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, 2001**

_ 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
(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**
American Depositary Shares Representing Common Stock	New York Stock Exchange
Common Stock, without par value	New York Stock Exchange*

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

Securities registered or to be registered pursuant to Section 12(g) of the Act.
Not applicable
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
Not applicable

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.
Common stock, with no par value: **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_

Table of Contents

Page

INTRODUCTION.......... ii

FORWARD LOOKING STATEMENTS iii

PART I.......... 1

Item 1: Identity of Directors, Senior Management and Advisers.......... 1

Item 2: Offer Statistics and Expected Timetable 1

Item 3: Key Information.......... 1

Selected Financial Data 1
Capitalization and Indebtedness 4

Item 4: Information on the Company 8

History and Development of the Company.......... 8
Business Overview 12
Summary.......... 12
The Company's Beer Business 14
The Company's Beer Business in Chile.......... 15
The Company's Beer Business in Argentina 22
The Company's Beer Business in Croatia 29
The Company's Soft Drinks and Mineral Water Business.......... 29
The Company's Soft Drinks and Mineral Water Business in Chile 29
The Company's Soft Drinks and Mineral Water Business in Argentina.......... 39
The Company's Wine Business.......... 39
The Company's Other Businesses.......... 46
Organizational Structure 48
Property, Plant and Equipment.......... 50
Environmental Matters.......... 51

Item 5: Operating and Financial Review and Prospects 53

Operating Results 53
Liquidity and Capital Resources 62
Short-Term Financial Instruments.......... 63
Research and Development.......... 65
Critical Accounting Policies and Practices 65

Item 6: Directors, Senior Management and Employees.......... 68

Directors and Senior Management.......... 68
Compensation.......... 70
Board Practices.......... 71
Employees 74
Share Ownership 75

Item 7: Major Shareholders and Related Party Transactions 75

Major Shareholders 75
Related Party Transactions 77

Item 8: Financial Information 79

Consolidated Statements and Other Financial Information 79
Significant Changes 81

Item 9: The Offer and Listing 82

Offer and Listing Details 82
Markets 83

Item 10: Additional Information 84

Share Capital 84
Memorandum and Articles of Association 84
Material Contracts 90
Exchange Controls 90
Taxation 93
Chilean Tax Considerations 93
United States Tax Considerations 97
Dividends and Paying Agents 99
Statement by Experts 100
Documents on Display 100
Subsidiary Information 100

Item 11: Quantitative and Qualitative Disclosures About Market Risk 100

Quantitative Information About Market Risk 100

Item 12: Description of Securities Other than Equity Securities 104

PART II 104

Item 13: Defaults, Dividend Arrearages and Delinquencies 104

Item 14: Material Modifications to the Rights of Security Holders and Use of Proceeds 104

PART III 104

Item 17: Financial Statements 104

Item 18: Financial Statements 104

Item 19: Exhibits 105

Introduction

In this Annual Report on Form 20-F, all references to the “Company” or “CCU” are to Compañía Cervecerías Unidas S.A., an open stock corporation (*sociedad anónima*) organized under the laws of the Republic of Chile, and its consolidated subsidiaries. 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, which 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, 2001 purchasing power. See the notes to the consolidated financial statements of the Company (the “Consolidated Financial Statements”) included in pages F-7 through F-62 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 drink 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 drink 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 to the totals shown.

Forward Looking Statements

This Annual Report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities and Exchange Act of 1934 (the "Exchange Act"). These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. They also relate to the Company's future prospects, development and business strategies.

These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believes", "could", "expects", "intends", "may", "plans", "predicts", "projects", "will" and similar terms and phrases. The Company cautions the reader that actual results could differ materially from those expected by the Company, depending on the outcome of certain factors, including, without limitation (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; (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; and (iv) other factors discussed under "Item 4: Information on the Company" and "Item 5: Operating and Financial Review and Prospects". Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in the Company's business strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

PART I

ITEM 1: Identity of Directors, Senior Management and Advisers

Not applicable

ITEM 2: Offer Statistics and Expected Timetable

Not applicable

ITEM 3: Key Information

Selected Financial Data

The following table presents selected consolidated financial data as of December 31, 2000 and 2001, and for each of the years ended December 31, 1999, 2000 and 2001, which has been derived from the Consolidated Financial Statements of the Company, audited by PricewaterhouseCoopers, independent auditors, included elsewhere herein. Selected consolidated financial data as of December 31, 1997 and 1998, and for the years there ended has been derived from the Company's Consolidated Financial Statements audited by PricewaterhouseCoopers, not included herein. The financial data set forth below should be read in conjunction with the Consolidated Financial Statements and related notes, and "Item 5: Operating and Financial Review and Prospects" included elsewhere in this Annual Report.

The financial information as of and for the years ended December 31, 1997, 1998, 1999, 2000 and 2001 shown below is presented in constant Chilean pesos of December 31, 2001:

	Year ended December 31,				
	1997	1998	1999	2000	2001
	(millions of constant Ch$) (1)				
Income Statement Data:					
Chilean GAAP:					
Total revenues	Ch$301,775	Ch$310,351	Ch$313,479	Ch$327,216	Ch$343,562
Operating income	47,847	49,537	43,248	40,705	43,652
Interest expense	(7,795)	(8,227)	(6,527)	(7,193)	(6,207)
Other income	20,089	22,510	20,375	12,397	23,286
Income tax	(4,765)	(5,143)	(7,764)	(5,175)	(7,146)
Net income	43,191	43,542	44,454	26,525	38,377
EBITDA (2)	79,380	82,765	79,257	79,657	84,235
Net earnings per share	139.91	139.18	140.19	83.28	120.49
Diluted net earnings per share	139.91	139.18	140.19	83.28	120.49
Net earnings per ADS	699.55	695.91	700.95	416.40	602.46
Diluted net earnings per ADS	699.55	695.91	700.95	416.40	602.46
Dividends per share (3)	69.49	69.36	69.79	136.09	66.00
Dividends per ADS in US$	0.66	0.66	0.63	1.11	0.49
Weighted average shares Outstanding (000s)	308,705	312,842	317,099	318,503	318,503
U.S. GAAP:					
Total revenues	Ch$208,215	Ch$218,261	Ch$256,541	Ch$341,808	Ch$359,596
Net income	47,578	44,396	47,529	27,779	34,510
Net earnings per share	154.12	141.92	149.89	87.22	108,35
Net earnings per ADS	770.62	709.59	749.45	436.10	541.75
Balance Sheet Data:					
Chilean GAAP:					
Total assets	Ch$593,176	Ch$628,390	Ch$641,401	Ch$643,733	Ch$629,403
Long-term liabilities	109,453	113,280	97,588	84,246	72,503
Total debt (4)	108,004	105,426	98,631	95,944	72,116
Total stockholders' equity (net assets)	337,623	369,474	409,319	414,416	411,575
Capital stock	147,048	153,649	163,391	163,391	163,391
U.S. GAAP:					
Total assets	Ch$530,093	Ch$567,367	Ch$649,184	Ch$660,060	Ch$633,694
Long-term liabilities	91,814	95,160	95,182	84,385	74,705
Total debt (4)	107,408	105,321	98,631	95,944	72,116
Total stockholders' equity (net assets)	335,230	369,056	415,112	430,602	412,661
Capital stock	147,048	153,649	163,391	163,391	163,391
Other Data:					
Sales volume (in millions of liters):					
Beer (Chile)	361.9	363.0	344.5	352.2	348.3
Beer (Argentina)	142.3	145.5	157.9	155.2	151.2
Soft drinks and mineral water (5)	382.9	386.8	376.1	405.1	414.1
Wine (6)	45.1	52.4	56.7	66.2	84.6
Change in consumer price index applicable for the restatement of financial statements (7)	6.3%	4.3%	2.6%	4.7%	3.1%

(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 from operations.
(3) Expressed in pesos as of December 31, 2001, except 2001 dividends, which were paid in January and May 2002, 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.

Exchange Rates. Prior to 1989, Chilean law permitted the purchase and sale of foreign exchange only in those cases explicitly authorized by the Central Bank of Chile. The Central Bank Act, which was enacted in 1989, liberalized the rules that govern the ability to buy and sell foreign exchange. The Central Bank Act now empowers the Central Bank of Chile to determine that certain purchases and sales of foreign exchange specified by law must be carried out in the Formal Exchange Market. The Formal Exchange Market is formed by banks and other entities so authorized by the Central Bank. All payments and distributions with respect to the Company's ADSs referred to in this Annual Report must be transacted in the Formal Exchange Market.

For purposes of the operation of the Formal Exchange Market, the Central Bank of Chile sets a reference exchange rate (dólar acuerdo) (the "Reference Exchange Rate"). The Reference Exchange Rate is reset monthly by the Central Bank of Chile, taking internal and external inflation into account, and is adjusted daily to reflect variations in parities between the Chilean peso and each of the U.S. dollar, the Japanese yen and the Euro. Authorized transactions by banks were generally conducted within a certain band above or below the Reference Exchange Rate. In January 1992, the Central Bank of Chile reduced the Reference Exchange Rate by 5% and widened the band for transactions in the Formal Exchange Market from 5% to 10%. In November 1994, the Central Bank of Chile reduced the Reference Exchange Rate by approximately 10%. In November 1995, the Central Bank of Chile reduced the Reference Exchange Rate by approximately 2%. In January 1997, the Central Bank widened the band for transactions in the Formal Exchange Market to 12.5%. On June 25, 1998, the Central Bank of Chile reduced the band for transactions in the Formal Exchange Market to 2% above and 3.5% below the Reference Exchange Rate. At that time, the Central Bank also announced the elimination of a fixed 2% (peso re-valuing) factor which had hitherto been taken into account in the annual resetting of the Reference Exchange Rate. In September 1998, the Central Bank began a gradual widening of the exchange rate band from 3.5% to 5% above and below the Reference Exchange Rate. In December 1998, the Central Bank set the exchange band at 8% above and below the Reference Exchange Rate and provided from the gradual widening of the limits of the band at a daily rate of 0.01375%. In order to keep fluctuations in the average exchange rate within certain limits, the Central Bank of Chile intervened by buying or selling foreign exchange on the Formal Exchange Market. In September 1999, the Central Bank of Chile decided to suspend its formal commitment to intervene in the exchange market to maintain the limits of the band, and decided to intervene in the market only under extraordinary circumstances which will be informed in advance. The Central Bank of Chile also committed itself to provide periodic information about the levels of its international reserves. The Reference Exchange Rate was maintained as a medium-term reference for the market and to be used in contracts entered into using such rate. The Observed Exchange Rate is the average exchange rate at which commercial banks conduct authorized transactions on a given date in Chile, as determined by the Central Bank of Chile. The Central Bank of Chile generally carries out its transactions at the spot market rate. Before the suspension of the band, however, when commercial banks requested to buy U.S. dollars from the Central Bank of Chile, or requested to sell U.S. dollars to the Central Bank of Chile, the Central Bank of Chile made such sales up to 2% over the Reference Exchange Rate and carried out such purchases at 3.5% under the Reference Exchange Rate. Authorized transactions by banks are generally conducted at the spot market rate. Historically, such rate fluctuated within the band set by the Central Bank with respect to the Reference Exchange Rate. No assurances can be given that the Central Bank of Chile will not establish the band limits again.

Purchases and sales of foreign exchange effected outside the Formal Exchange Market are carried out in the Mercado Cambiario Informal (the "Informal Exchange Market"). The Informal Exchange Market reflects the supply and demand for foreign currency. There are no limits imposed on the extent to which the rate of exchange in the Informal Exchange Market can fluctuate above or below the Observed Exchange Rate. On June 21, 2002, the average exchange rate in the Informal Exchange Market was Ch$697.50 per U.S. dollar and the U.S. dollar Observed Exchange Rate was Ch$693.77 per U.S. dollar.

The following table sets forth the low, high, average and period-end Observed Exchange Rates for U.S. dollars for each of the indicated periods 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.

	Daily Observed Exchange Rate (Ch$ per US$)			
Period	**Low(1)**	**High(1)**	**Average (2)**	**Period-end**
1997	411.85	439.81	419.31	439.18
1998	439.58	475.41	460.45	472.41
1999	468.69	550.93	509.13	530.07
2000	501.04	580.37	539.05	573.65
2001	557.13	716.62	634.04	654.49
November 2001	670.13	715.67	688.33	689.95
December 2001	654.79	682.11	667.57	654.79
January 2002	648.69	683.11	668.41	676.23
February 2002	671.86	688.98	678.97	672.30
March 2002	655.44	670.67	662.64	655.90
April 2002	641.75	662.78	650.11	646.44
May 2002	650.31	659.14	654.39	655.9
(June 2002, through June 21)	657.39	693.77	668.39	693.77

Source: Central Bank of Chile

(1) Rates shown are the actual low and high, on a day-by-day basis for each period.
(2) The average of monthly average rates during the period reported.

Capitalization and Indebtedness

Not applicable

Reasons for the Offer and Use of Proceeds

Not applicable

Risk Factors

Certain Considerations Relating to Chile and Other Countries in Latin America. The Company is predominantly engaged in business in Chile. Consequently, its results of operations and financial condition are to a large extent dependent on the overall level of economic activity in Chile. Although the Chilean economy experienced an average yearly growth of 7.7% between 1990 and 1997, it experienced growth rates of 3.2%, 1.0%, 4.4% and 2.8% for the years 1998, 1999, 2000 and 2001, respectively. There can be no assurance that economic growth will return to its prior levels. Factors that would be likely to have an adverse effect on the Company’s business and results of operations include current or future downturns in the Chilean economy and further devaluation of the Chilean peso relative to the dollar.

In addition to its operations in Chile, the Company maintains substantial assets and derives significant revenue from its operations in Argentina. In recent years, Argentina has suffered a prolonged recession which recently culminated in the current economic crisis, driven by that country's economic and political instability. Argentina's economic activity has continued to contract as its government has imposed restrictions on bank deposits and withdrawals, exchange controls, suspension of payments of external debt and the abrogation of peso convertibility. The economic deterioration in Argentina has adversely affected and is expected to continue to materially adversely affect the Company's Argentine subsidiaries. See "Item 5: Operating and Financial Review and Prospects—Operating Results and Trend Information".

As a consequence of the Argentine peso devaluation at the beginning of 2002, the Chilean Superintendency of Securities and Insurance required Chilean companies, to the extent possible, to register losses associated with the effects of the Argentine economic crisis and currency devaluation in their respective financial statements corresponding to the year 2001. For CCU, this resulted in a loss of Ch$1,806 million, recognized in its 2001 financial statements, related to the effect of the Argentine crisis on its operations in that country, and its subsidiary, Finca La Celia reported a loss of Ch$639 million which was recorded directly to equity because it is in its development stage. There can be no assurance that the Argentine economy will recover or that a continued and prolonged crisis could not further materially adversely affect the Company's operations in Argentina. In fact, during the first quarter of 2002, the Argentine beer segment reported an operating loss of Ch$1,952 million and a foreign exchange loss of Ch$2,020 million as a consequence of the depreciation of the Argentine peso during the quarter.

Additionally, the Company's business, earnings and asset values may be materially affected by developments with respect to inflation, interest rates, currency fluctuations, government policies, price and wage controls, exchange control regulations, taxation, intervention, social instability and other political, economic or diplomatic developments in or affecting the specific countries in which the Company operates, which include Chile, Argentina and Croatia.

The Price of CCU's ADSs and the U.S. Dollar Value of Any Dividends Will be Affected by Fluctuations in Exchange Conditions. The Company's ADSs trade in U.S. dollars. Fluctuations in the exchange rate between certain Latin American currencies and the U.S. dollar are likely to affect the market price of the ADSs. For example, since CCU's financial statements are reported in Chilean pesos, a decline in the value of the Chilean peso against the dollar would reduce the Company's earnings as reported in U.S. dollars. Any dividend the Company may pay in the future would be denominated in Chilean pesos. A decline in the value of the Chilean peso against the U.S. dollar would reduce the U.S. dollar equivalent of any such dividend.

A devaluation of the Argentine currency would also reduce the Company's earnings in Chilean pesos and therefore the earnings reported in U.S. dollars. Given the relative importance of the Argentine operations to the Company's consolidated results, a devaluation in the Argentine currency could particularly have a negative impact on the Company's earnings. It should be considered in this analysis that 18.5% of the Company consolidated assets, 14.9% of sales and 3.8% of EBITDA come from the Argentine beer operations.

Holders of ADSs May be Subject to Certain Risks. Due to the fact that holders of ADSs do not hold their shares directly, they are subject to the following additional risks:

In the event of a dividend or other distribution, if exchange rates fluctuate during any period of time when the ADS depositary cannot convert a foreign currency into dollars, the ADS holders may lose some of the value of the distribution.

In order to vote at shareholders' meetings, ADS holders not registered on the books of the ADS depositary are required to transfer their ADSs for a certain number of days before a shareholders' meeting into a blocked account established for that purpose by the ADS depositary. Any ADS transferred to this blocked account will not be available for transfer during that time. ADS holders who are registered on the books of the ADS depositary must give instructions to the ADS depositary not to transfer their ADSs during this period before the shareholders' meeting. ADS holders must therefore receive voting materials from the ADS depositary sufficiently in advance in order to make these transfers or give these instructions. There can be no guarantee that ADS holders will receive voting materials in time to instruct the ADS depositary how to vote. It is possible that ADS holders, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote at all. Additionally, ADS holders may not receive copies of all reports from CCU or the ADS depositary. Holders may have to go to the ADS depositary's offices to inspect any reports issued.

The Company is Controlled by One Majority Shareholder, Whose Interests May Differ from Minority Shareholders. As of May 31, 2002, Inversiones y Rentas S.A. owned 61.58% of the Company's shares. Accordingly, like other majority shareholders, Inversiones y Rentas has the power to control the election of most members of the Company's Board of Directors and its interests may differ from the interests of other holders of the Company's shares. Inversiones y Rentas has a significant influence in determining the outcome of any corporate transaction or other matters submitted to the shareholders for approval, including mergers, consolidations, the sale of all or substantially all of CCU's assets and going-private transactions.

Additionally, Inversiones y Rentas has the power to prevent or cause a change in control. Although recently enacted amendments to Chilean securities and corporate laws require that any change of control occur through a public tender offer, CCU's majority shareholder is entitled under these new laws to dispose of its shares in a private transaction only until December 2003 pursuant to a one-time exemption from these tender offer requirements. Such a private disposition could deprive minority shareholders of the benefits of a change of control and a related tender offer, including the possibility of selling their shares at a premium over their market value.

Competition in the Beer Market. The Company's largest competitor in the Chilean beer market is Cervecería Chile S.A. ("Cervecería Chile"), a subsidiary of Quilmes Industrial S.A. ("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 10% in 2000 and 11% in 2001.

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 Cervecería Chile resumed aggressive price discounting, continuing with this strategy during 1999, 2000 and 2001. At the end of 1999, Cervecería Chile introduced Heineken beer, produced locally, at very competitive prices. 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.

If long-term economic conditions continue relatively favorable 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. 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 clearly observed in the past three 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 decreased.

The Company is the third largest brewer in Argentina with an estimated year-end market share of 11% in 1997, 12% in 1998 and 1999, 13% in 2000 and 12% in 2001. In Argentina, the Company faces competition from Quilmes, Companhia de Bebidas das Américas ("AmBev"), Warsteiner Brauerei Hans Cramer GmbH & Co. ("Warsteiner") and Cervecería Estrella de Galicia S.A. ("Galicia"), which had estimated market shares of approximately 66%, 16%, 6% and less than 1%, respectively, in 2001. Over the past five years, two important acquisitions took place in the Argentine beer industry. In February 1997, Quilmes acquired Cervecería Bieckert S.A. ("Bieckert") and in April 1998 the Company acquired the brands and assets of Cervecería Córdoba S.A. ("Cervecería Córdoba"), adding approximately 4% and less than 1% to each respective company's market share. Even though the Company's increased level of advertising and other competitive efforts to increase its overall market volumes may continue, the Argentine beer market may be affected due to increased competition and the current economic crisis. In December 1999, the Argentine government passed a law that increased excise tax from 4% to 8%. This measure resulted in a decrease in the profit margin for the Company during the first half of 2000 because demand conditions did not allow CCU Argentina to immediately pass on the tax increase to the consumer. During the second half of 2000, the Company began to pass on this additional cost to its customers. By the end of 2001, the prolonged recession that Argentina had been experiencing in recent years culminated into the current economic crises, driven by economic and political instability. Argentina's economic activity has continued to contract as its government imposed restrictions on bank deposits and withdrawals, exchange controls, suspension of payment of external debt and the abrogation of Argentine peso convertibility. Specifically, consumption was directly affected by restrictions on cash withdrawals from banks, and the devaluation of the Argentine peso, Argentina's local currency, affected both production costs of beer and financial results in Chilean GAAP as a result of Technical Bulletin 64. Technical Bulletin 64, issued by the Chilean Institute of Accountants, requires CCU Argentina's depreciation to be recorded in U.S. dollars, even though all the other financial statement line items are in Argentine pesos. See "Item 5:Operating and Financial Review and Prospects—Operating Results".

On May 2, 2002, AmBev and Quilmes announced that pursuant to an agreement between both parties, AmBev will transfer all of its beer assets in Argentina, Bolivia, Paraguay and Uruguay to Quilmes in exchange for 26.4 million new B shares of Quilmes. Additionally, according to the announcement AmBev will purchase from the controlling shareholders of Quilmes 230.92 million class A shares for US$346.38 million. Also the agreement stipulates that AmBev can purchase at the end of a seven-year period the remaining Quilmes shares owned by the current controlling group, the Bemberg family, with AmBev shares. The Bemberg family has the option to sell to AmBev their remaining class A shares during a period beginning with the end of the first year and ending with the seventh year after the agreement was announced. The price of these transactions will be determined by the relative EBITDA of both companies. This transaction requires the final approval of the antitrust authorities of the relevant countries where AmBev will transfer its beer assets to Quilmes. There can be no assurance that the Company's results will not be affected due to this alliance.

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

Proposal to Increase Taxes to Alcoholic Beverages. On May 21, 2002, the President of Chile announced a possible increase in excise taxes, including taxes on alcoholic beverages, tobacco and diesel fuel, to finance a new health program. As beer and wine taxes have not been increased since 1971, this initiative caused distress in the political and business sectors in Chile. On June 26, 2002 several related excise tax proposals were sent to the Congress including additional increases in gambling and value added taxes. An increase in beer and wine taxes could have a material adverse effect on future sales of these products and on the profitability of these business segments.

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 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 (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).

ITEM 4: Information on the Company

History and Development of the Company

The Company's current legal and commercial name is Compañía Cervecerías Unidas S.A. The Company was incorporated in the Republic of Chile in 1902 as an open stock corporation, following the merger of two existing breweries, one of which had its origins back in 1850, when Mr. Joaquín Plageman founded one of the first breweries in Chile in the port of Valparaíso. By 1916, the Company owned and operated the largest brewing facilities in Chile. The Company's operations have included the production and marketing of soft drinks since 1902 and the bottling and selling of mineral water products since 1960.

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) 427-3000 and the fax number is (56-2) 427-3222. The Authorized Representative in the United States for CCU is Puglisi & Associates, located at 850 Library Avenue, Suite 204, Newark, Delaware 19715, USA, telephone number (302) 738-6680 and fax number (302) 738-7210.

In 1986, Inversiones y Rentas S.A., 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 which resulted in the Company's inability to meet its creditor obligations. 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 7: Major Shareholders and Related Party Transactions".

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. After that date, 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 that year, the Company purchased a 48.4% interest in the Chilean wine producer Viña San Pedro S.A. ("VSP"). As of December 31, 2001, that interest amounted to 60.3%. In November 1994, the Company and Buenos Aires Embotelladora S.A. ("BAESA") (the PepsiCo bottler in Chile at that time) merged their respective businesses to create Embotelladoras Chilenas Unidas S.A. ("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 thereafter has controlled 100% of that company. In addition, in 1994 through Southern Breweries Establishments ("SBE"), a 50%-owned subsidiary, the Company acquired a 26.9% indirect equity interest in Karlovacka Pivovara d.d. ("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 Compañía Industrial Cervecera S.A. ("CICSA") were acquired during January and February 1995 and 98.8% of the outstanding shares of Cervecería Santa Fe S.A. ("CSF") were acquired in September 1995. In 1997, CCU Argentina increased its interest in CICSA to 97.2% and in CSF to 99.9% through the purchase of 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 1998, CCU Argentina completed the purchase of the brands and assets of Cervecería Córdoba for US$8 million. After subsequent capital expansions, the Company's interest in Compañía Cervecerías Unidas Argentina S.A. ("CCU Argentina") reached 89.2%, with Anheuser-Busch Incorporated's ("Anheuser-Busch") interest at 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 the 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 accomplished between December 1996 and January 1997 through the Company's second ADR offering in the international markets.

Capital Expenditures. The capital expenditures figures shown below reflect amounts on the date they were incurred and therefore may not match cash flow figures since these reflect payments when paid. The Company's capital expenditures for 1999, 2000 and 2001 totaled Ch$57,512 million, Ch$45,064 million and Ch$28,103 million, respectively, and were principally accounted for by Ch$57,162 million invested in the Company's beer operations in Chile, Ch$22,289 million invested in the Company's Argentine beer operations, Ch$25,318 million invested in wine operations and Ch$17,046 million invested in soft drink and mineral water operations during the years mentioned above.

In recent years, capital expenditures have been made primarily for the expansion of the Company's production capacity. In Chile, these expenditures included the construction of a new brewery 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, including the construction of its new canning line. Capital expenditures have been made in the Company's soft drinks division in order to adjust soft drink 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 vineyards in Chile and to increase their total vinification and wine storage capacity.

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 and Osorno plants closed in January 1999 and July 2000 respectively. This new brewery was built with the latest technology available, allowing the Company to have a much more efficient operation. The Temuco plant has a production capacity of 12 million liters per month for 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 for this project.

During 2000, the Company constructed and completed a canning line for the Santa Fe plant in Argentina, which has a capacity of 60,000 cans per hour. This investment was principally financed by Anheuser-Busch through a capital increase in CCU Argentina. This new packaging line will help reinforce CCU Argentina's position in this industry segment, which has enjoyed rapid growth within the Argentine beer industry. This new canning line was constructed to provide CCU Argentina with enough capacity to meet the export market's demand for Budweiser beer.

During 2000, the Company purchased 50% of the shares of Cervecería Austral S.A., located in Punta Arenas, Chile's southernmost city, for Ch$4,550 million. The purpose of this acquisition was the development of the Austral brand and to increase its volume and presence, not only in Chile but also in the southern regions of Argentina. Austral also has potential to be developed in the export market.

During 2001, the Company's main capital expenditures included the acquisition of bottles, crates and marketing assets for all of its business segments as well as the implementation of quality and productivity improvements.

Principal capital expenditures currently being implemented in the Chilean beer segment include the expansion of a cleaning system, the acquisition of an electronic inspector and the purchase of returnable bottles, crates and marketing assets. In the Argentine beer segment the main capital expenditures currently being implemented include the acquisition of bottles and marketing assets. The purchase of returnable bottles and coolers, the modification of a line in order to bottle nectars in the Talcahuano plant and the implementation of waste water treatment facilities represent the major capital expenditures currently being carried out in the soft drink, mineral water and nectar segment. The wine segment's main capital expenditures currently being implemented include investment in barrels, the last stage of a warehouse expansion and the construction of a new winery in Totihue, 110 kilometers south of Santiago, as part of the joint venture with the French winery Château Dassault to produce super premium wines.

The Company's principal capital expenditures for the period 1999-2001 are displayed in the following table. The information is presented in constant million Chilean pesos of December 31, 2001.

			1999 (Million Ch$)
Beer Chile	Temuco Plant		28,050
	Other		8,065
		Total	*36,116*
Beer Argentina	Machinery		2,729
	Waste treatment plant		629
	Other		1,690
		Total	*5,048*
Soft Drinks and Mineral Water	Juice Processes Project		2,526
	PRB Packaging		1,465
	Coolers		1,385
	Other		2,158
		Total	*7,533*
Wine	Aseptic bottling machinery renewal		1,635
	Pencahue plantation		651
	Other		3,703
		Total	*5,990*
Other	Software		848
	Machinery		1,106
	Hardware		286
	Other		585
		Total	*2,825*
		TOTAL 1999	***57,512***

			2000 (Million Ch$)
Beer Chile	Packaging		3,348
	Line upgrade		663
	Temuco Plant items		2,465
	Other		4,092
		Total	*10,567*
Beer Argentina	Budweiser		1,505
	Boiling capacity increase		1,299
	Other		10,449
		Total	*13,252*
Soft Drinks and Mineral Water	Returnable bottle 350cc aquisition		3,641
	New PET line		2,563
	Other		4,555
		Total	*10,759*
Wine	Line 2 in Molina		806
	Reserve wine house Stage I		506
	Other		4,864
		Total	*6,175*
Other	Inyection machinery		2,171
	Sales and distribution system		791
	Construction and refurbishment		762
	Other		586
		Total	*4,310*
		TOTAL 2000	***45,064***

			2001 (Million Ch$)
Beer Chile	Line modification		3,412
	Bottles and crates		1,415
	Cooling equipment		3,320
	Other		2,333
		Total	*10,479*
Beer Argentina	Marketing Articles		1,689
	Santa Fe Plant capacity improvement		365
	Salta Plant capacity improvement		28
	Other		1,906
		Total	*3,989*
Soft Drinks and Mineral Water	PRB 2.0 lts. acquisition		*1,690*
	Coolers		2,193
	Other		3,143
		Total	*7,026*
Wine	Headquarters building		861
	Kegs and barrels		648
	Other		3,373
		Total	*4,881*
Other			
	Injection machinery and molds		1,175
	Trailers		41
	Pallets acquisition		31
	Other		481
		Total	*1,728*
		TOTAL 2001	***28,103***

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.

The Company expects to fund its capital expenditures through a combination of internally generated funds and long-term indebtedness.

Business Overview

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, is 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 drink businesses include a range of proprietary, licensed and imported brands.

In 2001, the Company had consolidated net sales of Ch$343,562 million, of which 36.0% was accounted for by beer sales in Chile, 14.9% by beer sales in Argentina, 29.5% by soft drink, nectar and mineral water sales, 19.5% 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 90% for 1999, 89% for 2000 and 88% for 2001. 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 six different proprietary brands and four brand extensions. The Company's flagship brand, Cristal, is Chile's best selling beer, accounting for an estimated 58% of all 2001 beer sales by volume in the country. The Company is the only brewery in Chile with a nationwide production and distribution network, consisting of two production (brewing and bottling) facilities and one bottling-only facility. In July 2000, the Osorno plant was closed, being replaced with the Company's new Temuco plant, which began its start-up period by year-end 1999. In addition, the Company is the exclusive distributor in Chile of imported Budweiser and Guinness brand beers 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), CICSA, with production facilities in the city of Salta, and CSF, with production facilities in the city of Santa Fe. Additionally, in 1998, the Company bought the brands and assets of Cervecería Córdoba. The Company's Argentine operations also included a small mineral water production plant in the city of Rosario de la Frontera in Salta province, that was sold in November 2001.

Under a joint venture agreement entered into with Anheuser-Busch in December 1995, the Company began importing, selling and distributing Budweiser beer in Argentina in March 1996. Since October 1996 the Company has also been selling and distributing Budweiser beer in Chile. 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 this joint venture agreement and subsequent capital increases, the Company and Anheuser-Busch have 89.2% and 10.8% respective interests in CCU Argentina. The Company estimates that its market share of the Argentine beer market was approximately 12% in 1999, 13% in 2000 and 12% in 2001.

As of December 31, 2001, the Company also owned a 34.4% equity interest in Karlovacka, which owns and operates one of the largest breweries in Croatia. The Company's total investment in Karlovacka at December 31, 2001 was Ch$12,174 million. Karlovacka, which is not a consolidated subsidiary of the Company, contributed Ch$986 million, Ch$1,231 million and Ch$959 million to the Company's non-operating income in 1999, 2000 and 2001, respectively.

Soft Drinks and Mineral Water. The Company produces and sells soft drink and mineral water products in Chile through ECUSA. Until November 29, 1999, ECUSA was owned 55.0% by the Company and 45.0% by 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 drink, 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 brands produced under license from PepsiCo, Schweppes Holdings Ltd. 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 sales force in the central regions and the major cities of Chile, delivering its products through Transportes CCU Ltda., the Company's distribution system that delivers soft drinks, nectars and mineral water in conjunction with beer and wine. In the other cities and in the rural areas of Chile, soft drinks and mineral water are sold together with beer and wine. The Company estimates that its Chilean soft drink market share by volume (not including nectars) has been 23%, 22% and 21% and that its Chilean mineral water market share by volume has been 58%, 59% and 57% in 1999, 2000 and 2001, respectively.

Wine. The Company entered the Chilean wine industry in October 1994 with the acquisition of a 48.4% interest in 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, 2001. VSP produces and markets a full range of wine products for both the domestic and export markets. The Company believes that in 2001, VSP's sales by volume amounted to approximately 17% of total measured domestic industry sales and 13% of 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 58 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 17 owned or leased warehouses, a network of independent transportation companies and a direct sales force of approximately 1,065 people who sell the Company's products to more than 95,000 customers throughout the country. Specifically, the Company maintains one sales force dedicated to the sale of beer, one dedicated to the sale of soft drinks, one dedicated to the sale of wine, 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. Since October 2001, all the Company's warehouses, transportation operations and money collection, are managed by Transportes CCU Ltda.

In Argentina, the Company's sales and distribution network for its beer products consists of five owned or leased warehouses, a direct sales force and distributors reaching approximately 18,700 customers.

The Company's Beer Business

The Company's historical core business, its Chilean beer operation, was first established in 1823. Since 1850, the Company's management believes 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(o) 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.

The Company's Beer Business in Chile

The Chilean Beer Market. The Company estimates that annual beer consumption in Chile was 396 million liters in 2001, 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 1997 – 2001:

Year	Total Sales Volume (millions of liters)	Per Capita (*) (liters)
1997	396	27
1998	399	27
1999	384	26
2000	397	26
2001	396	26

(*) Population estimated in accordance with the national census of April 1992.

The Company estimates that the total beer market decreased approximately 0.3% in terms of volume sold during 2001 as compared to 2000. 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. Although some recovery signs were observed in the second half of 2000, in 2001 the beer market was almost flat due to the depressed consumption spending in Chile.

Virtually all of the beer consumed in Chile is produced by three Chilean manufacturers: the Company, Cervecería Chile and Cervecería Austral S.A. ("Austral"), whose principal brands of beer in Chile are Cristal, Becker and Austral, respectively. According to the Company's estimates, during 2001, the Company and Cervecería Chile accounted for 88% and 11% of total beer sales in Chile, respectively. In November 2000, the Company acquired a 50% stake in Cervecería Austral S.A., located in the city of Punta Arenas. This brewery has an annual production capacity of 44,000 hectoliters and had less than 1% market share during 2001. 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 1% of total beer industry volume in 2001.

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$121,420 million, Ch$121,351 million and Ch$121,768 million or 38.7%, 37.1% and 35.4% of the Company's total net sales in 1999, 2000 and 2001, respectively. The Company's sales of beer by volume in Chile decreased 1.1% in 2001. 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 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	Lemon Stones	Morenita Especial del Sur	Dorada
Budweiser (1)	Orange Stones		Dorada 6.0
Paulaner (1) (2)			
Guinness (1)			
Austral (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, has 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 Morenita Especial del Sur, with a lower bitterness, is its brand extension sold in the southern part of the country. Dorada is a discount brand which has an extension, Dorada 6.0, with a higher alcohol content. Lemon Stones and Orange Stones are lemon and orange flavored sweetened beers, with a 2.5º alcohol content.

In 2001, the Company exported a limited amount of beer. Export sales of beer accounted for less than 1% of the Company's net sales in 2001. 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 amended contract was signed in May 1995 and is renewable for successive five-year periods beginning in the year 2000 when it was automatically renewed. Paulaner is a subsidiary of the Schörghuber Group, one of the two beneficial shareholders of Inversiones y Rentas, CCU's major shareholder. See "Item 7: Major Shareholders and Related Party Transactions." The Company's total net sales of Paulaner beer accounted for Ch$607 million, or approximately 0.5% of its total net sales for beer in Chile in 2001.

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. In October 2000, the Company and Guinness signed an agreement to import Guinness beer instead of producing it locally. An amended contract 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$10 million in 2001, representing less than 0.1% of the Company's total net sales for beer in Chile.

In October 1996, the Company and Anheuser-Busch entered into an agreement granting the Company the exclusive right to distribute Budweiser beer in Chile. Since then, distribution has proceeded under the original terms and conditions of the agreement. During 2001, the Company's total net sales of Budweiser in Chile accounted for Ch$1,649 million, or approximately 1.4% of the Company's total net sales for beer in Chile.

In October 2001, a license agreement was signed between the Company and Cervecería Austral S.A. for the production of the Austral brand by the Company's beer division. This agreement has a fourteen-year term, automatically renewable for a seven-year term if certain conditions are fulfilled. This agreement can be extended for an additional seven-year period if both parties express this intention.

