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For further information contact:

**Quiñenco S.A.**

Cindi Freeman-IRO

(56-2) 750-7221

E-mail: cfreeman@lq.cl

**QUIÑENCO S.A. ANNOUNCES 2007 CONSOLIDATED  
FOURTH QUARTER AND YEAR END RESULTS**

(Santiago, Chile, February 28, 2008) Quiñenco S.A., a leading Chilean business conglomerate, announced today its consolidated financial results in Chilean GAAP, for the fourth quarter and year ended December 31, 2007.

Consolidated financial results are presented in accordance with Chilean GAAP. All figures are presented in constant Chilean pesos and have been adjusted to reflect the effects of inflation (7.4% year-over-year). Figures in US\$ have been converted from Chilean pesos (Ch\$) at the observed exchange rate on December 31, 2007 (Ch\$496.89 =US\$1.00) and are only provided for the reader's convenience.

**2007 HIGHLIGHTS**

- Consolidated revenues rose by 5.9% to Ch\$700,767 million (US\$1,410.3 million) in 2007, mainly attributable to growth experienced by Madeco's operations during the year as a result of acquisitions carried out by the cables and flexible packaging business units.
- Operating income amounted to Ch\$39,038 million (US\$78.6 million), a decrease of 32.4% compared to 2006 as a consequence of lower operating income from Madeco and, to a lesser extent, Telefónica del Sur.
- Equity investment income from Banco de Chile and CCU rose sharply in 2007 to Ch\$73,297 million (US\$147.5 million) and Ch\$26,180 million (US\$52.7 million), respectively.
- Trading profits at the corporate level corresponding to sales of shares of Entel throughout the year reached Ch\$37,289 million (US\$75.0 million) in 2007.
- Net income amounted to Ch\$105,241 million (US\$211.8 million) in 2007, an increase of 71.8% compared to 2006, reflecting the strong performance of Quiñenco's main operating companies, Banco de Chile and CCU, as well as good results at the corporate holding level for the 12 month period.
- Earnings per ordinary share amounted to Ch\$91.95 (US\$0.19) in 2007.



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## **GROUP HIGHLIGHTS – FOURTH QUARTER 2007 AND SUBSEQUENT EVENTS**

### **Citigroup now has a 32.96% interest in LQIF**

Subsequent to an announcement in mid 2007, Quiñenco and Citigroup have established a strategic partnership to develop their interests in the financial services industry. As of January 2008, Citigroup has a 32.96% interest in LQIF, the controlling entity of Banco de Chile. For more information on the agreement, please see the Significant Information filed with the Chilean Superintendency of Securities and Insurance (SVS) in July 2007 at [www.quinenco.cl](http://www.quinenco.cl) (available in Spanish only).

### **Merger of Banco de Chile and Citibank Chile**

Pursuant to an agreement between Quiñenco and Citigroup and following shareholder approval of Banco de Chile shareholders obtained on December 27, 2007, Banco de Chile and Citibank Chile merged their operations on January 2, 2008. The absorbing entity, Banco de Chile, will have an approximate 20% share of the Chilean banking industry and access to Citi's global products and services franchise.

### **Madeco**

In November 2007, Madeco announced that it would sell its cables business unit to Nexans, the world's largest producer of cables, for US\$448 million and 2.5 million shares, equivalent to an 8.9% interest in Nexans (valued on February 20, 2008 at US\$267 million). The transaction is expected to close by September 2008.

### **CCU**

In December 2007, CCU announced that it had entered into a strategic alliance with Nestle Chile to further develop the mineral water business in Chile.

In October 2007, CCU announced that it had reached an agreement to acquire Inversora Cervecera S.A. (ICSA), an Argentine brewery for US\$88 million less liabilities and other adjustments. ICSA, which enjoys a 5.8% market share in Argentina, commercializes the Bieckert, Palermo and Imperial beer brands.



**Net Income Contribution**

Sector/Company	Quiñenco's ownership % 12/31/2007	4Q 2006 MCh\$	3Q 2007 MCh\$	4Q 2007 MCh\$	4Q 2007 MUS\$	Full Year 2006 MCh\$	Full Year 2007 MCh\$	Full Year 2007 MUS\$
<b>Financial Services:</b>								
Banco de Chile (1)(2)	52.5%	9,339	18,794	<b>23,064</b>	46.4	61,916	<b>73,297</b>	<b>147.5</b>
<b>Food &amp; Beverage:</b>								
CCU (3)	33.1%	4,543	3,386	<b>11,582</b>	23.3	19,822	<b>26,180</b>	<b>52.7</b>
<b>Telecommunications:</b>								
Telsur (1)	74.4%	2,304	940	<b>848</b>	1.7	6,218	<b>4,587</b>	<b>9.2</b>
<b>Manufacturing:</b>								
Madeco (1)	45.2%	6,634	1,759	<b>974</b>	2.0	15,086	<b>9,048</b>	<b>18.2</b>
<b>Other operating companies (4)</b>		1,212	(1,034)	<b>(1,778)</b>	(3.6)	(6,051)	<b>(8,717)</b>	<b>(17.5)</b>
<b>Total operating companies</b>		24,032	23,845	<b>34,690</b>	69.8	96,991	<b>104,395</b>	<b>210.1</b>
<b>Quiñenco &amp; holding companies</b>		(8,969)	(11,027)	<b>(9,823)</b>	(19.8)	(35,727)	<b>846</b>	<b>(1.7)</b>
<b>Total</b>		15,063	12,818	<b>24,867</b>	50.0	61,264	<b>105,241</b>	<b>211.8</b>

The figures provided in the above table correspond to Quiñenco's proportionate share of each company's net income (loss).

- (1) Operating company in which Quiñenco has direct or indirect control.
- (2) Ownership % in the above table corresponds to voting rights in Banco de Chile.
- (3) Operating company which is controlled jointly between Quiñenco and Heineken Int '1 (through a shareholders' agreement).
- (4) Other operating companies include results from Habitaria, Indalsa and Hoteles Carrera.

**Net Income – Full Year 2007**

Quiñenco reported net income of Ch\$105,241 million (US\$211.8 million) in 2007, an increase of 71.8% compared to the net income of Ch\$61,264 million (US\$123.3 million) reported in 2006. The jump in net income was attributable to trading profits at the Quiñenco holding company level, as well as an increase in profits from the main operating companies.

