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

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

For the fiscal year ended **December 31, 1999**

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

For the transition period from ____________ to ____________
Commission file number 0-20486

COMPAÑIA CERVECERIAS 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)

Bandera 84, Sixth Floor, Santiago, Chile
(56-2) 670-3000
(Address of principal executive offices)

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

Title of each class	**Name of each exchange on which registered**
Common Stock, in the form of American Depositary Shares	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None

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: 318,502,872

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__X__ NO____

Indicate by check mark which financial statement item the registrant has elected to follow.
ITEM 17_____ ITEM 18__X__.

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Introduction

In this Annual Report on Form 20-F, all references to the "Company" or "CCU" are to Compañía Cervecerías Unidas S.A., a stock corporation (*sociedad anónima*) organized under the laws of the Republic of Chile, and its consolidated subsidiaries, as of the date of the filing of this report. The fiscal year for the Company ends on December 31st. Unless otherwise specified, all references to "U.S. dollars", "dollars", or "US$" are to United States dollars, and references to "Chilean pesos", "pesos" or "Ch$" are to Chilean pesos. The Company publishes its financial statements in Chilean pesos that are adjusted to reflect changes in purchasing power due to inflation and/or changes in exchange rates. Unless otherwise specified, financial data regarding the Company is presented herein in constant Chilean pesos as of December 31, 1999 purchasing power. See the notes to the consolidated financial statements of the Company (the "Consolidated Financial Statements") included in pages F-7 through F-54 of this Annual Report. The Company uses the metric system of weights and measures in calculating its operating and financial data. The United States equivalent units of the most common metric units used by the Company are as shown on the following table:

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 drinks unit cases (8 oz cans)....	...1 soft drinks 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

This Annual Report contains various estimates by the Company of market share data and related sales volume information. These estimates are based principally on statistics published or made available by the single market research company that conducts store audits in Chile, A.C. Nielsen Chile S.A. ("Nielsen"), in the case of beer, soft drinks, mineral water and wine sales in Chile; the *Cámara de la Industria Cervecera Argentina* (Argentine Beer Industry Chamber, or "CICA") in the case of beer sales in Argentina; the Croatian Beer Industry Association in the case of beer sales in Croatia; and the *Asociación de Viñas de Chile, A.G.* (the "Wineries of Chile Association") in the case of Chilean wine exports. The Company believes that, due to the methodologies used, the statistics provided by these sources in some cases do not accurately reflect the Company's market share or industry sales volumes. For example, the Nielsen sampling base includes only the metropolitan areas of Chile and not the rural areas of the country, where the Company believes its beer market share is higher than in the metropolitan areas, due to its distribution system. Likewise, the sales of two of the Company's Argentine competitors are not reflected in CICA's statistics because these two companies are not members of CICA. Similarly, data regarding the size of the Chilean soft drinks and mineral water markets and market shares do not coincide with publicly available information of sales volume of the Company and its competitors. As a consequence, the Company has revised the share estimates from the sources identified below for Chilean and Argentine beer sales and soft drinks and mineral water sales to reflect what it believes is a more accurate measure of market shares, taking into account (i) reports published by the *Instituto Nacional de Estadísticas* (the Chilean National Institute of Statistics, or the "INE"), (ii) the Company's internal sales data, (iii) sales information filed publicly by the Company's competitors, (iv) equity research analyst reports and (v) import and export reports made available by Chilean and Argentine customs authorities. However, the Company's revised estimates have not been confirmed by independent sources. Certain amounts (including percentage amounts) which appear herein have been rounded and may not sum exactly.

Exchange Rates

The *Ley Orgánica Constitucional del Banco Central de Chile N° 18.840* (the "Central Bank Act") now provides that the *Banco Central de Chile* (the "Central Bank") may determine that certain classes of purchases and sales of foreign exchange specified by law must be carried out in the *Mercado Cambiario Formal* (the "Formal Exchange Market"). The Formal Exchange Market is formed by the banks and the other entities so authorized by the Central Bank. All payments and distributions with respect to American Depositary Shares ("ADSs") described herein must be transacted at the spot market rate in the Formal Exchange Market.

For the purposes of the operation of the Formal Exchange Market, the Central Bank set a reference exchange rate (*dólar acuerdo*) (the "Reference Exchange Rate"). Until September 2, 1999, participants of the Formal Exchange Market were authorized to carry out their transactions at rates within a specified percentage of the Reference Exchange Rate (the "Percentage"). Within this Percentage band, which has widened over time, the exchange rate could fluctuate freely. However, on September 2, 1999, the Central Bank eliminated the Percentage band, allowing the exchange rate to fluctuate without restrictions. The Reference Exchange Rate is still reset monthly by the Central Bank, taking into account internal and external inflations, and is adjusted daily to reflect the variation in parities between the Chilean peso and each of the U.S. dollar, the Japanese yen and the Euro. The Central Bank can intervene by buying or selling foreign exchange only in certain exceptional cases that must be explained to the public. However, since the band was eliminated, the Central Bank has not intervened in the market. The daily observed exchange rate for a given date (the "Observed Exchange Rate"), reported by the Central Bank is the average exchange rate at which transactions are carried out in the Formal Exchange Market on the prior business day.

Purchases and sales of foreign exchange which may be effected outside the Formal Exchange Market can be carried out in the *Mercado Cambiario Informal* (the "Informal Exchange Market"). The Informal Exchange Market and its predecessor, the "Unofficial Market", reflect 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. Despite the existence of two separate markets, the exchange rate in both markets has not differed over the last five years.

The following table sets forth the annual high, low, average and year-end Observed Exchange Rate for U.S. dollars, for each year starting in 1994, as reported by the Central Bank. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos.

Year	Observed Exchange Rate of Ch$ per US$ (1) Low (2)	High (2)	Average (3)	Period-end
1995	368.75	418.98	396.77	406.91
1996	402.25	424.97	412.27	424.87
1997	411.85	439.81	419.31	439.18
1998	439.18	475.41	460.29	472.41
1999	468.69	549.91	538.22	530.07
2000 (through March 31)	501.04	530.67	512.56	501.41

Source: Central Bank of Chile.

(1) Historical pesos.
(2) Observed Exchange Rates are the actual high and low, on a day-to-day basis, for each period.
(3) The average of monthly average rates during the period.

Incorporation of Certain Documents by Reference

The Company will provide without charge to each person to whom this Annual Report is delivered, on the written or oral request of any such person, a copy of any or all of the documents incorporated herein by reference (other than exhibits, unless such exhibits are specifically incorporated by reference in such documents). Written requests for such copies should be directed to Compañía Cervecerías Unidas S.A., Bandera 84, Piso 8, Santiago, Chile, Attention: Ricardo Reyes, Chief Financial Officer, or Luis Eduardo Bravo, Investor Relations Director.

Facsimile requests may be directed to (56-2) 670-3585

Telephone requests may be directed to (56-2) 670-3416 or (56-2) 670-3581

E-mail requests may be directed to ccuir@ccu.cl

This Annual Report, as well as any additional publicly available financial information provided by the Company from time to time, can be downloaded from the Company's web site at www.ccu-sa.com.

PART I

ITEM 1: Description of Business

1.1 Summary

The Company is a diversified beverage company operating principally in Chile and Argentina. The Company is the largest Chilean brewery, the third largest brewery in Argentina, the second largest Chilean soft drinks producer, the largest Chilean mineral water producer and the third largest wine producer in Chile. The Company's products in its beer and soft drinks businesses include a range of proprietary, licensed and imported brands.

In 1999, the Company had consolidated net sales of Ch$290,405 million, of which 39.3% was accounted for by beer sales in Chile, 15.6% by beer sales in Argentina, 29.3% by soft drinks, nectar and mineral water sales, 15.7% by wine sales and the remainder by sales of other products.

Beer. The Company estimates that its share of the Chilean beer market by volume was approximately 91% for both 1997 and 1998, and 90% for 1999. The Company's line of beers in Chile includes a full range of super-premium, premium, medium-priced and popular-priced brands, which are primarily marketed under five different proprietary brands and one brand extension. The Company's flagship brand, Cristal, is Chile's best selling beer, accounting for an estimated 64% of all 1999 beer sales by volume in the country. The Company is the only brewery in the country with a nationwide production and distribution network, consisting of three production (brewing and bottling) facilities and one "bottling-only" facility. In January 1999, the Concepción plant was closed and was later replaced by a new plant in the southern city of Temuco. This new plant began its startup period by the end of 1999. In addition, the Company is the exclusive distributor in Chile of imported Budweiser brand beer, the exclusive local producer of Guinness brand beer, and the exclusive local producer and importer of Paulaner brand beers.

The Company entered the Argentine beer market in 1995 by acquiring two breweries (and their respective brands), Compañía Industrial Cervecera S.A. ("CICSA"), with production facilities in the city of Salta, and Cervecería Santa Fe S.A. ("CSF"), with production facilities in the city of Santa Fe. In 1998, the Company bought the brands and assets of Cervecería Córdoba S.A. ("Cervecería Córdoba"). The Company's Argentine operations also include a small mineral water production plant in the city of Rosario de la Frontera in the Salta province.

Under a joint venture agreement entered into with Anheuser-Busch Incorporated ("Anheuser-Busch") in December 1995, the Company began importing, selling and distributing Budweiser beer in Argentina in March 1996 and in Chile in October 1996. The Company began production and distribution of locally produced Budweiser beer in Argentina in December 1996 as part of its strategy to develop Budweiser as the flagship brand of its Argentine operations. Currently, as a result of the joint venture agreement and subsequent capital increases, the Company and Anheuser-Busch have 89.2% and 10.8% interests, respectively, in Compañía Cervecerías Unidas Argentina S.A. ("CCU Argentina"). The Company estimates that its market share of the Argentine beer market was approximately 11% in 1997, 12% in 1998 and 13% in 1999.

As of December 31, 1999, the Company also owned a 34.4% equity interest in Karlovacka Pivovara d.d. ("Karlovacka"), which owns and operates one of the largest breweries in Croatia. The Company's total investment in Karlovacka at December 31, 1999 was Ch$10,265 million. Karlovacka, which is not a consolidated subsidiary of the Company, contributed Ch$2,196 million, Ch$901 million and Ch$913 million to the Company's non-operating income in 1997, 1998 and 1999, respectively.

Soft Drinks and Mineral Water. The Company produces and sells soft drinks and mineral water products in Chile through Embotelladoras Chilenas Unidas S.A. ("ECUSA"). Until November 29, 1999, ECUSA was owned 55.0% by the Company and 45.0% by Buenos Aires Embotelladora S.A. ("BAESA"). From that date on, ECUSA has been wholly-owned by the Company. ECUSA was formed in November 1994 for the production, bottling and marketing of soft drinks, mineral water and nectar products previously sold by the Company's and BAESA's separate and competing entities. As a result, ECUSA is now the exclusive producer, bottler and distributor in Chile of the Company's proprietary brands and those brands produced under license from PepsiCo Inc. ("PepsiCo"), Cadbury Schweppes plc ("Cadbury Schweppes") and Watt's Alimentos S.A. ("Watt's"). The Company is also the largest bottler and distributor of mineral water in Chile. ECUSA's soft drink and nectar products are produced in three facilities located throughout Chile, and its mineral water is produced in two bottling plants located at the natural sources in the central region of Chile. ECUSA operates its own distribution system in the central and certain southern areas of Chile and distributes its products through the Company's distribution system in conjunction with beer and wine in the northern and southern regions of the country. The Company estimates that its Chilean soft drinks market share by volume has been 24%, 23% and 23% and that its Chilean mineral water market share by volume has been 61%, 57% and 58% in 1997, 1998 and 1999, respectively.

Wine. The Company entered the Chilean wine industry in October 1994 with the acquisition of a 48.4% interest in Viña San Pedro S.A. ("VSP"), Chile's third largest winery and second largest wine exporter. After subsequent investments, the Company has increased its stake in VSP to 60.3% as of December 31, 1999. VSP produces and markets a full range of wine products for both the domestic and export markets. The Company believes that in 1999, VSP's sales by volume amounted to approximately 12% of both total measured domestic industry sales and Chile's total wine export sales. VSP's main vineyard is located in Molina, 200 kilometers south of Santiago. VSP's domestic wine products are distributed through the Company's nationwide distribution system and its export products are sold in 47 different countries through distribution agents.

Distribution Network. In Chile, the Company has an extensive and integrated distribution network for the sale and distribution of beer, soft drinks, mineral water, nectars and wine, including a total of 19 owned or leased warehouses, a network of independent transportation companies and a direct sales force of approximately 900 persons who sell the Company's products to more than 91,000 customers throughout the country. Specifically, the Company maintains one sales force dedicated to the sale of soft drinks, one dedicated to the sale of beer and wine, one dedicated to the sale of all products and another dedicated to "off-the-truck" sales of the Company's full range of products.

In Argentina, the Company's sales and distribution network for its beer products consists of four owned or leased warehouses and a direct sales force reaching approximately 19,100 customers. In mid October 1999, CCU Argentina and BAESA rescinded the distribution agreement under which BAESA distributed CCU Argentina's beer in the greater Buenos Aires metropolitan area. At the same time, CCU Argentina launched its own distribution system in the greater Buenos Aires metropolitan area, incorporating a sales force team of 50 pre-salesmen and outsourcing the beer delivery. The new distribution system services approximately 750 key accounts and another 9,800 clients, as well as 250 supermarket branches in the area.

1.2 Historical Background

The Company was established in 1902 following the merger of two existing breweries. By 1916, the Company owned and operated the largest brewing facilities in Chile. The Company's operations included the production and marketing of soft drinks since 1902 and began bottling and selling mineral water products in 1960.

In 1986, Inversiones y Rentas S.A. ("Inversiones y Rentas"), the Company's principal shareholder, acquired its controlling interest through purchases of common stock, without nominal (par) value (the "Common Stock"), in an auction conducted by a receiver who had assumed control of the Company following an economic crisis in Chile and the resulting inability of the Company to meet its obligations to its creditors. All of CCU's Common Stock is currently owned by private parties. The Common Stock is listed and traded on the principal Chilean stock exchanges. See "—Item 4: Control of Registrant".

In September 1992, the Company issued 4,520,582 ADSs, each representing five shares of the Company's Common Stock, in an international American Depositary Receipt ("ADR") offering. The ADSs were listed and traded on the National Association of Securities Dealers Automated Quotation National Market System ("NASDAQ") until March 25,1999. From that date on, the ADSs have been listed and traded on the New York Stock Exchange ("NYSE").

In 1994, the Company diversified its operations both in the domestic and international markets. In October 1994, the Company purchased a 48.4% interest in the Chilean wine producer VSP. As of December 31, 1999, that interest amounted to 60.3%. In November 1994, the Company and BAESA (the PepsiCo bottler in Chile at that time) merged their respective businesses creating ECUSA for the production, bottling, distribution and marketing of soft drinks and mineral water products in Chile. In November 1999, the Company bought BAESA's interest in ECUSA and therefore controls 100% of that company. In addition, in 1994 through Southern Breweries Establishments ("SBE"), a 50%-owned company, the Company acquired a 26.9% indirect equity interest in Karlovacka, a Croatian brewer. Between 1994 and 1998, the Company increased its equity stake in Karlovacka to 34.4%.

Through CCU Argentina, the Company began its expansion into Argentina by acquiring an interest in two Argentine breweries, 62.7% of the outstanding shares of CICSA during January and February of 1995 and 98.8% of the outstanding shares of CSF in September 1995. Between June and September 1997, CCU Argentina increased its stake in CICSA to 97.2% and in CSF to 99.9% through the purchase of minority interests. In January 1998, the Company 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 of 1998, CCU Argentina completed the purchase of the brands and assets of Cervecería Córdoba, through a US$8 million transaction. After subsequent capital expansions, the Company's stake in CCU Argentina reaches 89.2% and Anheuser-Busch's stake 10.8%.

In addition to its acquisitions in Argentina, the Company signed a license agreement with Anheuser-Busch in 1995 granting it the exclusive right to produce, market, sell and distribute Budweiser beer brand in Argentina.

After a capital increase was approved by CCU's shareholders in October 1996, the Company raised approximately US$196 million between December 1996 and April 1999. Part of this capital expansion was done between December 1996 and January 1997 through the Company's second ADR offering in the international markets.

The Company's principal executive offices are located at Bandera 84, Sixth Floor, Santiago, Chile. The Company's telephone number in Santiago is (56-2) 670-3000.

1.3 The Company's Beer Business

The Company's historical core business, its Chilean beer operation, was first established in 1823. Since 1850, the Company has played a leadership role in the industry, with a business that in 1902, after the merger of different breweries, gave rise to the formation of CCU. In 1994, the Company entered the Croatian beer market through the acquisition of a minority interest in a Croatian brewery, the results of which are not consolidated in the Company's Consolidated Financial Statements. See Notes 1(l) and 9 to the Consolidated Financial Statements. In 1995, the Company began building its presence in Argentina through the acquisition of a majority interest in two Argentine brewing companies, CICSA and CSF.

1.3.1 The Company's Beer Business in Chile

The Chilean Beer Market. The Company estimates that annual beer consumption in Chile was 383 million liters in 1999, or approximately 26 liters per capita.

The following chart shows the Company's estimates for total and per capita consumption levels for beer in Chile for the years 1995 – 1999:

Year	Total Sales Volume (millions of liters)	Per Capita (liters)
1995	400	28
1996	394	27
1997	396	27
1998	399	27
1999	383	26

The Company estimates that the total beer market decreased approximately 4.0% in terms of volume sold during 1999 as compared to 1998. The effect of the slowdown in Latin American economies began in the second half of 1998 and worsened during 1999 with an increase in the unemployment level and a reduction in consumer spending. However, signs of recovery were evident by the fourth quarter of 1999.

Virtually all of the beer consumed in Chile is produced by three Chilean manufacturers: the Company, Cervecería Chile S.A. ("Cervecería Chile") and Embotelladoras Coca-Cola Polar S.A. ("Polar"), whose principal brands of beer in Chile are Cristal, Becker and Austral, respectively. According to the Company's estimates, during 1999, the Company, Cervecería Chile and Polar accounted for 90%, 8% and less than 1% of total beer sales in Chile, respectively. Due to the high costs of shipping beer to Chile and Chile's returnable glass bottle system, sales of imported beer are not significant, representing an estimated 2% of total beer industry volume in 1999.

Wholesale and retail beer prices are not regulated in Chile. Wholesale prices are subject to negotiation between the producer and the purchaser. Retailers determine retail prices to the final consumer. The Company believes 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 take-out), the type of packaging (returnable or non-returnable), the desired profit margins and the geographical location of the retailer.

Beer Production and Marketing in Chile. The production of beer in Chile is the Company's principal activity, generating net sales of Ch$118,479 million, Ch$118,262 million and Ch$112,483 million or 42.4%, 41.1% and 38.7% of the Company's total net sales in 1997, 1998 and 1999, respectively. The Company's sales of beer by volume in Chile decreased 5.1% in 1999. As a percentage of the Company's total net sales, net sales of beer in Chile have declined in recent years principally as a result of the Company's expansion and diversification into the Argentine beer and Chilean wine businesses.

The Company produces and markets super-premium, premium, medium-priced and popular-priced beers. The following table shows the Company's proprietary brands, brands produced under license and brands imported under license for the Chilean market:

Super-Premium beer brands	Premium beer brands	Medium-Priced beer brands	Popular-Priced beer brands
Royal Guard	Cristal	Escudo	Morenita
Royal Light			Dorada
Budweiser (1)			
Paulaner (1) (2)			
Guinness (2)			

(1) Imported
(2) Produced under license

Cristal is the Company's principal and best selling beer brand in Chile. Escudo, Chile's second most popular beer, is a beer with a higher alcohol content than the Company's other beers. Royal Guard is the Company's single, proprietary, super-premium brand. Royal Light is a light beer extension of the Royal Guard line and contains a lower alcohol content. Morenita is a dark beer and Dorada is a discount brand.

In 1999, the Company exported a limited amount of beer. Export sales of beer accounted for less than 1% of the Company's net sales in 1999. Although the Company continually explores export opportunities, it does not expect beer exports to be a significant source of sales in the future since the Company's primary focus is on the domestic market.

The Company also produces, imports and markets Paulaner beer in Chile under an exclusive license agreement with Paulaner Brauerei AG ("Paulaner"), a German company. This license, granted in 1990, also permits the Company to sell Paulaner beer produced by the Company in other Latin American countries subject to the licensor's previous consent. Under the terms of the license, the Company cannot produce or distribute under license, import or promote any beer other than beer of its own proprietary brands without the prior consent of Paulaner, subject to certain exceptions. The license agreement, with an initial term of ten years beginning in May 1990, was amended in 1995 to provide for the Company's exclusive production in Chile of an additional super-premium beer under the Paulaner label and the Company's exclusive distribution in Chile of a variety of additional imported Paulaner products. The term of the amended contract was signed in May 1995 and is renewable for successive five-year periods beginning in the year 2000. Paulaner is a subsidiary of the Schörghuber Group, one of the two beneficial shareholders of Inversiones y Rentas, CCU's major shareholder. See "—Item 4: Control of Registrant" and "Item 13: Interest of Management in Certain Transactions". The Company's total net sales of Paulaner beer accounted for Ch$792 million, or approximately 0.7% of its total net sales for beer in Chile in 1999.

In March 1995, a distribution agreement was signed between the Company and Guinness Brewing Worldwide Limited, represented by Guinness Brewing Worldwide Americas and Caribbean ("Guinness"), pursuant to which Guinness appointed the Company as the exclusive distributor in Chile of canned Draught Guinness beer and other products upon mutual agreement. Under the license, prior authorization from Guinness is required if the Company wishes to produce any kind of dark beer similar to the licensor's product, with the exception of Morenita proprietary beer brands. In April 1997, the Company signed a contract to produce Guinness locally. The contract, which amends the original one, is effective through March 2007 and is automatically renewable by mutual consent for an additional ten-year period. The Company's local production and distribution of Guinness is permitted under the Company's licensing agreement with Paulaner. The Company's total net sales of Guinness accounted for Ch$147 million in 1999, representing less than 0.1% of the Company's total net sales for beer in Chile.

In December 1996, the Company replaced its preliminary agreement for the distribution of imported Budweiser beer in Chile with a final agreement which granted the Company exclusive rights to distribute Budweiser beer in Chile and a right of first refusal in favor of the Company with respect to the distribution of all other Anheuser-Busch beers in Chile. The term of this final agreement is five years. During 1999, the Company's total net sales of Budweiser in Chile accounted for Ch$1,239 million, or approximately 1.1% of the Company's total net sales for beer in Chile.

The Company's beer products sold in Chile are bottled or packaged in returnable and non-returnable glass bottles, aluminum cans or stainless steel kegs at the Company's production facilities in the Chilean cities of Santiago, Temuco, Osorno and Antofagasta. During 1998 and 1999, the Company sold its beer products in Chile in the following packaging formats:

Container	Percentage of Total Beer Products Sold 1998	1999
Returnable (1)	83%	82%
Non-Returnable (2)	12%	13%
Returnable Kegs (3)	6%	6%
Total	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 50 liters.

The Company obtains all of its glass bottles and cans from third party suppliers. See "—Raw Materials" and "—The Company's Other Businesses".

The Company distributes its beer products directly throughout Chile to (i) small and medium sized retail outlets, which in turn sell beer to consumers for take-out consumption ("Retailers"), (ii) retail establishments such as restaurants, hotels and bars for on-premise consumption ("Bars and Restaurants"), (iii) wholesalers and (iv) supermarket chains. In 1998 and 1999, the percentage mix of the above distribution channels for the Company's beer products in Chile was as follows:

Distribution Channels	Percentage of Total Beer Products Sold 1998	1999
Retailers	41%	39%
Bars and Restaurants	22%	20%
Wholesalers	25%	25%
Supermarkets	12%	15%
Total	100%	100%

As of December 31, 1999, the Company had more than 38,000 customers in Chile for its beer products, none of which accounted for more than 4% of its total beer sales by volume. The Company does not maintain any long-term contractual arrangements for the sale of beer with any of its customers in Chile.

The following table sets forth the Company's beer sales volume in Chile, by category, during each of the last five years:

Category	1995	1996	1997	1998	1999
			(in millions of liters)		
Super-Premium	10.9	12.6	15.1	13.2	12.8
Premium	246.7	256.2	269.7	272.7	246.5
Medium-Priced	45.4	43.5	41.9	41.9	50.5
Popular-Priced	41.3	36.6	33.6	34.3	33.9
Other Brands	0.2	0.0	0.1	0.1	0.3
Total	344.5	348.9	360.4	362.3	344.0

The above figures do not include (i) export sales to third parties, which amounted to 0.7 and 0.5 million liters in 1998 and 1999, respectively, or (ii) export sales to affiliates, which amounted to 4.8 and 0.2 million liters in 1998 and 1999, respectively.

The real average price to the Company's customers for beer products in Chile has increased from Ch$313 per liter in 1994 to Ch$327 per liter in 1999. The prices' five-year compounded annual growth rate ("CAGR") was 0.9%.

Beer production in 1999 was centralized in the Santiago and Osorno plants in addition to the bottling facility in Antofagasta. The startup period of the Temuco plant commenced in December 1999, replacing the closed plant of Concepción. For a more detailed discussion of the Company's capital expenditure program, see "—Capital Expenditures".

Raw Materials. The principal raw materials used in the Company's production of beer are barley (used to make malt), rice, water and hops. The Company obtains its supply of barley from local growers and in the international market. During 1998, the Company made contractual arrangements with approximately 220 farmers in Chile to provide supplies of barley in order to satisfy a portion of the Company's requirements. Additionally, during 1999 the Company imported 7,800 tons of barley as well as 20,900 tons of malt. Local or external suppliers, under medium term contracts, provided the remaining 53% of the Company's malt requirements. In April 1998, the Company sold its malting facilities to a third party and arranged a long-term malting contract with the buyer of these facilities. Rice is obtained from local and international suppliers in spot transactions and/or annual contract agreements. The Company pre-treats rice in order to ensure that it meets its standards of quality. The Company imports hops mainly pursuant to contracts with international suppliers, primarily in the United States and Europe, which permit the Company to secure supplies for periods of up to four years.

Although water does not represent a major raw material cost, it is nonetheless essential in the production of beer. The Company obtains all of its water from wells located at its plants and/or from public utilities in Chile. The water is treated at facilities located at the Company's plants to remove impurities and to adjust the characteristics of the water before it is used in the production process.

The Company maintains testing facilities at each of its plants and factories where raw materials are tested. Additionally, samples of beer are analyzed at various stages of production to ensure product quality.

The Company generally purchases all of the glass bottles used in packaging its beer from the major national supplier in Chile, Cristalerías Chile S.A. ("Cristalerías Chile"), under a one-year agreement. In addition, other sources, principally in Argentina, can be used when price and delivery terms are favorable. During 1999, approximately 80% of the Company's requirements for aluminum cans was imported, while the remaining amount was supplied by local suppliers. The Company's larger aluminum cans, as well as the larger kegs used for draft beer, are purchased from various suppliers outside Chile. The Company obtains the labels for its beer products principally from local suppliers. However, suppliers in Europe furnish certain special labels. Crowns and screw caps are principally purchased from a single supplier in Chile.

The Company believes that all of the contracts or other agreements between the Company and third party suppliers, with respect to the supply of raw materials for beer products, contain standard and customary commercial terms and conditions. The Company does not believe it is dependent on any one supplier for a significant portion of its important raw materials. During the past ten years, the Company has experienced no material difficulties in obtaining adequate supplies of necessary raw materials at satisfactory prices, nor does it expect to do so in the future.

Sales, Transportation and Distribution. The Company distributes all of its beer products in Chile directly to retail, supermarket and wholesale customers. This system enables the Company to maintain a high frequency of contact with its customers, obtain more timely and accurate marketing-related information, and maintain good working relationships with its retail customers.

During 1999, after production, bottling and packaging, the Company's beer was either stored at one of the four production facilities or transported to a network of 15 warehouses which are located throughout Chile and are either owned or leased by the Company. With the replacement of the Concepción plant by the Temuco plant, which commenced its start-up period in November 1999, the number of production facilities remained the same, while the number of warehouses increased to 16 with the addition of ECUSA's Talcahuano warehouse. Beer products are generally shipped from the region of production to the closest warehouse, allowing the Company to minimize its transportation and delivery costs.

During 1999, the Company maintained one sales force responsible for its sales of beer and other products in Chile. This sales force was divided into two categories: one exclusively responsible for sales of beer and wine through a pre-sell system, and the other responsible for sales of beer, wine and soft drinks products through both pre-sell and direct-sell systems.

In 1999, beer represented 73.7% of the volume sold by the beer division distribution system in Chile. The remaining 26.3% of sales volume was accounted for by soft drinks, mineral water and wine sales. The Company's customers make payment for the Company's products either by cash at the time of delivery or in accordance with one of various credit arrangements. Payment on credit sales for beer is generally due 30 days from the date of delivery. Credit sales accounted for 18.9%, 22.7% and 25.7% of the Company's beer sales in Chile in 1997, 1998 and 1999, respectively. Losses on credit sales of beer in Chile have not been material.

During the last four years, with the goal of improving customer service and optimizing distribution efficiency, the Company implemented, in the larger cities, a distribution software package that enables delivery personnel to automatically generate client dispatch routes. To decrease distribution costs, the Company is in the process of consolidating its distribution centers, resulting in fewer and larger warehouses strategically located throughout the country for more efficient distribution.

Seasonality. As a result of the seasonality of the beer industry, the Company's 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 the Company's annual sales volume of beer in Chile by quarter in 1997, 1998 and 1999:

Year	Quarter	Sales Volume (millions of liters)	% of Annual Sales Volume
1997	1st quarter	104.4	29.0
	2nd quarter	68.3	18.9
	3rd quarter	73.6	20.4
	4th quarter	114.1	31.7
	Total	360.4	100.0
1998	1st quarter	108.7	30.0
	2nd quarter	69.1	19.1
	3rd quarter	71.7	19.8
	4th quarter	112.8	31.1
	Total	362.3	100.0
1999	1st quarter	104.1	30.3
	2nd quarter	59.9	17.4
	3rd quarter	66.1	19.2
	4th quarter	113.9	33.1
	Total	344.0	100.0

Geographical Markets. The Company's main beer production facility is located in Santiago. Santiago and the surrounding areas (referred to as the Metropolitan Region) accounts for approximately 40% of the population of Chile and accounted for approximately 41% of the Company's beer sales by volume in 1999. The Company also has two additional beer production facilities (Temuco and Osorno) and one additional bottling facility (Antofagasta) located outside the Santiago metropolitan area. Virtually all brands are distributed to customers located within the geographic areas of the corresponding production facilities.

Competition. The Company's principal competitor in the beer business is Cervecería Chile (a subsidiary of Quilmes Industrial S.A. ("Quilmes") of Argentina), which commenced operations in Chile during the second half of 1991 resulting in a loss of market share for the Company. Nevertheless, since its market share low of 86% in 1994 and 1995, the Company has regained market presence. In 1999, the Company had a 90% market share.

The Company's estimated share of the Chilean beer market over the last five years is as follows:

The Company's Chilean Market Share for Beer	
Year	Estimated Market Share
1995	86%
1996	89%
1997	91%
1998	91%
1999	90%

Cervecería Chile has one production facility located in Santiago and distributes its products in all areas of Chile except for Regions XI and XII, located in the southernmost parts of the country. Cervecería Chile uses third party distributors in Regions I and II in the north, and in Region X in the south. The Company estimates that the sales of Cervecería Chile's brands of beer by volume accounted for approximately 7% and 8% of total beer sales in 1998 and 1999, respectively. The Company estimates that Cervecería Chile has an annual production capacity of approximately 70 million liters which represents approximately 10% of the Company's annual nominal production capacity in Chile.

The Company's other domestic competitor in the beer business is Polar, which operates a brewery located in Punta Arenas, a city in the extreme south of Chile. The Company estimates that in both 1998 and 1999 sales of Polar's beer products accounted for less than 1% of total beer sales by volume in Chile.

Due to the high cost of shipping beer to Chile and the competitive advantage inherent to domestic producers as a result of Chile's returnable glass bottle system, imported beer is not a significant component of the Chilean beer market. The Company estimates that imports accounted for approximately 2% of total beer sales by volume during 1999.

Although there are currently no significant legal or regulatory barriers to entering the Chilean beer market, substantial investment would be required to establish or acquire production and distribution facilities and bottles for use in Chile's proprietary returnable bottling system, and to establish a critical mass in sales volumes. Nevertheless, if long-term economic conditions in Chile continue to be favorable, other enterprises may be expected to attempt to enter the country's beer market. In addition, the Company's beer brands in Chile may face increased competition from other alcoholic beverages such as wine and spirits, as well as from non-alcoholic beverages such as soft drinks.

1.3.2 The Company's Beer Business in Argentina

Overview. In December 1994, the Company established its Argentine subsidiary, CCU Argentina, in order to develop a presence in the Argentine beer market. During January and February 1995, the Company, through CCU Argentina, acquired a 62.7% interest in CICSA, a brewery located in the city of Salta, 1,600 kilometers northwest of Buenos Aires. In September 1995, CCU Argentina expanded its operations by purchasing 98.8% of CSF, a brewery located 450 kilometers northwest of Buenos Aires in the city of Santa Fe.

In December of 1995, the Company entered into a joint venture agreement pursuant to which Anheuser-Busch acquired a 4.4% interest in CCU Argentina. Under the agreement, Anheuser-Busch maintains an option, which expires in 2005, to expand its stake in CCU Argentina to 20%. This agreement has an extension of 20 years and grants CCU Argentina the exclusive right to produce, package, market, sell and distribute Budweiser beer in Argentina. In November 1999, after a capital expansion, Anheuser-Busch increased its stake in CCU Argentina to 10.8% and the Company reduced its participation to 89.2%.

Between 1996 and 1999, the Company and Anheuser-Busch invested approximately US$194 million and US$18 million in CCU Argentina, respectively. The following chart outlines the timing and specific amounts of both the Company and Anheuser-Busch's capital increases in CCU Argentina:

CCU Argentina's Capital Increases
(US$ Millions)

Date	**The Company**	**Anheuser-Busch**	**Total Capital Increase**
1st Quarter 1996	US$ 40	US$ 2	US$ 42
3rd Quarter 1996	47	2	49
4th Quarter 1996	24	1	25
3rd Quarter 1997	38	2	40
4th Quarter 1998	40	10	50
4th Quarter 1999	5	1	6
Total	US$ 194	US$ 18	US$ 212

Amongst other things, this capital was used to prepay debt incurred to acquire the initial stake in CICSA and CSF, to increase CCU Argentina's stake in these subsidiaries, to increase plant capacity, to purchase land in Zárate (a region close to Buenos Aires), to purchase the brands and assets of Cervecería Córdoba, to reduce short term debt and to buy a new canning line for the Santa Fe plant.

In January of 1998, the Company merged its two subsidiaries, CICSA and CSF. Currently both plants operate under the CICSA name. After the merger of CICSA and CSF, CCU Argentina holds a 99.2% interest in CICSA.

In April of 1998, CCU Argentina paid approximately US$8 million to acquire the brands and assets of Cervecería Córdoba. After the solution of certain labor issues, the Company began the production of the Córdoba brand at the Company's Santa Fe plant during mid 1998.

The Argentine Beer Market. The Argentine beer market is estimated by the Company to be more than three times the size of Chile's. Traditionally, beer and wine have been the principal alcoholic beverages consumed in the country. The Company estimates that annual beer consumption in Argentina was 1,265 million liters, or approximately 34 liters per capita in 1999. The table below sets forth the Company's estimates of beer consumption in Argentina during each of the last five years:

Year	Volume (in millions of liters)	Per Capita(1) (liters)
1995	1,118	32
1996	1,169	33
1997	1,257	35
1998	1,238	34
1999	1,265	34

(1) Population estimated based on Argentina's national census of 1991.

The Company estimates that total beer consumption in Argentina increased at a five-year CAGR of 2.4%. During 1999, the Argentine beer market increased slightly, arriving to levels similar to 1997. The increased competition from new entrants to the industry and corresponding increases in advertising and marketing activity, partially offset the negative influences of the Argentine economic situation.

Wholesale and retail prices of beer are not regulated in Argentina. Wholesale prices are subject to negotiation between the producer and the purchaser. The retailers themselves establish retail prices to the final consumer. The Company believes that the key factors determining retailers' prices include: national and/or local price promotions offered by the producer, the nature of product consumption (on-premise or take-out), the type of product packaging (returnable or non-returnable), the desired profit margins and the geographical location of the retailer.

Beer Production and Marketing in Argentina. The Company's production of beer in Argentina generated net sales of Ch$34,874 million, Ch$36,768 million and Ch$43,380 million representing 12.5%, 12.8% and 14.9% of the Company's total net sales in 1997, 1998 and 1999, respectively.

The Company produces and markets premium-priced and medium-priced beers in Argentina. The following table shows the Company's principal brands produced and imported under license in Argentina:

Premium-Priced	Medium-Priced
Budweiser (1) (2)	Schneider
Guinness (1)	Salta
	Santa Fe
	Córdoba
	Río Segundo
	Rosario

(1) Imported
(2) Produced under license

Schneider is the Company's principal proprietary brand in Argentina, accounting for 39.3% of the Company's Argentine sales volume in 1999. The Company began local production of Budweiser brand beer in December 1996 and has increased sales of that brand at a strong pace ever since. Budweiser beer represented 24.2% of the Company's Argentine sales volume in 1999. The Company's Schneider brand is sold in two varieties, regular lager and dark; the Salta and

Santa Fe brands are sold in those two varieties and an additional special lager variety. The Córdoba brand is sold only as a regular lager. During 1997, the Company began to import Guinness beer from Ireland, making Argentina one of the two countries in South America where Guinness draught is sold. During 1999, the Company exported 213,843 liters of beer from Argentina, representing less than 1% of CCU Argentina's beer sales volume.

The Company's beer products are bottled or packaged in returnable and non-returnable glass bottles, aluminum cans, or stainless steel kegs at the Company's production facilities. During 1998 and 1999, the Company sold its beer products in Argentina in the following packaging formats:

Percentage of Total Beer Products Sold			
Container		**1998**	**1999**
Returnable (1)		93%	93%
Non-Returnable (2)		5%	5%
Returnable Kegs (3)		2%	2%
	Total	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 refer to stainless steel containers which have capacities of either 30 or 50 liters.

The Company obtains all of its glass bottles from third-party suppliers located in Argentina and Brazil and stainless steel kegs from third-party suppliers in Germany. The Company is importing pre-packaged canned beer until the installation of the new canning line in the Santa Fe plant is completed. See "—Raw Materials".

In Argentina, though most beer is sold to wholesalers, the Company also sells its products to retailers and supermarket chains. In 1998 and 1999, the percentage mix of the above distribution channels for the Company's beer products in Argentina was as follows:

Percentage of Total Beer Products Sold		
Distribution Channels	**1998**	**1999**
Wholesalers	85%	81%
Retailers	7%	11%
Supermarkets	8%	8%
Total	100%	100%

In 1999, the Company sold to approximately 19,100 customers in Argentina none of which individually accounted for more than 15% of its total beer sales by volume. On October, 1999, by mutual consent, the Company and BAESA terminated their distribution contract, which represented approximately 15% of the Argentine beer sales volume. In October 1999, a Company-owned distribution system, consisting of a proprietary sales force and outsourced warehousing and delivery, replaced BAESA's distribution system.