The Company's investment in Cervecería Austral S.A., the production of Austral brand by the Company's beer division, plus the recent investment in Kunstmann S.A. are part of the Company's strategy to increase its presence in the premium segment of the Chilean beer market. In May 2002, the Company acquired a 50% ownership interest in Kunstmann, a microbrewery located in the southern city of Valdivia, with an annual production capacity of 16,000 hectoliters.

The Company's beer products sold in Chile are bottled or packaged in returnable and non-returnable bottles, aluminum cans or stainless steel kegs at the Company's production facilities in the Chilean cities of Santiago, Temuco and Antofagasta. During 1999, 2000 and 2001, the Company sold its beer products in Chile in the following packaging formats:

	Percentage of Total Beer Products Sold		
Container	**1999**	**2000**	**2001**
Returnable (1)	82%	80%	77%
Non-Returnable (2)	13%	15%	17%
Returnable Kegs (3)	6%	6%	6%
Total	100%	100%	100%

(1) Returnable beer containers include glass bottles of various sizes.
(2) Non-Returnable beer containers include bottles and aluminum cans, both of assorted sizes.
(3) Returnable kegs are stainless steel containers which have a capacity of 30 and 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 directly distributes its beer products 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 1999, 2000 and 2001, the percentage mix of the above distribution channels for the Company's beer products in Chile was as follows:

Percentage of Total Beer Products Sold

Distribution Channels		1999	2000	2001
Retailers		39%	41%	41%
Bars and Restaurants		20%	19%	19%
Wholesalers		25%	24%	22%
Supermarkets		15%	17%	18%
	Total	100%	100%	100%

As of December 31, 2001, the Company had more than 37,500 customers in Chile for its beer products, none of which accounted for more than 5% 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	1997	1998	1999	2000	2001
			(in millions of liters)		
Super-Premium	15.1	13.2	12.8	11.9	12.0
Premium	269.7	272.7	246.5	244.7	241.9
Medium-Priced	41.9	41.9	50.5	52.9	44.2
Popular-Priced	33.6	34.3	33.9	41.7	47.2
Other Brands	0.1	0.1	0.3	0.5	2.1
Total	360.4	362.3	344.0	351.6	347.5

The above figures do not include (i) export sales to third parties, which amounted to 0.5, 0.6 and 0.8 million liters in 1999, 2000 and 2001, respectively, or (ii) export sales to affiliates, which amounted to 0.2 and 0.3 million liters in 1999 and 2000, respectively. During 2001, the Company did not export to affiliates.

The real average price to the Company's customers for beer products in Chile has remained almost constant in real terms around Ch$350 per liter from 1996 to 2001.

Beer production in 2001 was centralized in the Santiago and Temuco plants in addition to the bottling facility in Antofagasta. The start-up period of the Temuco plant commenced in November 1999, replacing the closed plants of Concepción and Osorno. For a more detailed discussion of the Company's capital expenditure program, see "—History and Development of the Company —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 2001, the Company signed long-term contracts with local malting producers for 50% of its requirements. The balance will continue to be imported, mainly from Canada. Additionally, during 2001, the Company received 13,000 tons of malt from Canada. 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 glass supplier in Chile, Cristalerías Chile S.A. ("Cristalerías Chile"), under one-year agreements. In addition, other sources, principally in Argentina, can be used when price and delivery terms are favorable. During 2001, all of the Company's requirements for aluminum cans were purchased from a local supplier, Latasa Chile S.A. ("Latasa"), former Reynolds Chile S.A., but if price and delivery conditions are favorable, cans can be imported. 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. Crowns and screw caps are principally purchased from a single supplier in Chile.

Prices of principal raw materials used in beer production in Chile are tied to the U.S. dollar and have not been volatile. However, from time to time, prices of agricultural products vary depending on demand and supply factors.

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 not experienced any material difficulties in obtaining adequate supplies of necessary raw materials at satisfactory prices, nor does it expect to 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 2001, after production, bottling and packaging, the Company's beer was either stored at one of the three production facilities or transported to a network of 17 warehouses which are located throughout Chile and are either owned or leased by the Company. 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 2001, the Company had 275 salesmen, responsible for its sales of beer and other products in Chile. This sales force is divided into three categories: one exclusively responsible for sales of beer, another for sales of beer and wine, both through a pre-sell system, and the other responsible for sales of beer, wine and soft drink products through both pre-sell and direct-sell systems.

In 2001, beer represented 81% of the volume sold by the beer division system in Chile. The remaining 19% 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 in 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 25.7%, 24.6% and 24.1% of the Company's beer sales in Chile in 1999, 2000 and 2001, respectively. Losses on credit sales of beer in Chile have not been material.

During the last six 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. During 2000, the Company implemented software to optimize truck loading. To decrease distribution costs, the Company continued the process of consolidating its distribution centers, resulting in fewer and larger warehouses strategically located throughout the country for a more efficient distribution. Moreover, since October 2001, all of the warehouses, transportation companies and money collection process are managed on a consolidated basis for all the Company's products by Transportes CCU Ltda.

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 1999, 2000 and 2001:

Year	Quarter	Sales Volume (millions of liters)	% of Annual Sales Volume
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
2000	1st quarter	101.0	28.7
	2nd quarter	60.8	17.3
	3rd quarter	70.8	20.1
	4th quarter	119.5	33.9
	Total	352.2	100.0

Year	Quarter	Sales Volume (millions of liters)	% of Annual Sales Volume
2001	1st quarter	105.4	30.3
	2nd quarter	63.2	18.1
	3rd quarter	67.8	19.5
	4th quarter	111.9	32.1
	Total	348.2	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) account for approximately 40% of the population of Chile and accounted for approximately 38% of the Company's beer sales by volume in 2001. The Company also has one additional beer production facility (Temuco) 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 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 2001, the Company had an 88% market share.

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

Year	The Company's Chilean Market Share for Beer Estimated Market Share
1997	91%
1998	91%
1999	90%
2000	89%
2001	88%

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 10% and 11% of total beer sales in 2000 and 2001, respectively. The Company estimates that Cervecería Chile has an annual production capacity of approximately 78 million liters which represents approximately 12% of the Company's annual nominal production capacity 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 1% of total beer sales by volume during 2001.

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.

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 1995, the Company entered into a joint venture agreement pursuant to which Anheuser-Busch acquired a 4.4% interest in CCU Argentina. The agreement involved two kinds of contracts: an investment and a licensing contract. Under the investment contract, Anheuser-Busch maintains an option, which expires in 2005, to increase its interest in CCU Argentina to 20%. The licensing contract has a duration 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 interest in CCU Argentina to 10.8% and the Company reduced its participation to 89.2%.

Between 1996 and 2000, the Company and Anheuser-Busch invested approximately US$189 million and US$23 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	0	6	6
Total	US$ 189	US$ 23	US$ 212

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

In January 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 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 1,233 million liters, or approximately 34 liters per capita in 2001. 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 (*) (liters)
1997	1,258	36
1998	1,238	35
1999	1,264	36
2000	1,231	34
2001	1,233	34

(*) Population estimated based on Argentina's national census of 2001.

The Company estimates that total beer consumption in Argentina increased at a five-year compounded annual growth rate ("CAGR") of 1.1%. During 2001, the Argentine beer market remained relatively flat. The prolonged economic recession that has been affecting Argentina in recent years and which currently has culminated in an economic crisis which triggered the devaluation of the Argentine peso, explain the stagnation of the Argentine beer market.

Wholesale and retail prices of beer are not regulated in Argentina. Wholesale prices are subject to negotiation between the producer and the purchaser and retailers establish prices to charge the final consumer. The Company believes that the key factors determining retailer 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$46,825 million, Ch$47,403 million and Ch$48,763 million representing 14.9% and 14.5% and 14.2% of the Company's total net sales in 1999, 2000 and 2001, 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)	Schneider
Guinness (2)	Schneider Fuerte 6.0º
Corona (2)	Salta
	Santa Fe
	Córdoba
	Río Segundo
	Rosario

(1) Produced under license
(2) Imported

Schneider is the Company's principal proprietary brand in Argentina, accounting for 37.9% of the Company's Argentine sales volume in 2001. The Company began local production of Budweiser brand beer in December 1996. Budweiser beer represented 21.6% of the Company's Argentine sales volume in 2001. The Company's Schneider brand is sold in three varieties, regular lager, dark and the new Schneider Fuerte 6.0º, a brand extension with 6.0º of alcohol; 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 2001, the Company began to import Corona beer from Mexico. During 2001, the Company exported 4,099,300 liters of beer from Argentina, representing less than 3% 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 1999, 2000 and 2001, the Company sold its beer products in Argentina in the following packaging formats:

	Percentage of Total Beer Products Sold		
Container	**1999**	**2000**	**2001**
Returnable (1)	93%	92%	88%
Non-Returnable (2)	5%	6%	10%
Returnable Kegs (3)	2%	2%	2%
Total	100%	100%	100%

(1) Returnable beer containers include glass bottles of various sizes.
(2) Non-returnable beer containers include glass bottles and aluminum cans, both of assorted sizes.
(3) Returnable kegs 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 stainless steel kegs from third-party suppliers in Germany.

In Argentina, though most beer is sold to wholesalers, the Company also sells its products to retailers and supermarket chains. In 1999, 2000 and 2001, the percentage mix of the above distribution channels for the Company's beer products in Argentina was as follows:

Distribution Channels	Percentage of Total Beer Products Sold 1999	2000	2001
Wholesalers	81%	76%	75%
Retailers	11%	14%	14%
Supermarkets	8%	11%	12%
Total	100%	100%	100%

In 2001, the Company sold to approximately 18,700 customers in Argentina, none of which individually accounted for more than 3% of its total beer sales by volume.

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

Category	1998	1999	2000	2001
		(in millions of liters)		
Premium	35.1	38.7	36.1	32.7
Medium-Priced	110.4	119.2	118.4	114.4
Total	145.5	157.9	154.4	147.1

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 4.6%, from Ch$267 per liter in 1996 to Ch$335 per liter in 2001.

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. During the third quarter 2000, the Company and Anheuser-Busch signed an export agreement to supply Budweiser from Argentina to Paraguay, Chile and Brazil.

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 2001, the Company continued obtaining malt and rice from regional suppliers, benefiting from 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 the consistency and quality of the Budweiser product.

The Company locally purchases all of its glass bottles from various suppliers. Other sources, principally in Brazil, can be used when price and delivery terms are favorable. In October 2000, the Company finished the installation of a canning line in its Santa Fe plant. With this line, imports of pre-packaged canned beers were terminated and all varieties of CCU Argentina's beers are 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.

Prices of principal raw materials used in beer production in Argentina, have not been volatile. However, from time to time, prices of agricultural products vary depending on demand and supply factors.

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 not experienced any significant difficulties in obtaining adequate supplies of necessary raw materials at satisfactory prices and does not expect to 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 five 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, 2001 the Company had a direct sales force which sold the Company's beer products to approximately 17,400 customers within the Salta, Santa Fe, Córdoba, Rosario and the greater Buenos Aires metropolitan area.

The Company's Argentine beer customers either make payments for the Company's products in 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 91%, 93% and 89% of the Company's beer sales in Argentina in 1999, 2000 and 2001, 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 1999, 2000 and 2001:

Year	Quarter	Sales Volume (millions of liters)	% of Annual Sales Volume
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
2000	1st quarter	49.6	32.8
	2nd quarter	25.9	17.1
	3rd quarter	29.0	19.2
	4th quarter	50.8	33.6
	Total	155.2	100.0
2001	1st quarter	50.0	33.1
	2nd quarter	25.4	16.8
	3rd quarter	28.4	18.8
	4th quarter	47.4	31.3
	Total	151.2	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 27.5% of total beer sales of CCU Argentina by volume in 2001. The region surrounding and including the cities of Salta and Jujuy account for approximately 4.4% of the population of Argentina and for approximately 10.1% of total beer sales of CCU Argentina by volume in 2001. The region surrounding and including the city of Córdoba accounts for approximately 8.5% of the Argentine population and represents approximately 15.8% of the Company's sales. Lastly, the province of Buenos Aires accounts for approximately 47.0% of the population of Argentina and for approximately 22.1% of total beer sales of CCU Argentina by volume in 2001.

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, AmBev, Warsteiner and 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 2001: Quilmes, 66%; the Company, 12%; AmBev, 16%; Warsteiner, 6%; 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
1998(*)	12%
1999	12%
2000	13%
2001	12%

(*) 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 Bieckert in Argentina, and, as a result of that acquisition, increased its production capacity by approximately 170 million liters, increasing its market share by an estimated 4.9%. As of December 31, 2001, Quilmes had five breweries in Argentina with an estimated total annual production capacity of 1.9 billion liters. Quilmes' large size enables it to benefit from economies of scale in the production and distribution of beer throughout Argentina.

The Company estimated that Quilmes' average market share in 2001 decreased to 66% (including Bieckert) from 82% market share in late 1994. At that time, Companhia Cervejaria 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 264 million liters and 138 million liters, respectively. Prior to commencing production in Argentina, Companhia Cervejaria 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 17 million liters. In July 1999, the merger of Companhia Cervejaria Brahma and Companhia Antarctica Paulista was announced, creating AmBev. This merger was finally approved in March 2000, creating the fifth largest beverage producer in the world.

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 2001.

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 has been applicable since January 2000. The following table shows current Argentine excise beverage taxes:

Product Type	1999 Excise Taxes	Current Excise Taxes
Non-Alcoholic Beverages		
Cola soft drinks	4%	8%
Flavored soft drinks, mineral water and juices	0%	4%
Alcoholic Beverages		
Beer	4%	8%
Whisky	12%	20%
10-29% alcohol content	6%	12%
30% or more alcohol content	8%	15%
Wine	0%	0%

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

The Company's Beer Business in Croatia

The Company owns a 34.4% economic interest in Karlovacka Pivovara d.d., through its 50% interest in SBE. Karlovacka Pivovara operates a brewery located in Croatia with a single production facility. At December 31, 2001, the Company's total investment in SBE was Ch$12,174 million. SBE, which is not a consolidated subsidiary of the Company, contributed Ch$959 million of the Company's non-operating income in 2001. 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 1854 and is one of the largest beer producers in Croatia, with production volume representing an estimated 22% of total industry production in 2001. Karlovacka operates one production facility located in the city of Karlovac and eight distribution centers throughout the country. Karlovacka's proprietary beer brands include Karlovacko Svjetlo (lager beer), Karlovacko Zimsko (winter beer), Karlovacko Rally (a non-alcoholic beer) and new beers launched during 2001, Karlovacko Crno (dark beer) and Crystal (premium beer produced under a license from CCU). In addition, at the end of 1997, Karlovacka began importing and distributing Paulaner products, including Pils, and Hefeweiss beer brands. Karlovacka's current annual production capacity is approximately 198 million liters. In 2001, Karlovacka sold 87.0 million liters of beer. Net income for Karlovacka was 32.3 million kunas (Ch$2,499 million) in 2001.

The Company's Soft Drinks and Mineral Water Business

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 Cadburry Schweppes plc (Crush, Crush Light, 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 product company, the Company has bottled and distributed Watt's nectar 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 drink and mineral water businesses with the one owned by BAESA in Chile (PepsiCo's bottler at that time) creating ECUSA for the production, bottling, distribution and marketing of soft drink 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 drink 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 1,484 million liters or approximately 96 liters per capita, in 2001. The Company also estimates that consumption of mineral water, including both carbonated and non-carbonated, was 127 million liters or approximately 8 liters per capita, in 2001.

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 Drink and Mineral Water Sales					
	Volume (1) (millions of liters)			Liters Per Capita (2)		
Year	**Soft Drinks**	**Mineral Water**	**Total**	**Soft Drinks**	**Mineral Water**	**Total**
1997	1,338	101	1,439	91	7	98
1998	1,354	112	1,465	91	8	99
1999	1,351	111	1,462	90	7	97
2000	1,432	124	1,556	94	8	102
2001	1,484	127	1,612	96	8	105

(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 2001, sales volumes in both the soft drink and mineral water industries increased 3.6% as compared to 2000. The Company believes this volume sales change can be attributed mainly to increased sales of private label products and discount brands.

The soft drink 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 approximately 9% of the Company's total soft drink sales by revenues in 2001.

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		**1999**	**2000**	**2001**
Colas		59%	58%	58%
Non-colas		41%	42%	42%
	Total	100%	100%	100%

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 14 bottling plants) and (ii) the Company. Since August 1998, private labels have had an increasing participation in the industry, representing 5% of the total soft drink sales in Chile in 2001. Distribution of these brands are concentrated in the supermarket channel where they constituted an 18% market share in 2001. Additionally, discount brand producers have entered the market and represented 3% of the soft drinks market in 2001. 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 drink 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 2001.

The mineral water market in Chile is comprised of both carbonated and non-carbonated water. As with the soft drink 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 Embotelladora Andina S.A., one of TCCC licensees in Chile. 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$91,023 million, Ch$99,974 million and Ch$100,836 million, or 29.0%, 30.6% and 29.4% of the Company's total net sales, in 1999, 2000 and 2001, respectively.

The following table shows the soft drink 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
Bilz Light	Soft Drink	Non-Cola Proprietary	CCU Proprietary
Pap Light	Soft Drink	Non-Cola Proprietary	CCU Proprietary
Kem Piña	Soft Drink	Non-Cola Proprietary	CCU Proprietary
Show – Manzana	Soft Drink	Non-Cola Proprietary	CCU Proprietary
Show – Naranja	Soft Drink	Non-Cola Proprietary	CCU Proprietary
Show – Guaraná	Soft Drink	Non-Cola Proprietary	CCU Proprietary
Ginger Ale	Soft Drink	Non-Cola Licensed	Schweppes Holdings Ltd.
Agua Tónica	Soft Drink	Non-Cola Licensed	Schweppes Holdings Ltd.
Limón Soda	Soft Drink	Non-Cola Licensed	Schweppes Holdings Ltd.
Crush	Soft Drink	Non-Cola Licensed	Schweppes Holdings Ltd.
Crush Light	Soft Drink	Non-Cola Licensed	Schweppes Holdings Ltd.
Pepsi	Soft Drink	Cola Licensed	PepsiCo
Pepsi Light	Soft Drink	Cola Licensed	PepsiCo
Seven-Up	Soft Drink	Non-Cola Licensed	PepsiCo
Seven-Up Light	Soft Drink	Non-Cola Licensed	PepsiCo
Watt's	Nectars		Watt's
Cachantun	Mineral Water		CCU Proprietary
Cachantun O_2	Mineral Water	Oxygen enriched	CCU Proprietary
Porvenir	Mineral Water		CCU Proprietary

In 1994, ECUSA and Cadbury Schweppes plc ("Cadbury Schweppes") entered into a license agreement for all Cadbury Schweppes products (Crush, Crush Light, Canada Dry Limón Soda, Canada Dry Ginger Ale and Canada Dry Agua Tónica). On December 11, 1998, TCCC announced an agreement with Cadbury Schweppes to acquire certain of the latter's international beverage brands, and in August 1999 the agreement was reported to have been consummated. In July 1999, ECUSA filed an application against TCCC with the Chilean Antitrust Solicitor-General; PepsiCo had filed a similar but separate petition. In November 1999, ECUSA sued in 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 court. 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 early termination of the agreements. In September 2000, ECUSA and TCCC reached an agreement to replace the two previous license contracts between ECUSA and CS Beverages Ltd. and Canada Dry Corporation Ltd., by a new agreement referred to as the "Bottler Contract". To be operative, this agreement was submitted to the approval of the Antitrust Commission. On December 26, 2000, the Commission issued a resolution declaring that the new bottling contract is not objectionable from a free competition point of view. Additionally, this resolution denies the request to put an end to the Commission's ex-officio proceeding. On January 2, 2001, ECUSA and the subsidiaries to

TCCC: CS Beverages Ltd., Canada Dry Corporation Ltd. and Schweppes Holdings Ltd., agreed to make effective the new “Bottler Contract”. On June 28, 2001, the Antitrust Commission put an end to the proceeding regarding the Cadbury Schweppes brands issue. The decision confirmed it had no objection to the “Bottler Contract” executed between ECUSA and Schweppes Holdings Ltd. regarding Crush and Canada Dry brands, and dismissed all complaints filed in consideration of that agreement. The “Bottler Contract” is valid as from January 2, 2001 and has an initial ten-year term, renewable for consecutive five-year periods provided that certain conditions are fulfilled. The decision ratifies ECUSA as a multilicensee bottler, since it will continue bottling the Crush and Canada Dry brands, as well as PepsiCo and its own brands.

In January 1998, a new exclusive bottling appointment was signed between ECUSA and PepsiCo, authorizing ECUSA to produce, sell and distribute Pepsi products (Pepsi, Pepsi Light, Seven Up and Seven Up Light) in Chile. On November 15, 1999, the term of the contract was extended to 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, Kem and Show. 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 70% of the Company’s 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., respectively, 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 achieve 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 1999, 2000 and 2001, the Company sold its soft drink and mineral water products in the following packaging formats:

Container	Soft Drinks and Nectars 1999	Soft Drinks and Nectars 2000	Soft Drinks and Nectars 2001	Mineral Water 1999	Mineral Water 2000	Mineral Water 2001
Returnable (1)	62%	59%	59%	19%	14%	13%
Non-Returnable (2)	35%	38%	38%	81%	86%	87%
"Post-Mix" (3)	3%	3%	2%	-	-	-
Total	100%	100%	100%	100%	100%	100%

(1) Returnable soft drink 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 drink containers include glass and plastic bottles, and aluminum cans 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) retailers, (ii) bars and restaurants, (iii) wholesalers and (iv) supermarkets. In 1999, 2000 and 2001, 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 1999	2000	2001
Retailers	45%	49%	54%
Bars and Restaurants	15%	12%	9%
Wholesalers	13%	11%	10%
Supermarkets	27%	28%	27%
Total	100%	100%	100%

During 2001, 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 the sales volume of the Company's soft drinks and mineral water by category during each of the last three years:

Category	**1999**	**2000**	**2001**
	(millions of liters except powdered drink mix)		
Colas			
Licensed	47.4	50.4	57.9
Non-colas			
Proprietary	167.0	176.0	171.0
Licensed	89.8	86.8	89.0
Nectars	4.8	15.7	22.5
Soft Drinks Total	309.0	328.9	340.4
Mineral Waters			
Cachantun	60.6	71.3	70.2
Porvenir	3.5	2.8	2.1
Mineral Waters Total	64.1	74.1	72.3
Total	373.1	403.0	412.7
Sip-Sup (powdered drink mix) (1)	97(2)	-	-

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

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

Affiliation	**1999**	**2000**	**2001**
		(millions of liters)	
Proprietary	167.0	176.0	171.0
Cadbury Schweppes	85.5	81.9	77.6
PepsiCo	51.6	55.3	69.3
Watt's	4.8	15.7	22.5
Total	309.0	328.9	340.4

The real price per liter to the Company's customers for soft drink products decreased from an average of Ch$273 in 1996 to Ch$251 in 2001. The five-year CAGR was –1.7%. For mineral water products, the real price per liter decreased from an average of Ch$222 in 1996 to Ch$211 in 2001 and experienced a five-year CAGR of –1.0%.

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 in 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 fruit pulp, juices, citric acid, 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, Peru and Colombia, can be used when price and delivery terms are favorable; however, no significant purchases were made in either of these countries during 2001. 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.

Prices of principal raw materials used in soft drink production in Chile are tied to the U.S. dollar and have not been volatile, except for the PET resins that depend on oil prices as well as market factors.

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. Without considering the soft drinks concentrates purchased from Schweppes Holdings Ltd. and PepsiCo under the license agreements described under "—The Company's Soft Drinks and Mineral Water Production and Marketing in Chile", the Company believes it is not 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 in the future.

Sales, Transportation and Distribution in Chile. In some regions of Chile, including the areas of Santiago, Viña del Mar, Rancagua, Melipilla, Arica, Concepción and other major cities in the south, ECUSA manages its own sales force that is directly responsible for the exclusive servicing of soft drinks and mineral water clients. In October 1999, ECUSA began delivering its products in Concepción through the Company's beer division while keeping its sales force separated. Due to its success, this system was implemented in Valparaíso and Viña del Mar since

July 2000 and in Santiago since October 2001, with the creation of Transportes CCU Ltda., the entity in charge of delivering all of the Company's products throughout the country. The ECUSA sales force directly sells to approximately 70,400 customers, accounting for 83.9% of the Company's total soft drink and mineral water sales by volume in Chile in 2001. The area served by ECUSA accounts for approximately 75% of the Chilean population. In the outlying northern and southern regions of Chile, ECUSA has contracted the sales services of the Company's beer division, which sells soft drinks and mineral water products both exclusively and in connection with the sales of the Company's beer and wine products. Such sales accounted for the remaining 16.1% of the Company's total soft drinks and mineral water sales by volume in Chile in 2001.

The Company's Chilean soft drinks and mineral water customers make payments 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 31 days from the date of delivery. Credit sales accounted for 34.1% and 33.5% of ECUSA's soft drink and mineral water sales to third parties in Chile in 2000 and 2001, 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
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
2000	1st quarter	111.2	27.6
	2nd quarter	77.3	19.2
	3rd quarter	89.2	22.1
	4th quarter	125.3	31.1
	Total	403.0	100.0
2001	1st quarter	113.8	27.6
	2nd quarter	85.0	20.6
	3rd quarter	89.3	21.6
	4th quarter	124.7	30.2
	Total	412.7	100.0

Competition in Chile. The Company's principal competitors in the soft drink business are 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, Fanta

Light, Sprite, Sprite Light, Quatro Balance, 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 67% of total carbonated soft drink net sales in 2001. However, calculations made by the Company are higher than the Nielsen estimates. During 1998 a few supermarket chains began selling soft drinks products under private labels. Additionally, discount brand producers entered the market and represented, along with private labels, approximately 11% of the soft drink market in the period December 2001/January 2002 according to Nielsen. However, calculations made by the Company are lower than the 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 decreasing marketing support for the Pepsi brands and increasing marketing activity on the part of the Company's competitors. During 2001, the Company's market share decreased by one point to 21% as a result of market share losses from the Company's proprietary brands and Cadbury Schweppes products, partially offset by gains achieved by the Pepsi brands.

The Company's market share for its soft drink 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
1997	28%	24%
1998	27%	23%
1999	26%	23%
2000	25%	22%
2001	24%	21%

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. Additionally, during 2001, ECUSA launched two new flavors for its brand Show, orange and guaraná, widening its proprietary brand portfolio.

Given the high percentage of soft drink 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 2001. 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 segment of the Company's soft drink business, face competition from other liquid and powdered juices, which are provided by a variety of local companies. However, two years after the re-launch of nectar Watt's, the Company is the market leader in the bottled segment of this category, with a market share of 43% during 2001, according to Nielsen.

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 57%, while those of Vital S.A. products accounted for approximately 37% of total mineral water sales by volume in 2001. Small domestic bottlers, private labels, as well as imported mineral water products, comprise the remaining 6% sales volume.

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
1997	66%	61%
1998	64%	57%
1999	63%	58%
2000	64%	59%
2001	62%	57%

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

The Company operated 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 3.1 million liters, 2.1 million liters and 1.3 million liters in 1999, 2000 and 2001, respectively, representing approximately 4.6%, 2.7% and 1.8% of the Company's total mineral water sales volume in 1999, 2000 and 2001, respectively. Net sales of Palau were Ch$467 million, Ch$318 million and Ch$242 million in 1999, 2000 and 2001, respectively, or less than 0.2% of the Company's total net sales each year. The Company's mineral water sales were in the northwest region of Argentina and the provinces of Córdoba, Santa Fe and Buenos Aires. In November 2001, this business was sold because it did not complement or contribute to CCU's main line of business in Argentina.

The Company also distributes soft drinks in Argentina which are produced by small-scale soft drink bottlers. These sales aggregated Ch$488 million, Ch$132 million and Ch$25 million in 1999, 2000 and 2001, respectively, representing less than 0.2% of the Company's total net sales in each of the three years.

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. Between November 2000 and March 2001, VSP's capital was increased by approximately US$29 million, of which the Company contributed approximately US$17 million. As a result of these activities, as of December 31, 2001, the Company's total ownership interest in VSP was 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 purchases of land more than doubled 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 to 52.1 million liters as of December 31, 1998, to 53.2 million liters as of December 31, 2001, as well as its peak bottling and packaging capacity from 35,100 liters per hour in 1998 to 48,000 liters per hour as of December 31, 2001. The capital increase in 1999, was used to pay debts related to the winery's expansion process. The proceeds from VSP's capital increase during November 2000 and March 2001 were used to finance the winery's acquisition of Finca La Celia ("FLC"), in Mendoza, Argentina, to plant the hectares of this new winery and improve its production facilities, as well as to refinance debt.

In October 2001, VSP signed a joint venture agreement with the French winery Château Dassault for production of super premium wines, mainly for the export market. As a result of this agreement the Company will combine Château Dassault's vast experience in first-quality wine production with VSP's knowledge of both the Chilean and Argentine markets, along with its extensive international distribution network.

In December 2001, Viña Santa Helena ("VSH") created its own commercial and productive winemaking operation, distinct from its parent, VSP, under the Viña Santa Helena label.

VSP is a publicly traded company that, at December 31, 2001, had a market capitalization of Ch$149,291 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$152 million, Ch$135 million and Ch$1,567 million in 1999, 2000 and 2001, respectively. These sales represented less than 0.5% of the Company's total net sales each year.

The Chilean Wine Market. The Company estimates that wine consumption in Chile amounted to approximately 17 liters per capita in 2001. Given that the Chilean wine industry is fragmented, no single wine 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 that do not 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 less than 20 million liters of wine during 2001 as compared to 257 million liters by the producers in the Formal Wine Market.

The following chart shows the Company's estimates for total and per capita consumption levels for wine in Chile for the years 1997 through 2001:

Year	**Total Volume (1) (millions of liters)**	**Per Capita (2) (liters)**
1997	193	13
1998	217	15
1999	235	16
2000	240	16
2001	257	17

Sources: SAG, Central Bank and the Wineries of Chile Association

(1) Includes wine sales from pisco producers in the III and IV Regions of Chile.

(2) Population estimated in accordance with the national census of April 1992.

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, 2001, VSP's vineyards covered an aggregate of 2,500 hectares, distributed among 8 different plantations, including additional property acquired in Requinoa, Chépica, Molina and Talca. The winery also has 1,420 hectares under long-term lease.

VSP is one of Chile's largest producers and distributors of wine in terms of sales volume and net sales. In 1999, 2000 and 2001, the Company's sales amounted to Ch$49,047 million, Ch$53,817 million and Ch$66,642 million representing 15.7%, 16.4% and 19.4% of the Company's total net sales, respectively. The above net sales figures for wine include sales of bulk wine which amounted to Ch$144 million, Ch$1,707 million and Ch$1,838 million in 1999, 2000 and 2001, respectively.

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)
1998	28.7	23.1	51.8
1999	28.7	27.7	56.4
2000	32.1	33.8	65.9
2001	42.8	40.9	83.7

The Company estimates that VSP's share by volume of Chile's Formal Wine Market was approximately 12% in 1999, 13% in 2000 and 17% in 2001. According to the Wineries of Chile Association, VSP's share of Chile's total wine export sales by volume was 12% in each of 1999 and 2000, and 13% in 2001. Specifically, in 1998, VSP became the second largest exporter of Chilean wines measured by both volume and revenues.

VSP, VSH and FLC produce and market premium, varietal and popular-priced wines as set forth below:

Brand	Premium	Varietal	Popular-priced
Viña San Pedro			
Cabo de Hornos	X		
1865	X		
Late Harvest	X		
Castillo de Molina	X	X	
35 South		X	
Las Encinas	X		
Urmeneta		X	
Gato		X	X
Etiqueta Dorada			X
Jazz			X
Santo Tomás			X
Viña Santa Helena			
Selección del Directorio	X		
Siglo de Oro		X	
Gran Vino		X	X
Tradición			X
Finca La Celia			
La Celia	X		
La Consulta		X	
Angaro		X	

The following table presents the Company's breakdown of total sales volume in thousands of liters by category of VSP's wines during 2001:

Category	Domestic	Export	Total
	(thousands of liters)		
Premium	266	1,228	1,494
Varietal	2,549	27,449	29,998
Popular-Priced	40,000	6,349	46,349
Bulk	0	5,832	5,832
Total	42,815	40,858	83,673

As of December 31, 2001, VSP's storage capacity totaled 53.2 million liters and its peak bottling and packaging capacity totaled 48,000 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 1999, 2000 and 2001:

Container	Percentage of Total Domestic Wine Sold		
	1999	2000	2001
Carton	87%	89%	83%
Jug	4%	4%	6%
Glass Bottles	8%	6%	11%
Bag-in-Box	1%	1%	1%
Total	100%	100%	100%

In 2000 and 2001, 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 for 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$448 and Ch$479 per liter in 1996 and 2001, respectively, experiencing a five-year CAGR of 1.3%.

Export Market. According to industry sources, exports of Chilean wine (excluding champagne) increased from approximately 43 million liters in 1990 to 312 million liters in 2001, at a compounded annual growth rate of 19.7%. During 1999 and 2000 Chilean wine exports reached 228 million liters and 263 million liters, respectively. 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. During 2001, total Chilean wine exports increased 18.6% by volume.

VSP exported 27.7 million liters, 33.8 million liters and 40.9 million liters of wine in 1999, 2000 and 2001, respectively. During 2001 VSP exported wine to 58 countries worldwide. These exports accounted for net sales of Ch$31,419 million, Ch$36,361 million and Ch$44,571 million in 1999, 2000 and 2001, respectively. In 2001, VSP's primary export markets included the United Kingdom, Sweden, the United States, France and Norway.

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 1999, 2000 and 2001:

	Percentage of Total Export Wine Volume		
Container	**1999**	**2000**	**2001**
Glass Bottles (1)	86%	78%	70%
Bulk	1%	12%	14%
Carton (2)	13%	10%	15%
Total	100%	100%	100%

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

The Company experienced a five-year CAGR of 4.6% from Ch$870 in 1996 to Ch$1,091 per liter in 2001 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 obtained approximately 42% of the grapes used for export wines from its own vineyards during 2001. 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. In 2001, approximately 47% of wine for domestic sale was purchased from six local producers: 1) Corretajes Torres y Cía. Ltda., 2) Cooperativa Agrícola y Vitivinícola Loncomilla Ltda., 3) Viña Las Mercedes S.A., 4) Vinor S.A., 5) Hernán Garcés E. and 6) Vinícola Patacón Ltda. VSP has various alternative sources of supply which can be used when they are attractive. 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 own automated packing lines.

Prices of principal raw materials used in wine production in Chile have not been volatile. However, from time to time, prices of grapes and wine vary depending on demand and supply factors.

Domestic Sales, Transportation and Distribution. After production, bottling, and packaging, wine is either stored at the production facilities or transported to one of the 16 warehouses. The warehouses are part of the Company's warehouse network and are located throughout Chile. VSP wines used to be 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 products. In May 2000, VSP organized a new sales force to directly offer its products in the city of Concepción. However, it continued delivering the products through the Company's beer distribution network. After the success of this new system, it was implemented in the cities of Viña del Mar and Valparaíso in November 2000, and in Santiago in May 2001. See "—The Company's Beer Business—The Company's Beer Business in Chile—Sales, Transportation and Distribution".

VSP's wine products in Chile are distributed to retailers, bars and restaurants, supermarkets and wholesale customers. In 1999, 2000 and 2001, 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 1999	2000	2001
Retailers	34%	38%	33%
Bars and Restaurants	8%	7%	8%
Wholesalers	26%	20%	20%
Supermarkets	32%	35%	39%
Total	100%	100%	100%

The Company had approximately 33,000 customers for its wine products at December 31, 2001, none of which accounted for more than 9% 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 58 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 39% of total domestic sales of VSP products by volume in 2001.

The following table provides the distribution of VSP's exports during 2001 by geographical markets:

Market	Volume (thousands of liters)	Percentage of Total Exports
Europe	27,189	66.5%
Latin America	6,098	14.9%
USA & Canada	5,271	12.9%
Asia	1,604	3.9%
Others	696	1.7%
Total	40,858	100.0%

Competition. The wine industry is highly competitive in both the domestic and the export markets. VSP's domestic market share was approximately 17% in 2001. 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 2001, Concha y Toro and Santa Rita had market shares of 21% and 22%, 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 13% in 2001. The Company's other principal Chilean competitors, namely Concha y Toro, Santa Rita and Santa Carolina had market shares of 17%, 5% and 4%, respectively.

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 2001, 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 2001, PLASCO sold 274.1 million bottles and pre-forms of which, approximately 94% were plastic bottles and the remaining 6% were pre-forms. Of all bottles supplied by PLASCO, approximately 96% were manufactured by PLASCO into pre-forms and then blown into bottles and approximately 4% were manufactured by PLASCO while a third party made the injection 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, for beer, soft drink 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 209.4 million units in 2000 to 274.1 million in 2001. Plastic crate sales decreased by 26% from 0.6 million units in 2000 to 0.5 million units in 2001. PLASCO's net sales of Ch$16,693 million and net income of Ch$2,929 million in 2001 represented an increase of 19.3% and 7.3%, respectively, over 2000.

Government Regulation

Government Regulation in 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, regulations exist to ensure healthy and safe conditions in facilities for the production, bottling, and distribution of beverages. As for environmental laws, see "Item 4: Information on the Company—Property, Plant and Equipment—Environmental Matters".

