ANNUAL 2003 REPORT

QUIÑENCO S.A.

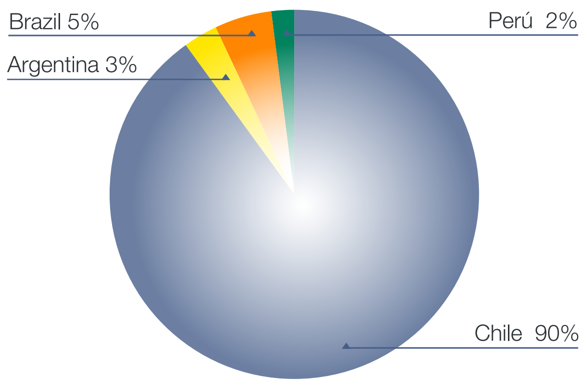
financial summary

5 YEAR FINANCIAL HIGHLIGHTS

In millions of constant Ch$ as of December 31, 2003		1999	2000	2001	2002	2003
CONSOLIDATED RESULTS						
Net sales revenue	MCh$	456,678	484,541	493,141	400,262	357,379
Operating income (loss)		(22,545)	16,812	18,221	10,380	12,747
EBITDA		20,123	49,827	51,236	40,709	41,519
Proportionate share of net income of equity-method investments		16,376	17,977	37,713	25,435	57,396
Other non-operating income (loss)		212,785	(58,265)	(76,694)	(134,828)	(57,219)
Net income (loss) for the year		180,022	(6,058)	16,134	(76,235)	37,695
FINANCIAL POSITION						
Total assets	MCh$	1,457,885	1,463,253	1,624,161	1,538,471	1,391,360
Total liabilities		603,519	670,271	825,991	821,544	660,979
Minority interest		111,684	109,751	93,491	80,107	96,359
Shareholders' equity	MCh$	742,682	683,231	704,679	636,820	634,022
Current ratio (current assets/current liabilities)		1.30	1.14	1.04	0.85	1.54
Leverage (total liabilities/SH equity)		0.81	0.98	1.17	1.29	1.04
Earnings (loss) per share	Ch$	166.73	(5.61)	14.94	(70.60)	34.91
OTHER INFORMATION						
Number of shareholders		2,816	3,005	2,898	2,770	2,588
Number of shares outstanding		1,079,740,079	1,079,740,079	1,079,740,079	1,079,740,079	1,079,740,079

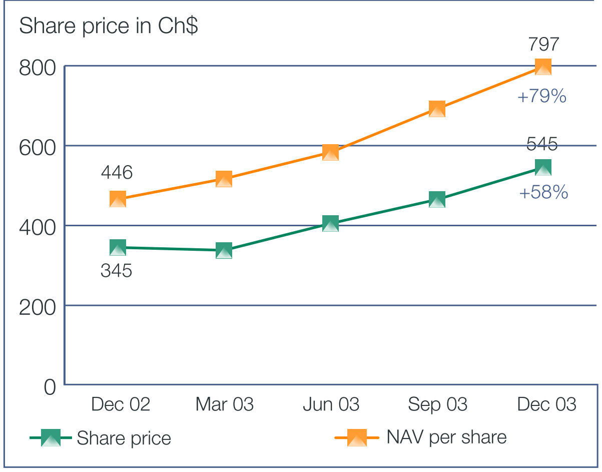
CONSOLIDATED ASSETS BY COUNTRY

As of December 31, 2003 MCh$1,391,360



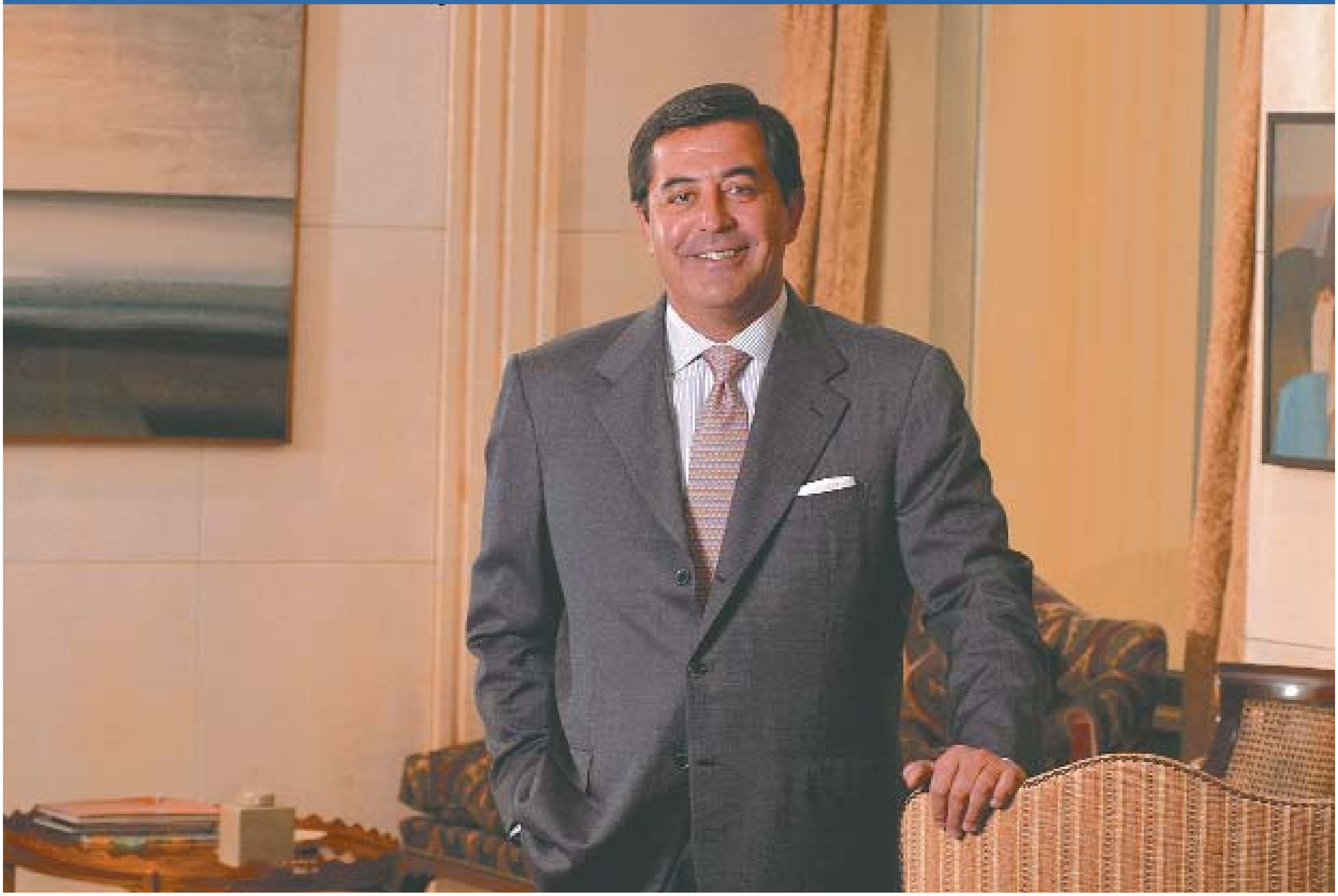
NAV/SHARE PRICE EVOLUTION

MARKET CAP US$991 mln AS OF 12.31.2003



NAV US$1,450 bln
Shares 1,079,740,079

letter from the chairman of the board



Dear shareholders:

Once again it gives me great pleasure to address our shareholders, highlighting the most important events of 2003. During this period, Quiñenco took some important steps in its development and consolidation strategy. We began the year confident that the measures we had taken to strengthen the company during 2002 had been the correct ones. Profits for the year of Ch$37,695 million, compared with losses the previous year, demonstrate we were correct and furthermore, they were achieved in the context of generally weak economic growth and only a modest improvement in consumption levels. During this time, our focus remained on those areas offering the best growth prospects, maximizing shareholder value, improving performance of the companies that make up Quiñenco and identifying opportunities to acquire and divest assets.

The results of our efforts are born out by a 79% rise, to US$1.45 billion, in the net asset value of Quiñenco's holdings and a 58% surge in the company's share price during the twelve month period. We feel these advances reflect our shareholders' positive response to the performance of Quiñenco and its subsidiaries throughout the year.

In the past few years, the company has had to overcome numerous hurdles arising from a difficult business environment. However, the experience has taught us to view problems as challenges and change as opportunity. This philosophy has been decisive in the achievements we have been able to post for the period.

The entity born of the merger of Banco de Chile and Banco Edwards marked its first post-merger year by exceeding all expectations, with record profits of Ch$130,553 million. The bank, which is the second largest in the Chilean financial system and the leading locally-owned institution, offers a highly diversified range of products and services and an extensive branch network, both in and outside Chile. Given the tremendous potential of the bank to broaden its horizons, we are investing in important technological innovation that will put Banco de Chile in the vanguard of quality service to clients.

Another important event during the period was the arrival of Heineken, the world's second biggest brewery, as a partner in Inversiones y Rentas (IRSA), the controlling entity which holds 61.6% of CCU, our beverage business. Apart from the obvious benefits in terms of experience and knowledge, our new partner brings to CCU's portfolio the Heineken brand, internationally recognized for its excellence.

At the same time, Quiñenco received a US$50 million payment from the Schörghuber Group, its former partner in IRSA, which also contributed to 2003 results.

CCU's results climbed 143% in 2003 to Ch$54,088 million. Although the divestment of Karlovacka Pivovara in Croatia was an important element in this strong performance, the beer business also rose significantly in terms of volume and prices, both in Chile and Argentina, where signs of a recovery in prices are beginning to become evident.

The acquisition of Calaf at the end of 2003 proved our resolve to continue developing CCU. Thanks to this adquisition, the company will be adding ready-to-eat snacks and similar products to its traditional range of beverages. This foray into the foodstuffs market is particularly interesting considering CCU's 90,000 client distribution network, which will be used to introduce the new product lines to the public in a joint venture with Lucchetti, Quiñenco's food business subsidiary.

With respect to Lucchetti, the sale of its Argentine business in 2001, and the forced closure of its Peruvian plant at the beginning of 2003, reduced the company's activities to Chile, where its principal business is in pasta and vegetable oils. After a thorough evaluation, Lucchetti decided in December to accept an offer for the Chilean operations from Corpora Tresmontes. The gross price agreed with the buyer, a company with extensive experience in the food industry, is Ch$60,000 million. The deal, to be finalized in March, excludes the rights to the possible proceeds of the arbitration case involving Lucchetti Peru, which currently awaits a decision in Washington, as well as the recent investment in Calaf.

As well as broadening the geographical coverage in its concession area, our subsidiary Telefónica del Sur has opened new business areas as part of a commercial push into products of greater value added. In a highly competitive industry such as telecommunications, there are constant demands for innovation, and our strategy here ensures that these are being met.

During the past few years, the range of services has been expanded to include, among others, broadband wireless Internet (WIFI, Bluetooth) and security services (telecontrol/televigilance), with special emphasis on the sale of bundled services. While it is true that the technological aspects of the business are fundamental, the constant efforts to keep costs as low as possible are no less important. With this in mind, Telefónica del Sur undertook a restructuring in 2002, which continued throughout 2003, and was reflected in net profits last year of Ch$7,430 million.

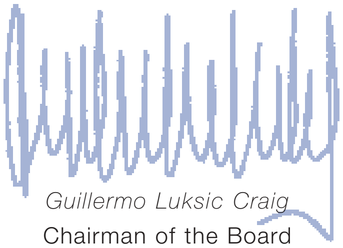
Madeco presented an important challenge for Quiñenco last year. This subsidiary, which makes copper-based products, has been affected by the heavy reduction in investment in Argentina and Brazil in recent years. In order to confront this difficult scenario, it was necessary to undertake a massive restructuring that covered not only the finances of the company but also the areas of production and sales. During the year, Madeco finalized a capital increase of Ch$95,114 million, which helped it to cut some of the debt held by creditors and restructure the maturities on the rest of its obligations. Despite the lack of improvement in general business conditions in Madeco's main markets, the company was able to lift its operational result by 84%, thanks to the constant efforts invested in more efficient cost controls. However, a Ch$4,917 million charge to cover the liquidation of the Optel business in Brazil weighed on the bottom line and contributed to the net loss of Ch$16,734 million for the reporting period.

One of our permanent objectives is to ensure a well-balanced portfolio of investments, replete with companies that add value to Quiñenco through solid performance and satisfactory returns. With this in mind, and considering our weak presence in the hotel sector and the tough competition which has developed over the years in the eastern suburbs of Santiago, we decided to accept an offer of UF832,000 (approximately US$23.7 million) from the Foreign Affairs Ministry for the Hotel Carrera in central Santiago. The ministry will convert the hotel into its new headquarters, but without altering the distinctive architectural style that depicts an important cultural period in the history of the capital's civic center.

Quiñenco has made some well-judged moves towards protecting and securing the value of its investments, and this makes us optimistic towards the future. Conditions in the region are more dynamic and, in Chile, the macroeconomic indicators point to the strongest recovery we have seen in the past five years. In this context, it is reasonable to expect that the group's companies will benefit, and that Quiñenco will continue to consolidate its position in the sectors in which it operates, either through strong organic growth or add-on acquisitions. At the same time, we believe that the current environment will give rise to altogether new business opportunities, and we will be ready to identify them when they come.

Last year was not without its problems, but we were able to confront them and emerge stronger than before. Our financial position remains solid, as is our resolve to keep improving it. Cash flow from our activities allowed for an 18% reduction in corporate level debt during 2003. This means that we are now in a situation where resources can be either oriented towards further liability reduction or at capitalizing on new business opportunities.

In 2003, we were able to turnaround otherwise adverse conditions to our favor, thanks to an unfaltering and effective strategic direction. None of this would have been possible without the constant dedication of those people who make up our organization. Finally, it would be remiss to pass up this opportunity to thank our shareholders for their unwavering confidence in the performance of Quiñenco.



Guillermo Luksic Craig
Chairman of the Board

2003 financial results

2003 Financial results

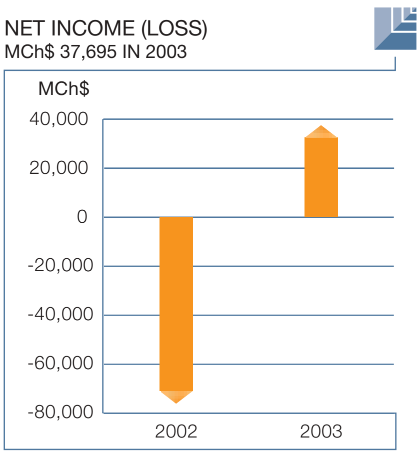
Quiñenco incorporates the profit and loss from more than 40 companies in its financial results each period. Nonetheless, it only consolidates its operations with a number of its investments, the main operating companies being Madeco, Lucchetti, Telsur and Hoteles Carrera. The profit or loss from other investments such as Banco de Chile and CCU, which are relevant to Quiñenco in terms of size and impact on its financial results for any given period, do not consolidate with the Company. Quiñenco's proportionate share of these companies' income or loss is included with non-operating results.

Quiñenco reported consolidated sales of Ch$357,379 million in 2003, down by 10.7% from the 2002 level. Consolidated sales were affected by the discontinuation of Lucchetti's productive activities in Peru following the closure of its facilities in January 2003 as well as a reduction in Madeco's sales as it continued to suffer from the downturn in investment levels in its principal markets, particularly Brazil. In spite of the decline in sales which directly translated into a 10.9% reduction in gross profit, operating profit rose by 22.8% to Ch$12,747 million. The pronounced improvement in consolidated operating profit was attributable to across the board reductions in SG&A expenses, most notably at Madeco and Lucchetti.

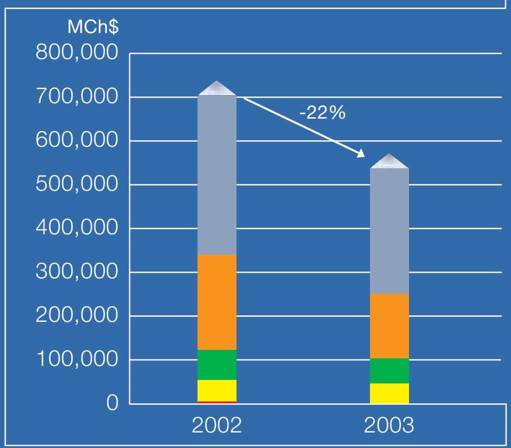
Quiñenco reported non-operating income of Ch$177 million, having totally reverted 2002´s non-operating losses of Ch$109,393 million. The marked improvement was attributable to a series of factors, the most relevant being the notable increase in income from equity investments which rose by over 123% to Ch$57,995 million, mostly in connection with Quiñenco's interest in Banco de Chile and CCU. Banco de Chile finished its first post-merger year with a record level of net profits of which Ch$38,047 million corresponded to Quiñenco's interest. CCU divested its interest in a Croatian brewery in 2003, generating a significant extraordinary gain on sale. This, coupled with more than a 20% increase in operating income, led CCU to report net profits of Ch$54,088 million, of which Quiñenco's share was Ch$16,657 million.

Likewise, a US$50 million settlement received from Quiñenco's ex partners in IRSA, the company which controls 61.6% of CCU, boosted non-operating results by an additional Ch$36,035 million. Other non-operating expenses, interest expense and foreign currency translation losses were also reduced considerably in 2003, further benefiting non-operating performance.

Net profit reached Ch$37,695 million, varying by Ch$113,930 million from the net loss of Ch$76,235 million reported in 2002. These financial results reflect to a certain extent improved market and economic conditions, but more widely reflect the results of the profound restructurings that several group companies underwent in 2002. These restructurings have allowed Quiñenco to recapture the earnings potential of its group companies and strengthen its base for the future.



CONSOLIDATED DEBT



MCh$	2003	2002	%
Corporate level	330,038	404,323	-18%
Madeco	146,526	217,894	-33%
Telefónica del Sur	58,285	67,795	-14%
Lucchetti	45,277	49,602	-9%
Carrera	293	4,682	-94%
Total	580,419	744,295	-22%

Dividend cash flow amounted to Ch$74,553 million in 2003, up by 152% from the Ch$29,560 million received in 2002. Dividends mostly corresponded to distributions received from CCU, Banco de Chile and to a lesser extent, Entel. In addition, Telefónica del Sur distributed dividends of Ch$3,020 million to Quiñenco. This strong dividend cash flow facilitated debt pay down during the period. At the corporate level, financial debt dropped by more than 18% to Ch$330,038 million. Similarly, consolidated debt also showed a significant reduction in 2003, having fallen by 22% to Ch$580,419 million.

NET INCOME CONTRIBUTION FROM OPERATING COMPANIES

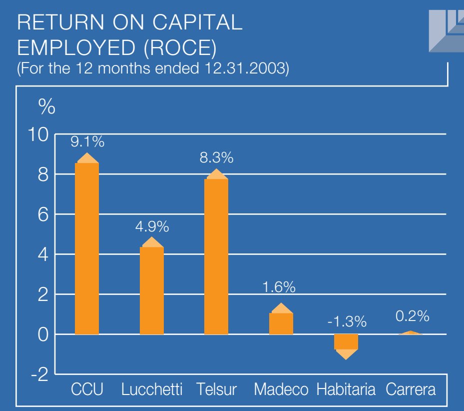
The following table shows the contribution of the main operating companies to Quiñenco's 2003 net income:

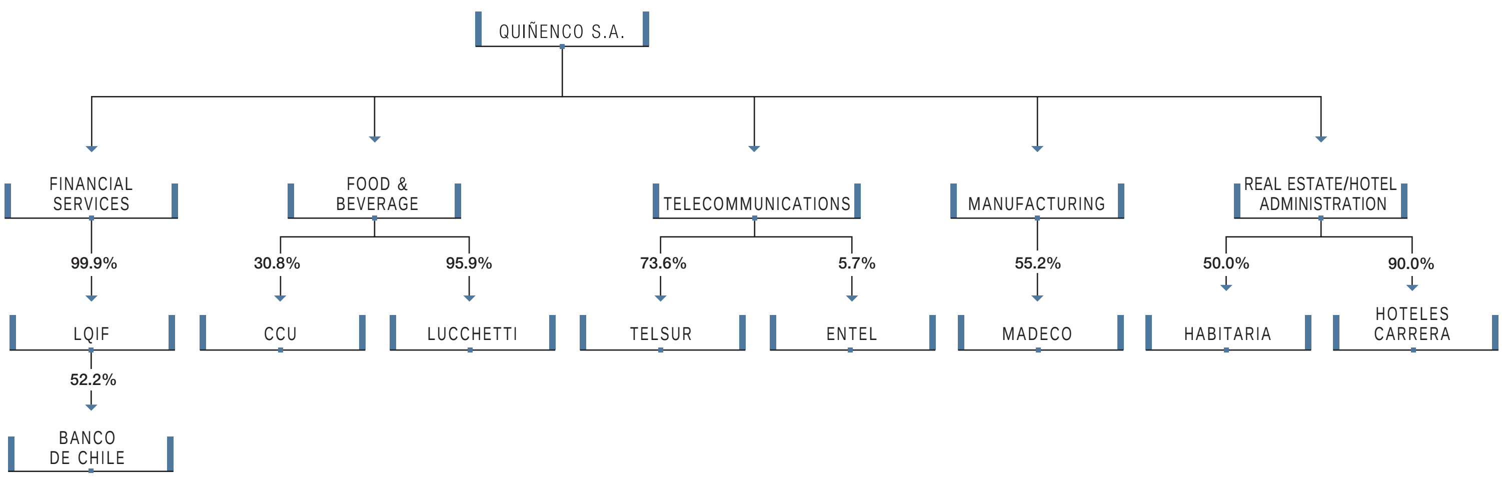
(In millions of Ch$ pesos as of December 31, 2003)

COMPANIES	QUIÑENCO'S OWNERSHIP (*) (%)	SALES REVENUE	NET PROFIT (LOSS)	QUIÑENCO'S PROP. SHARE	TOTAL ASSETS	S/H EQUITY
Financial Services						
Banco de Chile	(1) 52.2	(**) 424,250	130,553	38,047	9,249,902	695,676
Food & Beverage						
CCU	30.8	384,064	54,088	16,657	576,598	278,772
Lucchetti	95.9	59,115	(2,136)	(2,031)	79,457	27,887
Telecommunications						
Telsur	73.6	51,469	7,430	5,468	131,796	60,917
Entel	5.7	729,252	59,977	3,414	1,231,936	583,815
Manufacturing						
Madeco	55.2	237,666	(16,734)	(10,717)	353,676	147,569
Real Estate / Hotel Admin.						
Hoteles Carrera	90.0	6,671	(5,315)	(4,782)	11,610	8,539
Habitaria	50.0	18,066	(672)	(336)	35,464	16,893
Total Operating Companies				**45,720**		
Quiñenco & Holding Companies				**(8,025)**		
Net Income for the Year				**37,695**		

* Direct or indirect
** Corresponds to operating revenues
(1) Corresponds to voting rights

Quiñenco profile



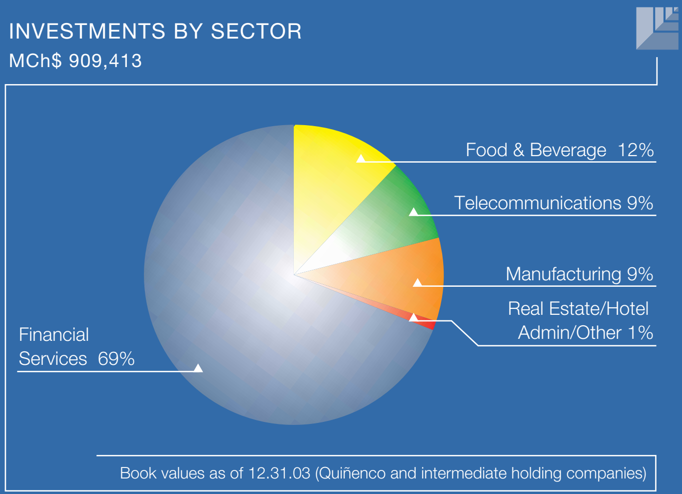


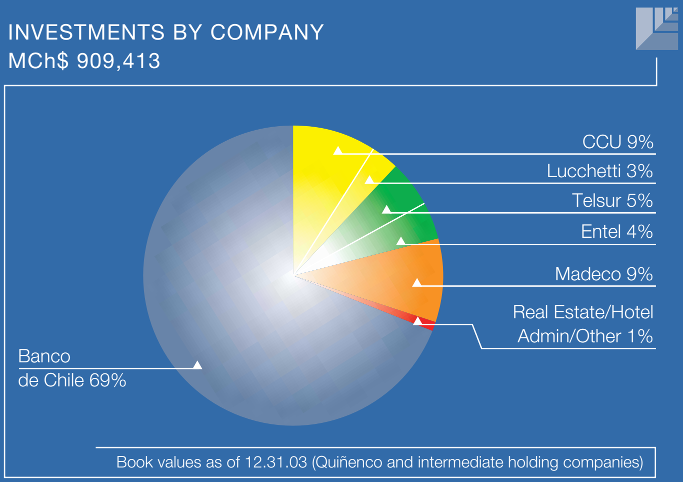
Quiñenco is the parent company of one of the most solid and diversified groups in Chile. The book value of Quiñenco's investments exceeds US$1.53 billion, and its holdings encompass investments across the financial services, food and beverage, telecommunications, manufacturing and real estate/hotel administration sectors. The financial services and food and beverage sectors are especially relevant to Quiñenco in that they represent 81% of all investments and 75% of corporate level assets.

Quiñenco seeks excellence, both in the quality of the goods and services it offers and in its return to shareholders. To achieve this, it has taken special care to maintain a highly qualified and competent administration, which is charged with identifying and analyzing new business opportunities and in preparing companies to effectively face the rigors of today's business world by way of restructurings and reorganizations.

The Quiñenco business model is built on using management talent to add value to each one of the companies in its portfolio. Generally speaking, its investments are concentrated in companies in which it can maintain control and where it sees important growth potential. The success of Quiñenco is based on its ability to make timely decisions, and on bringing in strategic partners with the aim of capitalizing on their experience in product development and high level services. Quiñenco is permanently looking for businesses to buy or sell, with the objective of optimizing the make-up of its portfolio and the profitability of its investments.

As a holding company, Quiñenco's job is to make the most of the entrepreneurial strengths and talents of its constituent companies, using





"During 2003 we were able to reshuffle our investments and orient them towards the future, and this gives us great pride. To create future value, we plan to focus our efforts on businesses where we have clear competitive advantages and the possibility to create synergies. It also requires a readiness to embark on new opportunities as they arise".

Francisco Pérez Mackenna
CEO

methods that have proven to be effective over its long and successful history. Working with the administration in each operating company, Quiñenco helps define long-term strategies, set annual goals, supervise and control operational and financial management, structure and manage relevant mergers and acquisitions, identify synergies and find and retain top-quality personnel. The experience in these areas has contributed to good access to capital markets, development of business opportunities and diversification of risk.

Growth Strategy

- Strengthen value creation in core businesses through:
  - Market leadership
  - Adoption of best practices
  - Exploitation of synergies across business units
  - Increases in productivity and efficiencies
  - Reorganizations and restructurings
  - Highly skilled personnel
  - Acquisition and divestment of businesses
- Investment criteria:
  - Brand and franchise development potential
  - Adequate critical mass
  - Developed distribution networks
  - Industry experience
  - Access to strategic partners and commercial alliances
  - Controlling stakes

history

1957 Forestal Quiñenco S.A. initiates its operations, exploiting eucalyptus forests and making wooden supports for coal mines.

1960s Lucchetti S.A. and Colcura Forestal S.A. become part of the holding group.

1970s Hoteles Carrera S.A. joins the group.

1981 The group enters the finance business by acquiring Banco O'Higgins.

1983 The group acquires a majority share in Madeco S.A.

1986 Together with the German group Schörghuber, producer of the Paulaner brand beer, Quiñenco acquires a majority share in Compañía de Cervecerías Unidas S.A.(CCU).

1987 Quiñenco acquires a majority stake in VTR S.A.

1988 The group purchases shares of Banco de Santiago.

1990 Quiñenco begins acquiring shares of Endesa S.A., amassing 9.2% of the company.

1993 In the financial sector, Quiñenco forms a partnership with Banco Central Hispanoamericano and creates the OHCH group.

1995

The group sells a 6.2% stake in Endesa S.A.

Quiñenco gains a controlling interest in Banco de Santiago.

In order to strengthen VTR S.A., Quiñenco enters into a strategic alliance with SBC Communications, Inc.

1996

The Luksic Group reorganizes and Quiñenco becomes the holding company for investments in the financial and industrial sectors and Antofagasta Holding for the mining and railway sector investments.

1997

Quiñenco raises US$279 million in a public share offering on the New York and Santiago stock exchanges.

VTR S.A. sells its stake in Startel S.A., leader in mobile telephony, to CTC.

1998

VTR S.A. divests its long-distance telephony business by selling VTR Larga Distancia S.A.

In partnership with the Spanish construction company, Ferrovial Inmobilaria, Quiñenco creates Habitaria S.A.

1999

Quiñenco's stake in OHCH is sold to the BSCH consortium.

Quiñenco acquires 51.2% of Banco de A. Edwards.

Quiñenco acquires an 8% interest in Banco de Chile.

Quiñenco acquires a 14.3% stake in Entel S.A.

The holding group sells its 66% stake in VTR Hipercable S.A. to UIH Latin America.

2000

Quiñenco expands its investments in real estate and hotel administration business by acquiring 39.4% of Plava Laguna d.d., a resort on the Adriatic coast in Croatia.

Quiñenco creates LQ Inversiones Financieras S.A., an investment vehicle for its holdings in the financial services sector.

2001

Quiñenco gains control of Banco de Chile through the acquisition of 52.7% of the voting rights.

The group sells an 8% stake in Entel.

Quiñenco divests its 39.4% interest in Plava Laguna, with a repurchase option in 2004.

2002

At the beginning of the year, the group merges Banco de Chile with Banco Edwards, creating Chile's biggest bank at the time.

2003

Quiñenco obtains a US$50 million settlement payment in relation to the conclusion of arbitration with its German partners in IRSA, the controlling entity of CCU.

Following the exit of the Schörghuber Group, Heineken, one of the largest brewers in the world, becomes Quiñenco's partner in IRSA.

