which was granted to them by Decree Law N° 600. However, a transitory 4 four-year system has been established, under which foreign investors may request foreign investment authorizations via the execution of agreements with the Government of Chile, albeit subject to a total income tax rate of 44.5%.

Effective April 19, 2001, the Central Bank of Chile abrogated the then existing Chapter XXVI of the Central Bank Foreign Exchange Regulations (“Chapter XXVI”), which addressed issuance of ADSs by a Chilean company, and issued an entirely new set of Foreign Exchange Regulations (the “April 19th Regulations”), virtually eliminating all the restrictions and limitations that had been in force up to that date. The April 19th Regulations were based upon the general principle that foreign exchange transactions can be made freely in Chile by any person,

notwithstanding the power conferred by law to the Central Bank of Chile of imposing certain restrictions and limitations to such transactions.

With the issuance of the April 19th Regulations, the approval by the Central Bank of Chile required for access to the Formal Exchange Market was replaced with the requirement of reporting of the relevant transactions to the Central Bank of Chile. However, some foreign exchange transactions, notably foreign loans, capital investment or deposits, continued to be subject to the requirement of being effected through the Formal Exchange Market. The April 19th Regulations reduced the time needed to effect foreign exchange transactions by foreign investors in Chile.

According to the April 19th Regulations, foreign exchange transactions performed before April 19, 2001, remained subject to the regulations in effect at the time of the transactions (i.e. Chapter XXVI), unless the interested parties elected the applicability of the April 19th Regulations, thereby expressly waiving the applicability of the regulations in force at the time of the execution of the respective transaction.

On January 23, 2002, the Central Bank of Chile issued an entirely new set of Foreign Exchange Regulations, effective March 1, 2002, replacing the April 19th Regulations (the “New Rules”). The New Rules preserve the general principle established in the April 19th Regulations of freedom in foreign exchange transactions, simplified procedures to reduce the time needed to materialize foreign exchange transactions by foreign investors in Chile, and introduced several new provisions.

Pursuant to the New Rules, Chilean entities are allowed, under Chapter XIV, which governs credits, deposits, investments and capital contribution from abroad, to: (i) dispose of such foreign currency allocated abroad, executing any of the transactions contemplated in Chapter XIV, without the need of delivering it into Chile, subject to the obligation of reporting said transaction to the Central Bank of Chile; and (ii) capitalize any liability expressed in foreign currency and acquired abroad.

According to the New Rules, section 7 of Chapter XIV, duly in force, states that foreign exchange transactions made pursuant to Chapter XIV, executed before April 19, 2001, were to continue to be subject to the regulations in effect at the time of the transactions, unless the interested parties elect the applicability of the New Rules, expressly waiving the applicability of the provisions which would otherwise govern them.

In connection with our initial public offering of ADSs, we entered into a foreign investment contract (the “Foreign Investment Contract”) with the Chilean Central Bank and the Depositary, pursuant to Article 47 of the Central Bank Act and former Chapter XXVI. Absent the Foreign Investment Contract, under Chilean exchange controls in force until April 19, 2001, investors would not have been granted access to the Formal Exchange Market for the purpose of converting CLP to USD and repatriating from Chile amounts received in respect of, among other things, deposited Shares or Shares withdrawn from deposit on surrender of ADRs (including amounts received as cash dividends and proceeds from the sale in Chile of the underlying Shares and any rights with respect thereto).

Notwithstanding the April 19th Regulations and the New Rules, Chapter XXVI remained in effect with respect to our ADR facility. On March 3, 2014, we, the Central Bank of Chile and the Depositary executed an agreement that terminated the Foreign Investment Contract. Consequently, the special exchange regime established under Chapter XXVI is no longer applicable. The Deposit Agreement, therefore, and the Company’s ADR program became subject to the exchange regulations of general applicability of Chapter XIV or such new regulations that may be issued in the future.

The ADS facility is currently governed by Chapter XIV on “Regulations applicable to Credits, Deposits, Investments and Capital Contributions from Abroad”. According to Chapter XIV number 2.3, the establishment of an ADS facility is regarded as an ordinary foreign investment, subject to the above mentioned limitations, and it is not necessary to seek the Central Bank’s prior approval in order to establish an ADS facility. The establishment of an ADS facility only requires that the Central Bank be informed of the transaction, and that the transactions thereunder be conducted through the Formal Exchange Market.

Investment in Our Shares and ADSs

Investments made in shares of our common stock are subject to the following requirements:

According to Chapter XIV of the Central Bank Foreign Exchange Regulations Information Procedures and Forms Manual (hereinafter the "Manual"), any foreign investor acquiring shares of our common stock who brought funds into Chile for that purpose must bring those funds through an entity participating in the Formal Exchange Market; any foreign investor acquiring shares of our common stock to be deposited and converted into ADSs who brought funds into Chile for that purpose must bring those funds through an entity participating in the Formal Exchange Market; in both cases, the entity of the Formal Exchange Market through which the funds are brought into Chile must report such investment to the Central Bank following the instructions detailed in Chapter I of the Manual; all remittances of funds from Chile to the foreign investor upon the sale of the acquired shares of our common stock or from dividends or other distributions made in connection therewith must be made through the Formal Exchange Market; all remittances of funds from Chile to the foreign investor upon the sale of shares underlying ADSs (after conversion is implemented through the depositary) or from dividends or other distributions made in connection therewith must be made through the Formal Exchange Market; and all remittances of funds made to the foreign investor must be reported to the Central Bank by the intervening entity of the Formal Exchange Market.

When funds are brought into Chile for a purpose other than to acquire shares for subsequent deposit and eventual conversion into ADSs and subsequently such funds are used to acquire shares to be deposited and converted into ADSs, such investment must be reported to the Central Bank by the foreign investor (or its custodian in Chile) within ten days following the end of each month, using Appendix 3 of the Manual as detailed on its Chapter XIV number 6.

When funds to acquire shares of our common stock or to acquire shares for subsequent deposit and eventual conversion into ADSs are received by us abroad (i.e., outside of Chile), such investment must be reported to the Central Bank directly by the foreign investor within ten days following the end of the month in which the investment was made, according to number 2.2 of Chapter XIV of the Manual, using its Appendix N° 4.

When funds to acquire shares of our common stock or to acquire shares for subsequent deposit and eventual conversion into ADSs are received by us in Chile, such investment must be reported to the Central Bank directly by an entity participating in the Formal Exchange Market on the day the investment is made, according to number 1.2 of Chapter XIV of the Manual.

All payments in foreign currency in connection with our shares of common stock or ADSs made from Chile through the Formal Exchange Market must be reported to the Central Bank by the entity participating in the transaction, according to number 4 of Chapter XIV of the Manual. In the event there are payments made with foreign currency originating outside of Chile, the foreign investor must provide the relevant information to the Central Bank directly within the first ten calendar days of the month following the date on which the payment was made, according to number 5 of Chapter XIV of the Manual.

There can be no assurance that additional Chilean restrictions applicable to the holders of shares of our common stock or ADSs, the disposition of shares of our common stock underlying ADSs or the conversion or repatriation of the proceeds from such disposition will not be imposed in the future, nor can we assess the duration or impact of such restrictions if imposed.

This summary does not purport to be complete and is qualified by reference to Chapter XIV of the Central Bank Foreign Exchange Regulations, a copy of which is available in Spanish and English versions at the Central Bank's website at www.bcentral.cl.

E. Taxation

Chilean Tax Considerations

The following discussion is based on certain Chilean income tax laws presently in effect, including Rulings N°324 of January 29, 1990, and N°3,708 of October 1, 1999 of the Chilean Internal Revenue Service and other

applicable regulations and rulings. The discussion summarizes the principal Chilean income tax consequences of an investment in the ADSs or shares of common stock by an individual who is not domiciled in or a resident of Chile or a legal entity that is not organized under the laws of Chile and does not have a permanent establishment located in Chile which we refer to as a foreign holder. For purposes of Chilean law, an individual holder is a resident of Chile if he or she has resided in Chile for more than six consecutive months in one calendar year or for a total of more than six months in two consecutive tax years. An individual holder is domiciled in Chile if he or she resides in Chile with the purpose of staying in Chile (such purpose to be evidenced by circumstances such as the acceptance of employment within Chile or the relocation of his or her family to Chile). This discussion is not intended as tax advice to any particular investor, which can be rendered only in light of that investor's particular tax situation. Neither is it intended to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of shares or ADSs and does address all of the tax consequences that may be relevant to specific holders in light of their particular circumstances. Holders of shares and ADSs are advised to consult their own tax advisors concerning the Chilean or other tax consequences relating to the ownership of shares or ADSs.

Under Chilean law, provisions contained in statutes such as tax rates applicable to foreign holders, the computation of taxable income for Chilean purposes and the manner in which Chilean taxes are imposed and collected may be amended only by another statute. In addition, the Chilean tax authorities issue rulings and regulations of either general or specific application interpreting the provisions of Chilean tax law. Chilean taxes may not be assessed retroactively against taxpayers who act in good faith relying on such rulings and regulations, but Chilean tax authorities may modify said rulings and regulations prospectively. There is a general income tax treaty signed by Chile and the United States, but it is not in force (Congress approval is required).

Cash dividends and Other Distributions. Cash dividends paid by us with respect to the ADSs or shares of common stock held by a foreign holder will be subject to a 35.0% withholding tax, which is withheld and paid by us (the "Chilean Withholding Tax"). A credit against the Chilean Withholding Tax is available based on the level of corporate income tax, or first category tax, actually paid by us on the taxable income to which the dividend is imputed; however, this credit does not reduce the Chilean Withholding Tax on a one-for-one basis because it also increases the base on which the Chilean Withholding Tax is imposed. The modifications incorporated to the Chilean income tax law by Act N° 20,780 enacted on September 29, 2014, and Act. N° 20,899 enacted on February 1st, 2016, provide for the "Partially Integrated System" for corporate tax, implementing a gradual increase in the First Category Income tax rate, going from 25.5% for the 2017 tax year and to 27% starting the 2018 tax year.

The corporate income tax is a credit for shareholders resident or domiciled in countries that have a Convention for the Avoidance of Double Taxation in force with Chile that are the effective beneficiaries of the dividends. This benefit is extended to countries that have signed a Convention for the Avoidance of Double Taxation with Chile before January 1, 2019, even if the Convention has not yet entered into force until December 31, 2021 as a limit. This is the case for the United States of America.

For other no resident shareholders, the credit for the corporate tax paid on such income may be used with a limit of 65% of its amount. In these cases, the effective rate will be 44.45% from 2018 thereafter.

The foregoing tax consequences apply to cash dividends paid by us. Dividend distributions made in property (other than shares of common stock) will be subject to the same Chilean tax rules as cash dividends.