At the holding company level, Quiñenco reported income of Ch\$846 million (US\$1.7 million), compared to a loss of Ch\$35,727 million (US\$71.9 million) in 2006. The variation between the two years is largely explained by a non-recurring gain on the sale of shares of Entel, which amounted to Ch\$37,289 million (US\$75.0 million) in 2007.

The contribution to net income from Quiñenco's operating companies rose by 7.6%, reaching Ch\$104,395 million (US\$210.1 million) in 2007. Banco de Chile and CCU showed particularly strong growth during the year, increasing by 18.4% and 32.1%, respectively. This was partially offset by a decline in results from Madeco, Telsur and other operating companies.

Earnings per ordinary share amounted to Ch\$91.95 (US\$0.19) in 2007.

**Net Income – 4Q 2007**

Quiñenco reported net income for the fourth quarter of 2007 of Ch\$24,867 million (US\$50.0 million), compared to net income of Ch\$15,063 million (US\$30.3 million) in the fourth quarter of 2006, an increase of 65.1%. The increase in quarterly net income was attributable to improved results from Banco de Chile and CCU, which rose by 147.0% and 154.9%, respectively, more than offsetting the decline in quarterly results from Madeco, Telsur, other operating companies and the holding company level.

Earnings per ordinary share for the fourth quarter of 2007 amounted to Ch\$21.73 (US\$0.04).



**Consolidated Income Statement Breakdown**

	4Q 2006 MCh\$	3Q 2007 MCh\$	4Q 2007 MCh\$	4Q 2007 MUS\$	YTD 2006 MCh\$	YTD 2007 MCh\$
<b>Revenues</b>						
Madeco	142,674	164,151	<b>139,711</b>	281.2	600,518	<b>639,011</b>
Telefónica del Sur	15,076	14,970	<b>15,024</b>	30.2	60,189	<b>60,693</b>
Quiñenco & holding	182	349	<b>243</b>	0.5	986	<b>1,063</b>
<b>Total</b>	<b>157,932</b>	<b>179,470</b>	<b>154,978</b>	<b>311.9</b>	<b>661,693</b>	<b>700,767</b>
<b>Operating income (loss)</b>						
Madeco	6,343	11,887	<b>4,339</b>	8.7	55,596	<b>40,115</b>
Telefónica del Sur	3,242	2,265	<b>2,121</b>	4.3	13,046	<b>9,915</b>
Quiñenco & holding	(2,971)	(2,723)	<b>(2,909)</b>	(5.9)	(10,904)	<b>(10,992)</b>
<b>Total</b>	<b>6,614</b>	<b>11,429</b>	<b>3,551</b>	<b>7.1</b>	<b>57,738</b>	<b>39,038</b>
<b>Non-operating income (loss)</b>						
Interest income	1,659	1,170	<b>1,875</b>	3.8	5,242	<b>6,762</b>
Share of net income/loss from related co:						
Banco de Chile	9,339	18,794	<b>23,064</b>	46.4	61,916	<b>73,297</b>
CCU	4,543	3,386	<b>11,582</b>	23.3	19,822	<b>26,180</b>
Other equity investments	8,198	432	<b>(2,273)</b>	(4.6)	2,468	<b>(1,439)</b>
Other non-op income	1,228	(175)	<b>2,071</b>	4.2	5,807	<b>45,334</b>
Amortization of GW expense	(5,828)	(6,212)	<b>(6,212)</b>	(12.5)	(24,127)	<b>(24,300)</b>
Interest expense	(7,300)	(6,855)	<b>(7,923)</b>	(15.9)	(30,724)	<b>(29,507)</b>
Other non-op expenses	(2,864)	(1,501)	<b>(790)</b>	(1.6)	(10,423)	<b>(4,256)</b>
Price-level restatement	223	(2,905)	<b>(1,259)</b>	(2.5)	(1,429)	<b>(5,294)</b>
Foreign exchange gains & losses	57	1,362	<b>(328)</b>	(0.7)	152	<b>3,350</b>
<b>Total</b>	<b>9,255</b>	<b>7,496</b>	<b>19,807</b>	<b>39.9</b>	<b>28,704</b>	<b>90,127</b>
Income tax	1,620	(2,826)	<b>3,506</b>	7.0	(4,505)	<b>(8,761)</b>
Extraordinary items	-	-	-	-	-	-
Minority interest	(2,803)	(3,682)	<b>(2,452)</b>	(4.9)	(22,245)	<b>(16,787)</b>
Amortization of negative GW	377	401	<b>455</b>	0.9	1,572	<b>1,624</b>
<b>Net income</b>	<b>15,063</b>	<b>12,818</b>	<b>24,867</b>	<b>50.0</b>	<b>61,264</b>	<b>105,241</b>

**Revenues – Full Year 2007**

Consolidated revenues totaled Ch\$700,767 million (US\$1,410.3 million) in 2007, an increase of 5.9% from the Ch\$661,693 million (US\$1,331.7 million) reported in 2006. The increase in sales in 2007 was attributable to Madeco's operations. Madeco's sales, which rose by 6.4% to Ch\$639,011 million (US\$1,286.0 million), were mainly boosted by the consolidation of companies acquired during the year.

Consolidated sales in 2007 can be broken down as follows: Madeco (91.2%), Telefónica del Sur (8.7%) and others (0.1%).



#### **Revenues – 4Q 2007**

Consolidated revenues for the fourth quarter of 2007 were Ch\$154,978 million (US\$311.9 million), down by 1.9% from the Ch\$157,932 million (US\$317.8 million) reported in the fourth quarter of 2006, explained by a 2.1% decrease in Madeco's sales as a result of a reduction of 10.0% and 4.7% in sales of the cables and brass mills units, respectively, although this effect was partially offset by the consolidation of Cedsa, Tech Pak and Peruplast, companies acquired during 2007.

Consolidated sales can be broken down as follows: Madeco (90.1%), Telefónica del Sur (9.7%) and others (0.2%).

#### **Operating Income - Full Year 2007**

Consolidated operating income was Ch\$39,038 million (US\$78.6 million) in 2007, down by 32.4% from the Ch\$57,738 million (US\$116.2 million) reported in 2006. The decrease in operating profit for the year was mainly attributable to Madeco's operations, which suffered from a downturn in brass mills sales, rising costs, and a change in the cables product mix which favored low margin aluminum products. To a lesser extent, consolidated operating income was also affected by lower operating income from Telsur, as a consequence of higher marketing and sales expenses, the consolidation of Blue Two Chile S.A. and an increase in depreciation expense.

