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## **QUIÑENCO S.A. ANNOUNCES CONSOLIDATED RESULTS FOR THE SECOND QUARTER OF 2014**

(Santiago, Chile, September 5, 2014) Quiñenco S.A., a leading Chilean business conglomerate, announced today its consolidated financial results under IFRS, for the second quarter ended June 30, 2014.

Consolidated financial results are presented in accordance with IFRS and the regulations established by the Superintendency of Securities and Insurance (SVS). All figures are presented in nominal Chilean pesos, unless stated otherwise. Figures in US\$ have been converted from Chilean pesos (Ch\$) at the observed exchange rate on June 30, 2014 (Ch\$552.72 = US\$1.00), unless indicated otherwise, and are only provided for the reader's convenience.

### **2Q 2014 HIGHLIGHTS**

- **Net income<sup>1</sup> amounted to a gain of Ch\$21,614 million in the second quarter of 2014, 34.2% below the same period in 2013, primarily due to a negative variation in CSAV's quarterly results, mostly attributable to non-recurring effects and lower freight rates. However, this was partially compensated by the improvement posted by Nexans during the period. At the corporate level, the current quarter includes greater losses from the effect of higher inflation on liabilities in UFs.**
- **Consolidated revenues reached Ch\$614 billion, 48.1% higher than the second quarter of 2013, boosted by growth at Enex.**
- **Enex and Banco de Chile reported sound operating performance and positive results, while CCU's net income posted significant growth in the quarter, boosted by a non-recurring gain. SM SAAM's results, however, decreased, reflecting lower results from logistics.**
- **Earnings per ordinary share amounted to a gain of Ch\$13.00 for the second quarter of 2014.**

<sup>1</sup> Net income corresponds to Net income attributable to Controllers' shareholders.



## **GROUP HIGHLIGHTS – SECOND QUARTER 2014 AND SUBSEQUENT EVENTS**

### **CSAV – Binding agreement to merge with Hapag Lloyd signed**

Following a non-binding agreement signed in January, 2014, on April 16, 2014, CSAV announced a binding MOU with the German shipping company Hapag Lloyd (HL), to merge CSAV's container business with HL, becoming shareholder in the merged company with a 30% stake. CSAV would be the largest shareholder, and through a shareholders' agreement would control around 75% of the combined entity. The new company would be the 4<sup>th</sup> largest operator worldwide. The transaction is subject to approvals from antitrust authorities in various jurisdictions.

### **Madeco – Announces new name**

On April 16, 2014, Madeco's Shareholders' Meeting approved the decision to change the company's name to Techpack, in accordance with its current main business line.

### **Quiñenco – Dividend Distribution**

At the Ordinary Shareholders' Meeting held on April 30, 2014, shareholders approved a dividend distribution corresponding to 2013 net income of Ch\$45.05 per share, payable as of May 12, 2014, to those shareholders registered with the company as of May 6, 2014. The total amount of the dividend is Ch\$74,904 million, equivalent to 60.00% of 2013 net income.

### **CCU – Enters Bolivian beverage market**

On May 7, 2014, CCU announced its incursion in Bolivia, through the acquisition of a 34% stake of Bebidas Bolivianas (BBO). CCU can push this stake up to 51%. BBO produces and commercializes alcoholic and non-alcoholic beverages.

### **Invexans – Agreement with Nexans terminated**

On May 22, 2014, Invexans and Nexans announced the termination of the agreement in place since 2011. On May 15, 2014, Invexans had requested the termination of the agreement to the French company, given that the main objective of the agreement to consolidate Invexans as Nexans' reference shareholder had been accomplished. On May 22, 2014, Nexans' Board of Directors approved the request. Invexans has also declared that it does not intend to gain more than 30% control of Nexans, nor does it intend to divest totally or partially its stake in the French cable company.

### **Invexans – Successfully completes capital increase of US\$270 million**

As approved by Invexans' Extraordinary Shareholders' Meeting in November 2013, Invexans carried out a capital increase successfully raising US\$270 million through the issue of 15 billion new shares. The funds will be destined to finance the shares acquired to increase its stake in Nexans, including its participation in Nexans' capital increase, as well as the reduction of liabilities. Quiñenco subscribed a total of approximately US\$237 million in the capital increase, raising its stake in the company to 80.5%.



#### **Techpack – Acquires Chilean packaging Company HYC Packaging**

On June 10, 2014, Techpack announced the acquisition of the Chilean packaging Company HYC Packaging, specialized in the manufacture of flexible packaging. The transaction, valued at US\$34.3 million, increases Techpack's installed capacity to 80,000 tons a year.

#### **SM SAAM – Joint ventures with Boskalis start operations**

Following an agreement signed in April, 2013 with Boskalis, on July 2, 2014, SAAM SMIT Towage Brazil and SAAM SMIT Towage Mexico started operations. In 2013 the entities comprising the joint ventures generated combined EBITDA of US\$100 million. The operational synergies are estimated at US\$10 million annually, which the company expects to capture in 24 months.

#### **Quiñenco – Raises funds through Bond Issue**

On July 31, 2014, Quiñenco successfully placed a bond issuance of UF 2,375,000 (approximately US\$100 million) in the local market.

#### **CSAV – Completes capital increase of US\$200 million**

On August 13, 2014, CSAV completed its capital increase raising US\$200 million. Quiñenco subscribed a total of US\$176 million in the capital increase, raising its stake in the company to 54.5%.

#### **CSAV – US\$400 million capital increase approved**

On August 22, 2014, CSAV's Extraordinary Shareholders' Meeting approved a capital increase of US\$400 million, as part of the planned merger of the company's container business with Hapag Lloyd. The proceeds will mainly be used to subscribe the amount committed by CSAV (€259 million) in Hapag Lloyd's first capital increase following the merger. Thus, CSAV would increase its stake in the merged Hapag Lloyd from 30% to 34%. The balance will be used to cover expenses related to the closing of the operation. This capital increase will be carried out once the merger between both companies is closed.



## FORMAT OF FINANCIAL STATEMENTS

As of 2012, the Superintendency of Securities and Insurance (SVS) has modified the format of the Income Statement, adding the line "Gains (losses) of operating activities". As defined by the SVS this sub-total includes the following concepts: Gross income, Other operating income, Distribution Costs, Administrative expenses, Other operating expenses, and Other gains (losses). In accordance with this definition, this document refers to Gains (losses) of operating activities or Operating Income in the same manner.

## SEGMENT INFORMATION

In accordance with IFRS requirements, financial information is reported for the four segments defined by Quiñenco for this purpose: Manufacturing, Financial, Energy and Others. However, in order to allow a better understanding of the consolidated financial statements, the latter and the subsequent analysis, have been divided in Banking and Non-banking (industrial) activities, as follows:

- **Industrial Sector:** includes the following Segments and main companies:

**i) Manufacturing**

- Invexans
- Techpack (ex-Madeco)

**ii) Financial**

- LQ Inversiones Financieras (LQIF holding)

**iii) Energy**

- Enex

**iv) Other**

- Quiñenco and others (includes CCU, Compañía Sud Americana de Vapores (CSAV), SM SAAM, Quiñenco holding and eliminations)

The companies composing this sector reported their financial statements in accordance with IFRS. Invexans and Techpack report their financial statements in US dollars, and translate them to Chilean pesos for consolidation purposes.