Madeco carries out a Ch$95,114 million capital increase and restructures its debt.

Hotel Carrera of Santiago is sold to the Ministry of Foreign Relations.

In October 2003, Quiñenco was host of the "Quiñenco Group Day" at the New York Stock Exchange, the first event of this type ever held by a Latin American economic group at the NYSE.

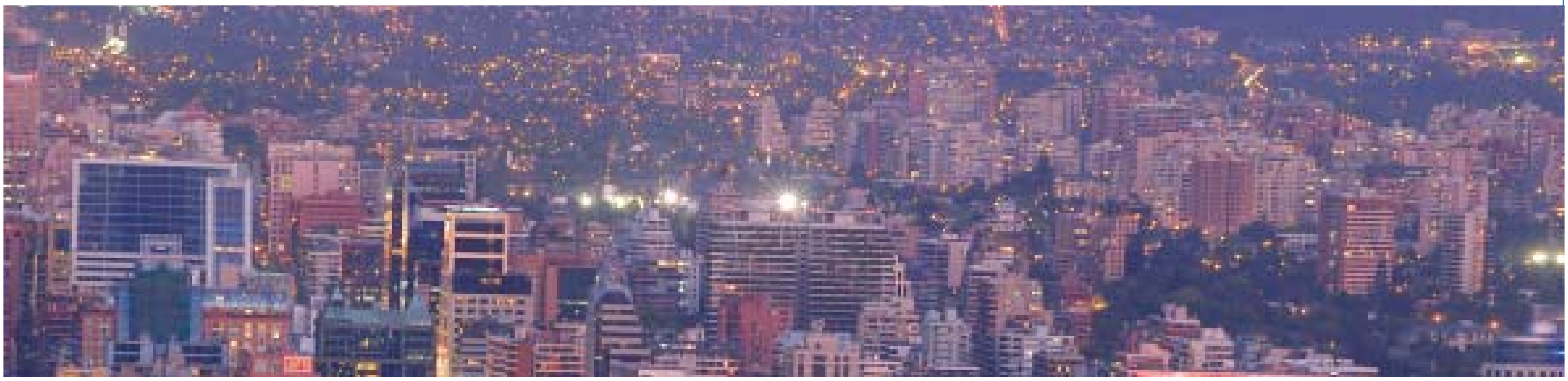
board of directors

chairman

Guillermo Luksic Craig
Director of Companies

vice chairman

Andrónico Luksic Craig
Director of Companies



board members

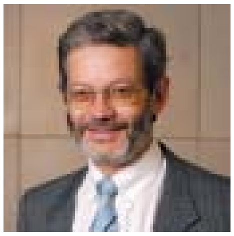
Jean Paul Luksic Fontbona
Director of Companies
B.Sc. Management and Science,
London School of Economics,
England

Gonzalo Menéndez Duque*
Business Administrator,
University of Chile

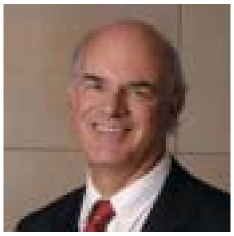
Joaquín Errázuriz Hochschild*
Chemical Engineer,
Columbia University, U.S.A.
Master in Administration and
Economics,
Columbia University, U.S.A.

Vladimir Radic Piraíno*
Director of Companies

Hernán Büchi Buc
Civil Mining Engineer,
University of Chile



Juan Andrés Fontaine Talavera
Business Administrator,
Catholic University of Chile
Master in Economics,
University of Chicago, U.S.A.



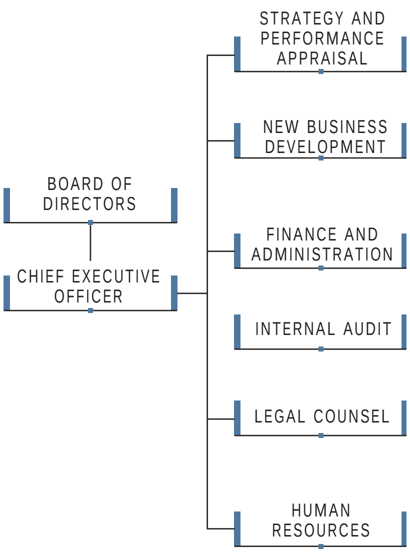
Matko Koljatic Maroevic
Business Administrator,
Catholic University of Chile
ICAME Certificate in Marketing
Management,
Stanford University, U.S.A.

* Member of the Directors' Committee

advisor to the board

Gustavo Delgado Opazo
Director of Companies
General Accountant

organization



CHIEF EXECUTIVE OFFICER

⑦ **Francisco Pérez Mackenna**
Business Administrator,
Catholic University of Chile
MBA, University of Chicago, U.S.A.

STRATEGY AND PERFORMANCE APPRAISAL

Manager of Strategy and Performance Appraisal

⑨ **Martín Rodríguez Guiraldes**
Business Administrator,
Catholic University of Chile
MBA, Univ. of California
at Los Angeles (UCLA), U.S.A.

Manager of Performance Appraisal

⑪ **Pedro Marín Loyola**
Business Administrator,
Catholic University of Chile
M.S. Finance,
London School of Economics, England

NEW BUSINESS DEVELOPMENT

Manager of Business Development

⑤ **Felipe Joannon Vergara**
Business Administrator,
Catholic University of Chile
MBA, The Wharton School,
Univ. of Pennsylvania, U.S.A.

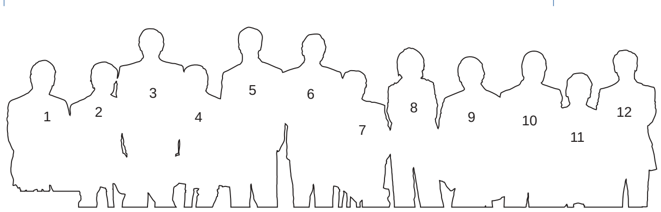
FINANCE AND ADMINISTRATION

Chief Financial Officer

② **Luis Fernando Antúnez Bories**
Civil Industrial Engineer,
Catholic University of Chile
MBA, Georgia State University, U.S.A.

Investor Relations Manager

⑧ **Cindi Freeman**
B.A., University of the Pacific, U.S.A.
Master of International Management,
American Graduate School of International
Management (Thunderbird), U.S.A.



GENERAL ACCOUNTANT

(10) **Oscar Henríquez Vignes**
Certified Public Accountant,
University of Chile
Graduate degree in Tax Planning,
Catholic University of Chile
Master degree in Tax Management,
Adolfo Ibañez University

INTERNAL AUDIT

(1) CONTROLLER

Fernando Silva Lavín
Business Administrator,
Catholic University of Chile

LEGAL COUNSEL

CHIEF COUNSEL

(6) **Manuel José Noguera Eyzaguirre**
Attorney,
Catholic University of Chile

ATTORNEY

(4) **Alessandro Bizzarri Carvallo**
Attorney,
Catholic University of Chile
MBA, Adolfo Ibañez University

ATTORNEY

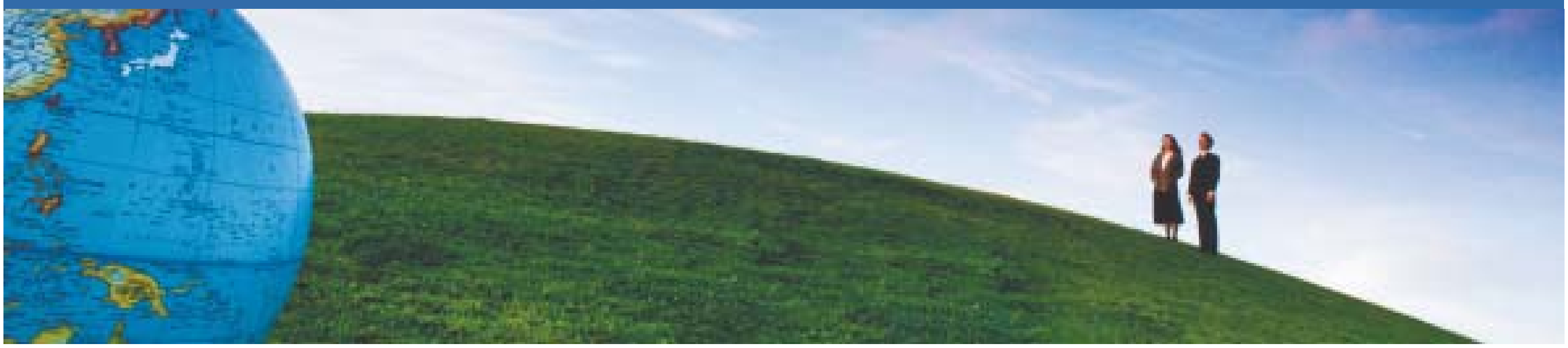
(3) **Davor Domitrovic Grubisic**
Attorney,
University of Chile

HUMAN RESOURCES

MANAGER OF HUMAN RESOURCES

(12) **Sergio Cavagnaro Santa María**
Civil Industrial Engineer,
Catholic University of Chile
DPA, Adolfo Ibañez University

our people



Behind Quiñenco's achievements are the efforts, talents and loyalty of its people. The best strategic planning in the world can't be implemented without the right people to put it into practice. For this reason, we make it a priority to have aboard the very best personnel, as much in their professional capacity as in their human qualities.

Quiñenco aims to optimize the performance of its executives by developing their strengths and keeping them motivated. We find these to be invaluable to our underlying strategy to create value in each of the companies that make up the Quiñenco group.

Quiñenco promotes competitiveness, responsible behavior and adaptability in the face of the changing demands of a globalized world. To this end, Quiñenco has made it a priority to continually adapt its human resources policies to the growing links between markets, to new technology and other trends seen in today's dynamic workplace.

Quiñenco seeks to improve productivity levels through motivation. This translates into a standing invitation to identify with, and commit to, top performance and successful business practices. We also strive to align the interests of shareholders and workers, strengthen a sense of belonging to the group, optimize the organizational environment and working conditions, make a commitment to the community and the environment, ensure smooth processes of change in the case of restructurings and look for constant improvement in overall quality.

At the same time, Quiñenco endeavors to establish both broad and specific mechanisms for the evaluation of its people, so that remuneration fairly reflects the level of responsibility assigned to each job post, as well as the performance and results of each person. Throughout this process of evaluation, we also seek to identify emerging talents and retain them, while nurturing career development.

Underpinning all of this are practices for the selection and recruitment of personnel, aimed at clearly identifying those people with the same values and objectives as the company.

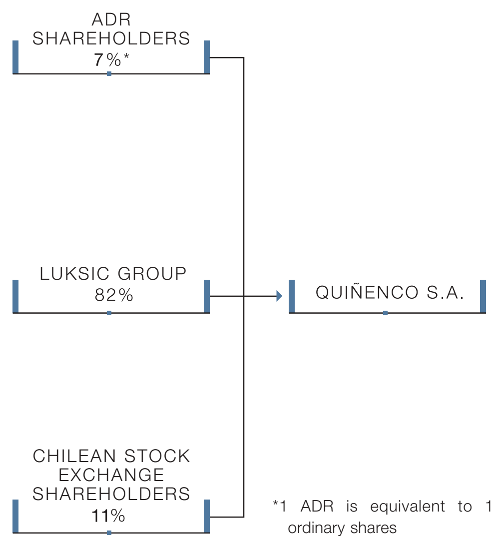
PERSONNEL (AS OF DECEMBER 31, 2003)

COMPANY	EXECUTIVES	PROFESSIONALS & TECHNICIANS	OTHER WORKERS	TOTAL
Quiñenco	12	15	10	37
Banco de Chile and subsidiaries	290	4,478	4,315	9,083
Madeco and subsidiaries	43	294	2,414	2,751
Telsur and subsidiaries	25	191	296	512
Lucchetti and subsidiaries	17	129	317	463
Hoteles Carrera	7	52	225	284
Other subsidiaries	14	93	41	148
TOTAL	**408**	**5,252**	**7,618**	**13,278**

As of December 31, 2003, the affiliate companies CCU and Habitaria had 3,901 and 59 employees, respectively.

shareholders

At the close of the year 2003, subscribed and paid-in capital was divided among 1,079,740,079 shares, held by 2,588 shareholders. The Company's shares are traded on the New York Stock Exchange and the Santiago Stock Exchange (Bolsa de Comercio de Santiago) since 1997. The twelve largest shareholders as of December 31, 2003 are:



*1 ADR is equivalent to 10 ordinary shares

CORPORATE I.D. #	NAME	SHARES	%
77.636.320-0	Inversiones Antofagasta Ltda.*	362,757,196	33.60
59.039.730-k	Ruana Copper A.G. Agencia Chile*	240,938,000	22.31
78.306.560-6	Sociedad Inmob. y de Inv. Río Claro Ltda.*	142,819,109	13.23
96.536.010-7	Inversiones Consolidadas S.A.*	124,819,108	11.56
59.030.820-k	The Bank of New York **	78,331,620	7.25
96.871.750-2	Inversiones Salta S.A.*	18,000,000	1.67
80.537.000-9	Larraín Vial S.A. Corredora de Bolsa	9,467,109	0.88
96.571.220-8	Banchile Corredores de Bolsa S.A.	9,151,314	0.85
96.684.990-8	Moneda S.A. A.F.I. para Pionero F.I. Mobiliaria	6,319,272	0.58
99.012.000-5	Compañía Seg. Vida Consorcio Nac. de Seguros S.A.	5,051,254	0.47
96.894.180-1	Bancard S.A.	4,788,213	0.44
98.000.400-7	A.F.P. Provida S.A. Fondo Tipo C	3,924,704	0.36
	TOTALES	**1,006,366,899**	**93.20**

* Companies related to the Luksic Group
** Depositary bank for ADR shareholders

Quiñenco is controlled 82.4% by the Luksic Group, through its companies Inversiones Antofagasta Ltda., Ruana Copper A.G. Agencia Chile, Inversiones Consolidadas S.A., Sociedad Inmobiliaria y de Inversiones Río Claro Limitada and Inversiones Salta S.A. All of these companies are linked to Antonio Andrónico Luksic Abaroa , Andrónico Mariano Luksic Craig and Guillermo Antonio Luksic Craig. There are no formal agreements as to the voting or disposition of shares between members of the Luksic Group.

Antonio Andrónico Luksic Abaroa indirectly holds a 95.3% interest in Inversiones Antofagasta Ltda. and a 100% interest in Ruana Copper A.G. Agencia Chile. Andrónico Mariano Luksic Craig and his family hold 100% of Inversiones Consolidadas S.A. and Inversiones Salta S.A., both directly and indirectly. Guillermo Luksic Craig holds a 99.9% direct interest in Sociedad Inmobiliaria y de Inversiones Río Claro Limitada.

the Quiñenco group and the community

Youngsters from underprivileged backgrounds are also among those sectors of the population that the Quiñenco Group considers in need of important assistance. Institutions such as Banco de Chile, CCU, Telsur and other group companies back campaigns to help children in need. An example of this is the "Del dolor a la Esperanza" campaign run by the Hogar de Cristo, as well as the "Compartir con un Amigo" campaign.

Culture

Bringing people closer to culture is another of the tasks taken on with gusto by the group over the years. In an unprecedented initiative, art exhibitions featuring contemporary Chilean artists in regional and local government facilities, as well as in schools, recreation centers, bars and restaurants have been sponsored by group companies.

The group has also made its presence felt in the sponsorship of sports and sporting teams, including sports and activities for the handicapped, family sports days, and international tournaments in golf, skiing and other pursuits.

In the world of music and entertainment, the group promotes large public events.

Environment

One of the basic principles of the companies that make up Quiñenco is to work in harmony with the environment and encourage nature conservation. Along these lines, one group company is dedicated to preserving native species, with the conviction that this will help provide people with a better quality of life. Each year it donates native trees in an effort to foment a culture of respect for the conservation of our natural heritage. This project has benefited kindergartens run by Fundación Integra, families from the Chile Barrio program, national parks and public hospitals around the country, to name just a few.

Working Towards a Developed Chile

Since its beginnings, the Quiñenco group has been committed to contributing to the development of Chile, to getting involved in those activities that go beyond the realms of business and give priority to support programs in the community. In this context, Quiñenco takes part in initiatives whose aim ranges from improving the quality of life for handicapped children and those from underprivileged families, to encouraging work practices which are attuned to the environment. The group is also active in campaigns directed at improving the health and education of all Chileans, promoting culture and encouraging participation in a diversity of sports activities.

Education

In recognition of the important role of education in the development of a country, the group sponsors top level seminars directed at different segments of the population, that seek to keep people informed of the latest developments in different interest areas.

Additionally, the group participates in programs designed to improve the education of underprivileged children. In this way, educational materials are provided to public schools, scholarships are offered at the primary, secondary and college level, and the group has participated in the donation of computer and laboratory equipment.

Children

When it comes to helping handicapped children, Chile's annual Teletón is without doubt one of the important works at a national level. We can proudly say that group companies have always been committed to being a part of the telethon, helping out not only with donations but also with time, dedication, teamwork, and enthusiasm.

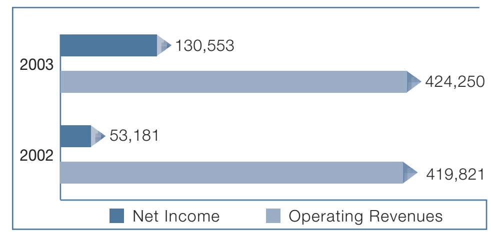
business activities

financial services

Banco de Chile

Banco de Chile
page 21

Banco de Chile



food & beverage

CCU / Lucchetti

CCU
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Lucchetti
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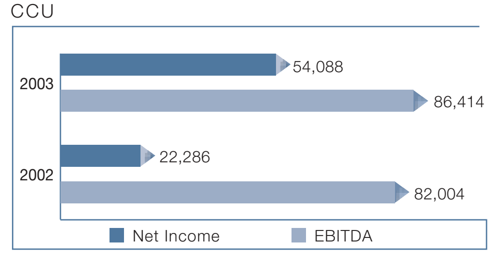
CCU



telecommunications

Telsur / Entel

Telsur
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Entel
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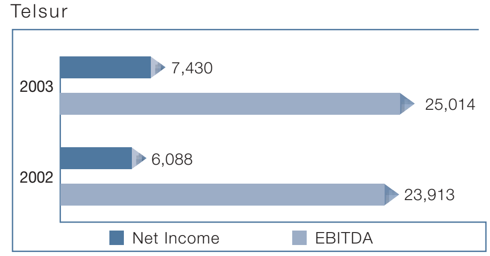
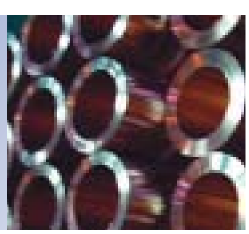
Telsur



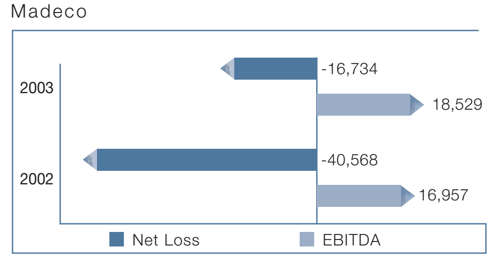
manufacturing



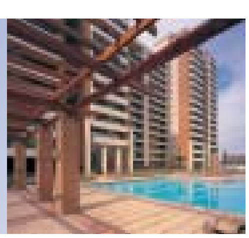
Madeco

Madeco
page 30

Madeco



real estate/hotel administration



Habitaria/Hoteles Carrera

Habitaria
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Hoteles Carrera
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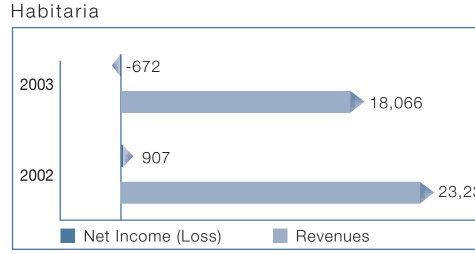
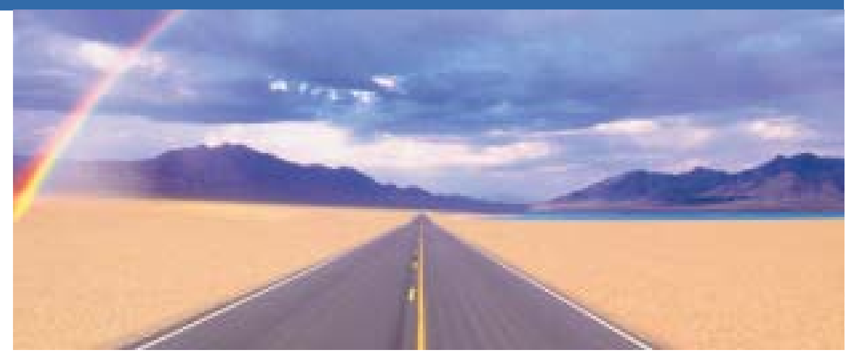
Habitaria



In millions of Chilean pesos as of 12/31/03

financial services



LQIF

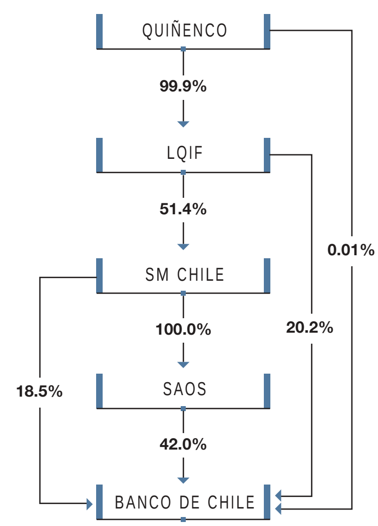
L Q I N V E R S I O N E S F I N A N C I E R A S S . A .

The subsidiary LQ Inversiones Financiera (LQIF) has been the holding company for Quiñenco's financial sector investments since the year 2000. Through its shareholdings in Banco de Chile and in SM Chile S.A., LQIF currently has 52.2% of the voting rights and 29.2% of the economic rights of Banco de Chile, one of the most important financial institutions in the domestic market.

The financial sector, in turn, is Quiñenco's most relevant business area. Its investments in the sector represent 63% of total corporate level assets and 69% of total investments. In 2003, in its full year of operations following its 2002 merger, Banco de Chile contributed Ch$38,047 million to Quiñenco's net profit, the most significant result of any of the group's operating companies.

Quiñenco has played a role in the Chilean financial system since the 1980s, and is among the most experienced conglomerates in this area with a long and successful track record, which includes the merger of Banco Santiago with Banco O'Higgins in 1997, the subsequent sale of this merged entity to Banco Santander Central Hispanoamericano (BSCH) in 1999, the acquisition of controlling stakes in Banco Edwards and Banco de Chile in 1999 and 2000, respectively, and the subsequent merger of these two institutions.

LQIF reported net profits in 2003 of Ch$13,463 million. These can be attributed mainly to LQIF's proportional share in the net income of related companies, primarily Banco de Chile, which reached Ch$38,041 million, partially offset by goodwill amortization expense associated with the 2001 acquisition of Banco de Chile and financial expenses incurred during the 2003 period.



LQIF'S STAKE IN BANCO DE CHILE	
Voting rights	52.2%
Dividend rights	29.2%
% of shares owned	
SM Chile	51.4%
Banco de Chile	20.2%

Banco de Chile

Banco de Chile is one of the most prestigious and highly regarded financial institutions in the country, with assets in excess of US$15.577 billion and net worth of US$1.172 billion. The bank boasts an 18.1% share of the Chilean market in terms of loans, 17.3% in deposits and 24.2% of all current accounts. Banco de Chile market capitalization at the end of last year rose to US$3.176 billion, after a 44% surge in the share price during 2003. This underlines the bank's attractiveness as an investment option in the Latin American market.

The company is a global bank operating with multiple products across all market segments. Its business strategy is aimed at maintaining leadership in corporate and personal banking and in financial products, three areas in which it has important competitive advantages. This is basically due to the quality of its service and the great variety and excellence of the products offered, as well as to its broad client base.

The bank's merger with Banco Edwards in January 2002 strengthened its capital position and broadened its financial flexibility. It also brought together two cultures, and in doing so enriched the new Banco de Chile with the best practices of two banks. In the high-end client segment, the Banco Edwards brand was kept on. CrediChile, meanwhile, drives sales in consumer credit. The bank defined the BanChile brand to pull together seven subsidiaries: stock brokerage; fund administration; factoring; insurance brokerage; financial advice; securitization; and debt collection (Socofin). The bank also participates in nine other support businesses. Banco de Chile services the public through 240 strong branches located throughout the country.

Among its principle objectives are to provide clients with top-quality services; to broaden its commission base through the incorporation and optimisation of products; to maintain the focus on improving efficiency – currently at about 53%, and develop its international operations. In this final aspect, it's worth highlighting that Banco de Chile has the largest share of the foreign trade finance market, at 23.9%. With branches in Miami and New York, the bank has been able to conduct important operations with Chilean companies, especially mid-sized firms involved in international trade.

One of the bank's goals is to grow in the mass

KEY FINANCIAL INFORMATION		12/31/2002	12/31/2003
Total loans	MCh$	6,167,763	6,242,123
Total consolidated assets	MCh$	8,679,770	9,249,902
Shareholders' equity	MCh$	624,412	695,676
ROAA		0.59%	1.44%
ROAE		8.9%	20.0%
Net financial margin		4.1%	3.8%
Efficiency ratio		59.7%	52.9%
Market share		18.6%	18.1%

consumer credit segment. At the moment, CrediChile's share of the loan portfolio is just 2.6% of the bank's total, leaving plenty of room for expansion.

In terms of competitiveness, Banco de Chile is proud to be the only Chilean company with a presence in three international equity markets. Apart from its listing on the Chilean stock exchanges, the company's shares are traded on the New York Stock Exchange (NYSE), the London Stock Exchange and the Madrid Stock Exchange (Latibex).

In 2003, the bank initiated a technological development project that will prove vital to its medium-term expansion. The project involves replacing the existing operational and technological platform with a system at the cutting edge of the banking sector. Once the system has been fully implemented, within about three years, costs are expected to drop, and the bank should experience a dramatic improvement in the quality of service and a sharper focus on various market segments. This will mean higher profitability per client and a healthier bottom line. The project is being rolled out in three phases, with personnel from each and every area of the bank dedicated full-time to implementation. Once finished, Banco de Chile will be firmly at the vanguard of banking technology, not only in Chile but at a global level.

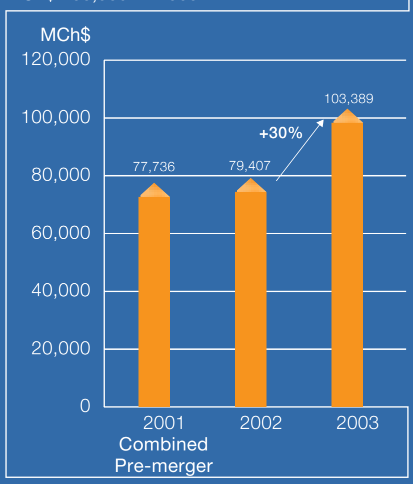
Looking ahead, the bank wants to increase its market share, and so capitalize on the commercial synergies that come with a broader client base. This should allow it to continue delivering profit and performance results well above the industry average.

2003 Results

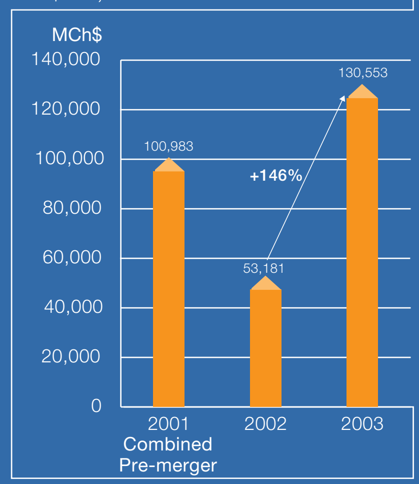
Banco de Chile reported net income of Ch$130,553 million for the year ended December 31, 2003, the highest level in its history. This represented an increase of 146% from 2002 net profit of Ch$53,161 million. The significant increase in net profit in 2003 was mainly attributable to lower provisions for loan losses, strong growth in fee income, higher loan recoveries and a sharp reduction in operating expenses, the effects of which more than offset a decline in the bank's net financial income and higher income taxes incurred during the period.

Operating revenue amounted to Ch$424,250 million, up 1.1% from

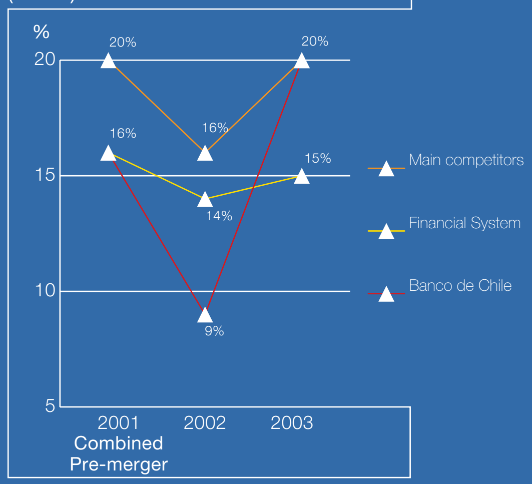
INCOME FROM SERVICES, NET
MCh$ 103,389 IN 2003



NET INCOME
MCh$ 130,553 IN 2003



RETURN ON AVERAGE EQUITY
(ROAE)



the Ch$419,821 million reported in 2002. Fee income, which accounted for 24.4% of operating revenues in 2003, was the main driver as both the banking and non-banking businesses experienced important fee income growth. As a result, fee income jumped by 30.2% to Ch$103,389 in 2003. To a lesser extent, gains on financial instruments also contributed to the increase in operating revenue, climbing from Ch$1,130 million to Ch$5,330 million, mainly attributable to earnings related to the sale of Argentine securities. These increases more than offset the decline in financial income, which fell by 7% to Ch$315,531 million, mostly as a consequence of the lower inflation rate of 1% which affected the amount of interest income earned on UF based assets, as well as the absence of repricing benefits.

Provisions for loan losses were cut by more than 40% to Ch$60,069 million, in tune with more positive economic indicators and performance in Chile, most notably GDP growth, employment levels, low interest rates and inflation levels. To a lesser extent, the 17% appreciation of the Chilean peso also contributed to lower provisions on foreign currency denominated loans.