#### **Operating Income - 4Q 2007**

Operating income for the fourth quarter of 2007 was Ch\$3,551 million (US\$7.1 million), down by 46.3% from the Ch\$6,614 million (US\$13.3 million) reported in the fourth quarter of 2006. The sharp decline in consolidated operating income was mostly attributable to Madeco's operations (-Ch\$2,003 million or -US\$ 4.0 million), which were affected by the sales mix of lower priced aluminum cable products, lower copper prices and an increase in SG&A expenses. To a lesser extent, the reduction in Telefónica del Sur's operating income (-Ch\$1,121 million or US\$2.3 million), as a result of higher depreciation expense, also pulled down consolidated results for the quarter.

#### **EBITDA – Full Year 2007**

EBITDA amounted to Ch\$73,520 million (US\$148.0 million) in 2007, compared to Ch\$88,718 million (US\$178.5 million) in 2006, a decrease of 17.1%, mainly attributable to Madeco's operations.

#### **EBITDA – 4Q 2007**

EBITDA was Ch\$12,112 million (US\$24.4 million) in 4Q 2007, off by 15.7% from the Ch\$14,375 million (US\$28.9 million) in 4Q 2006, mainly due to a reduction in EBITDA generated by Madeco (-Ch\$1,809 million or US\$3.6 million), and to a lesser extent, Telefónica del Sur.

#### **Non-Operating Results – Full Year 2007**

Non-operating income amounted to Ch\$90,127 million (US\$181.4 million) in 2007, compared to non-operating income of Ch\$28,704 million (US\$57.8 million) in 2006. The main items included in non-operating results are discussed below:

#### **Proportionate share of net income of equity method investments (net) – Full Year 2007**

Quiñenco's proportionate share of net income from equity method investments (net) reached Ch\$98,038 million (US\$197.3 million), an increase of 16.4% compared to the Ch\$84,206 million (US\$169.5 million)



reported in 2006. Included with results from equity method investments (net) is Quiñenco's proportionate share of Banco de Chile's Ch\$242,288 million (US\$487.6 million) net income, (Quiñenco's proportionate share was Ch\$73,297 million or US\$147.5 million). The other main equity investment, CCU, reported a 32.1% rise in its net profits as a result of improved operating and non-operating performance, which in turn increased Quiñenco's proportionate share to Ch\$26,180 million (US\$52.7 million).

Worth mentioning is that as of the second quarter of 2006, Quiñenco no longer accounts for its investment in Entel under the equity method. Entel is currently carried on a cost basis and dividends are reported as non-operating income when received.

#### **Other non-operating income - Full Year 2007**

Other non-operating income amounted to Ch\$45,334 million (US\$91.2 million), compared to Ch\$5,807 million (US\$11.7 million) reported in 2006. The variation is primarily explained by non-recurring gains on the sale of shares of Entel, which amounted to Ch\$37,289 million (US\$73.0 million).

Other items included in other non-operating income are dividends received from cost basis investments, principally Entel, which amounted to Ch\$2,341 million (US\$4.7 million) and a gain on the sales of fixed assets at the corporate level of Ch\$3,480 million (US\$7.0 million).

#### **Amortization of goodwill expense - Full Year 2007**

Amortization of goodwill expense amounted to Ch\$24,300 million (US\$48.9 million) in 2007, varying only slightly from the Ch\$24,127 million (US\$48.6 million) reported in 2006. Goodwill expense is mostly related to the Banco de Chile acquisition in March 2001.

Goodwill (net) corresponding to Banco de Chile amounted to Ch\$298,399 million (US\$600.5 million) as of December 31, 2007 (this includes goodwill of Ch\$59,331 million (US\$119.4 million) associated with the ex-Banco Edwards acquisition in 1999). In 2007, goodwill related to Banco de Chile increased by Ch\$25,897 million (US\$52.1 million), as a result of the capital increase the bank carried out during the year to which Quiñenco (through LQIF) subscribed for 1,311,760,323 shares. Goodwill is amortized over a twenty-year period, using the straight-line method.

#### **Interest Expense - Full Year 2007**

Interest expense in 2007 amounted to Ch\$29,507 million (US\$59.4 million), a 4.0% decrease compared to the Ch\$30,724 million (US\$61.8 million) reported in 2006. The decrease is mainly explained by a reduction in interest expense at the corporate level due to lower average interest rates and a reduction in indebtedness, the effect of which was partially offset by higher interest expense at Madeco due to the consolidation of companies acquired in 2007.

#### **Other non-operating expenses - Full Year 2007**

Other non-operating expenses amounted to Ch\$4,256 million (US\$8.6 million), compared to Ch\$10,423 million (US\$21.0 million) in 2006. The variation between the two years is largely explained by expenses in 2006 related to the legal defense of the closing of Indalsa's plant in Peru several years ago.



In 2007, other non-operating expenses are mostly composed of provisions and costs associated with write-off of obsolete assets, depreciation on unused assets and directors compensation.

#### **Price- Level Restatement - Full Year 2007**

Price-level restatement losses amounted to Ch\$5,294 million (US\$10.7 million) in 2007, compared to losses of Ch\$1,429 million (US\$2.9 million) reported in 2006. The losses are mainly attributable to Madeco's operations as a result of the higher inflation experienced during the year.

#### **Foreign Currency Translation - Full Year 2007**

In 2007, the gains specific to foreign currency translation amounted to Ch\$3,350 million (US\$6.7 million), compared to gains of Ch\$152 million (US\$0.3 million) in 2006. The improvement in foreign currency translation results is mainly associated with Madeco's operations as a result of the revaluation of the Brazilian real and the Colombian peso vis-à-vis the US dollar.

#### **Non-Operating Results – 4Q 2007**

Quiñenco reported non-operating income of Ch\$19,807 million (US\$39.9 million) in the fourth quarter of 2007, compared to non-operating income of Ch\$9,255 million (US\$18.6 million) in the same quarter of 2006. The variation between the two periods is mostly explained by an increase in Quiñenco's proportionate share of income from its equity method investments. The main items included in non-operating results are discussed below:

#### **Proportionate share of net income of equity method investments (net) – 4Q 2007**

Quiñenco's proportionate share of net income from equity method investments (net) reached Ch\$32,373 million (US\$65.2 million), compared to Ch\$22,080 million (US\$44.4 million) in 4Q 2006, an increase of 46.6%. Quiñenco's proportionate share of net income from Banco de Chile increased by Ch\$13,725 million (US\$27.7 million) or 147.0% compared to 4Q 2006, explaining most of the increase quarter over quarter. Likewise, CCU had a strong 4<sup>th</sup> quarter of 2007, with results up by 44.3% (the increase in Quiñenco's proportionate share of CCU's net income was Ch\$7,039 million or US\$14.2 million).