The following table sets forth the Company's beer sales volume in Argentina by category during each of the last four years:

Category	1996	1997	1998	1999
		(in millions of liters)		
Premium	3.8	26.6	35.1	38.5
Medium-Priced	96.6	115.7	110.4	119.2
Total	100.5	142.3	145.5	157.7

The real average net price to the Company's customers for its beer products in Argentina has increased at a five year compounded annual growth rate of 2.3%, from Ch$250 per liter in 1995 to Ch$275 per liter in 1999.

The license agreement between CCU Argentina and Anheuser-Busch, which provides CCU Argentina with the exclusive right to produce, package, market, sell and distribute Budweiser beer in Argentina, has an initial term of 20 years commencing in February 1996. Among other things, the license agreement includes provisions for both technical and marketing assistance from Anheuser-Busch. Under the license agreement, CCU Argentina is obligated to purchase certain raw materials from Anheuser-Busch or from suppliers approved by Anheuser-Busch. CCU Argentina cannot produce, package, sell or distribute within Argentina any North American beer other than the licensed product without the prior written consent of Anheuser-Busch. The Company began distribution of its locally produced Budweiser in December 1996. See "—Sales, Transportation and Distribution". In addition, the license agreement is subject to certain specified market share targets and marketing expenditures.

Raw Materials. The principal raw materials used in the production of the Company's beer products in Argentina are barley (used to make malt), corn syrup, rice and hops. During 1999, the Company continued obtaining malt and rice from regional suppliers, benefiting from the lower costs, as compared to imported materials. The Company obtains rice from suppliers in Uruguay and malt from suppliers in Argentina.

In Argentina, the Company owns storage facilities which are normally capable of storing all of the barley and/or malt in the Company's inventory at any given time. Additional storage capacity can be leased if required. Other raw materials are obtained from local and international suppliers in spot transactions and/or annual contracts. All purchased raw materials are tested in order to ensure that they meet certain standards of quality.

Although water does not represent a major raw material cost, it is nonetheless essential in the production of beer. The Company's operation in Salta obtains all of its water from wells located at its plant, and the Santa Fe operation obtains all of its water from the Paraná river. The water is treated at facilities located at the Company's plants to remove impurities and adjust the characteristics of the water before it is used in the production process.

The Company maintains testing facilities at each of its plants and factories in which raw materials are analyzed according to the Company's standards. Additionally, samples of beer are analyzed at various stages of production to ensure product quality. Samples of Budweiser are periodically sent to Anheuser-Busch facilities in the United States to verify consistency and quality of the Budweiser product.

The Company purchases all of its glass bottles locally from various suppliers. Other sources, principally in Brazil, can be used when price and delivery terms are favorable. As the Company does not operate any canning line in Argentina, at this time, pre-packaged canned Budweiser beer and the Company's proprietary brand canned beers are imported from the United States and Chile, respectively. However, the Company is currently installing in the Santa Fe plant a canning line that will be ready to operate by October 2000. With this new canning line, all of Budweiser beer commercialized in the Argentine market will be produced in the Santa Fe plant. Moreover, the Company's proprietary brand canned beer will also be locally produced. Kegs used for draft beer are purchased from various suppliers in Germany. Plastic storage and carrying crates, as well as the labels for beer products and crowns, are obtained from local suppliers.

The Company believes that all contracts or other agreements between the Company and third party suppliers, with respect to the supply of raw materials for beer products, contain standard and customary commercial terms and conditions. The Company does not believe it is dependent on any one supplier for a substantial portion of its raw materials in Argentina. The Company has experienced no significant difficulties in obtaining adequate supplies of necessary raw materials at satisfactory prices and does not expect it will in the future.

Sales, Transportation and Distribution. The Company's beer products in Argentina are principally sold to wholesalers in the regions surrounding the cities of Santa Fe, Salta, Córdoba and Buenos Aires.

After production, bottling and packaging, the Company's beer is either stored at the production facilities or transported to a network of four warehouses leased by the Company. Beer products are generally shipped to those warehouses, which are located within the region in which the beer products are sold.

Most of the Company's beer in Argentina is sold and distributed through third party sales and distribution chains. As of December 31, 1999, the Company had a direct sales force which sold the Company's beer products to approximately 18,500 customers within the Salta, Santa Fe, Córdoba, Rosario and greater Buenos Aires metropolitan area.

A distribution agreement that had been signed in December 1995 between CCU Argentina and BAESA, pursuant to which BAESA distributed Budweiser brand beer and the Company's proprietary beer brands throughout the greater Buenos Aires metropolitan area was rescinded by mutual consent in October 1999. At the same time, CCU Argentina launched its own distribution system in the greater Buenos Aires metropolitan area, incorporating a sales force team of 50 salesmen, and outsourcing the beer delivery and warehousing. This new distribution system services approximately 750 key accounts, 250 supermarket branches and other 9,800 clients in the area.

The Company's Argentine beer customers make payments for the Company's products either by cash at the time of delivery or through one of the Company's various credit arrangements. Payment on credit sales is generally due 30 days from the date of delivery. Credit sales accounted for 94%, 93% and 91% of the Company's beer sales in Argentina in 1997, 1998 and 1999, respectively. Losses on credit sales of beer in Argentina have not been material.

Seasonality. As a result of the seasonality of the beer industry, the Company's 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 Argentina). The following table shows the annual sales volume of beer in Argentina during each quarter in 1997, 1998 and 1999:

Year	Quarter	Sales Volume (millions of liters)	% of Annual Sales Volume
1997	1st quarter	41.8	29.4
	2nd quarter	24.2	17.0
	3rd quarter	27.8	19.5
	4th quarter	48.5	34.1
	Total	142.3	100.0
1998	1st quarter	34.3	23.6
	2nd quarter	25.6	17.6
	3rd quarter	31.2	21.5
	4th quarter	54.3	37.3
	Total	145.5	100.0
1999	1st quarter	47.6	30.2
	2nd quarter	25.7	16.2
	3rd quarter	30.0	19.0
	4th quarter	54.6	34.6
	Total	157.9	100.0

Geographical Markets. The Company's beer production facilities in Argentina are located in Santa Fe and Salta. Santa Fe and its surrounding areas account for approximately 8.4% of the population of Argentina and for approximately 30.0% of total beer sales of CCU Argentina by volume in 1999. The region surrounding and including the cities of Salta and Jujuy account for approximately 4.4% of the population of Argentina and for approximately 11.4% of total beer sales of CCU Argentina by volume in 1999. The region surrounding and including the city of Córdoba accounts for approximately 8.5% of the Argentine population and represents approximately 14.9% of the Company's sales. Lastly, the province of Buenos Aires accounts for approximately 47.0% of the population of Argentina and for approximately 18.1% of total beer sales of CCU Argentina by volume in 1999.

Competition. Since 1998, after the Company's purchase in April of Cervecería Córdoba, the Argentine beer market consisted of five brewing groups: Quilmes, the Company, Companhia Cervejaria Brahma ("Brahma"), Warsteiner Brauerei Hans Cramer GmbH & Co. ("Warsteiner") and Cervecería Estrella de Galicia S.A. ("Galicia"). The principal brands of these companies are Quilmes, Schneider, Brahma, Isenbeck and San Carlos, respectively. According to the CICA and the Company's estimates for Brahma and Isenbeck, the different brewing groups had the following market shares in 1999: Quilmes, 70%; the Company, 13%; Brahma, 13%; Warsteiner, 4%; and Galicia, less than 1%.

The following table shows the Company's market share in the Argentine market over the past four years:

The Company's Argentine Market Share for Beer

Year	Estimated Market Share
1996	9%
1997	11%
1998(*)	12%
1999	13%

(*) Includes Córdoba which had a 0.5% market share in 1998.

Quilmes, the beer market leader in Argentina and the Company's principal competitor, also has beer operations in Chile, Paraguay, Uruguay and Bolivia. In February 1997, Quilmes purchased Cervecería Bieckert S.A. ("Bieckert") in Argentina, and, as a result of that acquisition, increased its production capacity by approximately 170 million liters, increased its market share by an estimated 4.9%. As of December 31, 1999, Quilmes had six breweries in Argentina with an estimated total annual production capacity of 1.5 billion liters (including Bieckert's brewery). Quilmes' large size enables it to benefit from economies of scale in the production and distribution of beer throughout Argentina.

Quilmes' estimated 1999 average market share has decreased to 70% (including Bieckert) from the 82% market share in late 1994. At that time, Brahma, one of the two largest beer producers in Brazil, commenced production at its new brewery in Luján, near Buenos Aires. In addition, Warsteiner, a large German brewer, commenced production at its new brewery in Zárate, also near Buenos Aires. The annual production capacity for these breweries is estimated to be approximately 250 million liters and 138 million liters, respectively. Prior to commencing production in Argentina, Brahma and Warsteiner competed in the Argentine market with imported beer. The other competitor, Galicia, has one plant with a total annual capacity of approximately 25 million liters.

Due to the high cost of shipping beer to Argentina and the competitive advantage inherent to domestic producers as a result of Argentina's returnable glass bottle system, the Company estimates that imported beer sales accounted for less than 1% of the total sales volume in 1999.

The Company's beer brands in Argentina also face competition from other alcoholic beverages such as wine and spirits, as well as from non-alcoholic beverages such as soft drinks. Excise taxes for the beverage industry in Argentina have been subject to variations in the past. The last modification was in 1999 and are applicable since January 2000. The following table shows the new Argentine excise beverage taxes:

Product Type	Old Excise Taxes	New Excise Taxes
Non-Alcoholic Beverages		
Cola Soft Drinks	4%	8%
Flavored Soft Drinks, Mineral Water and Juices	0%	4%
Alcoholic Beverages		
Beer	4%	8%
Whiskey	12%	20%
10-29% Alcohol Content	6%	12%
30% or more Alcohol Content	8%	15%

Future changes in excise taxes in Argentina could adversely affect the Company's sales volume, market share and operating margins.

1.3.3 The Company's Beer Business in Croatia

The Company owns a 34.4% economic interest in Karlovacka Pivovara d.d., through its 50% stake in SBE. Karlovacka Pivovara operates a brewery located in Croatia with a single production facility. At December 31, 1999, the Company's total investment in SBE was Ch$10,265 million. SBE, which is not a consolidated subsidiary of the Company, contributed Ch$913 million of the Company's non-operating income in 1999. The Company's investment in Karlovacka is recorded by the equity method and therefore accounted for in the "Other assets" line of the Company's balance sheet. See Note 9 to the Consolidated Financial Statements.

Karlovacka has been in operation since 1856 and is one of the largest beer producers in Croatia, with production volume representing an estimated 28% of total industry production in 1999. Karlovacka operates one production facility located in the city of Karlovac and nine distribution centers throughout the country. Karlovacka's proprietary beer brands include Karlovacka Svijetlo and Rally (a non-alcoholic beer). In addition, at the end of 1997, Karlovacka began importing and distributing Paulaner products, including Helles, Pils, and Weissbier types of beer. Karlovacka's current annual production capacity is approximately 198 million liters. In 1999, Karlovacka sold 101 million liters of beer. Net income for Karlovacka was approximately 40.9 million kunas (Ch$2,833 million) in 1999.

1.4 The Company's Soft Drinks and Mineral Water Business

1.4.1 The Company's Soft Drinks and Mineral Water Business in Chile

Overview. The Company has produced and sold soft drinks in Chile since 1902. Prior to November 1994, the Company independently produced, bottled and distributed carbonated and non-carbonated soft drinks in Chile. The Company's line of soft drink products included its own proprietary brands, in addition to brands produced under license from Cadbury Schweppes (Orange Crush, Canada Dry Agua Tónica, Canada Dry Ginger Ale and Canada Dry Limón Soda).

Under a similar licensing arrangement with Watt's, a local fruit related products company, the Company has bottled and distributed Watt's nectars products in Chile since 1987. In addition, under its two proprietary brand names, Cachantun and Porvenir, the Company bottled and nationally distributed mineral water from its own two natural sources located within the central region of Chile.

In November 1994, the Company merged its soft drinks and mineral water businesses with the one owned by BAESA in Chile (PepsiCo bottler at that time) creating ECUSA for the production, bottling, distribution and marketing of soft drinks and mineral water products in Chile. On November 29, 1999, the Company purchased 45% of ECUSA's shares owned by BAESA for approximately US$69.5 million. Since that date, the Company has owned 100% of ECUSA's shares. However, the Company has had control of ECUSA since January 1998 after the shareholders agreement was amended.

The Chilean Soft Drinks and Mineral Water Market. Commercial soft drinks production was first established in Chile by the Company in 1902, and mineral water production began in 1960. The Company estimates that annual carbonated soft drinks consumption in Chile was 1,346 million liters or approximately 90 liters per capita, in 1999. The Company also estimates that consumption of mineral water, including both carbonated and non-carbonated types, was 111 million liters or approximately 7 liters per capita, in 1999.

The table below sets forth the Company's estimates of total and per capita carbonated soft drinks and mineral water sales in Chile during each of the last five years:

Carbonated Soft Drinks and Mineral Water Sales

	Volume (1) (millions of liters)			Liters Per Capita (2)		
Year	**Soft Drinks**	**Mineral Water**	**Total**	**Soft Drinks**	**Mineral Water**	**Total**
1995	1,122	81	1,202	79	6	85
1996	1,235	90	1,324	86	6	92
1997	1,338	101	1,439	91	7	98
1998	1,350	111	1,462	91	8	99
1999	1,345	111	1,456	90	7	97

(1) Based on Company sales data and publicly available information from competitors and equity research analyst reports.
(2) Population estimated in accordance with the national census of April 1992.

The Company estimates that during 1999, sales volumes in both the soft drinks and mineral water industries decreased 0.4% as compared to 1998. The Company believes this volume decrease can be attributed to the tightened macro-economic situation during 1999.

The soft drinks market in Chile consists of both carbonated and non-carbonated beverages. The principal types of carbonated beverages are colas and non-colas. The principal non-carbonated beverages are fruit nectars and fruit juices, which are estimated to have accounted for less than 3% of the Company's total soft drinks sales by revenues in 1999.

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

Type	1997	1998	1999
Colas	52%	55%	57%
Non-colas	48%	45%	41%
Total	100%	100%	98% (1)

(1) The remaining 2% correspond to supermarket brands, which are not classified as colas or non-colas

Since the creation of the ECUSA joint venture in November 1994, the two main soft drinks producer groups in Chile have been (i) the licensees of The Coca-Cola Company ("TCCC") (consisting of three companies with 13 bottling plants) and (ii) the Company. Since August 1998, private labels have had an increasing participation in the industry, representing 1.6% of the total soft drinks sales in Chile in 1999. Distribution of these brands are concentrated in the supermarket channel where they constituted 4.8% market share in 1999. Due to the strong presence of local producers, the high cost of transportation and the existing returnable bottle system that accounts for a large portion of soft drinks sales volume, the Company believes that there is no significant market for imported soft drinks in Chile, which were estimated to represent less than 1% of all soft drinks sales by volume in 1999.

The mineral water market in Chile is comprised of both carbonated and non-carbonated water. As with the soft drinks market, approximately 94% of all mineral water in Chile is processed and marketed by two entities, the Company and Vital S.A., a subsidiary of TCCC. The Company's mineral water products have been produced through its ECUSA subsidiary since November 1994.

Wholesale and retail prices of both soft drinks and mineral water products are not regulated in Chile. The Company believes that the key factors determining retailers' prices include any national and/or local price promotions offered by the manufacturer, the nature of product consumption (on-premise or take-out), the type of product packaging (returnable or non-returnable), the desired profit margins and the geographical location of the retailer.

The Company's Soft Drinks, Mineral Water and Nectar Production and Marketing in Chile. The Company's soft drinks, nectar and mineral water production and marketing in Chile generated net sales of Ch$92,072 million, Ch$89,613 million and Ch$84,322 million, or 32.9%, 31.2% and 29.0% of the Company's total net sales, in 1997, 1998 and 1999, respectively.

The following table shows the soft drinks and mineral water brands produced by the Company through ECUSA:

Brand	Product	Category	Affiliation
Bilz	Soft Drink	Non-Cola Proprietary	CCU Proprietary
Pap	Soft Drink	Non-Cola Proprietary	CCU Proprietary
Kem Piña	Soft Drink	Non-Cola Proprietary	CCU Proprietary
Ginger Ale	Soft Drink	Non-Cola Licensed	Cadbury Schweppes
Agua Tónica	Soft Drink	Non-Cola Licensed	Cadbury Schweppes
Limón Soda	Soft Drink	Non-Cola Licensed	Cadbury Schweppes
Orange Crush	Soft Drink	Non-Cola Licensed	Cadbury Schweppes
Diet Orange Crush	Soft Drink	Non-Cola Licensed	Cadbury Schweppes
Squirt	Soft Drink	Non-Cola Licensed	Cadbury Schweppes
Pepsi	Soft Drink	Cola Licensed	PepsiCo
Pepsi Light	Soft Drink	Cola Licensed	Pepsi Co
Pepsi Max	Soft Drink	Cola Licensed	PepsiCo
Seven-Up	Soft Drink	Non-Cola Licensed	PepsiCo
Diet Seven-Up	Soft Drink	Non-Cola Licensed	PepsiCo
Watt’s	Nectars		Watt’s
Cachantun	Mineral Water		CCU Proprietary
Porvenir	Mineral Water		CCU Proprietary

On 1994, ECUSA and Cadbury Schweppes entered into a license agreement for all Cadbury Schweppes products (Orange Crush, Diet Orange Crush, Canada Dry Limón Soda, Squirt, Canada Dry Ginger Ale and Canada Dry Agua Tónica). On December 11, 1998, TCCC announced an agreement to acquire Cadbury Schweppes’ international beverage brands in certain markets. In July 1999, ECUSA filed an application before the Antitrust Solicitor-General against TCCC for conducts against free competition. In August 1999, the Company was informed through a circular letter that the agreement had been consummated; however, it included fewer countries than originally projected mainly due to antitrust issues. Also in August, ECUSA filed a pre-trial document disclosure motion which was denied as CS Beverages Ltd., Canada Dry Corporation Ltd. and TCCC did not appoint or acknowledge any legal representative in Chile. In November 1999, ECUSA filed a complaint before a Chilean civil court seeking a judicial declaration of breach of contract and damages, against CS Beverages Ltd., Canada Dry Corporation Ltd., TCCC, Atlantic Industries and Cadbury Schweppes. On December 22, 1999, the Company received a communication by means of which CS Beverages Ltd. and Canada Dry Corporation Ltd., unilaterally gave a 60-day notice of termination of the franchise agreements for the Crush and Canada Dry brands. This communication was later withdrawn by CS Beverages Ltd. and Canada Dry Corporation Ltd., stating that they would submit the validity of the termination of the agreements to the decision of a competent tribunal. In January 2000, a precautionary measure was dictated by the Antitrust Authority, suspending certain clauses of the franchise agreements for a period of 180 days starting January 13, 2000, while they study the case. On March 24, 2000, the Company was informed that CS Beverages Ltd. and Canada Dry Corporation Ltd. filed a Request for Arbitration under the rules of the International Chamber of Commerce ("ICC") to adjudge, among other things, the anticipated termination of the agreements. As of March 31, 2000, the Company has no material additional information regarding any of the proceedings referred to above. Under the current contract conditions, ECUSA’s agreements expire in 2034. After its initial term of ten years, in 2004, the agreements shall automatically be extended for six additional successive terms of five years each, provided that the following conditions are met: the compliance of ECUSA’s obligations under the contract and the agreement to a business plan for the next five-year period. The Company has always fulfilled its obligation in the past. Cadbury Schweppes' brands accounted for 27.9% of the Company's sales of soft drinks and 6.8% of overall revenues in 1999. No assurance can be given that sales under the Cadbury Schweppes agreements will remain at current levels.

In January 1998, a new exclusive bottling appointment was signed between ECUSA and PepsiCo, authorizing ECUSA to produce, sell and distribute Pepsi products (Pepsi, Diet Pepsi, Pepsi Light, Pepsi Max, Seven Up and Diet Seven Up) in Chile. On November 15, 1999, the term of the contract was extended until December 31, 2009. After that date it is automatically renewed for successive five-year periods, unless otherwise stated by any party to the contract.

In addition, ECUSA has been granted the exclusive license to produce and distribute the Company's proprietary brands Bilz, Pap and Kem. This license agreement remains in effect through November 2004, is renewable by mutual consent for six additional five-year periods and is subject to termination upon the expiration of ECUSA's licensing agreement with PepsiCo.

The license agreement for nectar products with Watt's, which grants the Company exclusive production rights, was first signed in June 1987, and originally had a 33-year term. A new license agreement between the Company and Watt's was signed in February 1999. This new contract provides the Company with a ten-year license renewable automatically for three consecutive periods of five years if the conditions set forth in the contract are fulfilled at the date of renewal. Additionally, the new contract allows the Company to produce new flavors and bottle Watt's nectars in non-returnable packaging (wide mouth glass and plastic bottles), which represent 55% of the nectar sales in bottles.

In October 1994 the Company entered into two license agreements with Aguas Minerales Cachantun S.A. and Agua Mineral Porvenir S.A.I. for the use of the natural sources of mineral water and the Cachantun and Porvenir brand names. These agreements were amended in November 1994 and have a ten-year term, renewable for a five-year period with prior mutual consent. However, the term of both agreements is limited to the life of ECUSA's licensing agreement with PepsiCo.

Under each license agreement, the Company has the exclusive right to produce, sell and distribute the respective licensed products in Chile. Generally, under its license agreements, the Company is required to maintain certain standards of quality with respect to the production of licensed products, to dedicate certain levels of marketing and, in certain cases, to fulfill minimum sales requirements. The Company believes that it is in compliance with the material requirements of all its license agreements.

During 1998 and 1999, the Company sold its soft drinks and mineral water products in the following packaging formats:

Container	Soft Drinks and Nectars 1998	1999	Mineral Water 1998	1999
Returnable (1)	63%	62%	25%	19%
Non-Returnable (2)	34%	35%	75%	81%
"Post-Mix" (3)	3%	3%	--	--
Total	100%	100%	100%	100%

(1) Returnable soft drinks containers include both glass and plastic bottles of assorted sizes. Returnable mineral water containers include glass bottles of assorted sizes and returnable 19-liter jugs.

(2) Non-returnable soft drinks containers include glass and plastic bottles of assorted sizes as well as aluminum cans also of assorted sizes. Non-returnable mineral water containers include both glass and plastic bottles of assorted sizes.

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

The Company manufactures most of its returnable and non-returnable plastic bottles and obtains all of its glass bottles and cans from third party suppliers. See "—Raw Materials" and "—The Company's Other Businesses".

The Company distributes its soft drinks and mineral water products throughout Chile to (i) small and medium-sized retail establishments which, in turn, sell the beverages to consumers for take-out consumption, Retailers, (ii) retail establishments such as restaurants, hotels and bars for on-premise consumption, Bar and Restaurants, (iii) wholesalers and (iv) supermarkets. In 1998 and 1999, the percentage mix of the above distribution channels for the Company's soft drinks and mineral water products was as follows:

Distribution Channels	Percentage of Total Soft Drinks and Mineral Water Products Sold 1998	1999
Retailers	46%	45%
Bars and Restaurants	14%	15%
Wholesalers	15%	13%
Supermarkets	25%	27%
Total	100%	100%

During 1999, the Company had no single customer that accounted for more than 7% of its sales by volume. The Company does not maintain any long-term contractual arrangements for the sale of soft drinks and/or mineral water with any of its customers.

The following table shows sales volume of the Company's soft drinks and mineral water by category during each of the last three years:

Category	1997	1998	1999
	(millions of liters except powdered drink mix)		
Colas			
Licensed	52.3	47.0	47.4
Non-colas			
Proprietary	148.2	163.7	167.0
Licensed	109.6	102.1	89.8
Nectars	5.8	5.9	4.8
Soft Drinks Total	315.9	318.7	309.0
Mineral Waters			
Cachantun	56.4	59.6	60.6
Porvenir	5.5	4.0	3.5
Mineral Waters Total	61.9	63.6	64.1
Total	377.8	382.3	373.1
Sip-Sup (powdered drink mix) (1)	271	201	97(2)

(1) In metric tons.
(2) Sales of powder juice were terminated in September 1999.

The following table shows sales volume of the Company's soft drinks by affiliation during each of the last three years:

Affiliation	1997	1998	1999
		(millions of liters)	
Proprietary	148.2	163.7	167.0
Cadbury Schweppes	101.6	96.7	85.5
PepsiCo	60.1	52.4	51.6
Others	6.0	5.9	4.8
Total	315.9	318.7	309.0

The real price per liter to the Company's customers for soft drinks products decreased from an average of Ch$245 in 1994 to Ch$229 in 1999. The five-year CAGR was -1.3%. For mineral water products, the real price per liter increased from an average of Ch$166 in 1994 to Ch$196 in 1999 and experienced a five-year CAGR of 3.4%.

Raw Materials. The principal raw materials used in the production of soft drinks are sugar, flavoring concentrate and in the case of carbonated products, carbon dioxide gas. The Company generally purchases all of its sugar requirements from Empresas Iansa S.A., the sole producer of sugar in Chile, however, it is not dependent on this supplier, because it may purchase sugar in the international market at prices similar to those of Chile, due to special customs duties. The Company purchases flavoring concentrates for its licensed soft drinks brands from the respective licensing companies. See "—The Company's Soft Drinks and Mineral Water Production and Marketing in Chile". Flavoring concentrates for the Company's proprietary brands are purchased from third party suppliers in Chile and Germany, which manufacture the concentrates under contract with the Company. The Company obtains carbon dioxide gas from local suppliers in Chile.

The Company also requires a small amount of fruit pulp, juices, citric acid and other artificial and natural flavors and chemical substances.

Although water does not represent a major raw material cost, it is nonetheless essential in the production of soft drinks. The Company obtains all of its water from wells located at its plants and/or from public utilities in Chile. The water is treated at facilities located at the Company's plants to remove impurities and adjust the characteristics of the water before it is added in the production process.

The Company owns two mineral water sources in Chile from which the Cachantun and Porvenir brand mineral water products are obtained. These water sources are located in two areas near Santiago: Coinco and Casablanca, respectively. All of the Company's mineral water products are bottled at their respective sources and distributed throughout the country.

The Company maintains testing facilities at each of its plants in order to analyze raw materials. Additionally, samples of soft drinks and mineral water are inspected at various stages of production to ensure product quality.

The Company generally purchases all of the glass bottles used in packaging soft drinks and mineral water from the major supplier in Chile, Cristalerías Chile. Other sources, principally in Argentina and Peru, can be used when price and delivery terms are favorable; however, no significant purchases were made in either of these countries during 1999. While aluminum cans used in packaging the Company's soft drinks are generally purchased from a local supplier, the Company produces most of its own plastic returnable and non-returnable bottles. See "—The Company's Other Businesses". The Company obtains the labels for its soft drinks and mineral water products principally from local suppliers. Crowns and resealable plastic caps are principally purchased from two suppliers in Chile.

The Company believes that all of the contracts or other agreements between the Company and third party suppliers with respect to the supply of raw materials for soft drinks and mineral water products contain standard and customary commercial terms and conditions. Apart from the soft drinks concentrates purchased from Cadbury Schweppes and PepsiCo under the license agreements described under "—The Company's Soft Drinks and Mineral Water Production and Marketing in Chile", the Company does not believe it is dependent on any one supplier for a significant portion of its raw materials. Historically, the Company has experienced no significant difficulties in obtaining adequate supplies of necessary raw materials at satisfactory prices and expects that it will be able to continue to do so in the future.

Sales, Transportation and Distribution in Chile. In the central region of Chile, including the areas of Santiago, Viña del Mar, Rancagua, Melipilla and Concepción, ECUSA manages its own sales force that is directly responsible for exclusively servicing soft drinks and mineral water clients. The ECUSA sales force sells directly to approximately 60,500 customers, accounting for 74.7% of the Company's total soft drinks and mineral water sales by volume in Chile in 1999. The area served by ECUSA accounts for approximately 63% of the Chilean population. In the outlying northern and southern regions of Chile, ECUSA has contracted the sales and distribution services of the Company's beer division, which sells and distributes soft drinks and mineral water products both exclusively and in connection with the sales and distribution of the Company's beer and wine products. Such sales accounted for the remaining 25.3% of the Company's total soft drinks and mineral water sales by volume in Chile in 1999.

The Company's Chilean soft drinks and mineral water customers make payment for the Company's products either in cash at the time of delivery or in accordance with one of the Company's various credit arrangements. Payment on credit sales is generally due 30 days from the date of delivery. Credit sales accounted for 32.4% and 35.2% of ECUSA's soft drinks and mineral water sales to third parties in Chile in 1998 and 1999, respectively. Losses on credit sales of soft drinks and mineral water in Chile have not been material.

Seasonality in Chile. Due to the seasonality of sales for both soft drinks and mineral water products, the Company's 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 holidays and summer vacation season in Chile).

The following table shows the Company's annual sales volume of soft drinks and mineral water by quarter for the last three years:

Year	Quarter	Soft Drinks & Mineral Water Sales Volume (million liters)	% of Annual Sales Volume
1997	1st quarter	107.5	28.4
	2nd quarter	76.6	20.3
	3rd quarter	82.0	21.7
	4th quarter	111.7	29.6
	Total	377.8	100.0
1998	1st quarter	111.0	29.0
	2nd quarter	76.3	20.0
	3rd quarter	82.3	21.5
	4th quarter	112.8	29.5
	Total	382.3	100.0
1999	1st quarter	102.0	27.3
	2nd quarter	67.1	18.0
	3rd quarter	82.3	22.1
	4th quarter	121.7	32.6
	Total	373.1	100.0

Competition in Chile. The Company's principal competitors in the soft drinks business are the companies which produce, bottle and distribute soft drinks in Chile under licenses from TCCC and its affiliates. TCCC's products are produced, bottled and distributed in Chile through three separate licensees which market soft drinks under the Coca-Cola, Coca-Cola Light, Fanta, Sprite, Diet Sprite, Quatro, Nordic Mist, Andina nectars and juices, and Kapo juice brand names. According to store audits conducted by Nielsen, Coca-Cola and related brands accounted for approximately 72% of total carbonated soft drinks net sales in 1999. However, calculations made by the Company are higher than Nielsen estimates. In addition, during 1998 a few supermarket chains began selling soft drinks products under private labels. These companies represented approximately 4% of the soft drinks market in the period December 1999/January 2000 according to Nielsen. However, calculations made by the Company are lower than Nielsen estimates. Even though these brands are not a significant portion of the industry, they are expected to increase their presence in the future.

Since the formation of ECUSA, the Company's market share has decreased as a consequence of decreased marketing support for the Pepsi brands and increased marketing activity on the part of the Company's competitors. During 1999, the Company's market share decreased by a point to 26% as a result of market share losses on behalf of Pepsi and Cadbury, both partially compensated by gains achieved by the Company's proprietary brands.

The Company's market share for its soft drinks and nectar products over the last five years is presented in the following table based on store audits conducted by Nielsen. These Nielsen results are, for each year, higher than the Company's own estimates.

The Company's Chilean Soft Drink Market Share

Year	Nielsen	Company Estimates
1995	32%	26%
1996	31%	26%
1997	28%	24%
1998	27%	23%
1999	26%	23%

The Company's domestic competitors in the soft drinks business have benefited from both internationally recognized brand labels (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, the Company also similarly benefited from the internationally recognized Pepsi brand as well as its previous competitive strengths, which include a portfolio of nationally well known brands and a nationwide distribution system.

Given the high percentage of soft drinks sales volume in returnable containers coupled with the high cost of transportation to Chile, the market for imported soft drinks in Chile is not significant and accounted for less than 1% of total sales by volume in 1999. While there are no legal barriers to entry, the Company believes that the existing returnable bottle system and high transportation costs may continue to deter potential competitors from exporting soft drinks to Chile.

Fruit nectars, a small segment of the Company's soft drinks business, face competition from other liquid and powdered juices, which are provided by a variety of local companies.

The Company's main competitor in the mineral water business is Vital S.A. (a subsidiary of Embotelladora Andina S.A., one of TCCC licensees in Chile). The Company estimates that its sales of Cachantun and Porvenir brand mineral waters accounted for approximately 58%, while those of Vital S.A. products accounted for approximately 37% of total mineral water sales by volume in 1999. Small domestic bottlers, private labels, as well as imported mineral water products, comprise the remaining 5% sales volume. In its effort to develop the mineral water industry in Chile, the Company re-launched in 1999 its Porvenir brand as a premium mineral water, addressing an underdeveloped product category within the Chilean mineral water industry.

The following chart shows estimates of the Company's mineral water market share for the last five years based on store audits conducted by Nielsen. These Nielsen results are, for each year, higher than the Company's own estimates.

The Company's Chilean Mineral Water Market Share		
Year	Nielsen	Company Estimates
1995	68%	62%
1996	66%	60%
1997	66%	61%
1998	64%	57%
1999	63%	58%

1.4.2 The Company's Soft Drinks and Mineral Water Business in Argentina

The Company operates a mineral water production plant in the city of Rosario de la Frontera in the Salta province, where Palau mineral water is produced by obtaining water from natural sources. The Company's volume sales of Palau mineral water amounted to 5.1 million liters, 4.5 million liters and 3.1 million liters in 1997, 1998 and 1999, respectively, representing approximately 7.6%, 6.6% and 4.6% of the Company's total mineral water sales volume in 1997, 1998 and 1999, respectively. Net sales of Palau were Ch$654 million, Ch$574 million and Ch$433 million in 1997, 1998 and 1999, respectively, or less than 0.2% of the Company's total net sales each year. The Company's mineral water sales are in the northwest region of Argentina and the provinces of Córdoba, Santa Fe and Buenos Aires.

The Company also distributes soft drinks in Argentina which are produced by small-scale soft drinks bottlers. These sales aggregated Ch$364 million, Ch$313 million and Ch$451 million in 1997, 1998 and 1999, respectively, representing approximately 0.1% of the Company's total net sales in each of the three years.

1.5 The Company's Wine Business

Overview. The Company entered the Chilean wine market in October 1994 with the purchase of 48.4% of VSP's equity for approximately US$17.1 million, thereby acquiring an interest in the third largest winery in Chile. During the first half of 1995, VSP's capital was increased by approximately US$20 million, of which the Company contributed approximately US$10 million. During August-October 1997, VSP's capital was increased again by approximately US$18 million, of which the Company contributed approximately US$11 million. In addition, in October 1998 and during 1999 the Company purchased additional shares in VSP through the local stock exchanges. During March-June 1999, VSP's capital was increased by approximately US$25 million, of which the Company contributed approximately US$16 million. As a result of these activities, by the end of 1999, the Company's total ownership interest in VSP had risen to 60.3%.

The Company believes that expansion into the Chilean wine business provides it with the opportunity to further exploit its nationwide distribution system through the expansion of its beverage portfolio. The Company also believes that further development of its domestic wine business may help reduce the seasonality of the Company's sales, as wine sales in Chile tend to be stronger during the winter months when beer and soft drinks consumption decline.

The proceeds from VSP's capital increase during 1995 were used to reduce debt, expand capacity and add new hectares of vineyards in the Maipo Valley for producing premium red wines. Part of VSP's capital increases during 1997 were used to add new hectares of vineyards in Requinoa, Chépica and Molina during 1997, and in Pencahue during 1998. These recent purchases of land more than double the number of hectares of the Company's vineyards. The winery also increased its total vinification and wine storage capacity in both tanks and barrels from 52.1 million liters in 1998 to 52.2 million liters as of December 31, 1999, as well as its peak bottling and packaging capacity from 35,100 liters per hour in 1998 to 47,100 liters per hour as of December 31, 1999. The capital increase done during 1999, was used to pay debts related to the winery's expansion process.

VSP is a publicly traded company that, at December 31, 1999, had a market capitalization of Ch$73,345 million. VSP shares trade on the Santiago Stock Exchange, the *Bolsa de Comercio de Valparaíso* ("Valparaíso Stock Exchange") and the Bolsa Electrónica de Chile ("BEC").

In Argentina, the Company sells a small amount of wine which generated net sales of Ch$410 million, Ch$233 million and Ch$140 million in 1997, 1998 and 1999, respectively. These sales represented approximately 0.1% of the Company's total net sales each year.

The Chilean Wine Market. The Company estimates that wine consumption in Chile amounted to approximately 16 liters per capita in 1999. As the Chilean wine industry is fragmented, no single producer accounts for the majority of production and/or sales. The leading wineries include Viña Concha y Toro S.A. ("Concha y Toro"), Viña Santa Rita S.A. ("Santa Rita"), VSP and Bodegas y Viñedos Santa Carolina S.A. ("Santa Carolina"). In addition, there are numerous medium-sized wineries, including Viña Undurraga S.A. ("Undurraga"), Cousiño Macul S.A. ("Cousiño Macul"), Viña Cánepa y Cía. ("Cánepa") and Viña Tarapacá S.A. ("Tarapacá"). All wineries, which sell wine products that comply with industry and tax regulations, make up Chile's formal wine market ("Formal Wine Market"). VSP is a member of the Formal Wine Market, as are most other principal wineries in Chile. The *Servicio Agrícola Ganadero* (Agricultural and Livestock Service, or "SAG") is the entity in charge of wine industry regulation and principally oversees inventory records and product quality. Small wine producers which are believed not to comply with industry and tax regulations (an 18% value added excise tax and an additional 15% alcohol excise tax) comprise Chile's "informal market". The Company estimates that the informal market wineries produced and sold approximately 15-20 million liters of wine during 1999 as compared to 235 million liters for the producers in the Formal Wine Market.

The following chart shows the Company's estimates for total and percapita consumption levels for wine in Chile for the years 1995 through 1999:

Year	Total Volume (1) (millions of liters)	Per Capita (liters)
1995	217	15
1996	232	16
1997	193	13
1998	217	15
1999	235	16

(1) Includes wine sales from pisco producers in the III and IV Regions of Chile.
Sources: SAG, Central Bank and the Wineries of Chile Association

Wines in Chile can be segmented by product type. Chilean wineries produce and sell premium, varietals 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.

VSP's Production and Marketing. VSP was founded in 1865. Its principal vineyards are located in Molina, approximately 200 kilometers south of Santiago. The VSP estate in Molina is one of the largest single-site vineyards in Chile with an area of 1,160 hectares. As of December 31, 1999, VSP's total land amounted to 2,550 hectares, including additional property acquired in Requinoa, Chépica, Molina and Talca. VSP's vineyards currently cover an aggregate of 2,500 hectares.

VSP is one of Chile's largest producers and distributors of wine in terms of sales volume and net sales. In 1997, 1998 and 1999, the Company's sales amounted to Ch$28,646 million, Ch$37,635 million and Ch$45,436 million representing 9.8%, 13.0% and 15.7% of the Company's total net sales, respectively. The above net sales figures for wine include sales of bulk wine which amounted to Ch$1,111 million, Ch$253 million and Ch$133 million in 1997, 1998 and 1999, respectively.

