

Letter from the

Chairman

DEAR SHAREHOLDERS,

I would like to comment on Quiñenco's performance last year and share with you some of our expectations for 2006. However, before doing so, I must first express our deepest sorrow for the loss of the man who was the founder of our company, Andrónico Luksic Abaroa.

My personal feelings, as well as those of all of us at Quiñenco, have on this occasion kindled a desire to share part of the legacy of this visionary man who, through his example, instilled in us perseverance, tenacity and an enthusiasm for life, qualities that form part of the Quiñenco culture.

Andrónico Luksic Abaroa became one of the great leaders in the development of the Chilean business arena at the end of the 1940s. His extraordinary intuition enabled him to take advantage of opportunities and carry out his projects successfully. He formed and progressively developed important companies in the fields of mining, industry, banking and services, setting the bases on which the group is now solidly founded: a corporate conglomerate that operates with great dynamism, permanently contributing to the country's development. The strength that my father stamped on all of the projects he undertook has always been, and will continue to be, a model for those of us who are part of the Quiñenco group. The proof that this heritage is alive is that Quiñenco has continued to strengthen its position among the most important players in the financial services, food and beverage, telecommunications and manufacturing sectors, with capacity to further innovate and take on new business opportunities.



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We can look again with satisfaction at the notable results of the company and its subsidiaries for the past year, having met the targets we set for ourselves during that period. In 2005, the global economy showed good progress and Chile was no exception. Its solid macroeconomic base, sustained growth and an environment of political and institutional stability have enabled the country to position itself favorably in the Latin American context, providing a platform for ever stronger investment. In addition, high copper prices and a proper handling of inflation and interest rates by the monetary authorities benefited domestic demand which became the principal force of economic growth.

Our companies and their human teams have known how to take advantage of these conditions and produced attractive results, which have added value for our shareholders in 2005. Quiñenco reported net earnings of Ch\$51,080 million in 2005, a 111% increase over the Ch\$24,193 million it earned in 2004. These excellent results are the product of skillful management at the corporate level and a very good performance by the group's operating companies.

The year was particularly positive for the corporate center. The public tender offer on Almacenes París enabled us to receive more than US\$115 million from the sale of our 11.4% interest, which implied a return on investment of over 62%. In November, we completed a debt restructuring at the corporate level, which significantly improved our financing conditions. These transactions, added to the healthy level of dividends received from our investments during 2005, leave us in a good position to face new business opportunities with confidence.

With respect to our investment in the financial services sector, our subsidiary Banco de Chile produced record profits, which represented an increase of around 14% over the previous year. At the same time, and thanks to a strengthened business model, optimization of the fees structure, lower allowances for doubtful accounts and the growth in loans, the bank was, for the second consecutive year, the most profitable in the Chilean financial system, with a return on capital and reserves of nearly 30%.

With respect to the investigation of two of the bank's branches in the United States, Banco de Chile has put into effect a complete program for regulatory compliance and information sharing with American regulators. These branches are important agents for the bank abroad and will continue to focus on providing a high level of service for their customers.

Compañía Cervecerías Unidas (CCU) achieved the highest sales level in its 155 years of history, surpassing the record previously set in 2004. The increase in the profitability of its business segments enabled it to improve both its operating profits and cash generation. The deeper market penetration of its different product categories, supported by continuous product launchings, was reflected in strong market shares. CCU's extensive distribution network facilitates its strong presence and the growing accessibility of its consumer products, and its growth strategy has permitted a continuous creation of value of the different brands, thus cementing the company's future growth potential.

I have to mention that in 2005, the pisco business, which started out in 2003 with the Ruta Norte brand, significantly increased the scope of its activities through an association with the well-known company Pisco Control. This resulted in Compañía Pisquera de Chile, a company that today controls about 50% of the Chilean pisco market, estimated at approximately US\$200 million. As the process consolidates, synergies will begin to be reflected in an efficient cost structure, and this should contribute towards the upward profitability of the company.



In Quiñenco, we believe that the current economic environment lends itself well to new investment opportunities.

Telefónica del Sur once again demonstrated its adaptability in the ever-changing telecommunications industry. As a strategy for facing the continued substitution of fixed-line telephony, Telefónica del Sur has been able to develop innovative fixed-charge plans, prepayment options and the cross-selling of its products and services.

Telefónica del Sur has also been developing non-traditional businesses like broad-band internet, tele-surveillance and data transmission, thus forming its own space in the new telecommunications era. The strong growth in these areas, which reached 29% of the company's consolidated sales in 2005, was reflected in the number of subscribers which increased by 23% last year. At the same time, it has carried out this transformation and fundamental change in its business structure in an efficient manner, thus allowing it to maintain its operating margins and generate strong cash flow.

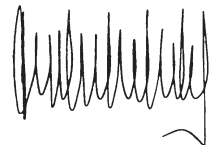


Madeco continued its upward trend during 2005, thanks to the good performance by its cables business in its principal markets, mainly attributable to heightened demand from utility companies. The EBITDA for this line of business increased by more than 50% in 2005, the highest level seen in recent years. Nonetheless, soaring copper prices led to a need for higher levels of working capital, which were partly financed by a capital increase made at the end of the year. This capital increase enabled Madeco to fortify its debt structure and increase its profitability potential. The company is now strengthened to meet growth demands over the coming years.

The progressive growth forecasted for the Chilean economy permits us to face a challenging business scenario from a very favorable position. In Quiñenco, we believe that the current economic environment lends itself well to new investment opportunities. We therefore expect that our companies will be able to benefit and that their positions in their respective industries will continue to strengthen, whether this be through higher growth or new acquisitions.

I wish to express my thanks to you, our shareholders, for the trust you have deposited in the Board, management and all of the people who form part of our network, which has enabled us to concentrate on our tasks with dedication and to project ourselves into the future with enthusiasm.

Finally, I would like to share with you throughout this annual report, some phrases, which were characteristic of my father. These sayings reflect the simplicity, pragmatism and positive attitude that were his trademarks during his lifetime, and over time, have become part of the culture of Quiñenco.



Guillermo Luksic Craig
Chairman of the Board