#### **Other non-operating income – 4Q 2007**

Other non-operating income was Ch\$2,071 million (US\$4.2 million), compared to Ch\$1,228 million (US\$2.5 million) in the fourth quarter of 2006. Other non-operating income in 4Q 2007 was mainly composed of dividend distributions received from investments.

#### **Amortization of goodwill expense – 4Q 2007**

Amortization of goodwill expense amounted to Ch\$6,212 million (US\$12.5 million) in the fourth quarter of 2007, compared to Ch\$5,828 million (US\$11.7 million) reported in the same period of 2006. Goodwill expense is mostly related to Banco de Chile.

#### **Interest Expense - 4Q 2007**

Interest expense for the fourth quarter of 2007 amounted to Ch\$7,923 million (US\$15.9 million), an increase of 8.5% compared to the same period in 2006. The increase corresponds to higher interest expense at Madeco, the holding level and to a lesser extent, at Telefónica del Sur.





#### **Other non-operating expenses - 4Q 2007**

Other non-operating expenses amounted to Ch\$790 million (US\$1.6 million) compared to Ch\$2,864 million (US\$5.8 million) in the fourth quarter of 2006. The reduction in other non-operating expenses is mostly attributable to Madeco's and Telsur's operations.

#### **Price-level restatement – 4Q 2007**

Price-level restatement losses amounted to Ch\$1,259 million (US\$2.5 million), compared to gains of Ch\$223 million (US\$0.4 million) in 4Q 2006, mainly attributable to Madeco as a result of the higher inflation experienced during the period, the effect of which was partially offset by price-level restatement gains at the corporate level.

#### **Foreign currency translation losses – 4Q 2007**

In 4Q 2007, the losses specific to foreign currency translation differences amounted to Ch\$328 million (US\$0.7 million), compared to gains of Ch\$57 million (US\$0.1 million) reported in the fourth quarter of 2006, primarily attributable to the corporate level and Madeco.

#### **Income Taxes – Full Year 2007**

Quiñenco reported income taxes in 2007 amounting to Ch\$8,761 million (US\$17.6 million), compared to income taxes of Ch\$4,505 million (US\$9.1 million) in 2006.

#### **Income Taxes – 4Q 2007**

Quiñenco reported income tax credits of Ch\$3,506 million (US\$7.1 million), compared to income tax credits of Ch\$1,620 million (US\$3.3 million) reported in the fourth quarter of 2006.

#### **Minority Interest – Full Year 2007**

In 2007, Quiñenco reported a deduction from income of Ch\$16,787 million (US\$33.8 million), compared to a deduction from income of Ch\$22,245 million (US\$44.8 million) in 2006. In 2007, minority interest is mainly related to minority shareholders' proportionate share of Madeco's and, to a lesser extent, Telefónica del Sur's net income reported in 2007. The variation between the two years is mainly explained by the lower net results reported by Madeco.

#### **Minority Interest – 4Q 2007**

In the fourth quarter of 2007, Quiñenco reported a deduction from income of Ch\$2,452 million (US\$4.9 million), compared to a deduction from income of Ch\$2,803 million (US\$5.6 million) in 4Q 2006. The amount is mainly related to minority shareholders' proportionate share of Madeco's and Telefónica del Sur's fourth quarter 2007 income.

#### **Amortization of Negative Goodwill – Full Year 2007**

Amortization of negative goodwill amounted to Ch\$1,624 million (US\$3.3 million) in 2007, compared to Ch\$1,572 million (US\$3.2 million) in 2006.

#### **Amortization of Negative Goodwill – 4Q 2007**

Amortization of negative goodwill amounted to Ch\$455 million (US\$0.9 million), compared to Ch\$377 million (US\$0.8 million) in the fourth quarter of 2006.





**CONSOLIDATED BALANCE SHEET ANALYSIS (vis-à-vis the 3rd quarter of 2007)**

**Condensed Consolidated Balance Sheet**

	As of 12/31/06 MCh\$	As of 9/30/07 MCh\$	As of 12/31/07 MCh\$	As of 12/31/07 MUS\$
Current assets	394,493	504,524	<b>482,991</b>	972.0
Fixed assets	277,185	314,510	<b>314,969</b>	633.9
Other assets	929,188	987,683	<b>1,010,470</b>	2,033.6
<b>Total assets</b>	<b>1,600,866</b>	<b>1,806,717</b>	<b>1,808,430</b>	<b>3,639.5</b>
Current liabilities	130,982	203,455	<b>189,555</b>	381.5
Long-term liabilities	460,231	426,017	<b>429,758</b>	864.9
Minority interest	182,751	200,864	<b>193,330</b>	389.1
Shareholders' equity	826,902	976,381	<b>995,787</b>	2,004.0
<b>Total liabilities &amp; shareholders' equity</b>	<b>1,600,866</b>	<b>1,806,717</b>	<b>1,808,430</b>	<b>3,639.5</b>

**Current Assets**

Current assets decreased by 4.3% compared to the third quarter of 2007, mainly due to a reduction in inventory and accounts receivable at Madeco.

**Fixed Assets and Other Assets**

Fixed assets and other assets did not vary significantly from the third quarter of 2007.

**Current Liabilities**

Current liabilities decreased by 6.8%, mainly due to the reduction of short term bank obligations and accounts and payable at Madeco.

**Long-term Liabilities**

Long-term liabilities did not vary significantly from the third quarter of 2007.

**Minority Interest**

Minority interest did not vary significantly from the third quarter of 2007.

**Equity**

Shareholders' equity increased by 2.0% compared to the third quarter of 2007 due to period profits.