As of December 2003, the Bank's loan portfolio varied slightly from the same period in 2002, having shown an increase of 1.2% over the last twelve months. The bank experienced growth in almost all of its loan segments, most notably the consumer loan and foreign trade loan areas.

Banco de Chile was the second ranked private bank in the country (in terms of loans) with a market share of 18.1%, according to information published by the Chilean Superintendency of Banks for the period ended December 31, 2003. Its return on capital and reserves for the twelve-month period was 23.1%, compared to 8.9% in 2002 when the bank was nearing completion of its merger process. The local financial system as a whole reported a return on capital and reserves of 16.6% in 2003, according to the same source, well below that of Banco de Chile.

food & beverage


CCU brewery in Temuco, Chile

CCU is Chile's largest beer producer, supplying about 89% of the domestic market. The company, which has been in business for over 150 years, is much more than a brewer, having added over the years a range of complementary activities such as the bottling and distribution of non-alcoholic beverages, mineral waters and fruit juices, and the production and distribution of pisco and wine.

Beer production and marketing in Chile is handled directly through the Cervercera CCU Chile subsidiary, which manages a wide range of products including Cristal, Morenita, Royal Guard, Royal Light, Escudo, Austral, Kunstmann, Lemon Stones, Orange Stones and others. At the same time, the business produces under licence, or imports, international brands of such renown as Heineken, Budweiser, Paulaner and Guinness.

In the international arena, the company is among the principle brewers and beer marketers in Argentina, with a variety of brands including Heineken, Budweiser, Schneider, Córdoba, Salta and Santa Fe. Beer production in Argentina is part of a long-term effort by the company to broaden its operational base and become an important player in the local market.

CCU produces soft drinks, which are bottled and distributed through the Embotelladoras Chilenas Unidas S.A. (ECUSA) subsidiary. Its products include Watt's, Orange Crush, Canada Dry Limón Soda, Canada Dry Ginger Ale, Canada Dry Agua Tónica, Gatorade, Pepsi and 7 Up – all made under licence – as well as the brands Bilz, Pap, Kem, Kem Xtreme and Show, all developed and owned by CCU. In the soft drinks segment, CCU has a 23% share of the local market. Apart from this, ECUSA produces the top-selling Cachantun and Porvenir mineral water brands, which together can claim 62% of the market.

The production and sale of wine is handled in Chile by Viña San Pedro, which includes the Santa Helena operation. These two wineries produce a wide range of varieties and brands, including Cabo de Hornos, 1865, Castillo de Molina, Las Encinas, 35 Sur, Urmeneta, Gato, Santa Helena and Etiqueta Dorada. In 2000, San Pedro bought Finca La Celia, in Mendoza, Argentina, which produces and commercializes the La Celia and La Consulta brands. Last year, in a joint venture with Agrícola y Ganadera Río Negro, the company created Viña Tabalí.

San Pedro is the third-largest selling winery in Chile, with a 17% market share. It is also the country's second-largest exporter, with a presence in about 70 countries around the world. To meet the demands of these markets, the company owns 2,900 hectares of plantations across Chile and Argentina, which supply about one-quarter of the production. The remaining supply is bought from other wine grape producers.

One of the big events for CCU in the 2003 reporting period was the entry of Heineken N.V., the world's second-largest brewer, into Inversiones y Rentas, the entity which together with Quiñenco controls 61.6% of CCU. As a result of this partnership, in June of last year CCU began producing Heineken beer in Chile and Argentina.

During 2003, CCU sold its interest in the Croatian brewer, Karlovacka Pivovara, to Heineken N.V., generating an attractive return on its original investment.

Last year also saw the creation of Pisconor, a CCU subsidiary dedicated to the production,

marketing and distribution of pisco under the brand name Ruta Norte. In under a year of operation, Pisconor has become the third-largest producer in the country, with a 12% market share in the 35 alcohol-grade class, and an 8% share of total sector sales. Pisconor produces and bottles Ruta Norte in a production plant located 8 kilometers from Vicuña, in Chile's 4th Region.

Finally, as part of a broader plan to develop complementary product lines, ECUSA acquired 50% of Calaf, a cookie and candy manufacturer, in a joint venture with Lucchetti, another Quiñenco-controlled company. The purchase takes the company into the ready-to-eat market, which it plans to cover through an extensive distribution network of more than 90,000 retailers.

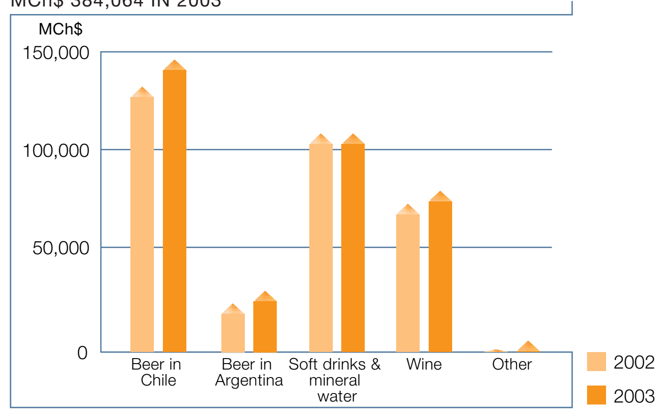
2003 Results

CCU's consolidated sales revenues rose by 9.9% to Ch$384,064 million, mainly attributable to a 9.0% increase in volume sold. With the exception of domestic wines, all of CCU's beverage segments experienced volume increases in 2003, most notably beer in Chile and Argentina. In general terms, volumes were influenced by the economic reactivation underway in Chile and to a certain extent, in Argentina, as well as by the addition of new products to CCU's portfolio. Higher average beer prices in Chile and Argentina more than compensated for the sharp drop in average wine prices during the year.

Operating income jumped by 20.2% to Ch$45,863 million in 2003, mainly due to strong growth in revenues in the beer segment in Chile both in terms of volume and average prices, as well as lower cost of goods sold and SG&A expenses as a percentage of sales. Additionally, the beer segment in Argentina improved considerably compared to

SALES

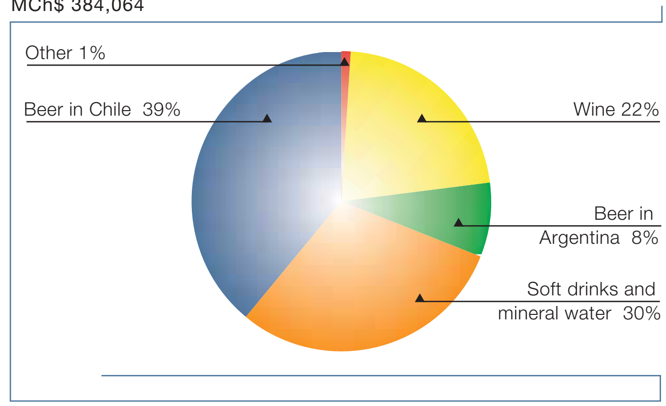
MCh$ 384,064 IN 2003



2002, reducing its operating loss by 67.2% to Ch$3,665 million in response to a somewhat improved economic scenario. These increases were partially offset by a sharp decline in the operating profit associated with the wine segment which fell from Ch$9,163 million to Ch$3,801 million as a consequence of significant reductions in export wine prices as well as a deterioration in the operating profit associated with soft drinks/mineral water segment, which suffered from higher COGS.

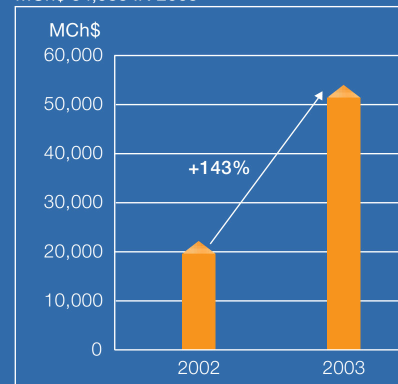
2003 SALES COMPOSITION

MCh$ 384,064

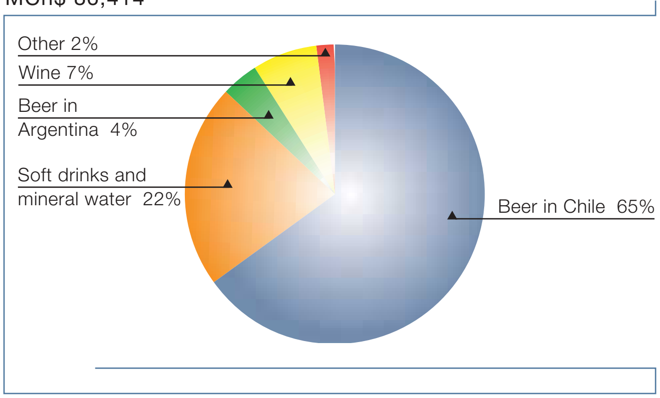


San Pedro winery in Molina, Chile

NET INCOME
MCh$ 54,088 IN 2003



2003 EBITDA BY SEGMENT
MCh$ 86,414



MARKET SHARE	2003	2002
Beer in Chile	89%	88%
Beer in Argentina	14%	13%
Soft drinks	23%	23%
Mineral water	62%	63%
Fruit juice	52%	50%
Domestic wine (VSP)	17%	17%
Export wine (VSP)	13%	13%

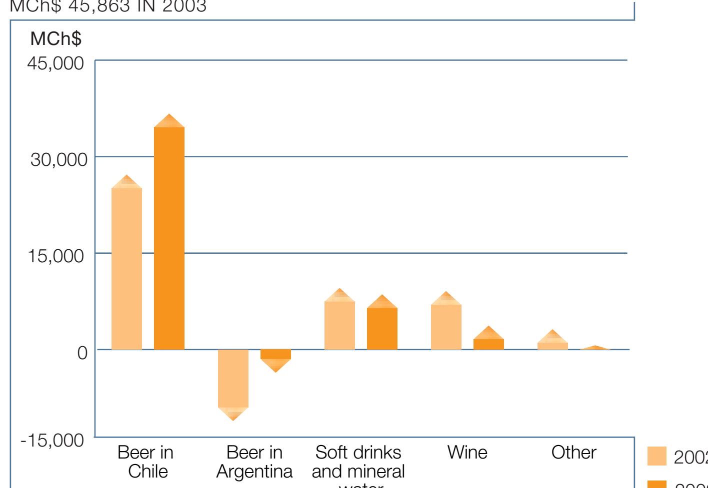
VOLUME SOLD (*)	2003	2002	VARIATION
Beer in Chile	3,710	3,502	+6%
Beer in Argentina	1,904	1,604	+19%
Soft drinks and mineral water	4,284	4,136	+4%
Domestic wine (VSP)	503	512	-2%
Export wine (VSP)	704	455	+55%
Pisco	32	-	n/a

(*) Thousands of hectoliters

CCU reported non-operating income of Ch$13,601 million, compared to a non-operating loss of Ch$7,131 million in 2002. The variation in non-operating results can mainly be explained by an extraordinary gain of Ch$20,321 million on the sale of CCU's investment in Karlovacka in 2003.

Net profit for the year amounted to Ch$54,088 million, an increase of 142.7% over 2002, as a result of the aforementioned improvements in both operating and non-operating results.

OPERATING INCOME
MCh$ 45,863 IN 2003



Lucchetti, the traditional food company linked to Quiñenco since the 1960s and renowned for its tasty and nutritious pastas, is undergoing a process of important change, which will culminate in 2004 with the sale of its main business.

After having sold its Argentine operation in 2001 and following the forced closure of its plant facilities on the outskirts of Lima, Peru, in early 2003, Lucchetti's only remaining business was its Chilean-based pasta, edible oil and soup operation. Under this scenario, the company decided to redirect its development strategy to the local ready-to-eat food market. Financed by a capital increase at the end of 2003, Lucchetti entered into a joint venture with CCU's soft drinks subsidiary, ECUSA, to acquire Calaf, a local cookies and candy manufacturer. Together, the two companies hope to capitalize on their combined distribution channels, synergies and known-how to explore this new business opportunity.

Unexpectedly, at the end of 2003, Lucchettit received an offer from a local food company to buy its Chilean pasta, edible oil and soup business for Ch$60,000 million. After an extensive evaluation, Lucchetti's Board of Directors decided to accept the offer in a deal which is expected to be finalized in the first half of 2004. Assuming that the sale goes through, it will mean the divestment of approximately 85% of Lucchetti's total consolidated assets. Thereafter, Lucchetti will concentrate on its investment in Calaf. It is also awaiting the resolution from arbitrators at CIADI in Washington on the Lucchetti Perú case.

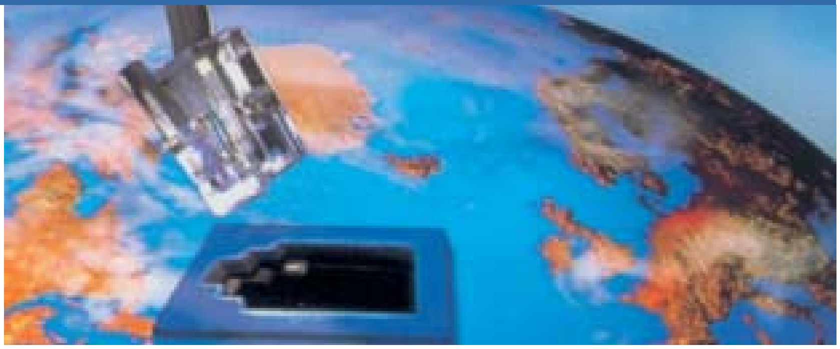
2003 Results

Lucchetti reported sales of Ch$59,115 million for the year 2003, down by 30.2% from 2002. The reduction in sales is mainly due to the discontinuation of activities in Peru following the forced closure of plant facilities in early 2003. Sales in Chile also experienced a downturn, falling from Ch$65,656 million in 2002 to Ch$59,115 million in 2003. Sales in Chile were affected by a sharp reduction in the volume of edible oils sold as the domestic market was flooded by Argentine imports. Pasta and soup sales in Chile rose by 5.2% and 22.1% respectively, although this did not compensate for the decline in edible oil sales.

Operating profit was Ch$2,894 million, up by 7% from the Ch$2,705 million reported in 2002. In 2002, the Peruvian operation generated operating losses of Ch$903 million. The absence of these losses in 2003 partly explain the positive variation in operating results, although a reduction in the operating profits attributable to the Chilean operations of Ch$714 million partially offsets this effect. Operating profits in the Chilean operations were mainly due to the aforementioned drop in sales of edible oils.

Non-operating losses amounted to Ch$6,733 million, compared to operating losses of Ch$40,119 million in 2002. 2002 non-operating results included the write-off of 100% of the investment in Peru of Ch$30,110 million following its forced closure, mainly explaining the variation between the two years. In spite of the aforementioned improvements at the operating and non-operating levels in 2003, Lucchetti reported a net loss of Ch$2,136 million for the year.

telecommunications



Telefónica del Sur

Over 100 years of experience in the market speak for Compañía Nacional de Teléfonos, Telefónica del Sur, the leading supplier of telecommunication services in the south of Chile.

The company is the direct concession holder for public service telephony in the 8th, 9th, and 11th regions with a total of 178,168 lines servicing commercial and residential clients in cities such as Concepción, Temuco, Osorno, Puerto Montt and Coyhaique, to name just a few.

Its services range from voice transmission to interconnection services and data transmission, covering a wide variety of band widths attuned to client requirements. To optimize its service, Telefónica del Sur has developed a number of independently operating subsidiaries, including Telsur Call Center, Telefónica del Sur Seguridad, Teléfonos de Coyhaique, Telefónica del Sur Intermedios and, since 2002, Blue Two Chile.

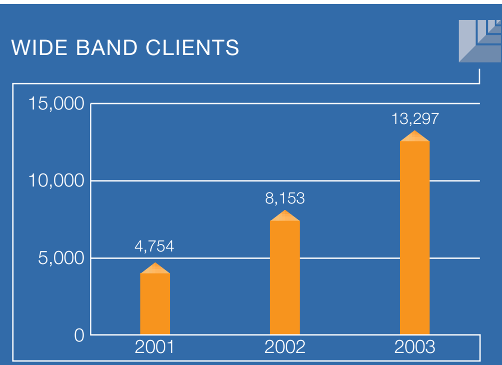
As a long-distance carrier, through its 121 Telefónica del Sur multi-carrier brand, the company relies on its modern fiber optic network to provide both national and international long-distance services. In Internet, Telefónica del Sur has invested in the most advanced technology on the market, and so has become a pioneer in direct access delivery of Internet and broadband ADSL.

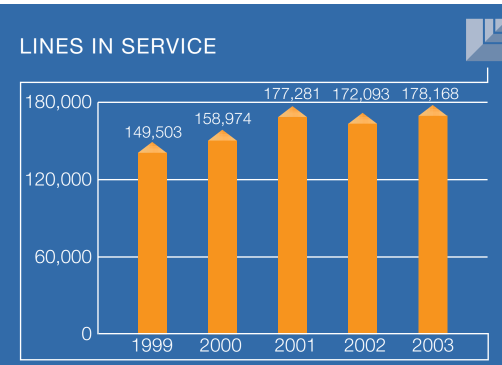
Blue Two Chile is worthy of special mention for having launched last year a revolutionary wireless communication system. With assistance from the government's development and innovation foundation (FDI-Corfo), the company installed the first network of wireless access points for broadband Internet reception in Chile. The network became the first public access system in the world based on WiFi and Bluetooth technology.

The new network means that people who move around a lot or travel for business can convert dead time into productive time by allowing them to make wireless connections from their laptops and electronic agendas (PDAs) to their homes or offices. Telefónica del Sur has installed various access points (known as "hot spots") around the country, starting with the main airports, hotels, service stations, cafés, restaurants and shopping malls, and going on to conference centers and public buildings. Clients at these hot spots can connect to the Internet and use services such as document-sharing, without time limits, from their portable computer equipment.

At this point it is worth noting that in recent years the telecommunications industry in Chile has undergone a deep transformation process. These changes have taken place partly due to modifications of the legal framework aimed at encouraging competition and moderating the power of the old monopolies. They can also be attributed to constant technological innovation, which has essentially determined new uses and mediums for the development of long distance transmission.

Given all this, Telefónica del Sur currently finds itself implementing a development plan that will allow it to take advantage of its favorable commercial position and strong technological platform. In effect, it will include the development of multi-service platforms, with a wide range of





MARKET SHARE	2003	2002
Concepción	12%	12%
Temuco	47%	45%
10th Region	82%	81%
11th Region	88%	87%

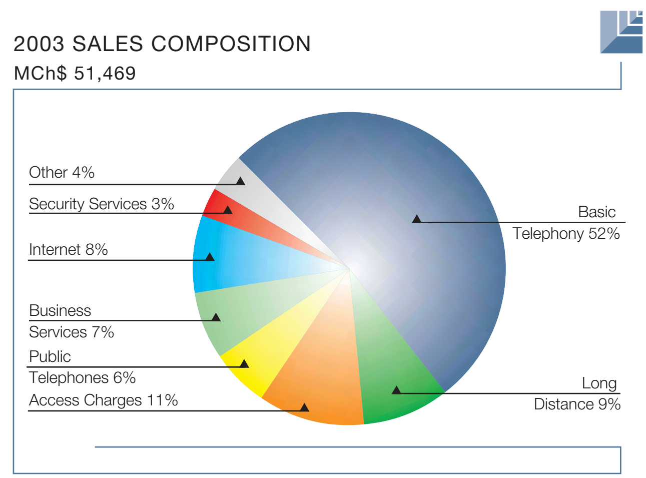
products, and more intensive use of existing networks, with the eventual expansion of these into other geographical areas.

2003 Results

Telsur's revenues reached Ch$51,469 million in 2003, an increase of 4.5% over the Ch$49,270 million reported in 2002. The increase in consolidated revenues mainly corresponded to Internet, security services and business services, which began to consolidate with Telsur (previously in the development stage) in 2002 (each service entered into the consolidation in different months of the year, distorting year-over-year comparisons). In 2003, these non-regulated services contributed 18% of total consolidated revenue. The increase in non-regulated services more than offset the decline in long distance and public telephony revenues experienced during the year. Basic telephony and access charge revenues were flat in 2003.

In spite of the increase in the company's sales level and a reduction of 2.1% in SG&A expenses, operating profit decreased by 6.9% to Ch$12,317 million in 2003. As Internet, security services and business services did not consolidate the entire year in 2002, a direct comparison of operating results is not possible. However, in general terms, the operating margin associated with these business segments does not yet fully compensate for the reduction in operating profit associated with traditional telephony services. As a result, the operating margin as a percentage of sales was 23.9%, down from 26.9% in 2002.

Net profit in 2003 amounted to Ch$7,430 million, representing a 22.0% increase from the Ch$6,088 million reported in 2002. The increase in bottom line results for the year was attributable to an improvement in non-operating results, as well as to the fact that in 2002 Telsur incurred extraordinary restructuring costs of Ch$1,541 million, which reduced net income for that year.

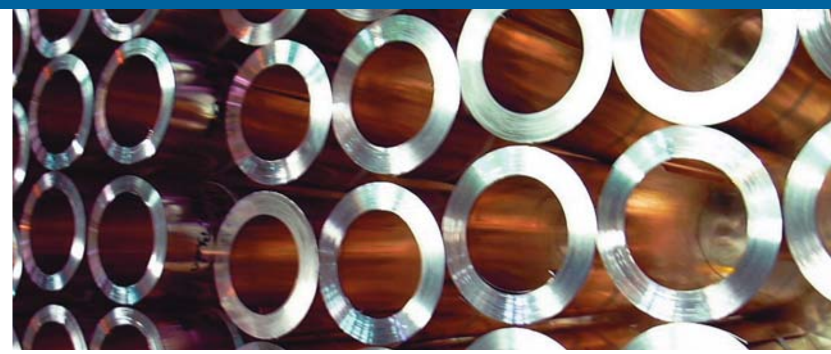


ENTEL

Since 1999, Quiñenco has maintained an investment in Entel, market leader in Chilean telecommunication services with more than four million mobile telephony, long distance and Internet clients.

In 2003 Entel reported profits of Ch$59,977 million, up 44% from 2002, of which Ch$3,414 million corresponded to Quiñenco's 5.7% proportionate share under the equity-investment method.

manufacturing



Madeco is an industrial company with an important presence in Chile, Brazil, Peru and Argentina. Its productive activities are concentrated in four main areas: copper and aluminum cables; brass mill products; flexible packaging and aluminum profiles.

The regional growth strategy employed by Madeco in its development stage – when it invested in production in Chile, and in corporate acquisitions abroad – was based on using economies of scale in production, marketing and access to primary resources. This has allowed Madeco to become one of the leading producers in the region.

Madeco commands a competitive position in the cable business in Chile, Peru and Brazil. In Argentina, Decker-Indelqui has partially reopened its brass mill and foundry operation – after a temporary shutdown in 2002 – in the hope of an important recovery in domestic demand.

Madeco is currently focused on a long range performance plan, involving an industrial and commercial restructuring of the parent company and its subsidiaries, aiming at improving productive and operational efficiency and also sales, affected by the stagnant investment levels in the company's main markets, particularly Brazil and Argentina. The objective is to recover market share to historic levels and prepare the company for the challenges of a reinvigorated business environment.

It's worth highlighting that last year Madeco strengthened considerably its financial structure, after carrying out a vital Ch$95,114 million capital increase. It also completed a financial restructuring, begun at the end of 2002, which allowed it to stabilize its solvency and reduce debt by 33% between December 2002 and 2003. Madeco also reached an agreement with its creditors to restructure about US$120 million of debt, stretching terms to seven years with a three-year grace period.

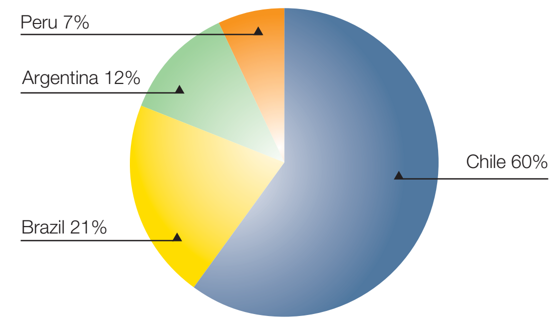
2003 Results

Madeco's sales level declined by 8.2% to Ch$237,666 million in 2003. The deterioration in sales during the year was mainly attributable to lower cable sales, particularly in Brazil. Cable unit sales fell as a consequence of weak demand for metal cables in Brazil, which affected sales volumes as well as the effect on sales of the appreciation of the Chilean peso vis-à-vis the US dollar under Chilean GAAP.

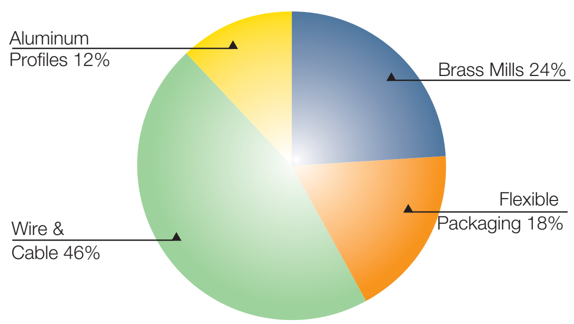
In spite of the sharp decline in sales, Madeco reported an 84.4% increase in operating profit, which reached Ch$7,457 million in 2003. The rise in operating profit was attributable to a company-wide decrease in SG&A expenses, which more than offset the decline in gross profit associated with the company's lower sales level. The operating margin as a percentage of sales was 3.1% in 2003, compared to 1.6% in 2002.

Madeco reported non-operating losses of Ch$22,076 million, down from the Ch$48,050 million reported in 2002, mostly explained by lower non-operating expenses (-44%), a reduction in interest expense

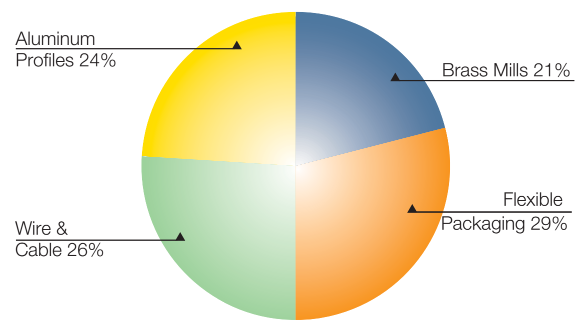
ASSETS BY COUNTRY
MCh$ 353,676



2003 SALES COMPOSITION
MCh$ 237,666



2003 EBITDA BY BUSINESS UNIT
MCh$ 18,529



(-35.4%) and the absence of exchange rate losses (-97.6%). Other non-operating expenses amounted to Ch$11,323 million and included a provision for a loss on Madeco's investment in Optel of Ch$4,917 million and the write-off of assets in Argentina and in Madeco's coin blank subsidiary, Armat, for Ch$3,141 million and Ch$1,302 million, respectively.

In spite of the marked improvement at the operating level in all of Madeco's business units except wire and cable, the company's bottom line for the year 2003 directly reflects the aforementioned non-operating losses. The net loss for the period amounted to Ch$16,734 million, significantly less than the Ch$40,568 million loss reported in 2002, a year in which the company was also impacted by low investment levels in the region and further aggravated by the Argentine crisis.

MARKET SHARE	2003	2002
WIRE & CABLE		
Chile	30%	31%
Brazil	18%	18%
Peru	64%	56%
Argentina	4%	4%
BRASS MILLS		
Chile	57%	55%
Argentina	13%	12%
Coin blanks	5%	6%
FLEXIBLE PACKAGING		
Chile	26%	26%
Argentina	8%	7%
ALUMINUM PROFILES	76%	73%

real estate/hotel administration

HABITARIA

CARRERA
Hotel & Towncenter
one of The Leading Hotels of the World

Habitaria is a joint venture created in 1998 between Quiñenco and Ferrovial Inmobilaria Chile Ltda, an indirect subsidiary of Ferrovial Inmobilaria S.A., one of the largest and most respected construction companies in Spain. Habitaria's main business is the development of real estate projects aimed at first home buyers in the middle- and high-income brackets.

The company's focus is on urban development, based on comfort, security and healthy family living. Since 1998, it has developed nine projects in diverse sectors of Santiago and the adjoining 5th Region, the two most urbanized areas of Chile. In 2003, Habitaria invested UF302,992 (approximately US$8.6 million) in the development of real estate projects.

2003 Results

Habitaria reported a net loss of Ch$672 million in 2003, compared to a net profit of Ch$907 million in 2002. During 2003, Habitaria's sales dropped by approximately 22% to Ch$18,066 million. 2003 sales were further impacted by the poor market conditions which prevailed throughout most of the year, with a particularly weak demand for housing. During 2003, Habitaria recorded sales corresponding to 275 units, well below the 436 units sold in 2002, although the sales mix favored higher priced housing units.

As of December 31, 2003, Habitaria had pre-sold an additional 52 apartments to be delivered in future periods (not included in 2003 sales revenues). Its inventory of finished stock as of December 31, 2003 (excluding pre-sold units as of the same date) was 218 apartments and homes. During 2004, Habitaria is expected to finish constructing three additional phases of ongoing projects.

With the satisfaction of having positioned Hotel Carrera among the most prestigious and best known five-star establishments in Chile, but also having observed a sustained decrease in occupation rates over the years because of the gradual shift of the business and hotel district of the capital to the eastern suburbs, Quiñenco opted to accept a US$23.7 million offer from the Chilean government in 2003. The seventeen story, 25,000 square meter Hotel Carrera building will be used as the new headquarters for the Foreign Affairs Ministry.

It is important to highlight the fact that the building, which for 63 years was considered the bulwark of the civic center of Santiago, will remain part of the national heritage of the country, together with the Palacio de la Moneda, the presidential palace, situated next to the Carrera building.

Outside the capital city, Hoteles Carrera owns – or operates – the four-star Hotel Araucano in Concepción and three other hotel establishments in the north of Chile. These include the La Serena Resort and conference center and the Carrera Club Resorts in Iquique and Antofagasta. The rental contracts on the northern hotels expire in 2004.

2003 Results

The Santiago Hotel Carrera was sold in November 2003 pursuant to an agreement with the Ministry of Foreign Affairs of Chile for UF832,000. Prior to its sale, the Santiago hotel was Hoteles Carrera's main asset, accounting for approximately 60% of consolidated revenues. Following the disposal, Carrera's activities are limited to operating a wholly-owned four star hotel in Concepción as well as three leased hotels in the north of Chile. The leases on the northern hotels expire during 2004. Hoteles Carrera reported a loss on the sale of the Santiago hotel of Ch$4,713 million, which mostly explains the net loss of Ch$5,315 million reported for the year 2003.

corporate affairs

CORPORATE HEADQUARTERS

Quiñenco's corporate headquarters are located in the El Golf sector of Santiago at Enrique Foster Sur #20, Las Condes. Its offices occupy approximately 2,500 square meters.