VSP's results have been consolidated into the Company's results since April 1995. The following chart indicates the breakdown of VSP's volume in the domestic and export markets:

Year	Domestic Volume (million liters)	Export Volume (million liters)	Total Volume (million liters)
1996	23.8	11.6	35.4
1997	25.4	18.6	44.0
1998	28.7	23.1	51.8
1999	28.7	27.7	56.4

The Company estimates that VSP's share by volume of Chile's Formal Wine Market was approximately 13% in 1997 and 1998, and 12% in 1999. According to the Wineries of Chile Association, VSP's share of Chile's total wine export sales by volume was 9%, 10% and 12% in 1997, 1998 and 1999, respectively. Specifically, in 1998, VSP became the second largest exporter of Chilean wines measured in both volume and revenues.

VSP produces and markets premium, varietal and popular-priced wines under the brand families, Viña San Pedro and Santa Helena, as set forth below:

Brand	**Premium**	**Varietal**	**Popular-priced**
Viña San Pedro			
Cabo de Hornos	X		
Castillo de Molina	X	X	
35 Sur		X	
Las Encinas	X		
Urmeneta		X	
Gato		X	X
Etiqueta Dorada			X
Santa Helena			
Selección del Directorio	X		
Siglo de Oro		X	
Gran Vino		X	X

In 1999, VSP won the following medals in both international and national contests:

Contest	**Country**	**Wine** (1)	**Award**
Vinitaly '99	Italy	1997 Castillo de Molina Res C.S.	Gran Menzione
		1995 Cabo de Hornos C.S.	Gran Menzione
Int'l Wine Challenge 1999	England	1999 35 Sur S.B.	Gold Medal
		1997 Castillo de Molina Res Ch.	Silver Medal
		1997 Castillo de Molina Res M.	Bronze Medal
		1998 Castillo de Molina Res P.N.	Bronze Medal
		1998 35 Sur Ch.	Bronze Medal
		1997 Selección de Directorio Ch.	Silver Medal
Winpac 1999	China	1997 Castillo de Molina Res Ch.	Bronze Medal
		1997 Siglo de Oro C.S.	Silver Medal
		1996 Selección de Directorio C.S.	Bronze Medal
		1998 Siglo de Oro S.B.	Bronze Medal
Challenge Int'l du Vin	France	1997 Castillo de Molina Res Ch.	Silver Medal
		1995 Cabo de Hornos C.S.	Bronze Medal
The Int'l Food & Wine Society	Hong-Kong	1997 Castillo de Molina Res C.S.	Silver Medal

(1) Note the following definitions for the above notations: "C.S." refers to Cabernet Sauvignon, "S.B." refers to Sauvignon Blanc, "Ch." refers to Chardonnay, "M." refers to Merlot and "P.N. " refers to Pinot Noir.

VSP obtained approximately 42% of the grapes required for the production of its exported wines from its own vineyards during 1999. In contrast, most of the wine required for domestic wine sales is purchased from local suppliers. In 1999, approximately 48% of wine for domestic sale was purchased from five local producers: Vinícola Patacón Ltda., Sociedad Agrícola Santa Teresa Ltda., Cooperativa Agrícola Control Pisquero de Elqui y Limarí Ltda., and Empresas Lourdes S.A. VSP has various alternative sources of supply which can be used when they are attractive.

The following table presents the Company's breakdown of total sales volume in thousands of liters by category of VSP's wines during 1999:

Category	Domestic	Export	Total
	(thousands of liters)		
Premium	181	827	1,008
Varietal	916	25,862	26,778
Popular-Priced	27,572	728	28,300
Bulk	0	312	312
Total	28,669	27,729	56,398

As of December 31, 1999, VSP's storage capacity totaled 52.1 million liters and its peak bottling and packaging capacity totaled 47,100 liters per hour.

Domestic Market. The Company's domestic wine is packaged in bottles, jugs, cartons, and bag-in-box containers at VSP's production facilities in Lontué and Molina, Chile. The following chart shows the Company's packaging mix for domestic wine sales in 1998 and 1999:

	Percentage of Total Domestic Wine Sold	
Container	1998	1999
Carton	89.7%	87.2%
Jug	4.6%	4.1%
Glass Bottles	4.3%	7.7%
Bag-in-Box	1.4%	1.0%
Total	100.0%	100.0%

In 1998 and 1999, VSP obtained all of its glass bottles, carton package containers and jugs from third party suppliers. See "—Raw Materials".

Beer is the principal substitute product to wine in Chile. In addition, the Company's wine products may also compete with other alcoholic beverages, such as spirits (mainly, pisco) and with non-alcoholic beverages such as soft drinks and juices.

The real average price for the Company's domestic wine customers was Ch$477 and Ch$565 per liter in 1995 and 1999, respectively, experiencing a four-year CAGR of 4.3%.

Export Market. According to industry sources, exports of Chilean wine (excluding champagne) increased from approximately 43 million liters in 1990 to 228 million liters in 1999, at a compounded rate of 20.4% per annum. The Company believes 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 certain years. However, during 1999, total Chilean wine exports decreased 0.7% by volume, mainly due to a decrease in the shipments to Asia.

VSP exported 27.7 million liters of wine in 1999 to 47 countries worldwide. These exports accounted for net sales of Ch$29,106 million. In 1999, VSP's primary export markets included the United Kingdom, the United States, Norway and Sweden.

Most exported wine is sold in glass bottles, except for a small quantity of unbranded wine that is occasionally sold in bulk and a small amount that is sold in carton containers. The following chart shows the Company's packaging mix for export wine volume in 1998 and 1999:

	Percentage of Total Export Wine Volume	
Container	**1998**	**1999**
Glass Bottles (1)	95%	86%
Bulk	2%	1%
Carton (2)	3%	13%
Total	100%	100%

(1) Includes jugs
(2) Includes Bag-in-Box

The Company experienced a four-year CAGR of 7.9% from Ch$775 in 1995 to Ch$1,050 per liter in 1999 in the real average price to its export wine customers.

Raw Materials. The principal raw materials that VSP uses in its production process are purchased and harvested grapes, purchased wine, bottles, carton containers, corks and cardboard boxes. VSP obtains approximately 42% of the grapes used for export wines from its own vineyards. The majority of the wine sold in the domestic market is purchased from third parties, tested to assure compliance with the Company's quality standards, and blended at the winery before packaging. VSP's bottles are principally purchased from Cristalerías Chile; however, when prices have been favorable, VSP has purchased bottles from other suppliers. Carton containers are purchased either from Tetra Pak de Chile Comercial Ltda. or from SIG Combibloc Inc. and are assembled in VSP's corresponding automated packing lines.

Domestic Sales, Transportation and Distribution. After production, bottling, and packaging, wine is either stored at the production facilities or transported to one of 15 warehouses, which are part of the Company's beer warehouse network, located throughout Chile with the exception of the XII Region, located in the southernmost part of the country. VSP wines are distributed and sold in Chile through the Company's sales and distribution network, under the same system and payment terms as the Company's beer and soft drink products. During 1999, the Company's core products were distributed to the extreme south of Chile through an exclusive distributor for the XII Region, principally in the city of Punta Arenas. See "—The Company's Beer Business—The Company's Beer Business in Chile—Sales, Transportation and Distribution".

The Company distributes VSP wine products in Chile directly to retail, bars and restaurants, supermarket and wholesale customers. In 1998 and 1999, the percentage mix of the above distribution channels for the Company's wine products in Chile was as follows:

Distribution Channels		Percentage of Total Wine Products Sold 1998	1999
Retailers		37%	34%
Bars and Restaurants		9%	8%
Wholesalers		28%	26%
Supermarkets		26%	32%
	Total	100%	100%

The Company had approximately 20,600 customers for its wine products at December 31, 1999, none of which accounted for more than 6% of its total wine sales by volume. The Company does not maintain any long-term contractual arrangements for the sale of wine with any of its customers.

Export Sales, Transportation and Distribution. Internationally, VSP has arrangements with 86 agents who facilitate the export of its wine to 47 countries. The Company has signed distribution agreements with Schenk, one of the largest distributors in Europe, Asahi Breweries, one of the largest beverage companies in Asia, and Shaw Ross International, a subsidiary of Southern Wine and Spirits, the main liquor wholesale distributor for the United States, as well as other distributors.

Geographical Markets. In Chile, Santiago and surrounding areas (referred to as the Metropolitan Region), which account for approximately 41% of the Chilean population, represented approximately 40% of total domestic sales of VSP products by volume in 1999.

The following table provides the distribution of VSP's exports during 1999 by geographical markets:

Market	Volume (thousands of liters)	Percentage of Total Exports
Europe	15,574	56.2%
Latin America	5,199	18.7%
USA & Canada	5,176	18.7%
Asia	1,708	6.2%
Others	72	0.2%
Total	27,729	100.0%

Competition. The wine industry is highly competitive in both the domestic and the export markets. VSP's domestic market share was approximately 12% in 1999. In Chile, VSP competes directly against all other Chilean wineries. The Company believes that VSP's primary domestic competitors, 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 1999, Concha y Toro and Santa Rita had market shares of 23% and 18%, respectively. VSP also competes with Santa Carolina and numerous medium-sized wineries, including Undurraga, Cousiño Macul and Tarapacá, and many small wine producers that make up Chile's "informal market".

Internationally, VSP competes against Chilean producers as well as with wine producers from other parts of the world. According to information compiled by the Wineries of Chile Association, VSP is the second largest exporter of Chilean wines with a market share of approximately 12% in 1999. The Company's other principal Chilean competitors, namely Concha y Toro, Santa Carolina and Santa Rita had market shares of 17%, 5% and 5%, respectively.

1.6 The Company's Other Businesses

Through its subsidiary Fábrica de Envases Plásticos S.A. ("PLASCO"), the Company owns and operates a plastic bottle and crate factory which supplies most of the returnable and non-returnable plastic bottles used by the Company in the packaging of its soft drinks and mineral water products. The manufacturing of both returnable and non-returnable plastic bottles involves a two-step process. The first step consists of an injection molding process, which manufactures pre-forms from resin (polyethylene terephthalate). The second step involves blowing plastic bottles from the molded pre-forms. The Company purchases resin and completes the two-step process in order to fulfill the majority of its bottling requirements. In some cases, the Company purchases pre-forms manufactured by third party suppliers and completes only the bottle-blowing step at its own facilities.

In 1999, all returnable and non-returnable plastic bottle requirements of ECUSA were supplied directly by PLASCO with the exception of five-liter bottles, which are bought by ECUSA in small quantities from third party suppliers. During 1999, PLASCO sold 145.8 million bottles and pre-forms of which, approximately 91% were plastic bottles and the remaining 9% were pre-forms. Of all bottles supplied by PLASCO, approximately 97% were manufactured by PLASCO into pre-forms and then blown into bottles and approximately 3% were manufactured by PLASCO while a third party made the blowing process. PLASCO has, to date, not made any bottle sales to third parties.

PLASCO also produces plastic crates that are used to carry glass and plastic bottles used for beer, soft drinks and mineral water distribution. Most of these products are sold to the Company and it's other subsidiaries.

Plastic bottle and pre-form sales increased from 107.4 million units in 1998 to 145.8 million in 1999. Plastic crate sales decreased by 14.3% from 1.1 million units in 1998 to 0.9 million units in 1999. PLASCO's net sales of Ch$11,511 million and net income of Ch$2,719 million in 1999 represented a decrease of 1.0% and an increase of 9.3%, respectively, over 1998.

1.7 Capital Expenditures

The Company's capital expenditures for 1997, 1998 and 1999 totaled approximately Ch$146,794 million and were principally accounted for by Ch$51,693 million invested in the Company's beer operations in Chile, Ch$43,439 million invested in the Company's Argentine beer operations, Ch$22,449 million invested in soft drinks and mineral water operations, and Ch$23,346 million invested in wine operations.

In recent years, capital expenditures have been made primarily for the expansion of the Company's production capacity. In Chile, these expenditures include improvements and expansion of the beer production facility in Santiago and the construction of a new plant in Temuco. In Argentina, capital expenditures have been made for the expansion and improvement of the beer production and bottling capacity of the facility in Santa Fe and the purchase of Cervecería Córdoba's brands and assets. Capital expenditures have been made in the Company's soft drinks division in order to adjust soft drinks bottling lines to meet changes in consumer demand for new packaging formats. With regard to the Company's wine operations, capital expenditures have been made to add new hectares of vineyards and to increase its total vinification and wine storage capacity.

The Company continues to make substantial capital expenditures to meet estimated growth in demand for its products. The Company's plans for capital expenditures during 2000 and the 2001-2003 period are as follows:

Business Unit	2000	2001-2003 (Ch$ Millions)	Total
Beer—Chile	12,662	35,246	47,908
Beer—Argentina	7,888	40,365	48,253
Soft Drinks and Mineral Water	8,294	27,093	35,387
Wine	4,839	18,956	23,796
Others	5,495	12,733	18,228
Total	39,178	134,393	173,571

In the years 2001 through 2003, the Company plans to make capital expenditures to increase and update production capacity, install new bottling lines, implement production quality improvements, such as new water and yeast treatment facilities, optimize its distribution system and warehouse facilities, invest in additional returnable bottles and crates to replace obsolete supply, and support industry volume growth, improve management information systems and make additional investments in marketing assets.

During 1999, the Company completed the first stage of construction of a new brewery in the southern city of Temuco, located approximately 670 kilometers south of Santiago. The Temuco plant replaced the older Concepción plant (53 million liters per year) closed in January 1999, while increasing the Company's total Chilean nominal beer production capacity from 615 million liters per year at year-end 1998 to 727 million liters per year by the end of the year 2002. The Temuco plant has a production capacity of 12 million liters per month in its first stage. In a second stage the plant is expected to reach a production capacity of 15 million liters per month. Future expansions have been considered in this project.

Over the next four years, the most significant investments are expected to be related to production capacity increases, including the initial phase of the construction of an additional brewing facility in Argentina.

The Company's planned capital investments in Argentina primarily involve the completion of its expansion of the Santa Fe plant to increase its capacity to accommodate Budweiser's volume growth. The Company also expects to start the building of a brewery in the city of Buenos Aires by the end of the next four-year period; however, the timing and magnitude of such a project will depend largely on future growth in demand for the Company's beer products.

During 2000, Viña San Pedro plans to complete the current expansion of its production, storage and bottling capacities. The Company's capital expenditure plan also contemplates additional investments in land and production capacity in Argentina, as well as additional bottling and storage capacities in Chile.

The Company reviews its capital investment program periodically and changes to the program are made as appropriate. Accordingly, there can be no assurance that the Company will make any of these proposed capital expenditures at the anticipated level or at all. In addition, the Company is studying 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 capital investment program is subject to revision from time to time due to changes in market conditions for the Company's products, general economic conditions in Chile, Argentina and elsewhere, interest, inflation and foreign exchange rates, competitive conditions and other factors.

The Company expects to fund its capital expenditures through a combination of internally generated funds, the proceeds from its recent capital increases and long term indebtedness.

1.8 Research and Development

The Company's research and development efforts do not involve material expenditures, as the Company relies primarily on technical assistance and technology transfer agreements with domestic and foreign companies and institutes. In June 1989, the Company entered into a technology transfer agreement with Paulaner-Salvator-Thomasbräu AG (now Paulaner Brauerei AG, a member of the Schörghuber Group, which owns 50% of Inversiones y Rentas, CCU's principal shareholder) for assistance with all technical issues related to the production and bottling of beer. The initial term of the agreement was five years, effective through May 1994, and the agreement has since been renewed annually. See "—Item 10: Directors and Officers of Registrant" and "Item 13: Interest of Management in Certain Transactions". In January 1995, a technological assistance and license agreement was signed between the Company and Schoeller Engineering S.A. of Switzerland for the design, production and marketing of special carrying crates for beer bottles. The license agreement between CCU Argentina and Anheuser-Busch, signed in December 1995, provides the Company with both technical and marketing assistance for the production and marketing of Budweiser beer brand in Argentina. See "—The Company's Beer Business—The Company's Beer Business in Argentina—Beer Production and Marketing in Argentina". The brewing and distribution agreement between the Company and Guinness, signed in April 1997, provides the Company with both technical and marketing assistance for the production and marketing of Guinness beer in Chile. See "—The Company's Beer Business—The Company's Beer Business in Chile—Beer Production and Marketing in Chile". In June 1999 a development and design agreement was signed with Constar Inc. for the production of a new PET hot fill bottle.

1.9 Employees

Chile. As of December 31, 1999, the Company had a total of 4,223 permanent employees in Chile, of which 2,508 were represented by 34 labor unions. In turn, 28 of the labor unions are members of five federations which represent their union members in collective bargaining negotiations with the Company. As of December 31, 1999, the average tenure of the Company's full-time employees was approximately eight years.

Unionized employees represent approximately 59% of the total permanent workforce of the Company.

Of the total workforce of the Company, 3,643 employees are subject to collectively negotiating agreements. During 1999, 2,054 employees renewed their collective contracts, most of them for a period of two years. The contract renewals are expected to increase the Company's labor costs by 1.5% to 2.4%.

All employees who are terminated for reasons other than misconduct are entitled by law to receive a severance payment. In the years 1997, 1998 and 1999, the Company made severance payments in the amounts of Ch$1,907 million, Ch$1,547 million and Ch$1,767 million, respectively. Permanent employees are entitled to the basic 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 any limitation. The Company's employees who are subject to collective bargaining agreements have a contractual benefit to receive a payment in case of resignation, which consists of a portion of one month's 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 1999, the Company laid off 212 employees, 106 of which worked at the closed plant in Concepción.

The Company does not maintain any pension fund or retirement program for its 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"). The Company has no liability for the performance of the pension plans or any pension payments to be made to the employees.

In addition to its permanent work force of 4,223 employees, as of December 31, 1999, the Company had 1,434 temporary employees, who were hired for specific time periods to satisfy short-term needs.

Argentina. As of December 31, 1999, the Company had a total of 654 employees in Argentina, of which 324 were represented by four labor unions. Two of the labor unions are members of one federation, *Federación Argentina de Trabajadores Cerveceros y Afines* (the Argentine Beer Workers Federation, or "FATCA"). As of December 31, 1999, the average tenure of the Company's employees in Argentina was nine years.

Collective bargaining in Argentina is done on an industry-wide basis, rather than, as in Chile, on a company-by-company basis. According to the provisions of an agreement signed in 1975, salary levels of unionized workers are reviewed periodically. At the end of December 1998, an agreement was signed regulating working conditions and worker salaries for the period between January 1, 1999 and June 30, 2000.

In Argentina, as in Chile, all employees who are terminated for reasons other than misconduct are entitled by law to receive a severance payment. The Company made severance payments in connection with its Argentine operations in the amounts of Ch$435 million, Ch$560 million and Ch$354 million in 1997, 1998 and 1999, respectively. According to the Argentine Labor Law, employees who joined the Company 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. Employees who have joined CCU Argentina after October 1998 are entitled to a severance payment equivalent to one twelfth part of the highest month's salary earned during the last year or fraction for each month or period above ten days thereof worked.

1.10 Government Regulation

Chile. The Company is 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 and environmental laws, securities laws, and anti-trust laws. In addition, there exist regulations to insure sanitary and safe conditions in facilities for the production, bottling, and distribution of beverages. As for environmental laws, see "—Environmental Matters" below.

The Company is subject to additional regulations concerning the production and distribution of beverages which fall under the category of "alcoholic beverage", the type of alcohol that can be used in the manufacture of alcoholic beverages, the additional products that can be used in the production of each alcoholic beverage, and how alcoholic beverages must be packaged. The *Ley de Alcoholes* ("Alcoholic Beverages Law") establishes penalties, including criminal liability, depending on the seriousness of the violation of the law. Regulations issued under the Alcoholic Beverages Law specify the different types of alcohol and standards for human consumption, the minimum requirements that different types of alcoholic beverages must meet, the information that must be provided on labels and the procedures that must be followed to import alcoholic beverages. The production and bottling of alcoholic and non-alcoholic beverages is also subject to the supervision of the *Servicio de Salud del Ambiente* ("Environmental Health Service"), which inspects plants on a regular basis and takes samples for analysis.

There are no special licenses or permits for the production of alcoholic beverages other than those regulations dealing generally with the production of consumer products. The sale of alcoholic beverages is regulated by Title III, Book II of the Alcoholic Beverages Law, which requires a special municipal license which depends upon the nature of the point of sale (i.e., liquor store, restaurant, or other type of outlet). The Company has all licenses necessary for the Company's wholesale sales. Establishments for the retail sale of alcoholic beverages are regulated as to location and number in relation to the size of the municipality. Persons under 18 years of age are not allowed to purchase alcoholic beverages for on-premise consumption. In addition, advertising of beer and other alcoholic beverages is not permitted on television before 10 p.m. Recently, some municipalities have begun to impose restrictions to limit the hours during which liquor stores can remain open, pursuant to an amendment of their organic law.

The production and distribution of mineral water is also subject to special regulation. 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 Environmental Health Service provides a certification of data necessary to achieve such a designation. All of the Company's facilities have received the required designation.

There are currently no material legal or administrative proceedings pending against the Company in Chile with respect to any regulatory matter. The Company believes that it is in compliance in all material respects with all applicable statutory and administrative regulations with respect to its businesses in Chile.

Argentina. The Company is 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 anti-trust laws.

National Law 18,284 (the Argentine Food Code, or the "Code") regulates the manufacturing and packaging of food and beverages. The Code provides specific standards with which beer bottling plants must comply and regulates the production of the different types of beer mentioned in the Code. The Code also specifies the different methods in which beer may be bottled as well as the information to be provided on labels. The enforcement of the Code is undertaken by the health authorities of each province, which also establish the minimum age requirements for the purchase of alcoholic beverages. In general, no sale of alcoholic beverages is permitted to persons under 18 years of age. In the province of Buenos Aires, 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. The Argentine Congress continues to consider proposed legislation to improve enforcement of drinking laws by establishing a drinking age at 18 by federal law and limiting the hours permitted for the advertisement of alcohol products on radio and television as well as any content in such advertisement associating alcohol consumption with healthy activities.

The bottling of mineral water is also regulated by the Code, which requires that the actual bottling process occur at the same location where mineral water is obtained.

There are currently no material legal or administrative proceedings pending against the Company in Argentina with respect to any regulatory matter. The Company believes that it is in compliance in all material respects with all applicable statutory and administrative regulations with respect to its business in Argentina.

1.11 Environmental Matters

Chile. The Company's operations are subject to both national and local regulations in Chile relating to the protection of the environment. The fundamental environmental law in Chile is the Health Code, which establishes minimum health standards and provides for the regulation of air and water quality, as well as sanitary landfills.

The Ministry of Health has issued regulations for the control of pollution in the Santiago metropolitan area. In cases of emergency due to high levels of air pollution, these regulations state that the Santiago metropolitan area section of the Environmental Health Service has the authority to order the temporary reduction of the activities of companies in the area that produce particle and gas emissions. In emergency situations, depending on the degree of severity, this agency can also order the reduction or even the suspension of activities of those companies classified as producing the highest level of particle and gas emissions. The Company complies in all material respects with current regulations applicable to both its beer and soft drink facilities in the Santiago metropolitan area.

There are currently no material legal or administrative proceedings pending against the Company in Chile with respect to any environmental matter. The Company believes that it is in compliance in all material respects with all applicable environmental regulations.

Additionally, application has begun of Law Nº19,300 of March 9, 1999 which adopted the General Environmental Principles Act, including not only environmental protection regulations but also rules concerning the preservation of natural resources. The Ordinance, for the law's application, enacted on April, 1997, sets a term until year 2002 for all industries and facilities operating before the passing of the Act, to implement the improvements required to meet the objectives of the Act relating to the discharge of liquid wastes into the sewage systems. The Company is in all material respects in compliance with the Act and the ordinance, having fulfilled at each relevant stage all requirements prescribed by them.

Argentina. To an increasing extent, new laws and regulations are being enacted in Argentina as a result of heightened community concerns for environmental issues. As a consequence, there are several statutes imposing obligations on companies regarding environmental matters at the federal, provincial, and municipal levels. On many occasions, private entities operating public utilities such as water supply and sewage are in charge of controlling and enforcing those regulations. Many of these regulations have been recently enacted and little precedent exists as to their scope.

The most important environmental statute in Argentina is the Hazardous Waste Act (Law 24,051) which, although a federal law, has been strictly adhered to in no more than three provinces. When certain federal tests indicate the need, the provisions of the Hazardous Waste Act are enforced. The application of the provisions of the Hazardous Waste Act are applied depending upon the magnitude of the public health risk and whether those conditions exist in more than one province. Hazardous waste is defined to cover any residue that may cause harm, directly or indirectly, to human beings or 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 the Company operates 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.

The Argentine Constitution provides that the Federal Congress may only legislate on matters expressly delegated to it by the provinces. To date, no authority over environmental matters has been delegated to the Federal Congress. As a result, with certain limited exceptions, the provinces claim for themselves the authority to regulate environmental matters.

The Company spent approximately US$0.6 million in Argentina on facility improvements designed to meet environmental objectives during 1999. There are currently no material legal or administrative proceedings pending against the Company in Argentina with respect to any environmental matter. The Company believes that it is in compliance in all material respects with all applicable environmental regulations.

The regulation of matters relating to the protection of the environment is not as well developed in Argentina as in the United States and certain other countries. Accordingly, the Company anticipates that additional laws and regulations will be enacted over time with respect to environmental matters. While the Company believes that it will continue to be in compliance with all applicable environmental regulation, there can be no assurance that future legislative or regulatory developments will not impose restrictions on the Company which could result in material effects.

1.12 Risk Factors

Competition in the Beer Market. The Company's largest competitor in the Chilean beer market is Cervecería Chile, a subsidiary of Quilmes, the largest Argentine brewer. Quilmes entered the Chilean market in October 1991 by establishing a new Chilean brewer, Cervecería Chile. The Company estimates that Cervecería Chile had a market share in Chile of approximately 7% in 1998 and 8% in 1999. The Company's only other significant competitor in the Chilean beer business is Polar, with an estimated national market share of approximately 1% in 1998 and 1999. Polar's production and distribution are concentrated in the southernmost region of Chile.

Competition in the Chilean beer market has been strong in recent years, especially in light of the aggressive price discounting by Cervecería Chile, which began during the first quarter of 1994. Price discounting by Cervecería Chile diminished somewhat in the second quarter of 1995, and its beer prices continued to rise through 1995 and 1996. During 1997 and the first half of 1998, prices remained relatively stable; however, during the second half of 1998 and in 1999, Cervecería Chile resumed aggressive price discounting. There can be no assurance, given the current environment, that any such discounting or other competitive activities will not have a material adverse impact on the Company's results.

In view of favorable long-term economic conditions in Chile, other enterprises may be expected to attempt to enter the country's beer market either by producing beer locally or through imports. In addition, the Company's beer brands in Chile may face increased competition from other alcoholic beverages such as wine and spirits as well as from non-alcoholic beverages such as soft drinks. In particular, the Company's beer products compete directly with domestic wine.

Beer consumption in Chile historically has been influenced by changes in domestic wine prices. Increases in domestic wine prices have tended to lead to increases in beer consumption, while reductions in wine prices have tended to reduce or slow the growth of beer consumption. However, this correlation has not been observed clearly in the past two years due to the low level of wine consumption and factors like higher wine quality and awareness of the positive effects of moderate wine consumption on health. Similarly, as the price of soft drinks has decreased relative to the price of beer over the past few years, due to lower packaging costs and the introduction of larger packaging formats, growth in beer consumption has slowed.

The Company is the third largest brewery in Argentina with an estimated year-end market share of 8% in 1995, 9% in 1996, 11% in 1997, 12% in 1998 and 13% in 1999. In Argentina, the Company faces competition from Quilmes, Brahma, Warsteiner and Galicia, which had estimated market shares of approximately 70%, 13%, 3% and less than 1%, respectively, in 1999. Over the past three years, two important acquisitions took place in the Argentine beer industry. In February 1997, Quilmes acquired Bieckert and in April 1998 the Company acquired Cervecería Córdoba's brands adding approximately 4% and less than 1% to each respective company's market share. Though the Company's increased level of advertising and other competitive efforts may continue to increase its overall market volumes, the Argentine market may be affected due to increased consolidation. In December 1999, the Argentine government passed a law that increases excise tax from 4% to 8%. The impact of this measure over the Company will depend on the possibility to convey the increase in taxes to the consumer's final price.

There can be no assurance that the Company's results will not be materially adversely affected from time to time by significant increases in advertising and promotion costs, loss of sales volume, price discounting, or a combination of these and other factors related to the competitive beer markets in Chile and Argentina.

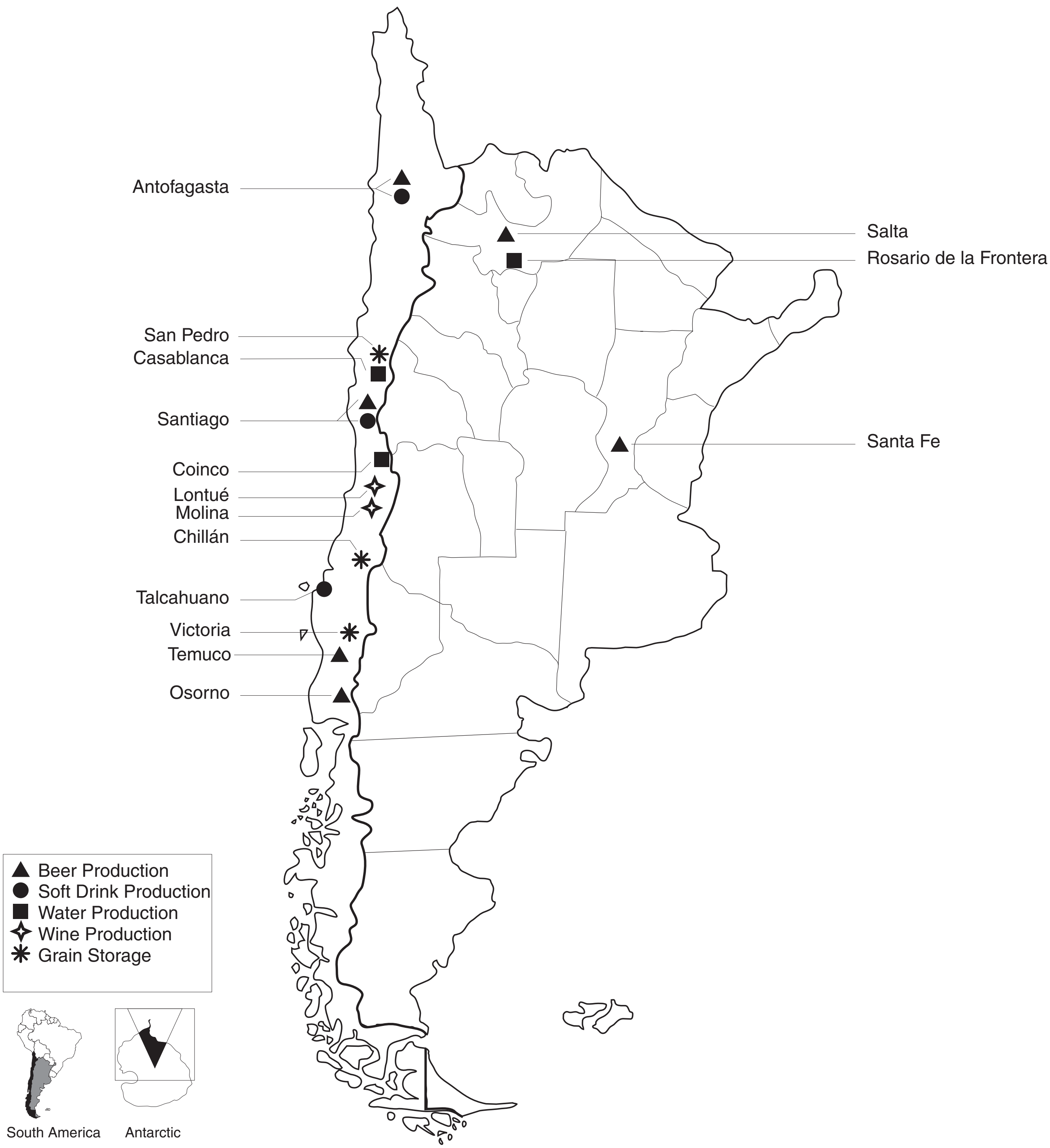
Coca-Cola's Acquisition of Cadbury Schweppes Brands. On December 11, 1998, TCCC announced an agreement to acquire Cadbury Schweppes' international beverage brands in certain markets. In July 1999, ECUSA filed an application before the Antitrust Solicitor-General against TCCC for conducts against free competition. In August 1999, the Company was informed through a circular letter that the agreement had been consummated; however, it included fewer countries than originally projected mainly due to antitrust issues. Also in August, ECUSA filed a pre-trial document disclosure motion which was denied as CS Beverages Ltd., Canada Dry Corporation Ltd. and TCCC did not appoint or acknowledge any legal representative in Chile. In November 1999, ECUSA filed a complaint before a Chilean civil court seeking a judicial declaration of breach of contract and damages, against CS Beverages Ltd., Canada Dry Corporation Ltd., TCCC, Atlantic Industries and Cadbury Schweppes. On December 22, 1999, the Company received a communication by means of which CS Beverages Ltd. and Canada Dry Corporation Ltd., unilaterally gave a 60-day notice of termination of the franchise agreements for the Crush and Canada Dry brands. This communication was later withdrawn by CS Beverages Ltd. and Canada Dry Corporation Ltd., stating that they would submit the validity of the termination of the agreements to the decision of a competent tribunal. In January 2000, a precautionary measure was dictated by the Antitrust Authority, suspending certain clauses of the franchise agreements for a period of 180 days starting January 13, 2000, while they studied the case. On March 24, 2000, the Company was informed that CS Beverages Ltd. and Canada Dry Corporation Ltd. filed a Request for Arbitration under the rules of the International Chamber of Commerce ("ICC") to adjudge, among other things, the anticipated termination of the agreements. As of March 31, 2000, the Company has no material additional information regarding any of the proceedings referred to above. Under the current contract conditions, ECUSA's agreements expire in 2034. After its initial term of ten years, in 2004, the agreements shall automatically be extended for six additional successive terms of five years each, provided that the following conditions are met: the compliance of ECUSA's obligations under the contract and the agreement to a business plan for the next five-year period. The Company has always fulfilled its obligation in the past. Cadbury Schweppes' brands accounted for 27.9% of the Company's sales of soft drinks and 6.8% of overall revenues in 1999. No assurance can be given that sales under the Cadbury Schweppes agreements will remain at current levels.

Forward-Looking Information is Subject to Risk and Uncertainty. Certain statements contained in this Annual Report, specifically included in the sections entitled "Item 1: Description of Business" and "Item 9: Management's Discussion and Analysis of Financial Condition and Results of Operations" contain "forward-looking" information (as defined in the U.S. Private Securities Litigation Reform Act of 1995) that involves risk and uncertainties, including statements concerning increases in beer exports/imports, obtaining adequate supplies of raw materials, a new production facility in Buenos Aires, Argentina, the effect of an increase in both soft drinks and beer excise taxes in Argentina, capital expenditures and the utilization of certain tax loss carry-forwards. Actual future results and trends may differ materially depending on a variety of factors discussed in this "Risk Factors" section and elsewhere in this Annual Report, including: (i) the Company's success in implementing its investment and capital-expenditure program; (ii) the nature and extent of future competition in the Company's principal marketing areas; and (iii) political and economic developments in Chile, Argentina, Croatia and other countries where the Company currently conducts business or may conduct business in the future, including other Latin American countries. For a description of the Company's capital expenditure program, see "—Capital Expenditures".

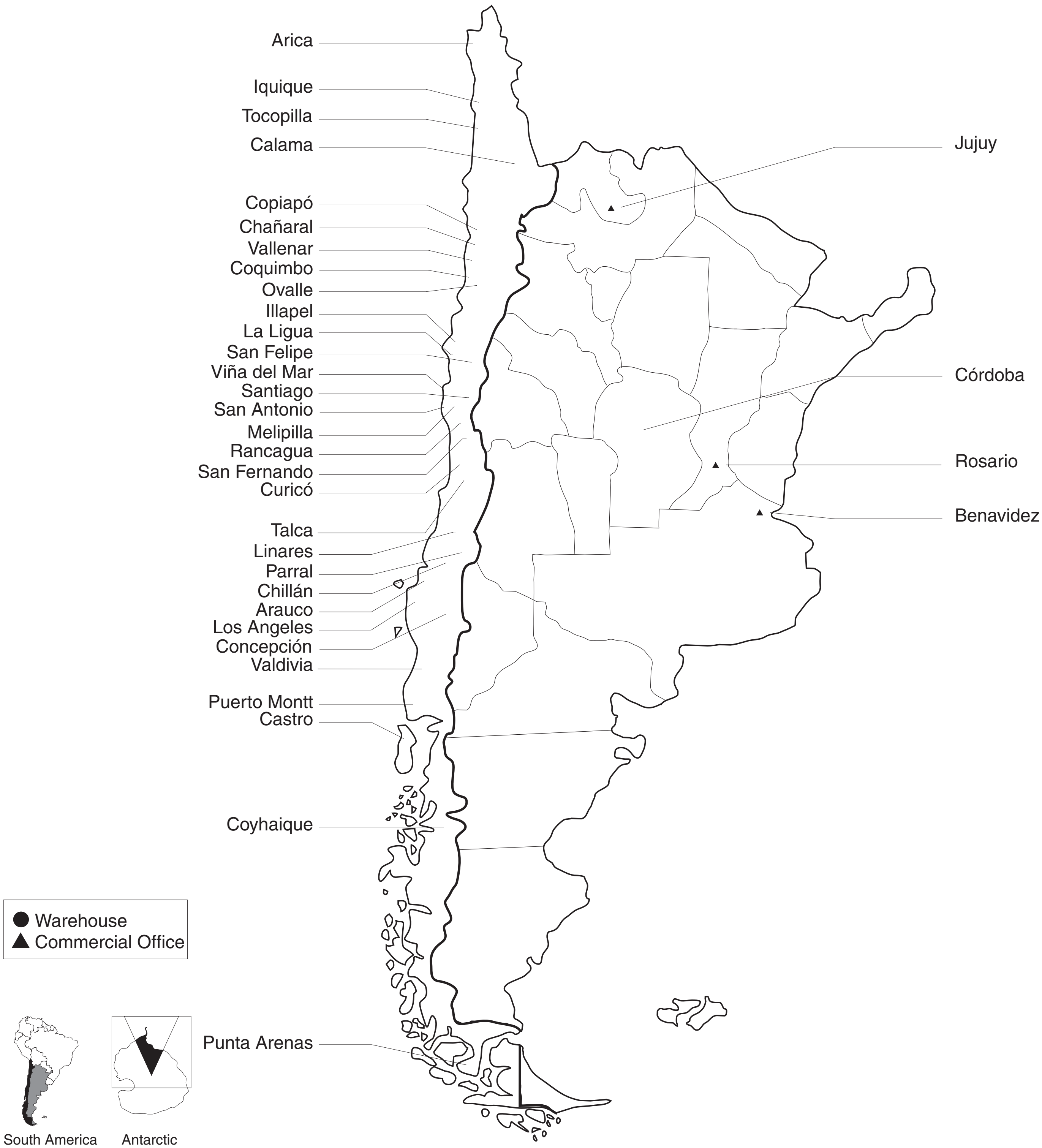
Other Risk Factors. For a discussion of other risk factors not typically associated with investing in the securities of United States companies, the reader is referred to the discussion under the same heading in the Prospectus (except for the section entitled "Mandatory Arbitration Provisions May Limit Ability to Enforce Liabilities under U.S. Securities Laws," as the Company's by-laws have been amended to address this point) included in the Company's Registration Statement on Form F-3, as amended, filed with the Commission on December 11, 1996 (File No. 333-6042), which as amended is hereby incorporated by reference.

