

CCU

Product expansion



CCU is one of Chile's largest producers of beer, soft drinks, bottled mineral water, juices, wines, Pisco and confectionary products. As the country's leading brewer, with a 90% market share, the company's main revenue source is the production and sale of beer. Its Cristal, Royal Guard, Morenita, Escudo, Kunstmann and Lemon Stones brands are distributed throughout the country, enjoying the support of millions of consumers. The company also markets in Chile international brands of such renown as Heineken, Budweiser and Paulaner.

At the same time CCU, through its Argentine subsidiary, is the second largest brewer in Argentina, with a 15% share of the market. It makes and sells beer for the local market and, since 2000, has exported Budweiser to other markets in the Southern Cone. Among its international brands are Heineken, Budweiser, Corona, and Guinness, while its domestic portfolio includes the Sante Fe, Salta, Schneider, and Córdoba brands.

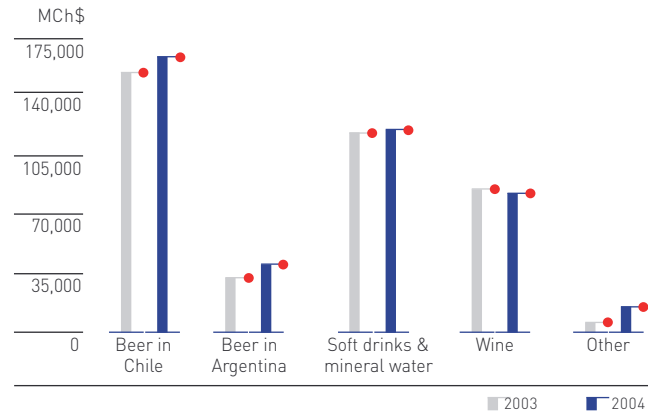
CCU also makes and markets soft drinks and bottles mineral water and fruit juices through its ECUSA subsidiary. In soft drinks, the company sells own brands such as Bilz, Pap, Kem, and Kem Xtreme, and under licence, Pepsi, 7 Up, Crush, Limón Soda, Ginger Ale, Agua Tónica and Gatorade. In this segment, CCU has a 22% share of the market. In mineral waters, CCU is the domestic leader with the Cachantun and Porvenir brands, which together claim 64% of total market sales.

The production and sale of wines for the domestic and export markets is handled in Chile by the San Pedro subsidiary. This winery, along with associate companies such as Santa Helena, Finca La Celia, Tabalí and Altair, deals in a wide range of wines for domestic and international markets. Viña San Pedro is among the three most important wineries in Chile with a domestic market share of 17%, and the second-largest wine exporter with a 15% market share at December 2004.

Despite having only recently entered the Pisco market, the Ruta Norte brand has already managed to position itself solidly in one of the ten most important consumer markets in Chile and promises to continue making inroads. Ruta Norte amplified its product range in 2004 with the launch of Ruta Sour and Ruta Sour Light, both ready-to-drink Pisco mixes. This has helped the business position itself as the third-largest player in the Pisco market, with an 18% market share.

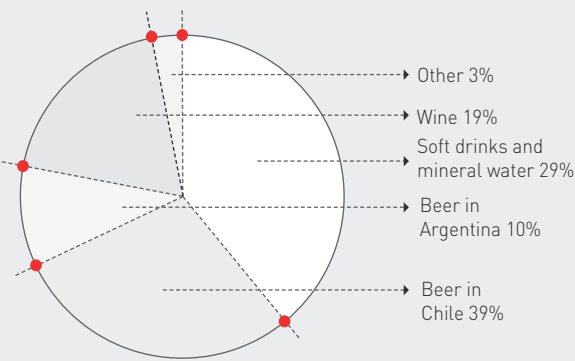
Sales

MCh\$ 420,638 in 2004



2004 sales composition

MCh\$ 420,638



On top of all this, CCU entered the snack food segment in January 2004 following the acquisition of 50% of Calaf, a cookie and candy producer. This product line complements the soft drinks business, and CCU hopes to be able to capitalize on its extensive 90,000-strong distribution network to sell Calaf products and so produce synergic value from the deal. Calaf is currently focused on improving the quality of its production facilities and fine-tuning its product line.

