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# QUIÑENCO S.A. ANNOUNCES CONSOLIDATED RESULTS FOR THE FOURTH QUARTER OF 2010

(Santiago, Chile, March 30, 2011) Quiñenco S.A., a leading Chilean business conglomerate, announced today its consolidated financial results under IFRS, for the fourth quarter and year ended December 31, 2010.

Consolidated financial results are prepared in accordance with IFRS and the regulations established by the Superintendency of Securities and Insurance (SVS). All figures are presented in nominal Chilean pesos, unless stated otherwise. Figures in US$ have been converted from Chilean pesos (Ch$) at the observed exchange rate on December 31, 2010 (Ch$468.01 = US$1.00), unless indicated otherwise, and are only provided for the reader's convenience.

## 2010 HIGHLIGHTS

- **Net income[1] amounted to Ch$291,606 million in 2010, up by 87.6% with respect to 2009, boosted by a gain of Ch$169,513 million at the Corporate level, arising from the sale of 8.52% of LQIF, controlling entity of Banco de Chile, to Citigroup.**

- **Banco de Chile reported significantly higher results, mainly due to the improved conditions of the domestic economy. Although CCU's operating income increased by 18.0%, its final contribution decreased due to non-recurring gains registered in 2009. Madeco's business units also generated higher operating income. However, bottom line results were negatively affected by the settlement reached in the arbitration with Nexans.**

- **Non-operating results mainly include higher financial income at the Corporate level, reflecting the company's strong cash position and the higher market value of its financial assets, partially offset by the effect of inflation on financial obligations and costs denominated in UFs.**

- **Earnings per ordinary share amounted to Ch$254.77 in 2010.**

[1] Net income corresponds to Net income attributable to equity holders of the parent.



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## GROUP HIGHLIGHTS – FOURTH QUARTER 2010 AND SUBSEQUENT EVENTS

**Madeco – Alusa invests in solvent recovery plant**

In October, Madeco's flexible packaging subsidiary Alusa started operating a solvent recovery plant in Chile, after a three-year designing and execution period, and an investment of US$6 million. Although Alusa has always complied with current environmental regulation, it has proactively carried out this state-of-the-art project that will allow the company to reduce its emissions to the atmosphere by 60%. The plant is running its trial phase, and should be fully operational in 2011.

**Banco de Chile – Safest privately-owned bank in Latin America**

Banco de Chile was ranked by Global Finance as the safest privately-owned bank in Latin America, in its 2010 survey. The banks were selected through a comparison of the long term credit ratings and total assets of the largest banks. In addition, Standard & Poor's raised Banco de Chile's long term corporate credit rating from A to A+, the highest assigned by S&P within the region.

**CCU acquires cider companies in Argentina**

In December 2010, CCU entered the cider business in Argentina by acquiring for US$13.2 million, control of the companies Sáenz Briones and Sidra La Victoria. Together the two companies have a market share of approximately 23%.

**Banco de Chile – Shareholders approve US$500 million capital increase**

In the Extraordinary Shareholders Meeting held on January 20th, 2011, shareholders agreed to increase Banco de Chile's capital in the amount of Ch$240 billion, by the issuance of 3,385,049,365 shares, "Banco de Chile-S" series. The issuance price is to be set by the Board of Directors. At the same meeting LQIF, controlling entity of the Bank, informed its intention to waive to its preferential right to underwrite shares during the ordinary preferential offering period.

**Quiñenco acquires 10% of CSAV**

On March 22nd, Quiñenco acquired 202.925.890 shares of Compañía Sud Americana de Vapores S.A. (CSAV) from Marítima de Inversiones S.A. (Marinsa), controlling entity of CSAV, at a price of Ch$285 per share. Thus, the total transaction amounted to Ch$57,834 million.

**Madeco – Agreement signed with Nexans to increase share up to 20%**

On March 27th, Madeco signed an agreement with Nexans to increase its current 9.0% share in the latter, up to 20% within a period of 3 years. At the current share price, this would imply an investment of US$290 million. The agreement includes the election of a second director for Madeco and an 18 month period to reach a 15% share, with the right to a third director, and a member of the Finance and Audit Committee. Madeco agrees to maintain its stake in Nexans for at least three years. Also, Nexans will modify its bylaws increasing the voting limit from 8% to 20%, among others.



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## QUIÑENCO REPORTS IN ACCORDANCE WITH IFRS – MAIN IMPLICATIONS

### Overview

As of the year 2009 Quiñenco reports its financial statements in accordance with International Financial Reporting Standards (IFRS). In comparison to Chilean GAAP, the main changes and considerations are the following:

- Consolidation with Banco de Chile, SM Chile and Banchile Seguros de Vida, and On-Balance accounting of Banco de Chile's Subordinated Debt with the Chilean Central Bank.
- Elimination of price-level restatement.
- Other changes in accounting principles. (For further detail please refer to notes of Consolidated Financial Statements filed with the Superintendency of Securities and Insurance or SVS).

### Segment Information

In accordance with IFRS requirements, financial information is reported for the three segments defined by Quiñenco for this purpose: Manufacturing, Financial and Other. However, in order to allow a better understanding of the consolidated financial statements, the latter and the subsequent analysis, have been divided in Banking and Non-banking (industrial) activities, as follows:

- **Industrial Sector**: includes the following Segments and main companies:
  - **i) Manufacturing**
    - Madeco
  - **ii) Financial**
    - LQ Inversiones Financieras (LQIF Holding)
  - **iii) Other**
    - Quiñenco and others (includes CCU and eliminations)

The companies composing this sector reported their financial statements in accordance with IFRS, with the exception of Banchile Seguros de Vida, included in Quiñenco and others, which prepared its financial statements in accordance with Chilean GAAP. Madeco reports its financial statements in US dollars, and translates them to Chilean pesos for consolidation purposes.

In January 2010, Quiñenco sold its share in Telsur to GTD Grupo Teleductos, through a public offering. Therefore, during 2009 Telsur has been classified as a discontinued operation, included in the segment Other.

**Banking Sector**: includes the following Segment and main companies:
- **i) Financial**
  - Banco de Chile
  - SM Chile

These companies reported their financial statements partially in accordance with IFRS, as determined by the Superintendency of Banks and Financial Institutions.



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## Summarized Consolidated Income Statement

| Sector /Segment | Manufacturing | | Financial | | Other | | Total Quarter | | | | Total Year to Date | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 4Q 09 | 4Q 10 | 4Q 09 | 4Q 10 | 4Q 09 | 4Q 10 | 4Q 09 | | 4Q 10 | | Dec-09 | | Dec-10 | |
| | MCh$ | MCh$ | MCh$ | MCh$ | MCh$ | MCh$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ |
| Consolidated Net Income Industrial Sector | 4,169 | **(7,803)** | (4,490) | **(5,668)** | 3,447 | **20,116** | 3,126 | 6.7 | **6,645** | **14.2** | 74,066 | 158.3 | **181,264** | 387.3 |
| Consolidated Net Income Banking Sector | - | **-** | 48,280 | **49,496** | - | **-** | 48,280 | 103.2 | **49,496** | **105.8** | 213,060 | 455.2 | **302,561** | 646.5 |
| **Consolidated Net Income** | 4,169 | **(7,803)** | 43,790 | **43,828** | 3,447 | **20,116** | 51,405 | 109.8 | **56,141** | **120.0** | 287,126 | 613.5 | **483,825** | 1,033.8 |
| Net Income attributable to Non-controlling Interests | | | | | | | 28,321 | 60.5 | **29,097** | **62.2** | 131,726 | 281.5 | 192,219 | 410.7 |
| **Net Income attributable to Controllers' Shareholders** | | | | | | | 23,084 | 49.3 | 27,044 | 57.8 | 155,401 | 332.0 | 291,606 | 623.1 |

### Net Income – Full Year 2010

Quiñenco reported net income of Ch$291,606 million in 2010, 87.6% higher than that reported in 2009, primarily due to a non-recurring gain at the Corporate level of Ch$169,513 million, generated by the exercise of Citigroup's first option for an 8.52% additional stake in LQIF, controlling entity of Banco de Chile. In addition, although to a lesser extent, the sale of Telsur at the beginning of 2010 generated a non-recurring gain of Ch$8,725 million. The profits on these transactions were substantially higher than the non-recurring gain of Ch$34,291 million in 2009, from the sale of Entel and D&S shares, also at the Corporate level. Banco de Chile contributed with a 46.8% growth in net income during the year, based mainly on the improved economic conditions in the country. CCU's contribution decreased, despite growth at the operating level, due to non-recurring gains registered in 2009. Madeco's contribution also diminished despite favorable performance of its business units, mainly due to the settlement reached with Nexans, putting an end to the arbitration process, which generated a price adjustment of Ch$7,210 million to the selling price of Madeco's cable unit.