On March 27, 2013, Madeco's Extraordinary Shareholders' Meeting approved the division of the company in Invexans as the legal successor, and a new company now named Techpack (formerly Madeco). Invexans' main asset is its 28.0% stake in Nexans, a French multinational company leader in the world cable industry. Techpack's main assets were Alusa (flexible packaging), Madeco Mills (brass mills), and Indalum (profiles). During 2013 Techpack decided to discontinue the brass mills business in Chile and Argentina, and in March 2014 announced the decision to close the profiles business, focusing its activities solely in packaging. In April 2014 the Shareholders' Meeting approved changing the company's name from Madeco to Techpack. Techpack has classified the companies Madeco Mills, Decker Industrial and Indalum as discontinued operations in 2013 and 2014. As of June 30, 2014, Quiñenco's stake was 80.3% in Invexans and 65.9% in Techpack.



**Banking Sector:** includes the following Segments and main companies:

**i) Financial**

- Banco de Chile
- SM Chile

These companies reported their financial statements partially in accordance with IFRS, as determined by the Superintendency of Banks and Financial Institutions.

### Summarized Consolidated Income Statement

| Sector /Segment  | Manufacturing   |                | Financial      |                | Energy       |              | Other         |                | Total          |                |
|--|-----------------|----------------|----------------|----------------|--------------|--------------|---------------|----------------|----------------|----------------|
|  | 2Q 13           | 2Q 14          | 2Q 13          | 2Q 14          | 2Q 13        | 2Q 14        | 2Q 13         | 2Q 14          | 2Q 13          | 2Q 14          |
|  | MCh\$           | MCh\$          | MCh\$          | MCh\$          | MCh\$        | MCh\$        | MCh\$         | MCh\$          | MCh\$          | MCh\$          |
| Consolidated Income (Loss) Industrial Sector                       | (18,350)        | (7,068)        | (2,460)        | (5,588)        | 2,822        | 5,654        | 13,357        | (9,866)        | (4,631)        | (16,868)       |
| Consolidated Income Banking Sector                                 | -               | -              | 107,202        | 133,170        | -            | -            | -             | -              | 107,202        | 133,170        |
| <b>Consolidated Net Income (Loss)</b>                              | <b>(18,350)</b> | <b>(7,068)</b> | <b>104,742</b> | <b>127,582</b> | <b>2,822</b> | <b>5,654</b> | <b>13,357</b> | <b>(9,866)</b> | <b>102,571</b> | <b>116,302</b> |
| Net income (loss) attributable to Non-controlling interests        | (5,490)         | (2,453)        | 74,643         | 97,296         | -            | -            | 549           | (156)          | 69,702         | 94,687         |
| <b>Net Income (loss) attributable to Controllers' Shareholders</b> | <b>(12,860)</b> | <b>(4,615)</b> | <b>30,099</b>  | <b>30,286</b>  | <b>2,822</b> | <b>5,654</b> | <b>12,808</b> | <b>(9,710)</b> | <b>32,869</b>  | <b>21,614</b>  |

#### Net Income – 2Q 2014

Quiñenco reported a net gain of Ch\$21,614 million in the second quarter of 2014, 34.2% below the same period in 2013, primarily due to Quiñenco's share in CSAV's lower results during the quarter, due to non-recurring effects and lower freight rates, and to a lesser extent, to a lower contribution from Techpack explained by a non-recurring gain in the same quarter of the previous year. These reductions were partly compensated by the positive contribution from Invexans, reflecting an improvement in the results of Nexans, strong growth at Enex, boosted by the acquisition of Terpel Chile, and sound performance of Banco de Chile. CCU, SM SAAM and Banchile Vida contributed with moderate growth. At the corporate level, losses generated by a higher rate of inflation on liabilities in UFs together with increased debt in UFs, were partially compensated by higher net financial income during the quarter, reflecting a higher cash balance.

Earnings per ordinary share amounted to a gain of Ch\$13.00 in the second quarter of 2014.



## Consolidated Income Statement Breakdown

|   | 2Q 13          |               | 2Q 14           |                |
|---|----------------|---------------|-----------------|----------------|
|   | MCh\$          | MUS\$         | MCh\$           | MUS\$          |
| <b>Industrial Sector</b>                                    |                |               |                 |                |
| <b>Revenues</b>   | <b>414,389</b> | <b>749.7</b>  | <b>613,729</b>  | <b>1,110.4</b> |
| Manufacturing - Invexans & Techpack                         | 43,275         | 78.3          | 52,033          | 94.1           |
| Financial - LQIF holding                                    | -              | -             | -               | -              |
| Energy - Enex   | 347,407        | 628.5         | 535,805         | 969.4          |
| Other - Quiñenco & others                                   | 23,707         | 42.9          | 25,891          | 46.8           |
| <b>Operating income (loss)</b>                              | <b>6,302</b>   | <b>11.4</b>   | <b>5,398</b>    | <b>9.8</b>     |
| Manufacturing - Invexans & Techpack                         | 3,744          | 6.8           | 1,444           | 2.6            |
| Financial - LQIF holding                                    | (917)          | (1.7)         | (1,016)         | (1.8)          |
| Energy - Enex   | 4,236          | 7.7           | 5,610           | 10.2           |
| Other - Quiñenco & others                                   | (761)          | (1.4)         | (641)           | (1.2)          |
| <b>Non-operating income (loss)</b>                          | <b>(6,792)</b> | <b>(12.3)</b> | <b>(12,831)</b> | <b>(23.2)</b>  |
| Interest income   | 4,032          | 7.3           | 6,075           | 11.0           |
| Interest expense  | (7,641)        | (13.8)        | (10,005)        | (18.1)         |
| Share of net income/loss from related co.                   | (2,464)        | (4.5)         | (1,572)         | (2.8)          |
| Foreign exchange gain (loss)                                | (1,268)        | (2.3)         | (9)             | (0.0)          |
| Indexed units of account restatement                        | 549            | 1.0           | (7,319)         | (13.2)         |
| Income tax  | (1,715)        | (3.1)         | (787)           | (1.4)          |
| Net income (loss) from discontinued operations              | (2,427)        | (4.4)         | (8,648)         | (15.6)         |
| <b>Consolidated Net Income (Loss) Industrial Sector</b>     | <b>(4,631)</b> | <b>(8.4)</b>  | <b>(16,868)</b> | <b>(30.5)</b>  |
| <b>Banking Sector</b>                                       |                |               |                 |                |
| Operating revenues  | 345,377        | 624.9         | 413,503         | 748.1          |
| Provision for loan losses                                   | (53,918)       | (97.6)        | (72,352)        | (130.9)        |
| Operating expenses  | (150,598)      | (272.5)       | (170,228)       | (308.0)        |
| Operating income (loss)                                     | 140,861        | 254.8         | 170,923         | 309.2          |
| Non-operating income (loss)                                 | (14,465)       | (26.2)        | (20,804)        | (37.6)         |
| Income tax  | (19,193)       | (34.7)        | (16,950)        | (30.7)         |
| <b>Consolidated Net Income (Loss) Banking Sector</b>        | <b>107,202</b> | <b>194.0</b>  | <b>133,170</b>  | <b>240.9</b>   |
| <b>Consolidated Net Income</b>                              | <b>102,571</b> | <b>185.6</b>  | <b>116,302</b>  | <b>210.4</b>   |
| Net income attributable to Non-controlling interests        | 69,702         | 126.1         | 94,687          | 171.3          |
| <b>Net income attributable to Controllers' shareholders</b> | <b>32,869</b>  | <b>59.5</b>   | <b>21,614</b>   | <b>39.1</b>    |





**I. Industrial Sector**

**Revenues – 2Q 2014**

Consolidated revenues totaled Ch\$613,729 million in the second quarter of 2014, 48.1% above those of the same period in 2013, primarily due to 54.2% growth in sales of Enex, boosted by the acquisition of Terpel Chile at the end of June 2013, and to a lesser extent by higher sales at Techpack<sup>2</sup> and at Banchile Vida.