Capital Gains. Gain realized on the sale, exchange or other disposition by a foreign holder of ADSs (or ADRs evidencing ADSs) will not be subject to Chilean taxation, provided that such disposition occurs outside Chile or that it is performed under the rules of Title XXIV of the Chilean Securities Market Law, as amended by Law N° 19,601, dated January 18, 1999. The deposit and withdrawal of shares of common stock in exchange for ADRs will not be subject to any Chilean taxes, according to Rulings N° 1,705 of May 15, 2006 and N° 2,144 of October 3, 2013.

From January 1, 2017, gains obtained from the sale or exchange of shares of common stock (as distinguished from sales or exchanges of ADSs representing such shares of common stock) by a foreign holder will be subject to both the first category tax and the Chilean Withholding Tax (the former being creditable against the

latter), according to new Article 17 N° 8 of the Chilean Income Tax Law, effective as of January 1, 2017. The taxation with the alternative regime of first category as a sole tax was derogated since December 31st, 2016.

The tax basis of shares of common stock received in exchange for ADSs will be the acquisition value of such shares. The valuation procedure set forth in the deposit agreement, which has been analyzed by the Chilean Internal Revenue Service pursuant to Ruling N° 324 of 1990, values shares of common stock that are being exchanged at the highest price at which they trade on the Santiago Stock Exchange on the date of the exchange, generally will determine the acquisition value for this purpose. Consequently, the conversion of ADSs into shares of common stock and sale of such shares of common stock for the value established under the deposit agreement will not generate a capital gain subject to taxation in Chile. Ruling N° 324 of 1990 specifically analyzes the tax regime applicable to share transactions held with foreign investors through ADRs.

In the case where the sale of the shares is made on a day that is different from the date in which the exchange is recorded, capital gains subject to taxation in Chile may be generated. However, following Ruling N° 3708 of 1999 of the Chilean Internal Revenue Service, we will include in the deposit agreement a provision whereby the capital gain that may be generated if the exchange date is different from the date in which the shares received in exchange for ADSs are sold, will not be subject to taxation. Such provision states that in the event that the exchanged shares are sold by the ADS holders in a Chilean stock exchange on the same day in which the exchange is recorded in the shareholders' registry of the issuer or within two business days prior to the date on which the sale is recorded in the shareholders' registry, the acquisition price of such exchanged shares shall be the price registered in the invoice issued by the stock broker that participated in the sale transaction.

The exercise of preemptive rights relating to the shares of common stock will not be subject to Chilean taxation. Amounts received for the assignment of preemptive rights relating to the shares will be subject to both the first category tax and the Chilean Withholding Tax (the former being creditable against the latter to the extent described above).

Given the amendments made to the Chilean Tax Legislation which is fully enforced from 2017, please bear in mind that the tax treatment just mentioned regarding the ADR could be subject to future modifications, considering that the current tax treatment of ADR is supported in Chilean Internal Revenue Service rulings mentioned above, taking into account the new regulation of the taxation in indirect transfer of assets.

The Chilean Internal Revenue Service has not enacted any rule nor issued any ruling about the applicability of the norms explained below (referred to as Laws N° 19,738 and N° 19,768) to the foreign holders of ADRs.

To the extent that our shares are actively traded on a Chilean stock exchange, foreign institutional investors who acquire our shares may benefit from a tax exemption included in an amendment to the Chilean Income Tax Law, Law N° 19,738 published on June 19, 2001, as amended by Law N° 20,448 published on August 13, 2010. The amendment established an exemption for the payment of income tax by foreign institutional investors, such as mutual funds, pension funds and others, that obtain capital gains in the sales through a Chilean stock exchange, a tender offer or any other system authorized by the CMF, of shares of publicly traded corporations that are significantly traded in stock exchanges.

A foreign institutional investor is an entity that is either:

- a. a fund that makes public offers of its shares in a country which public debt has been rated investment grade by an international risk classification agency qualified by the CMF;
- b. a fund that is registered with a regulatory entity of a country which public debt has been rated investment grade by an international risk classification agency qualified by the CMF, provided that the investments in Chile, including securities issued abroad that represent Chilean securities, held by the fund represent less than 30.0% of its share value;
- c. a fund that holds investments in Chile that represent less than 30.0% of its share value, provided that it proves that no more that 10.0% of its share value is directly or indirectly owned by Chilean residents;

- d. a pension fund that is exclusively formed by individuals that receive their pension on account of capital accumulated in the fund;
- e. a fund regulated by Law N° 18,657, or the Foreign Capital Investment Funds Law, in which case all holders of its shares must reside abroad or be qualified as local institutional investors; or
- f. any other institutional foreign investor that complies with the characteristics defined by a regulation with the prior report of the CMF and the Chilean Internal Revenue Service.

In order to be entitled to the exemption, foreign institutional investors, during the time in which they operate in Chile must:

- a. be organized abroad and not be domiciled in Chile;
- b. not participate, directly or indirectly, in the control of the issuers of the securities in which they invest and not hold, directly or indirectly, 10.0% or more of such companies' capital or profits;
- c. execute an agreement in writing with a Chilean bank or securities broker in which the intermediary is responsible for the execution of purchase and sale orders and for the verification, at the time of the respective remittance, that such remittances relate to capital gains that are exempt from income tax in Chile or, if they are subject to income tax, that the applicable withholdings have been made; and
- d. register in a special registry with the Chilean Internal Revenue Service.

It is important to take into account that Article 106 of the Chilean Income Tax Law that contains the mentioned exemption was abrogated by Act N° 20,712 enacted on December 24, 2013. Transitional Article 5 of Act N° 20,712 indicate that the funds regulated by Law N° 18,657 will maintain the applicable tax regime of Article 106, allowing the distribution of profits established in Article 106, as long as they do not transform into one of the funds created by Act. N° 20,712.

In addition, Transitory Article 9 of Act N° 20,712 allows institutional foreign investors who have acquired securities as referred to in Article 107 of the Income Tax Law prior to January 1, 2017, to enjoy, in the subsequent disposal of these securities, the exemption established in Article 106, provided that during its operation in the country and the moment of acquisition and disposal of said securities comply with the requirements established in Article 106.

Pursuant to the enacted amendment to the Chilean Income Tax Law published on November 7, 2001 (Law N° 19,768) as amended by Law N° 19,801 published on April 25, 2002, as amended by Law N° 20,448 published on August 13, 2010, the sale and disposition of shares of Chilean public corporations which are actively traded on a Chilean stock exchange is not levied by any Chilean tax on capital gains if the sale or disposition was made:

- a. on a local stock exchange or any other stock exchange authorized by the CMF or in a tender offer process according to Title XXV of the Chilean Securities Market Law, so long as the shares (a) were purchased on a public stock exchange or in a tender offer process pursuant to Title XXV of the Chilean Securities Market Law, (b) are newly issued shares issued in a capital increase of the corporation, or (c) were the result of the exchange of convertible bonds (in which case the option price is considered to be the price of the shares). In this case, gains exempted from Chilean taxes shall be calculated using the criteria set forth in the Chilean Income Tax Law; or
- b. within 90 days after the shares would have ceased to be significantly traded on stock exchange. In such case, the gains exempted from Chilean taxes on capital gains will be up to the average price per share of the last 90 days. Any gains above the average price will be subject to the first category tax.

Other Chilean Taxes. No Chilean inheritance, gift or succession taxes apply to the transfer or disposition of the ADSs by a foreign holder but such taxes generally will apply to the transfer at death or by a gift of shares of common stock by a foreign holder. No Chilean stamp, issue, registration or similar taxes or duties apply to foreign holders of ADSs or shares of common stock.

Withholding Tax Certificates. Upon request, we will provide to foreign holders appropriate documentation evidencing the payment of the Chilean Withholding Tax. We will also inform when the withholding was excessive in order to allow the filing for the reimbursement of taxes.

In order to comply with our withholding obligations, we may require certificates of residence, affidavits or any other type of documentation aimed to demonstrate the tax residence and effective beneficiary status of the foreign holders.

United States Federal Income Tax Considerations

The following discussion summarizes the principal U.S. federal income tax considerations relating to the acquisition, ownership and disposition of common stock or ADSs by a U.S. holder (as defined below) holding such common stock or ADSs as capital assets for U.S. federal income tax purposes (generally, property held for investment). This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations, administrative pronouncements of the U.S. Internal Revenue Service (the "IRS") and judicial decisions, all as in effect on the date hereof, and all of which are subject to change (possibly with retroactive effect) and to differing interpretations. This summary does not describe any implications under U.S. state, local or non-U.S. tax law, or any aspect of U.S. federal tax law (such as the estate tax, gift tax, the alternative minimum tax or the Medicare tax on net investment income) other than U.S. federal income taxation.

This summary does not purport to address all the material U.S. federal income tax consequences that may be relevant to the U.S. holders of the common stock or ADSs, and does not take into account the specific circumstances of any particular investors, some of which (such as tax-exempt entities, banks or other financial institutions, insurance companies, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, regulated investment companies, real-estate investment trusts, partnerships and other pass-through entities, U.S. expatriates, investors that own or are treated as owning 10% or more of our stock by either vote or value, certain taxpayers who file applicable financial statements required to recognize income for U.S. federal income tax purposes no later than when the associated revenue is reflected on such financial statements, investors that hold the common stock or ADSs as part of a straddle, hedge, conversion or constructive sale transaction or other integrated transaction and persons whose functional currency is not the U.S. dollar) may be subject to special tax rules.

As used below, a "U.S. holder" is a beneficial owner of common stock or ADSs that is, for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or an entity taxable as a corporation) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (B) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

If a partnership or other entity taxable as a partnership holds common stock or ADSs, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partners of partnerships holding common stock or ADSs should consult their tax advisors.

In general, for U.S. federal income tax purposes, holders of ADRs evidencing ADSs will be treated as the beneficial owners of the common stock represented by those ADSs.

Taxation of Distributions

Since January 1st, 2017, we are subject to Chile's Partially Integrated System, which may affect the U.S. federal income tax treatment of distributions on our common stock or ADSs. See "Item 10, Additional Information—E. Taxation—Chilean Tax Considerations—Cash dividends and Other Distributions" above. In general, distributions with respect to the common stock or ADSs will, to the extent made from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, constitute dividends for U.S. federal income tax purposes. If a distribution exceeds the amount of our current and accumulated earnings and profits, as so determined under U.S. federal income tax principles, the excess will be treated first as a non-taxable return of capital to the extent of the U.S. holder's tax basis in the common stock or ADSs, and thereafter as capital gain. We do not intend to maintain calculations of our earnings and profits under U.S. federal income tax principles and, unless and until such calculations are made, U.S. holders should assume all distributions are made out of earnings and profits and constitute dividend income. As used below, the term "dividend" means a distribution that constitutes a dividend for U.S. federal income tax purposes.