Earnings per ordinary share amounted to Ch$254.77 in 2010.

### Net Income – 4Q 2010

Quiñenco reported net income of Ch$27,044 million in the fourth quarter of 2010, 17.2% higher than that reported for the same period in 2009, mainly due to higher financial income at the Corporate level, reflecting a higher cash balance with respect to the same period in 2009, and the market value of these financial assets. Bottom line results were boosted by tax credits at the Corporate level and at Madeco. CCU obtained 12.5% growth in net income, based on both better operating and non-operating results during the quarter. Banchile Seguros de Vida also posted higher results during the quarter, reflecting growth in operating income. The Banking sector contributed with only 2.5% growth in net income, mainly due to non-recurring operating expenses registered during the quarter. Although Madeco obtained important growth in gross income during the quarter, results were negatively affected by the settlement reached with Nexans that implied a price adjustment of Ch$5,405 million during the quarter.

Earnings per ordinary share amounted to Ch$23.63 in the fourth quarter of 2010.



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# Consolidated Income Statement Breakdown

| | Quarters | | | | Year to Date | | | |
|---|---|---|---|---|---|---|---|---|
| | 4Q 09 | | 4Q 10 | | Dec-09 | | Dec-10 | |
| | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ |
| **Industrial Sector** | | | | | | | | |
| **Revenues** | **66,600** | **142.3** | **80,432** | **171.9** | **254,128** | **543.0** | **304,632** | **650.9** |
| Manufacturing - Madeco | 45,418 | 97.0 | 53,232 | 113.7 | 176,318 | 376.7 | 212,789 | 454.7 |
| Financial - LQIF holding | - | - | - | - | - | - | - | - |
| Other - Quiñenco & others | 21,182 | 45.3 | 27,200 | 58.1 | 77,810 | 166.3 | 91,843 | 196.2 |
| **Operating income (loss)[2]** | **328** | **0.7** | **(1,823)** | **(3.9)** | **(4,984)** | **(10.6)** | **(3,354)** | **(7.2)** |
| Manufacturing - Madeco | 6,898 | 14.7 | 952 | 2.0 | 14,063 | 30.0 | 10,339 | 22.1 |
| Financial - LQIF holding | (2,890) | (6.2) | (2,811) | (6.0) | (9,547) | (20.4) | (9,513) | (20.3) |
| Other - Quiñenco & others | (3,680) | (7.9) | 36 | 0.1 | (9,500) | (20.3) | (4,180) | (8.9) |
| **Non-operating income (loss)[3]** | **5,644** | **12.1** | **7,422** | **15.9** | **75,807** | **162.0** | **193,400** | **413.2** |
| Interest income | 1,647 | 3.5 | 10,187 | 21.8 | 9,029 | 19.3 | 14,527 | 31.0 |
| Interest expense | (3,199) | (6.8) | (4,109) | (8.8) | (13,839) | (29.6) | (13,849) | (29.6) |
| Share of net income/loss from related co. | 11,014 | 23.5 | 12,015 | 25.7 | 42,234 | 90.2 | 35,312 | 75.5 |
| Foreign exchange gain (loss) | 743 | 1.6 | (46) | (0.1) | 8,807 | 18.8 | (134) | (0.3) |
| Indexed units of account restatement | (1,732) | (3.7) | (1,550) | (3.3) | 374 | 0.8 | (6,451) | (13.8) |
| Other gains (losses) | (2,828) | (6.0) | (9,074) | (19.4) | 29,203 | 62.4 | 163,995 | 350.4 |
| Income tax | (2,314) | (4.9) | 1,045 | 2.2 | (918) | (2.0) | (8,782) | (18.8) |
| Net income (loss) from discontinued operations | (532) | (1.1) | - | - | 4,161 | 8.9 | - | - |
| **Net Income (Loss) Industrial Sector** | **3,125** | **6.7** | **6,645** | **14.2** | **74,066** | **158.3** | **181,264** | **387.3** |
| **Banking Sector** | | | | | | | | |
| Operating revenues | 274,583 | 586.7 | 305,222 | 652.2 | 1,026,550 | 2,193.4 | 1,166,742 | 2,493.0 |
| Provision for loan losses | (46,333) | (99.0) | (32,706) | (69.9) | (223,442) | (477.4) | (165,961) | (354.6) |
| Operating expenses | (149,076) | (318.5) | (198,001) | (423.1) | (506,525) | (1,082.3) | (588,617) | (1,257.7) |
| Operating income (loss) | 79,174 | 169.2 | 74,516 | 159.2 | 296,583 | 633.7 | 412,164 | 880.7 |
| Non-operating income (loss) | (18,541) | (39.6) | (17,643) | (37.7) | (43,909) | (93.8) | (71,052) | (151.8) |
| Income tax | (12,352) | (26.4) | (7,377) | (15.8) | (39,614) | (84.6) | (38,551) | (82.4) |
| **Net Income (Loss) Banking Sector** | **48,280** | **103.2** | **49,496** | **105.8** | **213,060** | **455.2** | **302,561** | **646.5** |
| Consolidated Net Income (Loss) | 51,405 | 109.8 | 56,141 | 120.0 | 287,126 | 613.5 | 483,825 | 1,033.8 |
| Net income attributable to Non-controlling Interests | 28,321 | 60.5 | 29,097 | 62.2 | 131,726 | 281.5 | 192,219 | 410.7 |
| **Net income attributable to Controllers' Shareholders** | **23,084** | **49.3** | **27,044** | **57.8** | **55,401** | **332.0** | **291,606** | **623.1** |

2 Operating income includes: Gross income (revenues minus cost of sales), Distribution costs, Administrative expenses, Other operating revenue and Other operating expenses.

3 Non-operating results include the following items: Financial income, Financial costs, Proportionate share of equity method investments, Foreign currency exchange differences, Indexed units of account restatement and Other gains (losses).



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## I. Industrial Sector

### Revenues – Full Year 2010

Consolidated revenues totaled Ch$304,632 million in 2010, 19.9% above 2009, mainly owing to higher revenues from Madeco, and to a lesser extent from Banchile Seguros de Vida, included in Quiñenco and others. Sales at Madeco grew by 20.7% reflecting higher sales of brass mills, due to increased sales volumes and higher copper prices, and to a lesser extent, higher sales of the flexible packaging unit in Chile, Argentina, and Peru. The profiles unit, however, diminished slightly, due to lower average prices in terms of Chilean pesos and a stable sales volume.[4]. Quiñenco and others increased by 18.9% mainly explained by Banchile Seguros de Vida.

Consolidated sales in 2010 can be broken down as follows: Madeco (69.9%), and others (30.1%).