Consolidated sales in the second quarter of 2014 can be broken down as follows: Enex (87.3%), Techpack (8.5%), and others (4.2%).

**Operating Income<sup>3</sup> - 2Q 2014**

Operating income for the second quarter of 2014 reached a gain of Ch\$5,398 million, compared to a gain of Ch\$6,302 million in the second quarter of 2013. The 14.3% decline in consolidated operating results is primarily attributable to lower operating income at Techpack, primarily due to higher costs of raw materials and higher administrative expenses, and to a lesser extent to lower operating income from Invexans due to negative goodwill related to Nexans reported in the second quarter of 2013. These reductions were mostly compensated by strong growth at Enex, which posted a 32.4% increase in operating results, and also by Banchile Vida with an increment of 33.6% in its results.

**EBITDA<sup>4</sup> – 2Q 2014**

EBITDA amounted to Ch\$12,505 million in 2Q 2014, up 15.9% from the second quarter of 2013, generated mainly by Enex's, Techpack's, and Banchile Vida's operations.

**Non-Operating Results<sup>5</sup> – 2Q 2014**

Non-operating income amounted to a loss of Ch\$12,831 million in the second quarter of 2014, compared to a loss of Ch\$6,792 million in the same quarter of 2013.

**Proportionate share of net income of equity method investments (net) – 2Q 2014**

Quiñenco's proportionate share of net income from equity method investments (net), which primarily includes the results from CCU, CSAV, and SM SAAM, as well as Invexans' share in the results of Nexans, reached a loss of Ch\$1,572 million, compared to a loss of Ch\$2,464 million in 2Q 2013.

Quiñenco's proportionate share of net income from IRSA (CCU) increased by 17.6% to Ch\$5,979 million.

<sup>2</sup> It is worth noting that since Techpack and Invexans report in US dollars and translate their financial statements to Chilean pesos for consolidation purposes, variations analyzed in Chilean pesos vary from those in US dollars. For analysis of Techpack's and Invexans' results in US dollars, refer to Segment/Operating company analysis.

<sup>3</sup> Operating income includes: Gross income (revenues minus cost of sales), Distribution costs, Administrative expenses, Other operating revenue, Other operating expenses, and Other gains/losses.

<sup>4</sup> EBITDA is calculated as: Operating income minus/plus others gains/losses plus depreciation plus amortization of intangibles.

<sup>5</sup> Non-operating results include the following items: Financial income, Financial costs, Proportionate share of equity method investments, Foreign currency exchange differences, and Indexed units of account restatement.



Quiñenco's proportionate share of net income from CSAV amounted to a loss of Ch\$13,688 million, a decline over the gain of Ch\$6,092 million in 2Q 2013.

Quiñenco's proportionate share of net income from SM SAAM increased by 18.9% to a gain of Ch\$2,932 million.

Invexans' proportionate share of net income from Nexans amounted to a gain of Ch\$3,019 million, an improvement over the loss of Ch\$16,295 million in 2Q 2013.

#### **Interest Income - 2Q 2014**

Interest income for the second quarter of 2014 amounted to Ch\$6,075 million, 50.7% above that obtained in 2Q 2013. This variation corresponds mainly to higher financial income at Quiñenco, reflecting a higher cash balance.

#### **Interest Expense - 2Q 2014**

Interest expense for the second quarter of 2014 amounted to Ch\$10,005 million, 31.0% greater than in 2Q 2013. The variation is mainly explained by higher financial costs at Quiñenco, and to a lesser extent, at Invexans, Techpack and Enex.

#### **Foreign currency exchange differences – 2Q 2014**

In 2Q 2014, the gains (losses) specific to foreign currency translation differences amounted to a loss of Ch\$9 million, compared to a loss of Ch\$1,268 million reported in 2Q 2013, primarily attributable to gains at Invexans and lower losses at Techpack.

#### **Indexed units of account restatement – 2Q 2014**

The gain or loss derived from the restatement of assets and liabilities indexed to units such as the *Unidad de Fomento* or UF (inflation indexed) amounted to a loss of Ch\$7,319 million in the second quarter of 2014, compared to a gain of Ch\$549 million reported in the same period of 2013, mainly explained by Quiñenco and LQIF holding, due to the higher rate of inflation prevailing in the current quarter and its adjustment effect on liabilities in UFs, together with a higher level of liabilities in UFs at Quiñenco and, to a lesser extent, at LQIF.

#### **Income Taxes – 2Q 2014**

The industrial sector reported income tax of Ch\$787 million in 2Q 2014, compared to Ch\$1,715 million reported in 2Q 2013, primarily due to an income tax credit at Enex and Invexans during the quarter, compensating higher taxes at Techpack, LQIF holding and Banchile Vida.

#### **Discontinued Operations – 2Q 2014**

In 2Q 2014 the result of discontinued operations amounted to a loss of Ch\$8,648 million, compared to a loss of Ch\$2,427 million in 2Q 2013. Discontinued operations correspond to the Madeco Mills (brass mills Chile), Decker Industrial (brass mills Argentina) and Indalum (profiles), reported by Techpack.





### Non-controlling Interests – 2Q 2014

In the second quarter of 2014, at a consolidated level (including both Industrial and Banking net income), net income attributable to non-controlling interests amounted to Ch\$94,687 million. Of the total amount reported in 2Q 2014, Ch\$65,664 million corresponds to minority shareholders' share of Banco de Chile and SM Chile's net income. Remaining net income attributable to non-controlling interest is mainly explained by minority shareholders' share of LQIF's net income.

## II. Banking Sector

### Operating Revenues - 2Q 2014

Operating revenues for the second quarter of 2014 amounted to Ch\$413,503 million, 19.7% above the second quarter of 2014, mainly due to growth in net financial income at Banco de Chile, primarily based on higher income related to the Bank's net asset position in UFs given a higher rate of inflation and strong loan portfolio growth during the period.

### Provision for Credit Risk - 2Q 2014

Provisions for loan losses at Banco de Chile amounted to Ch\$72,353 million in the second quarter of 2014, 34.2% higher than the provisions registered in the second quarter of 2013, primarily attributable to countercyclical allowances, net credit deterioration mainly in the wholesale segment, and average loan growth.

### Operating Expenses - 2Q 2014

Operating expenses increased by 13.0% to Ch\$170,228 million in 2Q 2014, mainly explained by an increase of 13.0% in Banco de Chile's operating expenses to Ch\$170,158 million, mostly related to higher personnel and administrative expenses, and expense provisions in 2Q 2014.

### Non-operating Results - 2Q 2014

During the second quarter of 2014 non-operating results amounted to a loss of Ch\$20,804 million, 43.8% higher than in the second quarter of 2013, primarily explained by higher accrued interest expense of the Subordinated Debt with the Chilean Central Bank, owing to the higher rate of inflation registered during the second quarter of 2014.

### Consolidated Net Income - 2Q 2014

Consolidated net income for the banking sector amounted to Ch\$133,170 million in 2Q 2014, up by 24.2% over the same period in 2013, due to higher operating revenues and, to a lesser extent, lower income tax, that compensated higher provisions for credit risk, increased expenses, and lower non-operating results.