The gross amount of any dividends (including amounts withheld in respect of Chilean taxes) paid with respect to the common stock or ADSs generally will be subject to U.S. federal income taxation as ordinary income and will not be eligible for the dividends received deduction allowed to U.S. corporations. Dividends paid in Chilean currency will be included in the gross income of a U.S. holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date the dividends are actually or constructively received by the U.S. holder, or in the case of dividends received in respect of ADSs, on the date the dividends are actually or constructively received by the depository or its agent, whether or not converted into U.S. dollars. A U.S. holder will have a tax basis in any distributed Chilean currency equal to its U.S. dollar amount on the date of receipt by the U.S. holder or disposition, as the case may be, and any gain or loss recognized upon a subsequent disposition of such Chilean currency generally will be foreign currency gain or loss that is treated as U.S. source ordinary income or loss. If dividends paid in Chilean currency are converted into U.S. dollars on the day they are received by the U.S. holder, the depository or its agent, as the case may be, U.S. holders generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. U.S. holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss if any Chilean currency received by the U.S. holder or the depository or its agent is not converted into U.S. dollars on the date of receipt.

Under current law, the U.S. dollar amount of dividends by an individual with respect to the ADSs will be subject to taxation at a reduced rate if the dividends represent "qualified dividend income". Dividends paid on the ADSs will be treated as qualified dividend income if (i) the ADSs are readily tradable on an established securities market in the United States, (ii) the U.S. holder meets the holding period requirement for the ADSs (generally more than 60 days during the 121-day period that begins 60 days before the ex-dividend date), and (iii) we were not in the year prior to the year in which the dividend was paid, and are not in the year in which the dividend is paid, a passive foreign investment company ("PFIC"). The ADSs are listed on the New York Stock Exchange, and should qualify as readily tradable on an established securities market in the United States so long as they are so listed. However, no assurances can be given that the ADSs will be or remain readily tradable. Based on our audited financial statements as well as relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2019 taxable year. In addition, based on our audited financial statements and current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2020 taxable year. Because these determinations are based on the nature of our income and assets from time to time, and involve the application of complex tax rules, no assurances can be provided that we will not be considered a PFIC for the current (or any past or future) tax year.

Based on existing guidance, it is not entirely clear whether dividends received with respect to the shares of common stock (to the extent not represented by ADSs) will be treated as qualified dividend income, because the shares of common stock are not themselves listed on a U.S. exchange. In addition, the U.S. Treasury Department has announced its intention to promulgate rules pursuant to which holders of ADSs or preferred stock and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because such procedures have not yet been issued, we are not certain that we will be able to comply with them. U.S. holders of ADSs and common stock should consult their own tax advisors regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

Dividends paid by us generally will constitute foreign source “passive category” income and will be subject to various other limitations for U.S. foreign tax credit purposes. Subject to generally applicable limitations under U.S. federal income tax law, Chilean income tax withheld on such dividends, reduced by the credit for any first category tax, as described above under “Item 10, Additional Information—E. Taxation—Chilean Tax Considerations—Cash dividends and Other Distributions”, generally will be treated as a foreign income tax eligible for credit against a U.S. holder’s U.S. federal income tax liability (or at a U.S. holder’s election if it does not elect to claim a foreign tax credit for any foreign income taxes paid during the taxable year, all foreign income taxes paid may instead be deducted in computing such U.S. holder’s taxable income). In general, special rules will apply to the calculation of foreign tax credits in respect of dividend income that is subject to preferential rates of U.S. federal income tax.

U.S. holders should be aware that the IRS has expressed concern that parties to whom ADSs are released may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. holders of ADSs. Accordingly, the discussion above regarding the creditability of Chilean income tax on dividends could be affected by future actions that may be taken by the IRS. The rules with respect to the U.S. foreign tax credit are complex, and U.S. holders of common stock or ADSs are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Taxation of Capital Gains

Deposits and withdrawals of common stock by U.S. holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

In general, gain or loss, if any, realized by a U.S. holder upon a sale, exchange or other taxable disposition of common stock or ADSs will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between the amount realized on the sale, exchange or other taxable disposition and such U.S. holder’s adjusted tax basis in the common stock or ADSs. Such capital gain or loss will be long-term capital gain or loss if at the time of sale, exchange or other taxable disposition the common stock or ADSs have been held for more than one year. Under current U.S. federal income tax law, net long-term capital gain of certain U.S. holders (including individuals) is eligible for taxation at preferential rates. The deductibility of capital losses is subject to certain limitations under the Code.

Gain, if any, realized by a U.S. holder on the sale, exchange or other taxable disposition of common stock or ADSs generally will be treated as U.S. source gain for U.S. foreign tax credit purposes. Consequently, if a Chilean income tax is imposed on the sale or disposition of common stock, a U.S. holder that does not receive sufficient foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of such Chilean income tax. Alternatively, a U.S. holder may take a deduction for all foreign income taxes paid during the taxable year if it does not elect to claim a foreign tax credit for any foreign taxes paid or accrued during the taxable year. U.S. holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, common stock or ADSs.

Passive Foreign Investment Company Rules

In general, a foreign corporation is a PFIC with respect to a U.S. holder if, for any taxable year in which the U.S. holder holds stock in the foreign corporation, at least 75% of the foreign corporation’s gross income is passive income or at least 50% of the value of its assets (determined on the basis of a quarterly average) produce passive income or are held for the production of passive income. For this purpose, passive income generally includes, among other things, dividends, interest, rents, royalties and gains from the disposition of

investment assets (subject to various exceptions). Based upon our current and projected income, assets and activities, we do not expect the common stock or ADSs to be considered shares of a PFIC for our current fiscal year or for future fiscal years. However, because the determination of whether the common stock or ADSs constitute shares of a PFIC will be based upon the composition of our income, assets and the nature of our business, as well as the income, assets and business of entities in which we hold at least a 25% interest, from time to time, and because there are uncertainties in the application of the relevant rules, there can be no assurance that the common stock or ADSs will not be considered shares of a PFIC for any fiscal year. If the common stock or ADSs were shares of a PFIC for any fiscal year, U.S. holders (including certain indirect U.S. holders) may be subject to adverse tax consequences, including the possible imposition of an interest charge on gains or “excess distributions” allocable to prior years in the U.S. holder’s holding period during which we were determined to be a PFIC, unless such U.S. holder makes an election to be taxed currently on its pro rata portion of our income, whether or not such income is distributed in the form of dividends, or otherwise makes a “mark-to-market” election with respect to the common stock or ADSs as permitted by the Code. If we are deemed to be a PFIC for a taxable year, dividends on our common stock or ADSs would not be “qualified dividend income” eligible for preferential rates of U.S. federal income taxation.

A U.S. holder who owns common stock or ADSs during any taxable year that we are a PFIC in excess of certain *de minimis* amounts and fails to qualify for certain other exemptions would be required to file IRS Form 8621. In addition, under certain circumstances, regulations also require a “United States person” (as such term is defined under the Code) that owns an interest in a PFIC as an indirect shareholder through one or more United States persons to file Form 8621 for any taxable year during which such indirect shareholder is treated as receiving an excess distribution in connection with the ownership or disposition of such interest, or reports income pursuant to mark-to-market election. U.S. holders should consult their own tax advisors regarding the application of the PFIC rules to the common stock or ADSs.

U.S. Information Reporting and Backup Withholding

A U.S. holder of common stock or ADSs may, under certain circumstances, be subject to information reporting and backup withholding with respect to certain payments to such U.S. holder, such as dividends paid by our Company or the proceeds of a sale, exchange or other taxable disposition of common stock or ADSs, unless such U.S. holder (i) is an exempt recipient and demonstrates this fact when so required, or (ii) in the case of backup withholding, provides a correct taxpayer identification number, certifies that it is a U.S. person and that it is not subject to backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. Any amount withheld under these rules will be creditable against a U.S. holder’s U.S. federal income tax liability, provided the requisite information is timely furnished to the IRS.

“Specified Foreign Financial Asset” Reporting

Owners of “specified foreign financial assets” with an aggregate value in excess of USD 50,000 (and in some circumstances, a higher threshold), may be required to file an information report with respect to such assets with their U.S. federal income tax returns. “Specified foreign financial assets” generally include any financial accounts maintained by foreign financial institutions as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities.

Prospective purchasers should consult their own tax advisors regarding the application of the U.S. federal income tax laws to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of common stock or ADSs, including the applicability and effect of the tax laws of any state, local or foreign jurisdiction, including estate, gift, and inheritance laws.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the Exchange Act. In accordance with these requirements, we file annual reports and submit other information to the United States Securities and Exchange Commission (the "SEC"). These materials, including this Form 20-F and the exhibits thereto, may be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the SEC's Public Reference Room by calling the SEC in the United States at 1-800-SEC-0330. The SEC also maintains a website at <http://www.sec.gov/> that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC. Form 20-F reports and the other information submitted by us to the SEC may be accessed through this website. Additionally, the documents concerning us, which are referred to in this annual report, may be inspected at our principal offices at Vitacura 2670, 23rd Floor, Santiago, Chile.

I. Subsidiary Information

Not applicable.

ITEM 11: Quantitative and Qualitative Disclosures about Market Risk

The following discussion about our risk management activities includes "forward-looking statements" that involve risk and uncertainties. Actual results could differ materially from those projected in the forward-looking statements.

We face primary market risk exposures in three categories: interest rate fluctuations, exchange rate fluctuations and commodity price fluctuations. We periodically review our exposure to the three principal sources of risk described above and determine at our senior-management level how to minimize the impact on our operations of commodity price, foreign exchange and interest rate changes. As part of this review process, we periodically evaluate opportunities to enter into hedging mechanisms to mitigate such risks.

The market risk sensitive instruments referred to below are entered into only for purposes of hedging our risks and are not used for trading purposes.

A. Qualitative Information About Market Risk

Interest Rate Risk

As of December 31, 2019, we had a total of CLP 12,015 million in debt indexed to variable interest rates (CLP 8,576 million as of December 31, 2018). Consequently, as of December 31, 2019, our financing structure consisted (without taking into account the cross currency interest rate swaps and cross interest rate swaps effects) of 4% (3% as of December 31, 2018) of debt with variable interest rates, and 96% (97% as of December 31, 2018) of debt with fixed interest rates.

To manage the interest rate risk, we have an interest rate administration policy that intends to reduce the volatility of our financial expenses, and to maintain an ideal percentage of our debt in fixed interest rate instruments. The financial position is mainly set by the use of short-term and long-term debt, as well as derivative instruments such as cross currency interest rate swaps and cross interest rate swaps.

As of December 31, 2019, after considering the effect of cross currency interest rate swaps and cross interest rate swaps, 98.6% (99.8% as of December 31, 2018) of our debt had fixed interest rates.

The terms and conditions of the Company's obligations as of December 31, 2019, including exchange rates, interest rates, maturities and effective interest rates are detailed in Note 21 to our audited consolidated financial statements included elsewhere in this annual report.