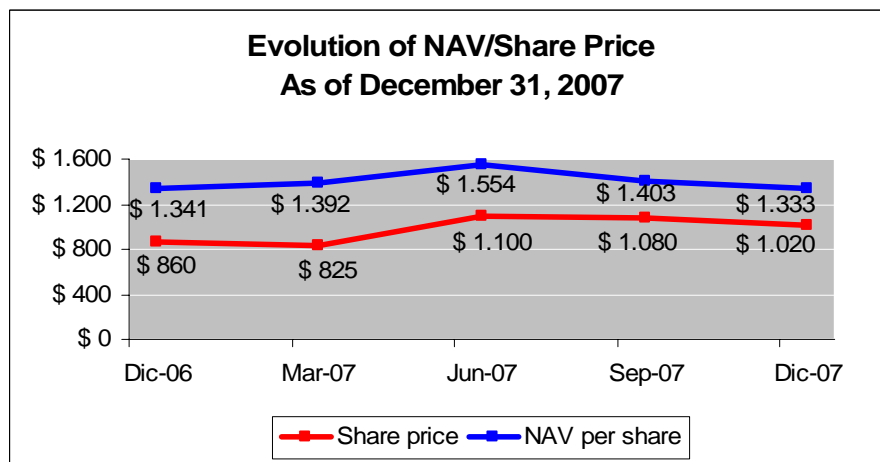
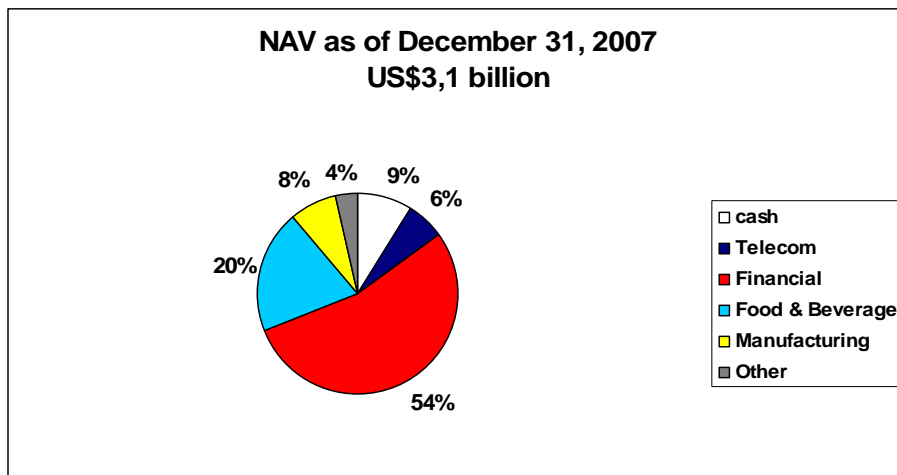


**Quiñenco Corporate Level Debt and Cash**

As of December 31, 2007, financial debt with third parties at the corporate level was Ch\$344,987 million (US\$694.3 million). As of the same date, cash and cash equivalents amounted to Ch\$167,836 million (US\$337.8 million). The debt to total capitalization ratio at the corporate level was 25.6%.

**NAV**

As of December 31, 2007, the estimated net asset value (NAV) of Quiñenco was US\$3.1 billion (Ch\$1,333 per share) and market capitalization was US\$2.3 billion (Ch\$1020.10 per share). The discount to NAV is estimated at 23.5% as of the same date.





## SECTOR /OPERATING COMPANY ANALYSIS

### FINANCIAL SERVICES SECTOR

The following table details Quiñenco's proportionate share of income from investments in the Financial Services sector during 2006 and 2007:

FINANCIAL SERVICES								
	Ownership %	4Q 2006 MCh\$	Full Year 2006 MCh\$	3Q 2007 MCh\$	4Q 2007 MCh\$	4Q 2007 MUS\$	Full Year 2007 MCh\$	Full Year 2007 MUS\$
Banco de Chile (1)	52.5%	9,339	61,916	18,794	23,064	46.4	73,297	147.5

1) Ownership % in the above table corresponds to voting rights in Banco de Chile.

### BANCO DE CHILE

	Quarter			Full Year		
	4Q 2006 MCh\$	4Q 2007 MCh\$	4Q 2007 MUS\$	2006 MCh\$	2007 MCh\$	2007 MUS\$
Operating revenues	150,374	194,268	391.0	602,331	691,608	1,391.9
Provision for loan losses	(14,290)	(13,988)	(28.2)	(38,909)	(52,619)	(105.9)
Operating expenses	(84,039)	(88,800)	(178.7)	(322,776)	(333,413)	(671.0)
Net income (loss)	45,515	78,715	158.4	209,696	242,288	487.6
Loan portfolio, net				10,295,71	11,785,507	23,718.5
Total assets				0	14,620,509	29,424.0
Shareholders' equity				13,704,54 6896,393	1,051,393	2,115.9
Net interest margin	3.4%	4.8%		4.0%	4.4%	
Net financial Margin	3.6%	4.7%		4.1%	4.4%	
Efficiency ratio	55.9%	45.7%		53.6%	48.2%	
ROAE	20.1%	30.8%		25.0%	27.4%	
ROAA	1.4%	2.2%		1.7%	1.8%	

### Full Year 2007 Results

Banco de Chile reported net income of Ch\$242,288 million (US\$487.6 million) for the year ended December 31, 2007, the most profitable year in nearly 20 years. The bank surpassed its previous record net income of Ch\$209,696 million (US\$422.0 million) in 2006. The 15.5% increase was mainly attributable to strong growth in operating revenues, the effect of which more than offset an increase in provisions for loan losses and higher operating expenses.

Operating revenues amounted to Ch\$691,608 million (US\$1,391.9 million), up 14.8% from the Ch\$602,331 million (US\$1,212.2 million) reported in 2006. One of the main drivers of growth in operating revenues was net financial income, which rose by 17.7% to Ch\$530,751 million (US\$1,068.1 million). Net financial income, which is the sum of net interest income, net FX transactions and gains (losses) from derivative contracts, grew as a result of a 10.6% increase in average interest earning assets, fueled by a significant expansion of the bank's loan portfolio. The financial margin was positively affected by the higher inflation rate (a 7.0% variation (measured in UF) in 2007 vs.



2.0% in 2006), which led to an increase in interest income on UF denominated assets financed by non-UF denominated liabilities, a higher contribution from demand deposits and a favorable funding structure. Fee income, which accounted for 24.4% of operating revenues in 2007, grew by 17.4% to Ch\$168,490 million (US\$339.1 million), mainly due to higher fee income earned by the bank and its mutual fund and stock brokerage subsidiaries. It is worth mentioning that due to Chilean regulation on labor outsourcing implemented in 2007, certain expenses previously included as fee expenses were reclassified to operating expenses. Taking into account this change, real fee income growth in 2007 was 6.6%.

Losses on the sale of financial instruments and non-forward derivatives contracts (does not include forwards derivative contracts) amounted to Ch\$7,633 million (US\$15.4 million), compared to gains of Ch\$7,924 million (US\$15.9 million) in 2006, as a result of declines in the value of the bank's Latin American security portfolio and losses on Chilean securities booked in foreign branches.