INVESTMENT POLICY

Most of Quiñenco's resources are dedicated to companies under its control, either directly or in conjunction with strategic partners. Resources may also be used to invest in industries or companies that it believes will strengthen the Group's growth potential.

Quiñenco seeks out investment opportunities in companies with a strong brand orientation and in industries where it has proven experience. In the past, the Company has formed strategic alliances in order to obtain financing and know-how.

FINANCING POLICY

Quiñenco finances its activities and investments with dividends and profit distributions from its operating companies and with funds obtained from the sale of assets and the issuance of debt and equity instruments.

The Company prioritizes long-term financing so as to maintain a liability structure that reflects the liquidity of its assets and whose maturity profiles are compatible with its cash flow generation capacity

RISK FACTORS

The primary risks affecting Quiñenco and its subsidiaries are those risks inherent to the markets and economies in which each business operates, in Chile and abroad. These risks are reflected in the prices, costs and sales volumes of the products and services of every business the Company is involved in.

Quiñenco is predominantly engaged in business in Chile. Consequently, its results of operations and financial condition are to a large extent dependent on the overall level of economic activity in Chile. The Chilean economy had GDP growth rates of (0.8%), 4.2%, 3.1%, 2.1% and 3.2% for the years 1999, 2000, 2001, 2002 and 2003, respectively. There can be no assurance regarding future rates of growth relating to the Chilean economy. Some of the factors that would be likely to have an adverse effect on the Company's business and results of operations include future downturns in the Chilean economy, a return to the high inflation experienced by Chile in the 1970s and a devaluation of the Chilean peso relative to the U.S. dollar.

In addition to its operations in Chile, some of Quiñenco's businesses operate in and export to companies that operate in and export to Argentina, Brazil, Peru and other countries in Latin America that have at various times in the past been characterized by volatile and frequently unfavorable economic, political and social conditions. The Company's business, earnings and asset values may be materially and adversely affected by developments with respect to inflation, interest rates, currency fluctuations, government policies, price and wage controls, exchange control regulations, taxation, expropriation, social instability and other political, economic or diplomatic developments in or affecting the specific countries in which the Company operates and Latin America in general.

Historically, Quiñenco and its group companies have required significant amounts of capital to finance their operations and expand their businesses. As such, future growth is directly related to the Company's access to capital. In the past, Quiñenco and its group companies have met their capital needs with internally generated cash flow and with the issuance of debt and equity. Nonetheless, there is no assurance that funds will be readily available to finance the future capital needs and expansion plans of the Company. The inability to raise capital could severely impede Quiñenco from growing in the future, either in its existing businesses or in new businesses, thereby producing an adverse effect on the Company's financial position and its results from operations.

As a holding company, Quiñenco's debt service and repayment capacity, as well as it ability to make dividend distributions, depends on the level of dividends and profit distributions it receives from its subsidiary and affiliate companies. The payment of dividends by subsidiary companies, equity investments and related companies is, in certain instances, subject to restrictions and is contingent upon their earnings and cash flows. In addition, Quiñenco's level of income has largely depended on the periodic sale of assets held for investment. There can be no assurance that Quiñenco will be able to continue to rely on certain subsidiaries' dividends and distributions nor that the it will be able to generate the level of gains on the sale of investments that it has shown in the past.

Another risk factor the Company faces is associated with interest rates. A significant portion of Quiñenco's debt is subject to variable interest rates, which could have an impact on the company in periods in which the variable rate rises. A risk also exists with respect to exchange rate fluctuations on debt instruments maintained in foreign currencies.

Many of Quiñenco's businesses are publicly traded entities whose equity value may vary depending on market value fluctuations. The equity value of Quiñenco's investments could be affected by downturns in the Chilean securities markets and other securities markets, such as the New York Stock Exchange where the equity securities of CCU, Madeco and Banco de Chile are also traded. In addition, should publicly-traded shares experiment low trading volumes, price and share liquidity could be affected.

Quiñenco is exposed to the fluctuation in inventory values in some of its subsidiaries.

INSURANCE

Quiñenco and its subsidiaries maintain annual insurance policies with leading insurance providers that cover all relevant assets, including buildings, machinery, vehicles, raw materials, work-in-progress, finished goods, etc. The policies cover damages caused by fire, earthquake and other contingencies.

DIVIDEND POLICY

At the Annual Shareholders' Meeting to be held on April 30, 2004, the Board of Directors will propose to maintain its dividend policy of distributing at least 30% of annual net profits.

DIVIDEND NUMBER	PAYMENT DATE	DIVIDEND PER SHARE*	TOTAL DIVIDEND*	FOR THE YEAR ENDED DECEMBER 31ST
N° 11	05-12-99	Ch$7.31819	ThCh$7,901,743	1998
N° 12	05-04-00	Ch$44.54132	ThCh$48,093,048	1999
N° 13	10-05-02	Ch$5.74560	ThCh$6,203,753	2001
N° 14	09-01-04	Ch$11.24745	ThCh$12,144,323	Interim 2003

* historic figures

DISTRIBUTION OF INCOME

Net income for 2003 totaled Ch$37,694,846,245. The Board of Directors has proposed to distribute 2003 net income as follows:

1) Absorption of the accumulated deficit from the development period of Ch$276,462,499.
2) Payment of a dividend of Ch$18,847,424,544 corresponding to the distribution of 2003 net income as follows:
   a) Interim dividend N° 14 of Ch$12,144,322,552 paid on January 9, 2004.
   b) Payment of a minimum obligatory dividend of Ch$4,168,521,224, to be deducted from Interim dividend N° 14 which has already been paid.
   c) Payment of an additional dividend of Ch$7,975,801,328, to be deducted from Interim dividend N° 14 which has already been paid.
   d) Payment of a final dividend of Ch$6,703,101,992 to be paid following approval by shareholders at the General Ordinary Shareholders' Meeting.
3) Allocation of the balance of Ch$18,570,959,202 to retained earnings. The proposed dividend distribution corresponding to 2003 net income is equivalent to 50% of net earnings for the year.

CALCULATION OF ALLOWABLE DIVIDEND DISTRIBUTION	ThCh$
Net Income 2003	37,694,846
Accumulated deficit from development period	(276,462)
Allowable distribution of 2003 earnings	37,418,384
2003 dividend as a percentage of allowable distribution	50.37%
Amortization of negative goodwill (consolidated)*	23,523,313

* In conformance with Circular N°368 of the SVS, amortization of negative goodwill for a given period may not be considered as part of distributable net income for the purpose of calculating the minimum obligatory dividend, but may be considered in calculating an additional dividend.

BOARD COMPENSATION

As agreed upon at the Annual Shareholders' Meeting held in 2003, compensation paid to members of the Board of Directors during the year was as indicated below (per diem, profit sharing and other remunerations, respectively):

Guillermo Luksic Craig, ThCh$4,396, ThCh$0 and ThCh$948,234 (ThCh$4,435, ThCh$10,694 y ThCh$0 in 2002); Andrónico Luksic Craig, ThCh$714, ThCh$0 and ThCh$948,234 (ThCh$740, ThCh$10,694 and ThCh$0 in 2002); Jean Paul Luksic Fontbona, ThCh$1,366, ThCh$0 and ThCh$0 (ThCh$1,034, ThCh$10,694 and

SHARE TRANSACTIONS IN 2002 AND 2003 BY CONTROLLING SHAREHOLDERS

2003	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	TRANSACTION AMOUNT (*) PURCHASED ThCh$	TRANSACTION AMOUNT (*) SOLD ThCh$	PRICE PER SHARE (*) PURCHASED Ch$	PRICE PER SHARE (*) SOLD Ch$
Inversiones FCAB Ltda.	-	(362,757,196)	-	-	-	-
Inversiones Antofagasta Ltda.	362,757,196	-	-	-	-	-
2002	**In 2002, the controlling shareholders did not purchase or sell any shares of the company.**					

ThCh$0 in 2002); Philip Adeane, ThCh$0, ThCh$0 and ThCh$0 (ThCh$0, ThCh$10,694 and ThCh$0 in 2002); Hernán Büchi Buc, ThCh$2,376, ThCh$0 and ThCh$0 (ThCh$1,922, ThCh$10,694 and ThCh$0 in 2002); Joaquín Errázuriz Hochschild, ThCh$2,555, ThCh$0 and ThCh$0 (ThCh$2,217, ThCh$10,694 and ThCh$0 in 2002); Juan Andrés Fontaine Talavera, ThCh$2,229, ThCh$0 and ThCh$0 (ThCh$1,775, ThCh$10,694 and ThCh$0 in 2002); Gonzalo Menéndez Duque, ThCh$2,377, ThCh$0 and ThCh$0 (ThCh$2,217, ThCh$10,694 and ThCh$0 in 2002); Vladimir Radic Piraíno, ThCh$2,408, ThCh$0 and ThCh$0 (ThCh$1,921, ThCh$10,694 and ThCh$0 in 2002) and Matko Koljatic ThCh$1,607, ThCh$0 and ThCh$0 (ThCh$0, ThCh$0 and ThCh$0 in 2002). In addition, Joaquín Errázuriz Hochschild, Gonzalo Menéndez Duque and Vladimir Radic Piraíno were compensated for their service on the Directors' Committee in the amounts of ThCh$4,067, ThCh$4,235 and ThCh$4,067 (ThCh$2,361, ThCh$2,361 and ThCh$2,361 in 2002), respectively.

The following Quiñenco board members received compensation for their services as board members of subsidiary companies as indicated below:

- In Banco de Chile (per diem and fees, respectively), Guillermo Luksic Craig, ThCh$23,663 and ThCh$40,547 (ThCh$25,679 and ThCh$39,745 in 2002); Andrónico Luksic Craig, ThCh$19,475 and ThCh$81,094 (ThCh$14,036 and ThCh$79,489 in 2002) and Gonzalo Menéndez Duque, ThCh$146,242 and ThCh$58,313 (ThCh$108,400 and ThCh$75,258 in 2002).
- In Madeco S.A. (per diem and fees, respectively), Guillermo Luksic Craig, ThCh$1,879 and ThCh$0 (ThCh$3,687 and ThCh$0 in 2002); Andrónico Luksic Craig, ThCh$749 and ThCh$0 (ThCh$736 and ThCh$844 in 2002); Jean Paul Luksic Fontbona, ThCh$940 and ThCh$0 (ThCh$556 and ThCh$0 in 2002) and Hernán Büchi Buc, ThCh$2,443 and ThCh$8,888 (ThCh$3,318 and ThCh$10,887 in 2002).
- In Telefónica del Sur S.A. (per diem and profit sharing, respectively), Guillermo Luksic Craig, ThCh$6,337 and ThCh$26,292 (ThCh$8,283 and ThCh$26,161 in 2002) and Gonzalo Menéndez Duque, ThCh$10,052 and ThCh$29,435 (ThCh$9,252 and ThCh$31,642 in 2002).
- In Empresas Lucchetti S.A. (per diem and fees, respectively), Guillermo Luksic Craig, ThCh$3,849 and ThCh$13,791 (ThCh$2,364 and ThCh$13,782 in 2002); Andrónico Luksic Craig, ThCh$1,188 and ThCh$13,790 (ThCh$1,774 and ThCh$13,782 in 2002); Hernán Büchi Buc, ThCh$11,258 and ThCh$0 (ThCh$10,654 and ThCh$0 in 2002) and Matko Koljatic, ThCh$1,475 and ThCh$0 (ThCh$4,147 and ThCh$0 in 2002).
- In Hoteles Carrera S.A. (per diem), Joaquín Errázuriz Hochschild, ThCh$1,779 (ThCh$1,628 in 2002) and Vladimir Radic Piraíno, ThCh$2,073 (ThCh$1,923 in 2002).

SHARE TRANSACTIONS IN 2002 AND 2003 BY OFFICERS AND EXECUTIVES OF THE COMPANY

	NUMBER OF SHARES PURCHASED (SOLD)		TRANSACTION AMOUNT (**) PURCHASED (SOLD)		PRICE PER SHARE (**) (***) PURCHASED (SOLD)	
	2003	2002(*)	2003 ThCh$	2002 ThCh$	2003 Ch$	2002 Ch$
Francisco Pérez Mackenna (CEO) (*)	(334,801)	-	(145,643)	-	(435.01)	-
Martín Rodríguez Guiraldes (Executive) (*)	(83,188)	-	(36,188)	-	(435.01)	-
Pedro Marín Loyola (Executive) (*)	(38,665)	-	(16,820)	-	(435.01)	-
Alessandro Bizarri Carvallo (Executive) (*)	(49,210)	-	(21,407)	-	(435.01)	-
Luis Fernando Antúnez Bories (Executive) (*)	(145,367)	-	(63,237)	-	(435.01)	-
Felipe Joannon Vergara (Executive) (*)	(179,439)	-	(78,058)	-	(435.01)	-
Oscar Henríquez Vignes (Executive) (*)	(37,493)	-	(16,310)	-	(435.01)	-
Manuel José Noguera (Executive) (*)	(179,439)	-	(78,058)	-	(435.01)	-
Sergio Cavagnaro Santa María (Executive) (*)	(79,673)	-	(34,659)	-	(435.01)	-
Davor Domitrovic Grubisic (Executive) (*)	(36,322)	-	(15,801)	-	(435.01)	-
Jorge Tagle Ovalle (Ex Executive) (*)	(53,896)	-	(23,446)	-	(435.01)	-
Luis Hernán Paúl (Ex Executive) (*)	(542,371)	-	(282,849)	-	(521.50)	-
Juan Correa Garcia (Ex Executive)	-	(13,788)	-	(6,067)	-	(440.00)
Patricio León Délano (Ex Executive)	(11,781)	(159,347)	(6,421)	(46,211)	(545.02)	(299.00)
Sergio Guzmán Lagos (Ex Executive)	(91,344)	-	(31,514)	-	(345.00)	-
Total	(1,862,989)	(173,135)	(850,411)	(52,278)		

* Corresponds to long-term incentive plan ** Historic figures *** Average price

STOCK SHARE PRICE AND VOLUME TRADED

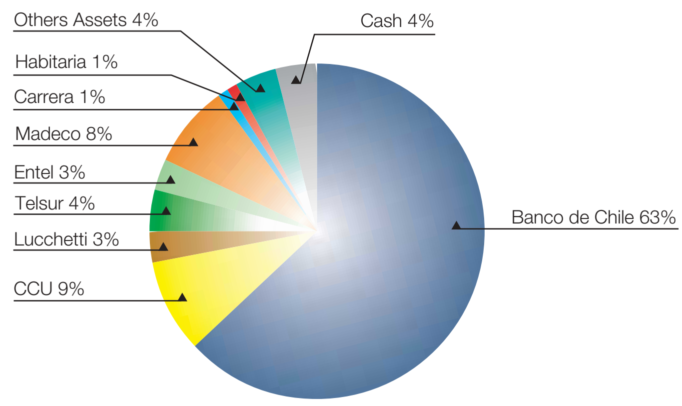
The following table sets forth on a quarterly basis, the average share price and volume traded on the Santiago Stock Exchange during the last three years:

PERIOD	NUMBER OF SHARES	TRANSACTION AMOUNT (*) ThCh$	AVERAGE PRICE (*) Ch$
2003			
1st Quarter	36,834,844	13,198,888	358.33
2nd Quarter	32,575,377	13,300,895	408.31
3rd Quarter	19,140,097	8,770,464	458.22
4th Quarter	29,867,419	16,098,687	539.00
2002			
1st Quarter	6,418,134	2,865,831	446.52
2nd Quarter	13,444,833	4,624,507	343.96
3rd Quarter	9,053,587	2,490,600	275.10
4th Quarter	14,897,151	4,649,265	312.09
2001			
1st Quarter	15,443,669	6,622,534	428.82
2nd Quarter	11,447,275	4,995,221	436.37
3rd Quarter	10,582,837	5,243,839	495.50
4th Quarter	6,245,261	2,786,740	446.22

(*) Historic figures

COMPOSITION OF ASSETS

AS OF DECEMBER 31, 2003 MCh$ 988,378



Corporate level (Quiñenco and intermediate holding companies)

MANAGEMENT COMPENSATION

Compensation paid to Quiñenco's main executives during the year 2003, including salaries, benefits and performance bonuses, totaled ThCh$3,614,553.

INCENTIVE PLAN

In March of 2000, a long-term management incentive plan was established for the Company's main executives. As of December 31, 2003 loans granted to acquire shares of Quiñenco and its subsidiaries at market price amounted to ThCh$3,148,998. The loans, expressed in UF, repayable in annual installments, and the shares acquired, are delivered in guarantee and may be delivered in payment. The plan was made in accordance with the directives of the Board of Directors on March 8, 2000.

DIRECTORS' COMMITTEE

The Directors' Committee is composed of Gonzalo Menéndez Duque, Chairman, Vladimir Radic Piraino and Joaquín Errázuriz Hochschild. The committee meets on a monthly basis and Francisco Pérez Mackenna, CEO, Luis Fernando Antúnez, CFO, and Fernando Silva Lavín, Controller, are also regular participants at each session.

The Audit Committee, in accordance with Article 50 of the Corporations Law (Ley de Sociedades Anónimas) and its predetermined meeting schedule, carried out the following activities in 2003:

a) An examination of and subsequent report on the type of operations referred to in Articles 44 and 89 of the Corporations Law. The Committee reviewed in detail the information relative to the following transactions: 1) a US$19 million loan granted to the subsidiary, Hidroindustriales Overseas Company, by Andsberg Finance Corporation, a financial institution related to the controlling shareholder and 2) development of a rental system of airplanes owned by the subsidiary Inversiones Punta Brava S.A. and the affiliate Transportes y Servicios Aéreos S.A. to related companies and persons.
b) A review of the salary and compensation packages of Quiñenco's main executives and approval of a modification to the long-term incentive plan in accordance with the directives of the Sarbanes-Oxley Law.
c) Review and approval of the Company's Form 20-F for the year 2002 that was registered with the Securities and Exchange Commission of the United States.
d) Review of the Sarbanes-Oxley Law as applicable to the Company.
e) A review of the reports issued by the Company's external auditors, including the Internal Control Report periodically sent to the Company's administration. Prior to the presentation of the 2003 Audited Financial Statements to shareholders, the committee reviewed the documents.
f) The committee proposed to the Board of Directors the designation of Ernst & Young Servicios Profesionales de Auditores y Asesorías Limitada as external auditors for the year 2004. If this firm for whatever reason can not be contracted, it would then propose PriceWaterhouseCoopers, and as a third alternative, Deloitte & Touche. Feller Rate and Humphreys were proposed as the Company's risk classifiers.

BOARD OF DIRECTOR EXTERNAL CONSULTING EXPENSES

In 2003, the Board of Directors did not incur any expenses with respect to external consultants.

EMPLOYEE SEVERANCE PAYMENTS

In 2003, the Company incurred expenses associated with severance payments to its managers and key executives of ThCh$85,419.

summarized consolidated financial statements

as of december 31, 2003 and 2002

QUIÑENCO S.A.

summarized consolidated financial statements

as of and for the years ended december 31, 2003 and 2002

(a translation of the summarized consolidated financial statements originally issued in Spanish see note 2b))

contents

$	- Chilean pesos
ThCh$	- Thousands of Chilean pesos
MCh$	- Millions of Chilean pesos
US$	- United States dollars
ThUS$	- Thousands of United States dollars
MUS$	- Millions of United States dollars
UF	- The Unidad de Fomento ("UF") is an inflation-indexed peso – denominated monetary unit. The UF is set daily in advance based on changes in the previous month's inflation rate

QUIÑENCO S.A.

report of independent auditors

(Translation of a report originally issued in Spanish – See Note 2)

To the Board of Directors and Shareholders
Quiñenco S.A. and subsidiaries:

1. We have audited the accompanying consolidated balance sheets of Quiñenco S.A. and subsidiaries (the "Company") as of December 31, 2002 and 2003 and the related consolidated statements of income and cash flows for each of the years then ended December 31, 2003. These financial statements (including the accompanying notes) are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements, based on our audits. We did not audit the consolidated financial statements of the subsidiary Madeco S.A. and subsidiaries, which statements reflect total assets of ThCh$353,675,790 and ThCh$381,933,599 as of December 31, 2003 and 2002 respectively, and total revenues of ThCh$237,666,031 and ThCh$258,845,421 for the years then ended. In addition, we did not audit the consolidated financial statements of the Compañía Cervecerías Unidas S.A., an equity method investment which represented ThCh$85,869,248 and ThCh$134,807,308 of total assets as of December 31, 2003 and 2002 respectively and accounted for ThCh$16,656,559 and ThCh$6,861,853 of net income in 2003 and 2002 respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these companies, is based solely on the reports of the other auditors. Our responsibility is to issue an opinion on the consolidated financial statements of Quiñenco S.A. and subsidiaries based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

3. In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Quiñenco S.A. and subsidiaries as of December 31, 2002 and 2003 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in Chile.

4. As described in Note 26-2 to the consolidated financial statements of Quiñenco S.A. and subsidiaries and in accordance with Law N°19,396 the subordinated debt obligation with the Chilean Central Bank assumed by Sociedad Matriz del Banco de Chile S.A. through its subsidiary Sociedad Administradora de la Obligación Subordinada S.A. has not been recorded in the consolidated financial statements of Quiñenco S.A.

5. The notes accompanying this report are a summarized version of the financial statements filed with the Chilean Superintendency of Securities and Insurance, over which we have also issued a similarly dated audit opinion and which include additional information required by the Chilean Superintendency of Securities and Insurance. Management believes that these additional disclosures are not necessary for an adequate understanding of the financial statements.

Arturo Selle S.　　　　　ERNST & YOUNG LTDA.

Santiago, Chile March 15, 2004

consolidated balance sheets

As of December 31, 2003 and 2002

Assets	2003	2002
	ThCh$	ThCh$
Current assets		
Cash	6,365,082	5,087,910
Time deposits	42,342,928	6,797,366
Marketable securities	6,152,290	2,244,161
Accounts receivable, net	66,329,345	59,947,226
Notes receivable, net	8,040,813	9,352,928
Other accounts receivable, net	3,339,653	3,017,169
Notes and accounts receivable from related companies	2,717,768	1,020,766
Inventories, net	61,974,433	64,051,603
Recoverable taxes	5,413,868	6,671,584
Prepaid expenses	2,577,899	2,529,527
Deferred taxes	2,238,596	2,425,144
Other current assets	41,564,183	98,031,504
Total current assets	**249,056,858**	**261,176,888**
Property, plant and equipment		
Land	21,919,385	23,824,848
Buildings and infrastructure	175,753,474	190,726,229
Machinery and equipment	362,762,179	407,439,349
Other property, plant and equipment	50,939,386	55,688,453
Revaluation from technical appraisals	15,057,689	26,237,243
	626,432,113	703,916,122
Less: Accumulated depreciation	(300,654,943)	(307,524,798)
Property, plant and equipment, net	**325,777,170**	**396,391,324**
Other assets		
Investments in related companies	468,787,277	497,870,940
Investments in other companies	90,456	222,112
Goodwill, net	327,283,651	352,963,091
Negative goodwill, net	(13,356,789)	(7,993,284)
Long-term accounts receivable	2,165,710	2,418,290
Notes and accounts receivable from related companies	1,902,189	4,653,879
Deferred taxes	13,646,144	14,500,604
Intangible assets	1,262,724	1,176,288
Amortization of intangible assets	(335,666)	(254,225)
Other assets	15,080,631	15,344,505
Total other assets	**816,526,327**	**880,902,200**
Total assets	**1,391,360,355**	**1,538,470,412**

The accompanying notes form an integral part of these consolidated financial statements.

As of December 31, 2003 and 2002

Liabilities and shareholders' equity	2003	2002
	ThCh$	ThCh$
Current liabilities		
Current bank obligations	18,711,921	108,402,361
Current portion of long-term bank obligations	32,214,032	117,603,230
Bonds payable	48,581,497	19,634,339
Other long-term obligations due within one year	718,888	49,674
Dividends payable	12,447,400	574,545
Accounts payable	14,521,392	16,540,578
Notes payable	8,545,502	13,506,465
Other accounts payable	3,169,140	7,203,039
Notes and accounts payable to related companies	483,086	324,847
Provisions	16,031,199	17,955,769
Withholdings	2,697,989	3,552,357
Deferred income	1,673,852	863,948
Other current liabilities	2,115,461	648,817
Total current liabilities	**161,911,359**	**306,859,969**
Long-term liabilities		
Long-term bank obligations	332,854,523	296,923,059
Bonds payable	148,056,567	201,732,965
Notes payable	66,039	114,862
Other accounts payable	7,334,600	7,755,260
Notes and accounts payable to related companies	24,829	-
Provisions	8,864,349	7,436,201
Other long-term liabilities	1,866,881	721,391
Total long-term liabilities	**499,067,788**	**514,683,738**
Minority interest	96,359,027	80,106,745
Shareholders' equity		
Paid-in capital	459,291,711	459,291,711
Other reserves	13,760,250	41,832,090
Retained earnings	135,696,160	213,327,455
Accumulated deficit during development stage	(276,463)	(1,396,283)
Interim dividends	(12,144,323)	-
Net income (loss) for the year	37,694,846	(76,235,013)
Net shareholders' equity	**634,022,181**	**636,819,960**
Total liabilities and shareholders' equity	**1,391,360,355**	**1,538,470,412**

The accompanying notes form an integral part of these consolidated financial statements.

consolidated statements of income

For the years ended December 31, 2003 and 2002

	2003	2002
	ThCh$	ThCh$
Operating results		
Revenues	357,379,426	400,261,681
Cost of sales	(285,027,378)	(319,100,849)
Gross margin	72,352,048	81,160,832
Administrative and selling expenses	(59,605,083)	(70,781,178)
Operating income	**12,746,965**	**10,379,654**
Non-operating results		
Interest income	2,928,419	5,401,212
Equity participation in income of equity-method investments	57,994,807	25,933,368
Other non-operating income	38,008,875	6,036,544
Equity participation in losses of equity-method investments	(598,439)	(498,183)
Amortization of goodwill	(20,094,838)	(20,737,172)
Interest expense	(35,192,376)	(51,234,423)
Other non-operating expenses	(45,745,531)	(65,309,403)
Price-level restatement, net	1,891,935	5,073,338
Net foreign exchange gain (loss)	984,383	(14,058,234)
Non-operating income (loss)	**177,235**	**(109,392,953)**
Income (loss) before income taxes, minority interest and amortization of negative goodwill	12,924,200	(99,013,299)
Income tax (expense) benefit	(2,568,762)	142,850
Income (loss) before minority interest and amortization of negative goodwill	10,355,438	(98,870,449)
Minority interest	3,816,095	20,727,517
Income (loss) before amortization of negative goodwill	14,171,533	(78,142,932)
Amortization of negative goodwill	23,523,313	1,907,919
Net income (loss) for the year	**37,694,846**	**(76,235,013)**

The accompanying notes form an integral part of these consolidated financial statements.

consolidated statements of cash flows

For the years ended December 31, 2003 and 2002

	2003	2002
	ThCh$	ThCh$
Cash flows from operating activities		
Collection of accounts receivable	408,073,968	474,374,280
Interest income received	2,806,478	14,217,987
Dividends and other distributions received	74,552,562	29,559,542
Other income received	1,853,531	2,721,648
Payments to suppliers and employees	(369,924,710)	(417,043,968)
Interest paid	(31,015,020)	(43,994,845)
Income taxes paid	(1,500,556)	(2,012,059)
Other operating expenses paid	(5,755,019)	(4,401,527)
VAT and other taxes paid	(14,249,325)	(23,114,002)
Net cash provided by operating activities	**64,841,909**	**30,307,056**
Cash flows from financing activities		
Increase in capital	45,693,869	1,118,131
Borrowings	42,733,118	141,993,747
Specific term borrowings from related companies	13,875,811	47,853,010
Other borrowings from related companies	258,410	-
Other sources of financing	17,589,193	8,538,026
Dividends paid	(1,263,041)	(7,989,770)
Capital distributions	(549,040)	-
Repayment of loans	(167,254,649)	(162,052,577)
Repayment of bonds	(32,346,147)	(17,443,404)
Repayment of borrowings from related companies	(338,327)	(1,930,216)
Payment of share issuance costs	(881,894)	(17,533)
Other amounts used in financing activities	(17,210,945)	(4,887,956)
Net cash (used in) provided by financing activities	**(99,693,642)**	**5,181,458**
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	15,758,449	2,799,266
Proceeds from sales of permanent investments	72,749	605,447
Proceeds from sales of investments in other companies	20,330,061	1,597
Collection of loans from related companies	-	37,710
Other income from investments	37,754,373	23,284,928
Purchases of property, plant and equipment	(12,075,492)	(22,800,364)
Payments of capitalized interest	(77,363)	(313,182)
Long-term investments in financial instruments	(191,179)	(611,060)
Investments in financial instruments	(48,832,995)	(301,617)
Loans granted to related companies	(752,838)	-
Other investing activities	(25,000)	(1,816,502)
Net cash provided by investing activities	**11,960,765**	**886,223**
Net cash flows for the year	**(22,890,968)**	**36,374,737**
Effect of price-level restatement on cash and cash equivalents	(14,818,431)	2,597,706
Net (increase) decrease in cash and cash equivalents	**(37,709,399)**	**38,972,443**
Cash and cash equivalents, beginning of year	94,018,044	55,045,601
Cash and cash equivalents, end of year	**56,308,645**	**94,018,044**

The accompanying notes form an integral part of these consolidated financial statements.

consolidated statements of cash flows

For the years ended December 31, 2003 and 2002

	2003	2002
	ThCh$	ThCh$
Reconciliation between net income (loss) and operating cash flows		
Net income (loss) for the year	37,694,846	(76,235,013)
Income from sales of assets		
Loss on the sale of property, plant and equipment	2,927,230	17,088
Gain on the sale of investments	(18,568)	(422,926)
Loss on the sale of investments	87,014	17,189
Add (deduct) charges (credits) to net income (loss) which do not represent cash flows		
Depreciation	28,667,916	29,450,170
Amortization of intangible assets	104,313	879,472
Write-offs and provisions	8,878,070	12,870,040
Equity participation in income of equity-method investments	(57,994,807)	(25,933,368)
Equity participation in losses of equity-method investments	598,439	498,183
Amortization of goodwill	20,094,838	20,737,172
Amortization of negative goodwill	(23,523,313)	(1,907,919)
Price-level restatement, net	(1,891,935)	(5,073,338)
Net foreign exchange (gain) loss	(984,383)	14,058,234
Other non-cash credits	(4,039,936)	(10,048,829)
Other non-cash charges	37,502,029	59,208,286
Variations in assets affecting cash flows (increase) decrease		
Accounts receivable	(19,389,775)	4,102,443
Inventories	1,604,573	7,860,425
Other assets	19,115,012	44,746,113
Variations in liabilities affecting cash flows increase (decrease)		
Accounts payable related to operating income	(2,333,499)	(53,555,342)
Interest payable	16,556,998	12,561,097
Income taxes payable, net	799,586	957,774
Other accounts payable related to non-operating income	3,942,432	15,526,434
VAT and other taxes payable	260,924	721,188
Minority interest	**(3,816,095)**	**(20,727,517)**
Net cash provided by operating activities	**64,841,909**	**30,307,056**

The accompanying notes form an integral part of these consolidated financial statements.