### Revenues – 4Q 2010

Consolidated revenues totaled Ch$80,432 million in the fourth quarter of 2010, 20.8% above the same period in 2009, mainly owing to higher revenues at Madeco. Madeco's sales increased by 17.2% reflecting sales growth in all of its business units. Sales of the flexible packaging unit increased driven by higher sales volumes in Peru, and higher average prices in all of its markets. Sales of brass mills were boosted by increased volumes and higher copper prices, while the profiles unit reflected increased activity in the construction sector, with volumes up by 21.9%. Quiñenco and others increased by 28.4% mainly explained by Banchile Seguros de Vida.

Consolidated sales in the fourth quarter of 2010 can be broken down as follows: Madeco (66.2%), and others (33.8%).

### Operating Income - Full Year 2010 [5]

Operating income in 2010 improved from a loss of $4,984 million in 2009 to a loss of Ch$3,354 million in 2010. The variation is mostly attributable to Banchile Seguros de Vida, with a 94.5% rise in operating income, boosted by the higher level of revenues. Madeco's operating income fell 26.5%, mainly due to lower other operating income in 2010 compared to 2009. The dividend received from Nexans decreased from Ch$4,181 million in 2010 to Ch$1,777 million in 2009, and in 2009 the company received Ch$5,380 million in tax recovery. Operating income from the business units increased, however, reflecting growth of the flexible packaging and profiles units, partially offset by lower operating income from brass mills.

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[4] It is worth noting that since Madeco reports in US dollars and translates its financial statements to Chilean pesos for consolidation purposes, variations analyzed in Chilean pesos vary from those in US dollars. In addition, the classification of some accounts by Quiñenco and Madeco differs. For analysis of Madeco's results in US dollars as reported to the SVS, refer to Segment/Operating company analysis.
[5] Operating income includes: Gross income (revenues minus cost of sales), Distribution costs, Administrative expenses, Other operating revenue and Other operating expenses.



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## Operating Income - 4Q 2010

Operating income for the fourth quarter of 2010 reached a loss of Ch$1,823 million, compared to a gain of Ch$328 million in the fourth quarter of 2009. This variation is mostly explained by Madeco's operations that, despite improved gross income, registered lower operating income due to a tax recovery amounting to Ch$5,380 million registered in 4Q 2009, included in other operating income. Banchile Seguros de Vida also contributed with significant growth during the quarter.

## EBITDA – Full Year 2010

EBITDA amounted to Ch$12,538 million in 2010, remaining at the same level as in 2009, generated mainly by Madeco's operations, and to a lesser extent by Banchile Seguros de Vida.

## EBITDA – 4Q 2010

EBITDA amounted to Ch$2,160 million in 4Q 2010, generated mainly by Madeco's operations and, to a lesser extent, by Banchile Seguros de Vida.

## Non-Operating Results[6] – Full Year 2010

Non-operating income amounted to a gain of Ch$193,400 million in 2010, compared to a non-operating gain of Ch$75,807 million in 2009. The main items included in non-operating results are discussed below:

### Proportionate share of net income of equity method investments (net) – Full Year 2010

Quiñenco's proportionate share of net income from equity method investments (net), which primarily includes the results from CCU, reached Ch$35,312 million, compared to Ch$42,234 million in 2009.

Quiñenco's proportionate share of net income from CCU decreased by 13.5% to Ch$36,593 million from Ch$42,324 million, reflecting the variation in CCU's net income during the quarter.

### Financial Income – Full Year 2010

Financial income in 2010 amounted to Ch$14,527 million, up by 60.9% from 2009. This variation is primarily explained by higher financial income at Quiñenco and others, due to the higher cash balance following the sale of stakes in LQIF and Telsur, and the higher market value of these financial assets. It is worth noting that as of the second quarter of 2010, Quiñenco values its financial assets related with its cash position at the Corporate level at fair value, with effect on the income statement.

### Interest Expense – Full Year 2010

Interest expense in 2010 amounted to Ch$13,849 million, varying only 0.1% with respect to 2009. Lower interest expense at Madeco was offset by higher interest expense at LQIF.

[6] Non-operating results include the following items: Financial income, Financial costs, Proportionate share of equity method investments, Foreign currency exchange differences, Indexed units of account restatement and Other gains (losses).



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**Foreign currency exchange differences – Full Year 2010**

In 2010, the gains/losses specific to foreign currency translation differences amounted to a loss of Ch$134 million, compared to a gain of Ch$8,807 million reported in 2009, primarily attributable to a gain at Madeco in 2009, due to the company's net asset position in Chilean pesos at the beginning of the period, and the appreciation of that currency with respect to the US dollar (Madeco reports in US dollars).

**Indexed units of account restatement – Full Year 2010**

The gain or loss derived from the restatement of assets and liabilities indexed to units such as the *Unidad de Fomento* or UF (inflation indexed) amounted to a loss of Ch$6,451 million in 2010, compared to a gain of Ch$374 million reported in 2009, due to the effect of inflation during 2010 on liabilities in UFs in all segments, with the exception of Madeco.

**Other – Full Year 2010**

Other gains/losses amounted to a gain of Ch$163,995 million in 2010, compared to a gain of Ch$29,203 million in 2009. The variation is almost entirely explained by the non-recurring gain of Ch$169,513 million from the sale of 8.52% of LQIF to Citigroup, and to a lesser extent the gain of Ch$8,725 million on the sale of the stake in Telsur, both in 2010. On the other hand, in 2009 the sale of Entel and D&S shares generated a non-recurring gain of Ch$34,291 million. Also, in 2010 Madeco registered a price adjustment of Ch$7,210 million to the selling price of its cable unit to Nexans, as part of the settlement reached in the arbitration process with that company.

## Non-Operating Results – 4Q 2010

Non-operating income amounted to Ch$7,422 million in the fourth quarter of 2010, compared to non-operating income of Ch$5,644 million in the same quarter of 2009. The variation between the two periods is detailed below:

**Proportionate share of net income of equity method investments (net) – 4Q 2010**

Quiñenco's proportionate share of net income from equity method investments (net), which primarily includes the results from CCU, reached Ch$12,015 million, compared to Ch$11,014 million in 4Q 2009, an increase of 9.1%.

Quiñenco's proportionate share of net income from CCU increased by 12.5% to Ch$12,180 million.

**Interest Income - 4Q 2010**

Interest income for the fourth quarter of 2010 amounted to Ch$10,187 million, increasing substantially from the Ch$1,647 million reported in 4Q 2009. The increment corresponds mainly to higher interest income at the corporate level, reflecting the increase in the cash balance and the market value of these financial assets. It is worth noting that at the corporate level financial assets are valued at fair value, with effect in the income statement.



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**Interest Expense - 4Q 2010**

Interest expense for the fourth quarter of 2010 amounted to Ch$4,109 million, an increase of 28.4% with respect to 4Q 2009. The increase corresponds mainly to higher interest expense at LQIF.

**Foreign currency exchange differences – 4Q 2010**

In 4Q 2010, the gains (losses) specific to foreign currency translation differences amounted to a loss of Ch$46 million, compared to a gain of Ch$743 million reported in 4Q 2009, primarily attributable to lower gains at Madeco in 2010.

**Indexed units of account restatement – 4Q 2010**

The gain or loss derived from the restatement of assets and liabilities indexed to units such as the *Unidad de Fomento* or UF (inflation indexed) amounted to a loss of Ch$1,550 million in the fourth quarter of 2010, compared to a loss of Ch$1,732 million reported in the same period of 2009. A higher loss at LQIF was offset by higher gains at Madeco, due to its net asset position in UFs.