Provisions for loan losses increased by Ch\$13,710 million (US\$27.6 million) to Ch\$52,619 million (US\$105.9 million), in line with loan growth expansion. They also reflect the higher risk profile associated with the consumer loan area.

Other income and expenses decreased to Ch\$1,580 million (US\$3.2 million) from Ch\$4,087 million (US\$8.2 million), primarily due to lower equity income, mostly associated with losses from the AFT and a 2006 tax provision release, the effect of which was partially offset by higher income on assets received in lieu of payments previously charged-off.

Operating expenses increased by 3.3% to Ch\$333,413 million (US\$671.0 million) compared to 2006, mainly in relation to the new regulatory requirements with respect to labor outsourcing, which resulted in a reclassification of Ch\$15,460 million (US\$31.1 million) from fee expenses to operating expenses.

Price-level restatement losses totaled Ch\$37,948 million (US\$76.4 million) compared to price-level restatement losses of Ch\$9,157 million (US\$18.4 million) reported in 2006. The losses in 2007 reflect the higher inflation experienced during the period.

As of December 2007, the Bank's loan portfolio (net of interbank loans) had grown by 14.5% to Ch\$11,785,507 million (US\$23.7 billion), driven by increases in loans made to the retail segment, including mortgages.

Banco de Chile was the second ranked bank in the country (in terms of loans) with a market share of 18.5% according to information published by the Chilean Superintendency of Banks for the period ended December 31, 2007. Its return on capital and reserves for the twelve-month period was 30.0%, the highest in the Chilean financial system, according to the same source. The local financial system as a whole reported a return on capital and reserves of 16.2% in 2007.

#### **4Q 2007 Results**

Banco de Chile's operating revenues increased by 29.2% to Ch\$194,268 million (US\$391.0 million) in the fourth quarter of 2007. The sharp rise in operating revenues was driven by a significant expansion in net financial income, as a result of the increase in the inflation rate (compared to deflation in 4Q 2006). The increase in operating revenues was also attributable to a rise in fee income associated with the mutual fund and insurance businesses, as well as higher fees from checking and sight accounts.



Provisions amounted to Ch\$13,988 million (US\$28.2 million), a decrease of 2.1% from the Ch\$14,290 million (US\$28.8 million) reported in 4Q 2006 as higher loan loss recoveries more than offset the quarterly increase in provisions.

Other income and expenses amounted to a gain of Ch\$6,604 million (US\$13.3 million) compared to a loss of Ch\$2,353 million (US\$4.7 million) in 4Q 2006, primarily explained by higher income from assets received in lieu of payment.

Operating expenses increased by 5.7% to Ch\$88,800 million (US\$178.7 million) compared to the fourth quarter of 2006, mainly attributable to a reclassification of fee expenses as a consequence of the new labor outsourcing regulation, as well as increased advisory and legal expenses and other costs associated with the technology platform upgrade.

Price-level restatement losses totaled Ch\$12,228 million (US\$24.6 million) compared to price-level restatement gains of Ch\$1,969 million (US\$4.0 million) reported in 4Q 2006. The price level restatement gains in 4Q 2007 reflect the higher inflation experienced during the period.

Net income rose sharply to Ch\$78,715 million (US\$158.4 million) in 4Q 2007, an increase of 72.9% compared to 4Q 2006, representing the highest quarterly income ever reported by the bank. The increase in net quarterly earnings mostly reflects the higher level of net financial income earned in the period associated with the inflation rate growth seen during the last quarter of the year.

### **FOOD & BEVERAGE SECTOR**

The following table details Quiñenco's proportionate share of income (loss) from investments in the Food & Beverage sector during 2006 and 2007:

<b>FOOD &amp; BEVERAGE</b>								
	Ownership %	4Q 2006 MCh\$	Full Year 2006 MCh\$	3Q 2007 MCh\$	4Q 2007 MCh\$	4Q 2007 MUS\$	Full Year 2007 MCh\$	Full Year 2007 MUS\$
CCU	33.1%	4,543	19,822	3,386	<b>11,582</b>	23.3	<b>26,180</b>	<b>52.7</b>

### **CCU**

	Quarter			Full Year		
	4Q 2006 MCh\$	4Q 2007 MCh\$	4Q 2007 MUS\$	2006 MCh\$	2007 MCh\$	2007 MUS\$
Sales	179,421	<b>189,076</b>	380.5	586,186	<b>628,284</b>	1,264.4
Operating income (loss)	33,957	<b>36,135</b>	72.7	85,589	<b>101,384</b>	204.0
Net income (loss)	24,280	<b>35,038</b>	70.5	59,964	<b>79,199</b>	159.4
Total assets				749,475	<b>826,616</b>	1,663.6
Shareholders' equity				375,070	<b>401,796</b>	808.6



### **Full Year 2007 Results**

CCU's consolidated sales revenue rose by 7.2% to Ch\$628,284 million (US\$1,264.4 million), attributable to a 6.1% increase in volume sold and 0.9% higher average prices. CCU's main business segments experienced healthy growth in 2007. The growth in sales volumes was led by the Chilean beer segment (+4.3%), the Argentine beer segment (+11.4%), the soft drink segment (+5.1%), spirits (+5.5%) and the wine segment (+6.3%). Revenues by core businesses can be broken down as follows: beer Chile (39.5%), beer Argentina (11.0%), soft drinks/mineral water (27.5%), wine (13.8%), spirits (6.3%) and others (0.3%).

Operating income jumped by 18.5% to Ch\$101,384 million (US\$204.0 million) in 2007, mainly due to the higher sales level, although higher direct costs and SG&A expenses partially offset the increase. EBITDA reached Ch\$146,791 million (US\$295.4 million) showing an increase of 12.2% over 2006.

CCU reported non-operating losses of Ch\$3,387 million (US\$6.8 million), compared to non-operating losses of Ch\$10,643 million (US\$21.4 million) in 2006. The improvement in non-operating results is mostly explained by a Ch\$11,925 million (US\$24.0 million) after tax non-recurring gain related to the association with Nestle in the water business in 2007.

The aforementioned 18.5% increase in operating income and improvement in non-operating results in 2007 was reflected in CCU's net income for the year, which rose by 32.1% to Ch\$79,199 million (US\$159.4 million).