As of December 31, 2003 and 2002

Summarized notes to the consolidated financial statements

(A translation of the summarized consolidated financial statements originally issued in Spanish- See Note 2b))

In the opinion of the management, these summarized notes provide sufficient but less detailed information than that contained in the consolidated financial statements filed with the Chilean Superintendency of Securities and Insurance ("SVS") and the stock exchanges, which are available to the general public. Such information may also be obtained from the Company's offices during the 15 days prior to the Ordinary Shareholders' Meeting.

The main differences between these summarized consolidated financial statements and those financial statements filed with the SVS are as follows:

a) **Notes excluded:**

- Current and long-term accounts receivable
- Securities' purchase agreements, sales under agreements to repurchase, repurchase agreements and reverse repurchase agreements
- Sales with leaseback agreements
- Staff severance indemnities
- Bond and share issuance and placement costs
- Local and foreign currencies
- The following summarized notes to the consolidated financial statements of LQ Inversiones Financieras S.A. (LQIF) and its bank subsidiaries:
  - Transactions with related parties
  - Investments in other companies
  - Provisions
  - Investments
  - Maturities of assets and liabilities
  - Transactions with derivative instruments
  - Foreign currency balances
  - Contingencies, commitments and other responsibilities
  - Merger costs
  - Commissions
  - Non-operating income
  - Current and deferred taxes
  - Directors' expenses and remuneration
  - Reported relevant information
- Environment

b) **Information included in the following notes was summarized:**

- Transactions and balances with related companies
- Short-term bank obligations
- Long-term bank obligations
- Changes in shareholders' equity

Note 1 – The company

Quiñenco S.A. (herein referred to individually as the "Parent Company" or on a consolidated basis as the "Company") is registered in the Chilean Securities Register under No. 0597 and is subject to regulation by the SVS.

The principal object of the Parent Company is the investment in all kinds of assets and to receive their returns.

As of December 31, 2003 and 2002

Consolidated subsidiaries registered in the Chilean Securities Register are as follows:
Madeco S.A., Registration No.251
Agrícola El Peñón S.A., Registration No. 78
Hoteles Carrera S.A., Registration No.210
Empresas Lucchetti S.A., Registration No. 64
Comatel S.A., Registration No. 54
Compañía Nacional de Teléfonos Telefónica del Sur S.A., Registration No.167
LQ Inversiones Financieras S.A., Registration No.730

The Parent Company and its subsidiary Madeco S.A. are also registered on the New York Stock Exchange ("NYSE"), under ticker codes LQ and MAD respectively, and are therefore subject to the regulatory authority of the Securities and Exchange Commission ("SEC") of the United States of America.

Note 2 – Summary of significant accounting policies

a) Periods covered
These financial statements cover the years ended December 31, 2003 and 2002.

b) Basis for preparation
These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Chile, as issued by the Chilean Association of Accountants, and the instructions of the SVS (collectively referred to as "Chilean GAAP"). In case of discrepancies, the rules and regulations issued by the SVS prevail. The specific provisions governing corporations contained in Law No. 18,046 and its regulations have also been taken into account.

The Company maintains its accounting records in Chilean pesos in accordance with Chilean GAAP. For the convenience of the reader, the summarized consolidated financial statements and their accompanying notes have been translated from Spanish into English. Certain accounting practices applied by the Company that conform with Chilean GAAP may not conform with accounting principles generally accepted in the United States of America ("US GAAP").

c) Basis of presentation
The figures of the financial statements of the previous year have been adjusted for inflation for presentational and comparison purposes by the percentage change of 1.0% in the Consumer Price Index ("CPI").

The Company has made certain minor reclassifications to the prior year presentation in order to facilitate the comparison of these financial statements.

d) Basis of consolidation
Subsidiary companies included in the consolidation are as follows:

	Ownership percentage as of December 31,			
	2003			2002
Company	% Direct	% Indirect	% Total	% Total
Excelsa Establishment	99.9900	0.0100	100.0000	100.0000
VTR S.A. and subsidiaries	99.9900	0.0100	100.0000	100.0000
Inversiones Río Grande S.A. and subsidiaries	99.9900	0.0100	100.0000	100.0000
Agrícola El Peñón S.A. and subsidiary	96.2000	0.0000	96.2000	96.2000
O'Higgins Punta Arenas Ltda. CPA and subsidiary	75.5600	0.0000	75.5600	75.5600
Comatel S.A.	69.5600	15.4822	85.0422	85.0422
LQ Inversiones Financieras S.A. and subsidiary	63.9383	36.0617	100.0000	100.0000
Madeco S.A. and subsidiaries	48.2457	6.9746	55.2203	53.4147

As of December 31, 2003 and 2002

The accompanying financial statements include the consolidated balance sheets, statements of income and cash flows of the Parent Company and its subsidiaries. The effects of all significant transactions with consolidated subsidiaries have been eliminated in the consolidation and the participation of minority investors is disclosed in the consolidated financial statements under the caption Minority interest.

The financial statements of Inversiones Río Grande S.A. and subsidiaries include the consolidation of the following direct subsidiaries: Inversiones Río Seco S.A., Inmobiliaria e Inversiones Hidroindustriales S.A. and subsidiaries, Inversiones y Bosques S.A., Inversiones Ranquil S.A., Inversiones Punta Brava S.A., Inmobiliaria Norte Verde S.A. and subsidiaries, Merquor Establishment, Lisena Establishment and Inversiones O'Higgins Punta Arenas Ltda.

The financial statements of Empresas Lucchetti S.A. and subsidiaries are included in the consolidation through Inmobiliaria e Inversiones Hidroindustriales S.A. and subsidiaries.

With respect to the information contained in Note 22, Contingencies and Restrictions, concerning the situation affecting the indirect subsidiary Lucchetti Perú S.A. , which has resulted in an orderly liquidation of its assets, Empresas Lucchetti S.A. has not consolidated the financial statements of its investment in Lucchetti Perú S.A. as of December 31, 2003 and 2002 based on the provisions of Technical Bulletin No.64 of the Chilean Association of Accountants and Resolution No.01642 of the SVS dated March 11, 2003, which specifically authorizes the non-consolidation. Note 9c) shows the summarized balance sheet of the subsidiary Lucchetti Perú S.A. as of December 31, 2003.

The financial statements of Agrícola El Peñón S.A. and subsidiary include the consolidation of Hoteles Carrera S.A.

The financial statements of Madeco S.A. and subsidiaries include the consolidation of the following direct and indirect subsidiaries: Alusa S.A. and subsidiaries, Armat S.A., Indalum S.A. and subsidiaries, Soinmad S.A. and subsidiaries, Comercial Madeco S.A. (Argentina), Indeco S.A. (Peru), Madeco Overseas S.A. (Cayman Islands), Metal Overseas S.A. and subsidiaries (Cayman Islands), and Metalúrgica Industrial Argentina S.A. and subsidiaries.

As of December 31, 2003, the indirect subsidiary Metal Overseas S.A. has made a provision against income amounting to the book value of its 50% investment in Optel Limitada ("Optel") and has also provided for other expenses relating to Optel amounting to ThCh$3,765,992 as a result of the unfavorable judgment of the arbitration between the Company and Corning International Corporation ("Corning Inc."), the holder of the remaining 50% of Optel.

As a result, Metal Overseas S.A. lost the right to manage Optel. Consequently, it has not been included in the consolidated financial statements of Madeco S.A. and subsidiaries as of December 31, 2003, and therefore has been accounted for as an equity- method investment .

The financial statements of VTR S.A. and subsidiaries include the consolidation of the following direct and indirect subsidiaries: Compañía Nacional de Teléfonos, CNT Telefónica del Sur S.A. and subsidiaries and VTR Comercial S.A.

The consolidated financial statements of CNT Telefónica del Sur S.A., included in the consolidated financial statements of VTR S.A. and subsidiaries, do not include the consolidation of the financial statements of Blue Two Chile S.A. as it is in the development stage. The summarized financial statements of this development stage subsidiary are included in Note 9 f).

The consolidated financial statements of LQ Inversiones Financieras S.A. and its subsidiary LQ SM S.A. do not include the consolidation of the financial institutions Banco de Chile and SM Chile S.A., as these financial companies apply different accounting principles than those applied by commercial corporations. This exemption from consolidation was authorized by the SVS in Official Letter No. 03200 dated May 9, 2003. Note 26 includes the summarized financial statements of LQ Inversiones Financieras S.A. and its banking subsidiaries prepared according to the instructions of the Superintendency of Banks and Financial Institutions ("SBIF").

The Parent Company has not consolidated the financial statements of Banchile Compañía de Seguros de Vida S.A. as this company, due to the nature of its business, applies accounting criteria specific to insurance companies. The exemption from consolidation was granted by the SVS in Official Letter No. 7203 dated November 2, 2000. The summarized financial statements of Banchile Compañía de Seguros de Vida S.A. are shown in Note 9b).

As of December 31, 2003 and 2002

e) Price-level restatement

The consolidated financial statements of the Company have been restated to reflect the effects of variations in the purchasing power of the local currency during each year. According to current regulations, non-monetary assets and liabilities, - accounts and income and expense accounts have been restated in line with changes in the official cost of living index, which amounted to 1.0% during the year 2003 (3.0% for 2002).

The monthly balances of income and expense accounts have also been restated to present such amounts in constant purchasing power as of the balance sheet date.

f) Currency translation

Assets and liabilities contracted in Unidades de Fomento ("UF") are translated to pesos at Ch$16,920.00 per UF1 (Ch$16,744.12 per UF1 in 2002).

Assets and liabilities in United States dollars have been translated at the closing exchange rates as of December 31, 2003 of Ch$593.80 per US$1.00 (Ch$718.61 per US$1.00 in 2002).

g) Time deposits

Time deposits are shown at cost plus indexation adjustments for inflation and accrued interest, as applicable.

h) Marketable securities

Marketable securities include investments in shares and mutual funds. Shares are recorded at the lower of their restated cost and market values at the end of each year. Investments in mutual funds are recorded at their redemption value at the end of each year.

i) Inventories

Inventories of finished products, by-products and work in process are valued at restated cost, which includes indirect manufacturing expenses. Inventories of merchandise, raw materials, warehoused materials and goods in transit are valued at their restated cost. Inventories do not exceed their estimated net realizable value or their respective replacement cost.

An allowance has been recorded related to discontinued products and products with low turnover.

j) Allowance for doubtful accounts

The Parent Company and its subsidiaries establish allowances for estimated uncollectible accounts based on the aging of the corresponding balances. These allowances are shown deducted from Accounts receivable, Notes receivable and Other accounts receivable on the Balance sheet.

k) Other current assets

This caption mainly includes time deposits pledged in guarantee, disposable assets for sale and reverse repurchase agreements.

l) Reverse repurchase agreements

Reverse repurchase agreements correspond to fixed-income instruments and are included in Other current assets. They are stated at cost plus interest and indexation adjustments accrued at year-end, and are based on interest rates and realizable values specified in the related contracts.

m) Property, plant and equipment

Property, plant and equipment are valued at restated cost which includes the real cost of financing until assets are placed in service and the incremental value resulting from technical appraisals made at December 31, 1979, in accordance with Circular No. 1,529 of the SVS.

n) Depreciation of property, plant and equipment

Depreciation has been calculated using the straight-line method over the estimated remaining useful lives of the assets except for some production plants whose depreciation is calculated as a function of their production units.

o) Leased property, plant and equipment

Property plant and equipment acquired under financial leases are included in Property, plant and equipment in accordance with Technical Bulletin No.22 of the Chilean Association of Accountants. The obligation is shown under Current liabilities and Long-term liabilities according to the maturities of the respective installments, net of deferred interest.

As of December 31, 2003 and 2002

p) Intangible assets

Included under intangible assets are trademarks and software licenses and other costs, which are amortized using the straight-line method based on the nature and characteristics of each asset over the period in which they are expected to provide benefits, but in no case exceeding 40 years, in accordance with Technical Bulletin No. 55 of the Chilean Association of Accountants.

q) Investments in related companies

Investments in related companies are shown at their equity-method value after eliminating any unrealized income on intercompany transactions. Equity movements that do not affect the income of the related companies are shown proportionally as a charge or credit to Other reserves or Accumulated deficit during the development stage, as appropriate.

Investments in foreign companies have been measured in United States dollars in accordance with Technical Bulletin No.64 of the Chilean Association of Accountants, and adjustments have been made for the corresponding taxes payable by the Company.

r) Goodwill and negative goodwill

Goodwill and negative goodwill represent the difference between the acquisition cost of the related company and its equity value at the date of purchase. Amortization is determined using the straight-line method, based on the nature and characteristic of each investment during the foreseeable life of the business and expected return on the investment, but in no case exceeding 20 years.

s) Other assets - others

This caption primarily includes inventories at cost net of the corresponding allowance for obsolescence. Such assets have shown no movement during the year. This account caption also includes property, plant and equipment that is expected to be idle for an indefinite period of time, adjusted to its estimated net realizable value and minor items such as the recovery of franchises, industrial development bonds, judicial deposits and differences in the placement value of bonds.

t) Financial derivative contracts

The subsidiaries LQ Inversiones Financieras S.A. and Madeco S.A. enter into forward currency and swap (Madeco S.A. only) contracts to hedge its foreign exchange exposure.

Hedging instruments for existing and expected transactions are shown at their market value and unrealized gains and losses are shown as a charge to Other current assets or as a credit to Other current liabilities, respectively.

u) Bonds payable

Bonds payable relate to bonds that have been issued by the Parent Company and the subsidiaries Madeco S.A., CNT Telefónica del Sur S.A. and Compañía de Teléfonos de Coyhaique S.A. They are shown at their face value at the end of each year. Accrued interest is included in current liabilities. The difference between book value and placement value of the bonds, and the costs incurred in their issuance and placement, are shown in Other assets and are amortized over the term of the bonds.

v) Current and deferred income taxes

The Parent Company and its subsidiaries have recorded their respective income tax expenses according to current tax laws and legislation.

The Parent Company and its subsidiaries have recorded the effects of deferred income taxes arising from timing differences, tax loss carry forwards and other events which create differences between the accounting and tax bases of assets and liabilities, in accordance with Technical Bulletin No.60 and complementary bulletins thereto issued by the Chilean Association of Accountants and the instructions contained in Circular 1,466 of the SVS.

w) Staff severance indemnities

Severance indemnities that the subsidiaries are obliged to pay to their employees under collective bargaining agreements have been calculated on a present value basis (accrued cost of the benefit), taking into account the terms of the contracts in question, using a discount rate of between 6% and 7% per annum and based upon an estimate of the remaining service period of each employee until retirement.

x) Operating revenues

The Parent Company does not carry out direct transactions and therefore has no operating revenues. Industrial and commercial transactions are carried out by the subsidiaries, and revenues are recorded on the basis of sales effectively invoiced and dispatched at each year-end.

The subsidiary CNT Telefónica del Sur S.A., in addition to those revenues billed during the year, includes an estimate of accrued traffic and services which remain uninvoiced at the close of each year as operating revenue.

The subsidiary Hoteles Carrera S.A. follows a policy of including an estimate of services provided and not yet invoiced at the end of the financial year as operating revenue, in addition to those revenues invoiced during the year. This estimate has been made using prices prevailing when the service was provided. The cost of this service is also included in Cost of sales in the Consolidated statements of income.

y) Computer software

Computer software has been acquired as part of computer purchase programs and is shown in Other assets under Property, plant and equipment.

z) Sales with leaseback

Sales with leaseback transactions made by certain subsidiaries have been treated as financial leases as they have the characteristics of such leases. The assets received under these transactions receive the same treatment as the leased assets indicated in Note 2 o).

aa) Sales under repurchase agreements

The subsidiary Empresas Lucchetti S.A. has made sales of strategic raw materials under repurchase agreements. As these transactions constitute financing mechanisms, sales and cost of sales are shown net for each transaction in order not to distort operating income. Commissions have been recorded as Interest expense in the Statement of income.

ab) Employee vacations

At December 31 each year, the Company and its subsidiaries have made a provision for the cost of employee vacations on an accrual basis.

ac) Cash flows

The Parent Company and its subsidiaries have considered as Cash and cash equivalents all readily realizable investments made as part of normal cash management with maturities not exceeding 90 days from the date of the investment, including mutual funds, repurchase agreements and time deposits.

Cash flows from operating activities include all cash flows from operations, including interest expense, interest income and all cash flows not otherwise defined as relating to either financing or investing activities. This concept is broader than that used for the Statement of income.

Note 3 – Accounting changes

During the years ended December 31, 2003 and 2002, there were no accounting changes that would significantly affect the interpretation of these consolidated financial statements.

As of December 31, 2003 and 2002

Note 4 – Balances and transactions with related parties

a) Notes and accounts receivable from related parties:

Company	Short-term		Long-term	
	2003	2002	2003	2002
	ThCh$	ThCh$	ThCh$	ThCh$
Cobrecón S.A.	172,055	248,457	-	-
Electromecánica Industrial S.A.	4,130	239,376	246,413	107,459
Embotelladoras Chilenas Unidas S.A.	280,846	134,596	-	-
Compañía Cervecerías Unidas S.A.	40,081	95,714	-	-
Cía. de Telecom. Llanquihue S.A.	-	94,299	-	-
Transportes CCU Ltda.	48,476	40,078	-	-
Colada Continua S.A.	18,351	36,934	-	-
Alte S.A.	22,112	30,328	-	-
Viña San Pedro S.A.	20,218	16,758	-	-
Banco de Chile	23,336	14,013	-	-
Entel S.A.	19,487	9,366	-	-
Ferrocarril Antofagasta Bolivia S.A.	2,731	8,038	-	-
Cervecera CCU Chile Ltda.	13,172	3,827	-	-
Minera Los Pelambres S.A.	10,216	889	-	-
Antofagasta Minerals S.A.	1,026	515	-	-
Promosol S.A.	-	-	42,775	40,825
Lucchetti Perú S.A.	-	-	1,401,217	2,853,916
Transporte y Servicios Aéreos S.A.	1,680,726	-	-	1,651,679
Blue Two Chile S.A. (1)	289,995	-	-	-
Inversiones Ontario S.A.	3,222	-	211,784	-
Other	67,588	47,578	-	-
Total	**2,717,768**	**1,020,766**	**1,902,189**	**4,653,879**

(1) Relates to subsidiaries that were not consolidated as of December 31, 2003 as they were in the development stage.

b) Notes and accounts payable to related companies:

Company	Short-term		Long-term	
	2003	2002	2003	2002
	ThCh$	ThCh$	ThCh$	ThCh$
Colada Continua Chilena S.A.	276,948	185,266	-	-
Minera Michilla S.A.	81,953	35,222	-	-
Electromecánica Industrial S.A.	22,682	34,589	-	-
Cobrecón S.A.	23,256	26,427	-	-
Peruplast S.A.	8,227	12,459	-	-
Embotelladoras Chilenas Unidas S.A.	11,062	8,280	-	-
Cervecera CCU Chile Ltda.	6,421	6,722	-	-
Viña San Pedro S.A.	8,990	1,659	-	-
Cía. de Telecom. Llanquihue S.A.	27,286	-	24,829	-
Other	16,261	14,223	-	-
Total	**483,086**	**324,847**	**24,829**	**-**

As of December 31, 2003 and 2002

c) Significant transactions with related parties:

Company	Relationship	Transaction	2003 Amount ThCh$	2003 Effect on income (charge) credit ThCh$	2002 Amount ThCh$	2002 Effect on income (charge) credit ThCh$
Banco de Chile	Subsidiary (not consolidated)	Interests on investments and time deposits	594,392	594,392	1,691,750	1,691,750
Banco de Chile	Subsidiary (not consolidated)	Interest expense	271,919	(271,919)	320,418	320,418
Executive incentive plan	Executive officers	Repayment of loan	1,628,193	-	185,222	-
Andsberg Finance Corp. Ltd.	Shareholders in common	Loan	11,282,000	-	50,805,727	-
Andsberg Finance Corp. Ltd.	Shareholders in common	Indexation adjustments & interest	8,125,038	7,712,386	4,601,191	(4,601,191)
Cía. de Telecom. Llanquihue S.A.	Affiliate	Purchases of services	179,023	(179,023)	202,586	(202,586)
Blue Two Chile S.A.	Subsidiary (not consolidated)	Sales of services	289,995	-	-	-
Colada Continua Chilena S.A.	Affiliate	Production services	1,232,314	-	1,449,681	-
Embotelladoras Chilenas Unidas S.A.	Affiliate	Sales of products	901,727	761,700	801,603	686,952
Minera Los Pelambres S.A.	Shareholders in common	Cable invoicing	383,121	324,679	383,121	324,679
Minera Michilla S.A.	Shareholders in common	Purchase of raw materials	536,612	-	331,997	-

The Parent Company and its subsidiaries have current accounts, temporary investments and borrowings with the following banks and financial institutions:

- Banco de Chile
- Andsberg Finance Corporation Ltd.

The rights and obligations with these financial institutions have been classified under different headings within these financial statements, based on the nature of the balance and not by the fact that they may be with related parties, in order to avoid distorting the presentation of the financial statements and their analysis.

The above transactions with related banks and financial institutions are subject to indexation adjustments and interest which is calculated at market rates. The maturities of such transactions are shown in the Note on Bank obligations as short-term and long-term respectively.

The amounts shown as transactions with related entities are carried out based on price and payment terms reflecting market conditions.

For the purposes of this note, significant related party transactions are defined as those that are greater than the lesser of either UF10,000 or 1% of shareholders' equity.

As of December 31, 2003 and 2002

Note 5 – Inventories, net

The composition of inventories as of December 31 is as follows:

	2003 ThCh$	2002 ThCh$
Raw materials	19,754,557	18,926,749
Finished goods	18,541,898	19,680,808
Work-in-process	10,736,309	9,870,410
Supplies	6,643,362	7,634,146
Merchandise and imports in transit	2,400,734	4,912,756
Merchandise	3,529,864	2,643,202
Materials and packaging	188,424	271,751
Other	179,285	111,781
Total	**61,974,433**	**64,051,603**

Inventories are shown net of an allowance for obsolescence amounting to ThCh$4,158,291 and ThCh$4,613,333 in 2003 and 2002 respectively.

Note 6 – Current and deferred income taxes

a) Income tax

For the year ended December 31, 2003, the Parent Company had accumulated tax losses of ThCh$10,391,239 (ThCh$1,963,331 in 2002) and has made no current provision for income tax.

b) The detail of the undistributed retained earnings for tax purposes of the Parent Company as of December 31, 2003 is as follows:

	ThCh$
Earnings with 15% credit, origin 1998	31,323,747
Earnings with 10% credit, origin 1998	105,045
Earnings without credit, origin 1998	1,288,768
Earnings with 15% credit, origin 1999	55,230,892
Earnings with 15% credit, origin 2000	57,054,735
Earnings without credit, origin 2000	9,359,176
Earnings with 15% credit, origin 2001	11,111,109
Earnings without credit, origin 2001	2,597,190
Earnings without credit, origin 2002	4,230,180
Earnings with 15% credit, origin 2002	2,271,628
Earnings with 15% credit, origin 2003	6,666,597
Earnings without credit, origin 2003	27,477,208
Earnings with 10% credit, origin 2003	7
Earnings with 16% credit, origin 2003	6,742,808
Earnings with 16.5% credit, origin 2003	9,428,499
Exempt earnings without credit	3,098,580
Non-taxable earnings	150,101,361
Exempt earnings with 10% credit	1,591,778

As of December 31, 2003 and 2002

c) Tax obligations

The detail of Recoverable taxes recorded by the Parent Company and its subsidiaries is as follows:

	2003 ThCh$	2002 ThCh$
First category income tax	(2,002,145)	(1,768,303)
Additional income tax	(73,559)	(50,955)
Monthly income tax installments	1,422,796	1,429,558
Other tax credits	4,568,557	4,431,330
Other recoverable taxes	1,498,219	2,629,954
Total recoverable taxes	**5,413,868**	**6,671,584**

d) Composition of deferred income taxes:

	2003				2002			
	Deferred tax asset		Deferred tax liability		Deferred tax asset		Deferred tax liability	
Description	Short-term ThCh$	Long-term ThCh$	Short-term ThCh$	Long-term ThCh$	Short-term ThCh$	Long-term ThCh$	Short-term ThCh$	Long-term ThCh$
Temporary differences								
Allowance for doubtful accounts	1,359,980	183,598	-	-	1,431,825	92,965	-	-
Provision for vacations	354,111	-	-	-	306,389	8,930	-	-
Amortization of intangible assets	4,989	15,178	-	-	-	11,540	-	-
Leased assets	158,370	277,711	89,735	2,381,980	41,529	198,292	64,815	2,573,879
Manufacturing expenses	-	-	515,016	-	-	-	496,167	-
Depreciation of property, plant and equipment	-	4,126	469,401	16,916,128	2,275	5,350	442,988	17,178,273
Severance indemnities	1,197	-	-	642,555	7,620	-	2,947	501,068
Accumulated tax losses	223,317	35,265,240	-	-	164,703	30,655,447	-	-
Allowance for obsolescence	571,901	97,564	-	-	576,956	244,832	-	-
Deferred expenses	-	-	69,293	-	-	-	17,568	-
Other events	1,022,506	8,772,785	273,532	548,770	1,239,081	6,949,266	261,473	992,635
Complementary accounts, net of amortization	(114,197)	(10,104,191)	(83,953)	(12,315,905)	(149,051)	(11,537,063)	(89,775)	(13,497,529)
Valuation allowance	(10,554)	(12,692,339)	-	-	-	(4,764,315)	-	-
Total	**3,571,620**	**21,819,672**	**1,333,024**	**8,173,528**	**3,621,327**	**21,865,244**	**1,196,183**	**7,748,326**

e) Composition of tax expense:

	2003 ThCh$	2002 ThCh$
Current tax expense (provision for tax)	(2,075,507)	(1,819,257)
Tax expense adjustment from previous year’s provision	4,009	133,964
Deferred income taxes for the year	2,101,559	2, 836,207
Tax benefit for tax losses	5,195, 362	(1,257,753)
Amortization of complementary accounts	215,733	5, 004,955
Deferred tax assets and liabilities arising from changes in valuation allowance	(8,095,135)	(4,544,790)
Other	85,217	(210,476)
Total	**(2,568,762)**	**142,850**

As of December 31, 2003 and 2002

Note 7 – Other current assets

The following is a detail of other current assets:

	2003 ThCh$	2002 ThCh$
Repurchase agreements	20,405,237	80,161,466
Repurchase agreements to be used for paying bonds	9,103,363	-
Disposable assets held for sale, net	6,768,020	10,617,572
Dividends receivable	3,196,235	2,172,481
Fair value of forward contracts	-	2,567,513
Time deposits in guarantee	959,930	790,985
Other	1,131,398	1,721,487
Total	**41,564,183**	**98,031,504**

Note 8 – Property, plant and equipment

Presented below is the detail of Accumulated depreciation, Depreciation for the year, Other property, plant and equipment and Revaluation from technical appraisals:

	2003 ThCh$	2002 ThCh$
Accumulated depreciation:		
Buildings and infrastructure	58,272,691	55,364,068
Machinery and equipment	215,487,020	226,590,077
Other property, plant and equipment	21,377,538	20,654,433
Revaluation from technical appraisals	5,517,694	4,916,220
	300,654,943	307,524,798
Depreciation for the year:		
Cost of sales	24,993,984	26,003,517
Administrative and selling expenses	3,673,932	3,446,653
	28,667,916	29,450,170
Other non-operating expenses (1)	1,800,691	3,025,163
	30,468,607	32,475,333
Other property, plant and equipment		
Leased assets	18,098,244	15,325,207
Furniture and fixtures	8,950,975	9,794,684
Construction in progress	3,039,893	8,352,378
Computer software	6,727,036	5,269,403
Office machines	3,800,998	4,369,608
Tools and others	2,237,074	2,629,017
Materials and spare parts	1,797,865	1,501,136
Computer equipment	1,126,456	1,113,143
Other	5,160,845	7,333,877
	50,939,386	55,688,453
Depreciation related to revaluation from technical appraisals		
Land	4,499,135	6,086,488
Buildings and infrastructure	8,478,064	18,061,506
Machinery and equipment	2,080,490	2,089,249
	15,057,689	26,237,243
Accumulated depreciation	5,013,194	4,423,884
Depreciation for the year	504,500	492,336
	5,517,694	4,916,220

(1) The depreciation of idle assets of the subsidiary Decker Indelqui S.A. (Argentina) is shown in Other expenses (Note 17).