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 elements 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 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. As to alcoholic beverages, the regulatory agency is the SAG.

There are no special licenses or permits for the production of alcoholic beverages other than those required by 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.

Government Regulation in 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.

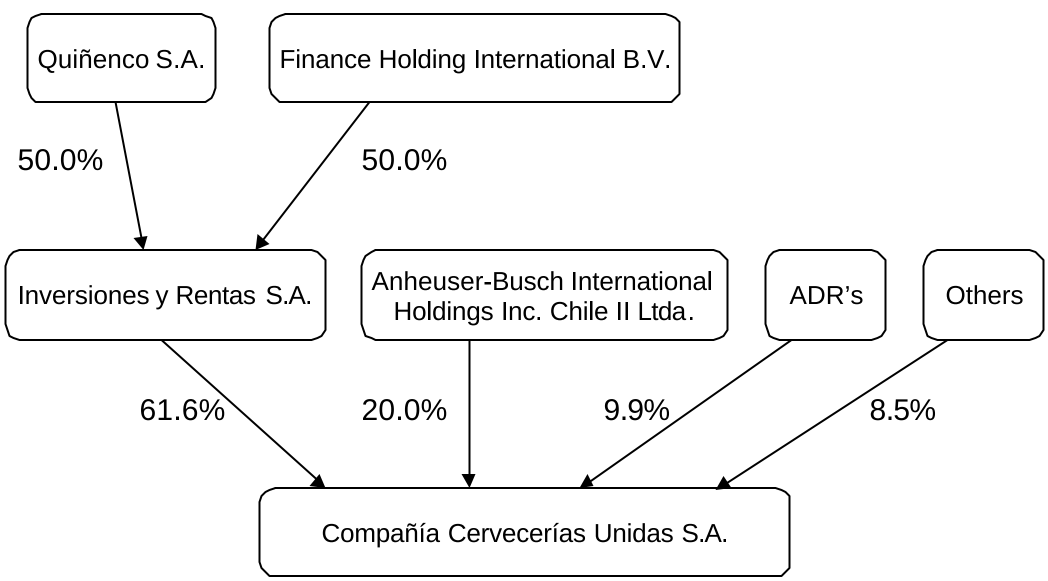
National Law 18,284 (the Argentine Food Code, or the "Code") regulates the manufacturing and packaging of food and beverages. The Code provides specific standards with which beer-bottling plants must comply and regulates the production of the different types of beer mentioned in the Code. The Code also specifies the different methods in which beer may be bottled as well as the information to be provided on labels. The health authorities of each province undertake the enforcement of the Code, and 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 minimum drinking age of 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.

Organizational Structure

Ownership Structure as of May 31, 2002



The Company is controlled by Inversiones y Rentas which owns 61.6% of the shares of Common Stock as of May 31, 2002. Inversiones y Rentas is a joint venture between Quiñenco, Bayerische BrauHolding A.G. of Germany and FHI Finance Holding International B.V. ("FHI") of the Netherlands, formed in 1986 to invest in CCU. 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 interest in Inversiones y Rentas to the other, which may either buy such interest or transfer their own interest back to the offering shareholder at the same price.

In February 2001, Bayerische BrauHolding A.G. announced that it had sold approximately 49% of its interest in Inversiones y Rentas to Heineken International B.V., the Dutch brewer. Although the exact terms of its agreement with Heineken International B.V. are not known, Quiñenco believes the sale represents a violation of the existing shareholders' agreement with Bayerische BrauHolding A.G. and FHI Finance Holding International B.V. On June 8, 2001, Quiñenco filed a request for the court appointment of an arbitrator under Inversiones y Rentas's charter documents (estatutos) in Chile in order to resolve this dispute between the partners of Inversiones y Rentas. To date, an arbitrator has not yet been assigned to the dispute. In December 2001, the arbitration panel placed a temporary freeze on the transfer to Heineken International B.V. of any interest that Bayerische BrauHolding A.G. maintains in Inversiones y Rentas. A definitive ruling may be issued in 2002, though there can be no assurance as to the timing or outcome of a definitive ruling. In addition, in accordance with standard legal procedure, the arbitration panel will hold Quiñenco liable for any damages this interim ruling may cause if the arbitration is eventually decided against Quiñenco. See "Item 7: Major Shareholders and Related Party Transactions—Major Shareholders".

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 and Peru), Banco de A. Edwards (one of the most traditional banks in Chile which as of January 2002 merged with Banco de Chile, one of the largest and most respected banks in Chile, consolidating in this entity all of Quiñenco's investments in the financial sector), 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 Corporate Group include several 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 Corporate Group is, through various ownership stakes in different breweries, the largest brewer in Bavaria and one of the largest brewers 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, and Auerbräu AG in Rosenheim. The Kulmbacher Group consists of the Kulmbacher, EKU, Kapuziner brands and holds various participations in the brewing and softdrink industry in Germany. Through Deutsche Hausbau Holding AG and Bayerische Immobilien AG, the Schörghuber Corporate Group is one of the largest real estate and urban development companies in Germany, with businesses in Spain, the Czech Republic, Hungary, Poland and Chile. Its hotel business interests include, through Arabella Sheraton Hotels, 29 hotels in Germany, Spain, Austria, Switzerland and Sourth Africa. Through Bavaria International Aircraft Leasing GmbH, the group's operations include aircraft leasing activities.

The following table provides the Company's significant subsidiaries as of March 31, 2002:

Subsidiaries	Country	Ownership Interest
Cervecera CCU Chile Ltda.	Chile	99.99%
CCU Argentina	Argentina	89.18%
ECUSA	Chile	99.94%
VSP	Chile	60.33%
PLASCO	Chile	99.99%

Property, Plant and Equipment

Set forth below is information concerning the production facilities of the Company as of December 31, 2001, 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 2001 (2)
Beer Production Facilities			
Santiago (3)	46.0	83.4%	52.9%
Antofagasta	4.1(5)	59.6%(6)	48.3%
Temuco (4)	12.0	70.8%	40.9%
Chile Total	58.0(7)	85.0%	52.6%
Santa Fe	23.0	68.1%	52.6%
Salta	3.4	57.1%	46.2%
Argentina Total	26.4	66.7%	51.7%
Soft Drink Production Facilities			
Santiago	66.5	46.0%	40.9%
Talcahuano	17.5	25.1%	19.0%
Antofagasta	9.8	13.9%	10.4%
Total	93.7	38.8%	33.6%
Mineral Water Production Facilities			
Coinco	21.0	47.8%	30.2%
Casablanca	2.0	10.8%	8.7%
Total	23.0	44.6%	28.3%

(1) Based on the year ended December 31, 2001. 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 (e.g., the month of December, January or February). The implicit slack (spare) 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 2001, the real slack capacity amounted to approximately 6.9 million liters in Chilean beer, 7.5 million liters in Argentine beer, 25.5 million liters in soft drinks and 5.3 million liters in Chilean mineral water.

(2) Average Utilized Capacity during 2001 equals the plant's total production output as a percentage of nominal installed annual production capacity in 2001. 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 83.4% to 85.7% and the Average Utilized Capacity during 2001 increases from 52.9% to 57.2% 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 Antofagasta plant for bottling.

(4) The plant in Temuco began its start-up period in November 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.

The Company's installed vinification and storage capacity is shown in the table below:

	Installed Vinification Capacity (millions liters)	Storage Capacity in Tanks and Barrels (millions liters)
Wine Production Facilities		
Lontué	0.0	15.6
Molina	23.0	37.6
Chile Total	23.0	53.2
Finca La Celia	4.8	6.4
Argentina Total	4.8	6.4

As of December 31, 2001, VSP had a nominal bottling capacity of 34,500 liters per hour at its Lontué plant and 13,500 liters per hour at its Molina plant. As of May 31, 2002, VSP had a nominal bottling capacity of 2,250 liters per hour at Finca La Celia in Argentina.

The Company's only outstanding encumbrances are a mortgage on the land where Viña San Pedro's wine facilities of Lontué and Molina are installed and the pledges or liens on the wineries' agricultural and industrial machinery, both in favor of Banco de A. Edwards (which merged with Banco de Chile in January 2002, with Banco de Chile remaining as the surviving entity), as evidenced in a public deed dated July 18, 1995, executed before the notary public of Santiago, Chile, Mr. Eduardo Pinto. The guarantees should expire upon final payment in December 2003 of the loan secured thereby.

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 regulates air and water quality, as well as sanitary landfills.

The Ministry of Health has issued regulations to control 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 pollution, 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.

Additionally, Law Nº19,300 of March 9, 1994 enacted the General Environmental Principles Act, including not only environmental protection regulations but also rules concerning the preservation of natural resources. The ordinance for the Act's application requires that all industries and facilities operating before the enactment of the Act to meet the objectives of the Act relating to the discharge of liquid wastes into the sewage systems by 2003. 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.

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.

Argentina. 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 so as to cover any residue that may cause harm, directly or indirectly, to human beings that may pollute the soil, water, atmosphere or the environment in general. Generally, claims involving hazardous waste give rise to strict liability in the event of damage to third parties. In addition, each province in which 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.

In the year 2000, CCU Argentina invested US$1.2 million to install a wastewater treatment plant. The plant is designed to treat 250 cubic meters per hour of liquid residuals. The main features of this plant are its minimum space requirements and its low electric power consumption, which make it perfectly suitable for the urban context where it is located.

The regulation of matters related 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 adverse effects.

ITEM 5: Operating and Financial Review and Prospects

Operating Results

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 to the totals shown.

The Company prepares its financial statements in accordance with Chilean GAAP, which differs in certain important respects from U.S. GAAP. Note 24 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, 1999, 2000 and 2001. 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, 2001 purchasing power.

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, sells and distributes limited amounts of wine and soft drinks in Argentina and produces wine in Argentina for the export market. 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, 2001 and as a percentage of consolidated net sales or operating income, as the case may be:

	Year Ended December 31,					
	1999		2000		2001	
Net Sales	(millions of Ch$, except percentages)					
Beer Chile Segment (1)	Ch$123,051	39.3%	Ch$123,501	37.7%	Ch$123,614	36.0%
Beer Argentina Segment (1)	48,799	15.6%	48,796	14.9%	51,285	14.9%
Soft Drinks and Mineral Water Segment (2)	91,784	29.3%	100,529	30.7%	101,305	29.5%
Wine Segment (3)	49,255	15.7%	54,129	16.5%	66,941	19.5%
Other (4)	590	0.2%	261	0.1%	416	0.1%
Total	Ch$313,479	100.0%	Ch$327,216	100.0%	Ch$343,562	100.0%
Operating Income						
Beer Chile Segment (1)	Ch$28,623	66.2%	Ch$27,929	68.6%	Ch$28,389	65.0%
Beer Argentina Segment (1)	(552)	(1.3%)	(5,614)	(13.8%)	(6,807)	(15.6%)
Soft Drinks and Mineral Water Segment (2)	6,501	15.0%	9,268	22.8%	8,943	20.5%
Wine Segment (3)	5,538	12.8%	5,371	13.2%	9,415	21.6%
Other (4)	3,137	7.3%	3,751	9.2%	3,712	8.5%
Total	Ch$43,248	100.0%	Ch$40,705	100.0%	Ch$43,652	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.

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,					
	1999		2000		2001	
	(millions of Ch$, except percentages and sales volume data)					
Net Sales	Ch$313,479	100.0%	327,216	100.0%	343,562	100.0%
Cost of Sales	(146,943)	(46.9%)	(157,020)	(48.0%)	(168,537)	(49.1%)
Gross Profit	Ch$166,536	53.1%	170,196	52.0%	175,025	50.9%
Selling and Administrative Expenses	(123,288)	(39.3%)	(129,491)	(39.6%)	(131,373)	(38.2%)
Operating Income	Ch$43,248	13.8%	40,705	12.4%	43,652	12.7%
Non-Operating Income	20,375	6.5%	12,398	3.8%	23,286	6.8%
Non-Operating Expenses	(10,072)	(3.2%)	(20,511)	(6.3%)	(17,178)	(5.0%)
Price-Level Restatement	2,794	0.9%	(109)	(0.0%)	(2,399)	(0.7%)
Income Taxes	(7,764)	(2.5%)	(5,175)	(1.6%)	(7,146)	(2.1%)
Minority Interest	(4,127)	(1.3%)	(783)	(0.2%)	(1,837)	(0.5%)
Net Income	Ch$44,454	14.2%	26,525	8.1%	38,377	11.2%
EBITDA (1)	Ch$79,257	25.3%	Ch$79,657	24.3%	Ch$84,235	24.5%
Sales volume (2):						
Beer (Chile)		344.5		352.2		348.3
Beer (Argentina)		157.9		155.2		151.2
Soft drinks and mineral water (3)		376.2		405.9		414.2
Wine (4)		56.7		66.2		84.6

(1) EBITDA represents the sum of operating income, depreciation and amortization from operations.
(2) In millions of liters.
(3) Includes sales of soft drinks and mineral water in Argentina, which equaled 3.1 million liters in 1999, 2.9 million liters in 2000, and 1.5 million liters in 2001.
(4) Includes sales of wine in Argentina, which equaled 0.3 million liters in 1999, 0.3 million liters in 2000 and 0.9 million liters in 2001.

Net Sales. The Company's net sales were Ch$343,562 million in 2001 as compared to Ch$327,216 million in 2000, representing a 5.0% increase for 2001 which is mainly explained by increases in the Company's wine and Argentine beer segments, while soft drinks and Chilean beer remained relatively stable. The net sales performance of each business segment during 2001 is described below:

Beer Chile: Net sales increased by 0.1% to Ch$123,614 million in 2001, from Ch$123,501 million in 2000. This increase in sales resulted from a 1.1% decrease in beer sales volume, offset by a 1.5% increase in per unit prices.

Beer Argentina: Net sales increased by 5.1% to Ch$51,285 million in 2001, from Ch$48,796 million in 2000. This increase in sales resulted from a 2.6% decrease in beer sales volume, offset by a 9.9% increase in per unit prices, as a consequence of the higher exchange rate when translating Argentine pesos into Chilean pesos.

Soft Drinks and Mineral Water: Net sales increased by 0.8% to Ch$101,305 million in 2001, from Ch$100,529 million in 2000. This increase in sales resulted from a 2.2% increase in overall sales volume, comprising a 1.5% increase in soft drink volumes and a 43.2% increase in nectar volumes, partially offset by a 3.3% decrease in mineral water volumes. Overall prices decreased by 1.3%, due to a 2.2% decrease in soft drink unit prices and a 9.0% decrease in nectar prices, partially offset by a 9.7% increase in mineral water unit prices.

Wine: Net sales increased by 23.7% to Ch$66,941 million in 2001, from Ch$54,129 million in 2000. This increase in sales resulted from a 27.8% increase in overall sales volume, consisting mainly of a 33.4% increase in domestic volumes and a 20.9% increase in export volumes, partially offset by a 4.5% decrease in overall prices, consisting of a 11.3% decrease in domestic per unit prices, partially offset by a 1.4% increase in export per unit prices.

The Company's net sales were Ch$327,216 million in 2000 as compared to Ch$313,479 million in 1999, representing a 4.4% increase for 2000 which is mainly explained by increases in the Company's soft drinks, wine and Chilean beer segments, while Argentine beer remained almost stable.

Cost of Goods Sold. The Company's cost of sales 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 2001 amounted to Ch$168,537 million as compared to cost of sales in 2000 that reached Ch$157,020 million. As a percentage of net sales, cost of sales was 49.1% in 2001 compared to 48.0% in 2000. The increase in cost of sales as a percentage of net sales in 2001 is principally attributable to an increase in the Company's wine sales, and higher direct costs in the beer operations. The cost of goods sold performance of each business segment during 2001 is described below:

Beer Chile: Cost of sales increased by 5.6% to Ch$52,996 million in 2001, from Ch$50,165 million in 2000. Cost of sales as a percentage of sales increased from 40.6% in 2000 to 42.9% in 2001 due to the effect of exchange rate fluctuations in dollar denominated raw materials and increases in one way packaging.

Beer Argentina: Cost of sales increased by 12.7% to Ch$26,845 million in 2001, from Ch$23,830 million in 2000. Cost of sales as a percentage of net sales increased from 48.8% in 2000 to 52.3% in 2001, mainly due to the higher exchange rate when translating Argentine pesos into Chilean pesos.

Soft Drinks and Mineral Water: Cost of sales increased by 1.8% to Ch$51,657 million in 2001, from Ch$50,763 million in 2000. Cost of sales as a percentage of sales increased from 50.5% in 2000 to 51.0% in 2001 mainly due to the effect of exchange rate fluctuations in dollar denominated raw materials, and increases in one way packaging.

Wine: Cost of sales increased by 14.0% to Ch$42,213 million in 2001, from Ch$37,029 million in 2000. Cost of sales as a percentage of net sales decreased from 68.4% in 2000 to 63.1% in 2001, mainly due to lower raw material costs.

In 2000 cost of sales amounted to Ch$157,020 million as compared to cost of sales in 1999 of Ch$146,943 million. As a percentage of net sales, cost of sales was 48.0% in 2000 compared to 46.9% in 1999. The increase in cost of sales as a percentage of net sales in 2000 is principally attributed to an increase in the Company's wine sales, and higher direct costs in the soft drink and beer operations.

Gross Profit. Gross profit increased 2.8% to Ch$175,025 million in 2001, from Ch$170,196 million in 2000. As a percentage of net sales, gross profit decreased from 52.0% in 2000 to 50.9% in 2001. The decrease in gross profit was primarily due to an increase in sales of wine and one way packaged products (goods with lower margins) as a percentage of the Company's overall sales.

In 2000, gross profit increased 2.2% to Ch$170,196 million from Ch$166,536 million in 1999. As a percentage of net sales, gross profit decreased from 53.1% in 1999 to 52.0% in 2000. The decrease in gross profit was primarily due to an increase in sales of wine and one way packaged products (goods with lower margins) as a percentage of the Company's overall sales.

Selling, General and Administrative Expenses. The Company's selling, general and administrative expenses ("SG&A"*)* include advertising and promotional expenses, salaries of administrative personnel, maintenance and general expenses, transportation and services provided by third parties. SG&A increased 1.5% in 2001, to Ch$131,373 million, from Ch$129,491 million in 2000. This increase is principally attributed to higher SG&A in the Company's wine, Argentine beer and soft drink operations, which were partially offset by lower SG&A in the Company's Chilean beer business. The SG&A performance of each business segment during 2001 is described below:

Beer Chile: SG&A decreased by 7.0% to Ch$42,229 million in 2001, from Ch$45,407 million in 2000. This decrease resulted mainly from lower salaries as a result of the 2001 restructuring process and lower marketing expenses.

Beer Argentina: SG&A increased by 2.2% to Ch$31,247 million in 2001, from Ch$30,578 million in 2000. This increase resulted mainly from higher salaries and depreciation.

Soft Drinks and Mineral Water: SG&A increased by 0.5% to Ch$40,706 million in 2001, from Ch$40,500 million in 2000. This increase resulted mainly from higher marketing and distribution expenses.

Wine: SG&A increased by 30.6% to Ch$15,313 million in 2001, from Ch$11,730 million in 2000. This increase is mainly due to an increase in marketing, salaries and expenses related to the new sales force.

In 2000, SG&A increased 5.0% to Ch$129,491 million, from Ch$123,288 million in 1999. This increase is principally attributed to higher SG&A in the Company's Argentine beer, Chilean wine and soft drinks operations, which were partially offset by lower SG&A in the Company's Chilean beer business.

Operating Income. Operating income increased 7.2% in 2001 to Ch$43,652 million as compared to Ch$40,705 million in 2000. As a percentage of net sales, operating income increased from 12.4% in 2000 to 12.7% in 2001. The operating income performance of each business segment during 2001 is described below:

Beer Chile: Operating income increased by 1.6% to Ch$28,389 million in 2001, from Ch$27.929 million in 2000. As a percentage of net sales, operating income increased from 22.6% in 2000 to 23.0% in 2001.

Beer Argentina: Operating income decreased from a loss of Ch$5,614 million in 2000 to a loss of Ch$6,807 million in 2001. As a percentage of net sales, operating income decreased from negative 11.5% in 2000 to negative 13.3% in 2001.

Soft Drinks and Mineral Water: Operating income decreased by 3.5% to Ch$8,943 million in 2001, from Ch$9,268 million in 2000. As a percentage of net sales, operating income decreased from 9.2% in 2000 to 8.8% in 2001.

Wine: Operating income increased by 75.3% to Ch$9,415 million in 2001, from Ch$5,371 million in 2000. As a percentage of net sales, operating income increased from 9.9% in 2000 to 14.1% in 2001.

In 2000, operating income decreased 5.9% to Ch$40,705 million as compared to Ch$43,248 million in 1999. As a percentage of net sales, operating income decreased from 13.8% in 1999 to 12.4% in 2000.

EBITDA. The Company considers EBITDA to be a useful measure of its operating results, especially in light of its recent capital-intensive acquisitions, capital improvements and investments in fixed assets. The Company defines EBITDA as the sum of its operating income, depreciation and amortization from operations. In 2001, EBITDA increased by 5.7% to Ch$84,235 million, from Ch$79,657 million in 2000. The EBITDA performance of each business segment during 2001 is described below:

Beer Chile: EBITDA increased by 0.5% to Ch$44,369 million in 2001, from Ch$44,131 million in 2000. As a percentage of net sales, EBITDA increased from 35.7% in 2000 to 35.9% in 2001.

Beer Argentina: EBITDA increased by 15.3% to Ch$3,223 million in 2001, from Ch$2,795 million in 2000. As a percentage of net sales, EBITDA increased from 5.7% in 2000 to 6.3% in 2001.

Soft Drinks and Mineral Water: EBITDA decreased by 2.5% to Ch$20,049 million in 2001, from Ch$20,559 million in 2000. As a percentage of net sales, EBITDA decreased from 20.5% in 2000 to 19.8% in 2001.

Wine: EBITDA increased by 58.9% to Ch$11,636 million in 2001, from Ch$7,324 million in 2000. As a percentage of net sales, EBITDA increased from 13.5% in 2000 to 17.4% in 2001.

In 2000, EBITDA of Ch$79,657 million increased by 0.5% as compared to EBITDA of 1999 that amounted to Ch$79,257 million. As a percentage of net sales, EBITDA decreased from 25.3% in 1999 to 24.3% in 2000.

Non-Operating Income. Non-operating income increased by 87.8% in 2001 to Ch$23,286 million as compared to Ch$12,398 million in 2000. This increase is primarily explained by the non-recurring gain of Ch$16,698 million in the sale of Backus & Johnston shares, partially offset by lower interest income (Ch$3,428 million in 2001 as compared to Ch$4,705 million in 2000, reflecting lower cash balances and interest rates) and a decrease of Ch$4,304 million in gains generated by the sale of non-strategic assets.

In 2000, non-operating income decreased 39.2% to Ch$12,398 million as compared to Ch$20,375 million in 1999. This decrease is primarily explained by lower interest income (Ch$4,705 million in 2000 as compared to Ch$9,145 million in 1999, reflecting lower cash balances and interest rates), the absence in 2000 of a Ch$6,259 million non-recurring gain generated by a change in accounting principles for deposits on returnable bottles and containers, and the absence in 2000 of a Ch$1,388 million gain on the sale of investment and marketable securities, mainly of shares in CCU Argentina to Anheuser-Busch, both of which occured during 1999, partially offset by a gain of Ch$4,542 million in 2000 generated by the sale of non-strategic assets.

Non-Operating Expenses. Non-operating expenses decreased 16.2% in 2001 to Ch$17,178 million as compared to Ch$20,511 million in 2000. This decrease is mainly attributed to lower non-recurring expenses of Ch$2,551 million related to the restructuring plan started by the Company in the second half of 2000, and a Ch$1,785 million lower loss generated by the sale of property, plant and equipment.

In 2000, non-operating expenses increased 103.6% to Ch$20,511 million as compared to Ch$10,072 million in 1999. This increase is mainly attributable to non-recurring expenses of Ch$6,060 million related to the restructuring plan started by the Company in the second half of 2000, and a Ch$2,872 million increase in losses generated by the sale of property, plant and equipment in 2001.

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 loss of Ch$2,399 million in 2001, as compared to a net loss of Ch$109 million in 2000. A gain in price-level restatement results from holding monetary liabilities in excess of monetary assets during inflationary periods, or from holding foreign currency denominated assets in excess of foreign currency denominated liabilities during periods of devaluation of the Chilean peso. In both years, the losses incurred from price-level restatement as a percentage of net sales was less than 1%.

In accordance with Chilean generally accepted accounting principles, the Company applies Technical Bulletin 64 ("TB 64") issued by the Chilean Institute of Accountants to translate and value investments in foreign subsidiaries (see Note 1 to the Consolidated Financial Statements). 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, 2001, the Company's investment in SBE and CCU Argentina amounted to Ch$98,056 million, foreign currency denominated obligations that were designated as a hedge against these investments amounted to Ch$29,466 million and the positive cumulative translation adjustment account amounted to Ch$10,688 million.

In 1999, the price-level restatement of the Company's non-monetary assets resulted in a net gain of Ch$2,794 million that also represented less than 1% of net sales.

Income Taxes. The Company's income taxes for 2001 amounted to Ch$7,146 million translating into an effective consolidated tax rate for the Company of 15.1%. Income taxes in 2000 amounted to Ch$5,175 million translating into an effective consolidated tax rate of 15.9%. The effective consolidated tax rates for the Company and its subsidiaries in 2001 and 2000 were close to the Chilean statutory rate of 15.0% as a result of the use of all the tax loss carryforwards available to the wine subsidiary and the effect on deferred income taxes from the change in the enacted Chilean statutory rate that will increase to 16.0% in 2002, 16.5% in 2003 and 17.0% in 2004.

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, 2001, the Company's consolidated subsidiaries had available tax loss carryforwards of Ch$1,534 million in Chile and Ch$13,742 million in Argentina. The Company's Chilean subsidiaries with tax loss carryforwards available include Transportes CCU Ltda. with Ch$1,076 million and Comercial CCU Santiago S.A. with Ch$458 million. In Argentina, the subsidiaries with the most significant tax loss carryforwards available are CICSA and CCU Argentina S.A. with Ch$12,297 million and Ch$667 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 the Company can utilize such tax loss carryforwards 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 will be governed by the applicable regulations of the Chilean tax authorities. The Company will receive a full credit against income 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 2000, income taxes were Ch$5,175 million as compared to Ch$7,764 million during 1999, translating into an effective consolidated tax rate for the Company of 15.9% in 2000 and 13.8% in 1999. The Company's effective tax rate for 1999 was 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.

Minority Interest. Minority interest in 2001 increased 134.6% to Ch$1,838 million as compared to Ch$783 million in 2000. This increase resulted mainly from the higher level of net income in VSP.

In 2000, minority interest decreased 81.0% to Ch$783 million as compared to Ch$4,127 million in 1999. This decrease resulted mainly from the acquisition, in November 1999, of 45% of ECUSA from BAESA and lower levels of net income in CCU Argentina.

Net Income. Net income in 2001 was Ch$38,377 million, Ch$11,852 million higher than 2000's net income of Ch$26,525 million. The increase in net income is primarily explained by a Ch$11,931 million increase in non-operating result and Ch$2,947 million higher operating income in 2001, partially offset by lower minority interest charges and income tax expenses, as described above.

In 2000, net income was Ch$26,525 million, Ch$17,929 million lower than 1999's net income of Ch$44,454 million. The decrease in net income is primarily explained by a Ch$21,319 million decrease in non-operating results and Ch$2,543 million lower operating income in 2000, partially offset by lower minority interest charges and income tax expenses, as described above.

Impact of Inflation. In general, inflation has an adverse effect of diminishing the purchasing power of a company's monetary assets that are not price-level indexed, and has a positive effect of reducing the real value of a company's monetary liabilities that 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$13,832 million at December 31, 2000 and Ch$13,208 million at December 31, 2001) 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 constructed or acquired are fixed non-monetary assets and all substantial liabilities incurred in the process of financing capital expenditures are 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.

U.S. GAAP Reconciliation. Net income under U.S. GAAP for 1999, 2000 and 2001 was Ch$47,529 million, Ch$27,779 million and Ch$34,510 million, respectively, as compared to that reported under Chilean GAAP, Ch$44,454 million, Ch$26,525 million and Ch$38,377 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, the inclusion of labor and overhead costs in inventories, the revaluation of fixed assets sold, the capitalization of interest on assets under construction, the adjustment of employee severance indemnities and the recording of deferred income taxes.

Total shareholders' equity under U.S. GAAP as of December 31, 1999, 2000 and 2001 was Ch$415,112 million, Ch$430,602 million and Ch$412,661 million, respectively, as compared to that reported under Chilean GAAP for the same period of Ch$409,319 million, Ch$414,416 million and Ch$411,575 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 held for sale securities as a component of equity, the inclusion of labor and overhead costs in inventories, the adjustment of negative goodwill on equity investments, the capitalization of interest on assets under construction, the adjustment of employee severance indemnities and the recording 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.

In July 2001, the United States Financial Accounting Standards Board issued its Standard No. 142 (FAS No. 142), "Goodwill and Other Intangible Assets". FAS No. 142 established the following:

- The accounting for a recognized intangible asset is based on its useful life to the reporting entity. An intangible asset with a finite useful life will continue to be amortized, but goodwill and other intangible assets with indefinite useful lives will no longer be amortized.
- The remaining useful lives of intangible assets that are being amortized shall be evaluated each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. If the estimate of an intangible asset's remaining useful life is changed, the remaining carrying value of the intangible asset must be amortized prospectively over the revised remaining useful life.
- Goodwill and other intangible assets with indefinite useful lives that are not subject to amortization must be tested for impairment at least annually.
- All goodwill must be assigned to a reporting unit, which is defined as an operating segment or one level below an operating segment.

FAS No. 142 is effective for years beginning after December 15, 2001, but applies immediately to goodwill and intangible assets acquired after June 30, 2001. Accordingly, all goodwill recorded for U.S. GAAP reconciliation purposes prior to July 1, 2001 will cease to be amortized after December 31, 2001. The Company did not acquire any goodwill or intangible assets after June 30, 2001. Goodwill at January 1, 2002 has been analyzed by the Company's management to determine if other intangible assets should be separated from goodwill and all indefinite lived assets (including goodwill) were tested for impairment. Tests applied considered Company estimates and external information such as market value multiples and historic transactions of comparable companies. Different tests were performed for each business unit, depending on availability and applicability of information. In the case of the ECUSA, VSP, Cervecería Austral S.A. and SBE business units, the tests applied included Company estimates for discounted cash flows ("DCF"), industry multiples and recent transactions. In the case of VSP, tests also considered market capitalization because it is a listed corporation. In the case of CCU Argentina, the DCF method was not used due to the difficulty in obtaining a reasonable long-term discount rate as a consequence of the turbulent economic situation of the country. Therefore, the methods used for the impairment tests were industry multiples and recent transactions. There were no write-offs of goodwill as a result of the impairment tests. For more information regarding accounting for goodwill for US GAAP purposes, see Note 24 1(h) to the Consolidated the Financial Statements.

For further details of these and other differences between Chilean GAAP and U.S. GAAP, see Note 24 to the Consolidated Financial Statements.

Foreign Currency Fluctuation. For the effects of foreign currency fluctuation in the Company, see "Item 11: Quantitative and Qualitative Disclosures About Market Risk".

Liquidity and Capital Resources

The Company's main source of liquidity has been cash generated by its operating activities, which amounted to Ch$80,431 million, Ch$69,350 million and Ch$66,873 million during 1999, 2000 and 2001, respectively. An additional source of liquidity has been the capital increase approved by CCU's shareholders in October 1996. The proceeds of this capital increase were Ch$11,233 million during 1999. All the shares of this approved capital increase have now been issued and paid. Therefore, this source of financing will not be available in the future, unless a new capital increase is approved by the shareholders.

In the Company's opinion, its working capital of Ch$95,576 million as of December 31, 2001 is sufficient for the Company's present requirements.

As of December 31, 2001, the Company had Ch$65,990 million in cash, time deposits and marketable securities, which does not include Ch$17,908 million corresponding to readjustable promissory notes issued by the Central Bank and purchased under resale agreements. Indebtedness, including accrued interest, amounted to Ch$72,116 million as of December 31, 2001. Short-term indebtedness included Ch$12,399 million of short-term obligations to banks and financial institutions under certain lines of credit described below, Ch$1,639 million representing the current portion of long-term public bonds, Ch$16,507 million representing the current portion of long-term debt to banks, and Ch$196 million representing other loans. As of December 31, 2001, long-term indebtedness (excluding the current portion thereof) comprised Ch$19,884 million of long-term obligations to banks, Ch$20,383 million of long-term obligations to the public represented by bonds and Ch$1,108 million of other loans.

As of December 31, 2001, 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 1.0 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 a consolidated and unconsolidated basis.

At December 31, 2001, the Company met all its financial debt covenants and had a current ratio of 2.35 to 1 on an unconsolidated basis and 1.91 to 1 on a consolidated basis; a ratio of EBIT to interest expense of 10.23 to 1 for the Company on an unconsolidated basis and 8.90 to 1 for the Company on a consolidated basis; and a ratio of total debt to total capitalization of

0.13 to 1 for the Company on an unconsolidated basis and 0.15 to 1 for the Company on a consolidated basis. The Company's net worth as of December 31, 2001 was Ch$411,575 million. The Company's indebtedness ratio was 0.33 and 0.43 on an unconsolidated and consolidated basis, respectively.

The following table summarizes debt obligations held by the Company as of December 31, 2001. The table presents principal payment obligations in millions of Chilean pesos by interest rate structure, financial instrument and currency, with their respective maturity dates and related weighted-average interest rates:

Interest-Bearing Debt as of December 31, 2001

(millions of Ch$, except percentages)

			Expected Maturity Date						
Fixed rate		**Average Int. Rate**	**2002**	**2003**	**2004**	**2005**	**2006**	**Thereafter**	**TOTAL**
Ch$ (UF) (*)	Bonds	6.0%	Ch$1,639	1,315	1,315	1,315	1,315	15,124	22,021
TOTAL			Ch$1,639	1,315	1,315	1,315	1,315	15,124	22,021
Variable rate		**Average Int. Rate**	**2002**	**2003**	**2004**	**2005**	**2006**	**Thereafter**	**TOTAL**
Ch$ (UF) (*)	Banks	4.8%	Ch$1,387	1,616	818	818	818	818	6,277
US$	Banks	3.8%	25,869	14,733	-	-	-	-	40,602
French francs	Banks	5.5%	234	88	174	-	-	-	496
TOTAL			Ch$27,491	16,437	992	818	818	818	47,375

(*) 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.

In addition to the debt presented in the table above, Finca La Celia, VSP's subsidiary in Argentina, had short-term debt of US$15.6 million (Ch$10,221 million) as of December 2001, that is not consolidated into CCU's financial statement because this subsidiary is in the development stage.

The treasury policy of the Company is to invest in highly liquid financial instruments issued by first class financial institutions. Investments are made primarily in Chilean pesos and U.S. dollars. As of December 31, 2001, the Company had invested Ch$49,416 million in Chilean peso related instruments and Ch$24,849 million in U.S. dollar related instruments.

The following table summarizes financial instruments held by the Company as of December 31, 2001:

Short-Term Financial Instruments

	(millions of Ch$)
UF (*)	30,043
Ch$	19,373
US$	24,849
Argentine $	4
TOTAL	74,269

As of December 31, 2001, the Company had no off-balance sheet arrangements or other trading activities that could materially affect its liquidity or the availability of or requirements for capital resources.

Capital Expenditures. 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 2002 and the 2003-2005 period are displayed in the following table. The information is presented in constant Chilean pesos of December 31, 2001.

Business Unit		**2002**	**2003**	**2004**	**2005**
			(Ch$ Millions as of December 2001)		
Beer Chile					
	Machinery and equipment	1,796	5,185	7,271	8,272
	Packaging	2,214	4,571	4,747	4,931
	Marketing articles	2,053	4,302	4,557	4,827
	Software and hardware	183	326	326	326
	Other	71	131	131	131
	Total	***6,317***	***14,515***	***17,031***	***18,487***
Beer Argentina					
	Machinery and equipment	358	51	21	21
	Packaging	699	190	184	179
	Marketing articles	1,825	1,740	1,378	1,339
	Software and hardware	31	16	15	15
	Other	10	9	9	9
	Total	***2,923***	***2,006***	***1,608***	***1,562***
Soft Drinks & Mineral Water					
	Machinery and equipment	821	6,986	709	8,349
	Packaging	3,225	3,245	3,245	2,433
	Marketing articles	1,526	2,433	2,433	2,433
	Software and hardware	199	165	599	178
	Other	38	2	23	90
	Total	***5,808***	***12,832***	***7,009***	***13,484***
Wine(*)					
	Machinery and equipment	4,062	4,272	3,392	3,230
	Packaging	995	528	730	739
	Marketing articles	0	33	33	33
	Software and hardware	612	185	185	185
	Other	1,272	484	484	484
	Total	***6,941***	***5,502***	***4,824***	***4,671***
Others		***2,944***	***5,539***	***2,539***	***1,776***
Total		***24,933***	***40,394***	***33,011***	***39,980***

During the years 2002 through 2005, the Company plans to make capital expenditures mainly to adapt, update and increase 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 inventories, adapt to new packaging formats and support industry volume growth. Capital expenditures are also focused on improving management information systems and making additional investments in marketing assets.