**Other gains/losses– 4Q 2010**

Other gains/losses amounted to a loss of Ch$9,074 million in 4Q 2010, compared to a loss of Ch$2,828 million in 4Q 2009. The variation is mainly due to an adjustment to the selling price of Madeco's cable unit to Nexans, as part of the settlement reached in the arbitration, that translated into a charge of Ch$5,405 million during the quarter. In addition, Madeco wrote-off Ch$2,101 million during the quarter due to the closure of the copper sheet line.

**Income Taxes – Full Year 2010**

The industrial sector reported income tax of Ch$8,782 million, compared to income tax of Ch$918 million reported in 2009, mainly due to higher income tax at Madeco, explained by higher gains at the subsidiaries and exchange rate differences at the corporate level, where tax accounting is in Chilean pesos, and also higher income tax at Quiñenco, due to the gain on the sale of an 8.52% stake in LQIF.

**Income Taxes – 4Q 2010**

The industrial sector reported an income tax credit of Ch$1,045 million, compared to income tax of Ch$2,314 million reported in the fourth quarter of 2009, primarily due to income tax credits at the corporate level and at Madeco.

**Net Income Attributable to Non-controlling Interests – Full Year 2010**

In 2010, at a consolidated level (including both industrial and banking net income), net income attributable to non-controlling interests amounted to Ch$192,219 million. Of the total amount reported in 2010, Ch$112,190 million corresponds to minority shareholders' share of Banco de Chile and SM Chile's net income.



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### Net Income Attributable to Non-controlling Interests – 4Q 2010

In the fourth quarter of 2010, at a consolidated level (including both industrial and banking net income), net income attributable to non-controlling interests amounted to Ch$29,097 million. Of the total amount reported in 4Q 2010, Ch$18,494 million corresponds to minority shareholders' share of Banco de Chile and SM Chile's net income.

## II. Banking Sector

### Operating Revenues – Full Year 2010

Operating revenues in 2010 amounted to Ch$1,166,742 million, 13.7% higher than in 2009. Operating revenues correspond almost entirely to Banco de Chile, which grew 13.9% during the period, mainly due to improved economic conditions, leading to loan portfolio growth, which together with higher nominal interest rates boosted net financial income. Increased activities of the mutual funds and brokerage subsidiaries, as well as traditional banking services growth, pushed fee income up.

### Operating Revenues - 4Q 2010

Operating revenues for the fourth quarter of 2010 amounted to Ch$305,222 million, 11.2% above the fourth quarter of 2009, mainly due to the favorable effect on net financial income at Banco de Chile of improved economic conditions, contributing to increased loans and lower credit risk charges, together with higher fee income, also at Banco de Chile.

### Provision for Credit Risk - Full Year 2010

Provision for loan losses at Banco de Chile amounted to Ch$165,961 million in 2010 as compared to Ch$223,442 million in 2009, mainly attributable to the economic turnaround that translated into better risk profiles of individuals and companies, as predicted accurately by the Bank's risk models.

### Provision for Credit Risk - 4Q 2010

Provision for loan losses at Banco de Chile amounted to Ch$32,706 million in the fourth quarter of 2010, 29.4% less than in the fourth quarter of 2009, mainly attributable to strong signs of recovery in the local economy, improving the risk profiles of individuals and companies, resulting in lower provisions for the retail and wholesale segments.

### Operating expenses - Full Year 2010

Operating expenses increased by 16.2% to Ch$588,617 million, explained primarily by non-recurring items amounting to approximately Ch$55 billion, including contingency provisions of Ch$22.2 billion in anticipation of new provisioning rules, and countercyclical allowances of Ch$20.4 billion. Also, during 2010 the Bank granted approximately Ch$3 billion as a bonus for Chile's bicentennial, around Ch$3.3 billion correspond to expenses related to the February 27$^{th}$ earthquake, and finally Ch$6.4 billion in write-



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offs of commissions. Excluding these non-recurring items, the Bank's operating expenses rose by 7.9% in line with its higher level of business activity and marketing campaigns.

**Operating expenses - 4Q 2010**

Operating expenses rose by 32.8% to Ch$198,001 million, mainly explained by an increase of 33.4% in Banco de Chile's operating expenses to Ch$188,980 million, which include provisions for contingency allowances of Ch$22.2 billion, in anticipation of the impact of new provisioning guidelines, countercyclical allowances of Ch$20.4 billion, and write-offs of over-accrued commissions amounting to Ch$2.6 billion.

**Non-operating Results - Full Year 2010**

During 2010 non-operating results amounted to a loss of Ch$71,052 million as compared to a loss of Ch$43,909 million in 2009, primarily explained by higher accrued interest expense of the Subordinated Debt with the Chilean Central Bank, resulting from the effect of inflation during the period on said expenses.

**Non-operating Results - 4Q 2010**

During the fourth quarter of 2010 non-operating results amounted to a loss of Ch$17,643 million as compared to a loss of Ch$18,541 million in the fourth quarter of 2009, primarily explained by a slight decrease in accrued interest expense of the Subordinated Debt with the Chilean Central Bank, and improved results of Banco de Chile's associates.

**Net Income – Full Year 2010**

Net income for the banking sector amounted to Ch$302,561 million up by 42.0% from 2009, resulting from higher operating revenues and lower provisions for loan losses during the year, partially offset by increased operating expenses and lower non-operating results.

**Net Income - 4Q 2010**

Net income for the banking sector amounted to Ch$49,496 million up by 2.5% over the same period in 2009, resulting from growth in operating revenues and lower provisions for loan losses, partially offset by higher non-recurring operating expenses.



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## CONSOLIDATED BALANCE SHEET ANALYSIS (vis-à-vis the 3rd quarter of 2010)

### Condensed Consolidated Balance Sheet

| | 09-30-2010 | | 12-31-2010 | |
|---|---|---|---|---|
| | MCh$ | MUS$ | MCh$ | MUS$ |
| Current assets industrial sector | 783,185 | 1,673.4 | **772,872** | 1,651.4 |
| Non current assets industrial sector | 1,435,189 | 3,066.6 | **1,451,783** | 3,102.0 |
| Assets financial sector | 17,514,999 | 37,424.4 | **18,221,222** | 38,933.4 |
| **Total assets** | **19,733,373** | **42,164.4** | **20,445,877** | **43,686.8** |
| Current liabilities industrial sector | 246,488 | 526.7 | **248,196** | 530.3 |
| Long-term liabilities industrial sector | 313,189 | 669.2 | **327,363** | 699.5 |
| Liabilities financial sector | 16,482,198 | 35,217.6 | **17,144,543** | 36,632.9 |
| Non-controlling interests | 1,188,992 | 2,540.5 | **1,205,223** | 2,575.2 |
| Shareholders' equity | 1,502,505 | 3,210.4 | **1,520,552** | 3,249.0 |
| **Total liabilities & shareholders' equity** | **19,733,373** | **42,164.4** | **20,445,877** | **43,686.8** |

**Current Assets Industrial Sector**

Current assets decreased by only 1.3% compared to the third quarter of 2010. An increase in cash and cash equivalents was offset by lower other financial assets.

**Non current Assets Industrial Sector**

Non current assets increased by 1.2% compared to the third quarter of 2010, primarily explained by higher financial assets, an increase in equity method investments, corresponding mainly to IRSA, and an increment in deferred taxes, partially offset by lower fixed assets at Madeco.

**Assets Banking Sector**

Total assets of the banking sector increased by 4.0% compared to the third quarter of 2010. Loans to customers at Banco de Chile increased 5.2% with respect to September 2010, mainly due to growth in commercial loans.

**Current Liabilities Industrial Sector**

Current liabilities increased a slight 0.7% with respect to the third quarter of 2010, explained primarily by higher accrued dividends to be paid at Quiñenco, partially offset by lower bank loans at Madeco.



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**Long-term Liabilities Industrial Sector**

Long-term liabilities increased by 4.5% in comparison to the third quarter of 2010, mostly due to higher bank loans and leasing obligations at Madeco, as well as an increment in deferred income taxes during the quarter.