As of December 31, 2003 and 2002

Note 9 - Investments in related companies

The detail of investments in related companies as of December 31, 2003 is as follows:

Company	Country	Ownership percentage %	Shareholders' equity of company ThCh$	Net income (loss) ThCh$	Accrued net income (loss) ThCh$	Equity method value ThCh$	Unrealized loss ThCh$	Book value ThCh$
Banco de Chile	Chile	20.22	695,675,939	130,552,864	26,397,287	140,688,448	-	140,688,448
SM Chile S.A. Series A	Chile	3.00	342,296,067	23,008,985	-	10,270,716	-	10,270,716
SM Chile S.A. Series B	Chile	46.19	365,305,052	23,008,985	11,129,952	169,235,110	-	169,235,110
SM Chile S.A. Series D	Chile	1.78	365,305,052	23,008,985	427,783	6,504,433	-	6,504,433
SM Chile S.A. Series E	Chile	0.38	365,305,052	23,008,985	91,691	1,393,917	-	1,393,917
Inversiones y Rentas S.A.	Chile	50.00	172,114,038	31,984,851	15,992,425	86,057,019	-	86,057,019
Entel Chile S.A.	Chile	5.69	583,815,320	59,977,203	3,413,981	33,221,487	-	33,221,487
Habitaria S.A.	Chile	50.00	16,892,532	(672,433)	(336,216)	8,446,266	-	8,446,266
Peruplast S.A.	Peru	25.00	15,842,003	153,831	38,458	3,960,501		3,960,501
Tech Pack S.A.	Peru	25.61	10,377,168	(190,662)	(48,825)	2,657,375	-	2,657,375
Banchile Seguros de Vida S.A.	Chile	99.90	3,285,541	505,463	491,604	3,282,258	-	3,282,258
Colada Continua Chilena S.A.	Chile	41.00	3,398,560	(46,870)	(19,217)	1,393,408	-	1,393,408
Cobrecón S.A.	Peru	33.33	2,176,118	(6,141)	(2,047)	725,372	-	725,372
Cía. de Telecom. Llanquihue S.A.	Chile	49.00	1,057,774	18,739	9,182	518,309	-	518,309
Empresa Aérea El Litoral S.A.	Chile	50.00	286,228	(16,128)	(8,065)	143,116	-	143,116
Agromercantil Limitada	Chile	45.00	254,703	(8,053)	(3,624)	114,616	-	114,616
Inversiones El Norte y El Rosal S.A.	Chile	50.00	123,728	4,892	2,444	61,863	-	61,863
Promosol S.A.	Chile	50.00	113,721	(7,253)	(3,626)	56,861		56,861
Blue Two Chile S.A.	Chile	49.00	56,769	(292,181)	-	56,201	-	56,201
Transporte y Servicios Aéreos S.A.	Chile	50.00	(493,224)	(353,639)	(176,819)	-	-	-
Lucchetti Perú S.A.	Chile	100.00	30,110,178	-	-	-	-	-
Inmobiliaria Barrio Verde S.A.		-	-	-	-	1	-	1
Total						**468,787,277**	**-**	**468,787,277**

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The detail of investments in related companies as of December 31, 2002 is as follows:

Company	Country	Ownership percentage %	Shareholders' equity of company ThCh$	Net income (loss) ThCh$	Accrued net income (loss) ThCh$	Equity method value ThCh$	Unrealized loss ThCh$	Book value ThCh$
Banco de Chile	Chile	20.22	624,411,958	53,161,482	10,746,963	126,233,586	-	126,233,586
SM Chile S.A. Series A	Chile	3.00	345,997,905	9,541,815	-	10,381,791	-	10,381,791
SM Chile S.A. Series B	Chile	46.19	355,539,720	9,541,815	4,615,586	164,430,607	-	164,430,607
SM Chile S.A. Series D	Chile	1.78	355,539,720	9,541,815	177,401	6,319,768	-	6,319,768
SM Chile S.A. Series E	Chile	0.38	355,539,720	9,541,815	38,024	1,354,333	-	1,354,333
Inversiones y Rentas S.A.	Chile	50.00	269,708,507	13,636,805	6,819,413	134,854,254	-	134,854,254
Entel Chile S.A.	Chile	5.69	550,345,831	41,506,836	2,360,868	31,316,100	-	31,316,100
Habitaria S.A.	Chile	50.00	17,564,965	906,739	453,370	8,782,482	-	8,782,482
Peruplast S.A.	Peru	25.00	19,175,504	423,781	105,945	4,793,876	-	4,793,876
Tech Pack S.A.	Peru	25.62	13,246,390	484,662	124,170	3,393,725	-	3,393,725
Banchile Seguros de Vida S.A.	Chile	99.90	2,793,471	437,888	429,123	2,790,677	-	2,790,677
Colada Continua Chilena S.A.	Chile	41.00	3,445,427	1,098	450	1,412,625	-	1,412,625
Cobrecón Peru S.A.	Peru	33.33	2,830,942	160,766	53,589	943,638	-	943,638
Cía. de Telecom. Llanquihue S.A.	Chile	49.00	907,103	(114,679)	(56,192)	444,481	-	444,481
Empresa Aérea El Litoral S.A.	Chile	50.00	302,356	(15,158)	(7,579)	151,178	-	151,178
Agromercantil Limitada	Chile	45.00	262,756	3,153	1,419	118,240	-	118,240
Inversiones El Norte y El Rosal S.A.	Chile	50.00	178,182	(665,128)	(332,564)	89,090	-	89,090
Promosol S.A.	Chile	50.00	120,975	(58,957)	(29,479)	60,488	-	60,488
Promarket S.A.	Chile	-	-	-	7,047	-	-	-
Transporte y Servicios Aéreos S.A.	Chile	50.00	(139,585)	(144,736)	(72,369)	-	-	-
Lucchetti Perú S.A.	Chile	100.00	30,110,178	-	-	30,110,178	(30,110,178)	-
Inmobiliaria Barrio Verde S.A.	Chile	-	-	-	-	1	-	1
Total						**527,981,118**	**(30,110,178)**	**497,870,940**

a) **Investments in Banco de Chile and SM Chile S.A.:**

The direct and indirect shareholdings of Quiñenco S.A, through its subsidiary LQ Inversiones Financieras S.A., in Banco de Chile (merged) is as follows:

1. **Shares held:**

The Company's ownership of shares of SM Chile S.A. and Banco de Chile as of December 31 of each year is as follows:

	Issued shares		Shares held by LQ Inversiones Financieras S.A.		Ownership Percentage of SM Chile S.A.	
	2003	2002	2003	2002	2003	2002
SM Chile Series A	567,712,826	567,712,826	377,528,973	377,528,973	3.00%	3.00%
SM Chile Series B	11,000,000,000	11,000,000,000	5,811,598,701	5,811,598,701	46.19%	46.19%
SM Chile Series D	429,418,369	429,418,369	223,364,308	223,364,308	1.78%	1.78%
SM Chile Series E	584,921,232	584,921,232	47,866,985	47,866,985	0.38%	0.38%
Total	**12,582,052,427**	**12,582,052,427**	**6,460,358,967**	**6,460,358,967**	**51.35%**	**51.35%**

	Issued shares		Shares held by LQ Inversiones Financieras S.A.		Ownership Percentage of Banco de Chile	
	2003	2002	2003	2002	2003	2002
Banco de Chile	68,079,783,605	68,079,783,605	13,762,345,978	13,762,345,978	20.22%	20.22%

As of December 31, 2003 and 2002

2. Voting rights in Banco de Chile:

The voting rights in Banco de Chile corresponding to the 41,179 million shares held by SM Chile S.A. and SAOS S.A. are exercised by the shareholders of SM Chile S.A. who may attend the Bank's shareholders' meetings. The rights corresponding to the shares owned by SM Chile S.A. are exercised proportionally through all of the series' shareholders (i.e. Series A, B, D and E). Those rights corresponding to the shares owned by SAOS S.A. are exercised by Series A, B and D shareholders.

As a result, the voting rights of Banco de Chile are distributed as follows:

Shares	Number of votes in Banco de Chile (millions) 2003	Participation of LQIF in each series 2003	Number of votes for LQIF 2003	LQIF voting rights 2003	LQIF voting rights 2002
Owned by SM Chile and SAOS					
SM Chile Series A	1,921	66.50%	1,277	1.88%	1.88%
SM Chile Series B	37,217	52.83%	19,663	28.88%	28.88%
SM Chile Series D	1,453	52.02%	756	1.11%	1.11%
SM Chile Series E	585	8.18%	48	0.07%	0.07%
Other shareholders	26,904	20.22%			
Subtotal	68,080		21,744	31.94%	31.94%
Banco de Chile				20.22%	20.22%
Total voting rights in Banco de Chile				**52.16%**	**52.16%**

3. Dividend rights in Banco de Chile:

As of December 31 of each year, LQ Inversiones Financieras S.A.'s dividend distribution rights of Banco de Chile are as follows:

Series	Dividend distribution rights 2003	Dividend distribution rights 2002	% Corresponding to LQ Inversiones Financieras S.A.'s ownership interest 2003	% Corresponding to LQ Inversiones Financieras S.A.'s ownership interest 2002
SM Chile Series A	0.00%	0.00%	0.00%	0.00%
SM Chile Series B	16.16%	16.16%	8.54%	8.54%
SM Chile Series D	0.63%	0.63%	0.33%	0.33%
SM Chile Series E	0.86%	0.86%	0.06%	0.06%
SAOS S.A.	42.83%	42.83%	0.00%	0.00%
Banco de Chile	39.52%	39.52%	20.22%	20.22%
Total	**100.00%**	**100.00%**	**29.15%**	**29.15%**

The indirect subsidiaries Banco de Chile and SM Chile S.A. are governed by the provisions of the third and fifth paragraphs of Law 19,386 concerning the modification of the payment conditions of the Subordinated Obligation of the subordinated debt with the Central Bank of Chile.

As a result, the indirect subsidiary Banco de Chile should distribute as a dividend no later than April each year all its earnings for the previous year.

The subsidiary LQ Inversiones Financieras S.A. will therefore receive 29.15% of the net income for 2003 of Banco de Chile in March 2004 for its direct and indirect shareholdings, which amounts to a sum of approximately ThCh$38,056,160.

As of December 31, 2003 and 2002

4. Exemption from consolidation of banking companies:

These financial statements do not include the consolidation of Banco de Chile and SM Chile S.A. as these companies apply different accounting principles to those followed by commercial corporations. This exemption was granted by the SVS in its Official Letter Nº 03200 dated May 9, 2003.

Note 26 of the consolidated financial statements includes the consolidated financial statements of LQ Inversiones Financieras S.A. and subsidiaries prepared in accordance with the instructions of the SBIF.

b) Summarized financial statements of Banchile Seguros de Vida S.A.:

The following shows the summarized balance sheet and statement of income of the subsidiary Banchile Seguros de Vida S.A.:

	As of December 31,	
	2003	2002
Summarized balance sheet	**ThCh$**	**ThCh$**
Assets		
Investments	11,422,390	7,438,292
Premiums receivable	1,300,465	787,331
Receivables from reinsurance	438,630	497,491
Other assets	240,517	256,903
Total assets	**13,402,002**	**8,980,017**
Liabilities and shareholders' equity		
Technical reserves	7,125,537	4,096,254
Insurance premiums payable	977,428	1,222,759
Other liabilities	2,013,496	867,533
Shareholders' equity	3,285,541	2,793,471
Total liabilities and shareholders' equity	**13.402.002**	**8,980,017**

	For the years ended December 31,	
	2003	2002
Summarized statement of income	**ThCh$**	**ThCh$**
Operating revenue	8,491,896	2,707,225
Operating costs	(8,242,009)	(2,402,672)
	249,887	304,553
Income from investments	418,394	253,714
Other income	9,321	2,829
Financing costs	(11,608)	(7,410)
Adjustments of provisions and write-offs	(68.936)	(35,537)
Exchange (losses) gains, net	(1,085)	446
Price-level restatement, net	9,488	2,207
	355,574	216,249
Income before income taxes	605,461	520,802
Income taxes	(99,998)	(82,914)
Net income for the year	**505,463**	**437,888**

As of December 31, 2003 and 2002

c) **Summarized financial statements of Lucchetti Perú S.A.:**

Presented below are the summarized financial statements of Lucchetti Perú S.A.:

	As of December 31,	
	2003	2002
Summarized balance sheet	**ThCh$**	**ThCh$**
Assets		
Total current assets	1,507,016	9,667,835
Property, plant and equipment, net	28,288,657	35,010,392
Total other assets	3,690,767	4,795,713
Total assets	**33,486,440**	**49,473,940**
Liabilities and shareholders' equity		
Total current liabilities	3,630,907	7,147,030
Total long-term liabilities	8,687,359	12,216,732
Total shareholders' equity	21,168,174	30,110,178
Total liabilities and shareholders' equity	**33,486,440**	**49,473,940**

	For the years ended December,	
	2003	2002
Summarized statement of income	**ThCh$**	**ThCh$**
Operating revenue	2,856,087	18,980,810
Operating costs	(2,856,984)	(15,390,146)
Gross margin	(897)	3,590,664
Administrative and selling expenses	(1,104,334)	(4,493,436)
Operating loss	(1,105,231)	(902,772)
Financial income	26,195	51,829
Other non-operating income	329,024	63,804
Financial expenses	(1,012,920)	(1,531,733)
Other non-operating expenses	(1,176,297)	(1,353,752)
Exchange loss, net	(518,605)	(362,397)
Non-operating loss	(2,352,603)	(3,132,249)
Net income for the year	**(3,457,834)**	**(4,035,021)**

d) **Madeco S.A.:**

In March 2003, the Parent Company and its subsidiary Inversiones Río Grande S.A. participated in the capital increase of the subsidiary Madeco S.A., subscribing for 2,058,353,792 shares for ThCh$49,616,293.

In June 2003, the subsidiary Madeco S.A. placed 264,800,000 shares amounting to ThCh$7,680,072 (historic pesos). The Parent Company and the subsidiary Río Grande S.A. did not participate in this share issuance which resulted in a reduction in their shareholdings from 84.30% to 76.78% and generated a loss of ThCh$5,809,229 which is shown in Other non-operating expenses in the Statement of income (Note 10).

In August 2003, the subsidiary Madeco S.A. placed 1,156,803,602 shares amounting to ThCh$32,402,520 (historic pesos). The Parent Company Quiñenco S.A. and the subsidiary Río Grande S.A. did not participate in this share issuance which resulted in a reduction in their shareholdings from 76.78% to 55.22% and generated a loss of ThCh$15,320,787 which is shown in Other non-operating expenses in the Statement of income (Note 10).

e) **Executive incentive plan:**

As described in Note 16 "Movements in equity accounts", Quiñenco received payments in cash and in shares of Banco de Chile, CNT Telefónica del Sur S.A., Madeco S.A. and Empresas Lucchetti S.A. from executives as per the agreed quota for 2003.

f) **Summarized balance sheet of Blue Two Chile S.A. (subsidiary in the development stage):**

	2003 M$
Assets	
Total current assets	155,741
Premises, equipment and machinery, net	285,009
Total other assets	60,060
Total assets	**500,810**
Liabilities and shareholders' equity	
Total current liabilities	444,041
Total long-term liabilities	-
Total shareholders equity	56,769
Total liabilities and shareholders' equity	**500,810**

g) **Other**

In March 2003, all the rights in Inmobiliaria del Norte Ltda. were sold to third parties.

Note 10 – Goodwill and negative goodwill

a) **Goodwill:**

Company	2003 Amortization for the year ThCh$	2003 Goodwill (net) ThCh$	2002 Amortization for the year ThCh$	2002 Goodwill (net) ThCh$
SM Chile S.A. Series B	10,563,200	178,563,854	10,563,200	189,127,054
Banco de Chile (formerly Banco Edwards)	4,367,398	68,422,561	4,367,398	72,789,959
Banco de Chile	2,622,239	44,420,216	2,620,087	46,910,567
Madeco S.A. and subsidiaries	2,139,775	28,963,708	2,787,106	37,297,710
SM Chile S.A. Series D	321,574	5,372,171	321,574	5,693,745
SM Chile S.A. Series E	35,281	599,781	35,281	635,062
CNT Telefónica del Sur S.A.	37,512	552,242	33,752	435,008
Inversiones Río Grande S.A. and subsidiaries	7,859	389,118	8,774	73,986
Total	**20,094,838**	**327,283,651**	**20,737,172**	**352,963,091**

b) **Negative goodwill:**

Company	2003 Amortization for the year ThCh$	2003 Negative goodwill (net) ThCh$	2002 Amortization for the year ThCh$	2002 Negative goodwill (net) ThCh$
VTR S.A. and subsidiary	879,825	5,972,535	752,684	5,958,505
Agrícola El Peñón S.A. and subsidiary	69,801	916,697	69,801	986,497
Inversiones Río Grande S.A. and subsidiaries	29,106	494,816	1,053,977	529,864
SM Chile S.A. Series A	22,261	441,626	26,259	462,449
Madeco S.A. and subsidiaries	22,522,023	5,525,470	5,191	55,969
Other	297	5,645	7	-
Total	**23,523,313**	**13,356,789**	**1,907,919**	**7,993,284**

(1) The subsidiary Madeco S.A. made capital increases in March, June and August of 2003. The Parent Company and its subsidiary, Inversiones Río Grande S.A., did not subscribe to the capital increases in June and August but did so in March . The March transaction generated negative goodwill amounting to ThCh$27,799,836 (historic pesos) of which ThCh$21,130,016 (historic pesos) were classified as an extraordinary amortization in the income statement as they were considered a result of having not participated in the increases of June and August, which therefore resulted in a dilution in the Parent Company's participation in Madeco S.A.

As of December 31, 2003 and 2002

Note 11 – Current bank obligations

Short-term obligations to banks are as follows:

	2003 ThCh$	2002 ThCh$
Short- term		
Payable in:		
United States dollars	5,685,944	64,668,793
Euros	-	137,236
Other foreign currencies	5,629,813	1,809,923
Unidades de Fomento	129,193	8,366,227
Non-indexed Chilean pesos	7,266,971	33,420,182
Total	**18,711,921**	**108,402,361**
Short-term portion of long-term bank obligations		
Payable in:		
United States dollars	6,363,498	75,923,804
Other foreign currencies	158,323	416,213
Unidades de Fomento	20,082,040	41,263,213
Non-indexed Chilean pesos	5,610,171	-
Total	**32,214,032**	**117,603,230**

Note 12 – Long-term bank obligations

The maturities of obligations to banks and financial institution as of December 31, 2003 are as follows:

	2003 ThCh$
Years to maturity:	
Between 1 and 2 years	121,313,723
Between 2 and 3 years	69,047,211
Between 3 and 5 years	93,807,368
Between 5 and 10 years	48,686,221
More than 10 years	-
Total	**332,854,523**

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Note 13 – Bonds payable

Current portion of long-term bonds payable:

Registration or identification number of instrument	Series	Nominal value of current liability	Measurement unit	Interest rate	Maturity date	Payment periods Interest	Payment periods Amortization	Book value 2003 ThCh$	Book value 2002 ThCh$	Domestic or foreign issuance
229	B	900,000	UF	6.20	30/04/2008	Semi-annual	Semi-annual	15,936,888	8,435,910	Domestic
258	C2	880,000	UF	6.15	01/05/2004	Semi-annual	None	15,041,146	172,125	Domestic
258	C1	497,000	UF	6.15	01/05/2004	Semi-annual	None	8,494,829	86,062	Domestic
251	G	133,333	UF	6.0	01/12/2005	Semi-annual	Semi-annual	2,276,008	2,286,815	Domestic
222	A2	114,311	UF	7.25	15/12/2011	Semi-annual	Semi-annual	1,993,566	2,171,211	Domestic
222	A1	79,043	UF	7.25	15/12/2011	Semi-annual	Semi-annual	1,378,501	1,447,473	Domestic
198	E	53,443	UF	5.8	10/02/2011	Semi-annual	Semi-annual	1,039,306	1,008,558	Domestic
184	C	51,138	UF	5.8	10/02/2008	Semi-annual	Semi-annual	877,053	833,843	Domestic
198	F	21,546	UF	5.8	10/02/2020	Semi-annual	Semi-annual	553,982	540,620	Domestic
229	A	-	UF	6.20	30/04/2021	Semi-annual	Semi-annual	350,068	366,980	Domestic
178	A	19,898	UF	6.25	01/09/2004	Semi-annual	Semi-annual	343,590	330,013	Domestic
184	D	13,874	UF	5.8	10/02/2017	Semi-annual	Semi-annual	251,542	240,817	Domestic
251	H	-	UF	6.0	01/12/2021	Semi-annual	Semi-annual	45,018	48,330	Domestic
148	B	-	-	-		-	-	-	1,665,582	Domestic
Total current portion								**48,581,497**	**19,634,339**	

Long-term bonds payable:

Registration or identification number of instrument	Series	Nominal value of current liability	Measurement unit	Interest rate	Maturity date	Payment periods Interest	Payment periods Amortization	Book value 2003 ThCh$	Book value 2002 ThCh$	Domestic or foreign issuance
229	B	3,150,000	UF	6.20	30/04/2008	Semi-annual	Semi-annual	53,298,000	68,491,823	Domestic
229	A	2,000,000	UF	6.20	30/04/2021	Semi-annual	Semi-annual	33,840,000	33,823,122	Domestic
222	A2	1,069,106	UF	7.25	15/12/2011	Semi-annual	Semi-annual	18,089,272	23,271,421	Domestic
222	A1	739,258	UF	7.25	15/12/2011	Semi-annual	Semi-annual	12,508,237	15,514,280	Domestic
251	H	600,000	UF	6.0	01/12/2021	Semi-annual	Semi-annual	10,152,000	10,146,936	Domestic
198	F	448,329	UF	5.8	10/02/2020	Semi-annual	Semi-annual	7,585,732	7,946,324	Domestic
198	E	281,545	UF	5.8	10/02/2011	Semi-annual	Semi-annual	4,763,740	5,665,174	Domestic
184	D	217,470	UF	5.8	10/02/2017	Semi-annual	Semi-annual	3,679,595	3,912,397	Domestic
251	G	200,000	UF	6.0	01/12/2005	Semi-annual	Semi-annual	2,256,001	4,509,750	Domestic
184	C	111,347	UF	5.8	10/02/2008	Semi-annual	Semi-annual	1,883,990	2,747,881	Domestic
258	C1	-	-	-	30/11/1999	-	-	-	8,455,781	Domestic
258	C2	-	-	-		-	-	-	16,911,561	Domestic
178	A	-	UF	6.25	01/09/2004	Semi-annual	Semi-annual	-	336,515	Domestic
Total long-term portion								**148,056,567**	**201,732,965**	

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Note 14 - Provisions and write-offs

The detail of provisions as of December 31 is as follows:

	2003 ThCh$	2002 ThCh$
Current liabilities:		
Employee vacations	2,666,334	2,634,706
Remunerations, fees and consulting expenses	2,334,274	3,063,592
Liquidation of Optel Ltda. (Brazil)	1,882,564	-
General and commercial expenses	1,821,711	955,419
Staff severance indemnities	1,809,495	1,199,368
Restructuring expenses	1,013,561	1,120,159
Employee profit-sharing and benefits	582,163	348,189
Lawsuits pending	412,849	452,352
Telephone connection and long-distance costs	372,762	890,419
Basic utilities	332,395	394,087
Distribution fees and freights	293,477	465,731
Suppliers' invoices	251,969	369,850
Provision for local interconnection costs	208,133	157,866
Provision for work in progress	200,135	259,010
Advertising, promotion and corporate image	172,312	138,390
Property, municipal and other taxes	158,214	918,095
Export and import expenses	153,261	71,501
Provision for installation and maintenance contractors	59,544	176,281
Contingencies	-	1,864,597
Bank charges	-	368,650
Other	1,306,046	2,107,507
Total	**16,031,199**	**17,955,769**
Long-term liabilities:		
Contingencies	4,128,635	1,908,133
Lawsuits pending	2,678,224	2,983,378
Staff severance indemnities	1,415,194	2,177,984
Other	642,296	366,706
Total	**8,864,349**	**7,436,201**
Allowances against assets		
Current assets:		
Accounts receivable	9,558,101	9,627,964
Notes receivable	3,235,188	3,442,906
Other accounts receivable	1,745,179	1,411,394
Inventories (obsolescence)	4,158,291	4,613,333
Recoverable taxes Uruguay & Argentina	284,424	1,242,411
Unrealized income	39,497	14,027
Property, plant and equipment held-for-sale	6,885,402	9,409,229
Other current assets	152,237	-
Long-term assets:		
Investment in Lucchetti Perú S.A. (see note 22d)	30,110,178	30,110,178
Accounts receivable Lucchetti Perú S.A.	2,062,693	875,093
Adjustment of property, plant and equipment to realizable value	1,931,656	-
Inventories without movement for more than one year	126,313	529,270
Obsolescence of idle property, plant and equipment	1,724,873	571,469
Other long-term assets (long-term debtors)	1,646,438	2,262,945
Valuation of property, plant and equipment - Argentina	3,384,660	4,741,181
Valuation of other assets - Argentina	1,032,968	1,460,682
Reduced value of idle property, plant and equipment	479,355	-
Write-offs made:		
Bad debts	589,917	1,150,884
Inventories	76,381	-

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Note 15 – Minority interest

Minority interest is summarized as follows at the end of each year:

	Percentage minority interest		Minority interest Book value		Minority interest Statement of income	
	2003 %	2002 %	2003 ThCh$	2002 ThCh$	2003 ThCh$	2002 ThCh$
Madeco S.A.	44.78	46.59	66,080,990	46,689,621	6,017,651	18,025,435
CNT Telefónica del Sur S.A.	26.37	26.44	16,066,489	15,302,987	(1,962,022)	(1,609,469)
Alusa S.A.	24.04	24.04	8,290,273	8,822,608	(504,188)	391,401
Optel Ltda. (Brazil)	50.00	50.00	-	2,712,339	-	1,740,054
Indeco S.A. (Peru)	7.08	7.26	1,452,278	1,795,398	(65,373)	(100,877)
Empresas Lucchetti S.A.	4.09	6.31	1,139,413	1,031,060	104,396	2,370,624
Hoteles Carrera S.A.	6.50	6.50	554,861	953,031	345,390	65,396
Cía. Teléfonos de Coyhaique S.A.	11.29	11.29	830,048	789,359	(153,843)	(135,346)
Inversiones Vita S.A.	33.70	33.70	723,593	614,655	(108,938)	(99,834)
Agrícola El Peñón S.A.	3.80	3.80	311,578	538,486	193,045	95,465
Inversiones Vita Bis S.A.	33.70	33.70	367,856	312,473	(55,408)	(43,931)
Inversiones O'Higgins Punta Arenas Ltda. CPA	24.44	24.44	224,742	226,821	2,077	28,774
Indalum S.A.	0.84	0.84	185,673	167,514	(18,754)	(15,355)
Comatel S.A.	14.96	14.96	104,517	103,444	(1,207)	5,155
Inversiones Pal S.A.	30.00	30.00	15,179	28,313	13,162	7,498
Distribuidora Boliviana Indalum S.A.	5.78	5.78	9,597	19,796	10,199	2,423
Inversiones Alusa S.A.	30.73	30.73	1,366	1,255	(111)	267
Others	-	-	574	(2,415)	19	(163)
Total			**96,359,027**	**80,106,745**	**3,816,095**	**20,727,517**

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Note 16 – Shareholders' equity

a) The following movements have occurred in shareholders' equity during 2003 and 2002:

	Paid-in capital ThCh$	Other reserves ThCh$	Retained earnings ThCh$	Interim dividends ThCh$	Deficit during the development stage ThCh$	Net income (loss) for the year ThCh$	Total ThCh$
Balance as of January 1, 2002	441,499,289	24,618,505	198,884,829	-	(3,131,381)	15,509,382	677,380,624
Distribution of prior year's income	-	-	12,378,001	-	3,131,381	(15,509,382)	-
Final dividend	-	-	(6,203,753)	-	-	-	(6,203,753)
Development stage deficit	-	-	-	-	(1,382,458)	-	(1,382,458)
Proportional share of other changes directly affecting Shareholders' equity (1)	-	16,060,851	(7,955)	-	-	-	16,052,896
Price-level restatement of equity	13,244,979	738,555	6,164,180	-	-	-	20,147,714
Net loss for the year	-	-	-	-	-	(75,480,211)	(75,480,211)
Balance as of December 31, 2002	**454,744,268**	**41,417,911**	**211,215,302**	**-**	**(1,382,458)**	**(75,480,211)**	**630,514,812**
Balance restated for comparative purposes	**459,291,711**	**41,832,090**	**213,327,455**	**-**	**(1,396,283)**	**(76,235,013)**	**636,819,960**
Balances as of January 1, 2003	454,744,268	41,417,911	211,215,302	-	(1,382,458)	(75,480,211)	630,514,812
Distribution of prior year's loss	-	-	(76,862,669)	-	1,382,458	75,480,211	-
Development stage deficit	-	-	-	-	(276,463)	-	(276,463)
Proportional share of equity changes directly affecting Shareholders' equity (1)	-	(28,071,840)	-	-	-	-	(28,071,840)
Price-level restatement of equity	4,547,443	414,179	1,343,527	-	-	-	6,305,149
Interim dividends	-	-	-	(12,144,323)	-	-	(12,144,323)
Net income for the year	-	-	-	-	-	37,694,846	37,694,846
Balance as of December 31, 2003	**459,291,711**	**13,760,250**	**135,696,160**	**(12,144,323)**	**(276,463)**	**37,694,846**	**634,022,181**

(1)) In March 2000, a long-term incentive plan was set up for executives of the Company. A loan was granted amounting to ThCh$4,729,878 (historic pesos) at December 31, 2002 to acquire shares of the Parent Company and its subsidiaries at market value. The loan denominated in UF is repayable in annual installments over the period 2003 – 2006 and the shares acquired are pledged in guarantee and may be used in payment. The plan was made in accordance with the directives of the Board of Directors on March 8, 2000. The payment of the installment for the year 2003 was made in June 2003 in accordance with those conditions.

b) Number of shares:

Series	Subscribed shares	Paid-in shares	Shares with voting rights
Common	1,079,740,079	1,079,740,079	1,079,740,079

c) Capital:

Series	Subscribed capital ThCh$	Paid-in capital ThCh$
Common	459,291,711	459,291,711

d) Accumulated development stage deficit:

Company	Amount For the year ThCh$	Amount Accumulated ThCh$
VTR S.A.	212,785	212,785
Inversiones y Rentas S.A.	63,418	63,418
Inversiones Río Grande S.A.	17	17
Comatel S.A.	82	82
CNT Telefónica del Sur S.A.	160	160
Inv. O'Higgins Punta Arenas CPA Ltda.	1	1
Total	**276,463**	**276,463**

Note 17 – Non-operating income and expenses:

Non-operating income and expenses are comprised of the following for the years ended December 31:

	2003 ThCh$	2002 ThCh$
Other non-operating income		
Amount received from settlement payment	36,035,025	-
Recovery of previous investments	518,824	-
Recovery of taxes and expenses	486,894	393,341
Rentals	291,296	100,536
Gain on sale of property, plant and equipment	194,643	164,490
Gain on sale of shares and other investments	17,810	435,361
Dividends received	6,188	8,061
Reversal of provision for contingencies	-	3,296,718
Deferred gains	-	587,019
Other	458,195	1,051,018
Total	**38,008,875**	**6,036,544**
Other non-operating expenses		
Loss for non-participation in capital increase of subsidiary	21,130,016	2,762,883
Provision for liquidation of subsidiary Optel Ltda. (Brazil)	4,917,485	-
Loss on sale of Hotel Carrera building	4,713,021	-
Fees, profit sharing, remuneration & consultancies	4,167,745	1,104,460
Depreciation of idle assets	1,984,140	3,284,965
Write-offs and obsolescence	1,680,636	2,065,661
Legal defense expenses Lucchetti Perú S.A.	1,395,937	2,246,733
Allowance for accounts receivable of Lucchetti Perú S.A.	1,187,600	875,093
Provision for valuation of property, plant & equipment & other assets in Argentina	821,194	6,201,865
Adjustment to market value of assets held for sale	489,166	3,010,227
Closure and valuation adjustment of assets of subsidiaries (Chile and Uruguay)	483,135	516,562
Labor lawsuits	381,953	326,330
Severance payments, settlements, etc.	221,430	6,867,285
Commissions and other banking fees	197,509	368,650
Provision for equity subsidiary Lucchetti Perú S.A.	-	30,110,178
Adjustment to sales price of a business	-	1,250,433
Allowance for doubtful accounts	-	1,166,629
Amortization of extraordinary disbursements	-	770,663
Other	1,974,564	2,380,786
Total	**45,745,531**	**65,309,403**

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Note 18 – Price-level restatement

The detail of price-level restatement for the years ended December 31 is summarized as follows:

	Indexation unit	2003 ThCh$	2002 ThCh$
Assets			
Inventories, net	CPI and replacement cost	2,316,612	2,154,807
Property, plant and equipment	CPI	2,677,055	8,098,023
Investments in related companies	CPI	6,377,377	16,771,270
Goodwill and negative goodwill	CPI	2,897,180	10,660,115
Financial investments	CPI	182,095	445,991
Related company current accounts, net	UF	175,611	370,849
Other assets	UF	199,517	476,501
Other non-monetary assets	CPI	532,261	2,611,864
Expense and cost accounts	CPI	29,597	5,211,324
Total credits		**15,387,305**	**46,800,744**
Liabilities			
Shareholders' equity	CPI	(6,305,149)	(20,349,191)
Bank obligations	CPI	(53,574)	(183,690)
Bank obligations	UF	(3,137,566)	(6,840,087)
Bonds payable	UF	(2,006,144)	(6,334,721)
Other liabilities	UF	(275,962)	(702,678)
Non-monetary liabilities	CPI	(1,150,286)	(2,952,761)
Revenue accounts	CPI	(566,689)	(4,364,278)
Total charges		(13,495,370)	(41,727,406)
Net gain due to price-level restatement		**1,891,935**	**5,073,338**

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Note 19 – Foreign exchange differences

The detail of the foreign exchange differences for the years ended December 31 is as follows:

	Currency	Amount 2003 ThCh$	Amount 2002 ThCh$
Assets (charges)/ credits			
Cash and financial investments	US dollar	(4,775,072)	4,593,074
Related company current accounts, net	US dollar	-	(17,576)
Accounts and notes receivable	US dollar	(308,767)	295,650
Other assets	US dollar	(1,481,972)	967,410
Other assets	Euro	(12,404)	324,118
Derivative instruments	US dollar	(12,749,917)	3,503,377
Translation adjustments	US dollar	2,129,447	(332,772)
Total (charges) credits		(17,198,685)	9,333,281
Liabilities (charges)/ credits			
Bank obligations	US dollar	15,529,731	(18,374,985)
Accounts and notes receivable	US dollar	1,266,379	(1,338,261)
Other liabilities	US dollar	164,917	354,223
Translation adjustment Peru	Peruvian sol	410,397	74,172
Other liabilities	Other	(121,930)	-
Translation adjustment Brazil	Brazilian real	1,477,899	269,709
Hedging costs Brazil	Brazilian real	(1,407,922)	(2,603,518)
Translation adjustment Argentina	Argentine peso	863,597	(1,772,855)
Total credits (charges)		18,183,068	(23,391,515)
Net foreign exchange gain (loss)		**984,383**	**(14,058,234)**

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Note 20 – Statement of cash flows

The composition of Cash and cash equivalents consists of all financial investments that are easily-convertible to cash with a maximum term of 90 days, including instruments acquired under repurchase agreements and fixed-income mutual funds. The detail of cash and cash equivalents is as follows:

	2003 ThCh$	2002 ThCh$
Cash	6,365,082	5,087,910
Mutual funds	5,918,526	1,971,302
Time deposits	23,619,801	6,797,366
Transactions under repurchase agreements	20,405,237	80,161,466
Total	**56,308,646**	**94,018,044**

Other investment income includes the following:

	2003 ThCh$	2002 ThCh$
Settlement agreement	37,408,588	-
Loan prepayment	-	21,351,659
Recovery of deposit in guarantee	-	912,256
Recovery of deposit in guarantee from sale of indirect subsidiary Lucchetti Argentina S.A.	-	718,312
Other	345,785	302,701
Total	**37,754,373**	**23,284,928**

Other sources of financing include the following:

	2003 ThCh$	2002 ThCh$
Factoring transactions	12,612,969	3,064,738
Collections from third parties	3,273,088	3,033,382
Sales under repurchase agreements	1,566,539	2,439,906
Other	136,597	-
Total	**17,589,193**	**8,538,026**

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Note 21 – Derivative contracts

Description of contract									Derivative instruments effect			
						Hedged item			Asset / Liability		Effect on income	
Type of derivative	Type of contract	Nominal amount	Maturity date	Specific item	Purchase/ Sale	Description	Initial amount	Closing amount	Name	Amount ThCh$	Realized ThCh$	Deferred ThCh$
Swap	CCPE	234,551	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	234,551	234,551	OCL	-	(6,851)	-
Swap	CCPE	206,049	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	206,049	206,049	OCL	-	(6,354)	-
Swap	CCPE	267,804	1st qtr. 2004	Dollar/Brazilian Real	P	Dollar loan	267,804	267,804	OCL	-	(15,917)	-
Swap	CCPE	165,670	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	165,670	165,670	OCL	-	(5,785)	-
Swap	CCPE	440,600	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	440,600	440,600	OCL	-	(15,623)	-
Swap	CCPE	211,987	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	211,987	211,987	OCL	-	(7,428)	-
Swap	CCPE	124,104	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	124,104	124,104	OCL	-	(3,331)	-
Swap	CCPE	124,104	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	124,104	124,104	OCL	-	(3,333)	-
Swap	CCPE	400,221	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	400,221	400,221	OCL	-	(10,328)	-
Swap	CCPE	-	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	201,892	201,892	OCL	-	(5,465)	-
Swap	CCPE	41,566	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	41,566	41,566	OCL	-	(1,125)	-
Swap	CCPE	153,200	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	153,200	153,200	OCL	-	(4,150)	-
Swap	CCPE	165,076	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	165,076	165,076	OCL	-	(4,471)	-
Swap	CCPE	360,437	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	360,437	360,437	OCL	-	(9,141)	-
Swap	CCPE	296,900	1st qtr. 2004	Dollar/Brazilian Real	P	Dollar loan	296,900	296,900	OCL	-	(7,548)	-
Swap	CCPE	206,642	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	206,642	206,642	OCL	-	(5,087)	-
Swap	CCPE	207,236	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	207,236	207,236	OCL	-	(5,102)	-
Swap	CCPE	178,140	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	178,140	178,140	OCL	-	(4,385)	-
Swap	CCPE	98,571	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	98,571	98,571	OCL	-	(2,427)	-
Swap	CCPE	239,895	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	239,895	239,895	OCL	-	(5,899)	-
Swap	CCPE	220,300	1st qtr. 2004	Dollar/Brazilian Real	P	Inventories (copper)	220,300	220,300	OCL	-	(5,417)	-
Forward	CCTE	84,795	1st qtr. 2004	Aluminum contracts	P	Inventories (aluminum)	84,795	84,795	OR	3,829	3,829	-
Forward	CCTE	84,795	1st qtr. 2004	Aluminum contracts	P	Inventories (aluminum)	84,795	84,795	OR	2,427	2,427	-
Forward	CCPE	4,759,370	1st qtr. 2004	Dollar exchange rate	P	Dollar loan	4,759,370	4,572,260	OCL	169,048	-	(169,048)
Forward	CCPE	3,074,000	1st qtr. 2004	Dollar exchange rate	P	Dollar loan	3,074,000	2,969,000	OCL	92,362	-	(92,362)
Forward	CCPE	4,546,125	1st qtr. 2004	Dollar exchange rate	P	Dollar loan	4,546,125	4,453,500	OCL	73,477	-	(73,477)
Forward	CCPE	4,228,700	1st qtr. 2004	Dollar exchange rate	P	Dollar loan	4,228,700	4,156,600	OCL	52,926	-	(52,926)
Forward	CCPE	4,036,175	1st qtr. 2004	Dollar exchange rate	P	Dollar loan	4,036,175	3,859,700	OCL	164,988	-	(164,988)
Forward	CCPE	4,317,155	1st qtr. 2004	Dollar exchange rate	P	Dollar loan	4,317,155	4,215,980	OCL	82,518	-	(82,518)
Forward	CCPE	4,772,800	1st qtr. 2004	Dollar exchange rate	P	Dollar loan	4,772,800	4,750,400	OCL	697	-	(697)
Forward	CCPE	4,114,500	1st qtr. 2004	Dollar exchange rate	P	Dollar loan	4,114,500	3,859,700	OCL	241,402	-	(241,402)
Forward	CCPE	5,454,900	1st qtr. 2004	Dollar exchange rate	P	Dollar loan	5,454,900	5,166,060	OCL	270,464	-	(270,464)
Forward	CCPE	6,244,000	1st qtr. 2004	Dollar exchange rate	P	Dollar loan	6,244,000	5,938,000	OCL	282,994	-	(282,994)
Forward	CCPE	9,003,000	1st qtr. 2004	Dollar exchange rate	P	Dollar loan	9,003,000	8,907,000	OCL	49,888	-	(49,888)
Forward	CCPE	2,382,800	1st qtr. 2004	Dollar exchange rate	P	Dollar loan	2,382,800	2,375,200	OCL	5,366	-	5,365

OCL Other current liabilities

OR Other receivables

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Note 22 - Contingencies and restrictions

a) Pledge over shares

Pledges over shares are shown under Contingencies and restrictions – Indirect guarantees.

b) Mortgages and pledges

Lucchetti Chile S.A. maintains guarantees in favor of a group of banks under the terms of a syndicated loan agreement signed on December 10, 2001 amounting to UF 2,369,359. The guarantees include pledges and mortgages over machinery, equipment, land and buildings of its plants in Santiago and Talca. As part of the same syndicated loan agreement, Empresas Lucchetti S.A. has also pledged its 50.1% shareholding in Lucchetti Chile S.A. and the rights to the trademarks Lucchetti, Talliani, Miraflores, Oro Vegetal and Naturezza.

Hoteles Carrera S.A., by public deed dated November 20, 2003 signed before the Santiago notary Iván Torrealba Acevedo, sold the Hotel Carrera building in Santiago, located at Teatinos Street 180 to Banco Santander-Chile, in order for it to be used by the Ministry of Foreign Affairs. The sales contract provides for the partial transfer of the building (i.e. the complete termination of the hotel and restaurant business and the complete evacuation of the property except for the premises rented to Citibank N.A. and Banco Santander – Chile) by March 6, 2004. Should this deadline not be met the contract stipulated that a fine would be payable of UF150 per day's delay.

c) Guarantees to third parties

Hoteles Carrera S.A. has rental and administration contracts with Santander Administradora de Fondos de Inversión for the La Serena Club Resort; Hoteles Carrera Club Hotel Antofagasta and Carrera Club Hotel Iquique has similar rental and administration contracts with Hotelera Norte Sur S.A., for which it provided a renewable insurance policy as a guarantee for the equivalent of six months' rent (ThCh$152,280) and a renewable time deposit of ThCh$126,529.

d) Investment in Lucchetti Perú S.A. and related extraordinary provision

On August 22, 2001, the Metropolitan Council of the Municipality of Lima published in the Diario El Peruano (the Official Gazette) two council resolutions (Nos. 258 and 259) declaring the public need to preserve the ecological area adjoining the production plant of Lucchetti Perú S.A. It authorized the mayor to prepare legislation for the expropriation of the land where the plant is built, to revoke the operating license granted by the Municipality of Chorrillos to Lucchetti Perú S.A. for its industrial facilities, and to order the final closure of the plant and its complete eradication within twelve months.

Consequently, on October 3, 2001, Empresas Lucchetti S.A. started proceedings to protect its rights and interests as a foreign investor under the Reciprocal Investment Promotion and Protection Treaty signed between Chile and Peru (hereinafter "the Treaty"). On the same day, Empresas Lucchetti S.A. delivered a letter addressed to the President of Peru requesting that the process of cordial negotiations begin, as set out in the Treaty, which was to last for a period of six months. After that period, if no agreement was reached, Empresas Lucchetti S.A. would be in a position to begin arbitration proceedings to resolve the dispute before an arbitration tribunal reporting to the International Center for the Settlement of Investment Disputes ("ICSID").

In order to reach an amicable resolution, as provided for in the Treaty, Empresas Lucchetti S.A. wrote three further letters to the President of Peru, none of which were ever answered. On August 16, 2002, at the request of the then mayor of the Metropolitan Municipality of Lima, Mr. Alberto Andrade, Lucchetti Perú S.A., asked for an extension of the term granted by Municipal Resolution 259, expressly reserving its rights to approach the ICSID. This request was rejected by the Metropolitan Council of Lima on December 16, 2002.

On December 23, 2002, Empresas Lucchetti S.A., together with Lucchetti Perú S.A., then presented its request for arbitration to the General Secretary of ICSID to resolve the dispute arising between the investor and the Peruvian state as a result of Municipal Resolutions 258 and 259. Among other reasons, the presentation was mainly based on the argument that there was a total lack of technical and legal reasons for having adopted these resolutions.

In the opinion of Empresas Lucchetti S.A., there was no technical justification because Peru's own authorities for handling these matters certified that there had been full compliance with environmental regulations by Lucchetti Perú S.A., and even certified that the plant was outside of the protected area. Examples of such authorities are the Peruvian National Natural Resources Institute (INRENA), the Ministry of Agriculture of Peru whose conclusions are contained in Official Letter No. 934-2002 of October 21, 2002 and the Peruvian National Police document No.188-2002 of June 7, 2002.

The company also contended that the resolution lacked a legal basis because, inter alia, the Municipal Council had no legal powers to revoke operating licenses granted by another municipality, in this case Chorrillos, and because the revocation process did not allow the company the opportunity to present its comments or defense, thus depriving it of a basic right.

On January 6, 2003, Lucchetti Perú was notified by an official of the Municipality of Chorrillos to close the plant and threatened the use of public proceedings and the national police. Consequently, the Board of Directors of Empresas Lucchetti S.A. agreed to comply with the order as quickly as possible in order to protect its subsidiary's employees and installations, and to begin the orderly liquidation of the assets of the Peruvian subsidiary.

On January 16, 2003, the same enforcer and the Mayor of the Municipality of Chorrillos personally visited the plant and certified that it had been closed.

As a result of these events, Empresas Lucchetti S.A. decided to make a provision in the financial statements for the year ended December 31, 2002 against the entire investment and for part of the accounts receivable of its subsidiary Lucchetti Perú, amounting to ThCh$30,678,486 (historic pesos). In making this decision, it took into account that it had to apply the provisions of Technical Bulletins Nos. 33 and 64 of the Chilean Association of Accountants, and also the instructions of the SVS (in particular, Circular 150 dated January 31, 2003) which informed public companies of the need to make provisions for the estimated loss in the value of their assets, especially with regard to investments in other Latin American countries.

In the opinion of the management of Empresas Lucchetti S.A., the provision reflected only the accounting effect of the non-recovery of the investment but did not quantify the intangible assets, for example, the distribution networks, customer portfolio, brand image, know-how, market share, sale of distribution services to third parties, and, the whole business project designed by Empresas Lucchetti S.A. Such intangible assets were not reflected in the accounts nor were they shown in the balance sheet. This provision therefore that had to be constituted to comply with the above-mentioned accounting rules did not reflect the amount of the assets and rights invested in Peru by Empresas Lucchetti S.A., and consequently the amount of damages that Empresas Lucchetti S.A. could demand from the Peruvian state. The amount of the provision therefore only formed a part of the total amount claimed from the Republic of Peru.

The management of Empresas Lucchetti S.A., backed by legal reports and analyses, considered that the actions carried out by the Peruvian authorities constituted an indirect expropriation of the investment made by Empresas Lucchetti S.A. in Peru, and as a consequence, believed that there was a reasonable legal basis under international law to obtain a favorable settlement for damages. Likewise, the legal advisers to Empresas Lucchetti S.A., Mr. Francisco Orrego Vicuña, the firm Arnold & Porter, and the law firm Eluchans y Cía., believed that the arbitration request qualified for registration with the ICSID and had a high likelihood of success and that the amount of compensation should be based on the amounts invested in Peru. Despite these opinions, and in accordance with current accounting regulations, including the provisions of Technical Bulletin No.6 of the Chilean Association of Accountants, Empresas Lucchetti S.A. decided not to record the potential settlement gain that might result from the international arbitration process for the year ended December 31, 2002.

On March 25, 2003, the ICSID general secretary registered the arbitration request presented by Empresas Lucchetti S.A. on December 23, 2003.

On August 1, 2003, the ICSID arbitration tribunal was constituted to assess the lawsuit brought by Empresas Lucchetti S.A. against the Republic of Peru and began its formal procedures. The arbitration tribunal consists of the following arbitrators: Mr. Thomas Buergenthal (Chairman of the tribunal, appointed by the ICSID General Secretary), Mr. Bernardo M. Cremades, named by the Republic of Peru state and Mr. Jan Paulsson appointed by Empresas Lucchetti S.A..

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The first meeting of the arbitration tribunal was held on September 15, 2003 at which time the tribunal formally rejected the request of the Republic of Peru to suspend the arbitration. The tribunal also set forth the procedures to be followed for the lawsuit brought by Empresas Lucchetti S.A. against the Republic of Peru. On December 15, 2003 the Republic of Peru requested the tribunal to declare that it had no jurisdiction over the case. Empresas Lucchetti S.A. will present its counter argument to the Peruvian request by March 15, 2004.

e) Civil liability

Empresas Lucchetti S.A. is also involved in legal proceedings brought in Peru against certain of its executives and shareholders.

In the opinion of the management of Empresas Lucchetti S.A. and its legal advisers, they expect that the judgment should be in favor of Lucchetti and that in any case if the judgment is unfavorable to the interests of the Company, the resultant liability would not be significant with respect to the financial statements as a whole.

f) Lawsuits

In 1999, VTR S.A. presented an appeal against the judgment by the Tax Tribunal of the Santiago Center Metropolitan Regional Authority of the Internal Tax Service which rejected, on October 26, 1999, the claim made by the company against lawsuit No.29 of January 21, 1998 with respect to additional income tax (Clause 21 of the Tax Law) applied to a foreign currency futures contract signed on January 2, 1995 between VTR S.A. and Citibank N.A.. In management's opinion, it is unlikely that payment should have to be made with respect to this lawsuit.

There are legal proceedings in Brazil against the previous owner of Ficap S.A., a subsidiary of Madeco S.A., dating from the time prior to Madeco S.A.'s ownership starting in 1997. It is believed that total damages would amount to approximately US$10 million. Madeco S.A. has personal guarantees from the previous owner of Ficap S.A. to indemnify Madeco S.A. should the Brazilian subsidiary be affected by such legal actions.

Madeco S.A. and its subsidiary Madeco Brasil Ltda. filed an arbitration claim in New York City before the American Arbitration Association, against Corning International Corporation ("Corning Inc.") based on the allegation that Corning Inc. had tried to terminate its agreements with Madeco S.A. relating to Optel Ltda. ("Optel"), a Brazilian company in which Corning Inc. and Madeco Brasil Ltda. are joint owners. Corning, in turn, made a counter-claim against Madeco S.A. seeking, among other things, that Corning be allowed to terminate its agreements with Madeco S.A.

Madeco S.A. was notified of the tribunal's judgment which, inter alia, declared that the investment agreement, signed between the parties on June 12, 1999 and its amendments, be terminated. This meant that Madeco S.A. lost its put option to sell its shares in Optel Ltda. (Brazil) to Corning Inc. at a price of US$18 million. This does not cause any accounting effect as such options are not recorded in the financial statements.

The judgment also declared the investment agreement as null and void resulting in the loss of Madeco S.A.'s right to manage the company.

Finally, the judgment stated that the decision of Corning Inc. concerning the liquidation of the company must be respected.

As of December 31, 2003, Madeco S.A. has other lawsuits pending against it with respect to its ordinary course of business which, according to the company's legal advisers, do not represent risks of significant losses and for which the Company has not made any provisions in the financial statements.

As of December 31, 2003, CNT Telefónica del Sur S.A. and its subsidiaries have the following lawsuits pending:

1) Case No. 2525-2001 in the Second Civil Court of Valdivia, with Ms. Regina Barra Arias for damages amounting to ThCh$558,000. The demand was rejected in the first and second instances and is now pending an appeal to the Supreme Court. CNT Telefónica del Sur S.A. has not made a provision for this case because it believes that it will not result in any significant damages.

2) Case No. 2166-03 in the First Civil Court of Valdivia with Mr. Andrés González Lara for damages amounting to ThCh$388,000. Debate in the first instance has finished and the settlement is pending. The company has not made a provision for this case because it believes that it will not result in any significant damages.

3) Case No. 2831-2001 in the 2nd Civil Court of Valdivia with Mr. Marcelo Bastidas Villarroel for damages amounting to ThCh$1,500,000. The parties are currently awaiting notification of the settlement date. The company has not made a provision for this case because it believes that it will not result in any significant damages.

g) Financial contingencies

Quiñenco and its group companies were in compliance with their financial covenants related to current bond issuances and bank loan agreements as of December 31, 2003.

1) Quiñenco and certain group companies are subject to certain financial covenants, which as of December 31, 2003 are as follows:
- Maintain a ratio of unencumbered assets at book value to unsecured debt of at least 1.3:1.
- Unconsolidated interest-bearing debt to total capitalization ratio no greater than 0.45:1.
- Consolidated interest-bearing debt to total capitalization ratio no greater than 0.6:1.
- Minimum shareholders' equity of UF 33 million.
- Luksic Group to maintain control of Quiñenco.
- Quiñenco to maintain control of Banco de Chile (through its investment in LQ Inversiones Financieras S.A.).

2) CNT Telefónica del Sur S.A. is subject to certain financial covenants and restrictions related to its bond issuances and bank loan agreements. The main financial covenants are as follows:

i. CNT Telefónica del Sur S.A.
- Maintain a liquidity ratio of at least 0.50:1 on both an unconsolidated and consolidated basis.
- Leverage (liabilities/net worth) no greater than 1.5:1 on both an unconsolidated and consolidated basis.
- Minimum net worth of UF2,000,000.
- Investments in subsidiaries that are not eligible for investment by local pension funds or in shares that are not subject to approval by the Commission on Risk Classification may not exceed 20% of the company's consolidated net worth.
- Maintain a ratio of unencumbered assets to unsecured debt of at least 1.3:1.

ii. Compañía de Teléfonos de Coyhaique S.A.
- Maintain a liquidity ratio of at least 1:1.
- Leverage (liabilities/net worth) no greater than 1.5:1.
- Investments in subsidiaries that are not eligible for investment by local pension funds or in shares that are not subject to approval by the Commission on Risk Classification may not exceed 20% of the company's net worth.
- Maintain a ratio of unencumbered assets to unsecured debt of at least 1.3:1.

(3) Empresas Lucchetti S.A.'s syndicated loan agreement stipulates that the following financial covenants must be met:
- Covenants based on the consolidated financial statements of Lucchetti Chile S.A.:

	Annual	Semi-annual
Liquidity ratio of at least	1	1
Debt to equity ratio no more than	1	1.2

As of December 31, 2003 and 2002

• Covenants based on the consolidated financial statements of Empresas Lucchetti S.A.:

	Annual	Semi-annual
Liquidity ratio of at least	1.3	1.3
Debt to equity ratio no more than	1.5	1.6

With respect to interest coverage, Empresas Lucchetti S.A. agreed to a ratio of at least 1.8 times for 2002 and at least 2.0 times for successive years. This ratio is calculated as the sum of the consolidated operating income (excluding depreciation) of Lucchetti Chile S.A. (excluding Lucchetti Perú S.A.) plus the unconsolidated operating income (excluding depreciation) of Empresas Lucchetti S.A., divided by the sum of the consolidated interest expense of Lucchetti Chile S.A. (excluding Lucchetti Perú S.A) and the unconsolidated interest expense of Empresas Lucchetti S.A.

As a result of the provision of ThCh$30,678,486 (historic pesos) for the closure of the plant of its subsidiary Lucchetti Perú S.A. made in the financial statements for the year ended December 31, 2002, Empresa Lucchetti S.A. negotiated and obtained an amendment to the syndicated loan that stated that, for the calculation of the consolidated debt ratio, the effect on equity of the provisions related to the closure of Lucchetti Perú S.A. shall be ignored. Should any of the member banks choose to, the amended agreement stipulates that this ratio may reach a maximum of 3.2 times equity at December 31, 2003.This ratio will reduce gradually over the term of the loan.

Lucchetti Chile S.A. is joint and several guarantor in favor of Banco de Crédito del Perú for all of Lucchetti Perú S.A.'s obligations with the bank under a leaseback agreement between the bank and the Peruvian subsidiary over a series of plant and equipment in Lima.

(4) LQ Inversiones Financieras S.A. is subject to certain financial covenants and restrictions related to its bank loan agreements, including the following:

- A maximum debt to capitalization ratio of 40%.
- Minimum shareholders' equity of UF9,500,000.
- Minimum share coverage of 1.5:1 with topping up and closing out clauses.
- Quiñenco to maintain control of LQ Inversiones Financieras S.A.
- LQ Inversiones Financieras S.A. must maintain control of Banco de Chile.

(5) Madeco S.A. is subject to certain financial covenants and restrictions as of December 31, 2003, the most restrictive of which are:

Bonds

- Maintain a liquidity ratio of at least 0.7:1 (Series C bonds) and 1:1 (Series A bonds).
- Shareholders' equity to be at least UF 7,000,000 (Series A and C bonds).
- Debt to equity ratio (Third-party liabilities/Shareholder's equity plus Minority interest) may not exceed 1.8:1 (Series A and C bonds).
- Unencumbered assets to be 1.2 times the total amount of bonds outstanding (Series A and C bonds).
- Short and long-term liabilities to net Shareholders' equity may not exceed 2.0:1 starting March 31, 2003; and current assets must exceed current liabilities (Series B bonds).
- Bank loans or reschedulings obtained as a result of the financial restructuring of Madeco S.A. to start repayments no earlier than January 1, 2005. The maximum repayment of the company's unconsolidated bank loans to be the amount received in cash from the capital increase approved by the Extraordinary Shareholders' Meeting of November 14, 2002.
- Quiñenco S.A. to remain as the controller of Madeco S.A., with a direct or indirect shareholding of at least 40%, in accordance with clause 97 of the Capital Markets Law, notwithstanding that Quiñenco S.A. must at all times have a shareholding of at least 35%.
- Maintain throughout the term of the Series B bonds (contract dated August 1, 2003) all of its assets unencumbered except for collateral over assets for financing purchases.

- Madeco S.A. may not sell or permit to be sold, assign or hold a charge against and/or in any other way dispose of essential assets that represent over 40% of total consolidated assets (Series A and C bonds) or those assets of a subsidiary that are essential for the efficient operation of the company's business (Series B bonds).
- Madeco S.A. must use the proceeds obtained from its businesses, new borrowings or the sale of its assets to make voluntary prepayments on its financial debts with third parties, thereby optimizing its cost of debt and maintaining a reasonable balance between different kinds of creditors. Prepayments would be made after deducting the funds necessary for making payments in the ordinary course of its business and to meet its long-term financial commitments.

Bank loans:

Madeco S.A. is obliged to meet the following conditions with respect to the loan amendment and rescheduling agreements signed between it and its creditor banks while any sum covered by those agreements and the rescheduled promissory notes remains pending payment until the loans are fully paid.

i) Madeco S.A. must prepay all the rescheduled banks loans should the Luksic group cease to own, directly or indirectly, at least 50.1% of the shares with voting rights or to control Madeco S.A. (control is defined as the power to elect the majority of directors or the power to determine the result of voting on all matters requiring the absolute majority of voting right shares of Madeco S.A. or the power to directly or indirectly exercise influence over the management or policies of Madeco S.A.).

ii) Obligations:

- Preserve and maintain the corporate existence and legal structure of all of its Principal Subsidiaries (Alusa S.A., Indalum S.A., Ficap S.A. and Indeco S.A.), and all their rights, properties, licenses, trademarks, permits, franchises, concessions and patents.
- Use the proceeds obtained from its businesses, new borrowings or the sale of its assets to make voluntary prepayments of its financial debts with third parties unrelated to the debtor except for Banco de Chile, and thereby try to optimize the cost of debt and maintain a reasonable balance between different kinds of creditors. The above should be performed after deducting the funds necessary for making the payments that Madeco S.A. should make to meet its operating, financial and investment commitments in the ordinary course of business and to meet its long-term financial commitments.
- Maintain the following financial indicators based on both the consolidated and unconsolidated balance sheets:
- Net Financial Debt to Adjusted Equity, as defined in the covenant and which relates to certain FECU codes, must not exceed 1.8:1 at the quarterly consolidated and unconsolidated measurement dates. Adjusted equity, as defined in the covenant contract, excludes losses and the negative effects resulting from the disposal of fixed assets and disposable assets of Madeco S.A. and its subsidiaries, the disposal of subsidiaries, provisions for the valuation of disposable property, plant and equipment and assets of Madeco S.A. and/or its subsidiaries, and provisions for the valuation of foreign investments.
- Minimum Adjusted Equity of UF7,000,000 as of December 31 each year. However, starting September 30, 2005, a minimum adjusted equity of UF7,000,000 must be maintained on a quarterly basis.
- Current ratio must be greater than 1:1 on the last day of each quarter based on both the consolidated and unconsolidated financial statements.
- Consolidated EBITDA to Consolidated Financial Expenses must be at least 1.5:1 between December 31, 2005 and September 30, 2006.
- Consolidated EBITDA to Consolidated Financial Expenses must be at least 1.75:1 between December 31, 2006 and September 30, 2007.
- Consolidated EBITDA to Consolidated Financial Expenses must be at least 2.0:1 between December 31, 2007 and September 30, 2009.
- Consolidated Net Financial Debt to Consolidated EBITDA must be no higher than 8.0:1 between December 31, 2005 and September 30, 2006.
- Consolidated Net Financial Debt to Consolidated EBITDA must be no higher than 7.0:1 between December 31, 2006 and September 30, 2007.
- Consolidated Net Financial Debt to Consolidated EBITDA must be no higher than 7.0:1 between December 31, 2007 and September 30, 2009.