Commodity and Raw Material Price Sensitivity

The principal commodity price risk faced by us relate to fluctuations in: 1) prices and supply of barley, malt and cans, which we use for the production of beer, 2) prices of concentrates, sugar and plastic resin, which we use for the production and packaging of soft drinks, and 3) prices of bulk wine and grapes, which we use for the manufacturing of wine and spirits.

Malt and cans. In Chile, we obtain our supply of malt from local producers and in the international market (mainly from Argentina). With local and argentine producers the Company enters into long-term supply agreements in which malt price is set annually, using for this purpose the market price of barley and manufacturing cost established in these agreements.

Of the cost of Chile Operating segment, the cost of cans represents approximately 17% of the direct cost (12% in 2018 and 12% in 2017), whereas in the International Business Operating segment, the cost of cans represent approximately 38% of the direct cost of raw materials in 2019 (38% in 2018 and 33% in 2017). See "Item 4: Information on the Company – B. Business Overview – 5. Raw Materials and other Supplies". We do not hedge these transactions. Rather, we negotiate yearly contracts with malt suppliers.

Concentrates, sugar and plastic resin. The main raw material used in the production of non-alcoholic beverages are concentrates, which are mainly acquired from licensees, sugar and plastic resin for the manufacturing of plastic bottles and containers. The Company is exposed to price fluctuation risks with regard to these raw materials, which jointly represent 31% (27% in 2018 and 29% in 2017) of the direct cost for the Chile Operating segment. See "Item 4: Information on the Company – B. Business Overview – 5. Raw Materials and other Supplies". We do not hedge these transactions.

Grapes and wine. The principal raw materials used by our wine subsidiary VSPT in the production of wine are its own harvested grape as well as purchased grapes and wine. VSPT obtains approximately 43% of the grapes used for export wines from its own vineyards, thereby reducing grape price volatility and ensuring quality consistency. Approximately 10% of the grape supply for the production of the wine sold in the domestic market is purchased from own vineyards. During 2019, VSPT purchased 19% of the necessary grapes and wine on the basis of yearly contracts at fixed prices from third parties. Spot transactions for wine are executed from time to time depending on additional wine needs. "Item 4: Information on the Company – B. Business Overview – Raw Materials and other Supplies".

Exchange Rate Sensitivity

We are exposed to exchange rate risks originating from: a) our net exposure of foreign currency assets and liabilities, b) exports sales, c) the purchase of raw materials and products and capital investments effected in foreign currencies, or indexed to such currencies, and d) the net investment of subsidiaries in Argentina, Bolivia, Paraguay and Uruguay, of associated in Peru and of joint venture in Colombia. Our greatest exchange rate risk exposure is the variation of the Chilean peso as compared to the USD, Euro, Argentine peso, Uruguayan peso, Paraguayan Guaraní, Bolivian peso and Colombian peso.

As of December 31, 2019, we maintained in Chile foreign currency liabilities amounting to CLP 104,822 million (CLP 88,219 million as of December 31, 2018), mostly denominated in USD. Foreign currency obligations (CLP 43,638 million as of December 31, 2019 and CLP 25,404 million as of December 31, 2018) represent 14% (9% as of December 31, 2018) of total other financial liabilities. The remaining 86% (91% as of December 31, 2018) is mainly denominated in inflation-indexed CLP. In addition, the Company maintains foreign currency assets for CLP 206,820 million (CLP 212,009 million as of December 31, 2018) that mainly correspond to exports in accounts receivable.

Regarding the foreign subsidiaries operations, the net exposure assets in USD and other currencies amounted to CLP 28,168 million as of December 31, 2019 (CLP 7,872 million as of December 31, 2018).

To protect the value of the foreign currency assets and liabilities net position of our Chilean operations, we enter into derivative agreements (currency forwards) to hedge against any variation in the Chilean peso as compared to other currencies.

As of December 31, 2019, net exposure in foreign currencies of our Chilean operations, after the use of derivative instruments, amounts to CLP 8,440 million (CLP 1,364 million as of December 31, 2018).

In 2019, of our total sales, 7% (7% in 2018 and 7% in 2017) corresponded to export sales made in foreign currencies, mainly USD, euros and pounds sterling, and of the direct costs, 64% (61% in 2018 and 62% in 2017) correspond to raw material and product purchases in foreign currencies, or indexed to such currencies. We do not actively hedge the variations in the expected cash flows from such transactions.

On the other hand, we are exposed to exchange rate movements related to the conversion from Argentine pesos, Uruguayan pesos, Paraguayan Guaraní, Bolivian peso and Colombian pesos to CLP in the income, assets and liabilities of our subsidiaries in Argentina, Bolivia, Uruguay and Paraguay, associated in Peru and joint venture in Colombia. We do not actively hedge the risks related to this conversion at our subsidiaries, the effects of which are recorded in Equity.

As of December 31, 2019, the net investment in foreign subsidiaries, affiliates and joint ventures amounted to CLP 272,585 million, CLP 1,149 million and CLP 124,518 million, respectively (CLP 247,680 million, CLP 958 million and CLP 121,448 million as of December 31, 2018).

B. Quantitative Information About Market Risk

Interest Rate Sensitivity

Most of our debt is at a fixed interest rate, so it is not mainly exposed to fluctuations in interest rates. As of December 31, 2019, our interest-bearing debt amounted to CLP 315,819 million (see Note 21 to our consolidated financial statements included herein), 96% of which was fixed debt and 4% of which was variable-rate debt (without taking into account the cross currency interest rate swaps and cross interest rate swaps effects).

The following table summarizes debt obligations with interest rates by maturity date, the related weighted-average interest rates and fair values:

		Interest - Bearing Debts as of December 31, 2019							
		(millions of CLP, except percentages)							
		Contractual Flows Maturities							
		<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	Thereafter	Total	Fair Value
Interest bearing liabilities									
Fixed rate									
CLP(UF) ⁽¹⁾	Bonds and Banks	13,493	11,801	11,584	10,773	10,557	188,012	246,219	220,472
	Average interest rate	3.5%	3.7%	3.7%	3.8%	3.8%	3.2%		
CLP		18,883	10,122	59,929	1,904	1,846	1,754	94,440	89,696
	Average interest rate	2.8%	4.0%	4.6%	3.8%	3.8%	3.8%		
USD		13,449	9,715	11,269	315	315	1,840	36,903	36,900
	Average interest rate	3.3%	3.1%	3.1%	6.0%	6.0%	6.0%		
EUR		107	101	101	30	30	-	369	369
	Average interest rate	1.5%	1.5%	1.5%	1.5%	1.5%			
ARS		2,579	116	-	-	-	-	2,695	2,695
	Average interest rate	53.3%	62.0%						
BOB		42	1,696	1,696	3,392	3,392	922	11,141	11,141
	Average interest rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%		
UIU		719	240	-	-	-	-	958	958
	Average interest rate	4.9%	4.9%						
Variable rate									
USD		7,720	-	-	-	-	-	7,720	7,664
	Average interest rate	3.1%							
Argentine pesos		4,385	-	-	-	-	-	4,385	4,385
	Average interest rate	55.0%							
Non interest bearing liabilities									
Derivate Contract									
Cross Interest Rate Swap:									
	Receive	-	-	-	-	-	-	-	-
	Pay	-	-	-	-	-	-	-	-
	Forwards	240	-	-	-	-	-	240	240

(1) UF as of Dec 31, 2019.

Commodity Price Sensitivity

The major commodity price sensitivity faced by us relate to fluctuations in malt prices.

The following table summarizes information about our malt, sugar and bulk wine inventories and futures contracts that are sensitive to changes in commodity prices, mainly malt prices. For inventories, the table presents the carrying amount and fair value of the inventories and contracts as of December 31, 2019. For these contracts the table presents the notional amount in tons, the weighted average contract price, and the total dollar contract amount by expected maturity date.

Commodity Price Sensitivity as of December 31, 2019

	Carrying Amount						Fair Value
On Balance Sheet Position							
Malt inventory (millions of CLP)	7,981						7,981
Bulk wine inventory - raw material (millions of CLP)	39,759						43,933
	Expected Maturity						Fair Value
	2020	2021	2022	2023	2024	Thereafter	
Purchase Contracts							
Malt:							
Fixed Purchase Volume (tons)	157,368	150,250	152,000	156,000	158,250	26,500	
Weighted Average Price (USD per ton)(*)	510	510	510	510	510	510	
Contract Amount (thousands of USD)	80,275	76,644	77,537	79,577	80,725	13,518	408,276
Sugar:							
Fixed Purchase Volume (tons)	55,647	52,839	-	-	-	-	
Weighted Average Price (USD per ton)(*)	467	467	-	-	-	-	
Contract Amount (thousands of USD)	25,987	24,676	-	-	-	-	50,663
Grapes:							
Fixed Purchase Volume (tons)	58,231	29,867	20,678	12,795	400	-	
Weighted Average Price (CLP per kg.)(*)	205	186	185	165	633	-	
Contract Amount (millions of CLP)	11,910	5,542	3,822	2,111	253	-	23,638
Wine:							
Fixed Purchase Volume (Mlts)	14,443	-	-	-	-	-	
Weighted Average Price (CLP per liter)(*)	231	-	-	-	-	-	
Contract Amount (millions of CLP)	3,332	-	-	-	-	-	3,332
(*) Weighted average price estimation is calculated based on expected market prices. Prices to be paid by us are adjusted based on current market conditions.							

As of December 31, 2019 we had malt purchase contracts for USD 39.0 million in Chile, compared with USD 35.0 million as of December 31, 2018

Exchange Rate Sensitivity

The major exchange rate risk faced by us is the variation of the Chilean peso against the USD.

A portion of our subsidiaries adjusted operating results, assets and liabilities are in currencies that differ from our functional currencies. However, since some of their operating revenues, costs and expenses are in the same currency, this can create a partial natural hedge. For the portion that is not naturally hedged of operations in Chile we enter into derivative agreements (currency forwards) to mitigate any variation in the Chilean peso as compared to other currencies.

The following table summarizes our debt obligations, cash and cash equivalents, accounts receivable, accounts payable and derivative contracts in foreign currencies as of December 31, 2019 in millions of CLP, according to their maturity date, weighted-average interest rates and fair values:

Exchange Rate Sensitivity as of December 31, 2019								
(millions of CLP, except percentages and exchange rate)								
	2019	2020	2021	2022	2023	Thereafter	Total	Fair Value
<u>Debt Obligations</u>								
Variable rate (USD)								
Short and medium term	7,720	-	-	-	-	-	7,720	7,664
Average int.rate Libor +	3.1%							
Fixed rate (USD)								
Short term	13,449	9,715	11,269	315	315	1,840	36,903	36,900
Interest rate	3.3%	3.1%	3.1%	6.0%	6.0%	6.0%		
Fixed rate (USD)								
Short term	107	101	101	30	30	-	369	369
Interest rate	1.5%	1.5%	1.5%	1.5%	1.5%			
<u>Cash and Cash Equivalents</u> ⁽¹⁾								
USD	25,498						25,498	25,498
Others	3,724						3,724	3,724
TOTAL	29,222						29,222	29,222
<u>Accounts Receivable</u> ⁽¹⁾								
USD	35,796						35,796	35,796
EUR	9,710						9,710	9,710
Others	1,762						1,762	1,762
TOTAL	47,268						47,268	47,268

⁽¹⁾ Figures as of December 31, 2019.