### **4Q 2007 Results**

CCU's sales in the fourth quarter of 2007 grew by 5.4% compared to the fourth quarter of 2006, due to an increase in consolidated sales volumes, partially offset by lower average prices. The growth in sales volumes was led by the soft drinks segment (+9.0%), the Chilean beer segment (+5.0%), the Argentine beer segment (+7.8%), the Argentine wine segment (+34.2%), the Chilean domestic wine segment (+2.2%) and the spirits segment (+2.7%), partially offset by lower sales volumes associated with the Chilean export wine segment. Lower average prices were attributable to price declines in the Argentine beer segment measured in Chilean pesos, all of the non-alcoholic beverage segments and the Chilean wine business, the effect of which was partially offset by price increases in Argentine wines, spirits and beer in Chile.

In spite of an increase of 5.0% in COGS associated with the beer and spirits segments due to higher raw material and energy costs, gross profit rose by 5.7% to Ch\$104,975 million (US\$211.3 million) as a result of the higher sales level. This directly translated into a 6.4% increase in operating income which reached Ch\$36,135 million (US\$72.7 million), in spite of a rise in SG&A expenses of 5.4%. As a percentage of sales SG&A expenses remained flat at 36.4%. The consolidated operating margin was 19.1% of sales, compared to 18.9% in the same period of 2006. EBITDA amounted to Ch\$47,619 (US\$95.8 million), an increase of 5.0% over 4Q 2006.

CCU reported non-operating income of Ch\$7,275 million (US\$14.6 million) compared to non-operating losses of Ch\$3,855 million (US\$7.8 million) in 4Q 2006. The improvement in non-operating results was primarily attributable to a non-recurring gain associated with CCU's association with Nestle in the water business.

Net income for the fourth quarter of 2007 jumped by 44.3% to Ch\$35,038 million (US\$70.5 million). Net profits were boosted by the increase in operating income and non-operating income, although this was partially offset by a heavier tax burden.



**TELECOMMUNICATIONS SECTOR**

The following table details Quiñenco's proportionate share of income from investments in the Telecommunications sector during 2006 and 2007:

TELECOMMUNICATIONS								
	Ownership %	4Q 2006 MCh\$	Full Year 2006 MCh\$	3Q 2007 MCh\$	4Q 2007 MCh\$	4Q 2007 MUS\$	Full Year 2007 MCh\$	Full Year 2007 MUS\$
Telefónica del Sur	74.4%	2,304	6,218	940	848	1.7	4,587	9.2

**TELSUR**

	Quarter			Full Year		
	4Q 2006 MCh\$	4Q 2007 MCh\$	4Q 2007 MUS\$	2006 MCh\$	2007 MCh\$	2007 MUS\$
Sales	15,076	15,024	30.2	60,189	60,693	122.1
Operating income (loss)	3,242	2,121	4.3	13,046	9,915	20.0
Net income (loss)	1,705	1,139	2.3	8,437	6,211	12.5
Total assets				139,615	153,687	309.3
Shareholders' equity				75,444	77,413	155.8

**Full Year 2007 Results**

Telefónica del Sur's revenues reached Ch\$60,693 million (US\$122.1 million) in 2007, up slightly from the Ch\$60,189 million (US\$121.1 million) reported in 2006. Although the overall sales level in 2007 remained relatively constant compared to 2006, the growing importance of Internet, security services, data services and subscription TV in Telsur's revenue mix is clearly observed, having grown by 3.1% during 2007. In addition, local telephony revenues (fixed telephony and access charges) grew by 3.8%, reverting the decline experienced in previous years thanks to the PHS wireless fixed line service introduced in 2006. These increases more than offset the decrease in revenues associated with public telephones and long distance services.

Internet revenue rose by 5.1% to Ch\$10,991 million (US\$22.1 million) in 2007, accounting for 18.1% of all sales. The growth shown in this area was due to a 21.6% increase in the number of wide band clients, which as of December 31, 2007 reached 57,038. In late 2007, Telsur introduced subscription TV (TVoIP and WiTV), and as of the end of the year already had 5,472 clients. Although this area only accounted for a fraction of total revenues, Telsur expects that subscription TV will show strong growth in the future due to the important technological advantages it believes it has over its nearest competitors.

Basic telephony services and user access charges accounted for 58.4% (47.8% and 10.6%, respectively) of all revenues, followed by Internet (18.1%) long distance services (6.9%), data services (5.5%), security services (5.0%), public telephones (3.3%) and other (2.8%).

Operating profits fell by 24.0% to Ch\$9,915 million (US\$20.0 million), mainly as a result of higher marketing and sales expenses, which include expenses associated with the launching of subscription TV, the consolidation of Blue Two Chile S.A. (in 2006 this was still in the development stage) and higher depreciation expense. Selling, general





and administrative expense as a percentage of sales was 29.4%, compared to 27.6% in 2006. EBITDA reached Ch\$27,492 million (US\$55.3 million), leaving ample capacity to carry out planned investments, service debt and fund dividends.

Non-operating losses decreased from Ch\$2,314 million (US\$4.7 million) in 2006 to Ch\$1,899 million (US\$3.8 million) in 2007. The improvement in non-operating results was primarily due to a 62.5% reduction in other non-operating expenses, which in 2006 included Ch\$605 million (US\$1.2 million) in personnel severance expenses, and to a lesser extent, non-recurring income from supplier prepayment discounts.

Net profit in 2007 amounted to Ch\$6,211 million (US\$12.5 million), representing a 26.4% decline from the Ch\$8,437 million (US\$17.0 million) reported in 2006. The decrease in bottom line results for the year was attributable to the aforementioned deterioration in operating results, the effect of which was partially offset by lower non-operating losses and a lower tax burden.

#### **4Q 2007 Results**

Telefónica del Sur's revenues amounted to Ch\$15,024 million (US\$30.2 million), varying only slightly from the Ch\$15,076 million (US\$30.3 million) reported in the fourth quarter of 2006. In general terms, although the number of clients has increased, sales decreased during the quarter due to a reduction in revenues associated with public telephones, long distance services, as well as lower prices of Internet and fixed telephony services.

Operating profit declined by 34.6% to Ch\$2,121 million (US\$4.3 million) as a consequence of higher depreciation expense to deploy its PHS network, investment in equipment terminals and improvements in the digital TV network.

Telefónica del Sur reported non-operating losses of Ch\$611 million (US\$1.2 million), down by 41.2% from the non-operating losses of Ch\$1,039 million (US\$2.1 million) reported in 4Q 2006. The improvement in non-operating results was primarily due to a lower level of other non-operating expenses during the quarter.