ITEM 2: Description of Property

Map of Chile and Argentina Showing the Company's Plants (as of December 31, 1999)



Map of Chile and Argentina Showing the Company's Warehouses and/or Commercial Offices (as of December 31, 1999)



Set forth below is information concerning the production facilities of the Company as of December 31, 1999, all of which are owned and operated by the Company or its subsidiaries:

	Nominal Installed Monthly Production Capacity (in million liters)	Utilized Capacity During Peak Month (1)	Average Utilized Capacity During 1999 (2)
Beer Production Facilities			
Santiago (3)	46.0	79.6%	55.5%
Antofagasta	4.1(5)	68.4%(6)	49.4%
Osorno	5.1	85.4%	69.7%
Temuco (4)	12.0	24.8%	-
Chile Total	63.1(7)	74.1%	60.1%
Santa Fe	23.0	75.9%	51.6%(8)
Salta	3.4	80.6%	57.9%
Argentina Total	26.4	76.5%	52.4%
Soft Drink Production Facilities			
Santiago	63.3	48.6%	36.8%
Talcahuano	17.5	39.0%	25.2%
Antofagasta	9.8	13.1%	10.8%
Total	90.6	42.9%	31.7%
Mineral Water Production Facilities			
Coinco	20.0	44.8%	30.3%
Casablanca	2.0	12.7%	16.9%
Chile Total	16.7	41.6%	29.0%
Rosario de la Frontera	2.8	14.0%	10.5%
Argentina Total	2.8	14.0%	10.5%

(1) Based on the year ended December 31, 1999. Utilized Capacity During Peak Month is equal to production output as a percentage of Nominal Installed Production Capacity during the Company's peak month for each respective plant (i.e., the month of December, January or February). The implicit slack capacity does not necessarily measure real slack capacity. The Company believes that 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, the Company believes that the peak monthly capacity utilization rates shown above understate real capacity utilization and that slack capacity is overstated. The Company estimates that during the peak month in 1999, the real slack capacity amounted to approximately 14.3 million liters in Chilean beer, 4.9 million liters in Argentine beer, 20.4 million liters in soft drinks, 5.3 million liters in Chilean mineral water and 2.4 million liters in Argentine mineral water.

(2) Average Utilized Capacity During 1999 equals the plant's total production output as a percentage of nominal installed annual production capacity in 1999. Nominal installed annual production capacity is

calculated by multiplying the Nominal Installed Monthly Production Capacity by 11 months (on average, a one month period is required each year for maintenance and repairs). Given the seasonal nature of the Company's beer production and sales, these figures underestimate capacity utilization during peak months.

(3) The Santiago plant's Utilized Capacity During Peak Month increases from 79.6% to 85.7% and the Average Utilized Capacity during 1999 increases from 55.5% to 69.9% if the production of beer from the former Antofagasta production plant is included when considering this plant. Currently, the Santiago plant produces concentrated beer, which is tankered to the new Antofagasta plant for bottling.

(4) The new plant in Temuco began its start-up period in December 1999.

(5) Storage capacity.

(6) Figures relating to utilized capacity are calculated based on the plant's Nominal Storage Capacity of 4.1 million liters.

(7) Does not include Antofagasta storage capacity.

	Installed Vinification Capacity (millions liters)	Storage Capacity in Tanks and Barrels (millions liters)
Wine Production Facilities		
Lontué	0.0	15.6
Molina	23.0	36.6
Total	23.0	52.2

As of December 31, 1999, VSP had a nominal packaging and bottling capacity of 35,100 liters per hour in its Lontué plant and 9,000 liters per hour in its Molina plant.

ITEM 3: Legal Proceedings

ECUSA filed an application before the Anti-trust Solicitor General on July 2, 1999, seeking the declaration by the Chilean Anti-trust Authority that the acquisition of the Cadbury brands by The Coca-Cola Company and its subsidiaries would have an adverse effect on competition in Chile. On January 12, 2000, the Chilean Competition Law Authority issued a resolution ordering an investigation thereon. The investigation procedure has reached the stage where the opening arguments of the parties involved have been heard.

On November 11, 1999, ECUSA filed a complaint before a Chilean civil court against Canada Dry Corporation Limited, CS Beverages Limited, Cadbury Beverages, Cadbury Schweppes plc and The Coca-Cola Company and its subsidiary Atlantic Industries, seeking as relief the declaration that the purchase of the companies owning the Canada Dry and Crush brands by the latter was in breach of the current agreements and an award of damages.

On March 21, 2000, Canada Dry Corporation Limited and CS Beverages Limited separately filed a Request for Arbitration before the International Court of Arbitration of the International Chamber of Commerce (ICC), pleading the termination of the agreements due to the dissolution of the joint venture between CCU and BAESA.

ITEM 4: Control of Registrant

CCU's only outstanding voting securities are its shares of Common Stock. The following table sets forth certain information concerning ownership of the Common Stock as of December 31, 1999, with respect to each shareholder known to CCU to own more than 5% of the outstanding shares of Common Stock and with respect to all directors and executive officers of CCU as a group:

Shareholder	Number of shares owned	% Ownership
Inversiones y Rentas S.A.	196,137,960	61.58%
Compañía de Petróleos de Chile S.A.	23,887,716	7.50%
Directors and executive officers of the Company as a group (1)	6,667	0.00%

(1) Does not include the 196,137,960 shares owned by Inversiones y Rentas, which is 50% beneficially owned by the Luksic family, as discussed below. Guillermo Luksic and Andrónico Luksic, directors of the Company, are members of the Luksic family.

In addition, as of December 31, 1999, Morgan Guaranty Trust Company of New York, the Depositary for CCU's ADR facility, was the record owner of 60,929,475 shares of Common Stock (19.13% of the outstanding Common Stock) deposited in the Company's ADR facility.

Inversiones y Rentas is a Chilean closed corporation formed for the sole purpose of owning a controlling interest in the Company. Inversiones y Rentas is owned 50% by Quiñenco S.A., which is a holding company of the Luksic Group and 50% by Paulaner-Salvator Beteiligungs AG through its intermediate holding company, Finance Holding International B.V. ("FHI"). The two latter companies belong to the Schörghuber Group. An agreement between the two shareholders of Inversiones y Rentas gives each the right to transfer their holding in Inversiones y Rentas to the other, which may either buy such interest or transfer their own holding back to the offering shareholder at the same price.

The Company is not aware of any arrangements which may at a subsequent date result in a change in control of the Company.

Quiñenco S.A. is a Chilean holding company engaged in a wide range of business activities in Chile and countries of the Southern Cone and Mercosur regions, including Brazil, Argentina and Peru. Quiñenco's principal holdings include, among others, Madeco S.A. (the leading manufacturer of copper and aluminum-based products in Chile, Brazil, Argentina and Peru), Compañía Nacional de Teléfonos - Telefónica del Sur S.A. (a leading provider of local telephone service in southern Chile), Empresas Lucchetti S.A. (a leading producer of pasta in Chile, Argentina and Peru), Banco de A. Edwards (one of the most traditional banks in Chile), Hoteles Carrera S.A. (a Chilean chain of luxury hotels) and Habitaria S.A. (a developer of residential real estate in Chile).

The beverage companies of the Schörghuber Group include a total of ten breweries and beverage operations. The group holds a considerable share of the German Coca-Cola anchor bottler, which controls more than 75% of Coca-Cola bottling operations in Germany. The Schörghuber Group is, through various ownership stakes in different breweries, the largest brewer in Bavaria and the fourth largest brewer in Germany. Paulaner, the largest brewery in Bavaria, was founded in Munich in 1634. Other breweries owned by the Paulaner group include Hacker-Pschorr Bräu GmbH in Munich, the Thurn & Taxis Brewery in Regensburg, Auerbräu AG in Rosenheim and the Reichelbräu AG, EKU and Mönchshof breweries in Kulmbach. Through KG Bayerische Hausbau, the Schörghuber Group is one of the largest real estate and urban development companies in Germany, with businesses in Spain, the Czech Republic, Hungary and Chile. Its lodging business interests include, through Arabella Hotels, the ownership of 14 hotels in Germany, Spain and Switzerland. Through Bavaria Fluggesellschaft, the group's operations include aircraft leasing activities. See "—Item 13: Interest of Management in Certain Transactions".

ITEM 5: Nature of Trading Market

The Company's Common Stock is currently traded on the Santiago Stock Exchange, the BEC, and the Valparaíso Stock Exchange. The Santiago Stock Exchange accounted for approximately 65% of the trading volume of the Common Stock in Chile in 1998 and 74% of such volume in 1999. Shares of the Company's Common Stock traded in the United States on the NASDAQ stock exchange between September 24, 1992 and March 25, 1999 and on the NYSE as of March 26, 1999, in the form of ADSs, each representing five shares of Common Stock, with ADSs in turn evidenced by ADRs. The ADSs are issued under the terms of a deposit agreement dated September 1, 1992, as amended (the "Deposit Agreement"), among the Company, Morgan Guaranty Trust Company of New York, as depositary (the "Depositary"), and the holders from time to time of the ADSs.

For the periods indicated, the table below sets forth the reported high and low closing sales prices for the Common Stock on the Santiago Stock Exchange as well as the high and low sales prices of the ADSs as reported by NASDAQ or by the NYSE, the latter since March 26, 1999:

	Santiago Stock Exchange (per share of common stock)(1)		NASDAQ/NYSE (as of 3/26/99) (per ADS)	
	High (Ch$)	Low (Ch$)	High (US$)	Low (US$)
1998				
1st quarter	2,630	1,980	30.133	22.234
2nd quarter	2,700	1,949	30.563	21.000
3rd quarter	2,200	1,390	23.750	13.875
4th quarter	2,080	1,300	22.625	13.250
1999				
1st quarter	2,080	1,350	21.813	14.203
2nd quarter	3,000	2,000	30.375	21.813
3rd quarter	3,200	2,470	30.750	23.000
4th quarter	3,375	2,246	32.188	20.313
2000				
1st quarter	3,450	2,580	34.000	24.875

(1) Pesos per share of Common Stock reflect nominal price at trade date.

As of March 31, 2000, there were 11,758,643 ADSs (equivalent to 58,793,215 shares of Common Stock) outstanding, held by approximately 25 holders of record. Such ADSs represented at such date 18.46% of the total number of issued and outstanding shares of Common Stock.

In April 1999, the Company sold the 4,573,792 remaining shares from its 1996/1997 capital increase, representing approximately 1.5% of the Company's total issued and subscribed shares of Common Stock. This capital increase raised approximately US$22 million which was used to fund the Company's capital expenditure plan.

ITEM 6: Exchange Controls and Other Limitations Affecting Security Holders

Among other things, the Central Bank is responsible for establishing monetary policies and exchange controls in Chile. Appropriate registration of a foreign investment in Chile permits the investor access to the Formal Exchange Market. See "—Exchange Rates". Foreign investments can be registered with the Foreign Investment Committee under Decree Law No. 600 of 1974 or can be registered with the Central Bank under the Central Bank Act. The Central Bank Act is an organic constitutional law requiring a special majority vote of the Chilean Congress to be modified.

A foreign investment and exchange contract ("Foreign Investment Contract") was entered into among the Central Bank, CCU and the Depositary in 1992 and amended in 1996 pursuant to Article 47 of the Central Bank Act and to Chapter XXVI of the Compendium of Foreign Exchange Regulations of the Central Bank ("Chapter XXVI"), which addresses the issuances of ADSs by a Chilean company. Absent the Foreign Investment Contract, under applicable Chilean exchange controls, investors in the ADRs would not be granted access to the Formal Exchange Market for the purpose of converting from pesos to dollars and repatriating from Chile amounts received with respect to deposited shares of Common Stock withdrawn from deposit on surrender of ADRs (including amounts received as cash dividends and proceeds from the sale in Chile of the underlying Common Stock and any rights with respect thereto). The following is a summary of the material provisions contained in the Foreign Investment Contract. This summary does not purport to be complete and is qualified in its entirety by reference to Chapter XXVI and the Foreign Investment Contract.

Under Chapter XXVI and the Foreign Investment Contract, the Central Bank has agreed to grant to the Depositary, on behalf of holders of ADRs, and to any investor not residing or domiciled in Chile who withdraws shares of Common Stock upon delivery of ADRs (such shares of Common Stock being referred to herein as "Withdrawn Shares") access to the Formal Exchange Market to convert pesos to dollars (and remit such dollars outside of Chile) in respect of Common Stock represented by ADRs or Withdrawn Shares, including amounts received as (a) cash dividends, (b) proceeds from the sale in Chile of Withdrawn Shares, or from shares distributed because of the liquidation, merger or consolidation of the Company, subject to receipt by the Central Bank of a certificate from the holder of such shares (or from an institution authorized by the Central Bank) that such holder's residence and domicile are outside Chile and a certificate from a Chilean stock exchange (or from a brokerage or securities firm established in Chile) that such shares were sold on a Chilean exchange, (c) proceeds from the sale in Chile of preemptive rights to subscribe for additional shares of Common Stock, (d) proceeds from the liquidation, merger or consolidation of the Company and (e) other distributions, including without limitation those resulting from any re-capitalization, as a result of holding Common Stock represented by ADSs or Withdrawn Shares. Transferees of Withdrawn Shares are not entitled to any of the foregoing rights under Chapter XXVI unless the Withdrawn Shares are re-deposited with the Depositary. Investors receiving Withdrawn Shares in exchange for ADRs will have the right to re-deposit such shares in exchange for ADRs, provided that the conditions to re-deposit specified in the Deposit Agreement are satisfied. For a description of the Formal Exchange Market, see "—Exchange Rates".

Chapter XXVI provides that access to the Formal Exchange Market in connection with dividend payments will be conditioned upon certification by the Company to the Central Bank that a dividend payment has been made and any applicable tax has been withheld. Chapter XXVI also provides that the access to the Formal Exchange Market in connection with the sale of Withdrawn Shares or distributions thereon will be conditioned upon receipt by the Central Bank of certification by the Depositary that such shares have been withdrawn in exchange for ADRs and receipt of a waiver of the benefit of the Foreign Investment Contract with respect thereto until such Withdrawn Shares are re-deposited.

Chapter XXVI and the Foreign Investment Contract provide that a person who brings certain types of foreign currency into Chile, including U.S. dollars, to purchase Common Stock with the benefit of the Foreign Investment Contract must convert it into pesos on the same date and has five banking days within which to invest in Common Stock in order to receive the benefits of the Foreign Investment Contract. If such person decides within such period not to acquire Common Stock, he can access the Formal Exchange Market to re-acquire dollars, provided that the applicable request is presented to the Central Bank within seven days of the initial conversion into pesos. Common Stock acquired as described above may be deposited for ADRs and receive the benefits of the Foreign Investment Contract, subject to receipt by the Central Bank of a certificate from the Depositary that such deposit has been effected and that the related ADRs have been issued and receipt by the Custodian of a declaration from the person making such deposit waiving the benefits of the Foreign Investment Contract with respect to the deposited Common Stock.

Access to the Formal Exchange Market under any of the circumstances described above is not automatic. Pursuant to Chapter XXVI, such access requires approval of the Central Bank based on a request therefor presented through a banking institution established in Chile. The Foreign Investment Contract will provide that if the Central Bank has not acted on such request within seven banking days, the request will be deemed approved.

Under current Chilean law, the Foreign Investment Contract cannot be changed unilaterally by the Central Bank. No assurance can be given, however, that additional Chilean restrictions applicable to the holders of ADRs, the disposition of underlying Common Stock or the repatriation of the proceeds from such disposition could not be imposed in the future, nor can there be any assessment of the duration or impact of such restrictions if imposed.

Subsequent to July 4, 1995, pursuant to the Compendium of Foreign Exchange Regulations, foreign investors acquiring shares or securities in Chile were required to maintain a mandatory reserve for one year in the form of a non-interest bearing U.S. dollar deposit with the Central Bank, in an amount equal to 30% of the amount of the proposed investment. Alternatively, foreign investors may choose to satisfy such reserve requirement (the "Reserve Requirement") by making payment to the Central Bank of a non-refundable amount calculated by multiplying LIBOR plus 4% by an amount equal to 30% of the proposed investment. The Reserve Requirement will be imposed with respect to investments made by foreign investors to acquire shares or securities in the secondary market for deposit in an ADR facility. However, on September 16, 1998, the Central Bank lowered the Reserve Requirement to 0% but did not eliminate its existence. Thus, the possibility exists that it could be reinstated at a later date.

The reinstatement of the Reserve Requirement could affect the price and volume of trading in securities in Chile, including the price and volume of trading in the Common Stock. A new Reserve Requirement could also affect the amount of any differential in prices between American Depositary Shares evidencing securities of Chilean issuers, including the ADRs representing the Common Stock, and the prices of the underlying securities traded in Chile, including the Common Stock. The Company is unable to predict whether, and if so, how or when the Reserve Requirement may be modified or terminated, or the effect of any such modifications or termination on the securities markets in Chile, the market for the Common Stock or the market for the ADRs. Moreover, the Company is unable to assess at this time the impact that the Reserve Requirement would have on the securities markets in Chile, the market for the Common Stock in Chile or the market for the ADRs.

ITEM 7: Taxation

7.1 Chilean Tax Considerations

The following describes the material Chilean income tax consequences of an investment in the ADSs or Common Stock by an individual who is not domiciled or resident in Chile or a legal entity that is not organized under the laws of Chile and does not have a permanent establishment located in Chile (a "foreign holder"). This discussion is based upon Chilean income tax laws presently in force, including Ruling No. 324 of January 29, 1990 of the Chilean Internal Revenue Service and other applicable regulations and rulings. The 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.

Under Chilean law, provisions contained in statutes such as tax rates applicable to foreign investors, the computation of taxable income for Chilean purposes and the manner in which Chilean taxes are imposed and collected may only be amended by another statute. In addition, the Chilean tax authorities issue rulings and regulations of either general or specific application and interpret the provisions of Chilean tax law. Chilean taxes may not be assessed retroactively against taxpayers who act in good faith relying on such rulings, regulations and interpretations, but Chilean tax authorities may change said rulings, regulations and interpretations prospectively. There is no income tax treaty in force between Chile and the United States.

Cash Dividends and Other Distributions. Cash dividends paid by the Company with respect to Common Stock, including Common Stock represented by ADSs held by a foreign holder, will be subject to a 35% Chilean withholding tax, which is withheld and paid over by the Company (the "Withholding Tax").

Tax filings in Chile are due in April of each year in respect of the prior fiscal year. Given that the Company's dividends (interim and final) for a year generally are declared before tax filings are made, it is not possible to determine First Category Taxes at the time dividends are declared. If the Company has paid corporate income tax (the "First Category Tax") on the income from which the dividend is paid, a credit for the First Category Tax effectively reduces the rate of Withholding Tax. When a credit is available, the Withholding Tax is computed by applying the 35% rate to the pre-tax amount needed to fund the dividend and then subtracting from the tentative withholding tax so determined the amount of First Category Tax actually paid on that pre-tax income. If no First Category Tax credit is available when the dividends are paid, the Company must withhold the 35% tax on dividends until April of the following year, when First Category Taxes are finally determined, declared, and paid. Subsequently, should any tax credit be determined to be due, the resulting amount is paid to ADR holders.

For purposes of determining the rate at which First Category Tax was paid, dividends are treated as paid from the Company's oldest retained earnings. The effective Withholding Tax rate, after giving effect to the credit for First Category Tax, generally is:

$$\frac{\text{(Withholding Tax rate) - (First Category Tax effective rate)}}{\text{1 - (First Category Tax effective rate)}}$$

The effective rate of Withholding Tax to be imposed on dividends paid by the Company may vary materially depending upon the amount of First Category Tax paid by the Company on the taxable earnings to which the dividends are attributed. The effective rate for dividends attributed to earnings from 1991 and later years, for which the First Category Tax is 15%, generally is 23.5%. In 1996, 1997 and 1998, CCU paid First Category Tax at an effective rate below the 15% statutory rate. The Company expects that the effective consolidated tax rate in 1999 will continue to be less than the Chilean statutory rate of 15% as a result of tax loss carryforwards that remain available to certain of CCU's subsidiaries. For information on tax paid by the Company, see Note 15 to the Consolidated Financial Statements.

Dividend distributions made in property would be subject to the same Chilean tax rules as cash dividends. Stock dividends are not subject to Chilean taxation. The distribution of preemptive rights relating to shares of Common Stock will not be subject to Chilean taxation.

Capital Gains. Gain from the sale or exchange of ADSs (or ADRs evidencing ADSs) outside Chile will not be subject to Chilean taxation. The deposit and withdrawal of Common Stock in exchange for ADRs will not be subject to any Chilean taxes.

Gain recognized on a sale or exchange of Common Stock (as distinguished from sales or exchanges of ADSs representing such shares) will be subject to both the First Category Tax and the Withholding Tax (the former being creditable against the latter) if either (i) the foreign holder has held the Common Stock for less than one year since exchanging ADSs for the Common Stock or (ii) the foreign holder acquired and disposed of the Common Stock in the ordinary course of its business or as a regular trader of shares. In all other cases, gain on the disposition of Common Stock will be subject only to a capital gains tax, which is assessed at the same rate as the First Category Tax.

The tax basis of shares of Common Stock received in exchange for ADSs will be the acquisition value of the shares. The valuation procedure set forth in the Deposit Agreement, which values shares of Common Stock which are being exchanged at the highest price at which they trade on the Santiago Stock Exchange on the date of the exchange, will determine the acquisition value for this purpose. Consequently, the conversion of ADSs into shares of Common Stock and the immediate sale of such shares for no more than the value established under the Deposit Agreement will not generate a gain subject to Chilean taxation.

The exercise of preemptive rights relating to the shares of Common Stock will not be subject to Chilean taxation. Any gain on the sale or assignment of preemptive rights relating to the shares of Common Stock will be subject to both the First Category Tax and the Withholding Tax (the former being creditable against the latter).

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 gift of Common Stock by a foreign holder. No Chilean stamp, issue, registration or similar taxes or duties apply to foreign holders of ADSs or Common Stock.

7.2 United States Tax Considerations

The following describes the material United States federal income tax consequences of an investment in the ADSs or shares of Common Stock. This discussion is based upon United States federal income tax laws presently in force. The discussion is not a full description of all tax considerations that may be relevant to a decision to purchase ADSs or shares of Common Stock. In particular, the discussion is directed only to U.S. holders that will hold ADSs or shares of Common Stock as capital assets and that have the United States dollar as their functional currency. It does not address the tax treatment of U.S. holders that are subject to special tax rules, such as banks, securities dealers, insurance companies, tax-exempt entities, holders who hold the ADRs or Common Stock as part of a straddler hedge, conversion, or integrated transaction and holders of 10% or more of the Company’s voting shares. The Company believes, and the discussion therefore assumes, that the Company is not and will not become a passive foreign investment company or a foreign personal holding company for United States federal income tax purposes.

As used here, "U.S. holder" means a beneficial owner of ADSs or shares of Common Stock that is (i) a United States citizen or resident, (ii) a domestic corporation or partnership or (iii) a trust subject to the control of a US person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to United States federal income taxation regardless of its source. The term "non-U.S. holder" refers to any beneficial owner of ADSs or shares of Common Stock other than a U.S. holder. If the obligations contemplated by the Deposit Agreement are performed in accordance with its terms, holders of ADSs (or ADRs evidencing ADSs) will be treated for United States federal income tax purposes as the owners of the shares of Common Stock represented by those ADSs.

Cash Dividends and Other Distributions. Cash dividends (including the amount of any Chilean Withholding Taxes withheld), reduced by any applicable Chilean tax credit for First Category Tax, paid with respect to the shares of Common Stock or shares of Common Stock represented by ADSs out of the current and accumulated earnings and profits of the Company as determined for United States federal income tax purposes generally will be included in the gross income of a U.S. holder as ordinary income. Dividends paid in pesos will be included in a United States dollar amount based on the exchange rate in effect on the date of receipt (which, in the case of ADSs, will be the date of receipt by the Depositary) regardless of whether the payment is in fact converted into U.S. dollars at that time. Any gain or loss recognized upon a subsequent sale or conversion of the pesos for a different amount of U.S. dollars will be United States source ordinary income or loss. Dividends generally will be foreign source income. The Chilean Withholding Tax (net of any credit for the First Category Tax) paid by or for the account of any U.S. holder will be eligible, subject to generally applicable limitations and conditions, for credit against the U.S. holder's federal income tax liability. Dividends generally will constitute foreign source "passive income" or "financial services income" for U.S. tax purposes. Dividends will not be eligible for the dividends-received deduction allowed to corporations.

Distributions to U.S. holders of additional shares of Common Stock or preemptive rights with respect to shares of Common Stock that are made as part of a pro-rata distribution to all shareholders of CCU generally will not be subject to United States federal income tax. The basis of the new shares or preemptive rights (if such rights are exercised or sold) generally will be determined by allocating the U.S. holder's adjusted basis in the old shares between the old shares and the new shares or preemptive rights received, based on their relative fair market values on the date of distribution (except the basis of the preemptive rights will be zero if the fair market value of the rights is less than 15% of the fair market value of the old shares at the time of distribution, unless the U.S. holder irrevocably elects to allocate basis between the old shares and the preemptive rights). The holding period of a U.S. holder for the new shares or preemptive rights will include the U.S. holder's holding period for the old shares with respect to which the new shares or preemptive rights were issued.

A non-U.S. holder generally will not be subject to United States federal income or withholding tax on dividends paid with respect to Common Stock or Common Stock represented by ADSs, unless such income is effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States.

Capital Gains. U.S. holders will not recognize gain or loss on deposits or withdrawals of shares of Common Stock in exchange for ADSs or on the exercise of preemptive rights. U.S. holders will recognize capital gain or loss on the sale or other disposition of ADSs or shares of Common Stock (or preemptive rights with respect to such shares) held by the U.S. holder or by the Depositary equal to the difference between the amount realized and the U.S. Holder's tax basis in the ADSs or shares of Common Stock. Any gain recognized by a U.S. holder generally will be treated as United States source income. Consequently, in the case of a disposition of Common Stock or preemptive rights (which, unlike a disposition of ADRs, will be taxable in Chile), the U.S. holder may not be able to claim the foreign tax credit for Chilean tax imposed on the gain unless it appropriately can apply the credit against tax due on income from foreign sources. Loss may be treated as foreign source loss by reference to the source of dividends paid on the Common Stock.

A non-U.S. holder of ADSs or shares of Common Stock will not be subject to United States income or withholding tax on gain from the sale or other disposition of ADSs or Common Stock unless (i) such gain is effectively connected with the conduct of a trade or business within the United States or (ii) the non-U.S. holder is an individual who is present in the United States for at least 183 days during the taxable year of the disposition and certain other conditions are met.

ITEM 8: Selected Financial Data

The following table presents selected consolidated financial data as of December 31, 1998 and 1999, and for each of the years ended December 31, 1997, 1998 and 1999. The data for such years has been derived from the Consolidated Financial Statements of the Company, audited by Price Waterhouse, independent auditors, included elsewhere herein. Selected consolidated financial data as of December 31, 1995, 1996 and 1997, and for each of the years ended December 31, 1995 and 1996 has been derived from the Company's Consolidated Financial Statements audited by Price Waterhouse, not included herein. The financial data set forth below should be read in conjunction with the Consolidated Financial Statements and related notes, and "Item 9: Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report.

The financial information as of and for the years ended December 31, 1995, 1996, 1997, 1998 and 1999 shown below is presented in constant Chilean pesos of December 31, 1999:

	Year ended December 31,				
	1995	**1996**	**1997**	**1998**	**1999**
	(millions of constant Ch$) (1)				
Income Statement Data:					
Chilean GAAP:					
Total revenues	Ch$226,995	Ch$258,572	Ch$279,562	Ch$287,506	Ch$290,405
Operating income	30,055	31,764	44,325	45,891	40,016
Interest expense	(6,540)	(8,203)	(7,222)	(7,662)	(6,046)
Other income	16,287	7,829	18,611	20,853	18,923
Income tax	(2,874)	(2,637)	(4,415)	(4,764)	(7,193)
Net income	30,411	20,673	40,011	40,338	41,182
EBITDA (2)	53,390	58,714	73,537	76,672	73,369
Net earnings per share	116.34	78.94	129.61	128.94	129.76
Net earnings per ADS	581.72	394.71	648.05	644.70	648.82
Dividends per share (3)	46.11	32.80	64.37	64.25	64.65
Weighted average shares outstanding (000s)	261,394	261,881	308,705	312,842	317,359
U.S. GAAP:					
Total revenues	Ch$146,856	Ch$170,649	Ch$192,889	Ch$202,195	Ch$229,809
Net income	26,991	25,876	44,075	41,128	44,031
Net earnings per share	103.26	98.81	142.78	131.47	138.89
Net earnings per ADS	516.28	494.03	713.90	657.35	694.45
Balance Sheet Data:					
Chilean GAAP:					
Total assets	Ch$447,285	Ch$472,803	Ch$549,513	Ch$582,136	Ch$594,188
Long-term liabilities	129,092	116,038	101,396	104,942	90,405
Total debt (4)	126,869	114,447	100,054	97,665	91,371
Total stockholders' equity	203,602	236,510	312,771	342,278	379,190
U.S. GAAP:					
Total assets	Ch$382,750	Ch$410,067	Ch$491,074	Ch$525,604	Ch$601,399
Long-term liabilities	111,995	94,578	85,055	88,156	88,176
Total debt (4)	115,702	108,235	99,501	97,569	91,371
Total stockholders' equity	190,773	229,180	310,554	341,890	384,557
Other Data:					
Sales volume (in millions of liters):					
Beer (Chile)	344.5	349.1	361.9	363.0	344.5
Beer (Argentina)	53.2	100.5	142.3	145.5	157.9
Soft drinks and mineral water (5)	357.0	383.2	382.9	386.8	376.1
Wine (6)	23.6	36.9	45.1	52.4	56.7
Change in consumer price index applicable for the restatement of financial statements (7)	8.2%	6.6%	6.3%	4.3%	2.6%

(1) Except shares outstanding, net earnings per share and per ADS, sales volume and inflation data.
(2) Under Chilean GAAP, EBITDA is operating income plus depreciation and amortization.
(3) Expressed in pesos as of December 31, 1999, except 1999 dividends, which were paid in January of 2000, and are expressed in pesos corresponding to those payment dates.
(4) Includes short-term and long-term financial debt.
(5) Includes sales of soft drinks and mineral water in Argentina.
(6) Includes sales of wine in Argentina.
(7) Based on the consumer price index of the INE for the twelve-month period ended November 30 of each indicated year. Accordingly, figures presented here may vary from other published inflation figures for given periods, which are generally calculated for the actual calendar period indicated.

8.1 Dividend Policy and Dividends

The Company's dividend policy is reviewed and established from time to time by the Board of Directors and approved at the annual regular shareholders' meeting, which is generally held in April. Shareholder approval of the dividend policy is not required. However, each year the Board of Directors must submit the declared final dividend in respect of the preceding year for shareholder approval at the annual regular shareholders' meeting. As required by the Chilean Companies Act, unless otherwise decided by unanimous vote of the issued, subscribed and paid shares, the Company must distribute a cash dividend in an amount equal to at least 30% of its net income for that year, unless and except to the extent it has a deficit in retained earnings for the year.

The Board of Directors announced at the annual regular shareholders' meeting held on April 26, 1999, its decision to maintain the current dividend policy for future periods, which authorizes distribution of cash dividends in an amount equal to 50% of the Company's net income under Chilean GAAP for the previous year. The Board of Directors has the authority to decide whether the dividend will be paid in the form of interim dividends or a single annual payment. The Company's dividend policy is subject to change in the future due to changes in Chilean law, capital requirements, economic results and/or other factors.

Dividends are paid to shareholders of record on the fifth business day (including Saturday) preceding the date set for payment of the dividend. The holders of the ADRs on the applicable record dates are entitled to dividends declared for each corresponding period.

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

	Ch$ Per share (1)			US$ Per ADS (2)		
Year ended December 31,	**Interim**	**Final (3)**	**Total**	**Interim**	**Final (3)**	**Total**
1995	19.00	19.38	38.38	0.23	0.24	0.47
1996	10.55	18.76	29.31	0.13	0.22	0.35
1997	31.00	29.15	60.15	0.34	0.32	0.66
1998	32.00	30.62	62.62	0.34	0.32	0.66
1999	26.00	38.65 (4)	64.65	0.25	0.38 (4)	0.63

(1) Interim and final dividend amounts are expressed in historical pesos.
(2) U.S. dollars per ADR dividend information serves reference purposes only as the Company pays all dividends in Chilean pesos. The Chilean peso amounts as shown here have been converted into U.S. dollars at the respective Observed Exchange Rate in effect at each payment date. Note: The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos.
(3) The final dividend with respect to each year is declared and paid within the first five months of the subsequent year.
(4) This dividend will be paid during the month of May, 2000.

As a general requirement, each shareholder who is not a resident of Chile must register as a foreign investor under one of the foreign investment regimes contemplated by Chilean law to have dividends, sale proceeds or other amounts with respect to their shares remitted outside of

Chile through the Formal Exchange Market (see "—Exchange Rates"). Under the Foreign Investment Contract, the Depository, on behalf of ADR holders, will be granted access to the Formal Exchange Market to convert cash dividends from pesos to dollars and to pay such dollars to ADR holders outside of 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 tax. See "—Item 7: Taxation".

ITEM 9: Management's Discussion and Analysis of Financial Condition and Results of Operations

9.1 Introduction

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto included in Item 19: Financial Statements and Exhibits. As discussed below, the Consolidated Financial Statements have been restated to recognize certain effects of inflation. In the following discussion, Chilean peso 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 exactly.

The Company prepares its financial statements in accordance with Chilean GAAP, which differs in certain important respects from U.S. GAAP. Note 23 to the Consolidated Financial Statements provides a description of the principal differences between Chilean GAAP and U.S. GAAP as they relate to the Company and a reconciliation to U.S. GAAP of net income and total shareholders' equity for the years ended December 31, 1997, 1998 and 1999. Although Chilean inflation was moderate during the periods covered by the Consolidated Financial Statements, as discussed below, Chile has experienced high levels of inflation in the past. Chilean GAAP requires that the Consolidated Financial Statements of the Company recognize certain effects of inflation. Accordingly, except where otherwise indicated, financial data have been restated in constant pesos of December 31, 1999 purchasing power.

9.2 Summary of Operations

The Company is engaged in the business of producing, selling and distributing beer, carbonated and non-carbonated soft drinks (including fruit nectars), mineral water and wine in Chile, as well as exporting a portion of its Chilean wine production. The Company also produces, sells and distributes beer and mineral water in Argentina and sells and distributes limited amounts of wine and soft drinks in Argentina. The Company produces plastic bottles for use in its business and plastic crates primarily for its own use and for sale to third parties.

The following table sets forth for each of the periods indicated the net sales and operating income contributed by each of the Company's product segments, expressed in each case in millions of Chilean pesos as of December 31, 1999 and as a percentage of consolidated net sales or operating income, as the case may be:

	Year Ended December 31,					
	1997		1998		1999	
	(millions of Ch$, except percentages)					
Net Sales						
Beer Chile Segment (1)	Ch$121,040	43.3%	Ch$120,231	41.8%	Ch$113,994	39.3%
Beer Argentina Segment (1)	36,129	12.9%	38,727	13.5%	45,209	15.6%
Soft Drinks and Mineral Water Segment (2)	93,057	33.3%	90,359	31.4%	85,026	29.3%
Wine Segment (3)	28,971	10.4%	37,782	13.1%	45,629	15.7%
Other (4)	366	0.1%	407	0.1%	547	0.2%
Total	Ch$279,562	100.0%	Ch$287,506	100.0%	Ch$290,405	100.0%
Operating Income						
Beer Chile Segment (1)	Ch$29,508	66.6%	Ch$34,072	74.3%	Ch$27,996	70.0%
Beer Argentina (1)	398	0.9%	(2,472)	(5.4)%	(1,052)	(2.6%)
Soft Drinks and Mineral Water Segment (2)	9,843	22.2%	7,638	16.6%	4,897	12.2%
Wine Segment (3)	2,591	5.8%	3,481	7.6%	5,023	12.6%
Other (4)	1,986	4.5%	3,172	6.9%	3,152	7.9%
Total	Ch$44,325	100.0%	Ch$45,891	100.0%	Ch$40,016	100.0%

(1) Includes sales of beer, beer by-products and other products such as malt, barley and yeast.
(2) Includes sales of carbonated and non-carbonated soft drinks, nectar, mineral water, powdered juice and related merchandise.
(3) Includes sales of wine, by-products and other products such as labels and corks.
(4) Includes mainly sales of crates and other packaging.

9.3 Results of Operations

The following table provides certain information relating to operating results in millions of pesos and as a percentage of net sales for the periods indicated:

	Year Ended December 31,					
	1997		1998		1999	
	(millions of Ch$, except percentages and sales volume data)					
Net Sales	Ch$279,562	100.0%	287,506	100.0%	290,405	100.0%
Cost of Sales	(129,481)	(46.3%)	(131,315)	(45.7%)	(138,250)	(47.6%)
Gross Profit	Ch$150,081	53.7%	156,191	54.3%	152,155	52.4%
Selling and Administrative Expenses	(105,756)	(37.9%)	(110,301)	(38.4%)	(112,138)	(38.6%)
Operating Income	Ch$44,325	15.8%	45,891	16.0%	40.016	13.8%
Non-Operating Income	18,611	6.7%	20,853	7.3%	18,924	6.5%
Non-Operating Expenses	(12,255)	(4.4%)	(16,027)	(5.6%)	(9,331)	(3.2%)
Price-Level Restatement	(403)	(0.1%)	(9)	(0.0%)	2,588	0.9%
Income Taxes	(4,415)	(1.6%)	(4,764)	(1.7%)	(7,193)	(2.5%)
Minority Interest	(5,852)	(2.1%)	(5,606)	(2.0%)	(3,823)	(1.3%)
Net Income	Ch$40,011	14.3%	40,338	14.0%	41,182	14.2%
EBITDA (1)	Ch$73,537	26.3%	Ch$76,672	26.7%	Ch$73,369	25.3%
Sales volume (2):						
Beer (Chile)		361.9		363.0		344.5
Beer (Argentina)		142.3		145.5		157.9
Soft drinks and mineral water (3)		382.9		386.8		376.2
Wine (4)		45.1		52.4		56.7

(1) EBITDA represents the sum of operating income, depreciation and amortization.
(2) In millions of liters.
(3) Includes sales of soft drinks and mineral water in Argentina, which equaled 5.1 million liters in 1997, 4.5 million liters in 1998, and 3.1 million liters in 1999.
(4) Includes sales of wine in Argentina, which equaled 1.1 million liters in 1997, 0.6 million liters in 1998 and 0.3 million liters in 1999.