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 and long term indebtedness.

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 6: Directors, Senior Management and Employees" and "Item 7: Major Shareholders and Related Party 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 "Item 4: Information on the Company—Business Overview—The Company's Beer Business—The Company's Beer Business in Argentina—Beer Production and Marketing in Argentina". In June 1999 a development and design agreement was signed with Constar Inc. for the production of a new PET hot fill bottle.

Critical Accounting Policies and Practices

The discussion and analysis of the critical accounting policies and practices that affect the financial statements of CCU S.A. is based on the policies discussed in our consolidated financial statements, which have been prepared in accordance with Chilean GAAP, including the Technical Bulletins issued by the Chilean Institute of Accountants and the instructions issued by the Chilean Superintendency of Securities and Insurance.

The discussion and analysis of the Company has focused on those policies or accounting practices that are significantly affected by the use of estimates and/or judgments that, ultimately, could affect the amounts reported in the financial statements as assets or liabilities or as revenues or expenses in the income statement.

Normally, the estimates or judgments that the Company applies are based on previous experience, assumptions developed from current circumstances and information that may be collected from qualified external sources.

Accordingly, results that are derived from estimates or judgments determined by the Company may vary according to the circumstances.

In this context, and considering the greater difficulty level that the discussion and analysis of certain accounting practices require, as well as the quantitative significance in relation to the Balance and Income Statement, the following are the Policies and Account Practices that we have defined as critical.

a) **Revenues:** The Company recognizes sales once the customers receive the product and legally receive ownership rights. This coincides with the issuance of the invoice, which perfects the transaction from a tax perspective. Price discounts based on volume goal accomplishments are recognized in the same month that the obligation to grant the discount is generated. Price discounts are deducted from the net sales account.

b) **Allowance for doubtful accounts:** At the end of each period, the Company records provisions to cover the doubtful recovery of accounts receivable, which is mainly determined by the age of overdue balances, which is based on criteria established by the Company. The percentages provisioned range from 20% for accounts overdue between 61 and 90 days, to 100% in the case of accounts that are more than 180 days overdue. In case of rejected documents, the percentages are 20% if they are not overdue by more than 20 days and 100% if they are.

   Management considers that the provision determined under the parameters described above are reasonable and sufficient to cover losses inherent in the accounts.

   Additionally, and under special conditions that justify a specific analysis of certain customers individually, the Company, through its Loan Committee, has established more aggressive treatment regarding the provisions that should be determined. The provision is deducted from accounts receivable.

c) **Inventories**: Inventories of finished and in-process goods, raw materials and supplies are stated at replacement cost, as defined in the Chilean Income Tax Law, considering only the cost of raw materials and supplies added to the products. The resulting value of the inventories does not exceed their estimated net realizable values.

   The Company records obsolescence provisions for finished products, products in process, raw material and other materials based on technical reports issued by the units responsible for the inventories.

d) **Goodwill, negative goodwill, brands and other intangible assets:** The Company normally amortizes goodwill, negative goodwill and registered brands over a maximum period of 20 years considering the expected period of return of the investments.

Prepaid expenses are the principal intangible assets, of which advertising expenses are the most important. Regarding the latter, the Company records advertising expenses in the Income Statement when they are incurred, with the exception of those that are related with preferential sales contracts or sponsorships, which are amortized based on the period covered by the executory contract or sponsorship.

e) **Bottles, containers and deposits on bottles and containers:** Glass and plastic returnable bottles and crates are presented within fixed assets at their historic cost plus price-level restatement and net of obsolescence provisions. Glass bottles are depreciated over a period of up to eight years, plastic bottles over up to four years, and plastic crates over ten years.

In Chile, returnable bottles are proprietary and are only given to customers in exchange for a deposit equivalent to a significant portion of the replacement cost of such bottles. The deposits are evidenced by the issuance of a legal commodity agreement. The amount collected by this concept is recorded in the Deposits on bottles and containers liability account that is not price-level adjusted. The deposit is returned to the customer when the bottles and the commodity agreement are returned.

The expected return of bottles and containers put into circulation in the market and the estimated value of valid deposits, especially those from glass bottles, are adjusted annually. The adjustment is based on an estimate that is carried out counting the bottles held by customers plus an estimate of the number of bottles in hands of the final consumers, established as a result of independent studies and historical information regarding the return of these bottles.

In Argentina, all companies use the same returnable bottles. Therefore, unlike in Chile where returnable bottles are proprietary and require a deposit, bottles are loaned to customers at no cost.

f) **Severance indemnities:** In accordance with the terms of collective bargaining agreements, CCU and most of its subsidiaries have agreed with their personnel (41% of total employees) to the payment of severance indemnities in all circumstances. The related provision is presented 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 7% discount rate.

In those cases where only a limited number of workers may access this benefit every year, the obligation is presented under current liabilities at its nominal value.

Trend Information

As described under "Item 4: Information on the Company—Business Overview" and "Item 5: Operating and Financial Review and Prospects—Operating Results," the most significant trend affecting the Company's results of operations currently and during the past three fiscal years has been the prolonged recession which recently culminated in the current Argentina economic crisis. Sales volumes of the Company's principal products continue to be relatively stable compared to the past four fiscal years, however, prices have been affected by the economic situation and the competitive environment in the different business segments in which the Company participates.

Argentina's economic activity has continued to contract as its government imposed restrictions on bank deposits and withdrawals, exchange controls, suspension of payment of external debt and the abrogation of Argentine peso convertibility. This situation generated a significant decrease in the demand for goods and services, as well as a significant increase in the level of unemployment. In addition, the Argentine government's ability to comply with its obligations as well as its access to credit lines has been significantly affected by these circumstances.

As a result, it is not possible to anticipate how the economic environment in Argentina will evolve, nor its effects on the economic and financial position of the Company's Argentine subsidiaries.

ITEM 6: Directors, Senior Management and Employees

Directors and Senior Management

The Company's directors and senior management as of May 31, 2002 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
Giorgio Maschietto	Vice President of the Board and Director	April 2001	April 2001
Johannes Bauer	Director	April 1991	April 1991
Jorge Carey	Director	April 2001	April 2001
Peter Hellich	Director	February 1993	February 1993
Andrónico Luksic (1)	Director	November 1986	November 1986
Manuel José Noguera	Director	May 1987	May 1987
Francisco Pérez	Director	July 1998	February 1991
John S. Koykka	Director	February 2001	February 2001

Senior Management	Position	Position Held Since	At Company Since
Patricio Jottar	Chief Executive Officer	July 1998	July 1998
Dirk Leisewitz	General Comptroller	June 1988	December 1987
Jorge Aninat	Engineering and Projects Manager	March 1996	April 1977
Marisol Bravo	Corporate Affairs and Public Relations Manager	June 1994	July 1991
Pablo De Vescovi	Human Resources Manager	September 1998	November 1991
Francisco Diharasarri	CCU Chile Manager	July 2000	June 1985
Matías Elton	Viña San Pedro Manager	January 1997	January 1997
Alvaro Fernández	Development Manager	December 1999	September 1998
Sergio Guzmán	ECUSA Manager	July 2000	July 2000
Ricardo Reyes	Chief Financial Officer	July 1996	July 1996
Margarita Sánchez	Chief of Legal Division	November 1986	April 1972
Fernando Sanchis	CCU Argentina Manager	May 1995	May 1995

(1) Guillermo Luksic and Andrónico Luksic are brothers. See "—Item 7: Major Shareholders and Related Party Transactions".

Patricio Jottar (age 39), has served as Chief Executive Officer of CCU since 1998. He is also currently a Director of CCU Argentina and ECUSA and is Chairman of the Board of Viña San Pedro. Prior to joining CCU, he was Chief Executive Officer of Santander Chile Holding. He received a degree in Business Administration from the Catholic University of Chile and a Masters degree in Economics and Business Administration from the *Instituto de Estudios Superiores de la Empresa* ("IESE"), in Barcelona, Spain.

Dirk Leisewitz (56), is the General Comptroller of CCU and has been with the Company since 1987. He is also a Director of Clinica Alemana S.A., a major hospital in Chile. Prior to joining the Company he was Division Manager of the Morgan Guaranty Group in Chile. He received a degree in Civil Engineering from the University of Chile, and a Masters in Administration and Management from the Catholic University of Lovaine in Belgium.

Jorge Aninat (53), is the Engineering and Project Manager of CCU and has been with the Company since 1977. Prior to his current position he was Development Manager and Central Soft Drinks Division Manager. He received a degree in Civil Engineering from the State Technical University of Chile.

Marisol Bravo (42), is the Corporate Affairs and Public Relations Manager of CCU and has been with the Company since 1991. Prior to her current position she was Head of Special Projects at CCU. Before joining the Company she was Assistant Manager of Marketing at Citicorp Mutual Funds. She received a degree in Business Administration from the University of Chile.

Pablo De Vescovi (49), is the Human Resources Manager of CCU and has been with the Company since 1994. Prior to serving in this capacity he was Human Resources Manager of ECUSA. Before joining ECUSA he was the Human Resources Manager of Embotelladora Chile S.A. ("Embochile"), a former PepsiCo bottler, and Human Resources Vice President of The Chase Manhattan Bank in Chile. He received a degree in Business Administration from the Catholic University of Chile.

Francisco Diharasarri (41), is the General Manager of CCU Chile and has been with the Company since 1985. Prior to his current position, he was General Manager of ECUSA and General Manager of PLASCO. He received a degree in Civil Engineering from the University of Chile.

Matías Elton (44), is the General Manager of VSP and has been with the Company since 1997. He is also a Director of Ventisqueros S.A., a fish hatchery company, and Vice President of the Wineries of Chile Association. Prior to joining the Company he was General Manager for Latin America at Gist Brocade, a large yeast company. He received a degree in Business Administration from the University of Santiago.

Alvaro Fernández (35), is the Development Manager of CCU and has been with the Company since 1998. He is also Director of Cervecería Austral S.A. Prior to joining CCU he was Commercial Manager of Santander Life Insurance Company and Vice President of Citicorp. He received a degree in Business Administration from the Catholic University of Chile.

Sergio Guzmán (47), is the General Manager of ECUSA and has been with the Company since 2000. Prior to joining CCU he was Human Resources Manager of Quiñenco, Business Development Manager of Embotelladora Andina S.A. and General Manager of the Embotelladora Andina Chilean division. He received a degree in Business Administration from the Catholic University of Chile and a graduate degree in economics from the same institution.

Ricardo Reyes (48), is the Chief Financial Officer of CCU and has held that position since 1996. Prior to joining the Company, he worked 14 years at Esso Chile Petrolera, an Exxon affiliate, holding the positions of Operations Manager and Financial and Planning Manager. He received a degree in Civil Engineering from the Catholic University of Chile.

Margarita Sánchez (56), is the Chief of the Legal Division of CCU and has been with the Company since 1972. Prior to her current position, she was Counsel and Chief Counsel at CCU. She received her law degree from the University of Chile.

Fernando Sanchis (41), is the General Manager of CCU Argentina and has been with the Company since 1995. Prior to joining the Company, he was Chief Financial Officer of Embochile, a former PepsiCo bottler and held the same position at Uruguay's PepsiCo's bottler. He received an accounting degree from the Buenos Aires University of Argentina.

Senior management are full time employees of the Company, therefore, they do not perform business activities outside the Company. The principal business activities of the Company's directors are summarized in the following table:

Directors	Business Activities Outside the Company
Guillermo Luksic	Chairman of Quiñenco
Giorgio Maschietto	Director of Companies
Johannes Bauer	Director of Companies
Jorge Carey	Lawyer
Peter Hellich	Technical Director of Paulaner Brauerei A.G.
Andrónico Luksic	Vice Chairman of Banco de Chile
Manuel José Noguera	Legal Counsel of Quiñenco
Francisco Pérez	Quiñenco's CEO
John S. Koykka	Vice President, International Development Anheuser-Busch Companies

An agreement between the two shareholders of Inversiones y Rentas, the controlling shareholder of CCU, gives Quiñenco and Paulaner the right to propose to the Board of Directors of CCU the Chief Executive Officer and the Comptroller, respectively. However, the Board of Directors has the right to accept or reject the proposed candidates according to their assesment of CCU's best interest. Also, the two shareholders in Inversiones y Rentas propose to the Board of Directors of CCU a member of this Board to be elected as President. On the other hand, under the agreement, neither Quiñenco nor Paulaner can separately buy CCU's shares.

Compensation

For the year ended December 31, 2001, the aggregate amount of compensation paid by the Company to all directors was Ch$2,635 million (US$4.0 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 accordance with the decisions made at a shareholders' meeting, the compensation of its Board of Directors consists of a fixed monthly fee of UF 100 per Board member, and twice as much for the Chairman, along with profit-sharing equivalent to 5% of distributed dividends. In 2001, 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$80,500	Ch$238,824	Ch$319,324	Ch$0	Ch$319,324
Giorgio Maschietto (1)	15,178	0	15,178	0	15,178
Johannes Bauer	63,121	244,040	307,161	45,882	353,043
Jorge Carey (1)	14,075	0	14,075	0	14,075
Rosita Covarrubias (2)	6,495	238,824	245,319	0	245,319
Thomas Fürst (2)	52,169	238,824	290,993	11,559	302,552
Peter Hellich	32,381	238,824	271,205	15,694	286,899
John S. Koykka (3)	18,942	0	18,942	0	18,942
Felipe Lamarca (3)	1,626	238,824	240,450	0	240,450
Andrónico Luksic	19,466	238,824	258,290	0	258,290
Manuel José Noguera	19,466	238,824	258,290	0	258,290
Francisco Pérez	74,968	244,040	319,008	4,039	323,047

(1) Mr. Giorgio Maschietto and Mr. Jorge Carey were elected as permanent Board members at the shareholders' meeting held on April 2001.

(2) Ms. Rosita Covarrubias and Mr. Thomas Fürst were not re-elected to the Board at the shareholders' meeting held on April 2001.

(3) Mr. John S. Koykka was designated a permanent Board member in February 2001, after the resignation of Mr. Felipe Lamarca.

For the year ended December 31, 2001, the aggregate amount of compensation paid by the Company to all senior managers was Ch$2,180 million (US$3.3 million).The Company does not disclose to its shareholders or otherwise make public information as to the compensation of its individual senior managers.

The Company does not maintain any stock option, pension or retirement programs for its directors or senior managers.

Board Practices

The Company is managed by its Board of Directors which, in accordance with the Company's Bylaws (*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 2001. 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 must be renewed at the next following ordinary general shareholders' meeting. The Company's senior managers 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 specially summoned by the Chairman at the request of any of the Board's members. The Board does not have an Executive Committee. The director's service contracts do not contain any provisions for benefits upon termination of employment.

Audit Committee The Chilean Corporations Act was amended effective December 20, 2000. The following is a summary of the main provisions of the amendment. Under the amendment, the boards of directors of corporations whose market capitalization reaches or exceeds 1.5 million *Unidades de Fomento* (as of May, 31, 2002 approximately US$37.3 million) shall designate an audit committee (the "Audit Committee"). If the market capitalization falls below this threshold, the obligation to designate an Audit Committee disappears. However, corporations which do not reach the threshold may voluntarily assume the obligations concerning the Audit Committee, in which case they shall strictly follow the provisions of the amendment.

The Audit Committee shall have the following powers and duties:

(1) to examine the independent accountants' reports, the balance sheets, and other financial statements submitted by the corporation's managers or liquidators to the shareholders, and issue an opinion about them prior to their submission for shareholder approval;

(2) to propose to the Board of Directors the independent accountants and the risk rating agencies, which the Board must then propose to the shareholders. Should the Board disagree with the Audit Committee's proposal, the Board shall be entitled to make its own proposal, submitting both to the shareholders for their consideration;

(3) to examine the documentation concerning (i) contracts or agreements in which directors have an interest and (ii) transactions between related or affiliated companies, and to produce a written report on such documentation. A copy of the report shall be delivered to the Chairman of the Board, who shall read it at the Board meeting in which the relevant transaction is presented for approval or rejection;

(4) to examine the managers' and chief executives' remuneration policies and compensation plans; and

(5) all other matters contemplated in the company's bylaws or entrusted to the Audit Committee by a shareholders' meeting or the Board of Directors.

For purposes of the related party transactions mentioned in paragraph (3) above, the following persons are considered by the Securities Market Law and the Chilean Corporations Act to be related to a company:

(a) any entities within the financial conglomerate to which the company belongs;

(b) corporate entities that have, with respect to the company, the character of parent company, affiliated company, subsidiary or related company. Parent companies are those that control directly or indirectly more than 50% of the subsidiary's voting stock (or participations, in the case of business organizations other than stock companies), or that may otherwise elect or appoint, or cause the election or appointment, of the majority of the directors or officers. Limited partnerships (*sociedades en comandita*) may likewise be affiliates of a corporation, whenever the latter has the power to direct or guide the administration of the general partner (*gestor*) thereof. Related companies are those that, without actually controlling the affiliate, own directly or indirectly 10% or more of the affiliate's voting stock (or participations, in the case of business organizations other than stock companies), or that may otherwise elect or appoint, or cause the election or appointment of at least one board member or manager;

(c) persons who are directors, managers, administrators or liquidators of the company, and their spouses or their close relatives (i.e., parents, father/mother in law, sisters, brothers, sisters/brothers in law); and

(d) any person who, whether acting alone or in agreement with others, may appoint at least one member of the management of the company or controls 10% or more of the capital of the company.

In addition, the Superintendency of Securities and Insurance may create a presumption that any individual or corporate entity is related with a company if, because of relationships of equity, administration, kinship, responsibility or subordination, the person:

(i) whether acting alone or in agreement with others, has sufficient voting power to influence the company's management;

(ii) creates conflicts of interest in doing business with the company;

(iii) in the case of a corporate entity, is influenced in its management by the company; or

(iv) holds an employment or position which affords the person access to non-public information about the company and its business, which renders the person capable of influencing the value of the company's securities.

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

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

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

The Audit Committee shall be composed of three members, the majority of which shall be independent. Independent directors are those that would have been elected even if the votes cast in the director's favor by the controlling shareholder and its related persons had not been counted. However, a majority of directors related to the controlling shareholder is permissible if there is an insufficient number of independent directors. Should there be more than three directors entitled to participate in the Audit Committee, the Board of Directors shall elect the members of the Audit Committee by unanimous vote. Should the Board fail to reach an agreement, the matter shall be decided by drawing. The Company's Audit Committee is composed of Messrs. Jorge

Carey, John Koykka and Francisco Pérez, of whom the first two are independent directors and the third one appointed with the controlling shareholder's votes .

The members of the Audit Committee shall be remunerated. The amount of such remuneration shall be established annually by the shareholders, taking in consideration the duties that the Audit Committee members shall perform. The remuneration of the members of the Company's Audit Committee is 17 *Unidades de Fomento* (as of May 31, 2002, approximately US$423) per Audit Committee meeting.

The shareholders shall determine the budget of the Audit Committee and those of its advisors, and the Audit Committee shall be allowed to request the recruitment of professionals to fulfill its duties, within the limits imposed by the budget. The activities of the Audit Committee and its expenses, including its advisors', shall be included in the annual report and conveyed to the shareholders. The budget of the Company's Audit Committee and its advisors is 1000 *Unidades de Fomento* (as of May 31, 2002, approximately US$24,889).

Employees

Chile. As of December 31, 1999, 2000 and 2001, the Company had a total of 4,223, 3,759 and 3,411 permanent employees in Chile, respectively. As of December 2001, 2,114 were represented by 42 labor unions. The labor unions are members of six federations, which represent their union members in collective bargaining negotiations with the Company. As of December 31, 2001, the average tenure of the Company's full-time employees was approximately eight years.

Unionized employees represent approximately 62% of the total permanent workforce of the Company.

Of the total workforce of the Company, 2,314 employees are subject to collectively negotiated agreements. During 2001, 1,428 employees renewed their collective contracts, all of them for a period of two years. The contract renewals are expected to increase the unionized workforce costs by 1.0% to 1.5%.

All employees who are terminated for reasons other than misconduct are entitled by law to receive a severance payment. In the years 1999, 2000 and 2001, the Company made severance payments in the amounts of Ch$1,850 million, Ch$4,602 million and Ch$2,405 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, consisting of a payment of one monthly base salary for each full year worked, not subject to a limitation on the total amount payable but subject to a limitation on the total number of employees who can claim the severance benefit during any one year. In 2001, the Company laid off 436 employees.

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 3,411 employees, as of December 31, 2001, the Company had 1,118 temporary employees, who were hired for specific time periods to satisfy short-term needs.

Argentina. As of December 31, 1999, 2000 and 2001, the Company had a total of 543, 573 and 481 permanent employees respectively. As of December 31, 2001, 263 employees were represented by three 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, 2001, the average tenure of the Company’s employees in Argentina was eight 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, 2001.

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$371 million, Ch$1,425 million and Ch$658 million, in 1999, 2000 and 2001, 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. For those employees hired after October 1998, the severance payment is the equivalent of 8.33% of a monthly salary for each month of tenure, without limitations.

In addition to its permanent work force of 481 employees, as of December 31, 2001, the Company had 88 temporary employees, who were hired for specific time periods to satisfy short-term needs.

Share Ownership

As of December 31, 2001, senior management and members of the Board of the Company in the aggregate owned less than one percent of the Company’s shares.

ITEM 7: Major Shareholders and Related Party Transactions

Major Shareholders

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 May 31, 2002, 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%
Anheuser-Busch International Holdings, Inc. Chile II Ltda.	63,695,333	20.00%
Directors and executive officers of the Company as a group (1)	98,242	0.03%

(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 May 31, 2002, Morgan Guaranty Trust Company of New York, the Depositary for CCU's ADR facility, was the record owner of 31,671,850 shares of Common Stock (9.94% of the outstanding Common Stock) deposited in the Company's ADR facility.

As of May 31, 2002, the Company had 5,572 shareholders.

Inversiones y Rentas is a Chilean privately held 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, 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.

On January 4 and 5, 2001, Anheuser-Busch International Holdings, Inc. acquired 23,887,716 shares from Compañía de Petróleos de Chile S.A. which represented a 7.5% ownership interest in CCU, 24,805,929 shares from local pension funds in an open market purchase in the Santiago Stock Exchange and 3,045,500 shares in an open market transaction in the New York Stock Exchange. As a result of these transactions, Anheuser-Busch International Holdings, Inc. became the owner of a 16.2% stake in the Company. Anheuser-Busch International Holdings, Inc. transferred its shares to a Chilean corporation called Anheuser-Busch International Holdings, Inc. Chile II Ltda., which owns 20.0% of the Company as of May 31, 2002.

During February 2001, an agreement between a Schörghuber Group subsidiary and Heineken N.V. was announced. The agreement appears to have been made in order to form a joint venture, organizing a new company under the name of BrauHolding International A.G. The Schörghuber Group informed the Company that among the assets to be transferred to said new company would be 100% of FHI, a company that owns 50% of the share capital in Inversiones y Rentas S.A. (controlling shareholder of CCU). The Company is not fully informed of the agreement or the state and further development of the same, all of which could have a material negative effect upon the Company and its shareholders, due to Heineken's current association with Cervecería Chile and Quilmes, CCU's main competitors in the Chilean and Argentine beer markets. The Board of Directors believes that such an agreement could affect the Company's normal course of business, but its consequences are at present unforeseeable. In a ruling issued on December 14, 2001, the arbitration panel instructed the Schörghuber Group not to transfer its interest to Heineken until the arbitration proceedings were completed and a final decision was issued and approved by the International Chamber of Commerce, or until the interim ruling was modified or revoked by the arbitration panel. In addition, in accordance with standard legal procedure, the arbitration panel will hold Quiñenco liable for any damages this interim ruling may cause if the arbitration is eventually decided against Quiñenco.

Related Party 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.

Additionally, 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. See "Item 4: Information on the Company—Business Overview—The Company's Beer Business in Chile—Beer Production and Marketing in Chile".

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's terms. See "Item 5: Operating and Financial Review and Prospects—Research and Development".

The Company produces, bottles and distributes Budweiser beer in Argentina under license from Anheuser-Busch, and sells imported Budweiser beer in Chile under a distribution agreement. In relation with CCU Argentina, the Company and Anheuser-Busch also signed an investment agreement that gives the option, until 2005, to Anheuser-Busch to increase its current participation of 10.8% up to 20.0% of CCU Argentina. See "Item 4: Information on the Company—Business Overview—The Company's Beer Business in Argentina" and "Item 4: Information on the Company—Business Overview—The Company's Beer Business in Chile". Anheuser-Busch began buying CCU's shares in January 2001. As of May 31, 2002; Anheuser-Busch owned 20.0% of the Company's shares. See "—Major Shareholders".

Article 89 of the Chilean Corporations 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.

The principal transactions with related parties for the twelve-month period ended December 31, 2001, are detailed below:

Company	Relationship	Transaction	Amounts (thousands of Ch$ as of December 31, 2001)
Banco Edwards	Affiliate	Purchase of time deposits	97,922,584
		Interest on time deposits	349,628
		Commissions paid	6,479
		Forward contracts (amount paid)	132,251
		Interest paid	87,403
Editorial Trineo S.A.	Affiliate	Purchase of materials	32,282
Hoteles Carrera S.A.	Affiliate	Services received (expense)	31,601
Inmobiliaria del Norte S.A.	Affiliate	Services received (expense)	30,159
Karlovacka Pivovara d.d.	Affiliate	Services rendered (income)	142,653
Paulaner Brauerei A.G.	Affiliate	Services received (expense)	71,780
Southern Breweries Establishment	Equity Investee	Advances on current account	884,002
Anheuser Busch Inc.	Affiliate	Purchase of raw materials and beer	1,559,448
		Services received (expense)	99,397
Cotelsa S.A.	Affiliate	Purchase of products	48,891
		Services received	3,375
Lanzville Investments Establishment	Affiliate	Advance on current account	29,840
Cervecería Austral S.A.	Affiliate	Purchase of products	8,249
Banco de Chile	Affiliate	Purchase of time deposits	20,400,100
		Interest on time deposits	261,421
Finca La Celia S.A.	Affiliate	Reimbursement of expenses	117,862
		Transfers on current account	507,343
		Interest on current account	22,661
Empresa Nacional de Telecomunicaciones	Affiliate	Services received (expense)	475,225
Edmundo Eluchans y Cia.	Partner is Director of Affiliate	Legal services	6,300
Telefónica del Sur Carrier S.A.	Affiliate	Services received (expense)	1,503
Entel PCS Telecomunicaciones S.A.	Affiliate	Services received (expense)	73,512
Banedwards S.A. Corredores de Bolsa	Affiliate	Purchase of investments	116,642,304
		Interest on investments	58,507
		Foreign currency transaction (amount paid)	2,918,488
Banedwards S.A.	Affiliate	Purchase of investments	10,671,400
		Interest on investments	13,613
Banchile Corredores de Bolsa	Affiliate	Purchase of investments	62,233,286
		Interest on investments	92,874
Banedwards Administradora de Fondos	Affiliate	Purchase of investments	8,846,567
Telefónica del Sur S.A.	Affiliate	Services received (income)	35,848
Electromecánica Industrial S.A.	Affiliate	Services received (expense)	5,053
Anheuser Busch Lat Corporation	Affiliate	Technical assistance (expense)	999,825
		Purchase of products	615,578
		Sales of products	1,308,719
		Marketing contribution	1,012,960
Viña Totihue S.A.	Affiliate	Transfers on current account	68,138

See Note 17 to the Consolidated Financial Statements for information about the years 1999 and 2000.

The Company engages in commercial transactions with certain related parties. These transactions are carried out on the base of formal contracts signed by each party. All such contracts with related parties are reported to the Company's Audit Committee, and are at arm's length. The principal related party contracts include rental of properties, the rendering of services and product sales.

Interests of Experts and Counsel

Not applicable

ITEM 8: Financial Information

Consolidated Statements and Other Financial Information

See "Item 19: Financial Statements and Exhibits" for the Company's Financial Statements and notes, audited by PricewaterhouseCoopers.

Wine Exports

The Company, through its subsidiary VSP, exports wine to 58 countries. VSP is the second largest wine exporter in Chile. See "Item 4: Information on the Company—Business Overview—The Company's Wine Business".

The following table presents the Company's wine exports by volume, in Chilean pesos and as percentage of total sales for the last three years:

	1999	2000	2001
Exports (thousands of liters)	27,729	33,804	40,858
% of total sales	3.0%	4.1%	3.5%
Exports (Ch$ million)	31,419	36,361	44,571
% of total sales	10.0%	11.1%	13.0%

Legal Proceedings

ECUSA filed an application before the Antitrust Solicitor General on July 2, 1999, seeking the declaration by the Chilean Antitrust 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.

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 TCCC, and its subsidiary Atlantic Industries, seeking damages and a declaration that the purchase of the companies owning the Canada Dry and Crush brands by the latter was in breach of the current agreements.

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

In September 2000, ECUSA and TCCC reached an agreement to replace the two previous license contracts between ECUSA and each of CS Beverages Ltd. and Canada Dry Corporation Ltd., with a new "Bottler Contract". To be operative, this agreement was submitted for the approval of the Antitrust Commission. On December 26, 2000, the Commission issued a resolution declaring that the "Bottler Contract" is not objectionable from a free competition point of view. Additionally, this resolution denied the request to put an end to the Commission's ex-officio proceeding, which was to continue its course until a judgment was made. On January 2, 2001, ECUSA and the subsidiaries of TCCC, CS Beverages Ltd., Canada Dry Corporation Ltd. and Schweppes Holdings Ltd., agreed to make effective the new "Bottler Contract". This new contract agreement has an initial ten-year term, renewable for consecutive five-year periods provided that certain conditions are fulfilled. However, the new contract was subject to the outcome of the judicial proceeding then pending.

On June 28, 2001, the Chilean Antitrust Commission ("CAC") put an end to the proceedings, ruling that it had no objection to the new "Bottler Contract", and dismissed all complaints against it. The CAC also declared that the presence of ECUSA as a bottler and distributor is a situation that has been carefully analyzed, taking into account that such company acts as bottler for two large competitors, as well as competing with its own products in the same field.

Dividend Policy and Dividends

The Company's dividend policy is reviewed and established from time to time by the Board of Directors and reported to the annual regular shareholders' meeting, which is generally held in April. Shareholder approval of the dividend policy is not required. Each year the Board of Directors must submit its proposal for a final dividend in respect of the preceding year for shareholder approval at the annual regular shareholders' meeting. As required by the Chilean Corporations 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, 2002, 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. During the last shareholders' meeting a final dividend of Ch$33 per share of Common Stock was approved in addition to the interim dividend of Ch$33 per share of Common Stock distributed in January 2002.

Dividends are paid to shareholders of record on the fifth business day (including Saturdays) 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**
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	64.65	0.25	0.38	0.63
2000	33.00	99.00 (4)	132.00	0.29	0.82 (4)	1.11
2001	33.00	33.00	66.00	0.24	0.25	0.49

(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 considers the final dividend of Ch$7.388 per share Common Stock (US$0.06 per ADS) plus an extraordinary dividend of Ch$91.612 per share of Common Stock (US$0.76 per ADS). It was paid on May 9, 2001.

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 "Item 3: Key Information—Selected Financial Data—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 10: Additional Information—Taxation".

Significant Changes

On March 20, 2001, the Company sold its equity investment in Unión de Cervecerías Peruanas Backus y Johnston S.A.A. ("Backus") for Ch$35,881 million. This transaction generated a non-recurring gain of Ch$16,698 million which was recorded during the first quarter of 2001.

On May 2, 2002, AmBev and Quilmes announced that pursuant to an agreement between both parties, AmBev will transfer all of its beer assets in Argentina, Bolivia, Paraguay and Uruguay to Quilmes in exchange for 26.4 million new B shares of Quilmes. Additionally, according to the announcement AmBev will purchase from the controlling shareholders of Quilmes 230.92 million class A shares for US$346.38 million. Also the agreement stipulates that AmBev can purchase at the end of a seven-year period the remaining Quilmes shares owned by the current controlling group, the Bemberg family, with AmBev shares. The Bemberg family has the option to sell to AmBev their remaining class A shares during a period beginning with the end of the first year and ending with the seventh year after the agreement was announced. The price of these transactions will be determined by the relative EBITDA of both companies. This transaction requires the final approval of the antitrust authorities of the relevant countries where AmBev will transfer its beer assets to Quilmes.

ITEM 9: The Offer and Listing

Offer and Listing Details

For the periods indicated, the table below sets forth the reported high and low closing sales prices for the Common Stock on the 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)(*)		NASDAQ/NYSE (since 3/26/99) (per ADS)	
	High (Ch$)	Low (Ch$)	High (US$)	Low (US$)
Years				
1997	2,500	1,330	29.50	15.50
1998	2,700	1,300	30.56	13.25
1999	3,360	1,371	32.19	14.20
2000	3,450	2,180	34.00	18.56
2001	3,085	2,270	26.15	15.82
2002(through May 31)	2,350	1,912	17.62	14.60
2000				
1st quarter	3,450	2,580	34.00	24.87
2nd quarter	2,580	2,200	25.44	20.75
3rd quarter	2,700	2,450	24.12	21.69
4th quarter	2,500	2,180	22.31	18.56
2001				
1st quarter	3,050	2,450	26.15	21.44
2nd quarter	3,085	2,710	25.88	21.65
3rd quarter	3,000	2,430	22.23	17.09
4th quarter	2,530	2,270	18.70	15.82

2002				
1st quarter	2,350	2,020	17.62	14.96
Last six months				
December 2001	2,500	2,310	18.50	17.57
January 2002	2,125	2,350	17.62	15.87
February	2,230	2,020	16.18	14.96
March	2,270	2,155	17.06	16.03
April	2,200	1,970	16.68	15.00
May	2,015	1,912	15.35	14.60

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

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

Plan of distribution

Not applicable

Markets

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 79% of the trading volume of the Common Stock in Chile in 2000 and 72% of such volume in 2001. 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 since 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.

Selling Shareholders

Not applicable

Dilution

Not applicable

Expenses of the Issue

Not applicable

ITEM 10: Additional Information

Share Capital

Not applicable

Memorandum and Articles of Association

Provided below is a summary of certain material information found in the Company's bylaws and provisions of Chilean law. This summary is not exhaustive. For more information relating to the items discussed in this summary, the reader is encouraged to read the Company's bylaws which have been filed as an exhibit to the Company's Registration Statement on form F-1, as amended, filed with the Commission on September 23, 1992 (File No. 033-48592).

Registration and corporate purposes Compañía Cervecerías Unidas S.A. (hereinafter "CCU") is a public corporation (sociedad anónima abierta) organized by means of a public deed dated January 8, 1902, executed before the notary public of Valparaíso, Mr. Pedro Flores, and its existence was approved by Supreme Decree N° 889 of the Treasury Department, dated March 19, 1902, both of which were recorded on the reverse of Folio 49, N° 45 of Valparaíso's Registry of Commerce for 1902, and published in Chile's Official Gazette on March 24, 1902. The Company was recorded on March 8, 1982, at Chile's Securities Registry of the Superintendencia de Valores y Seguros ("SVS", equivalent to the Securities and Exchange Commission in the U.S.) under N° 0007.

The last amendment to the articles of association, which moved the domicile of the corporation from Valparaíso to Santiago City, and the complete, revised and updated text of the corporation's bylaws were set forth in a public deed dated 4 June 2001, executed before the notary public of Valparaíso, María Ester Astorga, an extract of which was recorded on the reverse of folio 474 N° 363 of the Valparaíso Registry of Commerce for 2001, published in the Official Gazette on June 13, 2001, and is in the process of being recorded at the Registry of Commerce of Santiago.

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

Directors Under the Chilean law regarding corporations (the "Chilean Corporations Act"), a corporation may not enter into a contract or agreement in which a director has a direct or indirect interest (i.e., a conflicting interest transaction) without prior approval by the Board of Directors, and then only if the terms of the conflicting interest transaction are similar to those of an arm's length transaction.

If the conflicting interest transaction involves a "material amount," the Board of Directors is required to produce a statement declaring in advance that the conflicting interest transaction is similar in its terms to an arm's length transaction. A conflicting interest transaction is deemed to involve a “material amount” if the amount involved is both greater than 2,000 Unidades de Fomento (as of May 31, 2002, approximately US$49,778) and exceeds 1% of the assets of the corporation, or if the amount exceeds 20,000 Unidades de Fomento (as of May 31, 2002, approximately US$497,784) regardless of the size of the corporation.

If the Board of Directors believes that it is not possible to ascertain whether the conflicting interest transaction is similar to an arm’s length transaction, it may approve or reject the conflicting interest transaction, or appoint independent advisors to make such a determination. If the Board appoints independent advisors, the report prepared by the advisors will be made available to the shareholders and the Board of Directors for 20 business days from the date the report was received from the independent advisors. The shareholders will be notified in writing of the receipt of the report. After this period the Board may approve or reject the conflicting interest transaction, but the Board is not required to follow the independent advisors’ conclusion. The Board may treat the conflicting interest transaction and the report as confidential information. Shareholders representing at least 5% of the voting shares of the Company may request the Board to call a shareholders’ meeting in order to approve or reject the conflicting interest transaction by a two-thirds majority of the outstanding voting shares.