**Liabilities Banking Sector**

Liabilities corresponding to the banking sector increased by 4.0% compared to the third quarter of 2010.

**Non-controlling Interests**

Non-controlling interests increased by 1.4% with respect to the third quarter of 2010.

**Equity**

Shareholders' equity increased by 1.2% compared to the third quarter of 2010 due to period profits, net of dividends provisioned, and the variation of other reserves.


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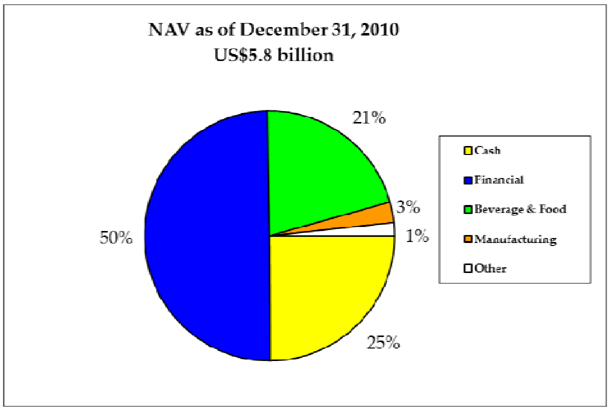
## Quiñenco Corporate Level Debt and Cash

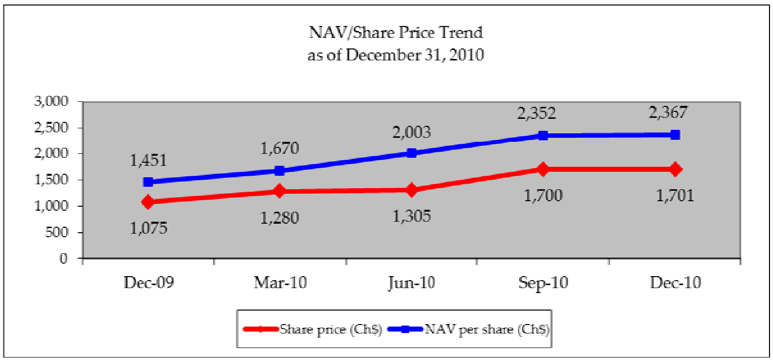
| As of December 31, 2010 | Debt | | Cash & equivalents | | Total Net Debt | |
|---|---|---|---|---|---|---|
| | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ |
| Corporate level | 63,416 | 135.5 | 715,995 | 1,529.9 | (652,580) | (1,394.4) |
| Adjusted for: | | | | | | |
| 50.00% interest in LQIF | 97,390 | 208.1 | 1,242 | 2.7 | 96,148 | 205.4 |
| 50.00% interest in IRSA | 10,312 | 22.0 | 481 | 1.0 | 9,831 | 21.0 |
| **Total** | **171,118** | **365.6** | **717,719** | **1,533.6** | **(546,601)** | **(1,167.9)** |

The debt to total capitalization ratio at the corporate level (unadjusted) was 3.7% as of December 31, 2010.

## NAV

As of December 31, 2010, the estimated net asset value (NAV) of Quiñenco was US$5.8 billion (Ch$2,367 per share) and market capitalization was US$4.2 billion (Ch$1,701 per share). The discount to NAV is estimated at 28.1% as of the same date.



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## SEGMENT /OPERATING COMPANY ANALYSIS

| Sector /Segment | Manufacturing | | Financial | | Other | | Total Quarter | | | | Total Year to Date | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 4Q 09 | 4Q 10 | 4Q 09 | 4Q 10 | 4Q 09 | 4Q 10 | 4Q 09 | | 4Q 10 | | Dec-09 | | Dec-10 | |
| | MCh$ | MCh$ | MCh$ | MCh$ | MCh$ | MCh$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ |
| **Industrial Sector** | | | | | | | | | | | | | | |
| Net income from continued operations before taxes | 6,037 | **(6,925)** | (5,084) | **(6,268)** | 5,019 | **18,793** | 5,972 | 12.8 | **5,600** | **12.0** | 70,823 | 151.3 | **190,046** | **406.1** |
| Income tax | (1,804) | **(878)** | 594 | **600** | (1,104) | **1,323** | (2,314) | (4.9) | **1,045** | **2.2** | (918) | (2.0) | **(8,782)** | **(18.8)** |
| Net income (loss) from discontinued operations | (64) | - | - | - | (468) | - | (532) | (1.1) | - | - | 4,161 | 8.9 | - | - |
| **Net income (loss) industrial sector** | 4,169 | **(7,803)** | (4,490) | **(5,668)** | 3,447 | **20,116** | **3,126** | **6.7** | **6,645** | **14.2** | **74,066** | **158.3** | **181,264** | **387.3** |
| **Banking Sector** | | | | | | | | | | | | | | |
| Net income before taxes | - | - | 60,633 | **56,873** | - | - | 60,633 | 129.6 | **56,873** | **121.5** | 252,674 | 539.9 | **341,112** | **728.9** |
| Income tax | - | - | (12,353) | **(7,377)** | - | - | (12,353) | (26.4) | **(7,377)** | **(15.8)** | (39,614) | (84.6) | **(38,551)** | **(82.4)** |
| **Net income (loss) banking sector** | - | - | 48,280 | **49,496** | - | - | **48,280** | **103.2** | **49,496** | **105.8** | **213,060** | **455.2** | **302,561** | **646.5** |
| | | | | | | | | | | | | | | |
| **Consolidated net income (loss)** | 4,169 | **(7,803)** | 43,790 | **43,828** | 3,447 | **20,116** | **51,405** | **109.8** | **56,141** | **120.0** | **287,126** | **613.5** | **483,825** | **1,033.8** |
| Net income attributable to Non-controlling interests | | | | | | | 28,321 | 60.5 | 29,097 | 62.2 | 131,726 | 281.5 | 192,219 | 410.7 |
| **Net income attributable to Controllers' shareholders** | | | | | | | **23,084** | **49.3** | **27,044** | **57.8** | **155,401** | **332.0** | **291,606** | **623.1** |

During the fourth quarter of 2010 consolidated net income can be broken down as follows: Financial Segment (78.1%), Other (35.8%), and Manufacturing (-13.9%).

## MANUFACTURING SEGMENT

The following table details consolidated income (loss) from investments in the Manufacturing segment during 2009 and 2010:

| Manufacturing Segment | Quarter | | | | Year to Date | | | |
|---|---|---|---|---|---|---|---|---|
| | 4Q 09 | | 4Q 10 | | Dec-09 | | Dec-10 | |
| | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ |
| Madeco | 4,169 | 8.9 | (7,803) | (16.7) | 18,172 | 38.8 | (2,824) | (6.0) |
| **Total Manufacturing Segment** | **4,169** | **8.9** | **(7,803)** | **(16.7)** | **18,172** | **38.8** | **(2,824)** | **(6.0)** |

As of December 31, 2010 and 2009, Quiñenco's ownership of Madeco was 47.7%.