9.4 Results of Operations for Years Ended December 31, 1999, 1998 and 1997

Net Sales. The Company's net sales were Ch$290,405 million in 1999 as compared to Ch$287,506 million in 1998, representing a 1.0% increase for 1999 which is mainly explained by increases in the Company's wine and Argentine beer segments, both partially offset by decreases in the Company's soft drinks and Chilean beer operations, as a consequence of the difficult economic environment. The net sales performance of each business segment during 1999 is described below:

Beer Chile: Net Sales decreased by 5.2% to Ch$113,994 million in 1999. This decrease in sales resulted from a 5.1% decrease in sales volume, partially compensated by a 0.2% increase in per unit prices.

Beer Argentina: Net sales increased by 16.7% to Ch$45,209 million in 1999. This increase in sales resulted from both a 8.5% increase in sales volume and the effect of year to year foreign exchange rate fluctuations in prices expressed in Chilean pesos.

Soft Drinks and Mineral Water: Net sales decreased by 5.9% to Ch$85,026 million in 1999. This decrease in sales resulted from both a 3.5% decrease in overall prices, due to a 3.7% decrease in soft drinks unit prices and a 2.0% decrease in mineral water unit prices, and a 2.7% decrease in overall sales volume, comprising a 3.1% decrease in soft drinks volumes and a 1.3% decrease in mineral water volumes.

Wine: Net sales increased by 20.8% to Ch$45,629 million in 1999. This increase in sales resulted from both a 11.2% increase in overall prices, consisting of a 7.8% increase in domestic per unit prices and a 8.4% increase in export per unit prices, and a 8.9% increase in overall sales volume consisting of a 20.1% increase in export volumes partially compensated by a 0.2% decrease in domestic volumes.

In 1998, net sales increased 2.8% to Ch$287,506 million as compared to net sales of Ch$279,562 million in 1997. The 1998 increase resulted primarily from a 7.2% increase in net sales of beer in Argentina and a 30.4% increase in the net sales of wine primarily due to increases in export volumes. These gains were offset by a 2.9% decrease in the Company's soft drinks and mineral water sales and a 0.7% decrease in the Company's beer sales in Chile as compared to 1997.

Cost of Goods Sold. The Company's cost of goods sold consists principally of the costs of packaging and other raw materials, labor costs for production personnel, depreciation of assets related to production, depreciation of returnable bottles, licensing fees, bottle breakage and costs of operating and maintaining plants and equipment. Cost of sales in 1999 amounted to Ch$138,250 million as compared to cost of sales in 1998 which reached Ch$131,315 million. As a percentage of net sales, cost of sales was 47.6% in 1999 compared to 45.7% in 1998. The increase in cost of sales as a percentage of net sales in 1999 is principally attributable to higher mix of wine in the Company's sales, higher direct costs in the Chilean beer and soft drinks operations, which were partially offset by lower per-unit cost in the Argentine beer operation. The cost of goods sold performance of each business segment during 1999 is described below:

Beer Chile: Cost of goods sold increased by 0.4% to Ch$44,433 million in 1999. Cost of goods sold as a percentage of sales increased from 36.8% in 1998 to 39.0% in 1999 due to the effect of exchange rate fluctuations in dollar denominated raw materials, and increases in one way packaging, as well as the effect of lower fixed cost dilution.

Beer Argentina: Cost of goods sold increased by 9.4% to Ch$21,611 million in 1999. Cost of goods sold as a percentage of net sales decreased from 51.0% in 1998 to 47.8% in 1999, mainly due to lower raw material costs.

Soft Drinks and Mineral Water: Cost of goods sold decreased by 1.4% to Ch$44,395 million. Cost of goods sold as a percentage of sales increased from 49.9% in 1998 to 52.2% in 1999 mainly due to the effect of lower fixed cost dilution.

Wine: Cost of goods sold increased by 20.4% to Ch$31,209 million in 1999. Cost of goods sold as a percentage of net sales was almost constant from 68.6% in 1998 to 68.4% in 1999.

In 1998, overall cost of goods sold increased 1.4% as compared to Ch$129,481 million in 1997. However, as a percentage of net sales, costs of sales decreased from 46.3% in 1997 to 45.7% in 1998. This decrease as a percentage of net sales in 1998 resulted primarily from cost decreases in the Company's beer operations in both Chile and Argentina, which were partially offset by relative cost increases in the Company's wine and soft drinks and mineral water operations.

Gross Profit. Gross profit decreased 2.6% to Ch$152,155 million in 1999, from Ch$156,191 million in 1998. As a percentage of net sales, gross profit decreased from 54.3% in 1998 to 52.4% in 1999. The decrease in gross profit was primarily due to an increase in sales of wine and one way packaging as a percentage of the Company's overall sales, and the effect of fixed cost dilution in reduced sales.

In 1998, gross profit increased 4.1% as compared to gross profit in 1997 which amounted to Ch$150,081 million. As a percentage of net sales, gross profit was 54.3% in 1998 and 53.7% in 1997. The increase in gross profit, both in absolute terms and as a percentage of net sales, was mainly the result of higher sales volumes coupled with lower cost of good sold as a percentage of net sales.

Selling, General and Administrative Expenses ("SG&A"). The Company's selling, general and administrative expenses include advertising and promotional expenses, salaries of administrative personnel, maintenance and general expenses, and transportation and services provided by third parties. SG&A increased 1.7% in 1999, to Ch$112,138 million. This increase is principally explained by higher SG&A in the Company's Argentine beer and Chilean wine operations, both partially compensated by lower SG&A in the Company's soft drinks and mineral water as well as Chilean beer businesses. The SG&A performance of each business segment during 1999 is described below:

Beer Chile: SG&A decreased by 0.8% to Ch$41,565 million in 1999. This decrease resulted mainly from lower salaries and distribution expenses, as a result of restructuring in the administrative and distribution areas done during the second half of 1998 and during 1999.

Beer Argentina: SG&A increased by 14.9% to Ch$24,649 million in 1999. This increase resulted mainly from higher distribution expenses.

Soft Drinks and Mineral Water: SG&A decreased by 5.1% to Ch$35,734 million in 1999. This decrease resulted mainly from lower salaries and distribution expenses.

Wine: SG&A increased by 12.0% to Ch$9,397 million in 1999. This increase resulted from higher salaries and maintenance expenses. However, as a percentage of sales, SG&A decreased from 22.2% in 1998, to 20.6% in 1999.

In 1998, SG&A increased 4.3% to Ch$110,301 million. This increase is principally explained by higher SG&A in the Company's Argentine beer operation, partially compensated by lower SG&A in the Company's Chilean beer business.

Operating Income. Operating income decreased 12.8% in 1999 to Ch$40,016 million as compared to Ch$45,891 million in 1998. As a percentage of net sales, operating income decreased from 16.0% in 1998 to 13.8% in 1999. The operating income performance of each business segment during 1999 is described below:

Beer Chile: Operating income decreased by 17.8% to Ch$27,996 million in 1999. As a percentage of net sales, operating income decreased from 28.3% in 1998 to 24.6% in 1999.

Beer Argentina: Operating income improved by 57.5% to a loss of Ch$1,052 million in 1999. As a percentage of net sales, operating income improved from negative 6.4% in 1998 to negative 2.3% in 1999.

Soft Drinks and Mineral Water: Operating income decreased by 35.9% to Ch$4,897 million in 1999. As a percentage of net sales, operating income decreased from 8.5% in 1998 to 5.8% in 1999.

Wine: Operating income increased by 44.3% to Ch$5,023 million in 1999. As a percentage of net sales, operating income increased from 9.2% in 1998 to 11.0% in 1999.

In 1998, operating income increased by 3.5% as compared to operating income of 1997 which amounted to Ch$44.325 million. As a percentage of net sales, operating income was 16.0% in 1998 as compared to 15.9% in 1997. This absolute and relative increase was principally due to higher operating profits in the Chilean beer and wine business segments.

EBITDA. The Company considers EBITDA to be a useful measure of its operating results, especially in light of its recent various capital-intensive acquisitions, capital improvements and investments in fixed assets. The Company defines EBITDA as the sum of its operating income, depreciation and amortization. In 1999, EBITDA decreased by 4.3% to Ch$73,369 million. The EBITDA performance of each business segment during 1999 is described below:

Beer Chile: EBITDA decreased by 11.8% to Ch$41,386 million in 1999. As a percentage of net sales, EBITDA decreased from 39.0% in 1998 to 36.3% in 1999.

Beer Argentina: EBITDA improved by 136.2% to Ch$5,513 million in 1999. As a percentage of net sales, EBITDA improved from 6.0% in 1998 to 12.2% in 1999.

Soft Drinks and Mineral Water: EBITDA decreased by 15.4% to Ch$15,681 million in 1999. As a percentage of net sales, EBITDA decreased from 20.5% in 1998 to 18.4% in 1999.

Wine: EBITDA increased by 37.9% to Ch$6,609 million in 1999. As a percentage of net sales, EBITDA increased from 12.7% in 1998 to 14.5% in 1999.

In 1998, EBITDA increased by 4.3% as compared to EBITDA of 1997 which amounted to Ch$73,537 million. As a percentage of net sales, operating income was 26.7% in 1998 as compared to 26.3% in 1997. This absolute and relative increase was principally due to higher operating profits, depreciation and amortization.

Non-Operating Income. Non-operating income in 1999 amounted to Ch$18,924 million as compared to Ch$20,853 million in 1998. This decrease is primarily explained by Ch$3,483 million lower gain on sale of non-strategic assets, Ch$3,407 million lower interest income (reflecting lower cash balances and interest rates) and Ch$1,080 million gain in 1998, not present in 1999, due to reversal of provisions, partially compensated by a gain of Ch$5,799 million generated by a change in accounting principles for deposits on returnable bottles and containers.

In 1998, non-operating income increased 12.0% as compared to Ch$18,611 million in 1997. The increase in 1998 resulted primarily from a Ch$3,361 million increase in interest income (reflecting earnings on increased cash balances and higher interest rates) which was partially offset by Ch$1,295 million decrease in income from related companies, primarily from the Company's beer operations in Croatia.

Non-Operating Expenses. Non-operating expenses in 1999 amounted to Ch$9,331 million as compared to Ch$16,027 million in 1998. This decrease is attributable to a Ch$1,855 million loss incurred in 1998 from the sale of Bahía Blanca malting facility in Argentina, a Ch$1,576 million decrease in interest expenses, a Ch$1,530 million lower provision for losses of property, plant and equipment, and a Ch$766 million lower provision for severance indemnities, both provisions related to the closing of the Company's beer plant in the city of Concepción.

In 1998, non-operating expenses increased 30.8% as compared to Ch$12,255 million in 1997. This increase is attributable mainly to a Ch$1,855 million loss incurred from the sale of Bahía Blanca malting facility in Argentina and a Ch$1,775 million non-recurring provision from the closing of the Company's beer plant in the city of Concepción.

Price-Level Restatement. The price-level restatement of the Company's non-monetary assets, liabilities and equity due to Chilean inflation and foreign exchange fluctuations resulted in a net gain of Ch$2,588 million in 1999, as compared to a net loss of Ch$9 million in 1998. A gain in price-level restatement results from holding monetary liabilities in excess of monetary assets during inflationary periods, or, from holding foreign exchange denominated assets in excess of foreign exchange denominated liabilities during periods of devaluation of the Chilean peso. In both years, the gain and the loss incurred from price-level restatement as a percentage of net sales was less than 1%.

According to Chilean generally accepted accounting principles, the Company applied Technical Bulletin 64 ("TB 64") issued by the Chilean Institute of Accountants to translate and value investments in foreign subsidiaries (see Notes 1 and 2 of the Consolidated Financial Statements) as of December 31, 1999. Under TB 64, the Company's foreign investments in SBE and CCU Argentina are not subject to price-level restatements based on inflation in those countries. Instead, the Deutsche mark and the U.S. dollar are considered to be the functional currencies, respectively. As a result, the effect of a devaluation of the peso against the U.S. dollar on the Company's Financial Statements is determined, in part, by the impact of such devaluation on the value of the Company's investments in SBE and CCU Argentina, as well as on foreign currency denominated obligations that qualify as a hedge against those investments. These effects are recorded in the account "Cumulative translation adjustment" in shareholder's equity. As of December 31, 1999, the Company's investment in SBE and CCU Argentina amounted to Ch$97,039 million, foreign currency denominated obligations that were designated as a hedge against these investments amounted to Ch$39,755 million and the positive cumulative translation adjustment account amounted to Ch$5,124 million.

In 1997, the price-level restatement of the Company's non-monetary assets resulted in a net loss of Ch$403 million which represented less than 1% of net sales.

Income Taxes. The Company's income taxes for 1999 amounted to Ch$7,193 million translating into an effective consolidated tax rate for the Company of 13.8%. Income taxes in 1998 amounted to Ch$4,764 million translating into effective consolidated tax rate of 9.4%. The Company's effective tax rates for these periods were lower than the statutory rates of 15% for Chile and 35% for Argentina because of the Company's use of tax loss carryforwards generated by some of the Company's subsidiaries. The Company expects that the effective consolidated tax rate for the Company and its subsidiaries in 2000 will be close to the Chilean statutory rate of 15% as a result of the use of all the tax loss carryforwards available to the Chilean beer subsidiary.

In accordance with Chilean law, a Chilean company and each of its domestic subsidiaries calculate and pay taxes in Chile on a separate basis rather than on a consolidated basis. As of December 31, 1999, the Company had available tax loss carryforwards of Ch$1,493 million, the Company's consolidated subsidiaries had available tax loss carryforwards of Ch$9,932 million in Chile and Ch$11,317 million in Argentina. The Company's Chilean subsidiaries with the most significant tax loss carryforwards available include Viña San Pedro S.A. with Ch$7,249 million and Agua Mineral Porvenir S.A.I. with Ch$2,321 million. In Argentina, the subsidiaries with the most significant tax loss carryforwards available include CICSA and CCU Argentina S.A. with Ch$6,817 million and Ch$4,492 million, respectively. In Chile, there is no legal expiration date prescribed by law with respect to tax loss carryforwards; however, in Argentina tax loss carryforwards are subject to a five-year expiration date. The extent to which such tax loss carryforwards can be utilized by the Company in the future will depend upon the amount of income earned by each subsidiary and the specific tax loss carryforwards available to that particular entity. Dividends paid to the Company by CCU Argentina will be included in the Company's taxable income in Chile, but governed by the applicable regulations of the Chilean tax authorities. The Company will receive a full credit against the tax in Chile with respect to such dividends for income taxes paid by the Argentine subsidiaries. On December 30, 1998, a 1% tax on assets was implemented in Argentina. This tax can be used as a credit to income tax and is subject to a four-year expiration date.

In 1998, income taxes were Ch$4,764 million as compared to Ch$4,415 million during 1997 translating into an effective consolidated tax rate for the Company of 9.4% in 1998 and 8.8%

in 1997. As of December 31, 1998, the Company had available tax loss carryforwards of Ch$1,747 million, the Company's consolidated subsidiaries had available tax loss carryforwards of Ch$12,884 million in Chile and Ch$10,537 million in Argentina. The Company's Chilean subsidiaries with the most significant tax loss carryforwards available include Viña San Pedro S.A. with Ch$10,887 million and Agua Mineral Porvenir S.A.I. with Ch$1,733 million. The two Argentine subsidiaries with the most significant tax loss carryforwards available include CICSA and CCU Argentina S.A. with Ch$6,594 million and Ch$3,934 million, respectively.

Minority Interest. Minority interest in 1999 decreased 31.8% to Ch$3,823 million as compared to Ch$5,606 million in 1998. This decrease resulted from lower levels of net income in ECUSA and the acquisition, in November 1999, of the 45% of ECUSA from BAESA, both of which were partially compensated by increases in other subsidiaries, mainly VSP.

In 1998, minority interest decreased 4.2% as compared to minority interest in 1997 of Ch$5,852 million. This decrease resulted from lower levels of income in ECUSA and a loss in CCU Argentina, both of which were partially compensated by increases in other subsidiaries, mainly VSP.

Net Income. Net income in 1999 was Ch$41,182 million, Ch$844 million higher than 1998's net income of Ch$40,338 million. The increase in net income is primarily explained by 153.7% higher non-operating income and lower minority interest, partially compensated by 12.8% lower operating result during 1999 and higher income tax rate as described above.

In 1998, net income was Ch$40,338 million, Ch$327 million higher than 1997's net income of Ch$40,011 million. The increase in net income is primarily explained by 3.5% higher operating income, partially compensated by 19.2% lower non-operating result during 1998 and higher income tax rate as described above.

9.5 Liquidity and Capital Resources

As of December 31, 1999, the Company had Ch$49,857 million in cash, time deposits and marketable securities, which does not include Ch$31,466 corresponding to re-adjustable promissory notes issued by the Central Bank purchased under resale agreements. Indebtedness, including accrued interest, amounted to Ch$91,371 million as of December 31, 1999. Short-term indebtedness included Ch$10,393 million of short-term obligations to banks and financial institutions under certain lines of credit described below, Ch$5,005 million representing the current portion of long-term debt to the public, Ch$10,837 million representing the current portion of long-term debt to banks, and Ch$152 million representing other loans. As of December 31, 1999, long-term indebtedness (excluding the current portion thereof) comprised Ch$39,339 million of long-term obligations to banks, Ch$24,805 million of long-term obligations to the public represented by bonds and Ch$839 million of other loans.

As of December 31, 1999, the Company was required, under debt covenants then in effect, to maintain certain financial ratios. The most significant covenants required the Company to maintain an interest coverage ratio (the ratio of earnings before interest and taxes ("EBIT") to interest expense) of no less than 2.25 to 1 on a consolidated and unconsolidated basis; to maintain a ratio of total debt to total capitalization of no more than 0.60 to 1 for both consolidated and unconsolidated amounts (capitalization is defined for this purpose as total debt plus shareholders' equity and minority interest); and to maintain a consolidated net worth of at least

Ch$134,323 million (which should be adjusted in accordance with all price-level restatements that occur after December 31, 1995) in addition to an aggregate amount equal to 25% of its consolidated net income in each year beginning with 1996. Furthermore, the Company was required to maintain a current ratio (the ratio of current assets to current liabilities) of more than 1.0 to 1 on both a consolidated and unconsolidated basis, as well as an indebtedness ratio (the ratio of liabilities to shareholders' equity and minority interest) lower than 2.0 on both, consolidated and unconsolidated basis.

As of December 31, 1999, the Company met all its financial debt covenants and had a current ratio of 2.05 to 1 on a consolidated basis and 1.85 to 1 on an unconsolidated basis; a ratio of EBIT to interest expense of 11.14 to 1 for the Company on an unconsolidated basis and 9.00 to 1 for the Company on a consolidated basis; and a ratio of total debt to total capitalization of 0.17 to 1 for the Company on an unconsolidated basis and 0.19 to 1 for the Company on a consolidated basis. The Company's net worth as of December 31, 1999 was Ch$379,190 million. The Company's indebtedness ratio was 0.46 and 0.43 on a consolidated and unconsolidated basis, respectively.

9.6 Impact of Inflation

In general, inflation imposes an adverse effect of diminishing the purchasing power of a company's monetary assets which are not price-level indexed, and imposes a positive effect of reducing the real value of a company's monetary liabilities which are not price-level indexed. In addition, to the extent that increases in a company's costs of production are not passed on in the form of higher prices for a company's goods, inflation will adversely affect earnings.

Most of the Company's monetary assets (principally accounts receivable) and liabilities (principally accounts payable) that are not price-level indexed are short-term and thus are not significantly affected by inflation. However, the Company's liability for deposits on bottles and containers (Ch$18,577 million at December 31, 1998 and Ch$12,460 million at December 31, 1999) is a long-term, non-indexed monetary liability that is affected over time by inflation. The net impact of inflation on the Company's capital expenditures has generally been neutral as all substantial assets created or acquired were fixed non-monetary assets and as all substantial liabilities incurred in the process of financing capital expenditures have been price-level indexed or foreign-currency denominated. Nonetheless, high rates of inflation in the future could have a variety of unpredictable effects on the Company and could adversely impact its operations.

9.7 U.S. GAAP Reconciliation

Net income under U.S. GAAP for 1997, 1998 and 1999 was Ch$44,075 million, Ch$41,128 million and Ch$44,031 million, respectively, as compared to that reported under Chilean GAAP of Ch$40,011 million, Ch$40,338 million and Ch$41,182 million, respectively. These differences are principally the result of the inclusion under U.S. GAAP of an adjustment for amortization of goodwill on purchases of equity investments and subsidiaries in Argentina, the revaluation of fixed assets sold, and the recording of deferred income taxes.

Total shareholders' equity under U.S. GAAP as of December 31, 1997, 1998 and 1999 was Ch$310,554 million, Ch$341,890 million and Ch$384,557 million, respectively, as compared to that reported under Chilean GAAP for the same period of Ch$312,771 million, Ch$342,278 million and Ch$379,190 million, respectively. The main differences between shareholders' equity under U.S. GAAP and Chilean GAAP are the reversal of the revaluation of fixed assets and land held for sale in each year, the adjustment of negative goodwill on equity investments and on assets (liabilities) from the inclusion of deferred income taxes (FAS 109). In addition, U.S. GAAP requires that the minimum dividend required under Chilean law be accrued at the end of the year in which it is earned, whereas Chilean GAAP requires it to be recorded on the date on which it is declared.

For further details of these and other differences between Chilean GAAP and U.S. GAAP, see Note 23 to the Consolidated Financial Statements.

ITEM 9A: Quantitative and Qualitative Disclosures About Market Risk

The following discussion about the Company's 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.

The Company faces primary market risk exposures in three categories: interest rate fluctuations, exchange rate fluctuations and raw material price fluctuations. The Company periodically reviews its exposure to the three main sources of risk described above and determines at its senior management level how to minimize the impact on the Company's operations of interest rate, foreign exchange and raw material price changes. As part of this review process, the Company periodically evaluates the convenience of entering into hedging mechanisms to mitigate such risks.

None of the market risk sensitive instruments referred to below is entered into for trading purposes.

Risk of Variations in Floating Interest Rates. The major interest rate risk which the Company faces is a rise in the London Interbank Offered Rate ("LIBOR").

As of December 31, 1999, the Company's interest-bearing debt amounted to Ch$90,049 million (see Notes 11 and 12 to the Consolidated Financial Statements), 50.7% of which was variable-rate debt and 49.3% was fixed-rate debt. The majority of the Company's floating-rate debt was dollar-denominated and tied to LIBOR. As of December 31, 1999, the Company had Ch$41,085 million of LIBOR-based interest-bearing debt outstanding, none of which was hedged, with the exception of Ch$8,579 million in time deposits that are tied to LIBOR that would reduce the impact of a variation on that interest rate. The Company estimates that a LIBOR variation of 100 basis points would affect net income by less than 1%.

The following table summarizes debt obligations held by the Company as of December 31, 1999. The table presents principal payments obligations in millions of Chilean pesos that exist by maturity date, the related weighted-average interest rate and fair value:

Interest-Bearing Debt as of December 31, 1999
(millions of Ch$, except percentages)

			Expected Maturity Date							
Fixed rate		**Average Int. Rate**	**2000**	**2001**	**2002**	**2003**	**2004**	**Thereafter**	**TOTAL**	**Fair Value**
Ch$ (UF) (*)	Bonds	6.0%	Ch$5,005	4,703	1,218	1,218	1,218	16,448	29,810	27,062
Ch$ (UF) (*)	Banks	6.7%	7,619	-	-	-	-	-	7,619	7,669
US$	Banks	6.5%	6,935	-	-	-	-	-	6,935	6,890
TOTAL			Ch$19,560	4,703	1,218	1,218	1,218	16,448	44,365	41,622

Variable rate		**Average Int. Rate**	**2000**	**2001**	**2002**	**2003**	**2004**	**Thereafter**	**TOTAL**	**Fair Value**
Ch$ (UF) (*)	Banks	7.4%	Ch$1,075	857	857	739	-	-	3,528	3,528
US$	Banks	6.9%	503	372	-	-	-	-	874	874
US$	Synd. L.	6.6%	4,431	11,927	11,927	11,927	-	-	40,210	40,210
Other currencies	Banks	4.3%	337	287	207	81	160	-	1,071	1,071
TOTAL			Ch$6,345	13,442	12,991	12,746	160	-	45,684	45,684

(*) A UF (*Unidad de Fomento*) is a daily indexed, peso-denominated monetary unit. The UF is set daily in advance based on the previous month's inflation rate.

Risk of Variations in Foreign Currency Exchange Rates. The major exchange rate risk which the Company faces is the variation of the Chilean peso against the dollar.

As of December 31, 1999, the Company's foreign currency denominated liabilities amounted to Ch$54,571 million, most of which were U.S. dollar denominated. Foreign currency denominated interest-bearing debt (Ch$49,090 million) represented 54.5% of the Company's total interest-bearing debt, of which 97.8% were U.S. dollar denominated. The remaining 45.5% was indexed to Chilean inflation. To reduce the impact of any devaluation of the peso against the U.S. dollar, as of December 31, 1999, the Company held Ch$8,579 million in dollar-indexed instruments, namely time deposits and re-adjustable promissory notes of the Central Bank. In addition, the Company held other assets denominated in U.S. dollars equal to Ch$17,159 million, most of which were accounts receivable. The dollar-indexed instruments are highly liquid and, as of December 31, 1999, covered 17.9% of the Company's dollar denominated interest-bearing debt. Including the other assets denominated in U.S. dollars, the net liability exposure to variations in foreign exchange rates was Ch$28,832 million. With this exposure as of December 31, 1999, a theoretical devaluation of 10% of the Chilean peso against the U.S. dollar would have been a net loss of Ch$288 million, but the effect in net income would be different according to TB 64 issued by the Chilean Institute of Accountants.

According to Chilean generally accepted accounting principles, the Company applied TB 64 to translate and value investments in foreign subsidiaries (see Notes 1 and 2 of the Consolidated Financial Statements) as of December 31, 1999. Under TB 64, the Company's foreign investments in SBE and CCU Argentina are not subject to price-level restatements based on inflation in those countries. Instead, the Deutsche mark and the U.S. dollar are considered to be the functional currencies, respectively. As a result, the effect of a devaluation of the peso against the U.S. dollar on the Company's Financial Statements is determined, in part, by the impact of such devaluation on the value of the Company's investments in SBE and CCU Argentina, as well as on foreign currency denominated obligations that qualify as a hedge against those investments. These effects are recorded in the account "Cumulative translation adjustment" in shareholders' equity. As of December 31, 1999, the Company's investment in SBE and CCU Argentina amounted to Ch$97,039 million, and foreign currency denominated obligations that were designated as a hedge against these investments amounted to Ch$39,755 million. Therefore, such amounts must not be included to determine the net exposure in Chile to foreign exchange, from the accounting point of view, that would have an impact on net income. According to this rule, the net accounting exposure was a net asset of Ch$10,923 million. With this exposure as of December 31, 1999, the net effect of a theoretical 10% devaluation of the Chilean peso against the U.S. dollar would have been a gain of Ch$1,092 million.

The exchange rate risk arising from the Company's business in Argentina is subject to the devaluation of the Argentine peso against the U.S. dollar. Currently, the Argentine Central Bank policy to maintain the Argentine peso linked to the U.S. dollar mitigates this risk. However, no assurance can be given with respect to the ability of the Argentine Central Bank to maintain its present policy. CCU Argentina, as of December 31, 1999, had a net asset exposure of US$7.8 million due to certain exchange rate hedging. In the event of a devaluation of the Argentine peso, such exposure would generate a gain. Additionally, according to TB 64 the Argentine peso net monetary liability position would generate a gain in the Company's net income in the case of a devaluation of the Argentine peso. As of December 31, 1999, the Argentine peso net monetary liability amounted to Ch$2,060 million. With this exposure as of December 31, 1999, the effect of a theoretical 10% devaluation of the Argentine peso against the U.S. dollar would have been a gain of Ch$184 million, or less than 1% of the Company net income.

In February 1999, the Company entered into derivative contracts for US$2.5 million to limit the exposure of fluctuations between the Chilean peso and the U.S. dollar. As of December 31, 1999, CCU Argentina had derivative contracts for US$19.2 million to limit the exposure of fluctuations between the Argentine peso and the U.S. dollar. As of the same date, the Company had two derivative contracts for US$20.0 million each, one to purchase U.S. dollars and the other to sell U.S. dollars; therefore, the Company was not exposed to exchange rate fluctuations as a consequence of these contracts.

Raw Material Price Fluctuations. The major raw material price risks which the Company faces are the costs related to barley, sugar, glass, PET, aluminum cans, wine and grapes.

The principal raw materials used in the Company's production of beer are barley (used to make malt), rice, water and hops. In Chile, the Company obtains its supply of barley from local growers and in the international market. During 1998, the Company made contractual arrangements with approximately 220 farmers in Chile, from which it obtained 22,000 tons of barley in 1999. Additionally, the Company imported 7,800 tons of barley, as well as 20,900 tons of malt. The barley is converted to malt by local maltsters with which the Company has medium term contracts. The Company enters into yearly contracts with its barley suppliers. In Argentina during 1999, the Company purchased its malt from local suppliers. See "—Item 1: The Company's Beer Business—The Company's Beer Business in Chile—Raw Materials" and "—The Company's Beer Business in Argentina—Raw Materials". The Company does not hedge these transactions. Rather, the Company negotiates yearly contracts with its barley and malt suppliers.

The principal raw materials used in the production of soft drinks are sugar, flavoring concentrate and in the case of carbonated products, carbon dioxide gas. The Company generally purchases all of its sugar requirements from Empresas Iansa S.A., the sole producer of sugar in Chile, but it occasionally purchases sugar in the international market when prices are favorable. See "—Item 1: The Company's Soft Drinks and Mineral Water Business—The Company's Soft Drinks and Mineral Water Business in Chile—Raw Materials". The Company does not hedge these transactions. Rather, it negotiates yearly contracts with Empresas Iansa S.A.

The principal raw materials used in the production of wine are harvested grapes, purchased wine, bottles, carton containers, corks and cardboard boxes. VSP obtains approximately 42% of the grapes used for export wines from its own vineyards, thereby reducing grape price volatility. The majority of the wine sold in the domestic market is purchased from third parties. During 1999, the Company purchased the majority of its grape and wine needs based on yearly contracts at fixed prices from third parties. Spot transactions for wine are executed from time to time depending on additional wine needs. See "—Item 1: The Company's Wine Business—Raw Materials".

The Company generally purchases all of the glass bottles used in packaging its beer and wine businesses in Chile from a major local supplier, Cristalerías Chile, under a one-year agreement. During 1999, approximately one half of the Company's requirements for aluminum cans was supplied by local suppliers, while the remaining amount was imported. The Company does not hedge these transactions. Rather, it negotiates yearly contracts with its glass and aluminum package suppliers.

ITEM 10: Directors and Officers of Registrant

The Company is managed by its Board of Directors which, in accordance with the Company's By-laws (*Estatutos*), must consist of nine directors who are elected at the general shareholders' meeting. The entire Board of Directors is elected for three years and the last election of directors occurred in April 1999. The Board of Directors may appoint replacements to fill any vacancies that occur during periods between ordinary general shareholders' meetings. If such a vacancy occurs, the entire Board of Directors will be elected at the next ordinary general shareholders' meeting. The Company's executive officers are appointed by the Board of Directors and hold office at the discretion of the Board. There are regularly scheduled meetings of the Board of Directors once a month; extraordinary meetings are called when needed by the Chairman. The Board does not have an Executive Committee.

The Company's directors and the Company's executive officers as of March 31, 2000 are as follows:

Directors	Position	Position Held Since	At Company Since
Guillermo Luksic (1)	Chairman of the Board and Director	September 1990 (President) November 1986 (Director)	November 1986 November 1986
Thomas Fürst	Vice President of the Board and Director	November 1986	November 1986
Johannes Bauer	Director	April 1991	April 1991
Rosita Covarrubias (2)	Director	April 1999	April 1999
Peter Hellich	Director	February 1993	February 1993
Felipe Lamarca	Director	September 1990	September 1990
Andrónico Luksic (1)	Director	November 1986	November 1986
Manuel José Noguera	Director	May 1987	May 1987
Francisco Pérez	Director	July 1998	February 1991

Executive Officers	Position	Position Held Since	At Company Since
Patricio Jottar	General Manager (Chief Executive Officer)	July 1998	July 1998
Dirk Leisewitz	General Comptroller	June 1988	December 1987
Ricardo Reyes	Chief Financial Officer	July 1996	July 1996
Margarita Sánchez	Legal Counsel	November 1986	April 1972
Pablo De Vescovi	Human Resources (Management & Development)	September 1998	November 1991
Gabriel Valls	Human Resources Manager	April 1982	January 1979
Jorge Aninat	Engineering and Projects Manager	March 1996	April 1977
Marisol Bravo	Corporate Affairs and Public Relations Manager	June 1994	July 1991
Alvaro Fernández	Development Manager	September 1998	December 1999
Polentzi Errazquin	CCU Chile Business Unit Manager	January 1998	August 1991
Fernando Sanchís	CCU Argentina Manager	May 1995	May 1995
Francisco Diharasarri	ECUSA Manager	January 1998	June 1985
Matías Elton	Viña San Pedro Manager	January 1997	January 1997
Santiago Toro	PLASCO Manager	January 1998	September 1984

(1) Guillermo Luksic and Andrónico Luksic are brothers. See "—Item 4: Control of Registrant".
(2) Rosita Covarrubias replaced Laura Novoa as a permanent Board member in April 1999.

ITEM 11: Compensation of Directors and Officers

For the year ended December 31, 1999, the aggregate amount of compensation paid by the Company to all directors and executive officers was Ch$3,507 million (US$6.6 million).

In each year, the Board of Directors makes a proposal regarding their compensation to the shareholders, which generally approve it during the annual general shareholders meeting. In 1999, total compensation paid by the Company and its subsidiaries to each director of the Company for services rendered was as follows:

Director	Attendance meeting fee	Net income participation	Subtotal	Expense reimbursement	Total
		(thousands of Ch$)			
Guillermo Luksic	Ch$65,661	Ch$111,808	Ch$177,469	Ch$3,601	Ch$181,070
Thomas Fürst	64,710	111,808	176,518	16,662	193,180
Johannes Bauer	52,042	111,808	163,848	17,570	181,418
Peter Hellich	28,853	111,808	140,661	9,663	150,324
Felipe Lamarca	18,040	111,808	129,848	0	129,848
Luis Felipe Lehuedé (1)	0	55,904	55,904	0	55,904
Andrónico Luksic	18,040	111,808	129,848	0	129,848
Manuel José Noguera	18,040	111,808	129,848	0	129,848
Laura Novoa (2)	6,013	111,808	117,821	0	117,821
Francisco Pérez (1)	70,773	55,904	126,677	4,811	131,488
Rosita Covarrubias (2)	12,027	0	12,027	0	12,027

(1) Francisco Pérez replaced Luis Felipe Lehuedé as a permanent Board member in July 1998.
(2) Rosita Covarrubias replaced Laura Novoa as a permanent board member in April 1999.

The Company does not disclose to its shareholders or otherwise make public information as to the compensation of its individual executive officers.

The Company does not maintain any pension or retirement programs for its directors or executive officers. See "—Item 1: Description of Business—Employees".

ITEM 12: Options to Purchase Securities from Registrant or Subsidiaries

Not applicable.

ITEM 13: Interest of Management in Certain Transactions

In the ordinary course of its business, the Company engages in a variety of transactions with affiliates of the Luksic Group and the Schörghuber Group, the beneficial owners of Inversiones y Rentas, as well as with other shareholders of the Company.

The Company produces, bottles and distributes Paulaner beer under license from Paulaner Brauerei AG, which is controlled by the Schörghuber Group. The license, granted in 1990, permits the Company to sell Paulaner beer produced by the Company in other Latin American countries, with the consent of the licensor. This license had an initial term of ten years, beginning in May 1990, and originally, was automatically renewable for successive ten-year periods. The agreement was amended in 1995 to provide for the Company's exclusive production in Chile of the super-premium beer under the Paulaner label and the Company's exclusive distribution in Chile of a variety of additional imported Paulaner products. The amended contract has a term of five years, beginning in May 1995, and is renewable for successive five-year periods beginning in the year 2000.

The Company also has entered into a technical service agreement with Paulaner-Salvator-Thomasbräu AG (now Paulaner Brauerei AG) pursuant to which Paulaner Brauerei AG provides the Company with "know-how" for the production of beer and assistance in the selection and development of raw materials and the modernization of plant installations. This agreement was signed in June 1989. The initial term expired in May 1994, and the agreement has since been renewed annually, according to the contract terms. See "—Item 1: Description of Business—Research and Development".

Article 89 of the Chilean Companies Act requires that the Company's transactions with related parties be on a market or "arms-length" basis. The Company believes that it has complied with the requirements of Article 89 in all transactions with related parties.

For additional information concerning the Company's transactions with related parties, see Note 17 to the Consolidated Financial Statements.

PART II

ITEM 14: Description of Securities to be Registered

Not applicable.

PART III

ITEM 15: Default Upon Senior Securities

Not applicable.

ITEM 16: Changes in Securities and Changes in Security for Registered Securities

Not applicable.

PART IV

ITEM 17: Financial Statements

The Company has responded to Item 18 in lieu of responding to this item.

ITEM 18: Financial Statements

See Item 19(a) for a list of financial statements under Item 18.

ITEM 19: Financial Statements and Exhibits

(a) Index to Financial Statements and Schedules (Click Below)

Ch$ - Chilean pesos
ThCh$ - Thousands of Chilean pesos
US$ - United States dollars
FrF - French francs
UF - A UF is a daily indexed, peso-denominated unit. The UF value is set daily in advance based on the previous month's inflation rate.

(b) Index to Exhibits

2.1 Investment Agreement dated as of December 14, 1995, among Anheuser-Busch International Holdings, Inc., Compañía Cervecerías Unidas S.A., and Compañía Cervecerías Unidas Argentina S.A., Schedule 5.3 and Exhibit F.*

* Confidential treatment has been granted in respect of certain portions of the filed schedule and exhibit. This contract was previously filed as an exhibit to the Company's Annual Report on Form 20-F for the year ended December 31, 1995. The filed schedule and exhibit to the contract are being refiled, pursuant to an agreement with the Commission, to include certain information previously provided confidential treatment.

