

Letter from the Chairman

Dear Shareholder,

I am pleased to have this opportunity to present to you our Annual Report and Financial Statements for the year ended December 31, 2006.

We are able to look at our latest results with great satisfaction and believe they clearly evidence the soundness of our group companies and their capacity for sustained growth. Quiñenco earned net income of Ch\$57,043 million, an increase of 9.4% over the Ch\$52,152 million we reported in 2005. However, I want to point out that if we exclude non-recurring profits earned on the sale of investments in the retail sector in 2005, we would have more than doubled our results, due to the outstanding performance of our group companies, which continue to experience solid growth in a highly competitive business environment, characterized by constant change.

Our banking subsidiary, Banco de Chile, once again achieved historic results, increasing its net profit by 6% compared to the previous year. Net income, which reached Ch\$195,248 million, reflects the bank's ability to prioritize profitability by growing volumes while, at the same time, keeping the lid on expenses and maintaining the quality of its assets. This business model has allowed the bank to steadily grow its operating revenues, fueled by a healthy loan portfolio expansion in such a way as to offset the effects of a higher level of loan loss provisions and related operating expenses.

During 2006, Banco de Chile expanded its network by adding 40 new branches and almost 200 ATMs. As planned, it also made important progress with respect to its "Neos" technology platform, under development for the last several years. Several stages of this plan were implemented in 2006, including the expansion of the commercial platform for the corporate and personal banking areas, making the bank and subsidiary network now complete. This has resulted in major improvements in terms of response time and accuracy, clearly benefiting the bank's clients. Despite these achievements, the bank will be challenged in 2007 to continue improving efficiency when it implements the remaining stages of this modern technology, which will place it in the forefront of the industry in Latin America. Further complementing the investments made by the bank domestically, I want to mention that it inaugurated a representative office in Beijing, opening the doors to new opportunities for the bank in Asia.

Compañía Cervecerías Unidas (CCU) also obtained the highest sales level in its history, surpassing 2004 and 2005 levels, which were already record years for the company. Fueled by strong consumer demand, CCU experienced significant volumes growth in its distinct product categories, accompanied by a period of stable prices, which served to boost operating profits by 17.4% and EBITDA by 10.8%. The high market shares CCU enjoys in its main product categories attest to the success of the company's continuous efforts in this area.





Within the framework of a campaign orienting consumers towards responsible beer consumption, the per capita amount reached 33.4 liters, its growth rate exceeding that of the country's economic growth rate, a repeat of the tendencies seen over the last four years. This bears well for CCU as it increases its marketing activities and strives for better positioning within the premium segment. Performance of the mineral water, nectars, functional drinks, pisco, and Argentine beer segments is no less noteworthy, all of these having shown increases since last year, making an important contribution to the company's bottom line of Ch\$55,833 million, up by 13.5% over 2005. On the other hand, profitability of the wine segment was dampened by the appreciation of the Chilean peso vis-a-vis the US dollar, and domestic wine sales were weak. Although we have yet to see a recovery of this segment, we believe that over time, this situation will improve once the measures management is carrying out begin to take hold, such as a renewed emphasis on distribution, brand creation, wine quality and product innovation.

Telefónica del Sur earned net income of Ch\$7,855 million in 2006, similar to the amount reported by the company in 2005. It is nonetheless interesting to note that fixed-line sales increased for the first time in a number of years, bucking industry trends, due to the successful introduction of a wireless fixed-line technology that permits users to freely roam throughout the city with uninterrupted fixed line telephony service. More than 30,000 handsets were sold following the launching of this service in 2006, and sustained consumer demand for this product bodes well for the future. Wide band internet is another area in which Telsur experienced significant growth, with an increase of 27% during the year. The company enjoys a unique position among its clients in the south of Chile, which stood at over 270,000 by year end.

The outstanding performance shown by Madeco in 2006 was highly influenced by the rise in copper prices, which reached historic levels in 2006. Nonetheless, the company was also able to grow its volumes, especially in cables in Brazil, Peru and Argentina, translating into an increase in operating profits and EBITDA of 82% and 63%, respectively, clearly the best performance by the company in many years. Madeco reported net income of Ch\$30,204 million, an increase of 146% compared to 2005. Behind these results lies a clearly defined growth strategy, developed and meticulously implemented by management over the last four years.

The steady increase in copper prices also signified greater working capital needs for Madeco, which it financed in part by a capital increase in May. This fortified the company's capital structure, leaving it less susceptible to commodity price swings and in a position to make further investments in the region, as it recently did in Colombia and Peru.

QUIÑENCO SHARE PRICE EVOLUTION



Quiñenco, in its capacity as parent company, is in the best financial position it has been in for over five years, benefiting from the cash contributions from its investments, as well as a reduction in interest expense and other non-operating expenses. Net financial debt at the corporate level has been reduced to approximately Ch\$235,700 million, which includes cash and cash equivalents of over Ch\$100,000 million. This leaves us well prepared to undertake new investments, as well as face the dynamics of each individual business from a very favorable position.

I also want to address the decision made by the Board of Directors last November to terminate Quiñenco's ADR program on the New York Stock Exchange. This decision was made within the context of a policy to optimize our level of operating expenses and in consideration of the fact that less than 5% of our shares were traded in the United States. The underlying ordinary shares are in the process of returning to the Chilean stock market, and this should be concluded within the next several months. Our evaluation considered that foreign investors are no longer impeded from investing directly in Quiñenco's ordinary shares in Chile and corporate governance standards are adequate, which ensure transparency and protection of minority shareholder rights.

I wish to express my appreciation for the trust you have deposited in the Board of Directors, management and all of the people who form part of our network, which enables us to concentrate on improving the value of the company and to project ourselves into the future with great optimism.

Guillermo Luksic Craig | Chairman of the Board