**CONSOLIDATED BALANCE SHEET ANALYSIS (vis-à-vis the 1<sup>st</sup> quarter of 2014)**

**Condensed Consolidated Balance Sheet**

|   | 03-31-2014        |                 | 06-30-2014        |                 |
|---|-------------------|-----------------|-------------------|-----------------|
|   | MCh\$             | MUS\$           | MCh\$             | MUS\$           |
| Current assets industrial sector                    | 1,168,648         | 2,114.4         | <b>962,574</b>    | 1,741.5         |
| Non-current assets industrial sector                | 2,599,757         | 4,703.6         | <b>2,614,011</b>  | 4,729.4         |
| Assets financial sector                             | 26,127,246        | 47,270.3        | <b>25,457,375</b> | 46,058.4        |
| <b>Total assets</b>                                 | <b>29,895,650</b> | <b>54,088.2</b> | <b>29,033,961</b> | <b>52,529.2</b> |
| Current liabilities industrial sector               | 484,043           | 875.7           | <b>321,075</b>    | 580.9           |
| Long-term liabilities industrial sector             | 876,289           | 1,585.4         | <b>880,359</b>    | 1,592.8         |
| Liabilities financial sector                        | 23,861,016        | 43,170.2        | <b>23,145,001</b> | 41,874.7        |
| Non-controlling interests                           | 2,120,552         | 3,836.6         | <b>2,139,120</b>  | 3,870.2         |
| Shareholders' equity                                | 2,553,750         | 4,620.3         | <b>2,548,406</b>  | 4,610.7         |
| <b>Total liabilities &amp; shareholders' equity</b> | <b>29,895,650</b> | <b>54,088.2</b> | <b>29,033,961</b> | <b>52,529.2</b> |

**Current Assets Industrial Sector**

Current assets decreased by 17.6% compared to the first quarter of 2014, primarily due to a lower balance of cash resulting from the payment of dividends by Quiñenco and by Techpack to third parties, and the payment of short term debt by Invevans.

**Non Current Assets Industrial Sector**

Non current assets increased by a slight 0.5% compared to the first quarter of 2014, mainly due to an increment in property, plant and equipment at Techpack and at Enex, which was mostly offset by a lower balance of equity investments. Said decline is primarily explained by CSAV, due to period losses net of conversion adjustments.

**Assets Banking Sector**

Total assets of the banking sector decreased by 2.6% compared to the first quarter of 2014. Loans to customers decreased by 0.2% with respect to March 2014, reflecting a reduction in commercial loans, which was partially compensated by growth of residential mortgages and consumer loans.

**Current Liabilities Industrial Sector**

Current liabilities decreased by 33.7% over the first quarter of 2014, mainly due to lower loans at Invevans, paid following the company's capital increase, which were partially compensated by higher debt at Techpack. The decline is also explained by lower accounts payables at Enex, and lower dividends provisioned by Quiñenco.



#### Long-term Liabilities Industrial Sector

Long-term liabilities varied by only 0.5% in comparison to the first quarter of 2014.

#### Liabilities Banking Sector

Liabilities corresponding to the banking sector decreased by 3.0% compared to the first quarter of 2014.

#### Minority Interest

Minority interest increased by 0.9% in comparison to the first quarter of 2014, primarily explained by higher minority interest at Banco de Chile.

#### Equity

Shareholders' equity decreased a slight 0.2% compared to the first quarter of 2014 primarily due to dividends paid during the quarter (in excess of provisions), which were compensated by an increase in other reserves, mostly reflecting a gain related to the participation in Invexans' capital increase, and to a lesser extent, from the net conversion effect of translating CSAV's, SM SAAM's and Invexans' financial statements from US dollars to Chilean pesos, and also by period earnings, net of dividends provisioned.



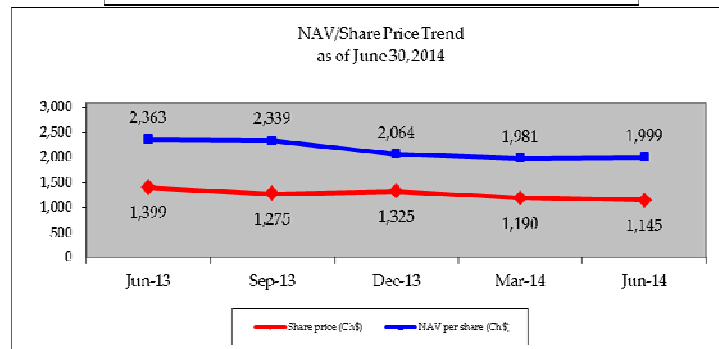
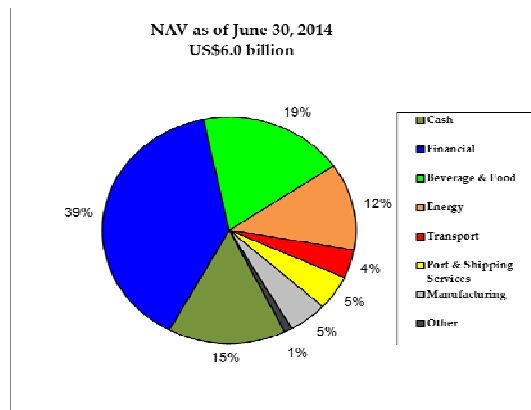
**Quiñenco Corporate Level Debt and Cash**

| As of June 30, 2014  | Debt           |              | Cash & equivalents |                | Total Net Debt  |               |
|----------------------|----------------|--------------|--------------------|----------------|-----------------|---------------|
|                      | MCh\$          | MUS\$        | MCh\$              | MUS\$          | MCh\$           | MUS\$         |
| Corporate level      | 417,773        | 755.8        | 579,385            | 1,048.2        | (161,613)       | (292.4)       |
| Adjusted for:        |                |              |                    |                |                 |               |
| 50% interest in LQIF | 82,048         | 148.4        | 1,613              | 2.9            | 80,436          | 145.5         |
| 50% interest in IRSA | 38,141         | 69.0         | 407                | 0.7            | 37,734          | 68.3          |
| <b>Total</b>         | <b>537,962</b> | <b>973.3</b> | <b>581,405</b>     | <b>1,051.9</b> | <b>(43,443)</b> | <b>(78.6)</b> |

The debt to total capitalization ratio at the corporate level (unadjusted) was 13.9% as of June 30, 2014.

**NAV**

As of June 30, 2014, the estimated net asset value (NAV) of Quiñenco was US\$6.0 billion (Ch\$1,999 per share) and market capitalization was US\$3.4 billion (Ch\$1,145 per share). The discount to NAV is estimated at 42.7% as of the same date.





