LETTER FROM THE CHAIRMAN

DEAR SHAREHOLDERS,

I take great pleasure in sharing with you Quiñenco's 2007 results.

Several agreements were reached during 2007 that are beneficial for the future development of the group. In July, we announced a historic alliance with Citigroup by which Banco de Chile will merge its business with that of Citibank Chile to create a top notch banking and financial services institution, with an approximate 20% market share in the industry. This merger, effective starting January 1, 2008, will add Citibank's global products to the powerful distribution network and experience of the leading brand, Banco de Chile.

Another transcendental event of 2007 was the agreement reached with Nexans, the French cables producer, which will enable Madeco to become part of a growing global operation. This agreement, which is expected to be concluded during 2008, contemplates the sale by Madeco of its cables unit in exchange for an 8.9% shareholding in Nexans, making it the largest shareholder in that company, plus a cash payment which will allow Madeco the possibility to explore new businesses.

During 2007, we sold a portion of our shareholding in Entel, generating a gain for Quiñenco of Ch$37,289 million. This pushed net income to Ch$105,241 million, a 71.8% increase over the Ch$61,264 million reported in 2006. In addition, group companies contributed Ch$104,395 million to our results, evidencing their solid performance for the year.

Our financial sector investment, Banco de Chile, achieved the highest net income in its history, an increase of almost 16% over the previous year. Banco de Chile's net income of Ch$242,288 million reflects its intention to grow profitably with a focus on quality of service, efficiency and expansion of its customer base. This business model was reflected in its profitability ratio, which in 2007 was the highest in the Chilean financial system. The bank continued to increase its operating revenues, based on a solid and healthy expansion of its loan portfolio, thus offsetting the increase in associated loan loss provisions and operating costs.

Guillermo Luksic Craig
Chairman of the Board

The long term strategy defined by Banco de Chile, several years ago now, has been to maintain and reinforce its competitive position with respect to the number of customers, business volumes, efficiency and profitability. During 2007, it faced important challenges such as the implementation of the final phases of its technological platform, the repositioning of the consumer credit division and the strengthening of its physical and remote distribution network.

Compañía Cervecerías Unidas (CCU), as a result of its focus on the creation of brand value, showed important growth, not only in volumes but also in margins, while maintaining a controlled cost structure. This translated into a 32.1% increase in its net income, which reached Ch$79,199 million.

CCU's different product segments demonstrated significant growth in volumes sold, accompanied by a stable average price scenario, which enabled it to increase operating income by 18.5% and cash-flow generation by 12.2%. The high market shares achieved by its principal products confirm the efforts made by the company during the year.

In October, CCU signed an agreement to purchase the Argentine brewery company ICSA, which is awaiting approval by the regulatory authorities. ICSA is the owner of the Bieckert, Palermo and Imperial brands, which have a 5.8% share of the Argentine beer market. In line with its expansion plan, CCU reached a significant agreement in December with Nestlé Chile to jointly develop their mineral-waters businesses in Chile.

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LETTER FROM THE CHAIRMAN


Telefónica del Sur reported net income of Ch$6,211 million. Although this represents a decline compared to the previous year, the company managed to introduce new products and innovative services that imply a further step in its strategy of differentiation. These products include the subscription WiTV television service which, being 100% wire-less, makes it easy and convenient for users. This in addition to the 2006 launching of PHS "Superinalámbrico", which now has more than 53,000 customers. Telefónica del Sur's client base surpassed 300,000 for the first time, an increase of 12% in just one year. Coupled with other actions, the company has managed to revert the drop in fixed telephone revenues. The number of broad band internet customers rose by 22% during the year. Telefónica del Sur enjoys an undisputable place of preference in telecommunications services in the south of Chile and demand for these products promises attractive results in the future.

Madeco's performance in 2007 was positively influenced by the acquisitions it made early in the year. Madeco acquired a majority shareholding in Cedsa, a Colombian producer of cables, and increased its shareholding to 50% in two flexible packaging manufacturers in Peru. These companies contributed Ch$61,536 million to Madeco's consolidated sales, which amounted to Ch$639,011 million, an increase of over 6%. They also helped to compensate for the sharp fall in the brass mills unit, which faced a scenario of tougher competition and a weak US dollar for its exports. Madeco's net income was Ch$19,660 million, a reduction from the previous year in which historically high copper prices marked the results for the period. The company's strengthened capital structure and a healthy financial position enabled it to weather not only the fluctuations of commodity prices during 2007 but to expand its presence in the region through investments in Colombia and Peru.

Quiñenco, as a corporate center, has benefited from the positive results of its past investments and will continue doing so when the agreements reached in 2007 begin to bear fruit. Its financial position is very strong, perhaps the best in the last decade, with a level of financial debt of approximately Ch$364,000 million, which after deducting available cash reserves of Ch$168,000 million, results in a net debt position of Ch$196,000 million. The solid performance of the group companies has also ensured the parent company a sustained dividend flow, a situation that enables us to be prepared to take on new projects and investments and face the dynamics of our businesses from a very favorable standpoint.

I wish to express my sincere appreciation to all those forming part of Quiñenco's work team for their dedication, loyalty and commitment because without their valuable support, we would not have been able to reach the successful position that we enjoy today.

Guillermo Luksic Craig / Chairman of the Board

NET INCOME
Figures in MCh$