	Notional amount	2020	2021	2022	2023	2024	Thereafter	Total	Fair Value
<u>Derivate Contracts</u>									
(in millions of CLP)									
Receive USD		3,230	8,798	-	-	-	-	12,029	11,810
Pay USD		161	-	-	-	-	-	161	161
Receive EUR		412	-	-	-	-	-	412	412
Pay EUR		161	8,436	-	-	-	-	8,597	8,644
Receive Others		11	-	-	-	-	-	11	11
Pay Others		-	-	-	-	-	-	-	-

ITEM 12: Description of Securities Other than Equity Securities

12.D.3. Depositary Fees and Charges

JPMorgan is the depositary of CCU shares in accordance with the amended and restated Deposit Agreement, dated July 31, 2013, entered into by and among CCU, JPMorgan, as depositary, and all owners from time to time of ADSs issued by CCU ("Deposit Agreement").

Pursuant to the Deposit Agreement, holders of our ADSs may have to pay to JPMorgan, either directly or indirectly, fees or charges up to the amounts set forth in the table below.

Service	Fee
Issuance of ADSs	USD 5 for each 100 ADSs issued
Cancellation or withdrawal of ADSs	USD 5 per each 100 ADSs canceled or surrendered
Cash distributions	USD 0.05 or less per ADS
Transfer of ADRs	USD 1.50 per ADR or ADRs
Distribution or sale of securities pursuant to the Deposit Agreement	Fee shall be in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities.

The Depositary may sell (by public or private sale) sufficient securities and property received in respect of share distributions, rights and other distributions contemplated by Article IV of the Deposit Agreement prior to such deposit to pay such charge.

During each year, the depositary will collect fees of USD 0.05 or less per ADS per calendar year for administering the ADSs, which fee shall be payable at the sole discretion of the Depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions.

ADS holders will also be responsible to pay certain fees and expenses incurred by the depositary bank and/or any of its agents (including, without limitation, the custodian, and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment), in connection with the servicing of the shares or other deposited securities, the sale of securities, the delivery of deposited securities or otherwise in connection with the Depositary's or its custodian's compliance with applicable law, rule or regulation (which shall be payable at the sole discretion of the Depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions), and certain taxes and governmental charges such as stock transfer or other taxes and other governmental charges; cable, telex and facsimile transmission and delivery charges incurred upon the transfer of securities; transfer or registration fees for the registration of transfers charged by the registrar and transfer agent; and expenses incurred for converting foreign currency into USD.

12.D.4. Depositary Payments

In 2019 CCU S.A. received from JPMorgan USD 878,126.55 as depositary payments and reimbursements pursuant to the corresponding tax retention, in connection with our ADR program.

PART II

ITEM 13: Defaults, Dividend Arrearages and Delinquencies

Not applicable.

ITEM 14: Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

ITEM 15: Controls and Procedures

(a) Controls and Procedures. The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2019. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2019.

Disclosure controls and procedures means controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods required and that such information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

(b) Management's Annual Report on Internal Control over Financial Reporting. Our management, including our CEO and CFO, are responsible for establishing and maintaining adequate internal controls over financial reporting and has assessed the effectiveness of our internal control over financial reporting as of December 31, 2019 based on the criteria established in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and, based on such criteria, our management has concluded that, as of December 31, 2019 our internal control over financial reporting is effective.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of internal control to future periods are subject to the risk that controls may become inadequate because of changes in conditions, and that the degree of compliance with the policies or procedures may deteriorate.

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers Consultores, Auditores SpA, an independent registered public accounting firm, as stated in their report which appears herein.

(c) Attestation Report of the Registered Public Accounting Firm. See our audited consolidated financial statements included herein.

(d) Changes in Internal Control over Financial Reporting. There has been no change in our internal control over financial reporting during 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(e) Whistle-blowing procedure. We have a whistle-blowing procedure which allows any employee of CCU, of its associates or any person, to communicate to a designated person questionable practices or activities that constitute a breach of accounting procedures, internal controls, audit matters and the Code of Business Conduct.

ITEM 16A: Audit Committee Financial Expert

At the board of directors' meeting held on April 13, 2016, following the election of a new board at the shareholders' meeting held the same day, the board of directors appointed directors Messrs. Vittorio Corbo and Carlos Molina to our audit committee. Mr. Corbo and Mr. Molina meet the independence criteria under the Exchange Act and under the NYSE Rules. The board of directors also resolved that directors Messrs. José Miguel Barros and Francisco Pérez shall participate in the audit committee's meetings as observers.

At the board of directors' meeting held on April 17, 2019, following the election of a new board at the shareholders' meeting held the same day, the board of directors appointed directors Messrs. Vittorio Corbo and Carlos Molina to our audit committee, both of whom meet the independence criteria under the Exchange Act and under the NYSE Rules. The board of directors also resolved that directors Messrs. José Miguel Barros and Francisco Pérez shall participate in the audit committee's meetings as observers.

We do not have an audit committee financial expert serving on our audit committee, as such term is defined under Item 407 of Regulation S-K. We do not have an audit committee financial expert because we are not required to appoint one under Chilean law.

ITEM 16B: Code of Ethics

We have adopted a Code of Business Conduct that applies to all of our executive officers and employees. Our Code of Business Conduct is available on our website at www.ccu.cl or www.ccuinvestor.com. Our code of ethics was updated on March 4, 2014 and no waivers, either explicit or implicit, of provisions of the code of ethics have been granted to the Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer. The information on our website is not incorporated by reference into this document.

In December 2013, we adopted a Code of Conduct of the board of directors that applies to all of the members of our board of directors, which was updated in July and December 2015. This Code of Conduct is available on our website at www.ccu.cl or www.ccuinvestor.com. The Code of Conduct sets forth certain basic principles intended to guide the actions of our directors, as well as certain procedures, policies and corporate governance best practices. The Code of Conduct covers matters of confidentiality, access to independent experts, and orientation of newly elected directors and review of information regarding candidates for election to the board of directors. The Code of Conduct also establishes rules and procedures regarding conflicts of interest. The information on our website is not incorporated by reference into this document.

ITEM 16C: Principal Accountant Fees and Services

The following table sets forth the fees billed to us by our independent auditors, PricewaterhouseCoopers Consultores, Auditores SpA, during the fiscal years ended December 31, 2017, 2018 and 2019:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(millions of CLP)		
Audit Fees	737	689	864
Audit-Related Fees	1	0	0
Tax Fees	8	7	6
All Other Fees	12	16	16
<u>Total Fees</u>	<u>758</u>	<u>712</u>	<u>886</u>

“Audit fees” in the above table are the aggregate fees billed by our independent auditors in connection with the review and audit of our semi-annual and annual consolidated financial statements, as well as the review of other filings. “Audit Related Fees” are fees billed by our independent auditors for the issuance of full IFRS reports related to foreign entities. “Tax fees” are fees billed by our independent auditors associated with the issuance of certificates for tax and legal compliance purposes. “All Other Fees” are fees billed by our independent auditors associated with expenses related to certifications of royalty payments and certification on payment terms to small suppliers, among others.

Audit Committee Pre-Approval Policies and Procedures

Since July 2005, our audit committee pre-approves all audit and non-audit services provided by our independent auditor pursuant to Sarbanes-Oxley Act of 2002.

ITEM 16D: Exemptions from the Listing Standards for Audit Committees

Not applicable.

ITEM 16E: Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

ITEM 16F: Change in Registrant’s Certifying Accountants

Not applicable.

ITEM 16G: Corporate Governance

General summary of significant differences with regard to corporate government standards

The following paragraphs provide a brief, general summary of significant differences between corporate government practices followed by us pursuant to our home-country rules and those applicable to U.S. domestic issuers under NYSE listing standards.

Composition of the board of directors; independence. The NYSE listing standards provide that listed companies must have a majority of independent directors and that certain board committees must consist solely of independent directors. Under NYSE rule 303A.02, a director qualifies as independent only if the board affirmatively determines that such director has no material relationship with the company, either directly or indirectly. In addition, the NYSE listing standards enumerate a number of relationships that preclude independence.

Under the Chilean Corporations Act an open stock corporation must have at least one independent director (out of a minimum of seven directors) when its market capitalization reaches or exceeds UF 1.5 million (as of March 31, 2020 approximately CLP 42,896 million) and at least 12.5% of its outstanding shares with voting rights are in the possession of shareholders that individually control or possess less than 10% of such shares. In addition, the Chilean Corporations Act enumerates a number of relationships that preclude independence. Chilean law also establishes a number of principles of general applicability designed to avoid conflicts of interests and to establish standards for related party transactions. Specifically, directors elected by a group or class of shareholders have the same duties to the company and to the other shareholders as the rest of the directors, and all transactions with the company in which a director has an interest must be in the interest of and for the benefit of the company, relative in price, terms and conditions to those prevailing in the market at the time of its approval and comply with the requirements and procedures set forth in Chapter XVI of the Chilean Corporations Act. See “Item 7: Major Shareholders and Related Party Transactions”.

Furthermore, such transactions must be reviewed by the directors’ committee (as defined below); they require prior approval by the board of directors and must be disclosed at the next meeting of shareholders, unless such transactions fall within one of the exemptions contemplated by the Chilean Corporations Act or, if applicable, included in the usual practice policy approved by the board of directors. See “Item 7: Major Shareholders and Related Party Transactions”. Pursuant to NYSE rule 303A.00, we may follow Chilean practices and are not required to have a majority of independent directors.

Committees. The NYSE listing standards require that listed companies have a nominating/corporate governance committee, a compensation committee and an audit committee. Each of these committees must consist solely of independent directors and must have a written charter that addresses certain matters specified by the listing standards.

Under Chilean law, the only board committee that is required is the directors committee (*comité de directores*), composed of three members, such committee having a direct responsibility to (a) review the company’s financial statements and the independent auditors’ report and issue an opinion on such financial statements and report prior to their submission for shareholders’ approval, (b) propose to the board of directors the independent accountants and the risk rating agencies, which the board must then propose to the shareholders, (c) review related party transactions, and issue a report on such transactions, (d) review the managers, principal executive officers’ and employees’ compensation policies and plans; (e) to prepare an annual report of the performance of its duties, including the principal recommendations to shareholders; (f) advise the board of directors as to the suitability of retaining non-audit services from its external auditors, if the nature of such services could impair their independence; and (g) perform other duties as defined by the company’s bylaws, by a shareholders’ meeting or by the board. Requirements to be deemed an independent director are set forth in “Item 6: Directors, Senior Management and Employees – C. Board Practices – Directors Committee”.