**SEGMENT /OPERATING COMPANY ANALYSIS**

| Sector /Segment   | Manufacturing   |                | Financial      |                | Energy       |              | Other         |                | Total          |                 |
|---|-----------------|----------------|----------------|----------------|--------------|--------------|---------------|----------------|----------------|-----------------|
|   | 2Q 13           | 2Q 14          | 2Q 13          | 2Q 14          | 2Q 13        | 2Q 14        | 2Q 13         | 2Q 14          | 2Q 13          | 2Q 14           |
|   | MCh\$           | MCh\$          | MCh\$          | MCh\$          | MCh\$        | MCh\$        | MCh\$         | MCh\$          | MCh\$          | MCh\$           |
| <b>Industrial Sector</b>                                    |                 |                |                |                |              |              |               |                |                |                 |
| Income (loss) from continued operations before taxes        | (15,165)        | 2,292          | (2,599)        | (5,478)        | 3,246        | 4,750        | 14,029        | (8,998)        | (490)          | (7,433)         |
| Income tax  | (758)           | (712)          | 139            | (110)          | (424)        | 903          | (673)         | (868)          | (1,715)        | (787)           |
| Net loss from discontinued operations                       | (2,427)         | (8,648)        | -              | -              | -            | -            | -             | -              | (2,427)        | (8,648)         |
| <b>Net income (loss) industrial sector</b>                  | <b>(18,350)</b> | <b>(7,068)</b> | <b>(2,460)</b> | <b>(5,588)</b> | <b>2,822</b> | <b>5,654</b> | <b>13,357</b> | <b>(9,866)</b> | <b>(4,631)</b> | <b>(16,868)</b> |
| <b>Banking Sector</b>                                       |                 |                |                |                |              |              |               |                |                |                 |
| Income before taxes   | -               | -              | 126,395        | 150,120        | -            | -            | -             | -              | 126,395        | 150,120         |
| Income tax  | -               | -              | (19,193)       | (16,950)       | -            | -            | -             | -              | (19,193)       | (16,950)        |
| <b>Net income banking sector</b>                            | <b>-</b>        | <b>-</b>       | <b>107,202</b> | <b>133,170</b> | <b>-</b>     | <b>-</b>     | <b>-</b>      | <b>-</b>       | <b>107,202</b> | <b>133,170</b>  |
| <b>Consolidated net income (loss)</b>                       | <b>(18,350)</b> | <b>(7,068)</b> | <b>104,742</b> | <b>127,582</b> | <b>2,822</b> | <b>5,654</b> | <b>13,357</b> | <b>(9,866)</b> | <b>102,571</b> | <b>116,302</b>  |
| Net income (loss) attributable to Non-controlling interests | (5,490)         | (2,453)        | 74,643         | 97,296         | -            | -            | 549           | (156)          | 69,702         | 94,687          |
| Net income (loss) attributable to Controllers' shareholders | (12,860)        | (4,615)        | 30,099         | 30,286         | 2,822        | 5,654        | 12,808        | (9,710)        | 32,869         | 21,614          |

**MANUFACTURING SEGMENT**

The following table details the contribution of the investments in the Manufacturing segment during 2013 and 2014 to Quiñenco's net income:

|  | 2Q 13           |               | 2Q 14          |              |
|--|-----------------|---------------|----------------|--------------|
|  | MCh\$           | MUS\$         | MCh\$          | MUS\$        |
| Invexans                                       | (11,713)        | (21.2)        | 1,771          | 3.2          |
| Madeco   | (1,146)         | (2.1)         | (6,386)        | (11.6)       |
| <b>Manufacturing Segment Net Income (Loss)</b> | <b>(12,860)</b> | <b>(23.3)</b> | <b>(4,615)</b> | <b>(8.4)</b> |

As of June 30, 2014 and 2013, Quiñenco's ownership of Invexans was 80.3% and 65.9%, respectively. As of June 30, 2014 and 2013, Quiñenco's ownership of Techpack was 65.9%.



## INVEXANS

|                              | 2Q 13    |                    | 2Q 14   |                    | 2Q 13           | 2Q 14               |
|------------------------------|----------|--------------------|---------|--------------------|-----------------|---------------------|
|                              | MCh\$    | MUS\$ <sup>6</sup> | MCh\$   | MUS\$ <sup>6</sup> | ThUS\$          | ThUS\$ <sup>7</sup> |
| Sales                        | 73       | 0.1                | 101     | 0.2                | <b>149</b>      | <b>182</b>          |
| Operating income (loss)      | (55)     | (0.1)              | (472)   | (0.9)              | <b>(112)</b>    | <b>(861)</b>        |
| Non-operating income (loss)  | (17,182) | (31.1)             | 2,544   | 4.6                | <b>(34,195)</b> | <b>4,611</b>        |
| Net income (loss) Controller | (17,769) | (32.1)             | 2,204   | 4.0                | <b>(35,401)</b> | <b>3,989</b>        |
| Total assets                 |          |                    | 386,485 | 699.2              |                 | <b>699,243</b>      |
| Shareholders' equity         |          |                    | 366,040 | 662.3              |                 | <b>662,253</b>      |

Invexans reports its financial statements in US dollars, and translates them to Chilean pesos for consolidation purposes based on the US\$/Ch\$ exchange rate at the end of the period in the case of the Balance Sheet, and the monthly average exchange rate in the case of the Income Statement. Invexans' figures in Chilean pesos are included for reference. However, the following analysis is based on the company's financial statements in US dollars, as filed with the SVS, as shown in the last two columns of the table.

Until 2011, the investment in Nexans was valued as a financial asset available for sale. As of January 11, 2012, Invexans (Madeco at the time) gained significant influence in Nexans with the appointment of a member of the Compensations Committee, in addition to three Board members, therefore as of that date Nexans is valued as an equity method investment. However, in accordance with French regulations and IFRS, Nexans does not publish financial statements for the quarters ended in March and September. In view of this, Invexans requested and was granted approval from the SVS to use December and June financial information for March and September, respectively. Therefore, these quarters only reflect exchange rate conversion effects and changes in the stake in Nexans corresponding to that quarter.

### 2Q 2014 Results

Invexans revenues, which correspond mainly to income from leases, amounted to US\$182 thousand in 2Q 2014, 22.1% above the previous period.

Operating income reached a loss of US\$861 thousand, greater than the loss of US\$112 thousand reported in 2Q 2013, mainly due to negative goodwill of US\$1,036 thousand reported in 2Q 2013, which more than offset lower administrative expenses in the current quarter.

<sup>6</sup> Converted to US\$ at the observed exchange rate on June 30, 2014 (Ch\$552.72 = US\$1.00).

<sup>7</sup> Corresponds to Financial Statements in US dollars as reported by Invexans to the Superintendency of Securities and Insurance (SVS).





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Non-operating income amounted to a gain of US\$4,611 thousand, compared to a loss of US\$34,195 thousand in 2Q 2013. This positive variation is primarily explained by Invexans' accounting of its share in Nexans' results for the semester, as Nexans does not publish results as of March. As of June 2014, Nexans reported a gain of €25 million, compared to a loss of €145 million in the first half of 2013. During the first half of 2014 Nexans' operating income was €77 million, 2.7% above the same period in 2013. The transmission, distribution and operators segment increased its operating income by 41.2%, mainly based on positive performance of submarine cables. The industry segment achieved a 14.3% increase in its operating income, reflecting better margins in Europe and China. The distributors and installers segment, however, reported a drop of 41.7% in operating income, due to lower prices since the end of 2013. First half results were favorably affected by a gain of €49 million arising from the reversal of a provision related to the European antitrust investigation in high voltage, and negatively by restructuring costs for €16 million and a charge of €17 million related to the exposure to the fluctuation in metal prices. Invexans adjusts its proportional share to reflect the effect of the fair value it determined for Nexans. Thus, in all, Invexans reported a gain of US\$5,458 thousand for its investment in the French cable company during the quarter, posting a significant improvement over the loss of US\$32,380 thousand reported in 2Q 2013. During 2Q 2014 higher financial costs were more than compensated by a more favorable result in exchange rate differences, related to the appreciation of the Brazilian Real.

In 2Q 2014 Invexans reported an income tax credit, whereas in 2Q 2013 it registered an income tax expense. Thus, net income for 2Q 2014 amounted to a gain of US\$3,989 thousand, a significant improvement over the loss of US\$35,401 thousand reported in 2Q 2013.