COMPAÑIA CERVECERIAS UNIDAS S.A
AND SUBSIDIARIES

December 31, 1999

Consolidated Financial Statements

CONTENTS

Ch$	-	Chilean pesos
ThCh$	-	Thousands of Chilean pesos
US$	-	United States dollars
FrF	-	French franc
UF	-	A UF is a daily indexed, peso - denominated monetary unit. The UF rate is set daily in advance based on the previous month's inflation rate.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
Compañía Cervecerías Unidas S.A.
(A subsidiary of Inversiones y Rentas S.A.)

1 We have audited the accompanying consolidated balance sheet of Compañía Cervecerías Unidas S.A. and its subsidiaries as of December 31, 1998 and 1999, and the related consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 1999, expressed in constant Chilean pesos. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

2 We conducted our audits in accordance with both generally accepted auditing standards in Chile and generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3 As described in Note 1, the accompanying consolidated financial statements have been restated to reflect the effects of changes in the purchasing power of the Chilean peso on the Company's financial position and results of operations. Furthermore, the financial statements as of December 31, 1997 and 1998 and for the years then ended have been restated in terms of constant Chilean pesos of December 31, 1999 purchasing power.

4 In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Compañía Cervecerías Unidas S.A. and its subsidiaries at December 31, 1998 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in Chile.

5 Accounting principles generally accepted in Chile vary in certain important respects from accounting principles generally accepted in the United States. The application of the latter would have affected the determination of consolidated net income expressed in constant Chilean pesos for each of the three years in the period ended December 31, 1999 and the determination of consolidated shareholders' equity, also expressed in constant Chilean pesos, at December 31, 1997, 1998 and 1999 to the extent summarized in Note 23 to the consolidated financial statements.

Price Waterhouse

Santiago, Chile
January 25, 2000

COMPAÑIA CERVECERIAS UNIDAS S.A. AND SUBSIDIARIES
(A subsidiary of Inversiones y Rentas S.A.)

CONSOLIDATED BALANCE SHEET

Adjusted for general price-level changes and expressed
in thousands of constant Chilean pesos of December 31, 1999

ASSETS	As of December 31, 1998	1999
	ThCh$	ThCh$
CURRENT ASSETS		
Cash	5,932,120	7,305,560
Time deposits and marketable securities (Note 3)	81,137,755	42,551,401
Accounts receivable - trade and other (Note 4)	61,038,214	63,945,722
Accounts receivable from related companies (Note 16)	1,196,841	556,457
Inventories (Note 6)	37,581,812	42,504,873
Prepaid expenses	5,564,664	6,558,261
Prepaid taxes	-	664,026
Other current assets (Note 7)	30,696,345	32,226,948
Total current assets	223,147,751	196,313,248
PROPERTY, PLANT AND EQUIPMENT, net (Note 8)	288,582,054	316,752,521
OTHER ASSETS (Note 9)	70,405,695	81,121,973
Total assets	582,135,500	594,187,742

LIABILITIES AND SHAREHOLDERS' EQUITY	1998	1999
CURRENT LIABILITIES		
Short-term borrowings (Note 10)	14,665,359	10,393,457
Current portion of long-term debt (Note 11)	7,170,528	15,994,737
Dividends payable	10,577,561	8,538,845
Accounts payable	28,477,623	32,505,049
Notes payable	1,044,297	1,516,179
Other payables	1,725,063	4,476,578
Accounts payable to related companies (Note 16)	755,286	1,667
Accrued expenses (Note 13)	13,943,204	14,296,735
Taxes and social security charges payable	6,110,884	8,213,826
Other current liabilities	4,560	19,284
Total current liabilities	84,474,365	95,956,357
LONG-TERM LIABILITIES		
Long-term debt (Note 11)	75,829,586	64,983,126
Accrued expenses (Note 13)	2,632,220	2,653,154
Deferred income taxes (Note 14)	7,903,283	10,309,475
Deposits on bottles and containers	18,576,505	12,459,672
Total long-term liabilities	104,941,594	90,405,427
Total liabilities	189,415,959	186,361,784
MINORITY INTEREST	50,441,993	28,636,294
COMMITMENTS AND CONTINGENCIES (Note 18)	-	-
SHAREHOLDERS' EQUITY (Note 15)		
Common Stock (313,929,080 and 318.502.080 shares with no par value authorized and outstanding, respectively)	142,338,601	151,364,229
Share premium	10,279,736	11,837,777
Other reserves	4,895,770	8,241,382
Retained earnings	184,763,441	207,746,276
Total shareholders' equity	342,277,548	379,189,664
Total liabilities and shareholders' equity	582,135,500	594,187,742

The accompanying Notes 1 to 23 form an integral part of these consolidated financial statements.

COMPAÑIA CERVECERIAS UNIDAS S.A. AND SUBSIDIARIES
(A subsidiary of Inversiones y Rentas S.A.)

CONSOLIDATED STATEMENT OF INCOME

Adjusted for general price-level changes and expressed
in thousands of constant Chilean pesos of December 31, 1999

	For the years ended December 31,		
	1997	1998	1999
	ThCh$	ThCh$	ThCh$
OPERATING RESULTS			
Net sales (Note 22)	279,561,833	287,506,074	290,404,584
Cost of sales	(129,480,738)	(131,314,860)	(138,249,976)
Gross margin	150,081,095	156,191,214	152,154,608
Selling and administrative expenses (Note 21)	(105,755,893)	(110,300,675)	(112,138,351)
Operating income	44,325,202	45,890,539	40,016,257
NON-OPERATING RESULTS			
Non-operating income (Note 20)	18,610,617	20,852,751	18,923,934
Non-operating expenses (Note 21)	(12,254,551)	(16,026,856)	(9,331,052)
Price-level restatement (Note 23)	(402,546)	(9,010)	2,588,031
Income before income tax and minority interest	50,278,722	50,707,424	52,197,170
Income tax (Note 14)	(4,414,938)	(4,764,298)	(7,192,660)
Minority interest	(5,852,321)	(5,605,573)	(3,822,829)
NET INCOME	40,011,463	40,337,553	41,181,681

The accompanying Notes 1 to 23 form an integral part of these consolidated financial statements.

COMPAÑIA CERVECERIAS UNIDAS S.A. AND SUBSIDIARIES
(A subsidiary of Inversiones y Rentas S.A.)

CONSOLIDATED STATEMENT OF CASH FLOWS

Adjusted for general price-level changes and expressed in thousands of constant Chilean pesos of December 31, 1999

	For the years ended December 31,		
	1997	1998	1999
	ThCh$	ThCh$	ThCh$
CASH FLOWS FROM OPERATING ACTIVITIES			
NET INCOME	40,011,463	40,337,553	41,181,681
Gain on sale of land and properties held for sale	(4,734,547)	(2,114,846)	(296,531)
Gains on sales of investments	(588,377)	(391,832)	(1,286,111)
Losses on sales of investments	303,516	-	15,559
Gains on sale of other assets	(63,919)	(59,040)	-
CHARGES (CREDITS) TO INCOME NOT REPRESENTING CASH FLOWS			
Depreciation	28,990,891	30,405,400	32,789,428
Amortization of goodwill	2,657,842	1,172,775	1,429,678
Amortization of negative goodwill	(26,653)	(27,474)	(30,046)
Amortization of other intangibles	231,325	393,663	586,311
Write-offs of glass bottles, consumption of spare parts and provisions	8,185,323	7,065,026	5,077,479
Equity in net income of affiliated companies	(2,198,011)	(902,884)	(912,236)
Price-level restatement	402,546	9,010	(2,588,031)
Deposit on bottles and containers	-	-	(5,798,592)
Other	177,312	318,572	424,924
CHANGES IN ASSETS AFFECTING CASH FLOWS:			
Increase in accounts and notes receivable	(7,246,030)	(2,449,062)	(4,211,829)
Increase in inventories	(1,961,809)	(5,008,672)	(6,677,824)
Increase in other assets	(2,822,307)	(3,850,671)	(95,280)
CHANGES IN LIABILITIES AFFECTING CASH FLOWS:			
(Decrease) increase in accounts payable affecting operating results	(2,243,436)	(5,491,576)	6,001,623
Decrease in interest payable	(30,955)	(51,425)	(31,014)
Increase (decrease) in income tax payable	709,338	582,272	(763,608)
Increase (decrease) in accounts payable affecting non-operating results	142,828	(546,858)	5,624,911
Increase in value added tax	4,989,586	995,312	246,857
MINORITY INTEREST	5,852,321	5,605,573	3,822,829
Net cash provided by operating activities	70,738,247	65,990,816	74,510,178
	========	========	========

CONSOLIDATED STATEMENT OF CASH FLOWS

Adjusted for general price-level changes and expressed in
thousands of constant Chilean pesos of December 31, 1999

	For the years ended December 31,		
	1997	1998	1999
	ThCh$	ThCh$	ThCh$
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common shares	57,876,369	12,198,869	18,633,242
Payment of expenses relating to issuance of common shares	(69,589)	(69,317)	(122,040)
Loans obtained	28,306,441	16,526,273	11,245,324
Dividends paid	(12,240,869)	(21,417,716)	(23,580,894)
Payments of loans	(33,204,772)	(18,191,776)	(17,109,144)
Payments of bonds	(3,934,606)	(4,094,814)	(4,305,900)
Net cash provided by financing activities	36,732,974	(15,048,481)	(15,239,412)
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Proceeds from sale of property, plant and equipment	4,302,535	5,280,621	916,100
Proceeds from sale of investments in related companies	239,597	-	3,177,647
Proceeds from sale of other investments	1,547,942	177,439,359	148,769,870
Capital expenditures	(49,271,225)	(41,784,605)	(58,496,526)
Investments in related companies	(4,169,725)	(6,614,388)	(57,600,448)
Investments in financial instruments	(43,196,582)	(180,584,302)	(108,864,921)
Increase in accounts receivable from related companies	(135,518)	-	-
Loan payment received from related companies	-	-	13,189,568
Other	165,230	(2,920,471)	1,176,664
Net cash used in investment activities	(90,517,746)	(49,183,786)	(57,732,046)
Net cash flow for the year	16,953,475	1,758,549	1,538,720
PRICE-LEVEL RESTATEMENT OF CASH AND CASH EQUIVALENTS	(1,934,538)	(951,755)	(879,121)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,018,937	806,794	659,599
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	38,634,679	53,653,616	54,460,410
CASH AND CASH EQUIVALENTS AT END OF YEAR	53,653,616	54,460,410	55,120,009
Supplemental cash flow information:			
Interest paid	7,330,577	7,247,489	6,107,429
Income taxes paid	3,969,856	3,350,818	7,185,665

The accompanying Notes 1 to 23 form an integral part of these consolidated financial statements.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Compañía Cervecerías Unidas S.A. ("CCU") is the largest producer, bottler and distributor of beer in Chile. CCU's line of beers includes a full range of super premium, premium, medium-priced and popular-priced brands which are primarily marketed under eight different brand names and one brand extension. The Company has four beer production facilities located throughout Chile, and has a nationwide production and distribution network.

In 1995, CCU acquired two breweries in Argentina, Compañía Industrial Cervecera S.A. ("CICSA") located in Salta and Cervecería Santa Fe S.A. ("CSF") established in Santa Fe, 450 kilometers northwest of Buenos Aires. CICSA's results were consolidated effective January 1, 1995 and the results for CSF were consolidated as of September 1, 1995. These two subsidiaries make the Company one of the largest producer in the Argentine beer market. The Company has two beer production facilities in Argentina, one in Salta and the other one in Santa Fe, and one mineral water production plant in Rosario de la Frontera, Salta province. As from January 1, 1998, the operations of CSF were incorporated into CICSA. Under a joint venture agreement entered into with Anheuser-Busch Incorporated ("Anheuser-Busch") in December 1995, the Company began importing, selling and distributing Budweiser beer in Argentina in March 1996 and in Chile in October 1996. The Company began production and distribution of locally produced Budweiser beer in Argentina in December 1996 as part of its strategy to develop Budweiser as the flagship brand of its Argentina operations. Currently, as a result of the joint venture agreement and subsequent capital increases, the Company and Anheuser-Busch have 89.2% and 10.8% interests, respectively, in Compañía Cervecerías Unidas Argentina S.A. ("CCU Argentina").

In November 1994, CCU created a joint venture with Buenos Aires Embotelladora S.A. ("BAESA"), the exclusive PepsiCo. Inc. ("PepsiCo") bottler in Chile, for the production, bottling, and marketing of all soft drink and mineral water products previously sold by the two separate and competing entities. The company, called Embotelladoras Chilenas Unidas S.A. ("ECUSA") was owned 54.84% by the Company and 45.00% by BAESA until November 29, 1999, when CCU acquired BAESA’s 45.00% ownership in ECUSA, thereby controlling 99.84% of the soft drink subsidiary. ECUSA is the exclusive producer, bottler, and distributor in Chile of CCU's proprietary brands and those brands produced under license from PepsiCo, C.S. Beverages Limited, a subsidiary of Cadbury Schweppes plc, Canada Dry Corporation Ltd. and Watt's Alimentos S.A. ECUSA is a subsidiary of CCU and since November 1994 its results have been included in the Company's consolidated financial statements, in accordance with generally accepted accounting principles in Chile. ECUSA’s soft drink and nectar products are produced in three facilities located throughout Chile, and its mineral water is produced in two bottling plants in the central region of Chile. ECUSA operates its own distribution system in the central and certain areas of the south of Chile and distributes its products through the Company’s distribution system in the northern and southern areas of the country.

In October 1994, the Company acquired a 48.4% interest in Viña San Pedro S.A. ("VSP"), Chile's third largest winery. During May and June 1995, CCU participated in a capital increase by VSP, increasing its ownership interest to 50.1% and, accordingly VSP's results have been included in the consolidated financial statements of CCU since April 1, 1995. Through subsequent investments, the Company has increased its ownership interest in VSP to 60.3% as of December 31, 1999. VSP produces and markets a full range of wine products for both the domestic and export markets.

The consolidated financial statement for the years 1997, 1998 and 1999 include the following significant subsidiaries:

	At December 31,		
	1997	1998	1999
	%	%	%
Percentage of Direct and Indirect Ownership:			
Agrícola Victoria Limitada	99.971	99.971	-
Aguas Minerales Cachantun S.A.	99.850	99.898	99.898
Comercial CCU Santiago S.A.	99.705	99.710	99.710
Comercial CCU Norte Sur Limitada	99.993	99.993	-
Comercial CCU Central Limitada	99.993	-	-
Fábrica de Envases Plásticos S.A.	99.986	99.986	99.986
Transportes CCU Limitada	99.999	99.999	99.999
Cervecera Santiago Limitada	99.993	99.993	99.993
CCU Cayman Limited	100.000	99.993	99.993
Compañía Cervecerías Unidas Argentina S.A.	99.570	91.790	89.216
Agua Mineral Porvenir S.A.I	99.999	99.999	99.999
Andina del Desarrollo S.A.	54.971	53.910	52.399
Compañía Industrial Cervecera S.A.	2.865	91.065	88.512
Cervecera Santa Fe S.A.	99.560	-	-
Viña San Pedro S.A.	51.240	52.240	60.325
Vinos de Chile S.A.	51.189	52.188	60.205
Saint Joseph Investment Limited	-	-	99.993
South Investment Limited	-	99.993	99.993
Embotelladoras Chilenas Unidas S.A.	54.838	54.841	99.846
Viña San Pedro Argentina S.A.	-	-	60.319

A summary of significant accounting policies is set forth below:

a) Bases for the preparation of consolidated financial statements

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in Chile ("Chilean GAAP").

The consolidated financial statements include the accounts of Compañía Cervecerías Unidas S.A. (the "Parent Company") and subsidiaries (companies in which the Parent Company holds a direct or indirect ownership of more than 50%). The Parent Company and its subsidiaries are referred to herein as the "Company" or "CCU."

All significant intercompany accounts and transactions have been eliminated in consolidation. The participation of minority shareholders has been given effect to in the consolidated financial statements under Minority interest.

Certain reclassifications have been made in the 1997 and 1998 amounts to conform with the 1999 presentation.

The Company has issued its audited statutory consolidated financial statements in Spanish and in conformity with accounting principles generally accepted in Chile, which include certain notes and additional information required by the Chilean Superintendency of Securities and Insurance for statutory purposes. Management believes that these additional notes and information are not essential for the complete understanding of the consolidated financial statements and accordingly these notes and additional information have been excluded from the accompanying financial statements.

b) Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c) Price-level restatements

The financial statements, which are expressed in Chilean pesos, have been restated to reflect the effects of variations in the purchasing power of the local currency during each year. For this purpose, and in conformity with current Chilean regulations, non-monetary assets and liabilities and equity accounts have been restated by charges or credits to income. Furthermore, the income and expense accounts have been restated in terms of year-end constant pesos. In accordance with Chilean tax regulations and accounting practices, the restatements were calculated based on the official Consumer Price Index of the National Institute of Statistics, applied one month in arrears, which was 6.3%, 4.3% and 2.6% for the years ended November 30, 1997, 1998 and 1999, respectively. This index is considered by the business community, the accounting profession and the Chilean government to be the index which most closely complies with the technical requirement to reflect the variation in the general level of prices in the country and, consequently, is widely used for financial reporting purposes in Chile. For comparative purposes, the consolidated financial statements as of December 31, 1997 and 1998 and the amounts disclosed in the related footnotes have been restated in terms of Chilean pesos of December 31, 1999 purchasing power. The above-mentioned price-level restatements do not purport to present appraisal or replacement values and are only intended to restate all non-monetary financial statement components in terms of local currency of a single purchasing power and to include in the net result for each year the gain or loss in purchasing power arising from the holding of assets and liabilities exposed to the effects of inflation.

d) Foreign currency

Balances in foreign currency included in the consolidated balance sheet and detailed in Note 6 have been translated into Chilean pesos at the Observed Exchange Rates determined by the Central Bank of Chile in effect at each year end (historical rates of Ch$ 439.18 per US$ 1.00 in 1997, Ch$ 472.41 per US$ 1.00 in 1998 and Ch$ 530.07 per US$ 1.00 in 1999).

e) Time deposits and marketable securities

Time deposits are reported at cost plus accrued interest and monetary correction at each year end.

Marketable securities include shares owned by the Company which are reported at the lower of their historical cost plus price-level restatements ("restated cost") or market value of the portfolio of shares, and mutual fund shares which are reported at their year end quoted values.

f) Allowance for doubtful accounts receivable

The Company records an allowance for doubtful accounts receivable on the basis of an aging analysis. The allowance is netted against Accounts receivable - trade and other.

g) Inventories

This caption includes inventories which the Company estimates to have a turnover period of one year or less.

Inventories of finished and in-process goods, raw materials and supplies (see Note 6) are stated at replacement cost, as defined in the Income Tax Law, considering only the cost of raw materials added to the products. The resulting value of the inventories does not exceed their estimated net realizable values and are reflected in income on the basis of average cost.

h) Prepaid expenses

Prepaid expenses are shown at restated cost and include prepayments for advertising, insurance premiums, computer maintenance services and others. They are amortized to income over the period benefited by the prepaid expense.

i) Other current assets

At December 31, 1998 and 1999, these assets include investments in debt securities issued by the Central Bank of Chile and other institutions, acquired under resale agreements. Investments under this caption are stated at cost plus monetary correction and accrued interest. Also included is the short-term portion of bond discount arising from bonds issued by the Company during 1994, which are being amortized over the term of the bonds.

j) Property, plant and equipment

Property, plant and equipment are shown at restated cost. Depreciation for each year has been calculated by the straight-line method, based on the estimated useful lives assigned to the assets.

This caption also includes the net remaining increment arising from the technical appraisal of property, plant and equipment carried out during 1979, in conformity with instructions issued by the Chilean Superintendency of Securities and Insurance. In addition, this value was increased by the technical appraisal of assets carried out in the foreign subsidiaries which were consolidated for the first time in 1995.

At December 31, 1998 and 1999, certain properties are reported under Other assets because they are held for sale.

Repair and maintenance cost are charged against income while renewals and betterments are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation accounts with any related gain or loss reflected in other non-operating income.

k) Bottles and containers

At December 31, 1998 and 1999, bottles and containers are reported at restated cost, net of write-offs due to breakage and allowances. Depreciation of glass bottles, pallets, and plastic boxes is calculated on the restated values based on the estimated useful lives assigned to the respective assets.

Deposits received on bottles and containers in circulation are classified as long-term liabilities. At December 31, 1999, the amount of these deposits was determined based on estimated redemption of the bottles and containers by the customers valued using the current deposit amount. Until 1998, customer deposits on the bottles and containers were recorded at historical values received at the time the respective bottles and containers were put into circulation, less actual redemptions. These deposits are not subject to price-level restatement.

l) Investments in related companies

This caption includes investments in unconsolidated related companies, where the Company has the ability to exercise significant influence over the operating and financial policies of the investee which, under Chilean GAAP, is generally presumed to occur when the investor owns between 10% and 50% of the shares. Such investments are valued by the equity method. In the case of the Company, the equity method was used to account for the investment in Southern Breweries Establishment (50% ownership interest) in 1997, 1998 and 1999.

m) Goodwill and negative goodwill

Under Chilean GAAP, goodwill arises from the excess of the purchase price of companies acquired over their net book value; negative goodwill arises when net book value exceeds the purchase price of companies acquired. Goodwill and negative goodwill also arise from the purchase of investments accounted for by the equity method. Goodwill and negative goodwill are normally amortized over a maximum period of 20 years (10 years in 1997 - see Note 2a) considering the expected period of return of the investments. Chilean GAAP also provides that the amortization of goodwill and negative goodwill may be accelerated if the proportional net income or loss of the investee company exceeds the respective straight-line amortization amount.

n) Investments in other companies

This caption includes investments in quoted shares with an average trading value below UF 400 in the last quarter of each year. In addition, this caption includes investments in unlisted shares and partnership interests in other companies where the Company does not have the ability to exercise significant influence over the operating and financial policies of the investee.

Investments in unlisted shares and partnership interests in other companies are reported at each year end at restated costs. Income from these investments is recognized on a cash basis.

o) Translation of foreign currency financial statements

In 1998 and 1999, the investments in Southern Breweries Establishment and the Argentine subsidiaries were recorded in accordance with Technical Bulletin 64 of the Chilean Institute of Accountants. Under this pronouncement, the financial statements of foreign subsidiaries which operate in countries that are exposed to significant risks, restrictions or inflation/exchange fluctuations must be remeasured into US dollars and translated into Chilean pesos at the year-end exchange rate. As a result, no effect was given to price-level restatements based on inflation in those countries and the US dollar was considered to be the functional currency of these operations. Accordingly, the financial statements of Southern Breweries Establishment and the subsidiaries in Argentina for 1998 and 1999 were prepared in accordance with local GAAP except for the application of monetary correction and then remeasured into US dollars as follows:

1. Monetary assets and liabilities at the closing exchange rate for the period.

2. All other assets and liabilities and shareholders' equity are expressed in historical US dollars.

3. Income and expense accounts at average rates during the period.

4. The resulting exchange adjustments were included in the Cumulative translation adjustment account.

The resulting US dollar amounts were then translated to Chilean pesos at the Observed Exchange Rate of the US dollar in relation to the Chilean peso at the balance sheet date. The net equity in the foreign subsidiaries in Chilean pesos was compared to the investment valued by the equity method at the beginning of the year, as adjusted for price-level changes in Chile during the year. Any difference between the Company's participation in the equity of the subsidiaries and the investment therein as adjusted for Chilean inflation arises from exchange adjustments, which were included in the Cumulative translation adjustment account in the equity section of the balance sheet under Chilean GAAP.

During 1997, foreign investments were recorded in accordance with Technical Bulletin 51 of the Chilean Institute of Accountants. Under this pronouncement, Croatia and Argentina were also considered to have unstable economies but the financial statements of Southern Breweries Establishment and the Argentine subsidiaries were remeasured as if the functional currency were the Chilean peso (See Note 2).

p) Other assets

At December 31, 1998 and 1999, other assets include principally land and buildings held for sale which have been adjusted to their estimated realizable values, and trademarks which have been valued at restated cost and are amortized over a period of twenty years. Other assets also include bond discount on arising from bonds issued by the Company during 1994 (see Note 9).

q) Long-term severance indemnities

The Company and most of its subsidiaries have agreed with their personnel to the payment of long-term severance indemnities. The accrued liability covering this obligation is reported under Long-term liabilities and has been calculated each year based on the present value of the obligation, assuming an average employee tenure of eight years and a 7% discount rate (see Note 13).

r) Income taxes

The subsidiaries in Argentina have not accrued income taxes due to tax loss carryforwards. However, CICSA recorded a minimum assumed gain tax (see Note 9) under Other assets as the taxes paid can be used to offset income taxes in future periods.

Deferred income taxes have been recorded primarily by the Parent Company, based on non-recurring timing differences arising between the recognition of income and expense items for accounting and tax purposes. In general, the subsidiaries have not recognized deferred taxes, as they have significant accumulated tax losses (see Note 14).

s) Employee vacations

Vacations are accrued as a liability when earned by employees.

t) Cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents, including time deposits, marketable securities and securities purchased under resale agreements.

Cash flows from operating activities include all those cash flows related to the primary operating activities of the Company and also include interest paid, interest income and, in general, all those flows that are not defined as investing or financing activities. The concept of operating used in this statement is broader than the concept of operating income used in the statement of income.

The balance of cash and cash equivalents is as follows:

	At December 31, 1998	1999
	ThCh$	ThCh$
Cash	5,932,120	7,305,560
Time deposits	20,182,349	14,396,917
Mutual fund shares (money market funds) (Note 3)	12,317	2,052,536
Securities purchased under resale agreements	28,333,624	31,364,996
Total	54,460,410	55,120,009
	========	========

u) Revenue recognition

The company recognizes revenues when goods are shipped, which is when the sales are invoiced.

v) Advertising and sales promotion costs

Advertising and sales promotion costs are expensed as incurred.

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES

During the years 1997, 1998 and 1999, the Company made the following changes in accounting principles:

a) As from January 1, 1998, and in accordance with the Technical Bulletin 59 issued by the Chilean Institute of Accountants, the amortization period of positive and negative goodwill arising on investments in subsidiaries and equity method investees was revised from 10 to 20 years. This change reduced the 1998 charge for amortization by ThCh$ 1,426,957.

b) At December 31, 1998, the Company applied Technical Bulletin 64 (“BT 64”) issued by the Chilean Institute of Accountants which replaced Technical Bulletin 51. The new pronouncement was applied on a retroactive basis to January 1, 1998. It changed the method used for the translation of financial statements and the valuation of investments in foreign subsidiaries and investees and indicated whether the functional currency should be the Chilean peso, the US dollar or the foreign currency.

Under BT 64, the difference between the investment’s equity value arising from the financial statements remeasured as explained in Note 1 o) and the net equity value at the beginning of the year restated by Chilean inflation, plus the proportional share of the investment’s net income for the year, is recorded in the account “Cumulative translation adjustment” in shareholder’s equity. Through 1997, such investments were remeasured in Chilean pesos and translation adjustments were charged directly to the results of operations.

In addition, under BT 64, exchange differences (net of Chilean inflation) arising from obligations in foreign currency that qualify as foreign currency hedges of the foreign investments are also recorded in the account “Cumulative translation adjustment”. Until 1997, such exchange differences were charged to income.

The effect of this change was an increase in net equity of approximately ThCh$ 2,221,290 at December 31, 1998 and a reduced charge to income for the year of approximately ThCh$ 443,232.

c) During 1999 Compañía Cervecerías Unidas S.A. and its subsidiary, Embotelladoras Chilenas Unidas S.A., have made the following change to their accounting estimates, with respect to the prior year:

- The Company changed its estimate of the liability for guarantees on bottles. Previously, the Company’s best estimate of the liability was represented by the historical value of cash received in guarantee for the bottles. In 1999 and in future years, the liability for guarantees on bottles is recorded based on the estimated number of bottles in circulation, determined by way of regular inventories of bottles, and by applying a weighted average deposit value per bottle. The revised estimate reflects the reduction in the guarantees corresponding to bottles destroyed in the market or transferred by clients to third parties.

  The aforementioned accounting change caused a decrease in the liability for guarantees on bottles amounting to ThCh$ 2,346,746 and ThCh$ 3,451,846 in Compañía Cervecerías Unidas S.A. and Embotelladoras Chilenas Unidas S.A., respectively, and an increase in non-operating income in the same amount. In addition, a loss of ThCh$352,012 and ThCh$ 517,777 was accounted for due to the corresponding effect on deferred taxes in both companies, respectively.

Due to the fact that, until 1999, the necessary elements to adjust the estimate did not exist, this liability represented the accumulated historical values of the deposits, less actual redemptions.

In the future, the adjustments made to this obligation will be based on annual physical inventory counts.

NOTE 3 - TIME DEPOSITS AND MARKETABLE SECURITIES

Time deposits and marketable securities are summarized as follows:

	1998	1999
	ThCh$	ThCh$
Time deposits	80,878,707	40,266,547
Shares	246,731	232,318
Mutual fund shares	12,317	2,052,536
Total	81,137,755	42,551,401

NOTE 4 - ACCOUNTS RECEIVABLE - TRADE AND OTHER

Accounts receivable are summarized as follows:

	1998	1999
	ThCh$	ThCh$
Trade accounts receivable	60,087,807	66,044,545
Other accounts receivable	4,927,453	2,999,670
Advances to suppliers	1,920,982	850,460
Allowance for doubtful accounts	(5,898,028)	(5,948,953)
Total	61,038,214	63,945,722

NOTE 5 - FOREIGN CURRENCY

Assets and liabilities denominated in or exposed to the effects of foreign currency are included in the consolidated financial statements and translated into Chilean pesos as described in Note 1 d) and o). They are summarized as follows:

	1998	1999
	ThCh$	ThCh$
Assets		
Current assets	25,933,736	35,930,334
Property, plant and equipment	62,809,924	69,872,867
Other assets	48,836,346	25,788,244
Total	137,580,006	131,591,445
Liabilities		
Current liabilities	11,945,590	25,761,073
Long-term liabilities	38,843,656	38,725,538
Total	50,789,246	64,486,611

The 1998 and 1999 amounts detailed above include the non-monetary assets and liabilities of investments in foreign subsidiaries and investees (Compañía Cervecerías Unidas Argentina S.A. and subsidiaries) expressed in US dollars in conformity with the application of Technical Bulletin 64 as described in Note 1 o).

NOTE 6 - INVENTORIES

Inventories are summarized as follows:

	1998	1999
	ThCh$	ThCh$
Finished goods	4,287,370	4,573,189
Production in process and semi-manufactured goods	1,053,909	1,552,939
Raw materials	22,517,900	25,534,106
Raw materials in transit	414,147	527,236
Supplies	7,387,342	7,212,282
Wine in third-party cellars	988,549	1,318,673
Grape crop development costs	1,473,652	2,150,821
Obsolescence provisions	(541,057)	(364,373)
Total	37,581,812	42,504,873
	========	========

NOTE 7 - OTHER CURRENT ASSETS

Other current assets consisted of the following:

	1998	1999
	ThCh$	ThCh$
Securities purchased under resale agreements:		
Readjustable Promissory Notes - Central Bank of Chile (1)	29,919,832	31,466,108
Bond discount (Note 12)	53,408	53,408
Deferred income taxes (Note 14)	708,902	707,432
Other	14,203	-
Total	30,696,345	32,226,948
	========	========

(1) Readjustable Promissory Notes that mature in January, February and March 2000 (January, February, July and December 1999 for 1998 balances).

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net, is summarized as follows:

	1998	1999
	ThCh$	ThCh$
Land and buildings	63,200,101	70,473,278
Vineyards	5,198,345	7,540,275
Machinery and equipment	192,443,039	210,147,876
Increase arising from technical appraisal of fixed assets	8,551,755	8,775,373
Bottles and containers	93,416,870	96,310,757
Construction in progress	18,599,678	36,090,206
Promotional assets	33,304,556	38,612,388
Fixed assets in transit	3,405,265	1,549,891
Fixtures and fittings	30,391,594	31,054,126
Other fixed assets	1,254,749	1,335,702
Accumulated depreciation	(161,183,898)	(185,137,351)
Total net property, plant and equipment	288,582,054	316,752,521
	=========	=========

Estimated useful lives of assets are as follows:

	Years
Buildings	25 - 100
Vineyards	20 - 30
Machinery and equipment	5 - 20
Bottles and containers	4 - 8
Other fixed assets	10

NOTE 9 - OTHER ASSETS

	1998	1999
	ThCh$	ThCh$
Accounts receivable from related companies (Note 16)	15,329,325	2,421,684
Goodwill on investments	20,330,282	31,468,135
Negative goodwill on investment in Compañía Industrial Cervecera S.A., net	(506,255)	(523,605)
Land and buildings held for sale	10,191,452	9,794,385
Investments in affiliated companies	10,045,557	10,264,455
Prepaid expenses	1,461,060	1,222,759
Discount on issuance of bonds (Note 12)	678,253	624,834
Investments in other companies	5,372,744	18,030,153
Trademarks	6,319,442	6,548,233
Acumulated trademarks amortization	(251,888)	(570,351)
Minimum Assumed Gain Tax (Argentina)	738,672	1,350,139
Deferred income tax	274,737	288,471
Other	422,314	202,681
Total	70,405,695	81,121,973
	========	========

Investments in related companies at December 31 of each year are summarized as follows:

	Percentage owned		Investment carryng value		Equity in net earning of affiliated companies recognized in income (loss)		
	1998	1999	1998	1999	1997	1998	1999
	%	%	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Company							
Southern Breweries Establishment (1)	50.00	50.00	9,991,399	10,264,455	2,195,603	900,632	913,249
Inversiones Socinver S.A. in liquidation	44.55	-	54,158	-	2,408	2,252	(1,013)
Total			10,045,557	10,264,455	2,198,011	902,884	912,236
			========	========	=======	======	======

(1) The Company's ownership interest in Southern Breweries Establishment is 50%. Its primary objective is to maintain an investment in Karlovacka Pivovara d.d., a brewery operating in Croatia. Southern Breweries Establishment had an ownership interest of 68.80% in Karlovacka Pivovara d.d. at December 31, 1998 and 1999.

The Company acquired its investment in Southern Breweries Establishment in September 1994, resulting in Goodwill amounting to ThCh$ 184,284 which is being amortized over a period of 20 years beginning in 1998 (previously 10 years).

Goodwill on investments is detailed as follows:

	1998	1999
	ThCh$	ThCh$
Viña San Pedro S.A.	4,348,094	5,444,797
Compañía Industrial Cervecera S.A.	14,775,744	15,183,220
Embotelladoras Chilenas Unidas S.A.	-	9,695,025
CCU Cayman Limited	1,081,320	1,027,072
Southern Breweries Establishment	125,124	117,179
Aguas Minerales Cachantun S.A.	-	842
Total	20,330,282	31,468,135
	========	========

Purchases of companies:

During 1995, the Company acquired control of Viña San Pedro S.A. in Chile and Compañía Industrial Cervecera S.A. and Cervecería Santa Fe S.A. in Argentina. The purchases were made as follows:

a) During June 1995, the Company increased its participation in Viña San Pedro S.A. from 48.3% to 50.1% by paying ThCh$ 649,971 for a 1.72 % ownership interest.

b) In March 1995, Compañía Cervecerías Unidas Argentina S.A. acquired 62.71% of Compañía Industrial Cervecera S.A. for ThCh$ 15,948,857 and, in September 1995, acquired 98.77% of Cervecería Santa Fe S.A. for ThCh$ 21,547,102.

During 1997, the Company increased its participation in Viña San Pedro S.A. from 50.10% to 51.24% by paying ThCh$ 4,778,782 for a 1.14% ownership interest.

Additionally, on June 24, 1997, Compañía Cervecerías Unidas Argentina S.A. increased its participation in Compañía Industrial Cervecera S.A. from 62.71% to 94.62% by paying ThCh$ 3,818,027, generating a negative goodwill of ThCh$ 518,834. During August and September, 1997, Compañía Cervecerías Unidas Argentina S.A. increased its participation in Compañía Industrial Cervecera S.A. from 94.62% to 97.17% by paying ThCh$ 300,826, generating a negative goodwill of ThCh$ 24,296.

On September, 1997, Compañía Cervecerías Unidas Argentina S.A. increased its participation in Cervecería Santa Fe S.A. from 95.55% to 95.56% by paying ThCh$ 35,449, generating a goodwill of ThCh$ 34,930.

During 1998, the Company increased its participation in Viña San Pedro S.A. from 51.24% to 52.24% by paying ThCh$ 357,631, generating goodwill of ThCh$ 78,608.

On December 15, 1998, Compañía Cervecerías Unidas Argentina S.A. increased its capital. Compañía Cervecerías Unidas S.A. participated in a proportion less than its previous shareholding, which resulted in diminution of its interest to 91.79%. This resulted in a gain of ThCh$ 540,772 (See Note 21). At the same time, Anheuser -Bush increased its interest in CCU Argentina to 8.21%.

On November 29, 1999, the Company acquired an additional 45% interest in Embotelladoras Chilenas

Unidas S.A. for ThCh$ 37,928,736. This transaction was recorded by the purchase method and generated goodwill of ThCh$ 9,776,496. As CCU had previously owned a 55% interest in ECUSA and consolidated for the past three years, no pro forma information is presented as the effects are not significant.

During 1999, the Company made capital investments in Viña San Pedro S.A. totaling ThCh$ 7,460,397 and acquired additional shares for ThCh$ 3,491,731 (historical). This resulted in an increase in its participation to 60.33%.

NOTE 10 - SHORT-TERM BORROWINGS

Short-term borrowings relate to bank loans obtained principally to finance imports which are denominated in the following currencies:

	1998	1999
	ThCh$	ThCh$
United States dollars	4,396,769	7,248,307
Other foreign currencies	2,040,953	18,719
UFs	8,227,637	3,126,431
Total	14,665,359	10,393,457
	========	========

The annual average rate of interest in 1999 on the above loans was approximately 6.57% (9.34% in 1998).