Pursuant to NYSE Rule 303A.06, we must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act by July 31, 2005. At the board of directors' meeting held on April 17, 2019, following the election of a new board at the shareholders' meeting held the same date, the board of directors appointed directors Messrs. Vittorio Corbo and Carlos Molina to our audit committee. Mr. Corbo and Mr. Molina meet the independence criteria under the Exchange Act and under the NYSE Rules. The board of directors also resolved that directors Messrs. José Miguel Barros and Francisco Pérez shall participate in the audit committee's meetings as observers.

Shareholder approval of equity-compensation plans. Under NYSE listing standards, shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, with limited exemptions. An "equity-compensation plan" is a plan or other arrangement that provides for the delivery of equity securities of the listed company to any employee, director or other service provider as compensation for services.

Under Chilean law, if previously approved by shareholders at an extraordinary shareholders' meeting, up to ten percent of a capital increase in a publicly traded company may be set aside to fund equity-compensation plans for the company's employees and/or for the employees of the company's subsidiaries. Pursuant to NYSE rule 303A.00, as a foreign private issuer, we may follow Chilean practices and are not required to comply with the NYSE listing standards with respect to shareholder approval of equity-compensation plans.

Corporate Governance Guidelines. The NYSE listing standards provide that listed companies must adopt and disclose corporate governance guidelines with regard to (a) director qualifications standards; (b) director responsibilities; (c) director access to management and independent advisors; (d) director compensation; (e) director orientation and continuing education; (f) management succession; and (g) annual performance evaluations of the board.

Chilean law does not require that such corporate governance guidelines be adopted. Director responsibilities and access to management and independent advisors are directly provided for by applicable law. Director compensation is determined by the annual meeting of shareholders pursuant to applicable law. As a foreign private issuer, we may follow Chilean practices and are not required to adopt corporate governance guidelines. Pursuant to CMF rules, the company is only required to disclose whether or not it has adopted corporate governance guidelines regarding, among others, the matters referred to above.

Code of Business Conduct. The NYSE listing standards require that listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.

We have adopted a code of business conduct that applies generally to all of our executive officers and employees. A copy of the code of business conduct, as amended, is available on our website at www.ccu.cl or www.ccuinvestor.com. The information on our website is not incorporated by reference into this document.

We have also adopted a code of conduct that applies to all members of our board of directors. A copy of this code is available on our website at www.ccu.cl or www.ccuinvestor.com. The information on our website is not incorporated by reference into this document.

Manual of Information of Interest to the Market. In 2008, the SVS (currently "Comisión para el Mercado Financiero", or "CMF") promulgated new rules which require publicly traded companies to adopt a manual regarding disclosure of information of interest to the market, board members and executives shares transactions and blackout periods for such transactions. This manual applies to our directors, the directors of our subsidiaries, our executive officers, some of our employees which may be in possession of confidential, reserved or privileged information of interest, and to our advisors. The manual took effect on June 1, 2008. A copy of the manual regarding disclosure of information of interest to the market, as amended on March 18, 2010 and March 4, 2020, is available in our website at www.ccu.cl or www.ccuinvestor.com. The information on our website is not incorporated by reference into this document.

Executive Sessions. To empower non-management directors to serve as a more effective check on management, NYSE listing standards provide that non-management directors of each company must meet at regularly scheduled executive sessions without management.

Under Chilean law, the office of director is not legally compatible with that of general manager in publicly traded companies. The board of directors exercises its functions as a collective body and may partially delegate its powers to executive officers, attorneys, a director or a board commission of the company, and for specific purposes to other persons. As a foreign private issuer, we may follow Chilean practices and are not required to comply with the NYSE listing standard for executive sessions.

Certification Requirements. Under NYSE listing standards, Section 303A.12(a) provides that each listed company CEO must certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards, and Section 303A.12(b) provides that each listed company CEO must promptly notify the NYSE in writing after any executive officer of the listed company becomes aware of any material non-compliance with any applicable provisions of Section 303A.

As a foreign private issuer, we must comply with Section 303A.12(b) of the NYSE listing standards, but we are not required to comply with 303A.12(a).

ITEM 16H: Mine Safety Disclosure

Not applicable.

PART III

ITEM 17: Financial Statements

The Company has responded to Item 18 in lieu of responding to this item.

ITEM 18: Financial Statements

See Annex for the Financial Statements.

ITEM 19: Exhibits

Index to Exhibits

- 1.1 Unofficial English translation of the By-laws of the Company (incorporated by reference to Exhibit 3.1 of the Company's registration statement on Form F-3 (File No. 333-190641) filed on August 8, 2013).
- 2(d) Description Of Securities Other Than Equity Securities.
- 8.1 Compañía Cervecerías Unidas S.A. significant subsidiaries.
- 12.1 Certification of Chief Executive Officer of Compañía Cervecerías Unidas S.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2 Certification of Chief Financial Officer of Compañía Cervecerías Unidas S.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1 Certification of Chief Executive Officer of Compañía Cervecerías Unidas S.A. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 13.2 Certification of Chief Financial Officer of Compañía Cervecerías Unidas S.A. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

The Registrant certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Compañía Cervecerías Unidas S.A.

By: /s/ Patricio Jottar

Name: Patricio Jottar
Title: Chief Executive Officer

Date: April 27th, 2020

**DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES
REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT**

As of December 31, 2019, the registrant had the following series of securities registered pursuant to Section 12 of the U.S. Securities Exchange Act of 1934, as amended:

<u>Title of each class:</u>	<u>Name of each exchange on which registered:</u>
Common Stock	New York Stock Exchange*
American Depositary Shares, each representing two shares of our Common Stock, without par value	New York Stock Exchange

* Not for trading purposes, but only in connection with the trading on the New York Stock Exchange of American Depositary Shares representing those Common Stock.

JPMorgan, as depositary, registers and delivers American Depositary Shares, also referred to as ADSs. Each ADS represents two shares of our common stock. Each ADS also represents any other securities, cash or other property which may be held by the depositary. The deposited shares together with any other securities, cash or other property held by the depositary are referred to as the deposited securities. The depositary's office at which the ADSs are administered and its principal executive office is located at 1 Chase Manhattan Plaza, Floor 58, New York, New York, 10005-1401.

Shares of our common stock were traded in the United States on the NASDAQ Stock Market between September 24, 1992 and March 25, 1999 and on the NYSE since March 26, 1999, in the form of ADSs, under the symbol "CCU", with such ADSs being evidenced by ADRs, which until December 20, 2012, had each represented five shares of our common stock. Starting on December 20, 2012, the ratio was changed so that each ADS represented two shares of our common stock. The ADSs are issued under the terms of a deposit agreement dated September 1, 1992, as amended and restated on July 31, 2013, among us, JPMorgan, as depositary, and the holders from time to time of the ADSs.

According to data provided by JPMorgan, as of, 2020, there were 37,225,001 ADSs outstanding and 5,207 holders of record of ADSs. Such ADSs represented approximately 20% of the total number of issued and outstanding common stock as of such date. The Santiago Stock Exchange and the Chile Electronic Stock Exchange are the principal markets for trading the common stock.

You may hold ADSs either (A) directly (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having uncertificated ADSs registered in your name, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution that is a direct or indirect participant in The Depository Trust Company, also called DTC. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Registered holders of uncertificated ADSs will receive statements from the depositary confirming their holdings.

As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights. Chilean law governs shareholder rights. The depositary will be the holder of the common stock underlying your ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary, ADS holders and all other persons indirectly or beneficially holding ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR. You can find a copy of the deposit agreement in the report on Form 6 furnished by the Company to the SEC on July 31, 2013.

Deposit, Withdrawal, Cancellation and Transfer

How are ADSs issued?

The depositary will deliver ADSs if you or your broker deposits common stock or evidence of rights to receive common stock with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to the persons you request.

How do ADS holders cancel ADSs and obtain shares?

If you surrender ADSs to the depositary, upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the common stock and any other deposited securities underlying the surrendered ADSs to you or a person you designate at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at such other place as may have been requested by the holder.

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.

Are ADRs transferable?

Subject to certain limitations provided below and in the Deposit Agreement, the ADR is transferable on the register maintained by the depositary by the holder in person or by duly authorized attorney, upon surrender of the ADR at any designated transfer office properly endorsed or accompanied by proper instruments of transfer and duly stamped as may be required by applicable law.

Limitations and Transfer Restrictions

Limitations With Respect to non-Chilean Residents

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.

Limitations With Respect to Execution, Delivery, Registration, Transfer and Withdrawal

As a condition to the execution and delivery, registration, registration of transfer, split-up or combination of any ADR, the delivery of any distribution thereon or, the withdrawal of any deposited securities, the depositary, the Company or the custodian may require of the holder, the presenter of the ADR or the depositor of Shares: (a) payment of a sum sufficient to pay or reimburse it for payment of (i) any stock transfer or other tax or other governmental charge with respect thereto, (ii) any stock transfer or registration fees for the

registration of transfers of common shares or other deposited securities upon any applicable register and (iii) any charges of the depositary upon delivery of ADRs against deposits of shares and upon withdrawal of deposited securities against surrender of the ADRs set forth in paragraph (8) of the ADR; (b) the production of proof satisfactory to it as to the identity and genuineness of any signature and as to any other matter contemplated by Section 3.01 of the Deposit Agreement; and, (c) compliance with such reasonable regulations, if any, as the depositary and the Company may establish consistent with the provisions of the Deposit Agreement or as may be established by the Central Bank or the *Comisión para el Mercado Financiero* (“CMF”), former *Suprntendencia de Valores y Seguros*. The delivery of ADRs against deposits of shares may be suspended, deposits of shares may be refused, or the registration of transfer of ADRs, their split-up or combination or the withdrawal of deposited securities may be suspended, in particular instances or generally, when the ADR register or any register for shares or other deposited securities is closed, or any time or from time to time when any such action is deemed necessary or advisable by the depositary or the Company for any reason, including without limitation any requirement of law or of any government or governmental body or commission, any provision of the Deposit Agreement or the provisions of or governing deposited securities, any meeting of shareholders or any payment of dividends.

The depositary may issue ADRs against rights to receive shares from the Company, or any registrar, transfer agent, clearing agency or other entity recording share ownership or transactions. The depositary will not issue ADRs against other rights to receive shares unless (x) such ADRs are fully collateralized (marked to market daily) with cash or U.S. government securities until such shares are deposited, (y) the applicant for such ADRs represents in writing that it owns such shares, that it has assigned all beneficial right, title and interest in such shares to the depositary for the benefit of the holders and that it will deliver such shares upon the depositary’s request and (z) all such ADRs represent not more than 20% of shares actually deposited.