## TECHPACK

|                              | 2Q 13   |       | 2Q 14   |                    | 2Q 13          | 2Q 14               |
|------------------------------|---------|-------|---------|--------------------|----------------|---------------------|
|                              | MCh\$   | MUS\$ | MCh\$   | MUS\$ <sup>8</sup> | ThUS\$         | ThUS\$ <sup>9</sup> |
| Sales                        | 43,203  | 78.2  | 51,932  | 94.0               | <b>89,096</b>  | <b>93,687</b>       |
| Operating income             | 3,798   | 6.9   | 1,916   | 3.5                | <b>7,827</b>   | <b>3,460</b>        |
| Net income (loss) Controller | (1,740) | (3.1) | (9,688) | (17.5)             | <b>(3,454)</b> | <b>(17,506)</b>     |
| Total assets                 |         |       | 317,784 | 574.9              |                | <b>574,949</b>      |
| Shareholders' equity         |         |       | 46,041  | 83.3               |                | <b>83,299</b>       |

Techpack carries its accounting in US dollars, and translates its financial statements to Chilean pesos for consolidation purposes based on the US\$/Ch\$ exchange rate at the end of the period in the case of the Balance Sheet, and the monthly average exchange rate in the case of the Income Statement. Techpack's figures in Chilean pesos are included for reference. However, the following analysis is based on the company's financial statements in US dollars, as filed with the SVS, as shown in the last two columns of the table.

<sup>8</sup> Converted to US\$ at the observed exchange rate on June 30, 2014 (Ch\$552.72 = US\$1.00).

<sup>9</sup> Corresponds to Financial Statements in US dollars as reported by Techpack to the Superintendency of Securities and Insurance (SVS).



## 2Q 2014 Results

Techpack's sales, which correspond entirely to flexible packaging, amounted to US\$93,687 thousand in the second quarter of 2014, up by 5.2% from the same quarter in 2013, mostly reflecting strong sales growth in Colombia.

Gross income reached US\$14,808 thousand, down by 12.8% from 2Q 2013 mainly due to higher costs of raw materials. Operating income amounted to US\$3,460 thousand, 55.8% lower than the gain reported in 2Q 2013, mostly explained by the drop in gross income, together with a 23.2% increase in administrative expenses, mostly due to increased expenses related to the creation of a corporate structure for the company.

Non-operating income for the quarter amounted to a loss of US\$3,061 thousand, posting an improvement with respect to the US\$3,554 thousand loss reported in 2Q 2013, primarily attributable to lower exchange rate losses, which were partially offset by a negative effect in the current quarter of the change in the US\$/UF parity on the company's liabilities in UFs.

Income tax for the quarter amounted to US\$1,524 thousand, lower than in 2Q 2013. However, discontinued operations, which correspond to Madeco Mills, Decker Industrial and Indalum, reported a loss of US\$15,630 thousand in 2Q 2014, compared to a loss of US\$4,879 thousand in 2Q 2013. Thus, net income for 2Q 2014 reached a loss of US\$17,506 thousand.

## FINANCIAL SEGMENT

The following table details the contribution of the investments in the Financial Segment during 2013 and 2014 to Quiñenco's net income:

|                                     | 2Q 13         |             | 2Q 14         |             |
|-------------------------------------|---------------|-------------|---------------|-------------|
|                                     | MCh\$         | MUS\$       | MCh\$         | MUS\$       |
| LQIF holding                        | (1,230)       | (2.2)       | (2,794)       | (5.1)       |
| Banking sector                      | 31,329        | 56.7        | 33,080        | 59.9        |
| <b>Financial Segment Net Income</b> | <b>30,099</b> | <b>54.5</b> | <b>30,286</b> | <b>54.8</b> |

As of June 30, 2013 and 2014, Quiñenco's ownership of LQIF was 50.0%. LQIF's economic rights in Banco de Chile were 39.9% as of June 30, 2013 and 32.7% as of June 30, 2014.

## LQIF Holding

LQIF holding registered a loss of Ch\$5,588 million compared to a loss of Ch\$2,460 million in 2Q 2013, mainly explained by losses related to the effect of higher inflation on financial obligations denominated in UFs in 2Q 2014 and income tax expense in 2Q 2014 vis-à-vis an income tax credit in 2Q 2013.



### Banking Sector

The Banking sector is comprised of Banco de Chile and SM Chile. The most relevant item of the income statement in the case of SM Chile is the interest expense of the Subordinated Debt with the Chilean Central Bank.

### BANCO DE CHILE

|                           | 2Q 13      |          | 2Q 14             |          |
|---------------------------|------------|----------|-------------------|----------|
|                           | MCh\$      | MUS\$    | MCh\$             | MUS\$    |
| Operating revenues        | 344,508    | 623.3    | <b>411,951</b>    | 745.3    |
| Provision for loan losses | (53,918)   | (97.6)   | <b>72,353</b>     | 130.9    |
| Operating expenses        | (150,540)  | (272.4)  | <b>(170,158)</b>  | (307.9)  |
| Net income (loss)         | 121,864    | 220.5    | <b>153,479</b>    | 277.7    |
| Loan portfolio            | 19,498,078 | 35,276.6 | <b>20,914,529</b> | 37,839.3 |
| Total assets              | 24,404,074 | 44,152.7 | <b>25,460,802</b> | 46,064.6 |
| Shareholders' equity      | 2,167,196  | 3,921.0  | <b>2,380,701</b>  | 4,307.2  |
| Net financial margin      | 4.9%       |          | <b>5.8%</b>       |          |
| Efficiency ratio          | 43.7%      |          | <b>41.3%</b>      |          |
| ROAE                      | 22.5%      |          | <b>26.2%</b>      |          |
| ROAA                      | 2.1%       |          | <b>2.4%</b>       |          |

### 2Q 2014 Results

Banco de Chile reported net income of Ch\$153,479 million in the second quarter of 2014, increasing by 25.9% with respect to the second quarter of 2013. These results are based on loan portfolio growth, the favorable effect of higher than expected inflation on the Bank's net asset exposure to UFs, strong growth in loans, a positive overall repricing effect as a result of cuts in the monetary policy interest rate, and a moderately steeper yield curve in the last quarters allowing term gapping, more than compensating higher provisions for loan losses, increased operating expenses, lower fee income, and a slightly lower yield of demand deposits.

Operating revenues, which include net financial income, fee income and other operating income, increased by 19.6% to Ch\$411,951 million in the second quarter of 2014. This increment is mainly attributable to a greater contribution from the Bank's net asset position in UFs given a higher rate of inflation, an 8.0% annual growth in average loans, higher income from repricing of liabilities resulting from drops in short-term nominal interest rates and shorter terms than the Bank's assets, and a moderately steeper yield curve increasing term gapping possibilities. These positive variations were partially offset by a negative exchange rate effect on the hedging of US\$ denominated loan loss provisions given the sharper depreciation of the Chilean peso in 2Q 2013 compared to 2Q 2014, lower fee income, mostly due to new regulations affecting the insurance brokerage business, and a slightly lower contribution from demand deposits due to the cuts in the monetary policy rate.

Provisions for loan losses amounted to Ch\$72,353 million, 34.2% higher than in 2Q 2013. This increase is mainly explained by countercyclical allowances, taking into consideration the Bank's expectations of economic slowdown,



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net credit deterioration mainly concentrated in wholesale banking, and average loan growth of 8.0%, mostly explained by the retail sector. These factors were partially compensated by a positive exchange rate effect due to the higher depreciation of the Chilean peso in 2Q 2013.