Market share	2003	2004
Beer in Chile	89%	90%
Beer in Argentina	14%	15%
Soft drinks	23%	22%
Mineral water	64%	64%
Fruit juice	52%	52%
Domestic wine (VSP)	17%	17%
Export wine (VSP) bottled	18%	15%

“Punto Máximo” Plan

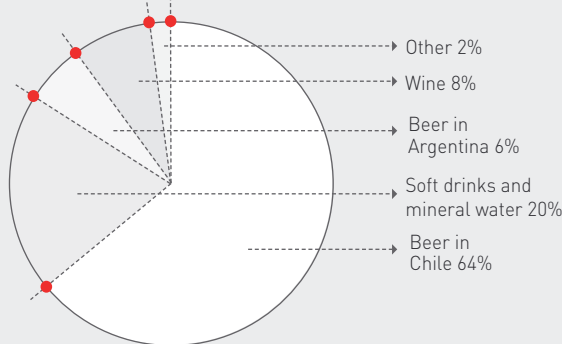
The “Punto Maximo” Plan, underway since July 2004, seeks to lift levels of consumer and client satisfaction by improving the quality of service and adding value at the point of sale. The objective is to maximize market segmentation and consumer profiling. With this plan, the company has been able to prioritize its actions towards optimizing performance in all its business areas, giving each one the specific attention required.

2004 Results

CCU's consolidated sales revenues rose by 6.9% to Ch\$420,638 million, attributable to a 4.2% increase in volumes sold and higher average prices. In general terms, volumes were influenced by the economic reactivation underway in Chile and to a certain extent, in Argentina, as well as the addition of new products to CCU's portfolio, particularly Heineken beer and Ruta Norte pisco.

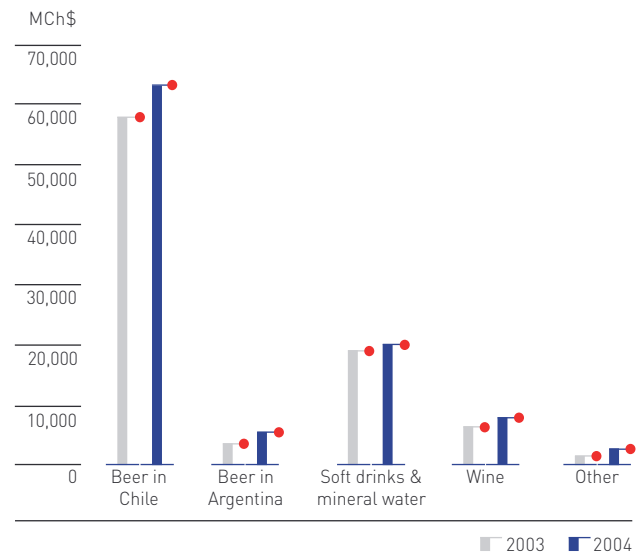
Operating income jumped by 24.9% to Ch\$58,707 million in 2004, due to improvements in the operating performance across all

2004 EBITDA by segment
MCh\$ 98,555



EBITDA

MCh\$ 98,555 in 2004



In spite of the marked improvement in CCU's operating performance in 2004, which was reflected in a 24.9% increase in its operating profits, net profit for the year dropped by 18.1% to Ch\$45,394 million, as a result of the aforementioned non-recurring gain reported in 2003 on the sale of the Croatian brewery.

of CCU's business segments. The increase in operating results associated with the beer segments in Chile and Argentina accounted for 73.9% of the total Ch\$11,698 million increase. Both of these segments benefited from volume and price increases as well as lower cost of goods sold related to the drop in the value of the US dollar. In addition, a 19.3% and a 34.6% rise in operating income from the soft drinks and wine segments (respectively) also contributed to the higher profit level and was mainly the result of a reduction in COGS in US dollars and SG&A expenses as a percentage of sales. EBITDA reached Ch\$98,556 million showing an increase of 11.3% over 2003.

CCU reported non-operating losses of Ch\$6,178 million, compared to non-operating income of Ch\$13,941 million in 2003. The variation in non-operating results is mostly explained by an extraordinary gain in 2003 of Ch\$20,617 million on the sale of CCU's investment in Karlovacka, a beer producer in Croatia.

Volume sold (*)	2003	2004	Change
Beer in Chile	3,718	3,807	+2%
Beer in Argentina	1,904	2,101	+10%
Soft drinks and mineral water	4,286	4,424	+3%
Domestic wine (VSP)	505	503	-
Export wine (VSP)	453	448	-1%
Pisco	32	70	+119%

(*) Thousands of hectoliters