Interested directors are excluded from all decisions of the Board related to the conflicting interest transaction. All decisions adopted by the Board in respect of the conflicting interest transaction must be reported to the next following shareholders’ meeting. The controller of the corporation or the related party which intends to enter into the conflicting interest transaction shall make available to the Board of Directors, at the time the transaction is being considered by the Board, all information relating to the transaction filed with any non-Chilean regulatory entities or stock exchanges.

If a suit for damages arises from such a transaction, the defendant (i.e., one or more directors, the controller, a related party, or all of them) bears the burden of proof that the transaction was equally as or more beneficial to the corporation than an arm’s length transaction, unless the conflicting interest transaction was previously approved by the shareholders.

The amount of any director’s remuneration is established each year at the annual shareholders’ meeting. Directors are not entitled to vote on any proposal relating to compensation for themselves or any member of the Board.

Directors are prohibited from borrowing or otherwise making use of corporate money or assets for their own benefit, unless previously authorized by the Board of Directors. Directors are also prohibited from borrowing or otherwise making use of corporate money or assets for the benefit of companies in which such directors are either directors or owners of a 10% interest or more, unless previously authorized by the Board of Director. Directors who receive such loans are excluded from voting on the matter. However, the shareholders’ authorization is not required. These rules can only be modified by law.

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

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

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

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

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

CCU has only one class of shares and there are therefore no preferences or limitations on the voting rights of shareholders. Each shareholder is entitled to one vote per share. In shareholders' meetings, determinations are generally made by a simple majority of stockholders entitled to vote. However, the Chilean Corporations Act provides that certain determinations require the vote of a two-thirds majority of the voting stock issued.

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

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

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

Under Chilean law, certain provisions affect any existing or prospective holder of securities as a result of the shareholder owning a substantial number of shares. The Securities Market Law establishes that (a) any person who, directly or indirectly, (i) owns 10% or more of the subscribed capital of a corporation (the "majority shareholders") whose shares are registered in the Securities Registry of the SVS (the "SRSVS"), or (ii) owns any such percentage because of the purchase of shares; and (b) all directors, the chief executive officer, liquidators and other principal officers of any corporation whose shares are registered with the SRSSI, regardless of the number of shares they own, must report any purchase or sale of shares made by such persons or entities within two business days of such transactions to the SVS and to each of the stock exchanges in Chile where such corporation has securities registered. In addition, majority shareholders must inform the SVS and the stock exchanges with respect to whether the purchase is aimed at acquiring control of the corporation or just as a financial investment.

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

Finally, Chapter XXV of the Securities Market Law was enacted on December 20, 2000, to ensure that controlling shareholders share with minority shareholders the benefits of a change of control, by requiring that certain share acquisitions be made pursuant to a tender offer. This tender offer requirement, however, is not wholly applicable to the current controlling shareholders of CCU, pursuant to the exemption contemplated in transitory article 10 of Law N° 19.705, the benefits of which were granted to the controllers by the shareholders' meeting held on June 4, 2001. For a more complete description of the tender offer rules, see "Item 14: Material Modifications to the Rights of Security Holders and Use of Proceeds—Tender Offers".

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

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

- transformation of the corporation into a different type of legal entity;
- merger of the corporation;
- disposition of 50% or more of the assets of the corporation, whether or not including the disposition of its liabilities;
- guarantee of a third party's obligations with collateral exceeding 50% of the corporation's assets;
- establishment of preferences in connection with a series of shares, or any other modification of existing preferences, in which case only dissenting shareholders in the affected series will have the right to withdraw; and
- curing certain errors or defects affecting the corporate charter, or amending the bylaws in respect of one or more of the matters listed above.

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

The Company's bylaws do not provide for additional circumstances under which shareholders may withdraw.

Action necessary to change the rights of holders of stock Rights of stockholders are established by law and pursuant to the bylaws of a corporation. Any change to the rights of stockholders must be adopted by an absolute majority (i.e., 50% plus one) of stockholders or, in some cases, by a two-thirds majority vote, as discussed above. However, the amendment of certain rights requires a unanimous vote of the shareholders, including the right of shareholders to receive at least 30% of the net profits for each fiscal year. Notwithstanding the preceding, no decision of the shareholders' meeting can deprive a shareholder of his ownership of stock.

The Company's bylaws do not contemplate additional conditions in connection with matters described in this subsection.

Shareholders' meetings Annual shareholders' meetings are to be held during the first quarter of each year. During the meetings, determinations are made relating to particular matters, which matters may or may not be specifically indicated in the notice of such meeting.

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

- review of the state of the corporation and of the reports of internal and independent auditors, and the approval or rejection of the annual report, balance sheet, financial statements and records submitted by the officers or liquidators of the corporation;

- distribution of profits, including the distribution of dividends;

- election or revocation of regular and alternate Board members, liquidators and management supervisors; and

- determination of the remuneration of the Board members, designation of a newspaper to publish the notice of meetings and, in general, any other matter to be dealt with by the annual meeting being of corporate interest and not specifically reserved to extraordinary shareholders' meetings.

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

- dissolution of the corporation;

- transformation, merger or spin-off of the corporation and amendments to its bylaws;

- issuance of bonds or debentures convertible into stock;
- transfer of 50% or more of the corporate fixed assets, whether or not including the disposition of its liabilities, or the transfer of 50% or more of its liabilities; and
- guarantees of third parties' obligations, except when these third parties are affiliated companies (in which case approval of the Board of Directors will suffice).

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

- when requested by shareholders representing at least 10% of issued stock; and
- when required by the SVS.

Only holders of stock registered in the Record of Shareholders at least five days before the date of the pertinent meeting may participate with the right to be heard and vote in shareholders' meetings. Directors and officers other than shareholders may participate in shareholders' meetings with the right to be heard.

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

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

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

Takeover defenses The Company's bylaws do not contain any provisions that would have the effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company (or any of its subsidiaries).

Ownership threshold CCU's bylaws do not contain any ownership threshold above which shareholder ownership must be disclosed. For a description of the ownership thresholds mandated by Chilean law, see "—Rights, preferences and restrictions regarding shares".
Changes in the capital

CCU's bylaws do not impose any conditions that are more stringent than those required by law for effecting changes in the capital of the Company.

Material Contracts

Not applicable

Exchange Controls

General Legislation and Regulations The Central Bank of Chile is responsible for, among other things, monetary policies and exchange controls in Chile. See "Item 3. Key Information– Exchange Rate Information". Foreign investments can be registered with the Foreign Investment Committee under Decree Law No. 600 – registration which grants the investor access to the Formal Exchange Market — or with the Central Bank of Chile under Chapter XIV of the Central Bank Foreign Exchange Regulations.

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

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

The April 19th Regulations, among others, eliminated the following restrictions:

(1) prior authorization by the Central Bank of Chile for the entry of capital in connection with foreign loans, investment, capital contribution, bonds and ADRs;

(2) prior authorization by the Central Bank of Chile for the remittance of capital in connection with repatriation of capital, dividends and other benefits related to capital contributions and investments, and prepayment of foreign loans;

(3) minimum risk classification restrictions and terms for the issuance of bonds;

(4) restrictions to the issuance of ADRs. Therefore, the rules established under Chapter XXVI of the previous Foreign Exchange Regulations are not applicable any more; and

(5) Mandatory Reserve deposits for foreign capitals.

On January 23, 2002, the Central Bank of Chile replaced, as from March 1, 2002, the Foreign Exchange Regulations (“The New Rules”). The New Rules preserve the general principle established in the April 19th, 2001 Regulations, of freedom in foreign exchange transactions, reorganize chapters, simplify procedures and attachments and introduce several new provisions.

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

Transactions made pursuant to Chapter XIV before April 19, 2001, shall continue to be subject to the applicable rules (i.e. former Chapter XXVI), unless the interested parties elect the applicability of the New Rules, expressly waiving the applicability of the provisions which would otherwise govern them.

Notwithstanding the above, transactions executed before March 1, 2002, according to the regulations of the Central Bank of Chile in force at the time of their execution, may be reported to the Bank pursuant to the provisions contained in the New Rules.

According to the April 19th Regulations, transactions made pursuant to Chapter XIV shall be governed by the rules in force at the time of delivery of currency into Chile, or at the time when they were disposed of abroad in order to pay certain creditors or obligations. In the case of payments of foreign loans (including bond issuances), they shall be subject to the regulations in effect at the moment the relevant payment or remittance was made. The New Rules widen the scope of these provisions, to include all operations which are effected under the provisions of Chapter XIV.

The Company’s ADRs A Foreign Investment Contract was entered into among the Central Bank of Chile, the Company and the Depositary pursuant to Article 47 of the Central Bank Act and Chapter XXVI (see above “General Legislation and Regulations”). Absent the Foreign Investment Contract, under Chilean exchange controls in force until April 19, 2001, investors would not have been granted access to the Formal Exchange Market for the purpose of converting Chilean pesos to U.S. dollars and repatriating from Chile amounts received in respect of deposited Shares or Shares withdrawn from deposit on surrender of ADRs (including amounts received as cash dividends and proceeds from the sale in Chile of the underlying Shares and any rights with respect thereto). In December 1999, amendments were introduced in Chapter XXVI whereby, among other things, the Central Bank of Chile was authorized to reject applications under such regulations without showing cause. In reviewing applications, the Central Bank of Chile was required to take into account the situation of the balance of payments and the stability of the capitals account. However, the Central Bank of Chile was authorized to require certain conditions to the applicants prior to resolving on the applications. In April 2000, Chapter XXVI was again amended in order to incorporate, in addition to shares issued by Chilean corporations, quotes of investment funds as eligible to be converted into ADSs. Chapter XXVI did not require delivery of a new application in case of the entry of U.S. dollars intended for the acquisition of shares not subscribed by the shareholders or by the transferees of the options to subscribe the shares.

Under Chapter XXVI and the Foreign Investment Contract, the Central Bank of Chile agreed to grant to the Depositary, on behalf of ADR holders, and to any non-Chilean resident investor who withdrew Shares upon surrender of ADRs (such Shares being referred to herein as "Withdrawn Shares") access to the Formal Exchange Market to convert Chilean pesos to U.S. dollars (and to remit such dollars outside of Chile) in respect of Shares represented by ADSs or Withdrawn Shares, including amounts received as (a) cash dividends, (b) proceeds from the sale in Chile of Withdrawn Shares (subject to receipt by the Central Bank of Chile of a certificate from the holder of the Withdrawn Shares (or from an institution authorized by the Central Bank of Chile) that such holder's residence and domicile were outside Chile and a certificate from a Chilean stock exchange (or from a brokerage or securities firm established in Chile) that such Withdrawn Shares had been sold on a Chilean exchange), (c) proceeds from the sale in Chile of pre-emptive rights to subscribe for and purchase additional Shares, (d) proceeds from the liquidation, merger or consolidation of the Company and (e) other distributions, including, without limitation, those resulting from any recapitalization, as a result of holding Shares represented by ADSs or Withdrawn Shares. Access to the Formal Exchange Market in the case of (a), (b), (c) and (d) above would be available for only five working days following the sale of the shares on the stock exchange. Transferees of Withdrawn Shares would not be entitled to any of the foregoing rights under Chapter XXVI unless the Withdrawn Shares were redeposited with the Custodian. Investors receiving Withdrawn Shares in exchange for ADRs would have the right to redeposit such Shares in exchange for ADRs, provided that certain conditions to redeposit were satisfied. For a description of the Formal Exchange Market, see "Item 3. Key Information–Exchange Rates". Alternatively, according to the amendments introduced to Chapter XXVI in December 1999, in case of Withdrawn Shares and their subsequent sale in a stock exchange, the Chilean peso proceeds obtained thereby could be converted into U.S. dollars in a market different from the Formal Exchange Market within five business days from the date of the sale.

Chapter XXVI provided that access to the Formal Exchange Market in connection with the sale of Withdrawn Shares or distributions thereon would be conditioned upon receipt by the Central Bank of Chile of a certification by the Depositary or the Custodian, as the case might have been, that such Shares had been withdrawn in exchange for delivery of the pertinent ADRs and receipt of a waiver of the benefits of the Foreign Investment Contract with respect thereto (except in connection with the proposed sale of the Shares) until such Withdrawn Shares were redeposited. Chapter XXVI also provided that access to the Formal Exchange Market in connection with dividend payments was conditioned on certification by the Company to the Central Bank of Chile that a dividend payment had been made. The provision contained in Chapter XXVI that established that access to the Formal Exchange Market in connection with dividend payments was conditioned on certification by the Company to the Central Bank of Chile that any applicable tax had been withheld was eliminated on November 23, 2000.

Chapter XXVI and the Foreign Investment Contract provided that a person who brought foreign currency into Chile, including U.S. dollars, to purchase Shares entitled to the benefit of the Foreign Investment Contract was required to convert such foreign currency into Chilean pesos on the same date and had five banking business days within which to invest in Shares in order to receive the benefit of the Foreign Investment Contract. If such person decided within such period not to acquire Shares, such person could access the Formal Exchange Market to reacquire foreign currency, provided that the applicable request was presented to the Central Bank of Chile within seven banking days of the initial conversion into pesos. Shares acquired as described above could be deposited in exchange for ADRs and receive the benefit of the Foreign Investment Contract, subject to receipt by the Central Bank of Chile of a certificate from the Depositary that such deposit had been effected and that the related ADRs had been issued and receipt by the Custodian of a declaration from the person making such deposit waiving the benefit of the Foreign Investment Contract with respect to the deposited Shares.

Chapter XXVI required foreign investors acquiring shares or securities in Chile to maintain a mandatory reserve (the "Mandatory Reserve") for one year in the form of a non-interest bearing U.S. dollar deposit with the Central Bank, or to pay to the Central Bank a non-refundable fee (the "Fee"). Such reserve requirement was imposed with respect to investments made by foreign investors to acquire shares or securities in the secondary market, but did not apply to capital contributions made for purposes of paying-in capital for a newly created company or increasing the capital of an existing company. As of June 1, 1999, the Mandatory Reserve was not applied to foreign investments made for purposes of acquiring shares of a stock corporation, provided that the investor was entitled to the benefit of Chapter XXVI, and that such acquisition was consummated in accordance with the provisions of Chapter XXVI. On September 17, 1998, the Central Bank of Chile reduced the Mandatory Reserve to 0%.Access to the Formal Exchange Market under any of the circumstances described above was not automatic. Pursuant to Chapter XXVI, such access required approval of the Central Bank of Chile based on a request therefor presented through a banking institution established in Chile within five business days from the occurrence of any of the events described in letters (a), (b), (c) and (d) above. Pursuant to the Foreign Investment Contract, if the Central Bank of Chile had not acted on such request within seven banking days, the request would be deemed approved.

Under current Chilean law, the Foreign Investment Contract cannot be changed unilaterally by the Central Bank of Chile. No assurance can be given, however, that new restrictions applicable to the holders of ADRs, the disposition of underlying Shares or the repatriation of the proceeds from such disposition will not be reinstated in the future by the Central Bank of Chile, nor can there be any assessment of the possible duration or impact of such restrictions.

Taxation

Chilean Tax Considerations

The following discussion relates to 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 in effect on the date of this Annual Report, all of which are subject to change. The discussion summarizes the principal Chilean income tax consequences of an investment in the ADSs or Shares by a person who is neither domiciled in nor a resident of Chile or by a legal entity that is not organized under the laws of Chile and does not have a permanent establishment located in Chile (any such individual or entity, a "Foreign Holder"). For purposes of Chilean tax law, an individual holder is a resident of Chile if such person has resided in Chile for more than six consecutive months in one calendar year or for a total of six months, whether consecutive or not, in two consecutive tax years. 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 enact rulings and regulations of either general or specific application and interpret the provisions of Chilean tax law. Chilean tax 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 these 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 the ADSs or Shares held by a Foreign Holder will be subject to a 35% Chilean withholding tax, which is withheld and paid over to the Chilean tax authorities by the Company (the "Withholding Tax"). A credit against the Withholding Tax is available based on the level of corporate income tax actually paid by the Company on the income to be distributed (the "First Category Tax"); however, this credit does not reduce the Withholding Tax on a one-for-one basis because it also increases the base on which the Withholding Tax is imposed. In addition, if the Company distributes less than all of its distributable income, the credit for First-Category Tax paid by the Company is proportionately reduced. Presently, the First Category Tax rate is 16%. The example below illustrates the effective Chilean Withholding Tax burden on a cash dividend received by a foreign holder, assuming a Withholding Tax rate of 35%, an effective First-Category Tax rate of 16% and a distribution of 30% of the consolidated net income of the Company distributable after payment of the First-Category Tax:

The Company's taxable income	100.0
First Category Tax (16% of Ch$100)	(16.0)
Net distributable income	84.0
Dividend distributed (30% of net distributable income)	25.2
Withholding Tax (35% of the sum of Ch$25.2 dividend plus Ch$4.8 First Category Tax paid)	(10.5)
Credit for 30% of First-Category Tax	4.8
Net additional tax withheld	(5.7)
Net dividend received	19.5
Effective dividend withholding rate	22.6%

In general, the effective dividend Withholding Tax rate, after giving effect to the credit for the First-Category Tax, can be calculated using the following formula:

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

Under Chilean income tax law, dividends generally are assumed to have been paid out of the Company's oldest retained profits for purposes of determining the level of First-Category Tax that was paid by the Company. For information as to the retained earnings of the Company for tax purposes and the tax credit available on the distribution of such retained earnings, see Note 24 to the Audited Consolidated Financial Statements. The effective rate of Withholding Tax to be imposed on dividends paid by The Company will vary depending upon the amount of First Category Tax paid by the Company on the earnings to which the dividends are attributed. The effective rate for dividends attributed to earnings from 1991 until 2001, for which the First Category Tax was 15%, generally was 23.5%. For 2002, the First Category Tax rate is 16%, which results in an effective rate of Withholding Tax of 22.6%. In 2003, the First Category Tax rate will be 16.5% and from 2004 onwards, the First Category Tax rate will be 17%.

For dividends attributable to the Company’s profits during years when the First-Category Tax was 10% (before 1991), the effective dividend Withholding Tax rate will be 27.8%. However, whether the First-Category Tax is 10%, 15% or 16%, the effective overall combined tax rate imposed on the Company’s distributed profits will be 35%.

Dividend distributions made in property would be subject to the same Chilean tax rules as cash dividends based on the fair market value of such property. Stock dividends and the distribution of preemptive rights are not subject to Chilean taxation.

Capital Gains. Gain from the sale or other disposition by a Foreign Holder of ADSs (or ADRs evidencing ADSs) outside Chile will not be subject to Chilean taxation. The deposit and withdrawal of Shares in exchange for ADRs will not be subject to any Chilean taxes.

Gain recognized on a sale or exchange of Shares (as distinguished from sales or exchanges of ADRs evidencing ADSs representing such Shares) may 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 Shares for less than one year since exchanging ADSs for the Shares, (ii) the Foreign Holder acquired and disposed of the Shares in the ordinary course of its business or as a habitual trader of shares or (iii) the Foreign Holder and the purchaser of the Shares are “related parties” within the meaning of Article 17, Number 8, of the Chilean Income Tax Law. In all other cases, gain on the disposition of Shares will be subject only to a capital gains tax which is assessed at the same rate as the First Category Tax (currently imposed at a rate of 16%). Gain recognized in the transfer of Shares that have a high presence in the stock exchange, however, is not subject to capital gains tax in Chile, provided that the Shares are transferred in a local stock exchange, in other authorized stock exchanges (up to this date, the New York Stock Exchange, the London Stock Exchange and the Madrid Stock Exchange have been authorized for these purposes), or within the process of a public tender of shares governed by the Chilean Securities Market Act. The Shares must also have been acquired either in a stock exchange, within the referred process of a public tender of shares governed by the Chilean Securities Market Act, in an initial public offer of shares resulting from the formation of a corporation or a capital increase of the same, or in an exchange of convertible bonds. Shares are considered to have a high presence in the stock exchange when they (i) are registered in the Securities Registry, (ii) are registered in a Chilean Stock exchange, and (iii) have an adjusted presence equal to or above 25%. To calculate the adjusted presence of a particular Share, the aforementioned regulation states that, the number of days in which the operations regarding the stock exceeded, in Chilean pesos, the equivalent of 200 Unidades de Fomento (approximately US$4,800) within the previous 180 business days of the stock market. That number must then be divided by 180, multiplied by 100, and expressed in a percentage value. The referred tax regime does not apply in case the transaction involves an amount of Shares that would allow the acquirer to take control of the publicly traded corporation, in which case the ordinary tax regime referred in the previous paragraph will apply, unless the sale complies with one of the following conditions:(i) the transfer is part of a tender offer governed by the Chilean Securities Market Act; or (ii) the transfer is done in a Chilean stock exchange, without substantially exceeding the market price.

As of June 19, 2001, capital gains obtained in the sale of shares that are publicly traded in a stock exchange are also exempt from capital gains tax in Chile when the sale is made by “foreign institutional investors”, such as mutual funds and pension funds, provided that the sale is made in a stock exchange or in accordance with the provisions of the Securities Market Law (Law N°18.045, of October 22, 1981), or in any other form authorized by the SVS. To qualify as a foreign institutional investor, the referred entities must be formed outside of Chile, not have a domicile in Chile, and they must be at least one of the following:

a) An investment fund that offers its shares or quotas publicly in a country with an investment grade for its public debt, according to a classification performed by an international risk classification entity registered with the SVS;

b) An investment fund registered with a regulatory agency or authority from a country with an investment grade for its public debt, according to a classification performed by an international risk classification entity registered with the SVS, provided that its investments in Chile constitute less than 30% of the share value of the fund, including deeds issued abroad representing Chilean securities, such as ADRs of Chilean companies;

c) An investment fund whose investments in Chile represent less than 30% of the share value of the fund, including deeds issued abroad representing Chilean securities, such as ADRs of Chilean companies, provided that not more than 10% of the share value of the fund is directly or indirectly owned by Chilean residents;

d) A pension fund, i.e., those formed exclusively by natural persons that receive pensions out of an accumulated capital in the fund;

e) A Foreign Capital Investment Fund, as defined in Law Nº 18.657; or

f) Any other foreign institutional investor that complies with the requirements set forth through general regulations for each category of investor, prior information from the SVS and the Chilean tax authority or Servicio de Impuestos Internos (“SII”).

The foreign institutional investor must not directly or indirectly participate in the control of the corporations issuing the shares it invests in nor possess or participate in 10% or more of the capital or the profits of the same corporations.

Other requirements for the exemption to apply are that the referred foreign institutional investors must execute a written contract with a bank or a stock broker, both incorporated in Chile. In this contract, the bank or stock broker undertake to perform the purchase and sale orders, as well as to verify the applicability of the tax exemption and inform the SII of the investors it operates with and the transactions it performs. Finally, the foreign institutional investor must register with the SII by means of a sworn statement issued by the entities referred above (bank or stock broker).

The tax basis of Shares received in exchange for ADRs will be the acquisition value of the Shares on the date of exchange. The valuation procedure set forth in the Deposit Agreement, which values Shares 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 surrender of ADRs for Shares and the immediate sale of the Shares for the value established under the Deposit Agreement will not generate a capital gain subject to taxation in Chile.

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

Other Chilean Taxes. There are no Chilean inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of ADSs by a Foreign Holder, but such taxes generally will apply to the transfer at death or by gift of the Shares by a Foreign Holder. There are no Chilean stamp, issue, registration or similar taxes or duties payable by Foreign Holders of ADSs or Shares.

Withholding Tax Certificates. Upon request, The Company will provide to Foreign Holders appropriate documentation evidencing the payment of the Chilean Withholding Tax (net of applicable First Category Tax).

United States Tax Considerations

The following is a summary of certain United States federal income tax consequences of the ownership of shares of Common Stock or ADSs by an investor that is a U.S. holder (as defined below) that holds the shares of Common Stock or ADSs as capital assets. This summary does not purport to address all material tax consequences of the ownership of Common Stock or ADSs, and does not take into account the specific circumstances of any particular investors (such as tax-exempt entities, certain insurance companies, broker-dealers, traders in securities that elect to mark to market, investors liable for alternative minimum tax, investors that actually or constructively own 10% or more of the voting stock of the Company, investors that hold Common Stock or ADSs as part of a straddle or a hedging or conversion transaction or U.S. holders (as defined below) whose functional currency is not the U.S. dollar), some of which may be subject to special rules. This summary is based on the tax laws of the United States (including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions) as in effect on the date hereof, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

For purposes of this discussion, a “U.S. Holder” is any beneficial owner of shares of Common Stock or ADSs that is (i) a citizen or resident of the United States, (ii) a corporation or partnership organized under the laws of the United States or any State, (iii) an estate whose income is subject to United States federal income tax regardless of its source or (iv) a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust. The discussion does not address any aspects of United States taxation other than federal income taxation. Investors are urged to consult their tax advisors regarding the United States federal, state and local and other tax consequences of owning and disposing of Common Stock and ADSs.

In general, assuming that the representations of the Depositary are true and that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms, for United States federal income tax purposes, holders of ADRs evidencing ADSs will be treated as the owners of the shares of Common Stock represented by those ADSs, and exchanges of shares of Common Stock for ADSs, and ADSs for shares of Common Stock will not be subject to United States federal income tax.

Cash Dividends and Other Distributions Under the United States federal income tax laws, and subject to the passive foreign investment company (“PFIC”) rules discussed below, U.S. holders will include in gross income the gross amount of any dividend paid (after reduction for any Chilean First-Category Tax that is credited against Chilean Withholding Tax, but before reduction for the net amount of Chilean Withholding Tax) by the Company out of its current or accumulated earnings and profits (as determined for United States federal income tax purposes) as ordinary income when the dividend is actually or constructively received by the U.S. holder, in the case of shares of Common Stock, or by the Depositary, in the case of ADSs. The dividend will not be eligible for the dividends-received deduction. The amount of the dividend distribution includible in income of a U.S. holder will be the U.S. dollar value of the Chilean peso payments made, determined at the spot Chilean peso/U.S. dollar rate on the date such dividend distribution is includible in the income of the U.S. holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in income to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss. Such gain or loss will generally be from sources within the United States for foreign tax credit limitation purposes.

Subject to certain generally applicable limitations, the net amount of Chilean Withholding Tax (after reduction for the credit for Chilean First-Category Tax) paid over to Chile will be creditable against the U.S. holder 's United States federal income tax liability. For foreign tax credit limitation purposes, the dividend will be income from sources without the United States.

Pro rata distributions of shares of Common Stock or preemptive rights generally are not subject to United States federal income tax. The basis of the new shares of Common Stock 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 that 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.

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. holders tax basis in the ADSs or shares. 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 shares 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 other income from foreign sources. Loss generally would be treated as United States source loss.

PFIC Rules CCU believes that it should not be treated as a passive foreign investment company (a "PFIC") for United States federal income tax purposes, although this conclusion is subject to some uncertainty given the lack of definitive asset values for non publicly-traded or illiquid assets. This conclusion is a factual determination made annually and thus may be subject to change.

In general, the Company will be a PFIC with respect to a U.S. holder if for any taxable year in which the U.S. holder held the Company's ADSs or shares of Common Stock, either (i) at least 75% of the gross income of the Company for the taxable year is passive income or (ii) at least

50% of the value (determined on the basis of a quarterly average) of the Company 's assets is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income. If the Company is treated as a PFIC, a U.S. holder would be subject to special rules with respect to (a) any gain realized on the sale or other disposition of shares of Common Stock or ADSs and (b) any "excess distribution" by the Company to the U.S. holder (generally, any distributions to the U.S. holder in respect of the shares of Common Stock or ADSs during a single taxable year that are greater than 125% of the average annual distributions received by the U.S. holder in respect of the shares of Common Stock or ADSs during the three preceding taxable years or, if shorter, the U.S. holder 's holding period for the shares or ADSs). Under these rules, (i) the gain or excess distribution would be allocated ratably over the U.S. holder 's holding period for the shares of Common Stock or ADSs, (ii) the amount allocated to the taxable year in which the gain or excess distribution was realized would be taxable as ordinary income, (iii) the amount allocated to each prior year, with certain exceptions, would be subject to tax at the highest tax rate in effect for that year and (iv) the interest charge generally applicable to underpayments of tax would be imposed in respect of the tax attributable to each such year.

Special rules apply with respect to the calculation of the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If the Company is treated as a PFIC, a U.S. holder may be able to make a mark-to-market election if the Company's stock is treated as regularly traded on a registered national securities exchange or other exchange to the extent permitted by the IRS. If the election is made, the PFIC rules described above will not apply. Instead, in general, the electing U.S. holder will be required to include as ordinary income each year the excess, if any, of the fair market value of the shares of Common Stock or ADSs at the end of the taxable year over the U.S. holder's adjusted tax basis in the shares or ADSs. The electing U.S. holder will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted tax basis in the shares of Common Stock or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). An electing U.S. holder's tax basis in the shares of Common Stock or ADSs will be adjusted to reflect any such income or loss amounts.

Alternatively, a U.S. holder of shares or ADSs in a PFIC can sometimes avoid the rules described above by electing to treat the company as a "qualified electing fund" under section 1295 of the Internal Revenue Code. This option will not be available to U.S. Holders because the Company does not intend to comply with the requirements necessary to permit a U.S. Holder to make this election. U.S. Holders should consult their own tax advisors concerning the U.S. federal income tax consequences of holding shares or ADSs if the Company is considered a passive foreign investment company in any taxable year.

Dividends and Paying Agents

Not applicable

Statement by Experts

Not applicable

Documents on Display

The documents concerning the Company which are referred to in this Annual Report may be inspected at the Company's main offices at Bandera 84, Sixth Floor, Santiago, Chile.

Subsidiary Information

Not applicable

ITEM 11: 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 commodity 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 commodity price changes. As part of this review process, the Company periodically evaluates the convenience of entering into hedging mechanisms to mitigate such risks.

The market risk sensitive instruments referred to below are entered into only for purposes of hedging the Company's risks and are not used for trading purposes.

Quantitative Information About Market Risk

Interest Rate Sensitivity. The major interest rate risk which the Company faces is a rise in the London Interbank Offered Rate ("LIBOR"). As of December 31, 2001, the Company's interest-bearing debt amounted to Ch$69,396 million (see Notes 10 and 11 to the Consolidated Financial Statements), 31.7% of which was variable-rate debt and 68.3% was fixed-rate debt. The majority of the Company's floating-rate debt was dollar-denominated and tied to LIBOR. As of December 31, 2001, the Company had Ch$40,602 million of LIBOR-based interest-bearing debt outstanding.

The following table summarizes debt obligations with variable interest rates held by the Company as of December 31, 2001. The table presents principal payments obligations in millions of Chilean pesos that exist by maturity date, the related weighted-average interest rates and fair values:

Variable Interest-Bearing Debt as of December 31, 2001
(millions of Ch$, except percentages)

	Expected Maturity Date							
Currency	**2002**	**2003**	**2004**	**2005**	**2006**	**Thereafter**	**TOTAL**	**Fair Value**
Ch$ (UF) (*)	Ch$1,387	1,616	818	818	818	818	6,277	6,277
Average int. rate	5.7%	5.4%	4.1%	4.1%	4.1%	4.1%	4.8%	
US$	25,869	14,733	-	-	-	-	40,602	40,602
Average int. rate	3.6%	4.1%	-	-	-	-	3.8%	
French francs	234	88	174	-	-	-	496	496
Average int. rate	5.5%	5.5%	5.5%	-	-	-	5.5%	

(*) 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.

In addition to the debt presented in the table above, Finca La Celia, VSP's subsidiary in Argentina, had a short-term debt of US$15.6 million (Ch$10,221 million) as of December 2001, that is not consolidated into CCU's financial statement because this subsidiary is in the development stage.

Exchange Rate Sensitivity. The major exchange rate risk faced by the Company is the variation of the Chilean peso against the U.S. dollar.

The following table summarizes debt obligations and derivative contracts in foreign currencies held by the Company as of December 31, 2001. The table presents principal payments obligations and derivative contracts in millions of Chilean pesos that exist by maturity date, the related weighted-average interest rates and fair values:

Exchange Rate Sensitivity as of December 31, 2001
(millions of Ch$, except percentages and exchange rate)

	Expected Maturity Date							
	2002	**2003**	**2004**	**2005**	**2006**	**Thereafter**	**TOTAL**	**Fair Value**
Debt Obligations								
Variable rate								
US$	25,869	14,733	-	-	-	-	40,602	40,602
Average int. rate	3.6%	4.1%	-				3.8%	
French francs	234	88	174	-	-	-	496	496
Average int. rate	5.5%	5.5%	5.5%	-	-	-	5.5%	
Derivative Contracts								
Receive Ch$/pay US$	ThUS$42,000							

Commodity Price Sensitivity. The major commodity price sensitivity faced by the Company is the variation of barley and malt prices.

The following table summarizes information about the Company's barley and malt inventories and futures contracts that are sensitive to changes in commodity prices, specifically barley and malt prices. For inventories, the table presents the carrying amount and fair value as of December 31, 2001. For the futures contracts the table presents the notional amounts in tons, the weighted average contract prices, and the total dollar contract amount by expected maturity dates.

Commodity Price Sensitivity as of December 31, 2001

	Carrying Amount	**Fair Value**
On Balance Sheet Position		
Malt inventory (millions of Ch$)	Ch$2,472	2,460
	Expected Maturity 2002	**Fair Value**
Futures Contracts		
Malt:		
Volume (tons)	22,000	
Weighted Average FOB Price (US$ per ton)	280	
Contract Amount (thousands of US$)	US$6,160	US$6,600

Qualitative Information About Market Risk

Interest Rate Sensitivity. The major interest rate risk which the Company faces is a rise in the LIBOR. As of December 31, 2001, the Company had Ch$40,602 million of LIBOR-based interest-bearing debt outstanding, none of which was hedged, with the exception of Ch$24,849 million in time deposits that are tied to LIBOR that would reduce the impact of a variation on that interest rate.

Exchange Rate Sensitivity. The major exchange rate risk faced by the Company is the variation of the Chilean peso against the dollar. As of December 31, 2001, the Company's foreign currency denominated liabilities amounted to Ch$57,930 million, most of which was U.S. dollar denominated. Foreign currency denominated interest-bearing debt (Ch$41,098 million) represented 59.2% of the Company's total interest-bearing debt, of which 98.8% were U.S. dollar denominated. The remaining 40.8% was indexed to Chilean inflation. Additionally, the Company had Ch$27,501 million in notional amounts of derivative contracts to sell U.S. dollars, as of December 31, 2001. To reduce the impact of any devaluation of the peso against the U.S. dollar, as of December 31, 2001, the Company held Ch$24,849 million in dollar-indexed instruments. In addition, the Company held other assets denominated in U.S. dollars equal to Ch$11,047 million, most of which were accounts receivable. Including the assets denominated in U.S. dollars, the net liability exposure to variations in foreign exchange rates was Ch$30,892 million.

According to Chilean generally accepted accounting principles, the Company applied TB 64 to translate and value investments in foreign subsidiaries (see Note 1 of the Consolidated Financial Statements) as of December 31, 2001. Under TB 64, the Company's foreign investments in Karlovacka Pivovara, CICSA and Finca La Celia are not subject to price-level restatements based on inflation in those countries. Instead, the Deutsche mark is considered the functional currency for Karlovacka Pivovara, and the U.S. dollar is considered the functional currency for CICSA and Finca La Celia. 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 Karlovacka Pivovara, CICSA and Finca La Celia, 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, 2001, the Company's investment in Karlovacka Pivovara, CICSA and Finca La Celia amounted to Ch$105,618 million, and foreign currency denominated obligations that were designed to hedge against these investments amounted to Ch$29,466 million. Therefore, such amounts should not be included in determining the net exposure in Chile to foreign exchange that would have an impact on net income. As a result, the net accounting exposure with effect on the results of operations was a net liability of Ch$1,426 million.

CCU Argentina, as of December 31, 2001, had a net liability exposure of US$13.6 million due to financial debt denominated in U.S. dollars. Additionally, according to TB 64 the Argentine peso net monetary asset position, as of December 31, 2001, amounted to Argentine Th$7,474.

Commodity Price Sensitivity. The major commodity price sensitivity faced by the Company is the variation of barley and malt prices. In Chile, the Company obtains its supply of malt from local producers and in the international market. During 2001, the Company imported 23,000 tons of barley. In Argentina during 2001, the Company purchased all its malt from local suppliers. See "Item 4: Information on the Company—Business Overview—The Company's Beer Business—The Company's Beer Business in Chile—Raw Materials" and "Item 4: Information on the Company—Business Overview—The Company's Beer Business—The Company's Beer Business in Argentina—Raw Materials". The Company does not hedge these transactions. Rather, the Company negotiates yearly contracts with malt suppliers.

The principal commodity used in the production of soft drinks is sugar. 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 4: Information on the Company—Business Overview—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.

Other Raw Materials Price Sensitivity. The principal raw materials used in the production of wine are harvested grapes and purchased wine. 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 2001, 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 4: Information on the Company—Business Overview—The Company's Wine Business—Raw Materials".