Article 14 of *Ley N° 18,046 sobre Sociedades Anónimas* (the “Chilean Corporations Act”) forbids open stock corporations from including in their bylaws any provisions restricting the free transferability of stock. However, shareholders may enter into a private agreement on this matter, but, in order for these agreements to be effective against the company and third parties, they must be recorded by the corporation and thus made available to any interested third parties. See “Item 6: Directors, Senior Management and Employees – A. Directors and Senior Management” of our annual report.

Dividends and Other Distributions

At least 30% of our net profits for each fiscal year are required to be distributed as dividends in cash to our shareholders, unless our shareholders unanimously decide otherwise. Any remaining profits may be used to establish a reserve fund (that may be capitalized at any time, amending the corporate bylaws by the vote of a majority of the voting stock issued), or to pay future dividends.

Compulsory minimum dividends, i.e., at least thirty percent of our net profits for each fiscal year, become due thirty days after the date on which the annual shareholders' meeting has approved the distribution of profits in the fiscal year. Any additional dividends approved by our shareholders become due on the date set by our shareholders or our board of directors.

Accrued dividends that corporations fail to pay or make available to their shareholders within certain periods are to be adjusted from the date on which those dividends became due and that of actual payment. Overdue dividends will accrue interest at established rates over the same period.

Dividends and other cash benefits unclaimed by shareholders after five years from the date on which they became due will become the property of the Chilean Fire Department.

In the event of liquidation, the Chilean Corporations Act provides that corporations may carry out distributions to shareholders on account of a reimbursement of capital only after the payment of corporate indebtedness.

Dividends are paid to shareholders of record at midnight of the fifth business day, including Saturdays, preceding the date set for payment of the dividend. The holders of ADSs on the applicable record dates are entitled to dividends declared for each corresponding period, as further explained below.

Whenever the depositary or the custodian shall receive any cash dividend or other cash distribution upon any deposited securities, the depositary shall distribute the amount thus received to the holders on such record date of ADRs evidencing ADSs representing such deposited securities, in proportion to the number of ADSs representing such deposited securities held by each of them respectively; provided that the depositary shall make appropriate adjustments in the amounts so distributed in respect of (a) any of such deposited securities being not entitled, by reason of its date of issuance or otherwise, to receive all or any portion of such distribution or (b) any amounts (i) required to be withheld by the Company, the custodian or the depositary from any such distribution on account of taxes, or (ii) charged by the depositary in connection with the conversion of foreign currency into U.S. dollars. The depositary shall distribute only such amount as can be distributed without distributing to any holder a fraction of one cent, and any balance not so distributable shall be held by the depositary (without liability for interest thereon) and shall be added to and become part of the next sum received by the depositary for distribution to holders of ADRs then outstanding.

If any distribution upon any deposited securities consists of a dividend in, or free distribution of, shares, the depositary may, with the Company's approval, or shall, if the Company shall so request, distribute to the holders on a record date, in proportion to the number of ADSs representing such deposited securities held by each of them respectively, additional ADRs for an aggregate number of ADSs representing the number of shares received as such dividend or free distribution. In lieu of delivering ADRs for fractional ADSs in the case of any such distribution, the depositary shall sell the amount of shares represented by the aggregate of such fractions and distribute the net proceeds of such sale as in the case of a distribution received in cash. If additional ADRs are not so distributed, each ADS shall thenceforth also represent its proportionate interest in the additional shares so distributed upon such deposited securities.

The following table sets forth the amounts of interim and final dividends and the aggregate amounts of such dividends per share of common stock and per ADS in respect of each of the years indicated:

Year ended	CLP Per share ⁽¹⁾			USD Per ADS ⁽²⁾		
	<u>December 31</u>	<u>Interim</u>	<u>Final ⁽³⁾</u>	<u>Total</u>	<u>Interim</u>	<u>Final ⁽³⁾</u>
2015	66	97.47	163.47	0.18	0.29	0.47
2016	66	110.32	176.32	0.20	0.33	0.53
2017	70	108.89	178.89	0.23	0.36	0.59
2018	140	358.33	498.33	0.41	1.07	1.49
2019	75	179.95	254.95	0.20	0.42	0.62

(1) Interim and final dividend amounts are expressed in historical pesos

(2) USD per ADS dividend information provided solely for reference purposes only, as we pay all dividends in CLP. The amounts shown above have been adjusted to reflect this change. The Chilean peso amounts as shown here have been converted into USD at the respective observed exchange rate in effect at each payment date or, in respect of the dividend payable for the year ended December 31, 2019, at the observed exchange rate in effect as of April 24, 2020. Note: The Federal Reserve Bank of New York does not report a noon buying rate for CLP.

(3) The final dividend with respect to each year is declared and paid within the first five months of the subsequent year.

Pursuant to current Chilean foreign exchange regulations, a shareholder who is not a resident of Chile does not need to be authorized as a foreign investor in order to receive dividends, sale proceeds or other amounts with respect to its shares remitted outside Chile, but the investor must inform the Central Bank about any such transactions and must remit foreign currency through the formal exchange market. See "Item 10. Additional Information – D. Exchange Controls" for additional information on how ADR holders may remit currency outside Chile. Dividends received in respect of shares of common stock by holders, including holders of ADRs who are not Chilean residents, are subject to Chilean withholding taxes. See "Item 10: Additional Information – E. Taxation."

All payments and distributions made to our holders of ADSs must be transacted in the formal exchange market.

Voting Rights

We have only one class of shares and there are therefore no preferences or limitations on the voting rights of shareholders. Each of our shareholders is entitled to one vote per share. In annual shareholders' meetings, resolutions are made by an absolute majority of those present at the meeting, provided legal quorums (consisting of an absolute majority of our issued voting stock, in case the quorum is satisfied at its first call, or any number of shareholders present at the meeting if the meeting takes place at its second call) are met. A special or extraordinary meeting generally requires an absolute majority, in other words, 50% plus one of the shares entitled to vote; however, the Chilean Corporations Act provides that in order to carry certain motions, a two-thirds majority of the outstanding voting stock is necessary.

Our directors are elected every three years and their terms are not staggered. Our shareholders may accumulate their votes in favor of just one person or distribute their votes to more than one person. In addition, by unanimous agreement of our shareholders present and entitled to vote, the vote may be omitted and the election made by acclamation.

ADS holders may exercise voting rights associated with common stock only in accordance with the Deposit Agreement, which states that, as soon as practicable after receipt of notice of any meeting or solicitation of consents or proxies of holders of shares or other deposited securities, the depositary shall mail to holders a notice containing (a) such information as is contained in such notice and in the solicitation materials, if any, (b) a statement that each holder at the close of business on a specified record date will be entitled, subject to the provisions of or governing deposited securities, to instruct the depositary as to the exercise of the voting rights, if any, pertaining to the deposited securities represented by the ADSs evidenced by such holders' ADR, and (c) a statement as to the manner in which such instructions may be given, including an express indication that instructions may be given to the depositary to give a discretionary proxy to a person designated by the Company. Upon the written request of a holder on such record date, actually received by the ADR Department of the depositary on or before the date established by the depositary for such purpose, the depositary shall endeavor insofar as practicable and permitted under the provisions of or governing deposited securities to vote or cause to be voted (or to grant a discretionary proxy to a person designated by the Company to vote) the deposited securities represented by the ADSs evidenced by such holder's ADRs in accordance with any instructions set forth in such request. The depositary shall not itself exercise any voting discretion over any deposited securities.

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.

Preemptive and Accretion Rights

The Chilean Corporations Act and its Ordinance, 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. The Chilean Corporations Act requires that options to purchase stock representing capital increases in corporations and debentures duly convertible into stock of the issuing corporation, or any other securities extending future rights over such stock, must be offered preferably, at least once, to existing shareholders, in proportion to the number of shares owned by them. A corporation must distribute any bonus stock in the same manner. 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 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" of the annual report. 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.

Changes Affecting Deposited Securities

Upon any change in nominal value, split-up, consolidation, cancellation or any other reclassification of deposited securities, or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting the Company or to which it is a party, any securities that shall be received by the depositary in exchange for, or in conversion, replacement or otherwise in respect of, deposited securities shall be treated as deposited securities under the Deposit Agreement; and, the depositary may with the Company's approval, and shall if the Company shall so request, execute and deliver additional ADRs in respect of such securities as in the case of a dividend of shares or call for the surrender of outstanding ADRs to be exchanged for new ADRs, reflecting such securities, and to the extent that such additional or new ADRs are not delivered the existing ADR shall thenceforth evidence ADSs representing the right to receive the deposited securities including the securities so received.

Amendment and Termination

How may the deposit agreement be amended?

The deposit agreement may at any time, and from time to time, be amended by agreement between us and the depositary in any respect which we may deem necessary or desirable. Any amendment which shall impose or increase any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or which shall otherwise prejudice any substantial existing right of the ADS holders, shall, however, not become effective until the expiration of 30 days after notice of such amendment shall have been given to the ADS holders.

Every ADS holder at the time any amendment so becomes effective shall be deemed, by continuing to hold such ADR, to consent and agree to such amendment and to be bound by the deposit agreement as amended thereby. In no event shall any amendment impair the right of the ADR holder to surrender such receipt and receive therefor the deposited securities represented thereby, except in order to comply with mandatory provisions of applicable law.

How may the deposit agreement be terminated?

The depositary shall at any time at our direction, terminate the deposit agreement by mailing notice of such termination to the ADR holders then outstanding at least 90 days prior to the date fixed in such notice for such termination. The depositary may likewise terminate the deposit agreement by mailing notice of such termination to us and the ADR holders then outstanding if at any time 90 days shall have expired after the Depositary shall have delivered to us a written notice of its election to resign and a successor depositary shall not have been appointed and accepted its appointment as provided in the deposit agreement.

Limitations on Obligations and Liability

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. Below are certain provisions in relation to our and the depositary's liabilities:

- We and the depositary shall incur no liability if any present or future law, rule, regulation, fiat, order or decree of the United States, the Republic of Chile or any other country, or of any governmental or regulatory authority or any securities exchange or market or automated quotation system, the provisions of or governing any securities deposited pursuant to the deposit agreement, any present or future provision of our charter, any act of God, war, terrorism or other circumstance beyond its control shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with, any act which the deposit agreement or the ADR provides shall be done or performed by it or them.
- We and the depositary shall incur no liability by reason of any exercise or failure to exercise any discretion given it in the deposit agreement or the ADR.
- We and the depositary shall incur no liability due to or for the inability of any ADS holder to benefit from any distribution, offering, right or other benefit which is made available to holders of the securities deposited pursuant to the deposit agreement but is not, under the terms of the deposit agreement, made available to the ADS holders.
- We and the depositary are only obligated to take the actions specifically set forth in the deposit agreement without negligence or willful misconduct.
- In the case of the depositary and its agents, are under no obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of securities deposited pursuant to the deposit agreement.
- In the case of the Company and its agents are under no obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any securities deposited pursuant to the deposit agreement, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required.
- We and the depositary are not liable for any action or nonaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any ADS holder or any other person believed by it in good faith to be competent to give such advice or information.
- The depositary shall not be liable for the acts or omissions made by, or the insolvency of, any securities depositary, clearing agency or settlement system.
- The depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of the depositary.
- The depositary shall not be responsible for, and shall incur no liability in connection with or arising from, any act or omission to act on the part of the custodian except to the extent that the custodian has (i) committed fraud or willful misconduct in the provision of custodial services to the depositary or (ii) failed

to use reasonable care in the provision of custodial services to the depositary as determined in accordance with the standards prevailing in the jurisdiction in which the custodian is located.