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## MADECO

| | Quarters | | | | Quarters | | Year to Date | |
|---|---|---|---|---|---|---|---|---|
| | 4Q 09 | | 4Q 10 | | 4Q 09 | 4Q 10 | Dec-09 | Dec-10 |
| | MCh$ | MUS$ | MCh$ | MUS$[7] | ThUS$[8] | ThUS$ | ThUS$ | ThUS$ |
| Sales | 45,418 | 97.0 | 53,232 | 113.7 | **87,821** | **110,846** | **316,472** | **417,515** |
| Operating income (loss)[9] | 6,898 | 14.7 | 952 | 2.0 | **13,328** | **1,979** | **25,682** | **19,834** |
| Net income discontinued operations | (64) | (0.1) | - | - | **(122)** | **-** | **53** | **-** |
| Net income (loss) Controller | 3,904 | 8.3 | (8,307) | (17.8) | **7,572** | **(17,538)** | **29,457** | **(11,049)** |
| Total assets | | | 333,380 | 712.3 | | | 727,824 | **712,333** |
| Shareholders' equity | | | 237,029 | 506.5 | | | 541,526 | **506,461** |

Madeco reports its financial statements in US dollars, and translates them to Chilean pesos for consolidation purposes based on the US$/Ch$ exchange rate at the end of the period in the case of the Balance Sheet, and the monthly average exchange rate in the case of the Income Statement. Madeco's figures in Chilean pesos are included for reference. However, the following analysis is based on the company's financial statements in US dollars, as filed with the SVS, as shown in the last two columns of the table.

### Full Year 2010 Results

Madeco's sales in 2010 increased by 31.9% to US$417,515 thousand in 2010, due to a 14.0% growth in sales volumes together with higher average prices. Sales of brass mills increased by 54.8% to US$165,506 thousand, due to higher volumes, particularly in Chile, and also higher copper prices. Sales of flexible packaging grew by 24.0% to US$199,120 thousand, also due to a combination of higher volumes and higher average prices, in all of its markets. Sales of the profiles unit, which were up by 7.9% to US$52,889 thousand, were boosted by higher average prices and a more favorable sales mix, while volumes remained flat.

During 2010, sales of the flexible packaging unit accounted for 47.7% of sales, followed by brass mills (39.6%), and profiles (12.7%).

Operating income decreased 22.8% to US$19,834 thousand in 2010, despite improved operating income from the business units, due to lower other operating revenue during the period. The dividend received from Nexans in 2010 amounted to US$3,389 thousand, whereas in 2009 it reached to US$7,361 thousand. Also, in 2009 the company received US$10,043 thousand in tax recovery. However, operating income from the business units doubled in 2010 reaching US$21,866 thousand. The flexible packaging unit improved its performance with a 25.6% growth in operating income, in line with sales growth and boosted by improved gross margins in Chile and Argentina. The profiles unit went from a negative operating margin in 2009 to a positive one in 2010, mainly

[7] Converted to US$ at the observed exchange rate on December 31, 2010 (Ch$468.01 = US$1.00).
[8] Correspond to Financial Statements in US dollars as reported by Madeco to the Superintendency of Securities and Insurance (SVS).
[9] Operating income includes: Gross income minus Distribution Costs, Administrative expenses, other operating revenue and other operating expenses, excluding Directors' participation that has been included in other gains/losses.



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due to the impairment of inventories carried out in 2009. The brass mills unit, despite strong sales growth, decreased its operating income by 41.8% mainly due to higher costs of raw materials, particularly copper. Overall, SG&A expenses increased by 11.5% in comparison to 2009, mainly owing to the effect of the lower average Ch$/US$ exchange rate on expenses primarily in Chilean pesos.

Non-operating income/loss amounted to a loss of US$22,708 thousand, compared to a gain of US$5,283 thousand in 2009. The variation in non-operating income is largely explained by a downward adjustment of US$14,885 thousand to the selling price of Madeco's cable unit to Nexans, as part of the agreement that settled the arbitration between both companies. In addition, the closure of the copper sheet line implied fixed asset write-offs for US$4,200 thousand. Also, during 2009 Madeco registered currency exchange gains, due to the company's net asset position in Chilean pesos and the appreciation of that currency with respect to the US dollar.

Madeco reported a net loss of US$11,049 thousand in 2010, compared to a gain of US$29,457 thousand reported in 2009, primarily due to the price adjustment explained above, as well as lower other operating income, which offset improved operating income at the business units. Income tax increased from a credit in 2009 to a charge in 2010, mainly due to higher gains at the subsidiaries and exchange rate differences at the corporate level, where tax accounting is in Chilean pesos.

### 4Q 2010 Results

Madeco's sales grew by 26.2% to US$110,846 thousand in the fourth quarter of 2010 compared to the same period of 2009, boosted by sales growth in all of its business units. Sales of flexible packaging grew by 23.8% driven by a 10.5% growth in the sales volume in the Peruvian subsidiary, and higher average prices in all of its markets. Sales of brass mills rose 27.2% based on 7.5% growth in volumes together with higher copper prices. The profiles unit, in turn, also obtained important sales growth, with revenues up by 32.0% respect to the last quarter of 2009, explained mainly by 21.9% growth in volumes, reflecting increased activity in the construction sector, as well as higher average prices.

During the fourth quarter of 2010, sales of the flexible packaging unit accounted for 48.5% of sales, followed by brass mills (36.7%), and profiles (14.8%).

Gross income increased by 24.2% to US$18,250 thousand boosted by the flexible packaging and profiles units. The flexible packaging unit obtained higher gross income in all of its markets following the growth in sales, particularly in Argentina and Peru. Thus, as a percentage of sales the unit's gross margin increased from 20.4% in 4Q 2009 to 21.0% in 4Q 2010. Gross income from profiles also increased, following the strong growth in sales. Gross income from brass mills, however, decreased due to higher costs of sales, mainly owing to increased copper prices.

Operating income decreased substantially from US$13,328 thousand in 4Q 2009 to US$1,979 thousand in 4Q 2010, mainly due to a gain of US$10,043 thousand recorded in 2009, corresponding to a tax recovery generated by absorption of profits. However, operating income generated by the business units increased 69.0% as compared to the last quarter of 2009, boosted by growth in operating income from the flexible packaging and



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profiles units, in line with their growth in gross income. SG&A expenses increased 10.7%, mainly reflecting the higher level of activity of the flexible packaging and profiles units.

Non-operating income for the quarter amounted to a loss of US$16,646 thousand, compared to a loss of US$1,478 thousand in 4Q 2009. The variation in non-operating income is mostly explained by a downward adjustment, during the quarter, of US$11,512 thousand to the selling price of Madeco's cable unit to Nexans, as part of the agreement that settled the arbitration between both companies. This adjustment is in addition to the adjustment of US$3,364 thousand accounted for as of September 2010. In addition, the closure of the copper sheet line implied fixed asset write-offs for US$4,200 thousand.

Madeco reported a net loss of US$17,538 thousand for the fourth quarter of 2010, compared to a gain of US$7,572 thousand registered in 4Q 2009, primarily due to the impact of the settlement reached with Nexans, on the selling price of Madeco's cable unit, as well as other non-recurring expenses. Operating performance of Madeco's business units, however, improved significantly during the quarter.

## FINANCIAL SEGMENT

The following table details consolidated income (loss) from investments in the Financial Segment during 2009 and 2010:

| Financial Segment | Quarter | | | | Year to Date | | | |
|---|---|---|---|---|---|---|---|---|
| | 4Q 09 | | 4Q 10 | | Dec-09 | | Dec-10 | |
| | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ |
| LQIF holding | (4,490) | (9.6) | (5,668) | (12.1) | (10,182) | (21.8) | (19,455) | (41.6) |
| Banco de Chile | 66,659 | 142.4 | 69,897 | 149.3 | 257,887 | 551.0 | 378,530 | 808.8 |
| Interest subordinated debt | (18,297) | (39.1) | (18,068) | (38.6) | (44,749) | (95.6) | (72,979) | (155.9) |
| Other | (82) | (0.2) | (2,333) | (5.0) | (78) | (0.2) | (2,990) | (6.4) |
| Total Financial Segment | 43,790 | 93.6 | 43,828 | 93.6 | 202,878 | 433.5 | 283,106 | 604.9 |

As of December 31, 2010 and 2009, Quiñenco's ownership of LQIF was 50.0% and 67.04%, respectively. LQIF's economic rights in Banco de Chile were 40.8% as of December 31, 2010 and as of December 31, 2009.

