

Letter from the Chairman of the Board



Dear Shareholders,

It is with great pleasure that I present Quiñenco's annual report and financial statements for the year ended December 31, 2004.

To our satisfaction, we can report that our long-term strategy, built around the strategic management of investments and assets, proved successful in 2004. Quiñenco strengthened its position among the most important players in the financial services, food and beverage, telecommunications and manufacturing sectors. Our

sustained efforts to create shareholder value are reflected not only in the results reported during the period, but also by the 28% rise in the share price.

In 2004, the Chilean economy expanded at growth rates not seen since 1997, and Quiñenco was ready to make the most of this favorable environment. It is not surprising then that we find Banco de Chile ranking first in profitability in the local financial system; Compañías Cervecerías Unidas leading the beverage sector; Telefónica del Sur holding its

ground as an important actor in telecommunications thanks to its ability to continuously develop new products and services; and Madeco, the copper products manufacturer, making a noteworthy recovery after a deep restructuring.

In line with our constant search for investment opportunities, we bought a stake in Almacenes París during the year, at a favorable price. At the same time, we decided to sell Lucchetti Chile after having received an attractive offer.

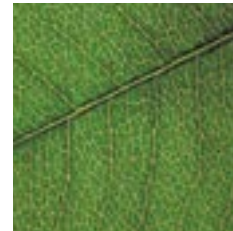
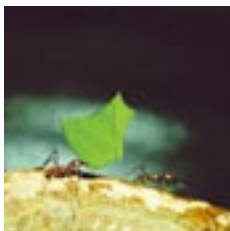
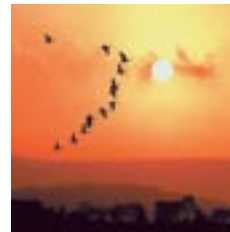
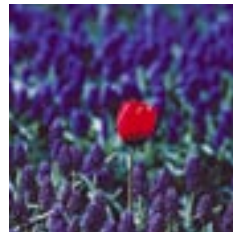
Net profits at Quiñenco in 2004 amounted to Ch\$23,353 million. Although this figure represents a decline compared to the 2003 result of Ch\$38,637 million, it is important to note that 2003 net income included a Ch\$36,936 million one-time settlement payment arising from arbitration with Paulaner. Stripping this out, what we have is an excellent 2004 performance by group companies, which increased their total contribution to Quiñenco's net results by 35%.

With these results came a further strengthening of Quiñenco's financial structure – with debt down by 12% – as well as a substantial improvement in the investment portfolio and efficiency gains across business units.

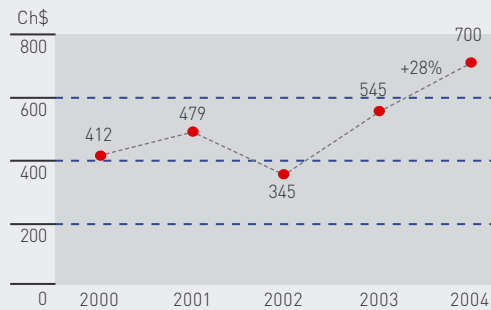
Two years after concluding its merger with Banco Edwards, Banco de Chile set another profit record in 2004 of Ch\$152,628 million, an increase of approximately 14% compared to 2003, which itself had been the highest on record. What is more, the continuous progress the bank has made in achieving operating efficiencies, growing its loan portfolio and fine-tuning its commission structure have all served to help convert Banco de Chile into the most profitable bank in the country with a return on capital and reserves over 29%.

I want to also address the fact that Banco de Chile is currently providing banking authorities in the United States with all the assistance required in their investigation into its two US branches and will strive to make changes in its operating and technology bases.

CCU did well in 2004, posting record sales, operating profits and cash flow for the year. Profitability improved in all of its business areas, and the company pushed further into diverse market segments, helped by a series of product launches. These efforts are clearly reflected in the high market shares achieved.



Quiñenco share price evolution



At the beginning of 2004, CCU cemented its entry into the ready-to-eat food category through the acquisition of Calaf. By using the 90,000-strong distribution network of its soft drinks business, the company intends to capitalize on the complementary nature of these product lines.

Growth at Telefónica del Sur was driven by broadband internet business which, thanks to constant innovation and the use of the latest technology, has become an industry reference for this type of activity in the south of Chile. For proof of this, one needs to look no further than the 91% surge in the number of clients during the year. The development of internet and other non-traditional services is key to maintaining a competitive edge and dynamism in this industry, and Telefónica del Sur continues to redouble its efforts to keep abreast of technology in a modern age.

A series of operational revamps has helped Madeco, which produces copper-based products, to report profits of Ch\$8,512 million and so reverse the trend of the past five

years. It is hoped that the improvement in sales, productivity and efficiency resulting from the restructuring becomes the prevailing trend.

The pace of economic growth in Chile allows us to tackle the dynamics of our business on a solid footing. For this same reason, we expect our companies to benefit and to strengthen their positions inside their respective markets, either through organic growth or acquisitions. On the latter, we at Quiñenco believe that the prevailing environment is conducive to new investment opportunities.

It would be remiss of me to conclude this letter without thanking the professionals who work at Quiñenco and its group companies for the tremendous effort put in during the year. Without their commitment and dedication, the achievements and financial results would not have been possible as people are the key element to success in our organization. I would also like to extend to our executives and board members the recognition they deserve for their valuable contribution to growth in all business areas, as well as thank our shareholders for their confidence and support during the year.

Guillermo Luksic Craig
Chairman of the Board