ITEM 12: Description of Securities Other than Equity Securities

Not applicable

PART II

ITEM 13: Defaults, Dividend Arrearages and Delinquencies

Not applicable

ITEM 14: Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable

Audit Committee

See "Item 6: Directors, Senior Management and Employees—Board Practices".

PART III

ITEM 17: Financial Statements

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

ITEM 18: Financial Statements

See Annex for the Financial Statements

ITEM 19: Exhibits

Index to Financial Statements and Schedules

	Page
Report of independent accountants	F-1
Consolidated balance sheet at December 31, 2000 and 2001	F-3
Consolidated statement of income for each of the three years in the period ended December 31, 2001	F-4
Consolidated statement of cash flows for each of the three years in the period ended December 31, 2001	F-5
Notes to the consolidated financial statements	F-7

Ch$ - Chilean pesos
ThCh$ - Thousands of Chilean pesos
US$ - United States dollars
DM - German marks
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.

Index to Exhibits

1.1 Company bylaws

2.1 Investment Agreement dated as of December 14, 1995, among Anheuser-Busch International Holdings, Inc., Compañia Cervecerías Unidas S.A., and Compañia Cervecerías Unidas Argentina S.A., Schedule 5.3 and Exhibit F.[1]

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[1] Confidential treatment had 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 the information previously provided with confidential treatment.

COMPAÑIA CERVECERIAS UNIDAS S.A.
AND SUBSIDIARIES

December 31, 2001

Consolidated Financial Statements

CONTENTS

Report of independent accountants
Audited financial statements:
Consolidated balance sheet at December 31, 2000 and 2001
Consolidated statement of income for the years ended December 31, 1999, 2000 and 2001
Consolidated statement of cash flows for the years ended December 31, 1999, 2000 and 2001
Notes to the consolidated financial statements

Ch$	-	Chilean pesos
ThCh$	-	Thousands of Chilean pesos
US$	-	United States dollars
FrF	-	French francs
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.

PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
RUT: 81.513.400-1
Santiago de Chile
Av. Andrés Bello 2711
Torre Costanera - Pisos 2, 3, 4 y 5
Las Condes
Teléfono [56] (2) 940 0000

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 Compa a Cervecer as Unidas S.A. and its subsidiaries as of December 31, 2000 and 2001, and the related consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 2001, 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 generally accepted auditing standards in both Chile and 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, 1999 and 2000 and for the years then ended have been restated in terms of constant Chilean pesos of December 31, 2001 purchasing power.

4 In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Compa a Cervecer as Unidas S.A. and its subsidiaries at December 31, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in Chile.

PRICEWATERHOUSECOOPERS

Compañía Cervecerías Unidas S.A.
(A subsidiary of Inversiones y Rentas S.A.)

5 At December 31, 2001, the Company had investments in Argentina which are affected by the economic and political uncertainties in that country as described in Note 18 c).

6 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, 2001 and the determination of consolidated shareholders' equity, also expressed in constant Chilean pesos, at December 31, 1999, 2000 and 2001 to the extent summarized in Note 24 to the consolidated financial statements.

PricewaterhouseCoopers

Santiago, Chile
January 28, 2002

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, 2001

	As of December 31, 2000	As of December 31, 2001
ASSETS	ThCh$	ThCh$
CURRENT ASSETS		
Cash	6,338,298	9,629,395
Time deposits and marketable securities (Note 3)	40,521,193	56,360,596
Accounts receivable - trade and other (Note 4)	73,861,485	65,764,955
Accounts receivable from related companies (Note 16)	2,830,523	697,612
Inventories (Note 6)	38,966,640	41,826,139
Prepaid expenses	5,100,979	2,346,793
Prepaid taxes (Note 14)	1,974,257	2,205,238
Other current assets (Note 7)	27,429,814	22,201,187
Total current assets	197,023,189	201,031,915
PROPERTY, PLANT AND EQUIPMENT, net (Note 8)	339,721,873	342,551,527
OTHER ASSETS (Note 9)	106,988,354	85,819,795
Total assets	643,733,416	629,403,237
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings (Note 10)	18,366,829	12,398,718
Current portion of long-term debt (Note 11)	21,350,277	18,341,990
Dividends payable	11,070,318	10,813,565
Accounts payable	30,512,472	35,688,318
Notes payable	1,352,498	574,640
Other payables	4,573,152	3,892,387
Accounts payable to related companies (Note 16)	110,407	588,343
Accrued expenses (Note 13)	14,119,649	13,711,739
Withholding taxes payable	10,195,940	9,398,575
Other current liabilities	18,709	47,563
Total current liabilities	111,670,251	105,455,838
LONG-TERM LIABILITIES		
Long-term debt (Note 11)	56,226,523	41,375,429
Accrued expenses (Note 13)	2,287,562	2,069,872
Deferred income taxes (Note 14)	11,899,413	15,849,932
Deposits on bottles and containers	13,832,077	13,207,512
Total long-term liabilities	84,245,575	72,502,745
Total liabilities	195,915,826	177,958,583
MINORITY INTEREST	33,401,928	39,869,865
COMMITMENTS AND CONTINGENCIES (Note 18)	-	-
SHAREHOLDERS' EQUITY (Note 15)		
Common Stock (318,502,872 shares with no par value authorized and outstanding, respectively)	163,391,177	163,391,177
Share premium	12,778,372	12,778,372
Other reserves	11,363,860	13,058,204
Retained earnings	226,882,253	222,347,036
Total shareholders' equity	414,415,662	411,574,789
Total liabilities and shareholders' equity	643,733,416	629,403,237

The accompanying notes 1 to 24 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, 2001

	For the years ended December 31,		
	1999	2000	2001
	ThCh$	ThCh$	ThCh$
OPERATING RESULTS			
Net sales	313,479,261	327,215,999	343,561,608
Cost of sales	(146,942,794)	(157,019,569)	(168,536,801)
Gross margin	166,536,467	170,196,430	175,024,807
Selling and administrative expenses (Note 21)	(123,288,326)	(129,491,017)	(131,372,654)
Operating income	43,248,141	40,705,413	43,652,153
NON-OPERATING RESULTS			
Non-operating income (Note 20)	20,375,267	12,397,559	23,285,643
Non-operating expenses (Note 21)	(10,072,470)	(20,510,522)	(17,178,180)
Price-level restatement (Note 21)	2,793,663	(109,039)	(2,398,842)
Income before income tax and minority interest	56,344,601	32,483,411	47,360,774
Income tax (Note 14)	(7,764,167)	(5,175,461)	(7,145,864)
Minority interest	(4,126,580)	(783,027)	(1,837,615)
NET INCOME	44,453,854	26,524,923	38,377,295

The accompanying notes 1 to 24 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, 2001

	For the years ended December 31,		
	1999	2000	2001
	ThCh$	ThCh$	ThCh$
CASH FLOWS FROM OPERATING ACTIVITIES			
NET INCOME	44,453,854	26,524,923	38,377,295
CHARGES (CREDITS) TO INCOME NOT REPRESENTING CASH FLOWS			
Depreciation	35,658,002	38,593,713	40,197,684
Amortization of goodwill	1,543,276	2,464,755	2,391,400
Amortization of negative goodwill	(32,433)	(34,756)	(45,300)
Amortization of other intangibles	369,674	384,746	397,503
Provision for impairment of property, plant and equipment	264,009	3,134,919	1,349,550
Write-offs and provisions	5,216,911	4,855,240	2,932,631
Equity in net income of affiliated companies (net)	(984,719)	(1,257,209)	(689,868)
Price-level restatement	(2,793,663)	109,039	2,398,842
Gain on change in estimate of deposit liability for bottles and containers	(6,259,331)	-	-
Gain on sale of land and properties held for sale	(303,298)	(4,924,824)	(400,962)
Gain on sale of investments and other assets	(1,388,301)	-	(16,698,070)
Other	458,681	1,009,983	3,023,478
(INCREASE) DECREASE IN ASSETS AFFECTING CASH FLOWS			
Accounts and notes receivable	(4,546,488)	(2,489,382)	(2,152,707)
Inventories	(7,208,424)	4,274,910	(4,695,299)
Other assets	(102,850)	(11,735,298)	(4,488,049)
INCREASE (DECREASE) IN LIABILITIES AFFECTING CASH FLOWS			
Accounts payable affecting operating results	6,478,493	425,357	5,907,289
Interest payable	(33,479)	132,603	274,066
Income tax payable	(824,282)	1,335,123	(9,297)
Accounts payable affecting non-operating results	6,071,850	8,877	(2,729,347)
Value added tax	266,471	5,754,158	(305,192)
MINORITY INTEREST	4,126,580	783,027	1,837,615
Net cash provided by operating activities	80,430,533	69,349,904	66,873,262

CONSOLIDATED STATEMENT OF CASH FLOWS

Adjusted for general price-level changes and expressed in
thousands of constant Chilean pesos of December 31, 2001

	For the years ended December 31, 1999	2000	2001
	ThCh$	ThCh$	ThCh$
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common shares	20,113,783	497,067	6,231,319
Payment of expenses relating to issuance of common shares	(131,736)	-	(34,341)
Loans obtained	12,138,843	18,296,425	10,995,151
Dividends paid	(25,454,561)	(21,832,221)	(42,888,327)
Payments of loans	(18,468,585)	(18,424,157)	(37,294,220)
Payments of bonds	(4,648,034)	(4,843,946)	(5,069,480)
Other	-	10,984	6,874,324
Net cash used in financing activities	(16,450,290)	(26,295,848)	(61,185,574)
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Proceeds from sale of property, plant and equipment	988,891	7,466,297	771,931
Proceeds from sale of investments in related companies	3,430,133	-	35,882,374
Proceeds from sale of other investments	160,590,678	105,464,730	89,160,715
Capital expenditures	(63,144,485)	(52,457,196)	(33,107,387)
Investments in related companies	(62,177,207)	(11,112,155)	(4,090,236)
Investments in financial instruments	(117,515,001)	(100,446,275)	(87,347,047)
Accounts receivable from related companies	14,237,572	(837,812)	3,964,735
Other	1,270,158	(99,243)	(45,937)
Net cash used in investment activities	(62,319,261)	(52,021,654)	5,189,148
Net cash flow for the year	1,660,982	(8,967,598)	10,876,836
PRICE-LEVEL RESTATEMENT OF CASH AND CASH EQUIVALENTS	(948,974)	(1,769,435)	(2,670,921)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	712,008	(10,737,033)	8,205,915
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	58,787,671	59,499,679	48,762,646
CASH AND CASH EQUIVALENTS AT END OF YEAR	59,499,679	48,762,646	56,968,561
Supplemental cash flow information:			
Interest paid	6,592,707	7,165,806	6,765,640
Income taxes paid	7,756,616	6,527,407	7,047,629

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

COMPAÑIA CERVECERIAS UNIDAS S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2001

Adjusted for general price-level changes and expressed in thousands of constant Chilean pesos of December 31, 2001, except as indicated

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

Compañía Cervecerías Unidas S.A. ("CCU" or "the Company") 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 ten different brand names and four brand extensions. The Company has three beer production facilities located throughout Chile, and has a nationwide production and distribution network. The Company also imports and distributes Budweiser, Paulaner and Guinness beers in Chile.

The Company is one of the largest producers in the Argentine beer market. It has two beer production facilities in Argentina, in Salta and Santa Fe. Under a joint venture agreement with Anheuser-Busch Incorporated ("Anheuser-Busch"), the Company produces and distributes locally produced Budweiser beer in Argentina as part of its strategy to develop Budweiser as the flagship brand of its Argentine operations. At December 31, 2000 and 2001, 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").

CCU also owns an interest in Karlovacka Pivovara d.d. which operates a brewery and several distribution centers in Croatia.

The Company also produces Chilean wine through a controlling interest in Viña San Pedro S.A. ("VSP"), Chile's second largest wine exporter and third largest winery in the domestic market. VSP produces and markets premium, varietal and popular-priced wines under the brand families Viña San Pedro and Viña Santa Helena.

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. During November 1999, CCU acquired BAESA's 45.00% ownership in ECUSA. ECUSA is the exclusive producer, bottler, and distributor in Chile of CCU's proprietary brands and those brands produced under license from PepsiCo, Schweppes Holding Ltd. and Watt's Alimentos S.A. 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.

The consolidated financial statement for the years 1999, 2000 and 2001 include the following significant subsidiaries:

	At December 31,		
	1999	2000	2001
	%	%	%
Percentage of Direct and Indirect Ownership:			
Aguas Minerales Cachantun S.A.	99.90	99.90	99.90
Comercial CCU Santiago S.A.	99.71	99.76	99.76
Fábrica de Envases Plásticos S.A.	99.99	99.99	99.99
Transportes CCU Limitada	100.00	100.00	100.00
Cervecera CCU Chile Limitada	99.99	100.00	100.00
CCU Cayman Limited	99.99	99.99	99.93
Compañía Cervecerías Unidas Argentina S.A.	89.22	89.22	89.18
Agua Mineral Porvenir S.A.I.	100.00	100.00	-
Andina de Desarrollo S.A.	52.40	52.40	52.38
Compañía Industrial Cervecera S.A. (“CICSA”)	88.51	88.51	88.48
Viña San Pedro S.A.	60.33	63.91	60.33
Vinos de Chile S.A.	60.27	63.84	60.27
Saint Joseph Investment Limited	99.99	99.99	99.93
South Investment Limited	99.99	99.99	99.93
Embotelladoras Chilenas Unidas S.A. (“ECUSA”)	99.85	99.87	99.94
Transportes y Servicios ECCUSA Ltda.	-	99.87	-

A summary of significant accounting policies is set forth below:

a) Consolidation

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 herein referred to collectively as the “Company” or “CCU”.

Transportes y Servicios ECCUSA Ltda. (“ECCUSA”) was formed on October 13, 2000. This Company provides transportation services to the Company. On September 27, 2001, Compañía Cervecerías Unidas S.A. transferred its 2% shareholding in ECCUSA to Transportes CCU Limitada. On that same date, ECUSA also transferred its 98% shareholding in ECCUSA to Transportes CCU Limitada. On October 1, 2001, ECCUSA merged with Transportes CCU Limitada, with the latter becoming the continuing company.

On January 31, 2001, Agua Mineral Porvenir S.A.I., merged with Compañía Cervecerías Unidas S.A., with the latter becoming the continuing company.

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

Certain reclassifications have been made in the 1999 and 2000 amounts to conform with the 2001 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 2.6%, 4.7% and 3.1% for the years ended November 30, 1999, 2000 and 2001, 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, 1999 and 2000 and the amounts disclosed in the related footnotes have been restated in terms of Chilean pesos of December 31, 2001 purchasing power and minor reclassifications have been made. 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 5 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$ 530.07 per US$ 1.00 in 1999, Ch$ 573.65 per US$ 1.00 in 2000 and Ch$ 654.79 per US$ 1.00 in 2001).

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.

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. Prepaid advertising costs capitalized at December 31, 2000 and 2001 were ThCh$ 5,277,277 and ThCh$ 3,007,537, respectively.

i) Other current assets

At December 31, 2000 and 2001, 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 is being amortized over the term of the bonds.

CCU Argentina owns bonds of the federal and certain provincial governments of Argentina which are not listed on any stock exchange and accordingly are valued at their nominal value. They are classified as short-term investments because some of them will be used by the Company to meet short-terms obligations and others mature in the short-term. The Company estimates that the bonds issued by the Argentine federal government will be held to maturity and will then be used for the repayment of liabilities to the government. No interest income is being recognized on these bonds.

The Company uses some forward contracts to hedge existing liabilities. There are valued at their fair market value and the balance sheet only includes a net short-term asset or liability at the end of the year, based on the maturity of the contracts.

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.

Software included in this caption consists of purchased software and fees paid to third parties for its adaptation and installation. The cost is being amortized over four to seven years.

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.

Repairs and maintenance costs 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, 2000 and 2001, 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 based on the restated values and 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, 2000 and 2001, the amount of these deposits was determined based on estimated redemption of the bottles and containers by customers, valued using the historic value of the deposit. Prior to 1999, customer deposits on the bottles and containers were recorded at the historical values received at the time the respective bottles and containers were put into circulation, less actual redemptions. These deposits are not subject to monetary correction.

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. Under Chilean GAAP, this is generally presumed to occur when the investor owns between 10% and 50% of the outstanding shares. Such investments are valued by the equity method.

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 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 during 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 cost. Income from these investments is recognized on a cash basis.

o) Translation of foreign currency financial statements

The investments in Southern Breweries Establishment and the Argentine subsidiaries are recorded in accordance with Technical Bulletin No. 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 is given to price-level restatements based on inflation in those countries and the US dollar is considered to be the functional currency of these operations. Accordingly, the financial statements of Southern Breweries Establishment and the subsidiaries in Argentina are prepared in accordance with Chilean 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 results of operations.

The resulting US dollar amounts are 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 is 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 are included in the Cumulative translation adjustment account in the equity section of the balance sheet under Chilean GAAP.

p) Other assets

At December 31, 2000 and 2001, 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 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

Current income taxes are determined in accordance with current tax regulations.

Effective January 1, 2000, the effects of deferred income taxes arising from temporary differences between the basis of assets and liabilities for tax and financial statement purposes are recorded in accordance with Technical Bulletin No. 60 of the Chilean Institute of Accountants and based on the enacted income tax rate which will be in effect when the temporary difference reverses. The effects of deferred income taxes at January 1, 2000, which were not previously recorded, are only recognized in income beginning in 2000 as the temporary differences reverse. Until December 31, 1999, deferred income taxes were also recorded on the basis of timing differences between tax and financial results, but only for those items at year end which were not expected to be offset by similar new timing differences in future years.

The subsidiaries in Argentina have not accrued income taxes due to the existence of tax loss carryforwards (see Note 14). However, CICSA recorded a minimum imputed income tax (see Note 9) which has been included under Other assets because the taxes paid can be used to offset income taxes in future periods.

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 cash 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,	
	2000	2001
	ThCh$	ThCh$
Cash	6,338,298	9,629,395
Time deposits	14,643,250	10,446,950
Mutual fund shares (money market funds)	2,025,517	21,548,635
Securities purchased under resale agreements	25,755,581	15,343,581
Total	48,762,646	56,968,561

u) Revenue recognition

The Company recognizes revenues relating to domestic sales of beer, soda, mineral water, juice products and wine upon delivery and physical acceptance of the product, at which time title passes to the customer. Viña San Pedro S.A. generally recognizes revenues relating to export sales of wine when the wine is shipped, which in accordance with established sales terms is when title passes to the customer.

v) Advertising and sales promotion costs

Advertising and sales promotion costs are generally expensed as incurred. The cost of television advertising is deferred and recognized in income when the corresponding advertisement is first shown on television.

w) Accumulated deficit during development period

In accordance with Circular 981 of the Superintendency of Securities and Insurance, disbursements made during the organization and start-up stage which are not assignable to tangible or intangible assets are included in shareholder’s equity in the balance sheets as Accumulated deficit during development period.

x) Excise taxes

Excise taxes paid by the Company relate to the tax on alcoholic and non-alcoholic beverages and are not reflected in the income statement. These taxes are invoiced to customers and included in Accounts receivable as billed, with a corresponding credit to liability accounts. Payments to the government authorities are charged to the liability accounts.

y) Shipping and handling costs

Revenues from shipping and handling costs charged to customers are included separately on the sales invoices because they are not subject to excise tax. These charges are included in Accounts receivable and revenues when billed. The actual costs of shipping and handling are charged to revenue.

NOTE 2 - ACCOUNTING CHANGES

a) During 1999, the Company changed its estimate of the liability for guarantees on bottles. Previously, 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.

   This accounting change caused a decrease in the liability for guarantees on bottles amounting to ThCh$ 6,259,331 in 1999 and an increase in non-operating income in the same amount. This transaction also resulted in an offsetting increase of ThCh$ 938,900 in deferred income tax expense.

   Starting in 2000, the adjustments made to this obligation are based on annual physical inventory counts.

b) As indicated in Note 1 r), effective January 1, 2000 the Company began applying Technical Bulletin No. 60 of the Chilean Institute of Accountants regarding deferred income taxes. This Bulletin requires the recognition of deferred income taxes for all temporary differences whether recurring or not, using an asset and liability approach. This change resulted in an increase in income of ThCh$ 255,846 during the year ended December 31, 2000 as shown in Note 14 c).

NOTE 3 - TIME DEPOSITS AND MARKETABLE SECURITIES

Time deposits and marketable securities are summarized as follows:

	2000	2001
	ThCh$	ThCh$
Time deposits	38,237,502	29,104,948
Shares	252,106	237,824
Mutual fund shares	2,031,585	27,017,824
Total	40,521,193	56,360,596

NOTE 4 - ACCOUNTS RECEIVABLE - TRADE AND OTHER

Accounts receivable are summarized as follows:

	2000	2001
	ThCh$	ThCh$
Trade accounts receivable	73,789,334	67,219,994
Other accounts receivable	4,029,109	3,630,670
Advances to suppliers	3,500,179	1,382,035
Allowance for doubtful accounts	(7,457,137)	(6,467,744)
Total	73,861,485	65,764,955

The changes in the allowance for doubtful accounts during the years ended December 31, 1999, 2000 and 2001 were as follows:

Year	Balance at beginning of period	Additions charged to cost and expenses	Deductions (1)	Price-level restatement	Balance at end of period
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
1999	6,366,667	1,441,823	(1,241,435)	(145,416)	6,421,639
2000	6,421,639	2,368,770	(1,084,806)	(248,466)	7,457,137
2001	7,457,137	2,286,337	(3,051,510)	(224,220)	6,467,744

(1) Write-offs of bad debts

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:

	2000	2001
	ThCh$	ThCh$
Assets		
Current assets	33,314,687	51,693,371
Property, plant and equipment	78,355,638	82,134,782
Other assets	38,461,795	29,718,577
Total	150,132,120	163,546,730
Liabilities		
Current liabilities	44,503,670	41,137,773
Long-term liabilities	28,582,530	16,792,090
Total	73,086,200	57,929,863

The 2000 and 2001 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 No. 64 as described in Note 1 o).

NOTE 6 - INVENTORIES

Inventories are summarized as follows:

	2000	2001
	ThCh$	ThCh$
Finished goods	5,467,304	7,262,581
Production in process and semi-manufactured goods	1,529,051	2,336,225
Raw materials	21,649,954	21,128,197
Raw materials in transit	660,618	1,591,165
Supplies	8,460,081	6,873,769
Wine in third-party cellars	169,146	1,073,687
Grape crop development costs	1,958,907	2,240,029
Obsolescence provisions	(928,421)	(679,514)
Total	38,966,640	41,826,139

NOTE 7 - OTHER CURRENT ASSETS

Other current assets consisted of the following:

	2000 ThCh$	2001 ThCh$
Securities purchased under resale agreements:		
Readjustable Promissory Notes of the Central Bank of Chile (1)	25,558,019	17,908,146
Bond discount (Note 12)	57,633	57,646
Argentine bonds	360,196	1,147,715
Land and building held for sale (net) (Note 9 a))	-	41,878
Fair value of forward exchange contracts (2)	-	708,924
Deferred income taxes (Note 14)	1,453,966	2,145,577
Other	-	191,301
Total	27,429,814	22,201,187

(1) Consist of Readjustable Promissory Notes that mature in January and December 2002 (January, February and March 2001 for 2000 balances).

(2) At December 31, 2001, the Company had two forward contracts to hedge against variations in the exchange rate between the US dollar and the Chilean peso. These hedges cover a deposit in US dollars in the aggregate amount of US$ 31,000,000. One contract with a notional amount of US$ 15,000,000 matures on January 4, 2002 and the other for US$ 16,000,000 matures on February 7, 2002. In both contracts, the Company is acting as the seller of the dollars.

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

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

	2000 ThCh$	2001 ThCh$
Land and buildings	82,095,418	85,152,326
Vineyards	10,432,783	10,180,219
Machinery and equipment	244,965,354	250,187,727
Increase arising from technical appraisal of fixed assets	8,886,139	9,198,359
Bottles and containers	90,932,697	97,355,368
Construction in progress	14,626,314	18,997,322
Promotional assets	43,320,182	51,053,673
Fixed assets in transit	1,463,828	684,989
Fixtures and fittings	35,877,732	34,571,655
Software (net)	2,369,755	3,888,281
Other fixed assets	1,146,192	1,009,084
Accumulated depreciation	(196,394,521)	(219,727,476)
Total property, plant and equipment (net)	339,721,873	342,551,527

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

	2000 ThCh$	2001 ThCh$
Accounts receivable from related companies (Note 16)	2,590,289	169,788
Goodwill on investments (c)	45,852,568	34,301,978
Negative goodwill on investments (d)	(696,744)	(726,082)
Land and buildings held for sale (a)	18,099,531	17,787,208
Investments in affiliated companies (b)	31,185,505	23,612,619
Prepaid expenses	806,169	1,456,722
Discount on issuance of bonds (Note 12)	616,627	559,127
Investments in other companies	36,592	681,991
Trademarks	7,216,361	7,576,902
Acumulated amortization of trademarks	(1,028,785)	(1,446,832)
Minimum imputed income tax (Argentina)	2,001,412	1,432,366
Accounts receivable-trade and other	-	220,325
Other	308,829	193,683
Total	106,988,354	85,819,795

(a) Land and Buildings held for sale:

Location	December 31, 2000			December 31, 2001		
	Gross	Provision for net realizable value	Net	Gross	Provision for net realizable value	Net
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Quilicura	2,239,940	-	2,239,940	2,715,581	-	2,715,581
Limache	2,282,742	(723,548)	1,559,194	1,907,720	(723,548)	1,184,172
Santiago	2,469,737	(665,838)	1,803,899	2,949,744	(912,159)	2,037,585
Talca	1,273,087	(29,446)	1,243,641	1,259,792	(29,446)	1,230,346
Concepción	271,956	(90,425)	181,531	271,728	(90,425)	181,303
Osorno	10,248,760	(2,409,241)	7,839,519	9,686,685	(2,409,241)	7,277,444
Serena	3,014,214	(595,588)	2,418,626	2,852,342	(595,588)	2,256,754
Valparaíso	331,545	(195,802)	135,743	331,545	(195,802)	135,743
Viña del Mar	925,457	(316,262)	609,195	817,553	(316,262)	501,291
Other	420,502	(352,259)	68,243	270,260	(3,271)	266,989
Total other assets	23,477,940	(5,378,409)	18,099,531	23,062,950	(5,275,742)	17,787,208
Santiago	267,080	(267,080)	-	592,118	(550,240)	41,878
Other	47,466	(47,466)	-	47,466	(47,466)	-
Total other current assets	314,546	(314,546)	-	639,584	(597,706)	41,878
Total held for sale	23,792,486	(5,692,955)	18,099,531	23,702,534	(5,873,448)	17,829,086

During 2000, the Company wrote down Property, plant and equipment at its Osorno plant to net realizable value due to the closing of the plant. A charge totaling ThCh$2,409,241 was recorded in Non-operating expenses. Minor variations in the provisions of other plants occur due to the transfer of equipment between plants.

In the case of land, the determination of estimated realizable value is based on values for transactions in the same geographic area and the opinion of local real estate agents. For equipment, it is based on experience accumulated by the Company in the purchase and sale of similar used equipment through bids, auction sales and direct sales of assets of other plants closed in prior years.

(b) Investments in affiliated companies at December 31 of each year are summarized as follows:

Company	Percentage owned		Investment carrying value		Equity in net earnings of affiliated companies recognized in income (loss)		
	2000	2001	2000	2001	1999	2000	2001
	%	%	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Southern Breweries Establishment (1)	50.00	50.00	11,890,820	12,173,847	985,813	1,231,026	959,262
Unión de Cervecerías Peruanas Backus & Johnston S.A.A. (2)	4.63	-	11,585,556	-	-	(11,895)	-
Cervecería Austral S.A. (3)	50.00	50.00	2,155,499	1,886,105	-	38,078	(269,394)
Finca La Celia S.A. (4)	100.00	100.00	5,553,630	7,569,086	-	-	-
Viña Totihue S.A. (5)	-	50.00	-	1,983,581	-	-	-
Inversiones Socinver S.A. in liquidation	-	-	-	-	(1,094)	-	-
Total			31,185,505	23,612,619	984,719	1,257,209	689,868

(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, 2000 and 2001.

The Company acquired its investment in Southern Breweries Establishment in September 1994, resulting in goodwill amounting to ThCh$ 198,926 which is being amortized over a period of 20 years.

(2) During 1999, the Company acquired a 4.28% interest in UCP Backus & Johnston S.A.A. for ThCh$ 19,425,330, generating goodwill of ThCh$ 9,240,656. This investment was accounted for at cost during 1999. During 2000, the Company acquired an additional 0.35% interest in UCP Backus & Johnston S.A.A. for ThCh$ 879,198, generating goodwill of ThCh$ 580,480. On February 22, 2000, a member of the Board of Directors of the Company became a member of the Board of UCP Backus & Johnston S.A.A. As a result, for Chilean GAAP purposes the Company began accounting for its investment by the equity method effective February 1, 2000.

During March 2001, the Company sold all of its shareholding in Union de Cervecerías Peruanas Backus & Johnston S.A.A. (Peru) at a gain of ThCh$ 16,698,070 (see Note 20).

(3) During November 2000, the Company acquired 50.0% of Cervecería Austral S.A. at a cost of ThCh$ 4,549,729, generating goodwill of ThCh$ 2,367,964. The principal activity of Cervecería Austral S.A. is the production, bottling and distribution of beer in Chile.

(4) The principal activity of Finca La Celia S.A., an Argentine company, is the production, marketing, and distribution of wine-related and other agricultural products and the rental of agricultural plots, warehouses, vineyards and other commercial establishments related to the wine industry. This company is not consolidated under Chilean GAAP at December 31, 2000 and 2001, because it is in the development stage.

(5) During October 2001, Viña San Pedro S.A. made an investment to obtain a 50.0% ownership interest in Viña Totihue S.A., which is in the development stage.

Viña San Pedro S.A. acquired 35,000 shares which were paid through a cash payment of US$ 800,000 (equivalent to ThCh$ 547,000) and by contributing land with a value of US$ 2,700,000 (equivalent to ThCh$ 1,846,395).

(c) Goodwill on investments (net of accumulated amortization) is detailed as follows:
Purchases of companies:

	2000 ThCh$	2001 ThCh$
Viña San Pedro S.A. (1)	7,051,187	5,144,872
Compañía Industrial Cervecera S.A.	15,833,330	16,324,015
ECUSA (2)	9,937,697	9,410,031
South Investment Limited	1,050,026	991,420
Southern Breweries Establishment	117,914	109,339
Aguas Minerales Cachantun S.A.	861	814
UCP Backus & Johnston S.A.A.	9,425,468	-
Cervecería Austral S.A.	2,436,085	2,321,487
Total	45,852,568	34,301,978

(1) During 1999, the Company made capital investments in Viña San Pedro S.A. totaling ThCh$ 8,053,178 and acquired additional shares for ThCh$ 3,769,173, thereby increasing its participation to 60.33%.

During 2000, the Company increased its participation in Viña San Pedro S.A. from 60.33% to 63.91% at a cost of ThCh$ 10,159,626, generating goodwill of ThCh$ 1,543,506.

During January and March 2001, Viña San Pedro S.A. completed its capital increase, with 1,211,868,998 shares being sold for ThCh$ 6,055,316 during the two year period of the program. Compañía Cervecerías Unidas S.A. did not participate in the capital increase during 2001 and as a result, its shareholding in Viña San Pedro S.A. decreased to 60.33%.

(2) On November 29, 1999, the Company acquired an additional 45.0% interest in ECUSA for ThCh$ 40,942,440. This transaction was recorded by the purchase method and generated goodwill of ThCh$ 10,553,307. As CCU had previously owned a 54.84% interest in ECUSA and had consolidated the subsidiary for the past three years, no pro forma information is presented.

(d) Negative goodwill on investments (net of accumulated amortization) is detailed as follows:

	2000 ThCh$	2001 ThCh$
Compañía Industrial Cervecera S.A.	550,118	571,934
Cervecería Austral S.A.	146,626	154,148
Total	696,744	726,082

NOTE 10 - SHORT-TERM BORROWINGS

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

	2000	2001
	ThCh$	ThCh$
United States dollars	10,678,380	12,376,352
Other foreign currencies	7,688,449	-
UFs	-	22,366
Total	18,366,829	12,398,718

The annual average interest rate in 2001 on the above loans was approximately 2.9% (10.12% in 2000).

NOTE 11 - LONG-TERM DEBT

Long-term debt is comprised:

	2000	2001
	ThCh$	ThCh$
Loans payable (generally in quarterly and semi-annual installments)	48,885,959	36,391,884
Bonds payable (Note 12)	27,211,014	22,021,338
Other long-term obligations	1,479,827	1,304,197
Total	77,576,800	59,717,419
Less: Current portion	(21,350,277)	(18,341,990)
Long-term portion	56,226,523	41,375,429

The details of loans payable at December 31, 2000 were as follows:

Bank	Currency	Short-term	Long-term	Total at December 31, 2000	Annual interest rate
		ThCh$	ThCh$	ThCh$	%
Banco BICE	UF	131,989	127,695	259,684	6.24
Citibank (1)	US$	13,834,210	26,614,492	40,448,702	(2)
Banco Edwards	UF	489,106	976,093	1,465,199	6.65
Banco Dresdner	US$	257,033	-	257,033	7.20
Banco Estado	UF	77,489	4,500,595	4,578,084	6.39
Banco Sudameris	US$	166,646	-	166,646	8.41
Banco Santander	UF	310,009	618,445	928,454	7.44
Banco Sudameris	FrF	315,268	466,889	782,157	6.28
Total		15,581,750	33,304,209	48,885,959	

The details of loans payable at December 31, 2001 were as follows:

Bank	Currency	Short-term	Long-term	Total at December 31, 2001	Annual interest rate
		ThCh$	ThCh$	ThCh$	%
Banco BICE	UF	129,091	-	129,091	5.71
Citibank (1)	US$	14,886,323	14,732,775	29,619,098	(2)
Banco Edwards	UF	488,878	488,184	977,062	6.80
Banco Estado	UF	459,223	4,092,417	4,551,640	4.12
Banco Santander	UF	309,783	309,276	619,059	6.80
Banco Sudameris	FrF	234,167	261,767	495,934	5.45
Total		16,507,465	19,884,419	36,391,884	

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

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 both 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 both 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 ThCh$ 134,323,000 (historical), measured in Chilean pesos.

At December 31, 2001 the Company was in compliance with all of the covenants.

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

The Company has no preferences in the repayment of its long-term debt.

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, 2001 the Company had made all payments of principal stipulated in the placement deed, with the last installment being paid 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, 2001 the Company had made fourteen 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, 2001, ThCh$ 57,646 (ThCh$ 57,633 in 2000) are presented in Other current assets and ThCh$ 559,127 (ThCh$ 616,627 in 2000) 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.

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, 2001 the Company was in compliance with all the covenants.

Bonds payable are reported in the financial statements as follows:

	2000	2001
	ThCh$	ThCh$
Short-term		
Principal	5,075,242	1,314,565
Accrued interest	443,840	324,240
Total (included in current portion of long-term debt)	5,519,082	1,638,805
Long-term		
Principal	21,691,932	20,382,533
Total (included in long-term debt)	27,211,014	22,021,338

c) Scheduled maturities of long-term debt and bonds payable at December 31, 2001 are follows:

Maturing during the years	Bonds payable	Loans payable	Other	Total
	ThCh$	ThCh$	ThCh$	ThCh$
2002	1,638,805	16,507,465	195,720	18,341,990
2003	1,314,565	16,436,528	414,175	18,165,268
2004	1,314,565	992,444	161,633	2,468,642
2005	1,314,565	818,485	489,757	2,622,807
2006	1,314,565	818,485	42,912	2,175,962
2007 to 2010	1,463,639	818,477	-	2,282,116
2011 to 2015	13,660,634	-	-	13,660,634
Total	22,021,338	36,391,884	1,304,197	59,717,419

NOTE 13 - ACCRUED EXPENSES

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

Short-term	2000	2001
	ThCh$	ThCh$
Salaries payable	194,048	114,147
Compulsory profit sharing benefits to employees (1)	599,567	445,600
Other employee benefits	485,610	429,770
Advertising expenses	2,465,651	2,520,461
Fees	146,284	69,385
Directors' profit sharing (Note 19)	805,362	1,034,261
Provision for vacation expenses	3,442,820	2,943,178
Provision for severance indemnities	377,441	383,416
Fair value of forward exchange contracts (2)	29,423	22,440
Accrued expenses	2,431,230	2,003,880
Fines payable for closure of Córdoba plant	591,433	385,171
Sales commissions	153,804	187,511
Licenses and consulting	108,761	297,407
Freight costs	281,284	158,763
Accrual for pavement costs required by municipal government	292,947	284,139
Provision for lawsuits	385,171	300,741
Price adjustments under contracts with wine growers	207,898	374,870
Write-offs of glass bottles	276,900	452,383
Other accrued expenses	844,015	1,304,216
Total	14,119,649	13,711,739
Long-term		
Provision for severance indemnities	2,182,082	1,995,714
Provision for lawsuits	105,480	74,158
Total	2,287,562	2,069,872

(1) The Company pays compulsory profit sharing benefits to certain employees on a yearly basis based on the terms of the appropriate work contract. The liability is recorded at the end of each month for payment in April of the following year, with a charge to cost of sales or administration expenses, depending on the nature of the work of each employee.