### LQIF Holding – Full Year 2010

LQIF holding registered a loss of Ch$19,455 million, higher than the loss registered in 2009, mainly due to a decrease in financial income during 2010, due to the lower level of liquidity and lower interest rates, and losses arising from the negative effect of inflation on liabilities denominated in UFs (indexed to inflation), contrasting with gains reported in 2009 due to the period's negative inflation.

### LQIF Holding – 4Q 2010 Results



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LQIF Holding registered a loss of Ch$5,668 million in 4Q 2010 compared to a loss of Ch$4,490 million in 4Q 2009, mainly due to higher financial costs reflecting higher bank loans obtained in April 2010. To a lesser extent, during 2010 LQIF registered a higher loss related to the effect of inflation during the quarter on liabilities denominated in UFs (indexed to inflation), corresponding mainly to LQIF's bonds.

## BANCO DE CHILE

| | Quarters | | | | Year to Date | | | |
|---|---|---|---|---|---|---|---|---|
| | 4Q 09 | | 4Q 10 | | Dec-09 | | Dec-10 | |
| | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ |
| Operating revenues | 267,259 | 571.1 | **298,524** | 637.9 | 1,026,262 | 2,192.8 | **1,169,345** | 2,498.5 |
| Provision for loan losses | (46,332) | (99.0) | **(32,705)** | (69.9) | (223,441) | (477.4) | **(165,961)** | (354.6) |
| Operating expenses | (141,673) | (302.7) | **(188,980)** | (403.8) | (506,177) | (1,081.6) | **(588,271)** | (1,257.0) |
| Net income (loss) | 66,659 | 142.4 | **69,896** | 149.3 | 257,885 | 551.0 | **378,529** | 808.8 |
| Loan portfolio | | | | | 13,184,553 | 28,171.5 | **14,365,829** | 30,695.6 |
| Total assets | | | | | 17,460,219 | 37,307.4 | **18,256,235** | 39,008.2 |
| Shareholders' equity | | | | | 1,392,748 | 2,975.9 | **1,404,127** | 3,000.2 |
| Net financial margin | 5.4% | | **5.2%** | | 5.0% | | **5.3%** | |
| Efficiency ratio | 53.0% | | **63.3%** | | 49.3% | | **50.3%** | |
| ROAE | 17.4% | | **17.2%** | | 17.6% | | **24.7%** | |
| ROAA | 1.6% | | **1.6%** | | 1.5% | | **2.2%** | |

### Full Year 2009 Results

Banco de Chile reported net income of Ch$378,529 million in 2010, 46.8% higher than in 2009, reflecting the improved economic scenario together with accurate risk models that allowed a significant reduction in credit risk charges, as well as improved commercial performance, based on loan portfolio growth and higher income from fees and commissions. A positive rate of inflation along with higher nominal interest rates, also contributed to growth of net financial income.

Operating revenues, which include net financial income, fee income and other operating income, grew by 13.9% to Ch$1,169,345 million in 2010. This increment in operating revenues is explained by a 13.6% increase in net financial income, and also by a 15.3% growth in fees and commissions.

Net financial income reached Ch$852,936 million, mainly due to the favorable effect of the positive rate of inflation on the Bank's net asset position in UFs, strong 9.0% growth in the loan portfolio, and increasing nominal interest rates, as the Chilean Central Bank gradually started to withdraw the monetary stimulus, together with important growth from non-interest bearing liabilities (mainly checking accounts and demand deposits). Thus, the net financial margin increased from 4.97% in 2009 to 5.26% in 2010. Net financial income comprised 72.9% of operating revenues in 2010.



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Fee income increased by 15.3% to Ch$292,262 million, mainly derived from higher activities of the mutual funds and brokerage subsidiaries, as well as higher fees from checking accounts, ATMs, credits, and factoring, reflecting the results of the bank's cross-sell strategies.

Provisions for loan losses amounted to Ch$165,961 million as compared to Ch$223,441 million reported in 2009. This significant reduction is mainly attributable to the improved outlook for the local economy, which translated into better risk profiles of individuals and companies, as predicted accurately by the Bank's credit risk models.

Operating expenses increased by 16.2% to Ch$588,271 million compared to 2009, mostly due to non-recurring items amounting to approximately Ch$55 billion. Contingency provisions of Ch$22.2 billion were established in anticipation of new provisioning rules, and countercyclical allowances of Ch$20.4 billion were determined during the last quarter of the year. Also, during 2010 an extraordinary bonus of approximately Ch$3 billion was granted to the Bank's personnel in commemoration of Chile's bicentennial, around Ch$3.3 billion correspond to expenses related to the February 27 earthquake, including fixed-asset write-offs and cash donations to fund-raising campaigns, and Ch$6.4 billion in write-offs of commissions. Excluding these non-recurring items, operating expenses rose by 7.9% in line with the higher level of business activity, as well as aggressive marketing campaigns aimed at customer loyalty.

As of December 2010, the Bank's loan portfolio posted a strong annual expansion of 9.0%, reflecting the improved local economic scenario, lower unemployment and greater consumer confidence. Thus, consumer loans grew by 11.5% and commercial loans by 6.4%. Particularly worth noting is the growth in residential mortgages, which increased by 15.9% allowing the Bank to gain 55 b.p. of market share.

Banco de Chile is the second ranked bank in the country with a market share of 19.2% of total loans, according to information published by the Chilean Superintendency of Banks for the period ended December 31, 2010. Its return on capital and reserves after taxes (annualized) reached 27.0%, compared to 18.6% for the local financial system, according to the same source.

## 4Q 2010 Results

Banco de Chile reported net income of Ch$69,896 million in the fourth quarter of 2010, 4.9% higher than that obtained during the fourth quarter of 2009. These positive results mainly reflect more favorable economic conditions, contributing to increased loans and lower credit risk charges, and higher fee income derived from the increased level of activity.

Operating revenues, which include net financial income, fee income and other operating income, increased by 11.7% to Ch$298,524 million in the fourth quarter of 2010. This growth in operating revenues was primarily due to higher net financial income and 16.0% growth in fee income.

Net financial income reached Ch$211,425 million, 4.8% higher than the fourth quarter of 2009, due to higher net interest income based on loan portfolio growth. Net financial income comprised 70.8% of operating revenues in 4Q 2010. Net fee income increased by 16.0%, boosted by increased business activity related to stock brokerage



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and mutual funds, as well as from core banking activities such as checking accounts, credit cards, credits, factoring and cash management services.

Provisions for loan losses amounted to Ch$32,705 million in 4Q 2010, 29.4% less than in 4Q 2009. This reduction is mainly attributable to strong signs of recovery in the local economy, improving the risk profiles of both individuals and companies, resulting in lower credit risk charges in the retail and wholesale segments.

Operating expenses rose by 33.4% to Ch$188,980 million compared to the fourth quarter of 2009, mostly due to non-recurring items. During 4Q 2010, in line with the new regulatory guidelines for provisioning loan portfolios that went into effect on January 1st, 2011, the Bank anticipated the impact of these new rules by provisioning contingency allowances for Ch$22.2 billion. In addition, in accordance with the Bank's conservative risk approach, countercyclical allowances of Ch$20.4 billion were set during the quarter. Finally, write-offs of commissions over-accrued during prior periods amounting to Ch$2.6 billion were registered.

Net income amounted to Ch$69,896 million in the fourth quarter of 2010, 4.9% above the fourth quarter of 2009, mainly due to higher operating revenues and lower provisions for loan losses, which were partially offset by increased operating expenses, as explained above.

### Interest Subordinated Debt – Full year 2010

In 2010 accrued interest expense of the Subordinated Debt with the Chilean Central Bank increased by 63.1% with respect to 2009, period in which they were reduced due to the favorable effect of the negative rate of inflation.