Operating expenses increased by 13.0% to Ch\$170,158 million, mainly due to a 12.2% increment in personnel expenses, mostly owing to higher bonuses, related to the renegotiation of a collective bargaining agreement with one of the Bank's unions as well as higher compensations to the sales force, and higher headcount and inflation adjustments. Other operating expenses increased substantially mainly reflecting a net increase in expense provisions, related to the implementation of an on-line current account system. Administrative expenses increased 3.3%, mostly explained by higher IT and communication expenses.

As of June 2014, the Bank's loan portfolio had experienced an annual growth of 7.3% and a quarterly decline of 0.2% with respect to March 2014. Annual portfolio growth is driven by all credit products, but particularly by residential mortgage loans that increased 15.4%, mainly as a result of targeting higher income segments, and by consumer loans, which posted annual growth of 8.9%, where growth in upper income segments is also the focus. Commercial loans reduced their growth rate to 3.9% annually and decreased 2.1% with respect to March 2014, being the most affected by the economic slowdown.

Banco de Chile is the second ranked bank in the country with a market share of 17.5% of total loans according to information published by the Chilean Superintendency of Banks for the period ended June 30, 2014. Its return on equity after taxes (annualized) reached 25.6%, compared to 18.3% for the local financial system, according to the same source.

### Interest Subordinated Debt

In the second quarter of 2014 accrued interest expense of the Subordinated Debt with the Chilean Central Bank was 40.9% higher than the second quarter of 2013, due to the effect of the higher rate of inflation in 2Q 2014 as compared to the previous period.

### ENERGY SEGMENT

The following table details the contribution of the investments in the Energy Segment during 2013 and 2014 to Quiñenco's net income:

|                           | 2Q 13 |       | 2Q 14 |       |
|---------------------------|-------|-------|-------|-------|
|                           | MCh\$ | MUS\$ | MCh\$ | MUS\$ |
| Enx                       | 2,822 | 5.1   | 5,654 | 10.2  |
| Energy Segment Net Income | 2,822 | 5.1   | 5,654 | 10.2  |

As of June 30, 2013 and 2014, Quiñenco controls 100% of the energy segment.



## ENEX<sup>10</sup>

|                              | 2Q 13   |       | 2Q 14   |         |
|------------------------------|---------|-------|---------|---------|
|                              | MCh\$   | MUS\$ | MCh\$   | MUS\$   |
| Sales                        | 347,407 | 628.5 | 535,805 | 969.4   |
| Operating income (loss)      | 4,236   | 7.7   | 5,610   | 10.2    |
| Net income (loss) Controller | 2,822   | 5.1   | 5,654   | 10.2    |
| Total assets                 |         |       | 712,658 | 1,289.4 |
| Shareholders' equity         |         |       | 485,305 | 878.0   |

### 2Q 2014 Results

Enex's consolidated sales during 2Q 2014 reached Ch\$535,805 million, up by 54.2% from 2Q 2013, mainly based on 39.9% growth in total volume, boosted by the acquisition of Terpel Chile at the end of June 2013, and offset by a contraction during the current period in the fuel market, which also affected negatively Enex's sales volume. The total volume dispatched during the quarter amounted to 845 thousand cubic meters, of which 96.8% correspond to fuels.

Gross income during the period reached Ch\$37,470 million, increasing 41.9% over 2Q 2013, primarily due to the growth in sales volume reflecting the addition of Terpel Chile's operations, and to a lesser extent an improved margin in fuels and lubricants. Operating income during the quarter reached a gain of Ch\$5,610 million, growing 32.4% with respect to 2Q 2013, mostly due to the growth in gross income explained above, partly offset by greater administrative expenses, also reflecting the addition of Terpel Chile's operations.

Non-operating income amounted to a loss of Ch\$860 million, 13.2% lower than the loss reported in 2Q 2013, mainly due to the positive variation in exchange rate differences and higher income from associates, partially offset by higher financial costs in line with a higher level of debt.

Net income for 2Q 2014 amounted to Ch\$5,654 million, double the net income reported in 2Q 2013, primarily due to the improved operating results explained above, together with slightly lower non-operating losses, and a tax credit during the quarter.

<sup>10</sup> Enex corresponds to the consolidated financial statements of Enex S.A.



## OTHER SEGMENT

The following table details the contribution from investments in the Segment Other during 2013 and 2014 to Quiñenco's net income:

|                             | 2Q 13         |             | 2Q 14          |               |
|-----------------------------|---------------|-------------|----------------|---------------|
|                             | MCh\$         | MUS\$       | MCh\$          | MUS\$         |
| IRSA (CCU) <sup>11</sup>    | 5,083         | 9.2         | 5,979          | 10.8          |
| CSAV                        | 6,092         | 11.0        | (13,688)       | (24.8)        |
| SM SAAM                     | 2,466         | 4.5         | 2,932          | 5.3           |
| Quiñenco & other            | (834)         | (1.5)       | (4,933)        | (8.9)         |
| <b>Total Segment Others</b> | <b>12,808</b> | <b>23.2</b> | <b>(9,710)</b> | <b>(17.6)</b> |

As of June 30, 2014 and 2013, Quiñenco's ownership of CCU was 30.0% and 33.1%, respectively. As of June 30, 2014 and 2013, Quiñenco's ownership of CSAV was 46.0% and 37.44%, respectively. As of June 30, 2014 and 2013, Quiñenco's ownership of SM SAAM was 42.44% and 37.44%, respectively.

The contribution from CSAV and SM SAAM corresponds to Quiñenco's proportional share in their respective net income for the period, adjusted by the fair value accounting for these investments at Quiñenco. The adjustment in the case of CSAV amounted to an adjustment of Ch\$109 million for the second quarter in 2014 and of Ch\$106 million (negative) in 2Q 2013. In the case of SM SAAM the adjustment for 2Q 2014 amounted to Ch\$533 million and to Ch\$488 million in 2Q 2013, both downward adjustments.

## CCU

|                      | 2Q 13   |       | 2Q 14            |         |
|----------------------|---------|-------|------------------|---------|
|                      | MCh\$   | MUS\$ | MCh\$            | MUS\$   |
| Sales                | 243,446 | 440.5 | <b>263,553</b>   | 476.8   |
| Operating income     | 23,711  | 42.9  | <b>35,569</b>    | 64.4    |
| Net income (loss)    | 15,429  | 27.9  | <b>23,468</b>    | 42.5    |
| Total assets         |         |       | <b>1,593,154</b> | 2,882.4 |
| Shareholders' equity |         |       | <b>1,006,010</b> | 1,820.1 |

## 2Q 2014 Results

Starting 2014, CCU reports its results in accordance with the following three business segments: Chile, Río de la Plata, and Wine. Chile includes beer, non-alcoholic beverages, and spirits. The Río de la Plata segment includes beer, cider, non-alcoholic beverages, and spirits in Argentina, Uruguay and Paraguay. CCU's sales in the second quarter of 2014 grew by 8.3% compared to the second quarter of 2013, as a result of higher consolidated sales volumes together with slightly higher average prices. The 6.6% growth in sales volumes was led by the Río de la Plata

<sup>11</sup> Corresponds to Quiñenco's proportionate share of CCU's net income, prepared in accordance with IFRS.





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segment with 10.7% growth, mainly reflecting the addition of the business in Paraguay, followed by Chile with 6.5% growth. Sales volume in the wine segment, however, decreased 2.5%. In terms of revenues it is worth noting the 12.6% growth in Chile, where higher average prices boosted volume growth, and the 5.0% increase in the Wine segment, where an increment in average prices more than compensated the lower volume. Sales in the Río de la Plata segment grew 2.0%, due to volume growth which was mostly offset by a drop in average prices.