(2) Viña San Pedro S.A. has a forward exchange contract to hedge against variations in the exchange rate between the US dollar and the Chilean peso. This hedge covers accounts receivable in US dollars aggregating US$ 11,000,000 (US$ 4,000,000 in 2000). This contract matures on January 31, 2002. In this transaction, the Viña San Pedro S.A. is acting as the seller of the dollars.

NOTE 14 - INCOME TAXES

a) The Company has income tax liabilities at December 31, 2001 amounting to ThCh$ 4,115,640 (ThCh$ 4,394,134 in 2000) and liabilities for other taxes of ThCh$ 85,003 (ThCh$ 345,114 in 2000). Most of the income tax that would have been payable on 2000 and 2001 results of operations has been eliminated by the application of tax loss carryforwards which arose in prior years. At December 31, 2001, the Company had tax loss carryforwards in Chile amounting to ThCh$ 1,533,903 (ThCh$ 2,614,327 in 2000) which are available to apply against tax liabilities in future years. No expiration date is prescribed by Chilean law for tax loss carryforwards.

Additionally, CCU Argentina S.A. and its subsidiaries have tax loss carryforwards aggregating ThCh$ 13,742,326 at December 31, 2001 (ThCh$ 18,682,278 in 2000) which may be applied to reduce taxable income in Argentina during a ten-year carryforward period.

The corporate income tax charge for the years ended December 31, 2001 and 2000, is presented as follows:

	2000	2001
	ThCh$	ThCh$
Income tax current provisions	4,709,781	4,129,685
Other taxes	26,491	70,958
Subtotal	4,736,272	4,200,643
Monthly provisional payments	(4,771,688)	(4,634,044)
Other credits	(1,938,841)	(1,771,837)
Total prepaid taxes	(1,974,257)	(2,205,238)
	=======	=======

b) Deferred income taxes

Effective January 1, 2000, the Company began applying Technical Bulletin No. 60 of the Chilean Institute of Accountants regarding deferred income taxes.

At December 31, 2000 and 2001, the accumulated balances from deferred taxes originating from timing differences were as follows:

Timing differences	2000 Asset Short-term	2000 Asset Long-term	2000 Liabilities Short-term	2000 Liabilities Long-term	2001 Asset Short-term	2001 Asset Long-term	2001 Liabilities Short-term	2001 Liabilities Long-term
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Allowance for doubtful accounts	878,980	-	-	-	670,335	-	-	-
Provision for vacations	354,937	-	-	-	439,324	-	-	-
Provision for obsolescence of inventories	136,376	-	-	-	179,560	2,736	-	-
Provision for impairment of fixed assets	-	949,942	-	-	67,857	919,250	-	-
Other provisions	553,450	100,594	-	31,160	992,689	27,882	-	297,299
Leasing obligations	-	-	-	23,971	-	-	-	125,089
Depreciation of fixed assets	-	3,497	-	13,873,043	-	-	-	16,443,800
Employee severance indemnities	-	-	-	241,900	-	-	-	227,506
Capitalization of acquired software	-	-	-	2,274	-	-	-	2,284
Amortization of intangibles	-	80,664	-	95,863	-	-	-	799,901
Capitalization of fixed assets	-	-	-	123,874	-	-	-	67,230
Deferred customs duties	-	80,342	-	-	-	74,772	-	-
Provision for labor lawsuit	-	36,918	-	-	-	25,955	-	-
Capitalized farmland development costs	-	-	272,582	-	-	-	360,639	-
Adjustment of bottle deposits	-	-	-	921,279	-	266,206	-	1,223,249
Fair value of forward exchange contracts	-	-	-	-	3,590	-	113,428	-
Tax loss carryforwards	18,709	3,126,288	-	-	278,901	4,707,366	-	-
Less: Complementary accounts - net of accumulated amortization	(226,269)	(3,608,684)	(10,365)	(2,644,390)	(12,612)	(5,002,347)	-	(2,314,606)
Total	1,716,183	769,561	262,217	12,668,974	2,619,644	1,021,820	474,067	16,871,752

The complementary accounts correspond to the accumulated effect of deferred income taxes which were not recorded until January 1, 2001 when Technical Bulletin No. 60 was adopted. The complementary accounts are amortized over the weighted average terms of reversal of the corresponding temporary differences.

c) Effect on results

	1999	2000	2001
	ThCh$	ThCh$	ThCh$
Deferred income tax provision	(2,584,143)	(731,614)	(3,273,667)
Amortization of effects of deferred income taxes accumulated at beginning of the year	-	255,846	-
Current tax provision	(5,180,024)	(4,736,272)	(4,200,643)
Other - tax refunds	-	36,579	328,446
Total	(7,764,167)	(5,175,461)	(7,145,864)

NOTE 15 - SHAREHOLDERS' EQUITY

The changes in the Shareholders' equity accounts during 1999, 2000 and 2001 were as follows:

				Other reserves				Retained earnings		
	Number of shares	Common stock	Share premium	Surplus on technical appraisal of fixed assets	Other	Pre-operating stage deficit	Cumulative translation adjustment	Retained earnings	Net income for the year	Total
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
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 net 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	-	-	-	-	-	-	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
Balances at December 31, 1999 restated to constant December 31, 2001 pesos		163,391,177	12,778,372	3,374,227	(9,071)	-	5,531,061	188,738,383	35,514,789	409,318,938
Balances at December 31, 1999 (historical)	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
Allocation of 1999 net income	-	-	-	-	-	-	-	32,900,606	(32,900,606)	-
Final dividend of Ch$ 38.65 per share	-	-	-	-	-	-	-	(12,309,767)	-	(12,309,767)
Price-level restatement	-	7,114,119	556,376	146,915	(395)	-	240,307	9,407,092	-	17,464,414
Proportional share of loss of subsidiary in		-	-	-	-	(109,961)	-	-	-	(109,961)
development period	-	-	-	-	-	-	-	-	(10,510,595)	(10,510,595)
Interim dividend of Ch$ 33.00 per share	-	-	-	-	-	-	-	-	-	-
Translation adjustment for the year	-	-	-	-	-	-	2,503,925	-	-	2,503,925
Net income for the year	-	-	-	-	-	-	-	-	25,727,374	25,727,374
Balances at December 31, 2000	318,502,872	158,478,348	12,394,153	3,272,771	(8,798)	(109,961)	7,868,161	204,843,601	15,216,779	401,955,054
Balances at December 31, 2000 restated to constant December 31, 2001 pesos		163,391,177	12,778,372	3,374,227	(9,071)	(113,370)	8,112,074	211,193,753	15,688,500	414,415,662
Balances at December 31, 2000 (historical)	318,502,872	158,478,348	12,394,153	3,272,771	(8,798)	(109,961)	7,868,161	204,843,601	15,216,779	401,955,054
Allocation of 2000 net income	-	-	-	-	-	109,961	-	15,106,818	(15,216,779)	-
Final dividend of Ch$ 7.39 per share	-	-	-	-	-	-	-	(2,353,099)	-	(2,353,099)
Price-level restatement	-	4,912,829	384,219	101,456	(273)	-	243,913	6,061,700	-	11,703,844
Proportional share of loss of subsidiary in	-	-	-	-	-	-	-	-	-	
development period	-	-	-	-	-	(995,427)	-	-	-	(995,427)
Interim dividend of Ch$ 33.00 per share	-	-	-	-	-	-	-	-	(10,510,595)	(10,510,595)
Translation adjustment for the year	-	-	-	-	-	-	2,576,401	-	-	2,576,401
Extraordinary dividend of Ch$91.61 per share	-	-	-	-	-	-	-	(29,178,684)	-	(29,178,684)
Net income for the year	-	-	-	-	-	-	-	-	38,377,295	38,377,295
Balances at December 31, 2001	318,502,872	163,391,177	12,778,372	3,374,227	(9,071)	(995,427)	10,688,475	194,480,336	27,866,700	411,574,789

a) Beginning in 1999, the Cumulative translation adjustments account includes exchange differences resulting from the application of Technical Bulletin No 64 of the Institute of Chilean Accountants as follows:

	ThCh$
Balance at December 31, 1998	1,919,617
Translation gain (net) on foreign investment	8,431,469
Exchange losses on bank loans designated as hedges on foreign investments	(4,865,295)
Price-level restatements	45,270
Balance at December 31, 1999	5,531,061
Translation gain (net) on foreign investment	8,868,782
Exchange losses on bank loans designated as hedges on foreign investments	(6,535,525)
Price-level restatement	247,756
Balance at December 31, 2000	8,112,074
Translation gain (net) on foreign investment	14,360,778
Exchange losses on bank loans designated as hedges on foreign investments	(12,028,290)
Price-level restatement	243,913
Balance at December 31, 2001	10,688,475

b) The accumulated deficit during development period of subsidiaries for 2000 and 2001 includes the recognition of the proportional share of the results of operations of subsidiaries in the development stage.

c) As required by Chilean Law, Paid-in capital has been modified to reflect the proportional capitalization of the price-level restatement of equity accounts.

d) The Company's dividend policy is to distribute an annual dividend in an amount equal to 50% of its net income.

e) At the Board of Directors' meeting held on December 6, 2001, the directors agreed to distribute an interim dividend of Ch$ 33.00 per share for a total of ThCh$ 10,510,595 (historical).

f) At the Shareholders' Meeting held on April 26, 2001, the shareholders agreed to distribute a final dividend of Ch$ 7.388 per share for a total of ThCh$ 2,353,099 (historical).

   Additionally, on this date the shareholders agreed to distribute an extraordinary dividend of Ch$ 91.612 per share for a total of ThCh$ 29,178,684 (historical) charged against retained earnings from years prior to 2000.

g) At the Board of Directors' meeting held on December 11, 2000, the directors agreed to distribute an interim dividend of Ch$ 33.00 per share for a total of ThCh$ 10,510,595 (historical).

h) At the Shareholders' Meeting held on April 27, 2000, the shareholders agreed to distribute a final dividend of Ch$ 38.65 per share for a total of ThCh$ 12,309,767 (historical).

i) At the Shareholders' Meeting held on April 26, 1999, the shareholders agreed to pay a dividend of Ch$ 30.62 for a total of ThCh$ 9,751,987 (historical) corresponding to accumulated earnings. This dividend includes 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.

j) At the Board of Directors' Meeting held on December 6, 1999, the directors agreed to distribute an interim dividend of Ch$ 26.00 per share for a total of ThCh$ 8,281,075 (historical).

k) 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. During 1996 and 1997, the Company sold 49,434,642 shares of this authorized increase in capital. 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 (historical). 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 from the proceeds in the movement of shareholders' equity.

NOTE 16 - ACCOUNTS WITH RELATED COMPANIES

The consolidated balance sheet at December 31, 2000 and 2001 includes the following accounts with related companies:

	2000		2001	
Entity	Receivable	Payable	Receivable	Payable
	ThCh$	ThCh$	ThCh$	ThCh$
Compañía de Petróleos de Chile S.A.	-	2,114	-	-
Cotelsa S.A.	-	3,114	-	1,741
Hoteles Carrera S.A.	1,667	-	3,064	2,002
Quiñenco S.A.	2,011	-	825	-
Southern Breweries Establishment	2,590,289	-	169,788	-
Anheuser - Busch International Holdings, Inc.	1,455,035	102,822	176,927	430,347
Inmobiliaria del Norte S.A.	-	1,774	1,331	-
Editorial Trineo S.A.	-	583	-	-
Cervecería Austral S.A.	-	-	23,194	88,605
Empresa Nacional de Telecomunicaciones	-	-	-	48,230
Entel PCS Telecomunicaciones .S.A	-	-	-	8,854
Telefónica del Sur Carrier S.A	-	-	-	558
Telefónica del Sur S.A	-	-	-	3,766
Banco Edwards	-	-	-	1,095
Viña Totihue S,A,	-	-	77,811	-
Finca La Celia S.A.	1,335,595	-	414,460	-
Karlovacka Pivovara d.d.	36,215	-	-	3,145
Total	5,420,812	110,407	867,400	588,343

The balances receivable at December 31, 2000 and 2001 are included in the financial statements as follows:

	2000	2001
	ThCh$	ThCh$
Current assets		
Accounts receivable from related companies	2,830,523	697,612
Other assets (Note 9)		
Accounts receivable from related companies	2,590,289	169,788
Total	5,420,812	867,400

NOTE 17 - SIGNIFICANT TRANSACTIONS WITH RELATED COMPANIES

The principal transactions with related parties are detailed below:

Company	Relationship	Transaction	1999 ThCh$	2000 ThCh$	2001 ThCh$
Banco Edwards	Affiliate	Purchase of time deposits	8410793.87	112,371,948	97,922,584
		Interest on time deposits	9919.25	366,718	349,628
		Comisions paid	-	50,675	6,479
		Forward contracts (amount paid)	-	-	132,251
		Interest paid	-	331,450	87,403
Editorial Trineo S.A.	Affiliate	Purchase of materials	33725.04	24,358	32,282
Hoteles Carrera S.A.	Affiliate	Services received (expense)	18827.09	24,513	31,601
Inmobiliaria del Norte S.A.	Affiliate	Services received (expense)	23592.37	21,476	30,159
Karlovacka Pivovara d.d.	Affiliate	Services rendered (income)	211429.23	187,488	142,653
Paulaner Brauerei A.G.	Affiliate	Services received (expense)	77287.88	60,110	71,780
Southern Breweries Establishment	Equity investee	Advances on current account	124830.39	231,667	884,002
Anheuser Busch Inc.	Affiliate	Purchase of raw materials and beer	1871879.48	678,511	1,559,448
		Services received (expense)	-	-	99,397
Cotelsa S.A.	Affiliate	Purchase of products	29128.84	32,060	48,891
		Services received (expense)	-	-	3,375
Buenos Aires Embotelladora S.A. (BAESA)	Minority interest	Reimbursement of expense	29268.03	-	-
Lanzville Investments Establishment	Affiliate	Advance on current account	-	1,538	29,840
Cervecería Austral S.A.	Affiliate	Purchase of products	-	-	8,249
Banco de Chile	Affiliate	Purchase of time deposits	-	26,789,652	20,400,100
		Interest on time deposits	-	233,291	261,421
Finca La Celia S.A.	Affiliate	Reimbursement of expenses	-	102,809	117,862
		Transfers on current account	-	837,812	507,343
		Interest on current account	-	127,093	22,661
Empresa Nacional de Telecomunicaciones	Affiliate	Services received (expense)	-	123,049	475,225
Edmundo Eluchans y Cia.	Partner is Director of Affiliate	Legal services (expense)	-	9,567	6,300
Telefónica del Sur Carrier S.A.	Affiliate	Services received (expense)	-	-	1,503
Entel PCS Telecomunicaciones S.A.	Affiliate	Services received (expense)	-	1,358	73,512
Banedwards S.A. Corredores de Bolsa	Affiliate	Purchase of investments	-	80,014,600	116,642,304
		Interest on investments	-	66,658	58,507
		Foreign currency transaction (amount paid)	-	1,347,093	2,918,488
Banedwards S.A.	Affiliate	Purchase of investments	-	3,657,473	10,671,400
		Interest on investments	-	10,109	13,613
Banchile Corredores de Bolsa	Affiliate	Purchase of investments	-	11,978,858	62,233,286
		Interest on investments		10,290	92,874
Banedwards Administradora de Fondos	Affiliate	Purchase of investments	-	11,091,193	8,846,567
Telefónica del Sur S.A.	Affiliate	Services received (income)	-	-	35,848
Electromecánica Industrial S.A.	Affiliate	Services received (expense)	-	-	5,053
Anheuser Busch Lat Corporation	Affiliate	Technical assistance (expense)	79975.70	93,683	999,825
		Purchase of products	-	-	615,578
		Sales of products	-	-	1,308,719
		Marketing contribution	-	1,774,299	1,012,960
Viña Totihue S.A.	Affiliate	Transfers on current account	-	-	68,138

NOTE 18 - COMMITMENTS AND CONTINGENCIES

a) On December 11, 1998, The Coca-Cola Company ("TCCC") announced an agreement with Cadbury Schweppes plc ("Cadbury Schweppes") to acquire certain of the latter's international beverage brands and in August 1999 the agreement was reported to have been consummated. In July 1999, Embotelladoras Chilenas Unidas S.A. ("ECUSA") filed an application against TCCC before the Chilean Antitrust Solicitor-General. In November 1999, ECUSA sued in 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 court. 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 early termination of the agreements. During September 2000, ECUSA and TCCC reached an agreement to replace the two previous licence contracts between ECUSA and CS Beverages Limited and Canada Dry Corporation Limited with a new Bottler Contract which was submitted to the approval of the Antitrust Commission. On December 26, 2000, the Commission issued a resolution declaring that the new bottling contract was not objectionable from a free competition point of view. Additionally, this resolution denied the request to put an end to the Commission's ex-officio proceeding. On January 2, 2001, ECUSA and certain subsidiaries of The Coca-Cola Company (CS Beverages Limited, Canada Dry Corporation Limited and Schweppes Holding Limited) agreed to make effective the new Bottler Contract. This new contract agreement has an initial ten-year term, renewable for consecutive five-year periods provided that certain conditions are fulfilled. On June 28, 2001, the Antitrust Commission confirmed that it has no objection to the new Bottling Contract entered into between ECUSA and Schweppes Holdings Limited.

b) At December 31, 2001, Viña San Pedro S.A. had granted mortgages and pledges over certain of its property and equipment with a book value of ThCh$ 7,147,789 to guarantee obligations aggregating ThCh$ 6,224,309.

c) Argentine economic environment

As of December 31, 2001, the Company maintains investments in Argentina amounting to 18.5% of its total consolidated assets (18.5% as of December 31, 2000).

As publicly known, Argentina is passing through a very delicate economic situation that includes high external indebtedness, high interest rates, a significant decrease in the level of bank deposits, a new exchange rate regime, restrictions on the availability and free transfer of cash and transfers of foreign currency abroad, a high country risk and an economic recession for more than three years. This situation generated a significant decrease in the demand for goods and services, as well as a significant increase in the level of unemployment. In addition, the Argentine government's ability to comply with its obligations as well as its access to credit lines have been significantly affected by these circumstances.

As a result, it is not possible to anticipate how the economic environment in Argentina will evolve, nor its effects on the economic and financial position of the Company's Argentine subsidiaries. In consequence, these financial statements do not include all the adjustments that could result from these adverse conditions and consequently, should be read considering these circumstances.

d) The investment agreement signed on December 14, 1995 between the Company, CCU Argentina and Anheuser-Busch gives Anheuser-Busch the option of increasing its stake in CCU Argentina S.A. to 20%. The option arose from the desire of the Company to have Anheuser-Busch as its strategic partner. The Company considers this to be an investment transaction and not a transaction in which goods or services are the consideration received for the issuance of equity securities. Accordingly, the Company has not recorded the fair value of this option.

   After the capital increase approved by the Ordinary Shareholders' Meeting of CCU Argertina held on November 29, 1999, Anheuser-Busch has increased its stake from 8.21% to 10.78% at a cost of US$ 5,945,000.

e) At December 31, 2001 the Company was a defendant in a number of commercial lawsuits of the type normally associated with the Company's business and involving claims for damages for insignificant amounts. The Company has only made a minor provision for these amounts because management believes that most of the resulting judgments will be favorable and any losses incurred will not result in any material liability to the Company.

NOTE 19 - REMUNERATION OF DIRECTORS

During 2001, the Directors of the Parent Company and its subsidiaries received ThCh$ 617,348 (ThCh$ 593,888 in 1999 and ThCh$ 452,771 in 2000) 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 2001 an accrual of ThCh$ 1,034,261 was recorded corresponding to the Directors' participation in net income for the year 2001 (ThCh$ 1,111,347 in 1999 and ThCh$ 805,362 in 2000). The participation in earnings is approved each year at the annual shareholders' meeting. These amounts are shown under Selling and administrative expenses.

As shown in Note 21, the Directors of the Parent Company received a participation in earnings based on the extraordinary dividend declared from retained earnings in 2001. These payments were charged to Non-operating expenses.

NOTE 20 - NON-OPERATING INCOME

Non-operating income is summarized as follows:

	1999	2000	2001
	ThCh$	ThCh$	ThCh$
Interest earned from investments in banks and other financial institutions	9,144,970	4,704,564	3,428,023
Equity in net income of affiliated companies	985,813	1,269,104	959,262
Amortization of negative goodwill	32,433	34,756	45,300
Gain on sale of investments and marketable securities	1,388,301	-	-
Gain on change in estimate of deposit liability for bottles and containers (Note 2)	6,259,331	-	-
Deposits recognized in income	-	261,446	51,393
Gain on sale of properties held for sale and other assets	194,321	4,541,950	237,871
Rental income	12,088	44,296	59,522
Dividends received	363,875	13,483	14,920
Recovery of severance indemnities	293,246	204,267	53,060
Insurance recoveries	135,946	48,590	52,226
Gain from change in interest transaction in Argentine subsidiary and Viña Totihue S.A., respectively	182,617	-	422,204
Gain on sale of shares of Backus & Johnston S.A. (Note 9)	-	-	16,698,070
Subsidy received for sprinkler system	-	-	107,892
Adjustments to allowance for doubtful accounts	-	42,657	74,101
Gain on sales of glass, plastics boxes and by-products	554,632	512,663	555,569
Other	827,694	719,783	526,230
Total for the year	20,375,267	12,397,559	23,285,643

NOTE 21 - EXPENSES

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

	1999	2000	2001
	ThCh$	ThCh$	ThCh$
Salaries and employees benefits	44,088,565	42,965,052	42,527,396
Advertising and promotion expenses	29,612,487	32,667,377	32,786,834
Transportation	9,518,016	10,817,878	11,792,449
Distribution	2,149,617	2,513,098	2,406,635
Depreciation and amortization	9,637,472	10,629,918	11,850,123
Maintenance and general expenses	10,506,865	11,021,228	11,171,718
Remuneration of directors	1,705,235	1,258,133	1,651,609
Real estate and other taxes	2,114,217	1,990,060	2,039,803
Services purchased	10,721,163	11,855,367	11,376,604
Electricity	765,087	1,120,993	1,193,958
Other	2,469,602	2,651,913	2,575,525
Total for the year	123,288,326	129,491,017	131,372,654

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

	1999	2000	2001
	ThCh$	ThCh$	ThCh$
Interest expense	6,526,663	7,192,900	6,207,342
Amortization of goodwill	1,543,276	2,464,755	2,391,400
Equity in loss of affiliated companies	1,094	11,895	269,394
Directors' participation based on extraordinary dividend (Note 19)	-	-	1,458,934
Write-offs of accounts receivables and other accounts	-	535,646	431,789
Non-recurring legal expenses	-	398,644	540,265
Provision for impairment of property, plant and equipment	264,009	3,134,919	1,349,550
Provision for severance indemnities	257,038	-	-
Loss on sale of property, plant and equipment	445,655	129,788	392,478
Amortization of intangibles	9,421	9,371	11,928
Restructuring costs and indemnities	-	6,060,109	3,508,852
Other	1,025,314	572,495	616,248
Total for the year	10,072,470	20,510,522	17,178,180

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

	1999	2000	2001
	ThCh$	ThCh$	ThCh$
Restatement of non-monetary accounts based on Consumer Price Index and UFs:			
Property, plant and equipment and bottles and containers	6,726,743	12,795,998	8,306,123
Investments in related companies	272,312	502,979	668,805
Investments in other companies and marketable securities	390,386	48,891	103,672
Other assets	5,434,039	10,452,828	6,743,956
Shareholders’ equity	(9,373,656)	(18,005,811)	(11,703,844)
Adjustment of inventories to replacement cost	827,309	1,905,545	1,191,925
Increase in liabilities denominated in UFs due to indexation	(1,203,778)	(3,862,140)	(2,779,429)
Net restatements of income and expense accounts in terms of year-end constant pesos	(713,688)	(1,181,967)	(1,524,357)
Total restatement based on Consumer Price Index and UFs	2,359,667	2,656,323	1,006,851
Restatement of accounts in foreign currency:			
Cash	373,910	(3,242)	60,518
Time deposits and marketable securities	583,385	57,966	849,094
Accounts receivable-trade and other	992,710	801,490	493,398
Accounts receivable from related companies	18,656	(194,805)	11,411
Inventories	(60,622)	(6,844)	25,563
Other current assets	198,407	(73,464)	69,975
Other assets	770,957	(87,250)	(570,868)
Short-term borrowings	(1,137,842)	(1,347,796)	(522,884)
Other current liabilities	(243,304)	(245,020)	(997,375)
Long-term debt	(1,062,261)	(1,666,397)	(799,747)
Foreign exchange loss arising from translation of assets and liabilities in Argentina (net)	-	-	(2,024,778)
Total restatement of accounts in foreign currency	433,996	(2,765,362)	(3,405,693)
Total price-level restatement gain (loss)	2,793,663	(109,039)	(2,398,842)

Foreign exchange losses (Argentina)

As a result of the economic crisis that occurred in the fourth quarter of 2001 in Argentina, the Company recorded a provision for the net exchange losses which resulted from the devaluation of the Argentine peso. The Company recorded a charge to income of ThCh$ 2,024,778 which is included in the caption Foreign currency transactions as a Non-operating expense.

The following is the effect of the foreign exchange loss arising from the translation of assets and liabilities in Argentina on the various captions of the consolidated balance sheet at December 31, 2001:

	ThCh$
Decrease in assets:	
Cash	(833,174)
Accounts receivable – trade and others	(4,269,428)
Prepaid expenses and taxes	(617,608)
Deferred income taxes	(687,604)
Other current assets	(726,835)
Other assets	(1,287,883)
Decrease in liabilities:	
Accounts payable	3,003,835
Accrued expenses	2,896,944
Other current liabilities	14,626
Provisions	107,675
Deferred income taxes	374,674
Provision for foreign exchange loss in Argentina	(2,024,778)
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NOTE 22 - SEGMENT REPORTING

During 1998, the Company adopted the disclosure requirements of SFAS 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, 1999						
Statement Income Data	Beer-Chile ThCh$	Beer-Argentina ThCh$	Soft Drinks and Mineral Waters ThCh$	Wine ThCh$	Other ThCh$	Eliminations ThCh$	Consolidated ThCh$
Sales to third parties	123,051,171	48,799,288	91,783,506	49,254,796	590,500	-	313,479,261
Intersegment sales	-	-	-	-	11,835,709	(11,835,709)	-
Net sales	123,051,171	48,799,288	91,783,506	49,254,796	12,426,209	(11,835,709)	313,479,261
Operating income (loss)	28,623,369	(551,559)	6,501,243	5,538,424	3,136,664	-	43,248,141
Equity in net income of affiliated companies							984,719
Other income (general corporate income)							10,244,484
Interest income (net)							2,618,307
Other expenses (general corporate expenses)							(3,544,713)
Price-level restatement							2,793,663
Income before income tax and minoritary interest							56,344,601
Sales of each segment include:							
Beer	121,420,100	46,824,670	-	-			
By-products	477,804	79,595	-	-			
Carbonated drinks	-	-	75,137,152	-			
Nectars	-	-	1,833,235	-			
Powdered mix	-	-	104,922	-			
Mineral waters	-	-	14,052,787	-			
Wine	-	-	-	49,046,642			
Other products	1,153,267	1,895,023	655,410	208,154			
Total	123,051,171	48,799,288	91,783,506	49,254,796			
Balance Sheet Data (at December 31,1999):							
Identifiable assets	205,721,303	77,292,115	104,913,707	63,718,416	12,575,769	-	464,221,310
Cash and cash equivalents							59,499,679
Investments in affiliated and other companies							30,542,812
Goodwill							33,968,497
Negative goodwill							(565,209)
Corporate assets							53,733,027
Total consolidated assets							641,400,116

	Year Ended December 31, 2000						
	Beer-Chile ThCh$	Beer-Argentina ThCh$	Soft Drinks and Mineral Waters ThCh$	Wine ThCh$	Other ThCh$	Eliminations ThCh$	Consolidated ThCh$
Statement Income Data							
Sales to third parties	123,501,969	48,793,679	100,531,051	54,129,611	259,689	-	327,215,999
Intersegment sales	-	-	-	-	13,727,720	(13,727,720)	-
Net sales	123,501,969	48,793,679	100,531,051	54,129,611	13,987,409	(13,727,720)	327,215,999
Operating income (loss)	27,929,000	(5,614,258)	9,267,981	5,371,256	3,751,434	-	40,705,413
Equity in net income of affiliated companies							1,257,209
Other income (general corporate income)							6,423,891
Interest expenses (net)							(2,488,336)
Other expenses (general corporate expenses)							(13,305,727)
Price-level restatement							(109,039)
Income before income tax and minoritary interest							32,483,411
Sales of each segment include:							
Beer	121,350,922	47,383,247	-	-			
By-products	425,987	73,926	-	-			
Carbonated drinks	-	-	78,166,552	-			
Nectars	-	-	6,043,047	-			
Mineral waters	-	-	15,764,383	-			
Wine	-	-	-	53,816,465			
Other products	1,725,060	1,336,506	557,069	313,146			
Total	123,501,969	48,793,679	100,531,051	54,129,611			
Balance Sheet Data (at December 31, 2000):							
Identifiable assets	189,238,170	86,777,172	97,289,570	69,695,010	14,039,748	-	457,039,670
Cash and cash equivalents							48,762,646
Investments in affiliated and other companies							31,222,097
Goodwill							45,852,568
Negative goodwill							(696,744)
Corporate assets							61,553,179
Total consolidated assets							643,733,416

	Year Ended December 31, 2001						
	Beer-Chile ThCh$	Beer-Argentina ThCh$	Soft Drinks and Mineral Waters ThCh$	Wine ThCh$	Other ThCh$	Eliminations ThCh$	Consolidated ThCh$
Statement Income Data							
Sales to third parties	123,613,841	51,285,177	101,305,106	66,941,487	415,997	-	343,561,608
Intersegment sales	-	-	-	-	16,276,684	(16,276,684)	-
Net sales	123,613,841	51,285,177	101,305,106	66,941,487	16,692,681	(16,276,684)	343,561,608
Operating income (loss)	28,388,874	(6,806,633)	8,942,512	9,415,325	3,712,075	-	43,652,153
Equity in net income of affiliated companies							689,868
Other income (general corporate income)							18,898,358
Interest expenses (net)							(2,779,319)
Other expenses (general corporate expenses)							(10,701,444)
Price-level restatement							(2,398,842)
Income before income tax and minoritary interest							47,360,774
Sales of each segment include:							
Beer	121,767,949	48,763,346	-	-			
By-products	424,510	73,505	-	-			
Carbonated drinks	-	-	77,497,356	-			
Nectars	-	-	7,869,377	-			
Mineral waters	-	-	15,469,288	-			
Wine	-	-	-	66,641,892			
Other products	1,421,382	2,448,326	469,085	299,595			
Total	123,613,841	51,285,177	101,305,106	66,941,487			
Balance Sheet Data (at December 31, 2001):							
Identifiable assets	179,561,340	89,654,241	95,751,792	70,356,000	14,834,280	-	450,157,653
Cash and cash equivalents							56,968,561
Investments in affiliated and other companies							24,294,610
Goodwill							34,301,978
Negative goodwill							(726,082)
Corporate assets							64,406,517
Total consolidated assets							629,403,237

Depreciation was allocated to each of the segments as follows:

Segment	1999	2000	2001
	ThCh$	ThCh$	ThCh$
Beer-Chile	14,421,845	16,175,680	15,972,652
Beer-Argentina	6,915,680	8,243,873	9,847,910
Soft drinks and mineral water	11,655,446	11,298,277	11,092,278
Wine	1,541,679	1,778,932	2,038,766
Other	1,123,352	1,096,951	1,246,078
Total	35,658,002	38,593,713	40,197,684

Capital expenditures for each of the segments were as follows:

Segment	1999	2000	2001
	ThCh$	ThCh$	ThCh$
Beer-Chile	37,225,297	15,905,280	11,404,989
Beer-Argentina	6,574,486	14,229,714	4,411,269
Soft drinks and mineral water	9,202,222	10,776,951	11,115,056
Wine	6,934,858	7,219,481	4,620,603
Other	3,207,622	4,325,770	1,555,470
Total	63,144,485	52,457,196	33,107,387

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

	1999			
	Chile	Argentina	Eliminations	Consolidated
	ThCh$	ThCh$	ThCh$	ThCh$
Sales to third parties	263,532,885	49,961,412	(15,036)	313,479,261
Operating income	43,072,998	175,143	-	43,248,141
Equity in net income of affiliated companies				984,719
Other income (general corporate income)				10,244,484
Interest income (net)				2,618,307
Other expenses (general corporate expenses)				(3,544,713)
Price-level restatement				2,793,663
Income before income tax and minoritary interest				56,344,601
Total assets at December 31,1999	525,975,075	115,694,268	(269,227)	641,400,116

	2000			
	Chile ThCh$	Argentina ThCh$	Eliminations ThCh$	Consolidated ThCh$
Sales to third parties	277,847,629	49,512,846	(144,476)	327,215,999
Operating income (loss)	45,687,702	(4,982,289)	-	40,705,413
Equity in net income of affiliated companies				1,257,209
Other income (general corporate income)				6,423,891
Interest expenses (net)				(2,488,336)
Other expenses (general corporate expenses)				(13,305,727)
Price-level restatement				(109,039)
Income before income tax and minoritary interest				32,483,411
Total assets at December 31,2000	524,701,931	119,096,348	(64,863)	643,733,416

	2001			
	Chile ThCh$	Argentina ThCh$	Eliminations ThCh$	Consolidated ThCh$
Sales to third parties	290,402,790	53,283,755	(124,937)	343,561,608
Operating income (loss)	49,621,690	(5,969,537)	-	43,652,153
Equity in net income of affiliated companies				689,868
Other income (general corporate income)				18,898,358
Interest expenses (net)				(2,779,319)
Other expenses (general corporate expenses)				(10,701,444)
Price-level restatement				(2,398,842)
Income before income tax and minoritary interest				47,360,774
Total assets at December 31,2001	513,582,102	116,440,100	(618,965)	629,403,237

NOTE 23 - SUBSEQUENT EVENTS

At January 28, 2002, the legislature of the Corrientes Province of the Republic of Argentina was debating the enactment of a law whereby which the maturities of the Series B CECAPOR bonds are to be extended by 270 days from their original maturity (January 31, 2002). As of December 31, 2001, the Company owned ThCh$ 447,083 of such bonds, which are included under the caption Other current assets in the balance sheet.

NOTE 24 - 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, 2001 was approximately 11%.

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.

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 s) 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 s) below. After the required adjustment using the FIFO cost method, the resulting value of inventories is presented at the lower of cost or market.

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 s) below. The US GAAP adjustment will be reversed when the land is actually sold.

e) Deferred income tax

As discussed in Note 14, effective January 1, 2000 the Company began applying Technical Bulletin No. 60 of the Chilean Institute of Accountants concerning deferred income taxes. Technical Bulletin No. 60 requires the recognition of deferred income taxes for all temporary differences arising after January 1, 2000, whether recurring or not, using an asset and liability approach. For US GAAP purposes, in prior years the Company applied SFAS 109, "Accounting for Income Taxes", whereby income taxes are also recognized using substantially the same asset and liability approach with deferred income tax assets and liabilities established for temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities based on enacted rates at the dates that the temporary differences arose.

Furthermore, deferred income tax assets under US GAAP should be reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The valuation allowance should be sufficient to reduce the deferred income tax asset to an amount that is expected to be realized. Valuation allowances are also required in these circumstances under Chilean GAAP as from the adoption of Technical Bulletin No. 60 in 2000.

After the year ended December 31, 1999, deferred income tax amounts determined under Chilean GAAP and US GAAP differ due to the recognition for US GAAP purposes of the reversal of deferred income taxes included in the US GAAP reconciliations in 1999 and prior years.

Prior to the implementation of Technical Bulletin No. 60, no deferred income taxes were recorded under Chilean GAAP if the related timing differences were expected to be offset in the year that they were projected to reverse by new timing differences of a similar nature.

The effects of the differences between providing for deferred income taxes under Chilean GAAP and US GAAP are included in paragraph 1 s) below and certain disclosures required under SFAS 109 are set forth under paragraph 3 b) below.

f) Joint venture

On November 2, 1994 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 ECUSA, which previously was a wholly-owned subsidiary of BAESA. Considering that the Company 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 at that time.

As indicated in Note 9, on November 29, 1999 the Company acquired the remaining 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 eleven-month period ended November 30, 1999 are shown in paragraph 2 below.

In accordance with US GAAP, accounting for investments by the equity method requires that the earnings or losses and the financial position of an investee be determined in accordance with US GAAP. Thus, in determining the difference between the 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 have been recorded based on the equity method up to November 30, 1999 as discussed above, the only significant difference between Chilean and US GAAP related to accounting for deferred income taxes.

The adjustment required to comply with FAS 109 by ECUSA has been given effect in paragraph 1 s) 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 US GAAP in accounting for investment securities is indicated in paragraph 1 s) 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. Under US GAAP and with respect to the purchase method of accounting, 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. 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, with the amount of the increase or decrease being included in the determination of net income by the investor. The investment 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 s) below.