- We and the depositary may rely and shall be protected in acting upon any written notice, request, direction, instruction or document believed by them to be genuine and to have been signed, presented or given by the proper party or parties.
- The depositary shall be under no obligation to inform ADS holders or any other holders of an interest in an ADS about the requirements of Chilean law, rules or regulations or any changes therein or thereto.
- The depositary and its agents will not be responsible for any failure to carry out any instructions to vote any of the securities deposited under the Deposit Agreement, for the manner in which any such vote is cast or for the effect of any such vote.
- The depositary may rely upon instructions from the Company or its counsel in respect of any governmental or agency approval or license required for any currency conversion, transfer or distribution.
- The depositary and its agents may own and deal in any class of securities of the Company and its affiliates and in ADRs
- The depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the Deposit Agreement or otherwise related thereto to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators
- None of we, the depositary or the custodian shall be liable for the failure by any ADS holder or beneficial owner to obtain the benefits of credits on the basis of non-U.S. tax paid against such holder's or beneficial owner's income tax liability.
- We and the depositary shall not incur any liability for any tax consequences that may be incurred by holders and beneficial owners on account of their ownership of the ADR or ADS.
- The depositary shall not incur any liability for the content of any information submitted to it by or on our behalf for distribution to the holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the securities deposited pursuant to the Deposit Agreement, for the validity or worth of such securities, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the Deposit Agreement or for the failure or timeliness of any notice from us.
- The depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the depositary or in connection with any matter arising wholly after the removal or resignation of the depositary, provided that in connection with the issue out of which such potential liability arises the depositary performed its obligations without negligence or bad faith while it acted as depositary.
- Neither us nor the depositary, nor any of our respective agents shall be liable to holders or beneficial owners of interests in ADS for any indirect, special, punitive or consequential damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.
- The depositary shall not have any liability for the price received in connection with any sale of securities, the timing thereof or any delay in action or omission to act nor shall it be responsible for any error or delay in action, omission to act, default or negligence on the part of the party so retained in connection with any such sale or proposed sale.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

Additional Rights

Action necessary to change the rights of holders of stock. The rights of stockholders are established by law and pursuant to the bylaws of a corporation. For certain modifications of shareholders' rights, the law requires a special majority, such as the creation, increase, extension, reduction or suppression of preferred stock, which may be adopted only with the consent of at least two-thirds of the affected series. Consequently, any other impairment of rights not specifically regulated needs only an absolute majority (more than 50%) of the stock entitled to vote. However, the waiver of the shareholders' right to receive no less than 30% of the net profits accrued in any fiscal year (the "minimum dividend") requires the unanimous vote of all stockholders. The above notwithstanding, no decision of the shareholders' meeting can deprive a shareholder of any part of the stock that he/she owns.

Memorandum and Articles of Association provisions

Under Chilean law, certain provisions affect any existing or prospective holder of securities as a result of the shareholder owning a substantial number of shares.

Pursuant to Circular Letter N° 1,375 of the CMF dated February 12, 1998, holders of ADSs are deemed, for certain purposes of Chilean law, to be treated as holders of Deposited Securities. Accordingly, holders shall, as a matter of Chilean law, be obligated to comply with the requirements of articles 12 and 54 and Chapter XV of *Ley N° 18,045 de Mercado de Valores* (the "Chilean Securities Market Act") and applicable CMF regulations.

Article 12 requires, among other things, that holders and beneficial owners of ADSs who directly or indirectly own 10% or more of the total share capital of the Company (or who may attain such percentage ownership through an acquisition of shares), or the directors, liquidators, principal executive, administrators and managers of such corporations, regardless of the number of shares they possess, either directly or indirectly, must report to the CMF and the stock exchanges in Chile on which the shares are listed: (i) any direct or indirect acquisition or sale of ADRs; and (ii) any direct or indirect acquisition or sale of any contract or security, the price or result of which is dependent upon or is conditioned on, in whole or in a relevant part, the fluctuation or evolution of the price of such shares. The information must be provided not later than the day following the execution of the transaction of the acquisition or sale. In addition, majority shareholders must inform the CMF and the stock exchanges with respect to whether the purchase is aimed at acquiring control of the corporation or just as a financial investment.

Article 54 requires, among other things, that any holder or beneficial owner of ADS intending to acquire control, directly or indirectly (as defined in Chapter XV of the Chilean Securities Market Act) of the Company (i) send a written notice of such intention to the Company, to the Company's controllers, to companies controlled by the Company, to the CMF and to the stock exchanges in Chile on which the shares are listed, and, (ii) publish a notice of such intention in two newspapers in Chile and on the Company's website. Such written communications and publications must be made at least ten business days prior to the date of intended acquisition of control or as soon as negotiations pursuing control have been formalized or confidential documentation of the Company has been provided. This notice must include, at least, the price to be offered per share and the conditions of the proposed transaction, including the expected manner of acquiring the shares. Within two business days following the acquisition of control, the holder must publish a notice in the same newspapers in which the intention of control was published and send written communications to the same entities listed in clause (i) above. The rules set forth by article 54 shall not apply if control of the Company is intended through a tender offer regulated by Chapter XXV of the Chilean Securities Market Act, in which case the rules said of Chapter XXV shall govern.

Chapter XXV of the Chilean Securities Market Act was enacted on December 20, 2000, to ensure that controlling shareholders share with minority shareholders the benefits of a change of control, by requiring that certain share acquisitions be made pursuant to a tender offer.

Article 199 bis of the Chilean Securities Market Act extends the obligation to make a tender offer for the remaining outstanding shares to any person, or group of persons with a joint performance agreement, that, as a consequence of the acquisition of shares, becomes the owner of two-thirds or more of the issued shares with voting rights of a corporation. Such tender offer must be effected within 30 days from the date of such acquisition.

Our bylaws do not contain any provisions that would have the effect of delaying, deferring or preventing a change in control of us and that would operate only with respect to a merger, acquisition or corporate restructuring involving us (or any of our subsidiaries). See “Item 10: Additional Information – B. Memorandum and Articles of Association – Rights, preferences and restrictions regarding shares” of our annual report.

Our bylaws do not contain any ownership threshold above which shareholder ownership must be disclosed. For a description of the ownership thresholds mandated by Chilean law, see “– Rights, preferences and restrictions regarding shares” above. See “Item 10: Additional Information – B. Memorandum and Articles of Association – Rights, preferences and restrictions regarding shares” of our annual report.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the Direct Registration System, also referred to as DRS, and Profile Modification System, also referred to as Profile, will apply to the ADSs. DRS is a system administered by DTC that facilitates interchange between registered holding of uncertificated ADSs and holding of security entitlements in ADSs through DTC and a DTC participant. Profile is feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of uncertificated ADSs, to direct the depository to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depository of prior authorization from the ADS holder to register that transfer.

Notices and Reports to Holders

On or before the first date on which the Company gives notice, by publication or otherwise, of any meeting of holders of shares or other deposited securities, or of any adjourned meeting of such holders, or of the taking of any action by such holders other than at a meeting, or the making of any distribution on or offering of rights in respect of deposited securities, the Company shall transmit to the custodian a copy of the notice thereof in the form given or to be given to holders of shares or other deposited securities. The depository will arrange for the prompt transmittal by the custodian to the depository of such notices and of any reports and other communications that are made generally available by the Company to holders of its shares or other deposited securities and arrange for the mailing of copies thereof to all holders or, at the request of the Company, make such notices reports and other communications available to all holders on a basis similar to that for holders of shares or other deposited securities, or on such other basis as the Company may advise the depository may be required by any applicable law, regulation or stock exchange requirement.

Shareholder Communications; Inspection of Register of Holders of ADSs

The depository will make available for your inspection at its or its custodian’s office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depository will send you copies of those communications or otherwise make those communications available to you if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

Compañía Cervecerías Unidas S.A.
List of Significant Subsidiaries

The following list contains the name, jurisdiction of incorporation and the names under which our significant subsidiaries do business, according to its definition under rule 1-02(w) of Regulation S-X, as of December 31, 2019.

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Name Under Which Subsidiary Operates</u>	<u>Line of Business</u>	<u>Number of Omitted Subsidiaries(1)</u>
Cervecera CCU Chile Ltda.	Chile	CCU Chile	Beer production and marketing	-
Compañía Cervecerías Unidas Argentina S.A.	Argentina	CCU Argentina	Beer production and marketing	2
Embotelladoras Chilenas Unidas S.A.	Chile	ECUSA	Soft drinks, juice, mineral water production and marketing	7
Viña San Pedro Tarapacá S.A.	Chile	VSPT	Wine production and marketing	4

(1) The jurisdiction of incorporation of all of the omitted subsidiaries is outside of the United States.

Section 302 - Certification of the Chief Executive Officer

I, Patricio Jottar, certify that:

1. I have reviewed this annual report on Form 20-F of Compañía Cervecerías Unidas S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a- 15(f) and 15d- 15(f)) for the company and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 27th, 2020

/s/ Patricio Jottar
Chief Executive Officer

Section 302 - Certification of the Chief Financial Officer

I, Felipe Dubernet, certify that:

1. I have reviewed this annual report on Form 20-F of Compañía Cervecerías Unidas S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a- 15(f) and 15d- 15(f)) for the company and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 27th, 2020

/s/ Felipe Dubernet
Chief Financial Officer

Compañía Cervecerías Unidas S.A.
Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Section 1350)

Pursuant to the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Sections 1350(a) and (b)), the undersigned hereby certifies as follows:

1. I am the Chief Executive Officer of Compañía Cervecerías Unidas S.A. (the "Company").
2. The Company's Annual Report on Form 20-F for the year ended December 31, 2019 accompanying this Certification, in the form filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
3. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 27th, 2020

/s/ Patricio Jottar
Chief Executive Officer

Compañía Cervecerías Unidas S.A.
Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Section 1350)

Pursuant to the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Sections 1350(a) and (b)), the undersigned hereby certifies as follows:

1. I am the Chief Financial Officer of Compañía Cervecerías Unidas S.A. (the "Company").
2. The Company's Annual Report on Form 20-F for the year ended December 31, 2019 accompanying this Certification, in the form filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
3. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 27th, 2020

/s/ Felipe Dubernet
Chief Financial Officer