Telefónica del Sur reported net income of Ch\$1,139 million (US\$2.3 million) in the fourth quarter of 2007, compared to net income of Ch\$1,705 million (US\$3.4 million) in the same period in 2007. The decline in net profit was attributable to the aforementioned reduction in operating income, partially offset by lower non-operating results and a lighter tax burden.

#### **MANUFACTURING SECTOR**

The following table details Quiñenco's proportionate share of income (loss) from investments in the Manufacturing sector during 2006 and 2007:

<b>MANUFACTURING</b>								
	Ownership %	4Q 2006 MCh\$	Full Year 2006 MCh\$	3Q 2007 MCh\$	4Q 2007 MCh\$	4Q 2007 MUS\$	Full Year 2007 MCh\$	Full Year 2007 MUS\$
Madeco	45.2%	6,634	15,086	1,759	974	2.0	9,048	18.2



**MADECO**

	Quarter			Full Year		
	4Q 2006 MCh\$	4Q 2007 MCh\$	4Q 2007 MUS\$	2006 MCh\$	2007 MCh\$	2007 MUS\$
Sales	142,674	<b>139,711</b>	281.2	600,518	<b>639,011</b>	1,286.0
Operating income (loss)	6,343	<b>4,339</b>	8.7	55,596	<b>40,115</b>	80.7
Net income (loss)	2,920	<b>2,163</b>	4.4	32,439	<b>19,660</b>	39.6
Total assets				447,624	<b>487,097</b>	980.3
Shareholders' equity				270,170	<b>263,894</b>	531.1

**Full Year 2007 Results**

Madeco's sales level rose by 6.4% to Ch\$639,011 million (US\$1,286.0 million) in 2007. The growth in sales during the year was primarily attributable to the consolidation of companies acquired in 2007 (Cedsa, Tech Pak and Peruplast), and to a lesser extent, an increase in cable sales in Brazil and Argentina. The increase in sales was partially offset by a sharp decline in sales of the brass mills business unit of 19.6%. In 2007, consolidated volumes increased by 17.1%, although average prices were significantly lower mainly due to the product mix which favored aluminum cables (vs. copper cables).

Sales corresponding to the cable business unit were up by Ch\$24,966 million (US\$50.2 million) or 6.5% to Ch\$411,849 million (US\$828.9 million), mainly as a consequence of the Cedsa acquisition which contributed Ch\$22,190 million (US\$44.7 million) to the unit's sales.

Flexible packaging sales were up by 79.4% to Ch\$89,000 million (US\$179.1 million), almost entirely due to the consolidation of Peruplast and Tech Pak in 2007.

Brass mill sales fell by Ch\$25,184 million (US\$50.7 million) due to a 22.1% decline in sales volumes, mostly in Chile, as a result of increased competition from domestic and international producers. Likewise, the aluminum profiles unit also reported a decrease in sales of 1.9%, attributable to a 15.6% reduction in volumes sold as the unit faced increased competition from Chinese imports.

Sales of the cable business unit accounted for 64.5% of total sales, followed by brass mills (16.1%), flexible packaging (13.9%) and aluminum profiles (5.5%).

Operating income decreased by Ch\$15,481 million (US\$31.2 million) or 27.8% to Ch\$40,115 million (US\$80.7 million), mainly attributable to the brass mills business unit whose operating income declined from Ch\$10,516 million (US\$21.2 million) to a negative Ch\$1,361 million (US\$2.7 million) as a result of stiff competition, low prices, and the effect of the appreciation of the Chilean peso vis-à-vis the US dollar on exports. In addition, operating income earned by the cables unit also led to the decline in operating income for the year as the product mix favored lower margin aluminum cables. Also worth mentioning is that in 2006, Madeco reported extraordinarily high operating profits as a consequence of the rise in copper prices between April and June of that year. EBITDA was also affected by this downturn, off by 20.1% for the year, amounting to 55,899 million (US\$112.5 million).

Madeco reported non-operating losses of Ch\$16,160 million (US\$32.5 million), varying slightly from the Ch\$15,944 million (US\$32.1 million) reported in 2006, mostly explained by an increase in price-level restatement losses as a



consequence of the higher inflation experienced during the year, partially offset by FX translation gains and a decrease in other non-operating expenses.

Madeco reported net income of Ch\$19,660 million (US\$39.6 million) in 2007. This represented a decrease of 39.4% compared to 2006, attributable to the significant decline in operating income, the effect of which was partially offset by a lower tax burden.

#### **4Q 2007 Results**

Madeco's sales in the fourth quarter of 2007 decreased by 2.1% to Ch\$139,711 million (US\$281.2 million), mostly attributable to a reduction of 10.0% in sales of the cables unit as a result of lower copper rod sales, although this effect was partially offset by the consolidation of Cedsa (Colombia), acquired in early 2007. Likewise, sales of the brass mills business unit declined by 4.7% as a consequence of lower average prices, the effects of the appreciation of the Chilean peso vis-à-vis the US dollar on exports, and product substitution. Sales of the flexible packaging unit rose sharply (+71.7%) due to the consolidation of Peruplast and Tech Pak, which nearly compensated for the downturn in consolidated sales.

Sales of the wire and cables business unit (whose principal operation is Ficap Brazil) accounted for 63.6% of total sales, followed by brass mills (15.8%), flexible packaging (15.0%) and aluminum profiles (5.6%).

Lower margins on a product mix which favored aluminum cables affected Madeco's gross profit as did a reduction in copper prices in the last quarter of the year as it tended to pull down sales prices. This coupled with a 20.0% rise in SG&A expenses led to a decrease in operating income for the quarter of 31.6%. Operating income amounted to Ch\$4,339 million (US\$8.7 million) compared to Ch\$6,343 million (US\$12.8 million) in the same quarter of 2006.

Non-operating losses amounted to Ch\$5,713 million (US\$11.5 million), up from the Ch\$4,158 million (US\$8.4 million) reported in 4Q 2006. The increase in non-operating losses is largely explained by price-level restatement losses due to higher inflation in Chile.

Net profit amounted to Ch\$2,163 million (US\$4.4 million) for the fourth quarter of 2007, compared to net income of Ch\$2,920 million (US\$5.9 million) in 4Q 2006, a decrease of 25.9%. Madeco's net profit was dampened by its poor operating and non-operating performance during the fourth quarter of the year.

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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:

[www.quinenco.cl](http://www.quinenco.cl)  
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