NOTE 11 - LONG-TERM DEBT

Long-term debt is comprised of:

	1998	1999
	ThCh$	ThCh$
Loans payable (generally in quarterly and semi-annual installments)	47,832,029	50,176,738
Bonds payable (Note 12)	34,203,336	29,810,243
Other long-term obligations	964,749	990,882
Total	83,000,114	80,977,863
Less: Current portion	(7,170,528)	(15,994,737)
Long-term portion	75,829,586	64,983,126
	========	========

Scheduled maturities at December 31, 1999 are follows:

Maturing during the years	Bonds payable	Loans payable	Other	Total
	ThCh$	ThCh$	ThCh$	ThCh$
2000	5,005,200	10,837,490	152,047	15,994,737
2001	4,703,208	13,442,278	226,923	18,372,409
2002	1,217,913	12,990,895	107,551	14,316,359
2003	1,217,913	12,746,135	239,151	14,203,199
2004	1,217,913	159,940	16,884	1,394,737
2005 al 2009	3,452,844	-	248,326	3,701,170
2010 al 2014	10,464,004	-	-	10,464,004
2015	2,531,248	-	-	2,531,248
Total	29,810,243	50,176,738	990,882	80,977,863
	========	========	======	========

The details of loans payable at December 31, 1999 are as follows:

Bank	Currency	Short-term	Long-term	Total at December 31, 1999	Annual interest rate
		ThCh$	ThCh$	ThCh$	%
Banco BICE	UF	124,348	236,668	361,016	6.42
Citibank	US$	4,430,524	35,779,725	40,210,249	(1)
Banco de A. Edwards	UF	500,648	1,356,791	1,857,439	7.54
Banco Dresdner	US$	236,116	223,223	459,339	6.58
Banco del Estado de Chile	UF	4,249,799	-	4,249,799	6.16
Banco Sudameris	US$	266,623	148,420	415,043	7.28
Banco Santander	UF	449,715	859,685	1,309,400	7.54
Banco Sudameris	UF	243,058	-	243,058	6.45
Banco Sudameris	FrF	336,659	734,736	1,071,395	4.31
Total		10,837,490	39,339,248	50,176,738	
		========	========	========	

The details of loans payable at December 31, 1998 are as follows:

Bank	Currency	Short-term	Long-term	Total at December 31, 1998	Annual interest rate
		ThCh$	ThCh$	ThCh$	%
Banco BICE	UF	140,145	355,007	495,152	17.10
Citibank	US$	336,254	36,351,950	36,688,204	(1)
Banco Creditstanstalt	US$	12,920	-	12,920	5.32
Banco de A. Edwards	UF	500,972	1,855,916	2,356,888	9.53
Banco Dresdner	US$	9,759	408,227	417,986	6.47
Banco del Estado de Chile	UF	182,367	4,170,754	4,353,121	14.35
Banco Sudameris	US$	110,422	237,500	347,922	6.80
Banco Santander	UF	450,021	1,308,324	1,758,345	9.53
Banco Sudameris	UF	243,810	-	243,810	9.50
Banco Sudameris	FrF	205,725	951,956	1,157,681	4.98
Total		2,192,395	45,639,634	47,832,029	

(1) Libor plus 0.40 for the first 5 years and Libor plus 0.45 for the last 2 years.

NOTE 12 - BONDS PAYABLE

a) Series B Bonds

Corresponds to an issue of 1,500 bonds of UF 1,000 each, with a ten year term. The principal is payable in semi-annual installments, with a two year grace period. Interest is payable every six months in arrears at a rate of 6.5% per annum. At December 31, 1999 the Company had made twelve payments of principal, as stipulated in the placement deed. The last installment is payable on July 31, 2001.

b) Series C and D Bonds

The Series C and D Bonds consist of an issue of 120 bonds for a total of UF 1,200,000 and 70 bonds for a total of UF 700,000 with 21 and 12 year terms, respectively. For both series, the principal is payable in semi-annual installments beginning on March 31, 1995. Interest is payable semi-annually in arrears at a rate of 6% per annum calculated over 360 days, with payments on March 31 and September 30 of each year. At December 31, 1999 the Company had made ten payments of principal, as stipulated in the placement deed. The last installments are due on September 30, 2015 and 2006, respectively.

These issues were placed at a discount of ThCh$ 727,796 (historical) which was deferred over the term of the bonds. At December 31, 1999, ThCh$ 53,408 (ThCh$ 53,408 in 1998) are presented in Other current assets and ThCh$ 624,834 (ThCh$ 678,253 in 1998) in Other Assets.

The series B, C and D Bonds have the following covenants:

i) The Company is required to maintain a ratio of total liabilities to equity of two to one at December 31, 1995 and thereafter.

ii) Current assets must exceed current liabilities during the term of the obligations.

iii) The Company must maintain a minimum ratio of 1.30 of its unpledged assets over its unsecured current liabilities.

iv) The Company must maintain unpledged assets of not less than 30% of liabilities.

v) The Company must not make any new investments which exceed 15% of total assets in companies not classified by the Risk Classification Committee or which are classified as D or E investments by the Committee.

At December 31, 1999 the Company was in compliance with all the covenants.

Bonds payable are reported in the financial statements as follows:

	1998	1999
	ThCh$	ThCh$
Short-term		
Principal	4,290,821	4,490,486
Accrued interest	616,500	514,714
Total	4,907,321	5,005,200
Long-term		
Principal	29,296,015	24,805,043
Total	34,203,336	29,810,243
	========	=========

NOTE 13 - ACCRUED EXPENSES

The detail of accrued expenses at each year-end is as follows:

Short-term	1998	1999
	ThCh$	ThCh$
Salaries payable	248,968	161,756
Compulsory profit sharing benefits to employees	1,043,303	1,158,274
Other employee benefits	373,163	50,969
Advertising expenses	2,166,268	2,392,482
Fees	80,666	61,658
Directors' profit sharing (Note 19)	1,008,439	1,029,542
Provision for vacation expenses	3,011,658	3,072,443
Provision for severance indemnities	783,752	162,398
Forward exchange contracts	144,527	4,564
Accrued expenses	2,498,070	2,079,100
Breakage, bottle and containers	548,155	886,452
Raw materials adjustment to estimated net realizable value	1,368	298,163
Sale commisions	99,650	103,435
Licenses and consulting	88,511	56,392
Other accrued expenses	1,846,706	2,779,107
Total	13,943,204	14,296,735
	========	========
Long-term		
Provision for severance indemnities	2,494,456	2,586,722
Provision for lawsuits	137,764	66,432
Total	2,632,220	2,653,154
	========	=======

NOTE 14 - TAXES

a) The Company has income tax liabilities at December 31, 1999 amounting to ThCh$ 4,630,283 (ThCh$ 3,990,175 in 1998) and other taxes of ThCh$ 75,626 (ThCh$ 26,086 in 1998). Most of the income tax that would have been payable on 1998 and 1999 results of operations has been eliminated by the application of tax loss carryforwards which arose in prior years. At December 31, 1999, the Company had tax loss carryforwards in Chile amounting to ThCh$ 11,682,478 (ThCh$ 12,884,127 in 1998) which are available to apply against tax liabilities in future years. No expiration date is prescribed by Chilean law for tax loss carryforwards.

b) Balances recorded for deferred income taxes at each year end arise from the following sources:

	1998		1999	
	Short-term	Long-term	Short-term	Long-term
	ThCh$	ThCh$	ThCh$	ThCh$
Assets				
Provisions	708,902	274,737	707,432	288,471
Subtotal assets	708,902	274,737	707,432	288,471
Liabilities				
Depreciation	-	(10,033,315)	-	(11,124,286)
Employee severance indemnities	-	(111,090)	-	(98,219)
Goodwill and negative goodwill (net)	-	34,044	-	34,044
Market value adjustment of other investments	-	(47,720)	-	(48,612)
Allowance for losses on property, plant and equipment and containers	-	2,227,599	-	1,770,187
Rights and trademarks	-	27,199	-	27,200
Bottles warranties	-	-	-	(869,789)
Subtotal liabilities	-	(7,903,283)	-	(10,309,475)
Net assets (liabilities)	708,902	(7,628,546)	707,432	(10,021,004)

The income tax provision during the years 1997, 1998 and 1999 is summarized as follows:

	1997	1998	1999
	ThCh$	ThCh$	ThCh$
Deferred income tax provision	(1,521,173)	(748,037)	(2,393,928)
Current tax provision	(2,893,765)	(4,016,261)	(4,798,732)
	(4,414,938)	(4,764,298)	(7,192,660)

Effective January 1, 2000, the Company must apply Technical Bulletin 60 of the Chilean Institute of Accountants concerning deferred taxes. This requires the recording of deferred taxes for all temporary differences, whether recurring or not. As a result of the foregoing, even though the new regulations will have no immediate effect on equity, future results will include, apart from the effects of new differences generated by deferred taxes as from that date, the effects of unrecorded differences at year end which will be reflected in the years in which the corresponding tax liabilities become due.

The application of Technical Bulletin 60 in the year ended December 31, 1999 and December 31, 1998 would have resulted in an increase in income tax expense of ThCh$ 687,521 and ThCh$ 1,589,866, respectively.

NOTE 15 - SHAREHOLDERS' EQUITY

The changes in the Shareholders' equity accounts during 1997, 1998 and 1999 were as follows:

				Other reserves			Retained earnings		
	Number of shares	Common stock	Share premium	Surplus on technical appraisal of fixed assets	Other	Cumulative translation adjustment	Retained earnings	Net income for the year	Total
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Balances at December 31, 1996 (historical)	276,306,831	72,767,214	8,011,569	2,747,920	(7,387)	-	109,136,565	15,258,649	207,914,530
Additional interim dividend of Ch$ 10.55 per share on 1996 income	-	-	-	-	-	-	-	(355,723)	(355,723)
Allocation of 1996 Income	-	-	-	-	-	-	14,902,926	(14,902,926)	-
Final dividend of Ch$ 18.76 per share	-	-	-	-	-	-	(5,816,083)	-	(5,816,083)
Price-level restatement	-	7,291,289	504,728	173,119	(465)	-	7,571,635	-	15,540,306
Capital increase	34,522,249	47,240,205	-	-	-	-	-	-	47,240,205
Interim dividend of Ch$ 31.00 per share	-	-	-	-	-	-	-	(9,635,702)	(9,635,702)
Net income for the year	-	-	-	-	-	-	-	37,389,767	37,389,767
Balances at December 31, 1997	310,829,080	127,298,708	8,516,297	2,921,039	(7,852)	-	125,795,043	27,754,065	292,277,300
Balances at December 31, 1997 restated in constant December 31, 1999 pesos	310,829,080	136,224,638	9,113,443	3,125,857	(8,403)	-	134,615,540	29,700,125	312,771,200
Balances at December 31, 1997 (historical)	310,829,080	127,298,708	8,516,297	2,921,039	(7,852)	-	125,795,043	27,754,065	292,277,300
Allocation of 1997 income	-	-	-	-	-	-	27,754,065	(27,754,065)	-
Final dividend of Ch$ 29.15 per share	-	-	-	-	-	-	(9,059,182)	-	(9,059,182)
Price-level restatement	-	5,630,508	396,240	125,605	(338)	-	6,321,776	-	12,473,791
Capital increase	3,100,000	5,802,364	1,106,699	-	-	-	-	-	6,909,063
Interim dividend of Ch$ 32.00 per share	-	-	-	-	-	-	-	(10,045,731)	(10,045,731)
Translation adjustment for the year (Note 2)	-	-	-	-	-	1,733,252	-	-	1,733,252
Net income for the year	-	-	-	-	-	-	-	39,315,354	39,315,354
Balances at December 31, 1998	313,929,080	138,731,580	10,019,236	3,046,644	(8,190)	1,733,252	150,811,702	29,269,623	333,603,847
Balances at December 31, 1998 restated in constant December 31, 1999 pesos	313,929,080	142,338,601	10,279,736	3,125,856	(8,403)	1,778,317	154,732,808	30,030,633	342,277,548
Balances at December 31, 1998 (historical)	313,929,080	138,731,580	10,019,236	3,046,644	(8,190)	1,733,252	150,811,702	29,269,623	333,603,847
Allocation of 1998 income	-	-	-	-	-	-	29,269,623	(29,269,623)	-
Final dividend of Ch$ 30.62 per share	-	-	-	-	-	-	(9,751,987)	-	(9,751,987)
Price-level restatement	-	3,757,892	286,544	79,212	(213)	43,910	4,516,332	-	8,683,677
Capital increase	4,573,792	8,874,757	1,531,997	-	-	-	-	-	10,406,754
Interim dividend of Ch$ 26.00 per share	-	-	-	-	-	-	-	(8,281,075)	(8,281,075)
Translation adjustment for the year (Note 2)	-	-	-	-	-	3,346,767	-	-	3,346,767
Net income for the year	-	-	-	-	-	-	-	41,181,681	41,181,681
Balances at December 31, 1999	318,502,872	151,364,229	11,837,777	3,125,856	(8,403)	5,123,929	174,845,670	32,900,606	379,189,664

a) As of December 31, 1998 and 1999, the gain on translation included in the Cumulative translation account in shareholders' equity included the exchange differences resulting from the application of Technical Bulletin 64 of the Institute of Chilean Accountants as follows:

	1998	1999
	ThCh$	ThCh$
Compañía Cervecerías Unidas Argentina S.A.:		
Translation gain on investment in CCU Argentina at the closing rate	1,971,186	3,652,260
Translation of bank loan designated as hedge at closing rate	(1,103,868)	(4,507,169)
Net translation gain	867,318	(854,909)
Southern Breweries Establishment:		
Translation gain on investment in Southern Breweries Establishment at the closing rate	910,999	300,445
Net translation gain	910,999	300,445
Agua Mineral Porvenir S.A.I:		
Translation gain on investment in Agua Mineral Porvenir at the closing rate	-	5,678,167
Net translation gain	-	5,678,167
Aguas Minerales Cachantun S.A:		
Translation gain on investment in Aguas Minerales Cachantun S.A. at the closing rate	-	22
Net translation gain	-	22
Comercial CCU Santiago S.A:		
Translation on investment in Comercial CCU Santiago S.A. at the closing rate	-	204
Net translation gain	-	204
Gain on translation included in the Cumulative translation adjustment account	1,778,317	5,123,929

b) As established by law, the price-level restatement increment of capital, calculated on the basis of the variation in the Consumer Price Index, has been included in the Common Stock account which, at December 31, 1999, totalled ThCh$ 151,364,229 and consisted of 318,502,872 shares with no par value.

c) At the Ordinary Shareholders’ Meeting held on April 26, 1999, the shareholders agreed to pay dividend No. 213 amounting to ThCh$ 9,751,907 (historical) corresponding to accumulated earnings. This dividend includes an amount of ThCh$ 1,748,875 (historical) to complete the 30% minimum dividend required by Chilean Corporate Law and an additional dividend of ThCh$ 8.003,112 (historical) equivalent to Ch$ 25.12728 per share. The aggregate amount of these dividends, including the interim dividend mentioned in paragraph e), represented 50.36% of net income for the year ended December 31, 1998.

d) The Board of Directors’ Meeting held on December 6, 1999 agreed to distribute an interim dividend of Ch$ 26 per share for a total of ThCh$ 8,281,075 (historical).

e) The Board of Directors’ meeting held on December 14, 1998 agreed to distribute an interim dividend of Ch$ 32.00 per share for a total of ThCh$ 10,045,731 (historical).

f) Ordinary Shareholder´s Meeting held on April 28, 1998 agreed to distribute a final dividend of Ch$ 29.15 per share for a total of ThCh$ 9,059,182 (historical).

g) The Board of Directors’ meeting held on December 2, 1997 agreed to distribute an interim dividend of Ch$ 31.00 per share for a total of ThCh$ 9,635,702 (historical).

h) The Ordinary Shareholders' Meeting held on April 29, 1997 agreed to distribute a final dividend of Ch$ 18.76 per share for a total of ThCh$ 5,816,083 (historical). It was also agreed to change the dividend policy and to distribute annually a dividend of 50% of the net income for the years 1997, 1998 and 1999. The previous policy consisted of distributing an annual dividend equivalent to 40% of net income.

i) The Board of Directors' Meeting held on December 23, 1996 agreed to distribute an interim dividend of Ch$ 10.55 per share on 276,306,831 shares for a total of ThCh$ 2,915,037 (historical) which was payable on January 27, 1997. An additional interim dividend of ThCh$ 355,723 (historical) was also paid from net income for 1997 on all additional shares acquired by shareholders from the Company during the period from January 1 to January 21, 1997.

j) At an Extraordinary Shareholders’ Meeting held on October 24, 1996, the shareholders agreed to increase the capital of the Company by ThCh$ 97,976,000 (historical), through the issuance of 57,108,434 shares with no par value, establishing October 24, 1999 as the maximum term to subscribe the issued shares. At December 31, 1996, 14,912,393 shares of this issue had been sold for ThCh$ 21,400,030 (ThCh$ 20,131,732 historical) and are presented in shareholders’ equity net of expenses incurred in the offering amounting to ThCh$ 1,230,729 (ThCh$ 1,157,789 historical). In 1997; 34,522,249 shares of this issue were sold for ThCh$ 47,301,610 (historical). Total expenses relating to this placement amounted to ThCh$ 61,405 (historical). In 1998; 3,100,000 shares of this issue were sold for ThCh$ 6,975,000 (historical), generating a share premium of ThCh$ 1,106,699. Total expenses relating to this placement amounted to ThCh$ 65,937 (historical). In 1999, 4,573,792 shares of this issue were sold for ThCh$ 10,526,754 (historical), generating a share premium of ThCh$ 1,531,997 (historical). Total expenses relating to this placement amounted to ThCh$ 120,000 (historical). The stock issuance expenses are shown deducted in the movement of shareholders’ equity.

NOTE 16 - ACCOUNTS WITH RELATED COMPANIES

The consolidated balance sheet at December 31, 1998 and 1999 includes the following accounts with related companies:

Entity	1998 Receivable	1998 Payable	1999 Receivable	1999 Payable
	ThCh$	ThCh$	ThCh$	ThCh$
Compañía de Petróleos de Chile S.A.	-	1,940	-	-
Industrias Combinadas Gaio, Peirano S.A.	-	3,201	-	-
Cotelsa S.A.	-	1,152	-	-
Hoteles Carrera S.A.	1,241	3,411	2,804	-
Inversiones PFI Chile Ltda.	179,551	35,876	-	-
Southern Breweries Establishment	2,299,735	-	2,287,562	-
Lanzville Investments Establishment	141,872	-	134,122	-
Anheuser - Busch International Holdings, Inc.	19,102	680,589	518,537	-
Banco Santiago	541	-	-	-
Banco Tornquist	5,295	-	-	-
Inmobiliaria del Norte S.A.	-	1,710	-	1,667
Alupack S.A.	-	16,434	-	-
Editorial Trineo S.A.	-	10,973	-	-
Lucchetti S.A.	158	-	-	-
Buenos Aires Embotelladora S.A.	13,718,395	-	-	-
Karlovacka Pivovara d.d.	153,534	-	35,116	-
Paulaner Brauerei A.G.	6,742	-	-	-
Total	16,526,166	755,286	2,978,141	1,667
	========	======	=======	====

The balances receivable at December 31, 1998 and 1999 are included in the financial statements as follows:

	1998	1999
	ThCh$	ThCh$
Current assets (Note 9)		
Accounts receivable from related companies	1,196,841	556,457
Other assets		
Accounts receivable from related companies	15,329,325	2,421,684
Total	16,526,166	2,978,141
	========	=======

NOTE 17 - SIGNIFICANT TRANSACTIONS WITH RELATED COMPANIES

The principal transactions with related parties are detailed below:

Company	Relationship	Transaction	Amounts 1997	1998	1999
			ThCh$	ThCh$	ThCh$
Alupack S.A.	Affiliate	Purchase of materials	123,768	108,612	37,477
Banco Santiago (1)					
	Affiliate	Interest on long-term debt	90,023	-	-
		Purchase of time deposits	17,711,653	6,682,415	-
		Loans obtained	469,975	-	-
		Long-term loans paid	5,862,299	-	-
Banco de A. Edwards	Affiliate	Purchase of time deposits	-	-	7,791,690
		Interest on time deposits	-	-	9,189
Turismo Confia Tour Ltda. (2)	Affiliate	Purchase of passenger tickets	558,151	-	-
Editorial Trineo S.A.	Affiliate	Purchase of materials	172,601	57,285	31,243
Hoteles Carrera S.A.	Affiliate	Services received (expense)	21,019	25,303	16,565
Inmobiliaria del Norte S.A.	Affiliate	Services received (expense)	21,293	20,085	21,856
Industrias Combinadas Gaio, Peirano S.A.	Shareholder	Purchase of raw materials	79,503	-	-
Karlovacka Pivovara d.d.	Affiliate	Services rendered (income)	252,928	222,689	195,866
Lanzville Investments Establishment	Affiliate	Advances on current account	23,584	-	-
F.H.I. Finance Holding International B.V. (Paulaner Overseas Breweries B.V.)	Affiliate	License agreement and technical services	86,463	79,169	71,599
		Sales	-	66,214	27,858
Inversiones PFI Chile Ltda.	Affiliate	Purchase of raw materials	3,881,624	2,888,791	2,474,820
		Purchase of equipment	172,873	155,462	219,886
		Share of expenses	1,313,456	1,211,549	1,041,714
		Reimbursement of advertising expenses	854,462	-	-
Buenos Aires Embotelladora S.A. (BAESA)	Minority interest	Expenses paid on behalf of	47,228	27,444	27,114
Southern Breweries Establishment	Equity investee	Advances on current account	213,058	221,987	113,450
Compañía de Petróleos de Chile S.A.		Affiliate	Purchase of raw materials	24,340	7,826
	139,159				
Anheuser Busch Lad Corporation	Affiliate	Technical assistance (expense)	42,298	28,896	74,089
Anheuser Busch Inc.	Affiliate	Royalty for Budweiser (expense)	441,117	650,816	795,853
		Purchase of raw materials and beer	2,866,596	1,680,540	1,734,094
Cotelsa S.A.	Affiliate	Sales of pallets	17,917	16,236	26,985
VTR Transradio Chilena S.A. (2)	Affiliate	Purchase of services (expense)	118,975	-	-
Radiodifusión y Sonido S.A.	Affiliate	Publicity (expense)	19,590	23,354	5,997

(1) As from April 1999, not a related party.
(2) As from 1998, not a related party.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

a) On July 2, 1999, CCU's subsidiary Embotelladoras Chilenas Unidas S.A. (ECUSA) filed an application before the Anti-trust Solicitor-General for non-competitive practices, due to the acquisition of the Cadbury brands by the Coca-Cola Company. In January 2000, the Anti-trust Authority ordered an investigation and as a precautionary measure suspended some clauses of the license agreements for a period of 180 days starting January 13, 2000.

   In December, 1999, ECUSA began a lawsuit before a Chilean civil court seeking a judicial declaration of breach of contract and damages against the licensor companies of the Cadbury Schweppes brands. The Company is not able to estimate the effect that these legal procedings may have on the use of the above brands by the Company.

b) At December 31, 1999, Viña San Pedro S.A. had granted mortgages and pledges over certain of its property and equipment with a book value amounting to ThCh$ 13,440,395 to guarantee obligations aggregating ThCh$ 19,849,281.

c) On October 25, 1996, the Company subscribed a syndicated loan amounting to US$ 75,000,000, with a term of 7 years, with fourteen foreign banks headed by Citibank, New York.

   This loan requires that the Company comply with the following financial covenants:

   - To maintain an interest coverage ratio of at least 2.25 measured quarterly on an individual Parent Company and consolidated basis, and based on a moving average for the last four quarters. The interest coverage ratio is based on EBIT (earnings before interest expense and taxes) divided by interest expense.

   - To maintain its leverage ratio at no more than 0.60 measured quarterly on an individual Parent Company and consolidated basis. The leverage ratio is based on total debt divided by the sum of total debt, shareholders' equity and minority interest.

   - To maintain as shareholders' equity the equivalent to the prior year required shareholders' equity, restated by the Consumer Price Index (CPI) plus 25% of earnings, if they are positive. The required shareholders' equity for 1995, the first year in the calculation, amounted to M$ 134.323.000 (historical), measured in Chilean pesos.

   At December 31, 1999 the Company was in compliance with all of the covenants.

d) An investment agreement signed on December 14, 1995 between the Company, Compañía Cervecerías Unidas Argentina S.A. and Anheuser-Busch International Holdings, Inc., includes an option that allows Anheuser-Busch to increase its shareholding in Compañía Cervecerías Unidas Argentina S.A., to 20% under certain conditions. Anheuser-Busch had an ownership interest in the Argentine subsidiary of 10.78% at December 31, 1999.

NOTE 19 - REMUNERATION OF DIRECTORS

During 1999, the Directors of the Parent Company and its subsidiaries received ThCh$ 550,173 (ThCh$ 481,607 in 1997 and ThCh$ 536,794 in 1998) with respect to fees for attendance at Board meetings and reimbursement of expenses, which have been included in the consolidated statement of income under Selling and administrative expenses. In addition, in 1999, an accrual was recorded in the amount of ThCh$ 1,029,542 corresponding to the Directors' participation in net income for 1998 (ThCh$ 1,000,286 in 1997 and ThCh$ 1,008,439 in 1998). The participation in earnings is approved each year at the Annual Shareholders' Meeting.

These amounts are shown under selling and administrative and non-operating expenses- Other (Note 21).

NOTE 20 - NON-OPERATING INCOME

Non-operating income is summarized as follows:

	1997	1998	1999
	ThCh$	ThCh$	ThCh$
Interest earned from investments in banks and other financial institutions	8,517,406	11,878,366	8,471,824
Equity in net income of affiliated companies	2,198,011	902,884	913,249
Amortization of negative goodwill	26,653	27,474	30,046
Gain on sale of investments and marketable securities	-	391,832	1,286,111
Gain on change in estimate of deposit liability for bottles and containers	-	-	5,798,592
Gain on sale of properties held for sale and other assets	4,840,608	3,662,758	180,017
Rental income	219,479	97,635	11,199
Dividends received	57,134	73,916	337,091
Reversal of provision for lawsuits	473,347	-	-
Fee from granting extension of due date of loan payable by BAESA	252,351	-	-
Recovery of severance indemnities	-	-	271,661
Insurance recoveries	66,582	13,953	39,279
Gain from change in interest transaction in Argentine subsidiary	-	540,772	169,175
Reversal of provision after sale of land and properties held for sale	-	1,079,748	-
Adjustment to income tax	16,832	501,653	-
Sales of glass	544,243	457,170	513,806
Other	1,397,971	1,224,590	901,884
Total for the year	18,610,617	20,852,751	18,923,934
	========	========	========

NOTE 21 - SELLING AND ADMINISTRATIVE AND NON-OPERATING EXPENSES

The following items are included under the Selling and administrative expenses caption:

	1997	1998	1999
	ThCh$	ThCh$	ThCh$
Salaries and employees benefits	38,938,319	40,728,831	40,843,281
Advertising and promotion expenses	25,493,792	27,468,065	27,432,762
Transportation	8,011,801	8,924,837	8,817,412
Distribution	3,091,996	2,528,710	1,991,388
Depreciation and amortization	4,493,666	6,129,556	6,853,142
Maintenance and general expenses	10,452,683	9,392,560	9,619,215
Remuneration of directors	1,545,233	1,481,893	1,579,715
Real estate taxes and other taxes	1,664,250	1,640,900	1,958,594
Services purchased	7,925,250	8,901,526	9,931,996
Electricity	750,994	697,092	708,770
Other	3,387,909	2,406,705	2,402,076
Total for the year	105,755,893	110,300,675	112,138,351
	=========	=========	=========

The following items are included under the Non-operating expenses caption:

	1997	1998	1999
	ThCh$	ThCh$	ThCh$
Interest expense	7,221,609	7,622,130	6,046,246
Amortization of goodwill	2,657,842	1,172,775	1,429,678
Equity in loss of affiliated companies	-	-	1,013
Adjustment to market value of other investments	690	33,661	-
Accrued loss from litigation	297,818	-	-
Write-off of property, plant and equipment due to obsolescence and closings of plants	826,819	-	-
Provision for impairment of property, plant and equipment	-	1,774,940	244,576
Sale of Bahía Blanca Plant (Argentina)	-	1,855,199	-
Provision for severance indemnities	29,913	877,192	111,591
Sale of property, plant and equipment	98,931	149,883	397,292
Other	1,120,929	2,541,076	1,100,656
Total for the year	12,254,551	16,026,856	9,331,052
	========	========	=======

NOTE 22 - SEGMENT REPORTING

During 1998, the Company adopted the disclosure requirements of FAS 131 (Disclosures about Segments of an Enterprise and Related Information) which requires that segment information be disclosed using a "management approach". Under this pronouncement, segments are determined using the information that the chief operating decision maker uses to manage the business. The accounting policies of each segment are the same as those as described in Note 1- “Nature of Operations and Summary of Significant Accounting Policies”.

The Company operates principally in five segments which comprise the production and sale of beer in Chile and Argentina, soft drinks and mineral water, wine and other activities which include the production and sale of plastic cases and containers. Total revenue by segment includes sales to unaffiliated customers, as reported in the Company's consolidated income statement, and intersegment sales of plastic cases, which are accounted for at invoice price.

Operating income is total revenue less operating expenses, which include cost of sales and selling and administrative expenses. In computing operating income, none of the following items has been added or deducted: net interest expense, equity in net income (loss) of affiliated companies, price-level restatement, other income and expenses, minority interest and income taxes.

Identifiable assets by segment are those that are used in the operations in each segment, as reported to the chief operating decision maker of the Company.

Segment information is presented below:

	Year Ended December 31, 1997						
	Beer-Chile	**Beer-Argentina**	**Soft Drinks and Mineral Waters**	**Wine**	**Other**	**Eliminations**	**Consolidated**
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Statement of Income Data:							
Sales to unaffiliated companies	121,039,529	36,128,566	93,056,718	28,970,652	366,368	-	279,561,833
Intersegment sales	-	-	-	-	9,376,392	(9,376,392)	-
Net sales	121,039,529	36,128,566	93,056,718	28,970,652	9,742,760	(9,376,392)	279,561,833
Operating income	29,508,163	397,700	9,842,624	2,590,973	1,985,742	-	44,325,202
Equity in net income of affiliated companies							2,198,011
Other income (general corporate income)							7,895,200
Interest income (net)							1,295,797
Other expenses (general corporate expenses)							(5,032,942)
Price-level restatement							(402,546)
Income before income tax and minority interest							50,278,722
Sales of each segment include:							
Beer	118,479,123	34,873,998	-	-			
By-products	665,164	100,299	-	-			
Carbonated drinks	-	-	76,791,554	-			
Nectars	-	-	1,966,818	-			
Powdered mix	-	-	297,374	-			
Mineral Water	-	-	13,313,277	-			
Wine	-	-	-	28,645,844			
Other products	1,895,242	1,154,269	687,695	324,808			
Total	121,039,529	36,128,566	93,056,718	28,970,652			

	Year Ended December 31, 1997						
	Beer-Chile	**Beer-Argentina**	**Soft Drinks and Mineral Waters**	**Wine**	**Other**	**Eliminations**	**Consolidated**
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Balance Sheet Data (at December 31, 1997):							
Identifiable assets	184,088,917	61,237,115	106,958,178	33,819,205	10,236,280	-	396,339,695
	=========	=========	=========	========	========	=======	
Cash and cash equivalents							53,653,616
Investments in affiliated and other companies							8,427,153
Goodwill							19,862,828
Negative Goodwill							(517,521)
Corporate assets							71,747,415
Total consolidated assets							549,513,186
							=========

	Year Ended December 31, 1998						
	Beer-Chile	**Beer-Argentina**	**Soft Drinks and Mineral Waters**	**Wine**	**Other**	**Eliminations**	**Consolidated**
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Statement Income Data:							
Sales to unaffiliated companies	120,230,851	38,726,977	90,359,006	37,782,075	407,165	-	287,506,074
Intersegment sales	-	-	-	-	11,511,404	(11,511,404)	-
Net sales	120,230,851	38,726,977	90,359,006	37,782,075	11,918,569	(11,511,404)	287,506,074
	=========	========	========	========	========	========	=========
Operating income	34,071,787	(2,472,442)	7,637,766	3,481,160	3,172,268	-	45,890,539
	=========	========	========	========	========	========	
Equity in net income of affiliated companies							902,884
Other income (general corporate income)							8,071,501
Interest expense (net)							4,256,236
Other expenses (general corporate expenses)							(8,404,726)
Price-level restatement							(9,010)
Income before income tax and minority interest							50,707,424
							=========
Sales of each segment include:							
Beer	118,261,959	36,767,804	-	-			
By-products	553,308	94,977	-	-			
Carbonated drinks	-	-	74,149,207	-			
Nectars	-	-	2,012,891	-			
Powdered mix	-	-	211,759	-			
Mineral Water	-	-	13,451,317	-			
Wine	-	-	-	37,634,501			
Other products	1,415,584	1,864,196	533,832	147,574			
Total	120,230,851	38,726,977	90,359,006	37,782,075			
	=========	========	=========	========			
Balance Sheet Data (at December 31, 1998):							
Identifiable assets	181,161,902	64,450,980	106,126,385	49,069,662	9,975,544	-	410,784,473
	=========	========	=========	========	========	========	
Cash and cash equivalents							54,460,410
Investments in affiliated and other companies							15,418,301
Goodwill							20,330,282
Negative goodwill							(506,255)
Corporate assets							81,648,289
Total consolidated assets							582,135,500
							=========

	Year Ended December 31, 1999						
	Beer-Chile	**Beer-Argentina**	**Soft Drinks and Mineral Waters**	**Wine**	**Other**	**Eliminations**	**Consolidated**
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Statement Income Data:							
Sales to unaffiliated companies	113,993,584	45,208,839	85,026,393	45,628,735	547,033	-	290,404,584
Intersegment sales	-	-	-	-	10,964,502	(10,964,502)	-
Net sales	113,993,584	45,208,839	85,026,393	45,628,735	11,511,535	(10,964,502)	290,404,584
Operating income	27,995,501	(1,051,664)	4,897,251	5,022,936	3,152,233	-	40,016,257
Equity in net income of affiliated companies							912,236
Other income (general corporate income)							9,538,861
Interest expense (net)							2,425,578
Other expenses (general corporate expenses)							(3,283,793)
Price-level restatement							2,588,031
Income before income tax and minority interest							52,197,170
Sales of each segment include:							
Beer	112,482,572	43,379,568	-	-			
By-products	442,633	73,736	-	-			
Carbonated drinks	-	-	69,606,434	-			
Nectars	-	-	1,697,209	-			
Powdered mix	-	-	97,199	-			
Mineral Water	-	-	13,018,385	-			
Wine	-	-	-	45,435,904			
Other products	1,068,379	1,755,535	607,166	192,831			
Total	113,993,584	45,208,839	85,026,393	45,628,735			
Balance Sheet Data (at December 31, 1999):							
Identifiable assets	190,578,506	71,602,774	97,191,187	59,028,211	11,650,088	-	430,050,766
Cash and cash equivalents							55,120,009
Investments in affiliated and other companies							28,294,608
Goodwill							31,468,135
Negative goodwill							(523,605)
Corporate assets							49,777,829
Total consolidated assets							594,187,742

Depreciation was allocated to each of the segments as follows:

Segment	1997	1998	1999
	ThCh$	ThCh$	ThCh$
Beer-Chile	13,231,856	12,682,240	13,153,694
Beer-Argentina	3,377,639	4,756,346	6,409,342
Soft drinks and mineral water	10,730,944	10,904,857	10,778,998
Wine	897,336	1,145,406	1,420,176
Other	753,116	916,551	1,027,218
Total	28,990,891	30,405,400	32,789,428

Capital expenditures for each of the segments were as follows:

Segment	1997	1998	1999
	ThCh$	ThCh$	ThCh$
Beer-Chile	10,597,770	7,637,451	33,457,388
Beer-Argentina	25,008,478	13,754,153	4,676,696
Soft drinks and mineral water	9,397,590	6,072,475	6,978,888
Wine	4,447,330	13,349,722	5,548,792
Other	2,035,131	1,215,917	2,616,693
Total	51,486,299	42,029,718	53,278,457

Information about the Company's operations in different geographic areas is as follows:

	1997			
	Chile	Argentina	Eliminations	Consolidated
	ThCh$	ThCh$	ThCh$	ThCh$
Sales to unaffiliated customers	242,245,604	37,575,034	(258,805)	279,561,833
Operating income	42,918,655	1,406,547	-	44,325,202
Equity in net income of affiliated companies				2,198,011
Other income (general corporate income)				7,895,200
Interest expense (net)				1,295,797
Other expenses (general corporate expense)				(5,032,942)
Price level restatement				(402,546)
Income from continuing operations before income Tax and minority interest				50,278,722
Total assets at December 31,	460,377,654	89,980,604	(845,072)	549,513,186

	1998			
	Chile	Argentina	Eliminations	Consolidated
	ThCh$	ThCh$	ThCh$	ThCh$
Sales to unaffiliated customers	248,068,145	39,903,822	(465,893)	287,506,074
Operating income (loss)	47,210,130	(1,319,591)	-	45,890,539
Equity in net income of affiliated companies				902,884
Other income (general corporate income)				8,071,501
Interest expense (net)				4,256,236
Other expenses (general corporate expense)				(8,404,726)
Price level restatement				(9,010)
Income from continuing operations before income Tax and minority interest				50,707,424
Total assets at December 31,	481,105,697	101,192,481	(162,678)	582,135,500

	1999			
	Chile	Argentina	Eliminations	Consolidated
	ThCh$	ThCh$	ThCh$	ThCh$
Sales to unaffiliated customers	244,134,676	46,283,837	(13,929)	290,404,584
Operating income	39,854,007	162,250	-	40,016,257
Equity in net income of affiliated companies				913,249
Other income (general corporate income)				9,538,861
Interest expense (net)				2,425,578
Other expenses (general corporate expense)				(3,284,806)
Price level restatement				2,588,031
Income from continuing operations before income Tax and minority interest				52,197,170
Total assets at December 31,	487,258,942	107,178,210	(249,410)	594,187,742

NOTE 23 - DIFFERENCES BETWEEN CHILEAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Accounting principles generally accepted in Chile vary in certain important respects from the accounting principles generally accepted in the United States, Such differences involve certain methods for measuring the amounts shown on the face of financial statements, as well as additional disclosures required by accounting principles generally accepted in the United States ("US GAAP").

1 Differences in measurement methods

The principal methods applied in the preparation of the accompanying financial statements which have resulted in amounts which differ from those that would have otherwise been determined under accounting principles generally accepted in the United States are as follows:

a) Inflation accounting

The cumulative inflation rate in Chile as measured by the Consumer Price Index for the three year period ended December 31, 1999 was approximately 13%.

Chilean accounting principles require that financial statements be restated to reflect the full effects of loss in the purchasing power of the Chilean peso on the financial position and results of operations of reporting entities. The method, described in Note 1, is based on a model which enables calculation of net inflation gains or losses caused by monetary assets and liabilities exposed to changes in the purchasing power of the local currency, by restating all non-monetary accounts in the financial statements. The model prescribes that the historical cost of such accounts be restated for general price-level changes between the date of origin of each item and the year-end, but allows direct utilization of replacement values for the restatement of inventories, as an alternative to the price-level restatement of those assets, but only if the resulting variation is not material.

The inclusion of price-level adjustments in the accompanying financial statements is considered appropriate under the prolonged inflationary conditions which have affected the Chilean economy in the past. Accordingly, the effect of price-level changes is not eliminated in the reconciliation to US GAAP.

