

# 2004 Financial Results

**Quiñenco incorporates the profit and loss** from more than 40 companies in its financial results each period. Nonetheless, it only consolidates its operations with a number of its investments, the main operating companies being Madeco and Telefónica del Sur. The profit or loss from other investments such as Banco de Chile and CCU, which are relevant to Quiñenco in terms of size and impact on its financial results for any given period, do not consolidate with the Company. Quiñenco's proportionate share of these companies' income or loss is included with non-operating results.

Quiñenco reported consolidated revenues of Ch\$382,511 million in 2004, up 4.4% from the 2003 level. Consolidated revenues were boosted by the 33% or Ch\$80,427 million increase in sales corresponding to Madeco's operations, related to the recovery of its main markets and strong demand for cable and brass mill products. The increase in consolidated revenues was partially offset by the divestment of Lucchetti Chile in early 2004, which implied a reduction of Ch\$59,503 million in revenues when compared to 2003.

Consolidated operating income jumped by 108% reaching Ch\$27,197 million in 2004. The sharp increase in operating profit for the year was entirely attributable to Madeco's operations, which benefited from strong sales, efficiency gains in production and stable SG&A expenses. The rise in operating income was partially offset by the divestment of Lucchetti's Chilean operations in early 2004, which represented a decline of Ch\$3,296 million compared to 2003.

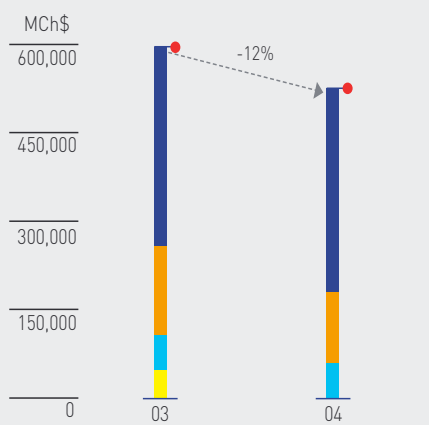
Quiñenco reported a net non-operating loss of Ch\$3,844 million, compared to net non-operating income of Ch\$25,571 million in 2003. The variation between the two years is largely explained by a non-recurring arbitration settlement payment received from Quiñenco's ex-partners in IRSA, the company which controls 61.6% of CCU, which boosted non-operating results by an additional Ch\$36,936 million in 2003.

| Financial results                           | 2004<br>MCh\$ | 2003<br>MCh\$ |
|---|---------------|---------------|
| <b>Operating income</b>                     | <b>27,197</b> | <b>13,066</b> |
| Non-operating results                       |               |               |
| Share of net income from equity investments | 58,469        | 58,832        |
| Other non-operating items                   | (56,455)      | (58,650)      |
| <b>Non-operating income</b>                 | <b>2,014</b>  | <b>182</b>    |
| Others items*                               | (5,858)       | 25,389        |
| Net non-operating income (loss)             | (3,844)       | 25,571        |
| <b>Net income</b>                           | <b>23,353</b> | <b>38,637</b> |

\* Includes income taxes, minority interest and amortization of negative goodwill.

2004 non-operating results benefited from a 20% reduction in interest expense, following the sale of Lucchetti Chile at the beginning of the year as well as lower interest expense at Madeco, Telefónica del Sur and the holding level, due to reduced debt levels and lower prevailing interest rates. In addition, a reduction in other non-operating expenses also contributed to 2004 non-operating results.

## Consolidated debt



## Consolidated debt breakdown

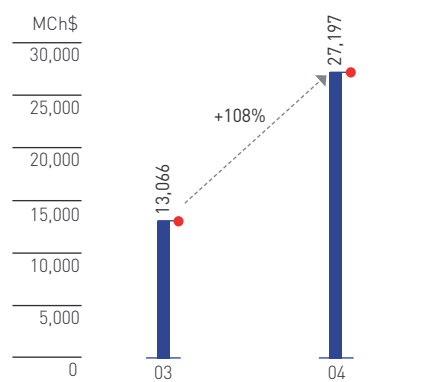
| MCh\$              | 2003           | 2004           | %           |
|--------------------|----------------|----------------|-------------|
| Corporate level    | 338,289        | 347,211        | +3%         |
| Madeco             | 150,189        | 119,254        | -21%        |
| Telefónica del Sur | 59,742         | 59,142         | -1%         |
| Indalsa            | 46,409         | -              | -100%       |
| Carrera            | 300            | -              | -100%       |
| <b>Total</b>       | <b>594,929</b> | <b>525,607</b> | <b>-12%</b> |