### Interest Subordinated Debt – 4Q 2010

In the fourth quarter of 2010 accrued interest expense of the Subordinated Debt with the Chilean Central Bank varied only slightly with respect to the fourth quarter of 2009, decreasing by 1.3%.

## OTHER SEGMENT

The following table details consolidated income (loss) from investments in the Segment Other during 2009 and 2010:

| Segment Others | Quarter | | | | Year to Date | | | |
|---|---|---|---|---|---|---|---|---|
| | 4Q 09 | | 4Q 10 | | Dec-09 | | Dec-10 | |
| | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ |
| Beverage & Food (CCU)[10] | 10,824 | 23.1 | 12,180 | 26.0 | 42,324 | 90.4 | 36,593 | 78.2 |
| Quiñenco & other | (6,996) | (14.9) | 7,936 | 17.0 | 20,429 | 43.7 | 166,950 | 356.7 |
| Telecommunications (Telsur) | (381) | (0.8) | - | - | 3,324 | 7.1 | - | - |
| Total Segment Others | 3,447 | 7.4 | 20,116 | 43.0 | 66,077 | 141.2 | 203,543 | 434.9 |

[10] Corresponds to Quiñenco's proportionate share of CCU's net income, prepared in accordance with IFRS.



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As of December 31, 2010 and 2009, Quiñenco's ownership of CCU was 33.1%. As of December 31, 2009, Quiñenco's ownership of Telsur was 74.4%. In January 2010, Quiñenco sold its entire investment in Telsur to GTD Grupo Teleducto through a Public Offering.

## BEVERAGE & FOOD SECTOR

### CCU

| | Quarters | | | | Year to Date | | | |
|---|---|---|---|---|---|---|---|---|
| | 4Q 09 | | 4Q 10 | | Dec-09 | | Dec-10 | |
| | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ | MCh$ | MUS$ |
| Sales | 231,562 | 494.8 | 250,725 | 535.7 | 776,544 | 1,659.2 | **838,258** | 1,791.1 |
| Operating income (loss) | 44,204 | 94.5 | 50,842 | 108.6 | 137,382 | 293.5 | **155,258** | 331.7 |
| Net income (loss) | 32,743 | 70.0 | 36,845 | 78.7 | 128,037 | 273.6 | **110,700** | 236.5 |
| Total assets | | | | | 1,103,716 | 2,358.3 | **1,151,689** | 2,460.8 |
| Shareholders' equity | | | | | 462,230 | 987.6 | **505,655** | 1,080.4 |

#### Full Year 2010 Results

CCU's sales in 2010 increased by 7.9% compared to 2009, due to higher consolidated sales volumes together with higher average prices. The 6.2% growth in sales volumes was led by non-alcoholic beverages (9.8%) and wines (9.3%), followed by spirits (6.7%), the Argentine beer segment (5.8%), and the Chilean beer segment (1.5%). Higher average prices were across the board wih the exception of the wine segment, with consolidated average prices increasing by 1.9%. Revenues by core businesses can be broken down as follows: beer Chile (34.4%), beer Argentina (18.7%), non-alcoholic beverages (26.7%), wine (15.8%), spirits (5.2%) and others (-0.6%).

Operating income grew by 18.0% to Ch$162,049 million in 2010, reflecting the growth in sales and a non-recurring pre-tax gain of Ch$6,791 million from the sale of a site in Lima, Peru, boosted by an increase of only 5.1% in COGS and of 9.9% in SG&A expenses. The consolidated operating margin was 19.3% of sales, compared to 17.7% in 2009. EBITDA amounted to Ch$207,250 million, increasing 14.2% over 2009.

CCU reported non-operating losses of Ch$14,457 million compared to a gain of Ch$15,707 million in 2009. This variation is mainly explained by a non-recurring gain of Ch$24,439 million generated by the sale of 29.9% of Aguas CCU Nestlé S.A. to Nestlé Waters Chile S.A. in June 2009, and by the loss generated by the effect of inflation during the year on liabilities indexed to inflation (denominated in UFs), as compared to the positive effect of negative inflation during 2009. On the other hand, net financial expenses decreased in 2010 reflecting a lower debt balance.

Net income in 2010 amounted to Ch$110,700 million, 13.5% below 2009, primarily due to the aforementioned lower non-operating results, which offset growth in operating results, together with a higher income tax payment, mainly due to additional tax paid on the sale of the site in Peru.



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## 4Q 2010 Results

CCU's consolidated sales grew by 8.3% in the fourth quarter of 2010 compared to the same period in 2009, as a result of a 4.5% growth in sales volumes and 3.4% higher average prices. The growth in sales volumes was practically across the board, led by non-alcoholic beverages (+7.4%), the Argentine beer segment (+6.5%), spirits (+5.9%), and finally the Chilean beer segment (+1.6%). On the other hand, the wine segment decreased 6.0%. Higher average prices are explained by a 10.2% increment of average beer prices in Argentina, followed by a 4.0% increase in domestic wine prices, a 3.8% rise in beer in Chile, a 3.1% increment in non-alcoholic beverages and 1.6% in spirits.

Gross profit increased by 8.7% to Ch$139,649 million as a result of the above mentioned higher sales level, partially offset by an increment of 7.8% in COGS. However, as a percentage of sales COGS diminished slightly from 44.5% in 4Q 2009 to 44.3% in 4Q 2010. Therefore, the gross margin as a percentage of sales increased from 55.5% in 4Q 2009 to 55.7% in 4Q 2010.

Operating income reached Ch$50,842 million up 15.0% from 4Q 2009, stronger than the increase in gross profit due to an increase of only 6.2% in SG&A expenses, which decreased as a percentage of sales from 36.6% in 4Q 2009 to 35.9% in 4Q 2010. Thus, the consolidated operating margin reached 20.3% of sales, compared to 19.1% in the same period of 2009. EBITDA amounted to Ch$63,303 million, increasing 13.2% over 4Q 2009.

CCU reported non-operating losses of Ch$3,929 million compared to a loss of Ch$5,030 million in 4Q 2009. The variation is mainly explained by lower exchange rate losses in 2010, as well as lower net financial expenses, due to the company's higher cash balance.

Net income for the fourth quarter of 2010 amounted to Ch$36,845 million, up by 12.5% from the same quarter in 2009, reflecting the improved operating income and lower non-operating losses explained above, partially offset by higher income tax, in line with the higher results obtained during the year and to a negative effect of exchange rate variations on taxes.



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## QUIÑENCO AND OTHERS

### Full Year 2010 Results

The significant increase of Ch$146,521 million in Quiñenco and others, is primarily explained by the non-recurring pre-tax gain of Ch$169,513 million on the sale of an 8.52% share of LQIF to Citigroup, following the exercise of its first option on April 30, 2010. Results for 2009, on the other hand, include a non-recurring gain of Ch$34,291 million from the sale of shares of Entel and D&S. Income taxes increased mainly reflecting the taxes related to the sale of the 8.52% share in LQIF mentioned above.

### 4Q 2010 Results

Quiñenco and others obtained a gain of Ch$7,936 million in 4Q 2010, compared to a loss of Ch$6,996 million in 4Q 2009, mainly reflecting higher financial income during the quarter, due to the company's higher net cash position, owing to the funds from the sale of stakes in LQIF and Telsur, and the higher market value of said financial assets. At the corporate level, as of the second quarter of 2010, financial assets related to its current cash position, are valued at fair value with effects on the income statement. Also, during the quarter Banchile Seguros de Vida obtained higher results, boosted by growth in operating income.

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All of Quiñenco's Earnings and Press Releases and other relevant information on the Company, including quarterly financial statements, are available for viewing on the Company's website:

**www. quinenco.cl**
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