The price-level restatement is determined under Chilean GAAP by restating the following non-monetary assets and liabilities:

	1997	1998	1999
	ThCh$	ThCh$	ThCh$
Restatement of non-monetary accounts based on Consumer Price Index:			
Property, plant and equipment and bottles and containers	16,450,806	10,019,957	6,231,599
Investments in related companies	29,158	42,628	252,267
Investments in other companies and marketable securities	37,782	24,873	361,649
Other assets	7,663,288	4,826,819	5,034,049
Shareholders' equity	(16,629,962)	(12,798,110)	(8,683,677)
Net adjustment of assets and liabilities denominated in foreign currency	(1,073,419)	2,509,117	402,051
Adjustment of inventories to replacement cost	1,373,325	1,196,663	766,413
Increase in liabilities denominated in UFs due to indexation	(6,146,030)	(4,236,068)	(1,115,170)
Net restatements of income and expense accounts in terms of year end constant pesos	(2,107,494)	(1,594,889)	(661,150)
Price-level restatement (loss) gain	(402,546)	(9,010)	2,588,031
	========	========	=======

b) Revaluations of property, plant and equipment

As mentioned in Note 1 j), certain property, plant and equipment are reported in the financial statements at amounts determined in accordance with a technical appraisal carried out in 1979. The revaluation of property, plant and equipment is an accounting principle that is not generally accepted in the United States. The effects of the reversal of this revaluation, as well as of the related accumulated depreciation and depreciation charge for the year is shown in paragraph 1 o) below.

c) Inventory valuation

As indicated in Note 1 g), finished and in-process products are reported in the financial statements at the replacement cost of the raw materials included therein and therefore exclude labor and overhead. The practice of excluding labor and overhead is contrary to the accounting principles generally accepted in the United States. The adjustments required to conform with US GAAP at each year end are shown in paragraph 1 o) below.

d) Revaluation of fixed assets held for sale

Net income reported in the Chilean GAAP financial statements for the year ended December 31, 1991 included the effects of the reversal of a valuation allowance recorded in prior years to write-down the carrying value of land held for sale to estimated market value (Note 1 p)). This reversal was not in conformity with accounting principles generally accepted in the United States and was therefore reflected in the reconciliation of net income to US GAAP for that year. The effect on the reconciliation of Shareholders' equity is set forth under paragraph 1 o) below. The US GAAP adjustment will be reversed when the land is actually sold.

e) Income tax

Under Chilean GAAP, a provision is made to reflect the interperiod allocation of income taxes resulting from differences between the periods in which transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income. The method is primarily focused on the results of operations.

Accounting for deferred income taxes under US GAAP is prescribed by Statement of Financial Accounting Standards No. 109 (FAS 109). The objectives of FAS 109 are to (1) recognize the amount of income taxes payable or refundable in the current year and (2) provide for potential future taxes arising from differences between the amounts shown for assets and liabilities in the balance sheet and the tax basis of those assets and liabilities at the balance sheet date. The deferred tax is calculated using enacted future tax rates and regulations and is adjusted if those future tax rates and regulations are changed. In general, the change in the deferred tax asset or liability from one balance sheet date to the next represents the deferred income tax expense (or benefit) for the year. The method is described as the liability method and is focused on the balance sheet.

The effect of applying FAS 109 for US GAAP purposes is included in paragraph 1 o) below and certain disclosures required under FAS 109 are set forth under paragraph 3 b) below.

f) Joint venture

On November 2, 1994 Buenos Aires Embotelladora S.A. (BAESA) and the Company signed an Association Agreement to form a joint venture, with both companies contributing the assets being used in their respective soft drinks and mineral water bottling and distribution businesses in Chile. The agreement was made effective as of November 1, 1994.

The joint venture was formed by the Company contributing net assets in exchange for 55% of the shares of Embotelladoras Chilenas Unidas (ECUSA), which previously was a wholly-owned subsidiary of BAESA. Considering that the Comapny owned 55% of ECUSA and therefore would receive 55% of all dividends declared, this investment was consolidated under Chilean GAAP. However, as mutual consent was required for all significant operating and management decisions, under US GAAP this investment was accounted for under the equity method.

As indicated in Note 10, on November 29, 1999 the Company acquired a 45% interest in ECUSA and therefore as of that date, it is consolidated under both Chilean and US GAAP.

The effects of deconsolidating the joint venture for the years ended December 31, 1997, 1998 and for the 11 - month period ended November 29, 1999 are shown in parragraph 2 below.

In accordance with US GAAP, accounting for investments by the equity method requires that the earnings or losses of an investee and the financial position of an investee be determined in accordance with US GAAP. Thus, in determining the difference between cost of an investment and the underlying equity in investee net assets, it is first necessary to adjust the investee's financial statements to eliminate any material variances from US GAAP. In the case of the Company's investment in ECUSA, which under US GAAP should be recorded based on the equity method as discussed above, the only significant difference between Chilean and US GAAP relates to accounting for deferred income taxes.

The adjustment required to comply with FAS 109 by ECUSA, has been given effect in paragraph 1 o) below.

g) Investment securities

Under Chilean GAAP, investment securities held by the Company which are publicly traded are carried at the lower of cost or market value.

Under FAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", investment securities, which include debt and certain equity securities, are accounted for as follows:

- Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are reported at amortized cost.

- Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses included in earnings.

- Debt and equity securities not classified as either held-to-maturity or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity.

The effect of the difference between Chilean GAAP and U.S. GAAP in accounting for investment securities is indicated in paragraph 1 o) below.

h) Goodwill

Under Chilean GAAP, the difference between the cost and net book value of an acquired company at the acquisition date is recorded as goodwill (positive or negative), which is then amortized to income over a maximum period of twenty years (ten years until December 31, 1997). Under US GAAP, the cost of acquiring a company should be assigned to the tangible and identified intangible assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition. An excess of cost over the fair value of net assets acquired should be recorded as goodwill, which may then be amortized over a period not exceeding 40 years.

If an excess of acquired net assets over cost arises, the excess should be allocated to reduce proportionately the values assigned to non-current assets (except long-term investments in marketable securities) in determining their fair values. If the allocation reduces the non-current assets to zero value, the remainder of the excess over cost (negative goodwill) should be classified as a deferred credit and amortized systematically to income over the period estimated to be benefited, but not in excess of 40 years.

Under Chilean GAAP, when an investment accounted for by the equity method is acquired, the proportionate net book value of the investee company is recorded as an investment and the difference between the cost of the investment and the proportionate net book value of the investee is recorded as goodwill. The goodwill is then amortized to income over a maximum period of twenty years (ten years up to December 31, 1997). The investment account is adjusted to recognize the investor's share of the earnings or losses of the investee subsequent to the date of the purchase.

Under US GAAP, the carrying amount of an investment under the equity method is initially recorded at cost and shown as a single amount in the balance sheet of the investor. It is adjusted to recognize the investor's share of the earnings or losses of the investee subsequent to the date of investment. The amount of the increase or decrease is included in the determination of net income by the investor. It reflects adjustments similar to those made in preparing consolidated statements, including adjustments to eliminate intercompany gains and losses and to account for the differences, if any, between the investor's cost and the underlying equity in net assets of the investee at the date of investment. The investment is also adjusted to reflect the investor's share of changes in the investee capital accounts.

The effects of the differences between Chilean and US GAAP in accounting for goodwill and negative goodwill on the equity investments in Viña San Pedro S.A. and Southern Breweries Establishment and on the purchases of majority ownership interests in Compañía Industrial Cervecera S.A. and Cervecería Santa Fe S.A. are shown in paragraph 1 o) below.

With respect to the purchases of the assets and liabilities of Compañía Industrial Cervecera S.A. and Cervecería Santa Fe S.A., in each case the purchase price exceeded the fair value of assets acquired and liabilities assumed on the dates of acquisition. Assets and liabilities were adjusted for US GAAP purposes in 1995 to the respective fair values as follows:

	ThCh$
Increase (decrease) in assets (liabilities) to conform to fair value:	
Increase in inventories	778,221
Decrease in deferred tax liabilities	1,358,982
Decrease in goodwill	2,063,213
Increase in minority interest	73,990

With respect to the purchase of the additional 45% interest in Embotelladoras Chilenas Unidas S.A. (see Note 10), the purchase price exceeded the fair value of the assets acquired and liabilities assumed on the date of purchase. As a result, under US GAAP, intangibles with an assigned a fair value of ThCh$6,992,685 and goodwill totaling ThCh$3,103,137 under US GAAP, were recorded. The intangibles are being amortized over a period of five years.

i) Classification of income and expenses

Under Chilean GAAP the following income and expenses arising during the years 1997, 1998 and 1999 are classified as Non-operating income and expenses where as under US GAAP they would be classified as Operating income and expenses:

	1997	1998	1999
	ThCh$	ThCh$	ThCh$
Non-operating income:			
Sales of glass	(544,243)	(457,170)	(513,806)
Amortization of negative goodwill	(26,653)	(27,473)	(30,046)
Gain for change in estimate for deposits on bottles and containers	-	-	(5,798,592)
Rent	(219,479)	(97,635)	(11,119)
Gain on sale of properties held for sale and other assets	(4,840,608)	(3,662,758)	(180,017)
Reversal of provision for lawsuits	(473,347)	-	(271,661)
Recovery of severance indemnities			
Insurance recoveries	(66,582)	(13,953)	(39,279)
Reversal of provision after sale of land and properties held for sale	-	(1,079,748)	-
	(6,170,912)	(5,338,737)	(6,844,520)
	=======	=======	=======

	1997	1998	1999
	ThCh$	ThCh$	ThCh$
Non-operating expenses:			
Amortization of goodwill	2,657,842	1,172,775	1,429,678
Accrued loss from litigation	297,818	-	-
Provision for write-off of property, plant and equipment due to obsolescence and closings of plants	826,819	-	-
Provision for severance indemnities	29,913	877,192	111,591
Provision for impairment of property, plant and equipment	-	1,774,940	244,576
Sale of property, plant and equipment	98,931	149,883	397,292
Loss on sale of Bahia Blanca plant (Argentina)	-	1,855,199	-
	3,911,323	5,829,989	2,183,137
	=======	=======	=======

j) Minimum dividend

As required by the Chilean Companies Act, unless otherwise decided by the unanimous vote of the issued and subscribed shares, an open stock corporation in Chile must distribute a cash dividend in an amount equal to at least 30% of the Company's net income for each year as determined in accordance with Chilean GAAP. Since the payment of the 30% dividend out of each year's income is a legal requirement in Chile, provision has been made in the accompanying US GAAP reconciliation in paragraph 1 o) below to recognize the corresponding decrease in net equity at December 31 of each year.

k) Trademarks

Under Chilean GAAP, beginning in 1998 trademarks should be amortized over a period not exceeding 20 years (in prior years, trademarks were not required to be amortized). Under US GAAP trademarks should be amortized over a period not exceeding 40 years. Accordingly, the difference between Chilean and US GAAP in amortizing trademarks assets held by Viña San Pedro S.A. and Compañía Cervecerías Unidas Argentina S.A. is reflected in the reconciliation in paragraph 1 o) below.

l) Staff severance indemnities

For Chilean GAAP and US GAAP purposes (until January 1, 1999), the Company provides for severance indemnities when rights to such benefits have been formally guaranteed to employee groups. Those obligations are based on the present value of the liabilities determined at the end of each year based on the current salary and number of years of service of each employee. The Company uses a real discount rate and projected employee service life based on probable tenure for vested employees. The real annual discount rate does not include a projection of inflation and accordingly, future salary increases are also excluded from the calculation of the obligation, because all such future increases are expected to approximate the increase in inflation over a long-term period. For US GAAP purposes, the severance indemnities described above can be determined based on the vested benefits to which the employees are entitled if they separate immediately (settlement basis). Management decided to record the cumulative effect of a change in accounting principles for changing to the settlement basis under US GAAP with effect on January 1, 1999 (and for the effects prospectively thereafter) because management believes that the settlement basis better reflects the amounts that would be paid to employee in the event of any changes in levels of personnel that may be required to respond to the competitive business environment in which the Company operates. The difference in accounting for staff severance benefits between Chilean and US GAAP is included in the reconciliation to US GAAP under paragraph 1 o) below. The cumulative effect of the change was a loss of ThCh$ 1,791,480 (or Ch$ 5.65 per share).

m) Capitalization of interest

Under Chilean GAAP, the capitalization of interest cost associated with projects under construction is optional when incurred on debt that is not directly related to such projects. Under US GAAP, the capitalization of interest of qualifying assets under construction is required, regardless of whether interest is associated with debt directly related to a project or not. The effect of the capitalization and the related depreciation expense of this difference are included in paragraph 1 o) below.

n) Comprehensive income

US GAAP (FAS 130) requires that all comprehensive income be reported and displayed in a financial statement. Comprehensive income includes net income and other comprehensive income (revenues, expenses, gains and losses) that under generally accepted accounting principles are excluded from net income. The effect of this new standard is shown in paragraph 1 o).

o) Effects of conforming to US GAAP

The adjustments to reported net income required to conform with accounting principles generally accepted in the United States are as follows (all amounts are expressed in thousands of Chilean pesos of December 31, 1999 purchasing power):

	1997	1998	1999
	ThCh$	ThCh$	ThCh$
Net income as shown in the Chilean GAAP financial statements	40,011,463	40,337,553	41,181,681
Reversal of additional depreciation on revaluation increment of fixed assets (par. 1b)	5,874	(156,296)	(2,976)
Inclusion of labor and overhead in inventories (par. 1 c)	187,065	(125,070)	208,413
Revaluation of fixed assets sold (par. 1d)	501,343	105,758	303,241
Reversal of additional depreciation on revaluation of fixed asset (par. 1 d)	-	181,205	46,920
Adjustment of amortization of goodwill on purchases of equity investments and subsidiaries (par. 1h)	1,973,239	485,351	933,324
Amortization of trademark for Viña San Pedro S.A. and Compañía Cervecerías Unidas Argentina S.A. and subsidiaries (par. 1k)	(82,466)	106,158	372,887
Net effect of amortization of goodwill and intangibles on purchase of Embotelladoras Chilenas Unidas S.A. (par. 1f)	988,120	1,168,665	157,426
Deferred income taxes (par. 1e)	490,607	(974,921)	323,557
Net effects of purchase price adjustments for Embotelladoras Chilenas Unidas S.A. (par.1 h)	-	-	(154,237)
Adjustment of employee severance indemnities (par.1l)	-	-	(1,857,748)
Adjustment for capitalization of interest cost (par.1m)	-	-	2,518,261
Net income according to US GAAP	44,075,245	41,128,403	44,030,749
Other comprehensive income:			
Foreign currency translation adjustments	-	1,778,317	3,346,767
Unrealized (losses) gains on securities:			
Unrealized holding (losses) gains arising during period	(144,982)	1,343,412	6,098,955
Other comprehensive income	(144,982)	3,121,729	9,445,722
Income tax expense related to items of other comprehensive income	21,747	(201,513)	(914,844)
Comprehensive income according to US GAAP, net of tax (par. 1 n)	43,952,010	44,048,619	52,561,627

In addition, as described in paragraph 1 i) above, under Chilean GAAP, Non-operating expenses aggregating ThCh$ 3,911,323 in 1997, ThCh$ 5,829,989 in 1998 and ThCh$ 2,183,137 in 1999 and Non-operating income aggregating ThCh$ 6,170,912 in 1997, ThCh$ 5,338,737 in 1998 and ThCh$ 6,844,520 in 1999 would be reclassified to Operating expenses under US GAAP. Also, under Chilean GAAP, Non-operating income of ThCh$ 506,732 in 1998 would be reclassified to Income tax under US GAAP.

The adjustments required to conform net equity amounts to the accounting principles generally accepted in the United States are as follows:

	1997	1998	1999
	ThCh$	ThCh$	ThCh$
Net equity as shown in the Chilean GAAP financial statements	312,771,200	342,277,548	379,189,664
Reversal of revaluation of property, plant and equipment (par. 1b)	(3,887,651)	(2,877,278)	(2,877,278)
Reversal of accumulated depreciation on revaluation of property, plant and equipment (par. 1b)	105,159	(51,137)	(54,113)
Inclusion of labor and overhead in inventories (par. 1c)	479,928	354,857	563,270
Exclusion of revaluation of fixed assets held for sale (par. 1d)	(6,383,065)	(7,306,716)	(7,003,475)
Reversal of accumulated depreciation on revaluation of fixed assets held for sale (par. 1d)	745,986	946,227	993,147
Minimum dividend permitted by law, equivalent to 30% of net income for the year determined in accordance with Chilean GAAP (par. 1j)	(1,692,101)	(1,794,346)	(4,073,429)
Assets (liabilities) from deferred income taxes under FAS 109 (par. 1e)	4,945,599	3,769,166	3,177,880
Investment securities (par. 1g)	(135,439)	1,207,973	7,306,928
Adjustment of goodwill on equity investments (par. 1h)	5,222,969	5,708,320	6,641,644
Effect of US GAAP adjustment of Embotelladoras Chilenas Unidas S.A. (par. 1 f)	(1,412,853)	(244,188)	(86,762)
Amortization of trademark for Viña San Pedro S.A. and Compañía Cervecerías Unidas Argentina S.A. (par. 1k)	(206,162)	(100,004)	272,883
Net effect of amortization of goodwill and intangibles on purchase of Embotelladoras Chilenas Unidas S.A. (par. 1 h)	-	-	(154,237)
Adjustment of employee severance indemnities (par. 1 l)	-	-	(1,857,748)
Adjustment for capitalization of interest cost (par. 1 m)	-	-	2,518,261
Net equity according to US GAAP	310,553,570	341,890,422	384,556,635
	=========	=========	=========

The following summarizes the changes in Shareholders' equity under U.S. GAAP during the years ended December 31, 1997, 1998 and 1999:

	ThCh$
Balance at January 1, 1997	229,179,810
Reversal of accrued minimum dividend from prior year	2,886,006
Dividend declared	(17,199,762)
Increase in capital	53,429,036
Minimum dividend at year-end required by law	(1,692,101)
Net income for the year	44,075,245
Reversal of gross unrealized gain on investments that are available-for-sale from prior year	(9,543)
Gross unrealized losses on investments that are available-for-sale at year end	(115,121)
Balance at December 31, 1997	310,553,570
Reversal of accrued minimum dividend from prior year	1,692,101
Dividend declared	(19,889,777)
Increase in capital	7,280,255
Minimum dividend at year-end required by law	(1,794,346)
Net income for the year	41,128,403
Reversal of gross unrealized losses on investments that are available-for-sale from prior year, net of Tax	115,121
Gross unrealized gains on investments that are available-for-sale at year-end, net of tax	1,026,778
Cumulative translation adjustment for the year	1,778,317
Balance at December 31, 1998	341,890,422
Reversal of accrued minimum dividend from prior year	1,794,346
Dividend declared	(18,198,844)
Increase in capital	10,582,513
Minimum dividend at year-end required by law	(4,073,429)
Net income for the year	44,030,749
Reversal of gross unrealized losses on investments that are available-for-sale from prior year, net of tax	(1,026,778)
Gross unrealized gains on investments that are available-for-sale at year-end, net of tax	6,210,889
Cumulative translation adjustment for the year	3,346,767
Balance at December 31, 1999	384,556,635

2 US GAAP Condensed Financial Statements

The above reconciling items (including the deconsolidation of the ECUSA joint venture) affect the consolidated balance sheets as of December 31, 1998 and 1999 and the income statements for the three years in the period ended December 31, 1999 as follows:

CONSOLIDATED BALANCE SHEET

Adjusted for general price-level changes and expressed in thousands of constant Chilean pesos of December 31, 1999

	As of December 31, 1998				
	Consolidated balance sheet under Chilean GAAP	Adjustments to deconsolidate joint venture	Consolidated balance sheet without joint venture	Other US GAAP adjustments	Consolidated balance sheet under US GAAP
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents (1)	54,460,410	(14,848,479)	39,611,931	-	39,611,931
Time deposits	60,696,358	-	60,696,358	(60,696,358)	-
Marketable Securities	246,731	-	246,731	(246,731)	
Investments in available-for-sale securities	-	-	-	69,004,182	69,004,182
Accounts receivable - trade and other	61,038,214	(14,097,454)	46,940,760	-	46,940,760
Accounts receivable from related companies	1,196,841	1,963,305	3,160,146	-	3,160,146
Inventories	37,581,812	(4,723,429)	32,858,383	354,857	33,213,240
Prepaid expenses	5,564,664	(1,569,908)	3,994,756	-	3,994,756
Other current assets	2,362,721	(259,067)	2,103,654	(2,036,043)	67,611
Total current assets	223,147,751	(33,535,032)	189,612,719	6,379,907	195,992,626
PROPERTY, PLANT AND EQUIPMENT, net	288,582,054	(54,971,090)	233,610,964	(2,928,415)	230,682,549
OTHER ASSETS	70,405,695	35,498,728	105,904,423	(6,975,883)	98,928,540
Total assets	582,135,500	(53,007,394)	529,128,106	(3,524,391)	525,603,715
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Short-term borrowings	14,665,359	(63,043)	14,602,316	-	14,602,316
Current portion of long-term debt	7,170,528	(30,976)	7,139,552	-	7,139,552
Dividends payable	10,577,561	-	10,577,561	1,794,346	12,371,907
Accounts payable	28,477,623	(8,951,631)	19,525,992	-	19,525,992
Notes payable	1,044,297	-	1,044,297	-	1,044,297
Sundry creditors	1,725,063	(153,295)	1,571,768	-	1,571,768
Accounts payable to related companies	755,286	3,812,085	4,567,371	-	4,567,371
Accrued expenses	13,943,204	(3,597,403)	10,345,801	-	10,345,801
Taxes and social security charges payable	6,110,884	(2,572,774)	3,538,110	-	3,538,110
Other current liabilities	4,560	-	4,560	-	4,560
Total current liabilities	84,474,365	(11,557,037)	72,917,328	1,794,346	74,711,674
LONG-TERM LIABILITIES					
Long-term debt	75,829,586	(2,809)	75,826,777	-	75,826,777
Accrued expenses	2,632,220	(421,045)	2,211,175	-	2,211,175
Deferred income taxes	7,903,283	(1,371,919)	6,531,364	(4,931,611)	1,599,753
Deposits on bottles and containers	18,576,505	(10,058,627)	8,517,878	-	8,517,878
Total long-term liabilities	104,941,594	(11,854,400)	93,087,194	(4,931,611)	88,155,583
Total liabilities	189,415,959	(23,411,437)	166,004,522	(3,137,265)	162,867,257
MINORITY INTEREST	50,441,993	(29,595,957)	20,846,036	-	20,846,036
SHAREHOLDERS' EQUITY					
Common Stock	142,338,601	-	142,338,601	-	142,338,601
Share premium	10,279,736	-	10,279,736	-	10,279,736
Other reserves	4,895,770	-	4,895,770	-	4,895,770
Retained earnings	184,763,441	-	184,763,441	(387,126)	184,376,315
Total shareholders' equity	342,277,548	-	342,277,548	(387,126)	341,890,422
Total liabilities and shareholders' equity	582,135,500	(53,007,394)	529,128,106	(3,524,391)	525,603,715

(1) This caption includes time deposits, marketable securities and securities under resale agreements amounting to ThCh$ 20,182,349, ThCh$ 12,317 and ThCh$ 28,333,624, respectively, which are cash equivalents.

CONSOLIDATED BALANCE SHEET

Adjusted for general price-level changes and expressed in thousands
of constant Chilean pesos of December 31, 1999

	As of December 31, 1999		
	Consolidated balance sheet under Chilean GAAP	US GAAP adjustments	Consolidated balance sheet under US GAAP
	ThCh$	ThCh$	ThCh$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (1)	55,120,009	-	55,120,009
Time deposits	25,869,630	(25,869,630)	-
Marketable securities	232,318	(232,318)	-
Investment available-for-sale	-	51,404,341	51,404,341
Accounts receivable trade and other	63,945,722	-	63,945,722
Accounts receivable from related companies	556,457	-	556,457
Inventories	42,504,873	563,270	43,068,143
Prepaid expenses	6,558,261	-	6,558,261
Prepaid taxes	664,026	-	664,026
Other current assets	861,952	(707,432)	154,520
Total current assets	196,313,248	25,158,231	221,471,479
PROPERTY, PLANT AND EQUIPMENT, NET	316,752,521	(413,130)	316,339,391
OTHER ASSETS	81,121,973	(17,533,974)	63,587,999
Total assets	594,187,742	7,211,127	601,398,869
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term borrowings	10,393,457	-	10,393,457
Current portion of long-term debt	15,994,737	-	15,994,737
Dividends payable	8,538,845	4,073,429	12,612,274
Accounts payable	32,505,049	-	32,505,049
Notes payable	1,516,179	-	1,516,179
Sundry creditors	4,476,578	-	4,476,578
Accounts payable to related companies	1,667	-	1,667
Accrued expenses	14,296,735	-	14,296,735
Taxes and social security charges payable	8,213,826	-	8,213,826
Other current liabilities	19,284	-	19,284
Total current liabilities	95,956,357	4,073,429	100,029,786
LONG-TERM LIABILITIES			
Long-term debt	64,983,126	-	64,983,126
Accrued expenses	2,653,154	1,857,748	4,510,902
Deferred income taxes	10,309,475	(4,087,021)	6,222,454
Deposits on bottles and containers	12,459,672	-	12,459,672
Total long-term liabilities	90,405,427	(2,229,273)	88,176,154
Total liabilities	186,361,784	1,844,156	188,205,940
MINORITY INTEREST	28,636,294	-	28,636,294
SHAREHOLDERS' EQUITY			
Common stock	151,364,229	-	151,364,229
Share premium	11,837,777	-	11,837,777
Other reserves	8,241,382	-	8,241,382
Retained earnings	207,746,276	5,366,971	213,113,247
Total shareholders equity	379,189,664	5,366,971	384,556,635
Total liabilities and shareholders' equity	594,187,742	7,211,127	601,398,869

(1) This caption includes time deposits, marketable securities and securities under resale agreements amounting to ThCh$ 14,396,917, ThCh$ 2,052,536 and ThCh$ 31,364,996, respectively, which are cash equivalents.

CONSOLIDATED STATEMENT OF INCOME

Adjusted for general price-level changes and expressed in thousands
of constant Chilean pesos of December 31, 1999

	For the year ended December 31, 1997				
	Consolidated statement of income under Chilean GAAP	Adjustments to deconsolidate joint venture	Consolidated statement of income without joint venture	Other US GAAP adjustments	Consolidated statement of income under US GAAP
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
OPERATING RESULTS					
Net sales	279,561,833	(86,673,123)	192,888,710	-	192,888,710
Cost of sales	(129,480,738)	45,459,604	(84,021,134)	192,939	(83,828,195)
Gross margin	150,081,095	(41,213,519)	108,867,576	192,939	109,060,515
Selling and administrative expenses	(105,755,893)	29,369,694	(76,386,199)	4,180,275	(72,205,924)
Operating income	44,325,202	(11,843,825)	32,481,377	4,373,214	36,854,591
NON-OPERATING RESULTS					
Non-operating income	18,610,617	4,625,927	23,236,544	(4,681,449)	18,555,095
Non-operating expenses	(12,254,551)	459,827	(11,794,724)	3,881,410	(7,913,314)
Price-level restatements	(402,546)	266,716	(135,830)	-	(135,830)
Income before income tax and minority interest	50,278,722	(6,491,355)	43,787,367	3,573,175	47,360,542
Income tax	(4,414,938)	1,714,142	(2,700,796)	490,607	(2,210,189)
Minority interest	(5,852,321)	4,777,213	(1,075,108)	-	(1,075,108)
NET INCOME	40,011,463	-	40,011,463	4,063,782	44,075,245

CONSOLIDATED STATEMENT OF INCOME

Adjusted for general price-level changes and expressed in thousands
of constant Chilean pesos of December 31, 1999

	For the year ended December 31, 1998				
	Consolidated statement of income under Chilean GAAP	Adjustments to deconsolidate joint venture	Consolidated statement of income without joint venture	Other US GAAP adjustments	Consolidated statement of income under US GAAP
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
OPERATING RESULTS					
Net sales	287,506,074	(85,311,291)	202,194,783	-	202,194,783
Cost of sales	(131,314,860)	45,191,667	(86,123,193)	(281,366)	(86,404,559)
Gross margin	156,191,214	(40,119,624)	116,071,590	(281,366)	115,790,224
Selling and administrative expenses	(110,300,675)	29,154,020	(81,146,655)	281,462	(80,865,193)
Operating income	45,890,539	(10,965,604)	34,924,935	96	34,925,031
NON-OPERATING RESULTS					
Non-operating income	20,852,751	3,947,509	24,800,260	(4,676,804)	20,123,456
Non-operating expenses	(16,026,856)	304,033	(15,722,823)	5,935,747	(9,787,076)
Price-level restatements	(9,010)	295,555	286,545	-	286,545
Income before income tax and minority interest	50,707,424	(6,418,507)	44,288,917	1,259,039	45,547,956
Income tax	(4,764,298)	1,762,831	(3,001,467)	(468,189)	(3,469,656)
Minority interest	(5,605,573)	4,655,676	(949,897)	-	(949,897)
NET INCOME	40,337,553	-	40,337,553	790,850	41,128,403

CONSOLIDATED STATEMENT OF INCOME

Adjusted for general price-level changes and expressed in thousands
of constant Chilean pesos of December 31, 1999

	As of December 31, 1999				
	Consolidated statement of income under GAAP	Adjustments to deconsolidate joint venture	Consolidated statement of income without joint venture	Other US GAAP adjustments	Consolidated statement of income under US GAAP
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
OPERATING RESULTS					
Net sales	290,404,584	(60,595,628)	229,808,956	-	229,808,956
Cost of sales	(138,249,976)	34,079,377	(104,170,599)	205,437	(103,965,162)
Gross margin	152,154,608	(26,516,251)	125,638,357	205,437	125,843,794
Selling and administrative expenses	(112,138,351)	22,328,847	(89,809,504)	4,002,529	(85,806,975)
Operating income	40,016,257	(4,187,404)	35,828,853	4,207,966	40,036,819
NON-OPERATING RESULTS					
Non-operating income	18,923,934	1,036,797	19,960,731	(6,383,853)	13,576,878
Non-operating expenses	(9,331,052)	198,251	(9,132,801)	4,701,398	(4,431,403)
Price-level restatements	2,588,031	45,797	2,633,828	-	2,633,828
Income before income tax and minority interest	52,197,170	(2,906,559)	49,290,611	2,525,511	51,816,122
Income tax	(7,192,660)	818,748	(6,373,912)	323,557	(6,050,355)
Minority interest	(3,822,829)	2,087,811	(1,735,018)	-	(1,735,018)
NET INCOME	41,181,681	-	41,181,681	2,849,068	44,030,749

3 Additional disclosure requirements

a) Earnings per share

Disclosure of the following earnings per share information is not generally required for presentation in financial statements under Chilean accounting principles, but is required under US GAAP:

	1997	1998	1999
	ThCh$	ThCh$	ThCh$
Basic earnings per share (under US GAAP)			
Net income per share	142.78	131.47	138.89
Weighted average number of Common stock outstanding (in thousands)	308,705	312,842	317,009

Earnings per share is determined by dividing the net income for the year under US GAAP by the weighted average number of Common stock outstanding during each year.

b) Income taxes

The provision for income taxes charged to results is summarized as follows:

	1997	1998	1999
	ThCh$	ThCh$	ThCh$
Current tax expense	1,983,350	2,843,811	4,413,981
Deferred tax under Chilean GAAP	717,445	157,655	1,959,931
Additional deferred tax to conform with US GAAP	(490,606)	468,189	(323,557)
Total provision for US GAAP	2,210,189	3,469,655	6,050,355

Deferred tax assets (liabilities) are summarized as follows at December 31 of each year:

	1997	1998	1999
	ThCh$	ThCh$	ThCh$
Property, plant and equipment and depreciation	(7,590,612)	(9,083,229)	(11,717,648)
Staff severance indemnities	(193,411)	(218,696)	-
Investments in other companies	-	-	(1,095,190)
Inventories	-	-	(207,647)
Other	(1,471,862)	(1,541,017)	(953,261)
Gross deferred tax liabilities	(9,255,885)	(10,842,942)	(13,973,746)
Accounts receivable	434,922	821,826	562,932
Inventories	359,243	345,790	-
Investments in other companies	221,167	221,167	-
Other assets	920,401	884,296	89,421
Tax loss carryforwards	6,345,533	6,584,083	5,710,773
Deposits on bottles and containers	-	-	894,135
Staff severance indemnities	-	-	494,031
Other	507,442	386,027	-
Gross deferred tax assets	8,788,708	9,243,189	7,751,292
Net deferred tax assets (liabilities)	(467,177)	(1,599,753)	(6,222,454)

The provision for income taxes differs from the amount of income taxes determined by applying the applicable Chilean statutory income tax rate of 15% to pretax income as a result of the following differences:

	1997	1998	1999
	ThCh$	ThCh$	ThCh$
At statutory Chilean tax rate (15%)	6,942,816	6,689,709	7,512,166
Increase (decrease) in rates resulting from:			
Non-deductible expenses	3,787,174	1,395,244	2,209,734
Non-taxable income	(6,986,350)	(2,949,815)	(3,202,079)
Tax credits	(150,785)	(7,304)	(19,951)
Difference between tax rate in Chile and Argentina	468,321	1,258,002	233,848
Utilization of tax loss carryforward	(1,806,041)	(2,942,267)	(606,702)
Other	(44,946)	26,086	(76,661)
At effective tax rates	2,210,189	3,469,655	6,050,355
	=======	=======	=======

In accordance with Chilean law, the Company and each of its subsidiaries compute and pay income tax on a separate return basis and not on a consolidated basis.

CCU and certain of the Chilean subsidiaries have tax loss carryforwards aggregating ThCh$ 11,682,478 at December 31, 1999 which have no expiration date. Additionally, CCU Argentina and CICSA have tax loss carryforwards aggregating ThCh$ 11,309,719 at December 31, 1999 which may be applied to reduce taxable income in Argentina during a five years carryforward period. These tax losses resulted in a deferred tax asset for 1999 of ThCh$ 5,710,773.

c) Investment securities

Shown below are the carrying amount, gross unrealized gains and losses and approximate fair value of investment securities available-for-sale under US GAAP (see paragraph 1g):

	Carrying amount		Gross unrealized gains		Gross unrealized losses		Fair value	
	1998	1999	1998	1999	1998	1999	1998	1999
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Central Bank notes	1,719,077	-	-	-	(2,305)	-	1,716,772	-
Time deposits	60,696,358	25,869,630	341,595	47,458	-	-	61,037,953	25,917,088
Investment in UCP Backus & Johnston	5,121,726	17,995,465	856,924	7,184,880	-	-	5,978,650	25,180,345
Other investments	259,048	232,318	11,759	74,590	-	-	270,807	306,908
Total securities available-for-sale	67,796,209	44,097,413	1,210,278	7,306,928	(2,305)	-	69,004,182	51,404,341
	=========	========	=======	=======	=====	===	========	========

The Company has no securities which are considered to be trading securities or debt securities to be held to maturity. Deferred taxes for the gross unrealized gains and losses on investments in available-for-sale securities are included in the deferred tax adjustment in equity under US GAAP.

d) Fair value

The following methods and assumptions were used to estimate the fair value of each class of financial instrument at December 31, 1998 and 1999 for which it is practicable to estimate such value:

- Cash
  Cash is stated at carrying amount, which is equivalent to fair value.

- Time deposits and marketable securities
  Fair value of time deposits was determined using rates currently available in the market and the fair value of marketable securities is based on quoted market prices for the marketable securities.

- Investments in other companies
  Fair value of common stock in companies is based on quoted market prices for the stock.

- Other current assets
  Fair value of financial instruments included in Other current assets was determined using interest rates currently offered for similar financial instruments.

- Bank borrowings and bonds payable
  Fair value of bank borrowings and bonds payable was estimated using the interest rate that the Company would pay for similar loans.

- Deposits on bottles and containers
  The carrying value of deposits on bottles and containers approximates the fair value as the carrying value reflects the amounts that would be required to settle the obligation.

The estimated fair values of the Company's financial instruments are as follows.

	December 31, 1998		December 31, 1999	
Assets	Carrying amounts	Fair value	Carrying amounts	Fair value
	ThCh$	ThCh$	ThCh$	ThCh$
Cash	5,932,120	5,932,120	7,305,560	7,305,560
Time deposits and marketable securities	81,137,755	81,490,563	42,551,401	42,673,449
Investments in other companies	5,372,744	6,227,908	18,030,153	25,215,033
Other current assets	29,987,443	29,987,443	31,519,516	31,519,516
Total assets	122,430,062	123,638,034	99,406,630	106,713,558
Liabilities				
Bank borrowings (short-term)	14,665,359	14,651,644	10,393,457	10,343,039
Bonds payable (short-term)	4,907,321	4,797,601	5,005,200	6,018,517
Current portion of long-term bank borrowings	2,192,395	2,192,395	10,837,490	10,837,490
Bank borrowings (long-term)	45,639,634	45,639,634	39,339,248	39,304,693
Bonds payable (long-term)	29,296,015	26,380,663	24,805,043	21,043,774
Total liabilities	96,700,724	93,661,937	90,380,438	87,547,513

f) Foreign currency forward exchange contracts

The Company enters into foreign currency forward exchange contracts to limit its exposure to currency fluctuations. The terms of the contracts are generally less than one year. Gains and losses on the contracts are recognized in the period in which the exchange rates change. When there is no change in the exchange rates, costs are amortized on a straight-line basis over the life of the contract.

A summary of the forward exchange contracts in place at December 31, 1999 follows:

		National amount		Carrying amount		Fair value
Buy currency:						
US dollar	$US	20,000,000	ThCh$	10,930,000	ThCh$	10,624,943
US dollar	US	19,200,000	US$	19,200,000	ThCh$	19,104,885
UF (1)	US$	2,500,000	US$	2,500,000	ThCh$	1,360,284

		National amount		Carrying amount		Fair value
Sell currency:						
US dollar	US	20,000,000	ThCh$	10,935,000	ThCh$	10,624,943
UF (1)	UF	87,813,219	US$	2,500,000	ThCh$	1,358,132

(1) Contract to buy UFs with US dollars.

3 Recent accounting pronouncements

Statement of Financial Accounting Standards No. 133 (FAS 133) *Accounting for Derivative Instruments and Hedging Activities*, is effective for fiscal years beginning after June 15, 1999. This standard establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that an entity recognize all derivatives on the balance sheet at fair value. Generally, changes in the fair value of derivatives must be recognized in income when they occur, the only exception being derivatives that qualify as hedges in accordance with the Standard. If a derivative qualifies as a hedge, a company can elect to use “hedge accounting” to eliminate or reduce the income-statement volatility that would arise from reporting changes in a derivative’s fair value in income. The type of accounting to be applied varies depending on the nature of the exposure that is being hedged. In some cases, income-statement volatility is avoided by an entity recording changes in the fair value of the derivative directly in shareholder’s equity. In other cases, changes in the fair value of the derivative continue to be reported in earnings as they occur, but the impact is counterbalanced by the entity’s adjusting the carrying value of the asset or liability that is being hedged. This standard must be adopted during the year ended December 31, 2000, but is not expected to have a significant effect on the financial statements of the Company because it does not generally hold significant amounts of derivative instruments.

Signatures

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized

Compañía Cervecerías Unidas S.A.
(United Breweries Company, Inc.)

Patricio Jottar
Chief Executive Officer

Date: May 9, 2000