Gross profit rose by 7.0% to Ch\$132,672 million, slightly lower than the growth in sales due to higher costs. The gross margin as a percentage of sales decreased from 50.9% in 2Q 2013 to 50.3% in 2Q 2014.

Operating income reached Ch\$35,569 million, up 50.0% from 2Q 2013, primarily explained by a non-recurring compensation received by CCU's Argentine subsidiary CICSA of US\$34.2 million in 2Q 2014, for the termination of the contract to import and distribute on an exclusive basis Corona and Negra Modelo beers in Argentina, and the license for the production and distribution of Budweiser in Argentina. However, excluding this gain, operating income decreased around 30% reflecting higher cost of sales, as local currencies devaluated in all operating segments, and increased distribution costs and marketing expenses. In addition, in 2Q 2013 CCU reported gains related to hedges covering foreign exchange rate variations on taxes, vis-à-vis losses for the same concept in 2Q 2014. EBITDA amounted to Ch\$52,142 million in 2Q 2014, 37.5% higher than in 2Q 2013.

CCU reported non-operating losses of Ch\$4,372 million compared to a loss of Ch\$4,258 million in 2Q 2013. The variation is mainly explained by a greater loss related to the effect of higher inflation on financial obligations denominated in UFs, which was partially compensated by lower net financial expenses, resulting from an increased cash position following the company's capital increase in the second half of 2013.

Net income for the second quarter of 2014 amounted to Ch\$23,468 million, up by 52.1% from the same quarter in 2013, primarily due to the compensation received by CICSA during the quarter, as well as improved operating performance of the Wine segment, partially offset by higher income tax during the quarter, also related to the compensation received in Argentina.

#### CSAV<sup>12</sup>

|                              | 2Q 13   | 2Q 14     |
|------------------------------|---------|-----------|
|                              | ThUS\$  | ThUS\$    |
| Sales                        | 774,386 | 709,438   |
| Operating income (loss)      | 21,644  | (68,965)  |
| Net income (loss) Controller | 34,334  | (58,534)  |
| Total assets                 |         | 2,357,817 |
| Shareholders' equity         |         | 865,520   |

<sup>12</sup> As of June 2014, CSAV's financial statements present the container business as a discontinued business available for sale, due to the merger with Hapag Lloyd in process. However, for a better analysis of its results CSAV included a note discontinued activities detailing its results with the container business as a continuing activity. The following analysis is based on the figures presented in the referred note.



### 2Q 2014 Results

Since IFRS was implemented, operating revenue and cost of sales of shipping services in course are registered according to their degree of completion. For those voyages that cannot be estimated precisely, revenue is registered only if related costs can be recovered, accounting the same amount as revenues and costs. If the voyage is estimated beforehand to present losses, then this loss is provisioned as cost of sales only. This implied lower revenues and cost of sales of US\$25.5 million in 2Q 2014 and revenues and cost of sales of US\$58.3 million in 2Q 2013.

CSAV's consolidated sales in 2Q 2014 reached US\$709.4 million, decreasing by 8.4% with respect to 2Q 2013, primarily due to a drop in freight rates which offset a 7.9% growth in transported volume. CSAV's container rate index, which includes freight and other cargo related revenue, decreased 9.9% compared to 2Q 2013. During 2Q 2014 gross income amounted to a gain of US\$6.2 million, below the gain of US\$23.4 million reported in 2Q 2013, due to the drop in freight rates despite a 6.4% reduction in cost of sales, reflecting a more efficient cost structure. Operating income reached a loss of US\$69.0 million in 2Q 2014, a deterioration with respect to the gain of US\$21.6 million obtained in 2Q 2013, reflecting the decline in gross income, together with a non-recurring profit of US\$54 million in 2Q 2013 from the prepayment of the AFLAC loan, and a non-recurring loss of US\$18.6 million in 2Q 2014 from the sale of CSAV's share in the dry bulk DBHH joint venture with DryLog Ltd.

Non-operating income for the quarter amounted to a loss of US\$1.1 million as compared to a gain of US\$0.5 million reported in 2Q 2013. This variation is primarily due to lower exchange rate gains, and to a lesser extent higher financial costs and a loss from indexed units of account, which were partially compensated by higher results from equity investments.

CSAV reported a net loss of US\$58.5 million in 2Q 2014, compared to a gain of US\$34.3 million reported in 2Q 2013, due to the decrease in operating income explained above, a lower non-operating result, and a lower income tax credit during the quarter.

### SM SAAM

|                       | 2Q 13   | 2Q 14            |
|-----------------------|---------|------------------|
|                       | ThUS\$  | ThUS\$           |
| Sales                 | 120,570 | <b>127,242</b>   |
| Operating income      | 14,074  | <b>12,289</b>    |
| Net income controller | 16,265  | <b>14,629</b>    |
| Total assets          |         | <b>1,089,933</b> |
| Shareholders' equity  |         | <b>678,519</b>   |

### 2Q 2014 Results

In the second quarter of 2014 SM SAAM's consolidated sales reached US\$127.2 million, up by 5.5% from 2Q 2013, primarily explained by growth of the tug boats and port terminals segments. Revenues of the tug boats segment increased 11.4%, mainly explained by the operations in Brazil, Mexico, Chile and Ecuador. Revenues of the port



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segment grew 8.5% during the quarter, resulting from higher revenues in Iquique and Florida. The logistics segment, in turn, reported a decrease of 3.7% in revenues, mainly due lower revenues in Chile reflecting lower activity in containers depots and workshops, and the termination of documentation agency services with CSAV. Consolidated revenues can be broken down as follows: Tug boats (44.2%), Logistics and others (31.4%), and Ports (24.4%).

Gross income amounted to US\$29.8 million, 1.2% lower than in 2Q 2013, owing to lower sales and higher costs of the logistics segment, which more than offset growth in gross income from tug boats and port terminals during the quarter. During 2Q 2014 operating income amounted to US\$12.3 million, 12.7% lower than the previous period, primarily explained by the drop in operating income from logistics, reflecting the decrease in services for shipping companies. Also, during the current quarter the result from derivatives was lower. Overall sales and administrative expenses remained fairly stable as a percentage of sales. SM SAAM's consolidated EBITDA reached US\$26.2 million in 2Q 2014, up 4.5% from the previous period.

Non-operating income for the quarter amounted to a gain of US\$4.8 million, 26.5% lower than the gain of US\$6.5 million reported in 2Q 2013. This variation is mainly explained by a lower contribution from equity investments, mainly from the tug boat and port terminals segments, and higher financial costs during the quarter.

SM SAAM reported a net gain of US\$14.6 million in 2Q 2014, down by 10.1% from 2Q 2013, mainly due to a lower contribution from logistics in Chile during the period.

#### **QUIÑENCO and Others**

The variation of Quiñenco and others is mainly explained at the corporate level by greater inflation adjustment losses, due to a higher rate of inflation together with an increased level of liabilities in UFs at the corporate level, and greater financial costs, partially compensated by increased financial income reflecting a higher level of cash. The contribution from Banchile Seguros de Vida, on the other hand, increased by 22.1% with respect to the previous quarter, mainly due to a growth in operating results.

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All of Quiñenco's Earnings and Press Releases and other relevant information on the Company, including quarterly financial statements, are available for viewing on the Company's website:

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