Income from equity investments (net) totaled Ch\$58,469 million, mainly due to the solid results obtained from Quiñenco's investment in Banco de Chile and CCU, which grew by 6%, the effect of which was partially offset by Quiñenco's proportional share of Habitaria's net loss amounting to Ch\$4,305 million, which resulted from the write-down of several real estate development projects to their net realizable value.

Net profit reached Ch\$23,353 million compared to Ch\$38,637 million reported in 2003, a reduction of 39.6%. The reduction in net profit was mainly attributable to the aforementioned absence of non-recurring gains in 2004, the effect of which was partially offset by the marked increase in operating income and lower non-operating expenses reported during the period.

Dividend cash flow amounted to Ch\$49,052 million in 2004, down from the Ch\$76,417 million received in 2003. Although this represents a decline of 36% compared to 2003, it is worth mentioning that dividends received in 2003 included an extraordinary dividend from CCU of Ch\$53,106 million. After adjusting for the effect of the 2003 extraordinary dividend, on a comparative basis dividend cash flow in 2004 increased by 110%, mainly attributable to the 147% increase in dividends received from Banco de Chile as well as increased dividends from CCU and Entel.

### Operating income



In addition, Telefónica del Sur distributed dividends of Ch\$3,235 million to Quiñenco, up from Ch\$3,097 million in 2003. The strong dividend cash flow facilitated investment acquisition and debt pay-down during the period.

## Net income contribution from operating companies

The following table shows the contribution of the main operating companies to Quiñenco's 2004 net income:

(In millions of Ch\$ pesos as of December 31, 2004)

| Companies                        | Quiñenco's Ownership (1) | Sales Revenue | Net Profit (Loss) | Quiñenco's Prop. Share | Total Assets | S/H Equity |
|----------------------------------|--------------------------|---------------|-------------------|------------------------|--------------|------------|
| <b>Financial Services</b>        |                          |               |                   |                        |              |            |
| Banco de Chile                   | (2) 53.5%                | (3) 469,823   | 152,628           | 45,612                 | 9,481,150    | 713,068    |
| <b>Food &amp; Beverage</b>       |                          |               |                   |                        |              |            |
| CCU                              | 30.8%                    | 420,638       | 45,394            | 13,985                 | 592,241      | 302,104    |
| Indalsa                          | 97.0%                    | 1,090         | (4,107)           | (3,962)                | 25,043       | 24,606     |
| <b>Telecommunications</b>        |                          |               |                   |                        |              |            |
| Telsur                           | 73.7%                    | 52,940        | 6,861             | 5,053                  | 137,831      | 63,995     |
| Entel                            | 5.7%                     | 692,485       | 47,364            | 2,695                  | 1,154,994    | 622,659    |
| <b>Manufacturing</b>             |                          |               |                   |                        |              |            |
| Madeco                           | 51.2%                    | 324,035       | 8,512             | 4,615                  | 342,910      | 158,513    |
| <b>Other Operating Companies</b> |                          |               |                   | (4,528)                |              |            |
| <b>Total Operating Companies</b> |                          |               |                   | <b>63,470</b>          |              |            |
| Quiñenco & Holding Companies     |                          |               |                   | <b>(40,117)</b>        |              |            |
| Net Income for the Year          |                          |               |                   | <b>23,353</b>          |              |            |

(1) Direct or indirect.

(2) Corresponds to voting rights. As a consequence of the share repurchase that Banco de Chile carried out in early 2004, Quiñenco's dividend rights in the bank increased from 29.2% to 29.9% and voting rights increased from 52.2% to 53.5%. Ownership % in the above table corresponds to voting rights in Banco de Chile.

(3) Corresponds to operating revenues.