With respect to the purchase of the additional 45% interest in ECUSA (see Note 9), the purchase price exceeded the fair value of the assets acquired and liabilities assumed on the date of purchase. As a result, trademarks with an assigned fair value of ThCh$ 7,548,303 and goodwill totaling ThCh$ 3,349,703 were determined for US GAAP purposes. The trademarks are being amortized over a period of five years.

In July 2001, the Financial Accounting Standards Board ("FASB") issued FAS No. 141, "Business Combinations". FAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001; the use of the pooling-of-interests method of accounting is prohibited after this date. This Statement does not fundamentally change the guidance for determining the cost of an acquired entity and allocating that cost to the assets acquired and liabilities assumed. It does establish specific criteria for the recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off immediately as an extraordinary gain (instead of being deferred and amortized).

In July 2001, the FASB also issued FAS No. 142, "Goodwill and Other Intangible Assets". FAS No. 142 established the following:

- The accounting for a recognized intangible asset is based on its useful life to the reporting entity. An intangible asset with a finite useful life will continue to be amortized, but goodwill and other intangible assets with indefinite useful lives will no longer be amortized.
- The remaining useful lives of intangible assets that are being amortized shall be evaluated each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. If the estimate of an intangible asset's remaining useful life is changed, the remaining carrying value of the intangible asset shall be amortized prospectively over the revised remaining useful life.
- Goodwill and other intangible assets with indefinite useful lives that are not subject to amortization shall be tested for impairment at least annually.
- All goodwill must be assigned to a reporting unit, which is defined as an operating segment or one level below an operating segment.

FAS No. 142 is effective for years beginning after December 15, 2001, but applies immediately to goodwill and intangible assets acquired after June 30, 2001. Accordingly, all goodwill recorded for US GAAP reconciliation purposes prior to July 1, 2001 will cease to be amortized after December 31, 2001. Goodwill at January 1, 2002 will be analyzed by June 30, 2002 to determine if other intangible assets should be separated from goodwill at that date and all indefinite lived assets (including goodwill) will be tested for impairment. No significant write-offs of goodwill are expected by Management as a result of the impairment tests.

i) Reclassifications for US GAAP purposes

Income and expenses

Under Chilean GAAP the following income and expenses arising during the years 1999, 2000 and 2001 are classified as Non-operating income and expenses whereas under US GAAP they would be classified as Operating income and expenses:

	1999 ThCh$	2000 ThCh$	2001 ThCh$
Non-operating income:			
Gain on sales of glass, plastic boxes and by-products	554,632	512,663	555,569
Amortization of negative goodwill	32,433	34,756	45,300
Gain on change in estimate of deposity liability for bottles and containers	6,259,331	-	-
Rental income	12,088	44,296	59,522
Gain on sale of properties held for sale and other assets	194,321	4,541,950	237,871
Recovery of severance indemnities	293,246	204,267	53,060
Insurance recoveries	135,946	48,590	52,226
Deposits recognized in income	-	261,446	51,393
	7,481,997	5,647,968	1,054,941

	1999 ThCh$	2000 ThCh$	2001 ThCh$
Non-operating expenses:			
Amortization of goodwill	1,543,276	2,464,755	2,391,400
Provision for severance indemnities	120,453	-	-
Provision for impairment of property, plant and equipment	264,009	3,134,919	1,349,550
Loss on sale of property, plant and equipment	445,655	129,788	392,478
Write-offs of accounts receivable and other accounts	-	535,646	431,789
Amortization of intangibles	9,421	9,371	11,928
Non-recurring legal expenses	-	398,644	540,265
Director's participation based on extraordinary dividend	-	-	1,458,934
Restructuring costs and indemnities	136,585	6,060,109	3,508,852
	2,519,399	12,733,232	10,085,196

Under Chilean GAAP, shipping and handling cost are charged to revenue whereas under US GAAP they would be classified in cost of sales. Shipping and handling costs were ThCh$ 8,472,015, ThCh$ 14,591,663 and ThCh$ 16,034,804 in 1999, 2000 and 2001, respectively.

Balance Sheet:

The balance sheet includes the unamortized cost of purchased software (ThCh$ 2,369,755 in 2000 and ThCh$ 3,888,281 in 2001) in the caption Property, plant and equipment (see Note 8), which under US GAAP should be classified in Other assets.

As shown in Note 1 t), Cash and cash equivalents included in the Statement of cash flows are recorded in separate captions on the balance sheet under Chilean GAAP. They are required to be shown combined as a caption in balance sheets prepared under US GAAP. Accordingly, the following cash equivalents should be reclassified and included in the caption Cash and cash equivalents for US GAAP presentation purposes:

	2000	2001
	ThCh$	ThCh$
Time deposits	14,643,250	10,446,950
Mutual fund shares	2,025,517	21,548,635
Securities purchased under resale agreements	25,755,581	15,343,581
Total	42,424,348	47,339,166

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 s) below to recognize the corresponding decrease in net equity at December 31 of each year. At December 31, 2000 no adjustment was necessary due to the declaration of an interim dividend in excess of the 30% minimum.

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 s) below.

l) Staff severance indemnities

For Chilean GAAP purposes and until January 1, 1999 for US GAAP purposes, 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 s) below. The cumulative effect of the change in accounting when adopted as of January 1, 1999 was a loss of ThCh$ 1,933,826 (or Ch$ 6.10 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 s) below.

n) Comprehensive income

For US GAAP purposes, companies are required to report comprehensive income and its components in a full set of general purpose financial statements. US GAAP requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The information required by this standard is shown in paragraph 1 s).

o) Development stage results of operations

For Chilean GAAP purposes, investments in majority-owned subsidiaries in the development stage are recorded by the equity method and the investor's proportional share of the subsidiary's results of operations are taken to a reserve that forms part of the investor's shareholders' equity. For US GAAP purposes, majority-owned subsidiaries in the development stage are consolidated and the results of their operations charged directly to income. The difference between charging development stage results to equity under Chilean GAAP and to income under US GAAP has been included in the reconciliation of income under paragraph 1 s) below. No disclosure of the effects of consolidation of such subsidiaries has been made because the effects are not material.

p) Investment in Backus & Johnston (Peru)

The Company held a 4.63% ownership interest in UCP Backus & Johnston S.A. ("Backus & Johnston") at December 31, 2000. During the year 2000, one of the Directors of the Company became a member of the Board of Directors of Backus & Johnston. As a result, for Chilean GAAP purposes the Company began accounting for its investment by the equity method during 2000. For US GAAP purposes, in the absence of a company exercising significant influence on an investment, the investment would generally be accounted for at cost less any impairment in value that is other than temporary. The effects of accounting for the investment in Backus & Johnston at cost under US GAAP are included in paragraph 1 s) below.

q) Accounting for joint venture in Viña Totihue S.A.

By Public Deed dated October 4, 2001, Viña San Pedro S.A. and Dassault Investment Fund Inc. formed Viña Totihue S.A., a closed Chilean company with a capital of US$ 7 million (equivalent to ThCh$ 4,786,950) and with 70,000 shares of no par value. Dassault Investment Fund Inc. received 35,000 shares (50% ownership interest) for its contribution in cash of US$ 3.5 million (equivalent to ThCh$ 2,393,475). Viña San Pedro S.A. also subscribed to 35,000 shares with a payment of US$ 800,000 (equivalent to ThCh$ 547,080) and the contribution of land with a value of US$ 2.7 million (equivalent to ThCh$ 1,846,395). The land consists of two parcels of land in Chile denominated "Totihue" which will be used for the production of wine grapes.

This transaction resulted in a gain under Chilean GAAP of ThCh$ 844,408 because the book value of the land was ThCh$ 1,001,981. Since Viña Totihue S.A. is an equity method investee of Viña San Pedro S.A., the Company deferred 50% of the gain generated in the transaction and recognized the other 50% in Other income in the statement of income for 2001.

Under US GAAP, the exchange of the land for an interest in the joint venture would not result in gain recognition because the investee received no cash. Accordingly, the gain on the exchange has been reversed in the reconciliation in paragraph 1 s) below.

r) Derivative financial instruments

The Company enters into foreign currency forward exchange contracts to cover the risk of exposure to exchange rate differences on existing items on the balance sheet denominated in US dollars. Under these forward contracts, for any rate above or below the fixed rate, the Company receives or pays the difference between the spot rate and the fixed rate for the given amount at the settlement date. The terms of the contracts are generally less than one year. Counterparties to these financial instruments expose the Company to credit-related losses in the event of nonperformance; however, counterparties to these contracts are major financial institutions and the risk of loss due to nonperformance is believed to be minimal.

Under Chilean GAAP, derivatives are accounted for in accordance with Technical Bulletin 57, "Accounting for Derivative Contracts" ("TB 57"). Under TB 57, all derivative financial instruments should be recognized on the balance sheet at their fair value. In addition, TB 57 requires that derivative financial instruments be classified as Non-hedging (investment) instruments and Hedging instruments, the latter further divided into those covering existing transactions and those covering anticipated transactions.

Contracts to cover existing transactions hedge against the risk of a change in the fair value of a hedged item. The differences resulting from the changes in the fair value of both the hedged item and the derivative instrument should be accounted for as follows:

a. If the net effect is a loss, it should be recognized in earnings in the period of change.
b. If the net effect is a gain, it should be recognized when the contract is closed and accordingly deferred on the balance sheet.
c. If the net effect is a gain and net losses were recorded on the transaction in prior years, a gain should be recognized in earnings in the current period up to the amount of net losses recorded previously.
d. If the effect is a net loss and net gains were recorded (as a deferred revenue) on the transaction in prior years, the gain should be utilized to offset the net loss before recording the remaining loss in the results of operations for the year.

Contracts to cover anticipated transactions are those that have the objective of protecting cash flow risks of a transaction expected to occur in the future (cash flow hedge). The hedging instrument should be recorded at its fair value and the changes in fair value should be stated on the balance sheet as unrealized gains or losses. When the contract is closed, the unrealized gains or losses on the derivative instrument should be recognized in earnings without affecting the cost or sales price of the asset acquired or sold in the transaction. However, probable losses arising from purchase commitments should not be deferred.

Non-hedging (investment) instruments should also be presented at their fair value, with changes in fair value reflected in the earnings of the period in which the change in fair value occurs.

At December 31, 2001, the Company had three derivative contracts consisting of forward contracts to sell US dollars for a total notional amount of US$ 42,000,000. These forward contracts were obtained to protect the Company from foreign exchange risk with respect to mutual fund shares and trade accounts receivable denominated in US dollars.

Under Chilean GAAP as set forth in TB 57, the forward contracts have been designated as hedges of existing transactions. The fair value of these contracts represent a gain of ThCh$ 686,484 which has been recognized as a partial offset of exchange losses on the hedged items.

Under US GAAP, the Company adopted FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by FAS 137 and FAS 138 on the same matter (collectively referred to herein as "FAS 133"), effective January 1, 2001. FAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. FAS 133 requires that all derivative instruments be recognized on the balance sheet at fair value and that changes in the fair value be recognized in income when they occur, the only exception being derivatives that qualify as hedges. To qualify the derivative instrument as a hedge, the Company must meet strict hedge effectiveness and contemporaneous documentation requirements at the initiation of the hedge and assess the hedge effectiveness on an ongoing basis over the life of the hedge.

Since the Company did not designate the derivative instruments in effect at December 31, 2000 as hedges upon the adoption of FAS 133, there was no significant cumulative effect adjustment in either earnings or other comprehensive income during 2001.

At December 31, 2001, the forward contracts designated as hedges for Chilean GAAP purposes did not meet the documentation requirements to be designated as hedges under US GAAP. However, no difference exists in the reconciliations of net income and shareholders' equity under Chilean GAAP and US GAAP because in both cases the derivative instruments are recorded on the balance sheet at fair value and changes in fair value are taken to the results of operations for the year.

Prior to the adoption of FAS 133, the Company recorded all derivative contracts on the same basis for both Chilean and US GAAP purposes, based on the fair value of the derivative contracts and with the changes in fair value taken to the results of operations.

During 2001 a loss of ThCh$ 483,648 was recorded in Price-level restatement relating to foreign currency forward exchange contracts (ThCh$ 24,883 during 2000 and ThCh$ 256,754 in 1999).

s) 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, 2001 purchasing power):

	1999 ThCh$	2000 ThCh$	2001 ThCh$
Net income as shown in the Chilean GAAP financial statements	44,453,854	26,524,923	38,377,295
Reversal of additional depreciation on revaluation of property, plant and equipment (par. 1b))	(3,213)	(9,054)	(9,054)
Inclusion of labor and overhead in inventories (par. 1c))	224,973	260,831	2,241,471
Revaluation of fixed assets held for sale (par. 1d))	327,335	793,568	-
Reversal of additional depreciation on revaluation of fixed assets held for sale (par. 1d))	50,648	3,998	2,249
Deferred income taxes (par. 1e))	349,266	(2,638,111)	(4,869,451)
Net effect of US GAAP adjustments of ECUSA (par. 1f))	169,936	93,657	-
Adjustment of amortization of goodwill on purchases of equity investments and subsidiaries (par. 1h))	1,007,483	1,020,137	1,384,904
Net effect of amortization of goodwill and trademarks on purchase of ECUSA (par. 1h))	(166,492)	(998,953)	(998,953)
Amortization of trademarks for Viña San Pedro S.A. and Compañia de Cervecerias Unidas Argentina S.A. (par. 1k))	402,516	185,027	213,281
Adjustment of employee severance indemnities (par. 1l))	(2,005,359)	709,373	(137,308)
Adjustment for capitalization of interest cost (par. 1m))	2,718,354	1,105,073	565,551
Reversal of deficit during development period of subsidiary (par. 1o))	-	(113,370)	(995,427)
Reversal of gain on investment in Viña Totihue S.A. (par. 1q))	-	-	(422,204)
Reversal of amortization of goodwill for Backus & Johnston (par. 1p))	-	395,669	(395,669)
Reversal of equity in loss for Backus & Johnston (par. 1p))	-	11,895	(11,895)
Reversal of dividends received from Backus & Johnston (par. 1p))	-	434,469	(434,469)
Net income according to US GAAP	47,529,301	27,779,130	34,510,321
Other comprehensive income:			
Foreign currency translation adjustments	3,612,691	1,033,019	4,124,930
Unrealized (losses) gains on securities:			
Unrealized holding gains arising during year	6,583,560	7,267,225	(15,027,825)
Other comprehensive income	10,196,251	8,300,244	(10,902,895)
Income tax expense related to items of other comprehensive income	(987,535)	(1,090,084)	2,252,905
Comprehensive income according to US GAAP, net of tax (par. 1n))	56,738,017	34,989,290	25,860,331

In addition, as described in paragraph 1 i) above, under Chilean GAAP Non-operating expenses aggregating ThCh$ 2,519,399 in 1999, ThCh$ 12,733,232 in 2000 and ThCh$ 10,085,196 in 2001 and Non-operating income aggregating ThCh 8,870,298 in 1999, ThCh$ 5,647,968 in 2000 and ThCh$ 1,054,941 in 2001 would be reclassified to Operating results under US GAAP.

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

	1999 ThCh$	2000 ThCh$	2001 ThCh$
Net equity as shown in the Chilean GAAP financial statements	409,318,938	414,415,662	411,574,789
Reversal of revaluation of property, plant and equipment (par. 1 b))	(2,425,954)	(2,425,954)	(2,425,954)
Reversal of accumulated depreciation on revaluation of property, plant and equipment (par. 1b))	(181,092)	(190,146)	(199,200)
Inclusion of labor and overhead in inventories (par. 1c))	608,026	868,857	3,110,328
Exclusion of revaluation of fixed assets held for sale (par. 1d))	(8,056,968)	(7,263,400)	(7,263,400)
Reversal of accumulated depreciation on revaluation of fixed assets held for sale (par. 1d))	1,011,814	1,015,812	1,018,061
Assets (liabilities) from deferred income taxes under FAS 109 (par. 1e))	3,430,384	(297,811)	(2,914,359)
Effect of US GAAP adjustments of ECUSA (par. 1f))	(93,656)	-	-
Investment securities (par. 1g))	7,887,514	15,154,739	126,914
Net effect of amortization of goodwill and trademarks on purchase of ECUSA (par. 1h))	(166,492)	(1,165,445)	(2,164,398)
Adjustment of goodwill on equity investments (par. 1h))	7,169,369	8,189,506	9,574,410
Minimum dividend permited by law, equivalent to 30% of net income for year determined in accordance with Chilean GAAP (par. 1j))	(4,397,091)	-	(1,002,594)
Amortization of trademarks for Viña San Pedro S.A. and Compañia de Cervecerias Unidas Argentina S.A. (par. 1 k))	294,565	479,592	692,873
Adjustment of employee severance indemnities (par. 1l))	(2,005,359)	(1,295,986)	(1,433,294)
Adjustment for capitalization of interest cost (par. 1m))	2,718,354	3,823,427	4,388,978
Reversal of gain on investment in Viña Totihue S.A. (par. 1q))	-	-	(422,204)
Reversal of foreign currency translation adjustments for Backus & Johnston (par. 1p))	-	(1,548,529)	-
Reversal of amortization of goodwill for Backus & Johnston (par. 1p))	-	395,669	-
Reversal of equity in loss for Backus & Johnston (par. 1p))	-	11,895	-
Reversal of dividends received from Backus & Johnston (par. 1p))	-	434,469	-
Net equity according to US GAAP	415,112,352	430,602,357	412,660,950

The following summarizes the changes in Shareholders' equity under US GAAP during the years ended December 31, 1999, 2000 and 2001:

	ThCh$
Balance at December 31, 1998	369,056,009
Reversal of accrued minimum dividend from prior year	1,936,920
Dividend declared	(19,644,871)
Increase in capital	11,423,369
Minimum dividend at year-end required by law	(4,397,091)
Net income for the year	47,529,301
Reversal of gross unrealized losses on investments that are available-for-sale from prior year, net of tax	(1,108,363)
Gross unrealized gains on investments that are available-for-sale at year-end, net of tax	6,704,387
Cumulative translation adjustment for the year	3,612,691
Balance at December 31, 1999	415,112,352
Reversal of accrued minimum dividend from prior year	4,397,091
Dividend declared	(23,896,375)
Net income for the year	27,779,130
Reversal of gross unrealized gains on investments that are available-for-sale from prior year, net of tax	(6,704,388)
Gross unrealized gains on investments that are available-for-sale at year-end, net of tax	12,881,528
Cumulative translation adjustment for the year	1,033,019
Balance at December 31, 2000	430,602,357
Dividend declared	(42,799,144)
Minimum dividend at year-end required by law	(1,002,594)
Net income for the year	34,510,321
Reversal of gross unrealized gains on investments that are available-for-sale from prior year, net of tax	(12,881,528)
Gross unrealized gains on investments that are available-for-sale at year-end, net of tax	106,608
Cumulative translation adjustment for the year	4,124,930
Balance at December 31, 2001	412,660,950

2 US GAAP Condensed Financial Statements

The above reconciling items affect the consolidated balance sheets as of December 31, 2000 and 2001 and the income statements for the three years in the period ended December 31, 2001 (including the deconsolidation of the ECUSA joint venture in 1999) as follows:

CONSOLIDATED BALANCE SHEET

Adjusted for general price-level changes and expressed in thousands
of constant Chilean pesos of December 31, 2001

	As of December 31, 2000		
	Consolidated balance sheet under Chilean GAAP	US GAAP adjustments	Consolidated balance sheet under US GAAP
ASSETS	ThCh$	ThCh$	ThCh$
CURRENT ASSETS			
Cash and cash equivalents (1)	48,762,646	-	48,762,646
Time deposits	23,404,727	(23,404,727)	-
Marketable securities	252,106	(252,106)	-
Investments in available-for-sale securities	-	59,195,906	59,195,906
Accounts receivable-trade and other	73,861,485	-	73,861,485
Accounts receivable from related companies	2,830,523	-	2,830,523
Inventories	38,966,640	868,857	39,835,497
Prepaid expenses	5,100,979	-	5,100,979
Prepaid taxes	1,974,257	-	1,974,257
Deferred income taxes	1,453,966	(1,453,966)	-
Other current assets	415,860	-	415,860
Total current assets	197,023,189	34,953,964	231,977,153
PROPERTY, PLANT AND EQUIPMENT, net	339,721,873	(1,747,010)	337,974,863
OTHER ASSETS	106,988,354	(16,880,427)	90,107,927
Total assets	643,733,416	16,326,527	660,059,943
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term borrowings	18,366,829	-	18,366,829
Current portion of long-term debt	21,350,277	-	21,350,277
Dividends payable	11,070,318	-	11,070,318
Accounts payable	30,512,472	-	30,512,472
Notes payable	1,352,498	-	1,352,498
Other payables	4,573,152	-	4,573,152
Accounts payable to related companies	110,407	-	110,407
Accrued expenses	14,119,649	-	14,119,649
Withholding taxes payable	10,195,940	-	10,195,940
Other current liabilities	18,709	-	18,709
Total current liabilities	111,670,251	-	111,670,251
LONG-TERM LIABILITIES			
Long-term debt	56,226,523	-	56,226,523
Accrued expenses	2,287,562	1,295,986	3,583,548
Deferred income taxes	11,899,413	(1,156,154)	10,743,259
Deposits on bottles and containers	13,832,077	-	13,832,077
Total long-term liabilities	84,245,575	139,832	84,385,407
Total liabilities	195,915,826	139,832	196,055,658
MINORITY INTEREST	33,401,928	-	33,401,928
			-
SHAREHOLDERS' EQUITY			-
Common stock	163,391,177	-	163,391,177
Share premium	12,778,372	-	12,778,372
Other reserves	11,363,860	-	11,363,860
Retained earnings	226,882,253	16,186,695	243,068,948
Total shareholders' equity	414,415,662	16,186,695	430,602,357
Total liabilities and shareholders' equity	643,733,416	16,326,527	660,059,943

(1) This caption includes time deposits, marketable securities and securities under resale agreements amounting to ThCh$ 14,643,250, ThCh$ 2,025,517 and ThCh$ 25,755,581, 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, 2001

	As of December 31, 2001		
ASSETS	Consolidated balance sheet under Chilean GAAP ThCh$	US GAAP adjustments ThCh$	Consolidated balance sheet under US GAAP ThCh$
CURRENT ASSETS			
Cash and cash equivalents (1)	56,968,561	-	56,968,561
Time deposits	18,574,976	(18,574,976)	-
Marketable securities	237,824	(237,824)	-
Investments in available-for-sale securities	-	21,465,043	21,465,043
Accounts receivable-trade and other	65,764,955	-	65,764,955
Accounts receivable from related companies	697,612	-	697,612
Inventories	41,826,139	3,110,328	44,936,467
Prepaid expenses	2,346,793	-	2,346,793
Prepaid taxes	2,205,238	-	2,205,238
Deferred income taxes	2,145,577	(2,145,577)	-
Other current assets	10,264,240	(2,525,329)	7,738,911
Total current assets	201,031,915	1,091,665	202,123,580
PROPERTY, PLANT AND EQUIPMENT, net	342,551,527	(2,124,457)	340,427,070
OTHER ASSETS	85,819,795	5,323,623	91,143,418
Total assets	629,403,237	4,290,831	633,694,068
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term borrowings	12,398,718	-	12,398,718
Current portion of long-term debt	18,341,990	-	18,341,990
Dividends payable	10,813,565	1,002,594	11,816,159
Accounts payable	35,688,318	-	35,688,318
Notes payable	574,640	-	574,640
Other payables	3,892,387	-	3,892,387
Accounts payable to related companies	588,343	-	588,343
Accrued expenses	13,711,739	-	13,711,739
Withholding taxes payable	9,398,575	-	9,398,575
Other current liabilities	47,563	-	47,563
Total current liabilities	105,455,838	1,002,594	106,458,432
LONG-TERM LIABILITIES			
Long-term debt	41,375,429	-	41,375,429
Accrued expenses	2,069,872	1,433,294	3,503,166
Deferred income taxes	15,849,932	768,782	16,618,714
Deposits on bottles and containers	13,207,512	-	13,207,512
Total long-term liabilities	72,502,745	2,202,076	74,704,821
Total liabilities	177,958,583	3,204,670	181,163,253
MINORITY INTEREST	39,869,865	-	39,869,865
SHAREHOLDERS' EQUITY			
Common stock	163,391,177	-	163,391,177
Share premium	12,778,372	-	12,778,372
Other reserves	13,058,204	-	13,058,204
Retained earnings	222,347,036	1,086,161	223,433,197
Total shareholders' equity	411,574,789	1,086,161	412,660,950
Total liabilities and shareholders' equity	629,403,237	4,290,831	633,694,068

(1) This caption includes time deposits, marketable securities and securities under resale agreements amounting to ThCh$ 10,446,950, ThCh$ 21,548,635 and ThCh$ 15,343,581, 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, 2001

	For the year ended December 31, 1999				
	Consolidated statement of income under Chilean GAAP ThCh$	Adjustments to deconsolidate ECUSA joint venture ThCh$	Consolidated statement of income without joint venture ThCh$	US GAAP Adjustments ThCh$	Consolidated statement of income under US GAAP ThCh$
OPERATING RESULTS					
Net sales	313,479,261	(65,410,375)	248,068,886	8,472,015	256,540,901
Cost of sales	(146,942,794)	36,787,222	(110,155,572)	(8,250,254)	(118,405,826)
Gross margin	166,536,467	(28,623,153)	137,913,314	221,761	138,135,075
Selling and administrative expenses	(123,288,326)	24,103,030	(99,185,296)	5,639,695	(93,545,601)
Operating income	43,248,141	(4,520,123)	38,728,018	5,861,456	44,589,474
NON-OPERATING RESULTS					
Non-operating income	20,375,267	1,119,178	21,494,445	(8,373,028)	13,121,417
Non-operating expenses	(10,072,470)	214,005	(9,858,465)	5,237,753	(4,620,712)
Price-level restatements	2,793,663	49,435	2,843,098	-	2,843,098
Income before income tax and minority interest	56,344,601	(3,137,505)	53,207,096	2,726,181	55,933,277
Income tax	(7,764,167)	883,803	(6,880,364)	349,266	(6,531,098)
Minority interest	(4,126,580)	2,253,702	(1,872,878)	-	(1,872,878)
NET INCOME	44,453,854	-	44,453,854	3,075,447	47,529,301

CONSOLIDATED STATEMENT OF INCOME

Adjusted for general price-level changes and expressed in thousands
of constant Chilean pesos of December 31, 2001

	For the year ended December 31, 2000		
	Consolidated statement of income under Chilean GAAP	US GAAP Adjustments	Consolidated statement of income under US GAAP
	ThCh$	ThCh$	ThCh$
OPERATING RESULTS			
Net sales	327,215,999	14,591,663	341,807,662
Cost of sales	(157,019,569)	(14,339,887)	(171,359,456)
Gross margin	170,196,430	251,776	170,448,206
Selling and administrative expenses	(129,491,017)	(5,770,013)	(135,261,030)
Operating income	40,705,413	(5,518,237)	35,187,176
NON-OPERATING RESULTS			
Non-operating income	12,397,559	(4,326,275)	8,071,284
Non-operating expenses	(20,510,522)	13,736,830	(6,773,692)
Price-level restatements	(109,039)	-	(109,039)
Income before income tax and minority interest	32,483,411	3,892,318	36,375,729
Income tax	(5,175,461)	(2,638,111)	(7,813,572)
Minority interest	(783,027)	-	(783,027)
NET INCOME	26,524,923	1,254,207	27,779,130

CONSOLIDATED STATEMENT OF INCOME

Adjusted for general price-level changes and expressed in thousands
of constant Chilean pesos of December 31, 2001

	For the year ended December 31, 2001		
	Consolidated statement of income under Chilean GAAP	US GAAP Adjustments	Consolidated statement of income under US GAAP
	ThCh$	ThCh$	ThCh$
OPERATING RESULTS			
Net sales	343,561,608	16,034,804	359,596,412
Cost of sales	(168,536,801)	(13,802,387)	(182,339,188)
Gross margin	175,024,807	2,232,417	177,257,224
Selling and administrative expenses	(131,372,654)	(8,566,082)	(139,938,736)
Operating income	43,652,153	(6,333,665)	37,318,488
NON-OPERATING RESULTS			
Non-operating income	23,285,643	(2,319,178)	20,966,465
Non-operating expenses	(17,178,180)	9,655,320	(7,522,860)
Price-level restatements	(2,398,842)	-	(2,398,842)
Income before income tax and minority interest	47,360,774	1,002,477	48,363,251
Income tax	(7,145,864)	(4,869,451)	(12,015,315)
Minority interest	(1,837,615)	-	(1,837,615)
NET INCOME	38,377,295	(3,866,974)	34,510,321

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:

	1999	2000	2001
	ThCh$	ThCh$	ThCh$
Basic earnings per share (under US GAAP)			
Net income per share	149.89	87.22	108.35
Weighted average number of Common stock outstanding (in thousands)	317,099	318,503	318,503

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:

	1999	2000	2001
	ThCh$	ThCh$	ThCh$
Current tax expense	4,764,703	4,699,693	3,872,197
Deferred tax under Chilean GAAP	2,115,661	475,768	3,273,667
Additional deferred tax to conform with US GAAP	(349,266)	2,638,111	4,869,451
Total provision for US GAAP	6,531,098	7,813,572	12,015,315

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

	1999	2000	2001
	ThCh$	ThCh$	ThCh$
Property, plant and equipment and depreciation	(12,648,697)	(14,694,048)	(17,220,794)
Employee severance indemnities	-	(11,297)	-
Investments in other companies	(1,182,211)	(2,167,236)	-
Inventories	(224,146)	(249,016)	(281,640)
Other assets	-	-	(173,654)
Deposits on bottles and containers	(965,180)	(952,438)	(1,291,106)
Gross deferred tax liabilities	(15,020,234)	(18,074,035)	(18,967,194)
Accounts receivable	607,661	1,107,457	721,289
Investments in other companies	-	-	123,558
Other assets	96,526	874,107	-
Tax loss carryforwards	6,164,534	6,538,797	5,070,585
Less: Valuation allowance	-	(1,923,218)	(4,801,454)
Employee severance indemnities	533,285	-	12,792
Other	901,353	733,633	1,221,710
Gross deferred tax assets	8,303,359	7,330,776	2,348,480
Net deferred tax assets (liabilities)	(6,716,875)	(10,743,259)	(16,618,714)

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:

	1999 ThCh$	2000 ThCh$	2001 ThCh$
At statutory Chilean tax rate (15%)	8,109,059	5,338,906	7,105,061
Increase (decrease) in rates resulting from:			
Non-deductible expenses	2,385,312	3,495,267	4,745,891
Non-taxable income	(4,111,416)	(2,824,079)	(1,994,847)
Tax credits	(21,537)	(266,451)	(284,398)
International income tax differences	252,429	2,022,274	681,429
Increase in Chilean tax rates (effect on deferred income taxes)	-	-	1,815,705
Other	(82,749)	47,655	(53,526)
At effective tax rates	6,531,098	7,813,572	12,015,315

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.

The Argentine enacted income tax rate was 35% during the years 1999 to 2001.

CCU and certain of the Chilean subsidiaries have tax loss carryforwards aggregating ThCh$ 1,533,903 at December 31, 2001 (ThCh$ 2,614,327 in 2000) which have no expiration date. Additionally, CCU Argentina and CICSA have tax loss carryforwards aggregating ThCh$ 13,742,326 at December 31, 2001 (ThCh$ 18,682,278 in 2000) which may be applied to reduce taxable income in Argentina during a ten-year carryforward period. These tax losses resulted in a deferred tax asset for 2001 of ThCh$ 5,070,585 (ThCh$ 6,538,797 in 2000 and ThCh$ 6,164,534 in 1999). Valuation allowances of ThCh$ 1,923,218 in 2000 and ThCh$ 4,801,454 in 2001 were provided against certain of the deferred tax assets of the Argentine subsidiaries became it is currently expected that those assets will probably not be realized before they expire.

c) Investment securities

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

	Carrying amount		Gross unrealized gains		Gross unrealized losses		Fair value	
	2000 ThCh$	2001 ThCh$	2000 ThCh$	2001 ThCh$	2000 ThCh$	2001 ThCh$	2000 ThCh$	2001 ThCh$
Time deposits	23,404,727	18,574,976	2,738	-	-	14,896	23,407,465	18,560,080
Investment in								
Backus & Johnston	20,304,527	-	15,153,711	-	-	-	35,458,238	-
Marketable securities	252,106	237,824	-	142,766	1,732	-	250,374	380,590
Other investments	79,807	2,525,329	22	-	-	956	79,829	2,524,373
Total securities available-for-sale	44,041,167	21,338,129	15,156,471	142,766	1,732	15,852	59,195,906	21,465,043

The Company has no securities which are considered to be trading securities or debt securities to be held to maturity. Deferred taxes relating to 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, 2000 and 2001 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.

- Securities purchased under resale agreements
  Fair value of securities purchased under resale agreement 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 31,2000		December 31,2001	
Assets	Carrying amounts ThCh$	Fair value ThCh$	Carrying amounts ThCh$	Fair value ThCh$
Cash	6,338,298	6,338,298	9,629,395	9,629,395
Time deposit and marketable securities	40,521,193	40,522,199	56,360,596	56,488,466
Investments in other companies	20,341,120	35,494,831	681,991	681,991
Securities purchased under resale agreements	25,558,019	25,558,041	17,908,146	17,907,190
Other current assets	417,829	417,829	1,914,285	1,914,285
Total assets	93,176,459	108,331,198	86,494,413	86,621,327
Liabilities				
Bank borrowings (short-term)	18,366,829	18,343,342	12,398,718	12,351,980
Bonds payable (short-term)	5,519,082	6,440,352	1,638,805	2,497,144
Current portion of long-term bank borrowings	15,581,750	15,581,750	16,507,465	16,507,465
Bank borrowings (long-term)	33,304,208	32,973,058	19,884,419	19,513,547
Bonds payable (long-term)	21,691,932	20,161,829	20,382,533	18,472,268
Total liabilities	94,463,801	93,500,331	70,811,940	69,342,404

e) Concentrations of credit risk

The Company holds accounts with a variety of banks and does not hold significant deposits with any single bank. The Company has a wide customer base and trades with a large number of small customers. Consequently, the Company does not believe that it has any significant concentrations of credit risk at December 31, 2001.

f) Concentrations of other risks

The beverage business is highly competitive in both Chile and Argentina, where the Company competes with other enterprises. Additionally, in view of the favorable long-term economic conditions in Chile, other enterprises may be expected to enter the country's beer, wine and soft drink markets.

The Company's results may 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, wine and soft drinks markets in Chile and Argentina.

g) Restructuring Costs

During 2000, the Company implemented a plan to reorganize and restructure certain of its business activities at the Parent Company level and at certain subsidiaries. The restructuring consisted of a series of planned actions, including a reduction in the number of employees, and the closing of plant facilities. In connection with these actions, the Company recorded restructuring charges totaling ThCh$ 6,060,109 in 2000 and ThCh$ 3,508,852 in 2001 which were classified as non-operating expenses. The restructuring activities started during 2000 were substantially completed by the end of the year. At December 31, 2001, all the restructuring activities related to the 2000 and 2001 programs were complete and all costs had been paid.

The restructuring charges are summarized as follows:

	2000	2001
	ThCh$	ThCh$
Employee severance indemnities on closing of Osorno Plant	576,643	-
Employee severance indemnities paid by CCU Argentina	1,533,243	1,010,804
Employee severance indemnities for corporate restructuring	2,861,833	2,093,353
Other	1,088,390	404,695
	6,060,109	3,508,852

In addition, the Company recorded an adjustment totaling ThCh$ 2,409,241 in 2000 for the write-down to net realizable value of the fixed assets in the Osorno plant, which was closed due to the opening of a new, more modern plant. The carrying value of the Osorno plant has been reclassified to Other Assets – land and building held for sale (see Note 9).

4 Recent accounting pronouncements

In July 2001, the FASB issued FAS No. 143, “Accounting for Asset Retirement Obligations”. FAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the entity either settles the obligation for the amount recorded or incurs a gain or loss. FAS No. 143 is effective for fiscal years beginning after June 15, 2002. Although the Company is evaluating the effects of this Statement on its financial position and results of operations, management does not consider that the adoption of this Statement will have a material impact on the results of its operations.

In August 2001, the FASB issued FAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. FAS No. 144 superseded FASB Statement No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of”, and the accounting and reporting provisions of Accounting Principles Board Opinion (“APB”) No. 30, “Reporting the Results of Operations – Reporting on the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions” for the disposal of a segment of a business (as previously defined in APB No. 30). The FASB issued FAS No. 144 to establish a single accounting model, based on the framework established in FAS No. 121, for long-lived assets to be disposed of by sale. FAS No. 144 broadens the presentation of discontinued operations in the income statement to include a component of an entity (rather than a segment of business). A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. FAS No. 144 also requires that discontinued operations be measured at the lower of the carrying amount or fair value less cost to sell. FAS No. 144 is effective for fiscal years beginning after December 15, 2001 and should be applied prospectively. The Company is evaluating the effect of this Statement on its financial position and results of operations.

Signatures

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

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

Patricio Jottar
Chief Executive Officer

Date: June 28, 2002