Distribute dividends only to the degree that the following conditions are met:
- At least four years have passed since compliance with the conditions.
- There has been no cause of default or any non-compliance.
- The ratio of consolidated Net Financial Debt to Consolidated EBITDA is no higher than 4.0:1
- The above notwithstanding the provisions of clause 79 of the Corporations Law.

iii) Negative covenants
- The company may not make any encumbrances over its real estate or assets and those of its subsidiaries, nor over their intellectual property or any other tangible or intangible assets existing at the time of the loan rescheduling or which they acquire in the future, with certain exceptions such as (i) previously existing encumbrances, (ii) encumbrances relating to the normal course of business, (iii) financing relating to asset acquisitions, (iv) leasing, and (v) others.
- The company shall not sign any act or contract for the merger, consolidation or division of its Principal Subsidiaries except insofar as (i) the managing agent is notified of the necessary adoption or agreements for such merger, consolidation or division, (ii) no default arises or is maintained as a result of the operation, (iii) the new entity has the same business, operation, essential assets, rights and credit rating as Madeco S.A. or the respective Principal Subsidiary, (iv) the new company assumes all the obligations assumed by Madeco S.A. or the respective Principal Subsidiary in the loan agreement, and (v) in the case of liquidation of a Principal Subsidiary, Madeco S.A. has determined that this is in its best interest and does not substantially affect creditors' rights.
- The company shall not permit essential assets representing more than 20% of the total consolidated assets described in the consolidated accounts Code 5.10.00.00 as of December 31, 2002 to be sold, ownership assigned or used or in any way disposed of, whether by one operation or a series of operations, to a party that is not a subsidiary of Madeco S.A.
- The company shall not sign acts or contracts with related parties except in the ordinary course of business and under terms and conditions that are no more disadvantageous to those obtained in market negotiations between unrelated parties. It shall also ensure that its subsidiaries do not sign any such contracts. Madeco S.A. may not grant financial loans to subsidiaries that together or individually exceed US$3.5 million. The disposal of subsidiaries to related companies must be made on at prevailing market conditions according to an independent appraisal.
- The company shall not substantially change the nature of its principal line of business or those of its Principal Subsidiaries (Alusa S.A., Indalum S.A., Ficap S.A. and Indeco S.A.)
- The company may not and shall ensure that its subsidiaries cannot (i) make or permit the modification of the conditions of any debt that carries no preference over the other debts of Madeco S.A., including the modification of any bond issuance contract, loan agreement or the granting of guarantees relating to such debts, except that these debts reflect new terms and conditions prevailing in the market, and (ii) modify or permit the modification of their bylaws that would mean a change in the rights of the creditors under the loan agreement.
- The company shall not grant and shall ensure that the subsidiaries do not grant guarantees to cover the obligations of third parties, with certain exceptions.
- The company shall not acquire and shall ensure that its subsidiaries do not acquire majority holdings in other companies, or minority holdings, whose cost, individually or altogether, exceeds one million dollars, with certain exceptions.

iv) Repayment acceleration
Any of the creditors is authorized to demand the payment of overdue installments or of the whole of the debt in the event of failure or delay in the payment of all or part of any amount due under the bank loan rescheduling agreements.

v) The Majority Banks are authorized to declare the principal, interest and any other amount as due and immediately payable if any of the following cases or events occur:
- If Madeco S.A. does not pay any debt or obligation with respect to principal, interest, premiums or other concepts which individually or jointly exceed US$1 million.
- If the subsidiaries Alusa S.A. or Indalum S.A. do not pay any debt or obligation (after three years from the effective date of the rescheduling) with respect to principal, interest, premiums or other concepts which individually or jointly exceed US$3.5 million.
- If the subsidiaries Ficap S.A. or Indeco S.A. do not pay any debt or obligation with respect to principal, interest, premiums or other concepts which individually or jointly exceed US$3.5 million, and provided that a request from the creditors has been made in writing, Ficap S.A. and Indeco S.A. will be liable to pay the whole of its debt immediately.
- If any judicial sentence rules against Madeco S.A. or any of its Principal Subsidiaries demanding the payment of US$3 million or more and such amounts remain unpaid.

- If any judicial sentence rules against Madeco S.A. or any of its subsidiaries whereby the result does not involve a monetary award but could still have an adverse effect on the company.
- If Madeco S.A. does not meet its covenants or negative covenants.
- Should for any reason Madeco S.A. cease to be included in the Securities Register of the Superintendency of Securities and Insurance.
- Should Madeco S.A. cease to hold directly or indirectly at least 51% of the common shares with voting rights in any of the subsidiaries Indalum S.A., Indeco S.A. and Ficap S.A.

vi) Alusa S.A., a subsidiary of Madeco S.A., has a syndicated loan with Banco de Chile and Banco Estado for UF 300,000 as of December 31, 2003 for which it has to comply with the following commitments:

- Maintain the following financial indicators based on its consolidated and unconsolidated financial statements: leverage (debt to equity) not to exceed 0.75:1 (equity for these purposes being net of intangible assets and technical appraisals of assets).
- Minimum shareholders' equity of UF1,765,000.
- In the event of the disposal of the real estate properties located at Avda. Vicuña Mackenna 2935 and 2585, Alusa S.A. should use at least 35% of the proceeds to prepay pro rata the participating banks in the syndicated loan.
- Alusa S.A. may not encumber its assets or give guarantees to creditors other than the participant banks, without their prior written consent, unless such security is also given in favor of the participant banks on the same conditions and with equal degree of preference as the other creditors. Excluded from this prohibition is the collateral given by Alusa S.A. over assets it acquires in the future in order to cover the financing obtained for their acquisition.
- Not to have accounts receivable from its Argentine subsidiary Aluflex S.A. relating to non-business operations, except with the prior written consent of the participant banks. Business-related accounts receivable with Aluflex S.A., may not exceed US$600,000 except with the prior written consent of the participant banks.

  At December 31, 2003, Alusa S.A. was in compliance with all these covenants.

  Alusa S.A. at December 31, 2003 had received two tax notifications (N°372 and 373) which are pending resolution.

  Alusa S.A. will comply with the general claim procedures in Title II of Law 830 of the Tax Code.

h) Other contingencies:

The indirect guarantees of the Parent Company, as shown in the following table, include joint and several guarantees for the debts of the following subsidiaries: Agrícola El Peñón S.A., VTR S.A., Inversiones y Bosques S.A., Inversiones Ranquil S.A., Inversiones Punta Brava S.A., Inmobiliaria e Inversiones Hidroindustriales S.A. and LQ Inversiones Financieras S.A. The relative loan agreements include clauses regarding the use of the funds and financial covenants that are normal for this type of agreement.

Quiñenco S.A. has signed option contracts with the above companies, except LQ Inversiones Financieras S.A., which are exercisable between February 28, 2003 and February 28, 2006, which state:

1) Quiñenco S.A. may require that the above companies sell their shares in LQ Inversiones Financieras S.A. at a price to be determined based on the purchase price of these shares and borrowing costs, plus a further 2.0% calculated on the total of these items.

2) The above companies may require Quiñenco S.A. to purchase shares of LQ Inversiones Financieras S.A. at a price to be determined based on the purchase price of these shares and borrowing costs, plus a further 0.5% calculated on such amounts.

CNT Telefónica del Sur S.A. and Compañía de Teléfonos de Coyhaique S.A., are in compliance with all the regulations applicable to them as telecommunication companies.

Certain obligations were reciprocally agreed to between the parties to a share purchase agreement between VTR S.A. and SBC International Inc. dated June 16, 1999, which could result in adjustments to the sale price.

On August 14, 2001, Armat S.A., a subsidiary of Madeco S.A., signed a loan agreement with Scotiabank to restructure its working capital. The agreement means that Armat S.A. must comply, inter alia, with certain obligations principally regarding the delivery of semi-annual information, annual audited financial statements, certain financial ratios and obligations regarding the ownership of Armat S.A.

As of December 31, 2003 and 2002, Armat S.A. has commitments for metal purchases (mainly copper) at prices similar to fixed-price future sales contracts to hedge against the risk of metal price changes.

At December 31, 2003, there is an obligation for deferred customs duties arising from the import of capital goods meeting the provisions of Law 1,226 of 1985 and Law 18,634 of 1987. The maturities of these obligations fall between April 2002 and October 2005.

The following restrictions were established under negotiations carried out by Indalum S.A., a subsidiary of Madeco S.A., on December 29, 2003 with Banco de Chile, Banco de Crédito e Inversiones, Banco Estado and Banco Security, to cover the period from that date to December 26, 2008:

To maintain the following financial ratios as of June 30 and December 31 of each year, based on the consolidated financial statements:

- Debt ratio or leverage not to exceed 1.2:1.
- Minimum capital of the equivalent of UF1,630,000.

Maintain its ownership of the property, plant and equipment necessary for the normal development of its operations and business and maintain its ownership of the subsidiary Alumco S.A.

May not pledge, mortgage or grant any charge or right over any property, plant and equipment of Indalum S.A. or its subsidiaries except for those over assets it acquires in the future and which are granted for financing their acquisition.

May not grant guarantees to cover the compliance of any obligation, debt, liability or commitment contracted by a person other than Indalum S.A. or its subsidiaries, without the prior written consent of the creditors.

May not pay and distribute dividends that exceed 30% of the net income for each year, without the prior written consent of the creditors.

May not grant direct financing to third parties outside of the business. This shall not include the trade accounts receivable of Indalum S.A. with its customers nor loans to the executives and personnel of Indalum S.A. or its subsidiaries.

In the event of the disposal of the real estate located at Aysén Street 244, Macul, Vitacura Street 2726, Office 301, Vitacura, and Santa Marta Street 1313, Maipú, the sales proceeds should be used to prepay the rescheduled obligations pro rata. For this calculation, the principal amount of financial loans due to Madeco S.A. at that time shall be added to the rescheduled obligations. For this purpose, financial debt shall be defined as the sum of all loans made by Madeco S.A. and which amounted to ThCh$4,329,888 at December 31, 2003.

Pay the financial loan currently owing to its parent company Madeco S.A. only if Indalum S.A. has paid all of the amounts due to the banks and has fully complied with the covenants and negative covenants assumed under the agreement or that the proceeds come from the sale of the properties mentioned above.

Madeco S.A. should directly and indirectly have control of Indalum S.A. during the term of the agreement or have a shareholding of at least 50.1% in the company.

At December 31, 2003, the subsidiary Madeco S.A. has repurchase agreements to cover the payment of Series C bonds for a total of ThCh$9,103,363.

As of December 31, 2003 and 2002

i) Indirect guarantees:

	Debtor			Assets committed		Balance outstanding as of December 31		Release of collateral					
Creditor	Name	Relationship	Type of guarantee	Type	Book value	2003 ThCh$	2002 ThCh$	2004 ThCh$	Assets	2005 ThCh$	Assets	2006 ThCh$	Assets
Banco del Estado de Chile	Inv. y Bosques S.A.	Subsidiary	Pledge	Shares	-	-	4,486,282	-	-	-	-	-	-
Banco del Estado de Chile	Inmob. e Inv. Hidroindustriales S.A.	Subsidiary	Pledge	Shares	-	-	4,123,698	-	-	-	-	-	-
Banco del Estado de Chile	Inv. Punta Brava S.A.	Subsidiary	Pledge	Shares	-	-	5,445,523	-	-	-	-	-	-
Banco del Estado de Chile	Agrícola El Peñón S.A	Subsidiary	Joint & several guarantee	General	-	18,612,000	18,612,000	-	-	-	-	-	-
Banco del Estado de Chile	VTR S.A.	Subsidiary	Joint & several guarantee	General	-	12,690,000	12,690,000	-	-	-	-	-	-
Banco Santander Chile	LQ Inversiones Financieras S.A.	Subsidiary	Joint & several guarantee	General	-	18,321,737	21,975,137	-	-	-	-	-	-
Credit Lyonnais	LQ Inversiones Financieras S.A.	Subsidiary	Joint & several guarantee	General	-	4,453,500	5,443,371	-	-	-	-	-	-
Banco del Estado de Chile	Inv. Punta Brava S.A.	Subsidiary	Joint & several guarantee	General	-	16,784,640	16,784,640	-	-	-	-	-	-
Banco del Estado de Chile	Inversiones Ranquil S.A.	Subsidiary	Joint & several guarantee	General	-	17,106,362	17,106,362	-	-	-	-	-	-
Banco del Estado de Chile	Inmob. e Inv. Hidroindustriales S.A.	Subsidiary	Joint & several guarantee	General	-	16,426,625	16,426,625	-	-	-	-	-	-
Banco del Estado de Chile	Inversiones y Bosques S.A.	Subsidiary	Joint & several guarantee	General	-	16,332,521	16,332,521	-	-	-	-	-	-
Banco Santander Chile	LQ Inversiones Financieras S.A.	Subsidiary	Pledge	Shares	25,848,625	18,321,737	21,975,137	5,169,725	-	5,169,725	-	15,509,175	-
Banco Bhif	LQ Inversiones Financieras S.A.	Subsidiary	Pledge	Shares	15,639,220	27,748,800	27,734,961	3,127,844	-	3,127,844	-	9,383,532	-
Deutsche Bank A.G.	LQ Inversiones Financieras S.A.	Subsidiary	Pledge & negative pledge	Shares	7,395,533	11,400,960	58,063,688	-	-	4,622,208	-	2,773,325	-
Credit Lyonnais	LQ Inversiones Financieras S.A.	Subsidiary	Pledge & negative pledge	Shares	6,736,486	4,453,500	10,886,942	3,368,243	-	3,368,243	-	-	-
Banco del Estado de Chile	Agrícola El Peñón S.A.	Subsidiary	Joint & several guarantee	Shares	16,201,748	18,612,000	18,602,717	5,400,583	-	5,400,583	-	5,400,582	-
Banco del Estado de Chile	Inv. Ranquil S.A.	Subsidiary	Joint & several guarantee	Shares	14,891,086	17,106,362	12,176,324	4,963,695	-	4,963,695	-	4,963,695	-
Banco del Estado de Chile	Inmob. e Inv. Hidroindustriales S.A.	Subsidiary	Joint & several guarantee	Shares	10,707,883	12,300,840	12,294,705	3,569,294	-	3,569,294	-	3,569,294	-
Banco del Estado de Chile	VTR S.A.	Subsidiary	Joint & several guarantee	Shares	11,046,646	12,690,000	12,683,671	3,682,215	-	3,682,215	-	3,682,216	-
Banco del Estado de Chile	Inv. y Bosques S.A.	Subsidiary	Joint & several guarantee	Shares	10,310,203	11,844,000	11,838,093	3,436,734	-	3,436,734	-	3,436,735	-
Banco del Estado de Chile	Inv. Punta Brava S.A.	Subsidiary	Joint & several guarantee	Shares	9,868,337	11,336,400	11,330,746	3,289,446	-	3,289,446	-	3,289,445	-
CTC Chile S.A.	VTR S.A.	Subsidiary	Pledge	Shares	-	-	4,546,795	-	Shares	-	-		-
Banco del Estado de Chile	Inv. Punta Brava S.A.	Subsidiary	Pledge	Shares	7,239,546	5,448,240	-	2,413,182	-	2,413,182	-	2,413,182	-
Banco del Estado de Chile	Inmob. e Inv. Hidroindustriales S.A.	Subsidiary	Pledge	Shares	5,482,292	4,125,785	-	1,827,431	-	1,827,431	-	1,827,431	-
Banco del Estado de Chile	Inv. y Bosques S.A.	Subsidiary	Pledge	Shares	5,964,284	4,488,521	-	1,988,095	-	1,988,095	-	1,988,095	-

As of December 31, 2003 and 2002

Creditor	Debtor Name	Debtor Relationship	Type of guarantee	Assets committed Type	Assets committed Book value	Balance outstanding as of December 31 2003 ThCh$	Balance outstanding as of December 31 2002 ThCh$	Release of collateral 2004 ThCh$	Assets	2005 ThCh$	Assets	2006 ThCh$	Assets
Banco Santander Chile	Alufoil S.A.	Indirect subsidiary	Mortgage	Industrial plant	671,208	234,735	249,482	15,795	-	218,940	-	-	-
Banco Security	Alufoil S.A.	Indirect subsidiary	-	Industrial machinery	1,413,262	1,272,279	2,157,350	517,838	-	754,441	-	-	-
Banchile Leasing	Alufoil S.A.	Indirect subsidiary	Leasing	Industrial machinery	71,192	64,190	85,614	31,036	-	33,034	-	-	-
Codelco	Madeco S.A.	Subsidiary	Guarantee	-	-	4,097	-	4,097	-	-	-	-	-
Codelco División Norte	Madeco S.A.	Subsidiary	Guarantee	-	-	249,182	-	249,182	-	-	-	-	-
Sudameris / Real	Ficap S.A.	Indirect subsidiary	Assets contract	-	-	53,774	-	53,774	-	-	-	-	-
Seg.Bras./ Inter-Atlantico	Ficap S.A.	Indirect subsidiary	Insurance guarantee	-	-	1,927,072	-	450,754	-	1,476,318	-	-	-
-	Optel S.A.	Indirect subsidiary	Fixed assets	-	1,720,607	3,614,052	-	-	-	-	-	-	-
Sudameris	Ficap S.A.	Indirect subsidiary	Assets contract	-	-	57,064	-	57,064	-	-	-	-	-
Safra	Ficap S.A.	Indirect subsidiary	Assets contract	-	-	106,757	-	-	-	-	-	-	-
Safra	Ficap S.A.	Indirect subsidiary	Fixed assets	-	524,006	405,138	-	-	-	-	-	-	-
Safra	Ficap S.A.	Indirect subsidiary	Fixed assets	-	91,438	91,438	-	-	-	-	-	-	-
Banco Boston	Ingewall S.A.	Indirect subsidiary	Performance bond	-	-	427,536	905,022	427,536	-	-	-	-	-
Banco Citibank	Ingewall S.A.	Indirect subsidiary	Performance bond	-	-	-	601,302	-	-	-	-	-	-
Banco de Chile	Lucchetti Chile S.A.	Indirect subsidiary	Mortgage	Fixed assets, shares & trademarks	17,912,847	7,961,598	8,523,895	-	-	-	-	17,912,847	Fixed assets, shares
Banco Corp Banca	Lucchetti Chile S.A.	Indirect subsidiary	Mortgage	Fixed assets, shares & trademarks	14,329,962	6,369,279	6,819,115	-	-	-	-	14,329,962	Fixed assets, shares
Banco Crédito e Inversiones	Lucchetti Chile S.A.	Indirect subsidiary	Mortgage	Fixed assets, shares & trademarks	14,329,962	6,369,279	6,819,115	-	-	-	-	14,329,962	Fixed assets, shares
Banco del Estado de Chile	Lucchetti Chile S.A.	Indirect subsidiary	Mortgage	Fixed assets, shares & trademarks	15,046,381	6,687,743	7,160,071	-	-	-	-	15,046,381	Fixed assets, shares
Banco del Desarrollo	Lucchetti Chile S.A.	Indirect subsidiary	Mortgage	Fixed assets, shares & trademarks	5,732,142	2,547,711	2,727,646	-	-	-	-	5,732,142	Fixed assets, shares
Banco Dresdner	Lucchetti Chile S.A.	Indirect subsidiary	Mortgage	Fixed assets, shares & trademarks	4,299,303	1,910,783	2,045,735	-	-	-	-	4,299,303	Fixed assets, shares
Banco Sudamericano	Lucchetti Chile S.A.	Indirect subsidiary	Mortgage	Fixed assets, shares & trademarks	7,166,557	3,184,639	3,409,558	-	-	-	-	7,166,557	Fixed assets, shares

As of December 31, 2003 and 2002

Note 23 – Guarantees obtained from third parties

In March 2000, a long-term plan was introduced for executives of the Parent Company. A loan was granted, amounting to ThCh$4,729,878 (historic pesos) as of December 31, 2002, to acquire shares of the Parent Company and its subsidiaries at market value. The loan is denominated in UF and is repayable in annual installments during the period 2003 – 2006. The shares acquired are pledged as guarantee and may be used in payment. The plan is regulated by the rules approved by the Board of Directors on March 8, 2000. Payment of the installment for 2003 was made in June as stipulated in those rules.

Note 24 - Sanctions

During 2003 and 2002, neither the Company nor its directors or managers received any sanctions from the SVS or any other regulatory authority.

Note 25 – Subsequent events

There have been no other events of a financial or other nature occurring between December 31, 2003 and the date of the issuance of these consolidated financial statements that might significantly affect an interpretation of them.

Note 26 – Summarized consolidated financial statements of LQ Inversiones Financieras and its banking subsidiaries

As mentioned in Note 2d), in the Financial statements of the Parent Company, the investments in Banco de Chile and Sociedad Matriz de Banco de Chile S.A. are shown at their equity-method value.

For a complete interpretation of these financial statements, the following shows the consolidated financial statements of LQ Inversiones Financieras S.A. and subsidiaries prepared in accordance with the presentation rules issued by the SBIF.

As of December 31, 2003 and 2002

LQIF and Banking Subsidiaries Summarized Consolidated Balance Sheets	As of December 31 2003 ThCh$	 2002 ThCh$
Assets		
Cash	856,838,183	683,190,754
Loans		
Commercial loans	2,557,000,470	2,542,491,806
Foreign trade loans	658,279,985	617,787,719
Consumer loans	478,092,811	416,884,852
Mortgage loans	1,128,029,557	1,199,143,551
Leasing contracts	268,955,863	251,583,477
Contingent loans	409,612,259	385,585,088
Other current loans	636,648,780	607,898,824
Overdue loans	105,502,951	146,386,209
Total loans	6,242,122,676	6,167,761,526
Less : Allowances for loan losses	(158,834,083)	(197,390,714)
Total loans, net	6,083,288,593	5,970,370,812
Other credit operations		
Interbank loans	13,223,184	55,366,087
Investments purchased under resale agreements	29,659,889	46,903,452
Total other credit operations	42,883,073	102,269,539
Investments		
Central Bank & Treasury securities	1,010,249,113	878,045,051
Other financial investments	458,482,443	425,123,612
Investment collateral under repurchase agreements	417,932,759	279,221,414
Assets to be leased	24,498,917	23,766,070
Assets received in lieu of payment	15,627,171	19,186,735
Other non-financial investments	2,153	2,528
Total investments	1,926,792,556	1,625,345,410
Other assets		
Other assets	230.852.789	193.885.294
Total other assets	230.852.789	193.885.294
Fixed assets		
Premises and equipment, net	127,754,990	140,737,626
Investments in other companies	5,296,416	4,824,438
Negative goodwill	(441,626)	(462,449)
Goodwill	297,213,736	315,119,326
Total fixed assets	429,823,516	460,218,941
Total assets	**9,570,478,710**	**9,035,280,750**

As of December 31, 2003 and 2002

LQIF and Banking Subsidiaries Summarized Consolidated Balance Sheets	As of December 31 2003 ThCh$	 2002 ThCh$
Liabilities and Shareholders' equity		
Deposits and other obligations		
Checking accounts	1,227,859,295	1,082,880,961
Savings and time deposits	3,585,154,108	3,694,738,909
Bankers' drafts and other deposits	601,322,398	448,124,839
Investments sold under repurchase agreements	426,740,971	279,441,793
Mortgage finance bonds	1,014,451,675	1,094,881,656
Contingent liabilities	409,638,506	384,802,367
Total deposits and other obligations	7,265,166,953	6,984,870,525
Bonds payable		
Bonds	3,126,946	4,638,467
Subordinated bonds	271,197,409	280,430,746
Total bonds payable	274,324,355	285,069,213
Borrowings from financial institutions		
Central Bank of Chile credit lines for loan rescheduling	2,975,154	3,800,900
Other Central Bank of Chile borrowings	24,905,885	-
Borrowings from domestic financial institutions	96,093,738	100,782,315
Foreign borrowings	780,085,767	635,731,998
Other borrowings	157,072,348	137,285,455
Total borrowings from financial institutions	1,061,132,892	877,600,668
Other liabilities		
Provision for payment of subordinated obligation with Central Bank of Chile	55,921,244	22,771,283
Other liabilities	160,422,333	140,100,013
Total other liabilities	216,343,577	162,871,296
Total liabilities	**8,816,967,777**	**8,310,411,702**
Total liabilities	8,816,967,777	8,310,411,702
Minority interest	312,195,398	293,590,026
Shareholders' equity		
Capital and reserves	436,915,354	424,910,516
Other equity accounts	(29,620,330)	5,605,266
Net income (loss) for the year	13,463,254	(19,999,590)
Total shareholders' equity	420,758,278	410,516,192
Total liabilities and shareholders' equity	**9,570,478,710**	**9,035,280,750**

As of December 31, 2003 and 2002

LQIF and Banking Subsidiaries Summarized consolidated statements of income	For the years ended December 31 2003 ThCh$	 2002 ThCh$
Interest revenue and expenses		
Interest revenue	428,704,102	696,598,483
Gains from trading and brokerage activities	25,212,026	23,483,840
Income from fees and other services	122,315,458	95,187,584
Foreign exchange gains, net	92,416,616	-
Other operating income	13,934,810	9,713,567
Total operating revenues	682,583,012	824,983,474
Less:		
Interest expense	(212,915,268)	(340,575,935)
Losses from trading and brokerage activities	(19,394,151)	(10,014,173)
Other services expenses	(22,019,817)	(13,705,623)
Foreign exchange losses, net	-	(35,661,936)
Other operating expenses	(10,841,630)	(3,611,900)
Gross margin	417,412,146	421,413,907
Personnel salaries and expenses	(125,289,301)	(135,651,282)
Administrative and other expenses	(82,405,460)	(102,168,853)
Depreciation and amortization	(19,214,399)	(23,469,494)
Net margin	190,502,986	160,124,278
Allowances for loan losses	(63,248,040)	(133,879,566)
Loan loss recoveries	25,390,974	12,032,870
Operating income	152,645,920	38,277,582
Non-operating results		
Non-operating income	6,241,937	6,850,810
Non-operating expenses	(16,595,379)	(20,128,848)
Equity participation, in (loss) income of equity-method investments, net	(1,220,359)	(979,074)
Amortization of negative goodwill	22,261	26,259
Amortization of goodwill	(17,905,590)	(17,905,590)
Price-level restatement, net	(3,240,762)	(7,612,340)
Income (loss) before income taxes	119,948,028	(1,471,201)
Provision for income taxes	(14,001,179)	1,821,933
Income after income taxes	105,946,849	350,732
Minority interest	(36,562,351)	(14,973,905)
Voluntary provisions	-	17,394,866
Provision for payment of subordinated debt obligation with the Central Bank of Chile	(55,921,244)	(22,771,283)
Net income (loss) for the year	**13,463,254**	**(19,999,590)**

As of December 31, 2003 and 2002

LQIF and Banking Subsidiaries Summarized consolidated statements of cash flows	For the years ended December 31 2003 ThCh$	 2002 ThCh$
Cash flows from operating activities		
Net income (loss) for the year	13,463,254	(19,999,590)
Charges (credits) to income which do not represent cash flows:		
Depreciation and amortization	19,214,399	41,342,749
Allowances for loan losses	63,248,040	133,879,566
Voluntary provisions	-	(17,394,866)
Net change in market value of investments	10,227,091	(15,727,417)
Loss on investments in other companies	1,220,359	979,074
(Gain) on sale of assets received in lieu of payment, net	(4,179,192)	-
(Gain) on sale of property, plant and equipment	(439,785)	(353,482)
Minority interest	36,562,351	14,973,905
Write-offs and allowances of property, plant and equipment	5,887,485	4,220,206
Price-level restatement, net	1,884,947	7,612,340
Other charges to income that do not represent cash flows	9,422,409	21,891,260
Net variation in accrued interest, indexation adjustments and fees	90,859,489	158,594
Provision for subordinated debt obligation	55,921,244	22,771,283
Net cash provided by operating activities	303,292,091	194,353,622
Cash flows from investing activities		
(Increase) in loans, net	(161,367,450)	(122,117,561)
Decrease (increase) in other credit operations, net	44,069,485	(8,379,270)
(Increase) decrease in investments, net	(537,273,760)	121,232,937
Purchases of property, plant and equipment	(6,805,315)	(12,116,914)
Sale of property, plant and equipment	3,465,541	1,305,077
Investments in other companies	(2,282,156)	(390)
Dividends received from investments in other companies	545,291	-
Sale of assets received in lieu of payment	20,145,665	-
Net changes in other assets and liabilities	(2,520,810)	(23,942,886)
Net cash used in investing activities	(642,023,509)	(44,019,007)

As of December 31, 2003 and 2002

LQIF and Banking Subsidiaries Summarized consolidated statements of cash flows	For the years ended December 31 2003 ThCh$	 2002 ThCh$
Cash flows from financing activities		
(Decrease) in deposits and borrowings	(68,403,149)	(493,129,171)
Increase in bond obligations, net	135,260,881	3,042
Increase in interbank borrowings, net	155,699,063	-
Increase in bank & financial institution loans , net	-	62,303,724
Increase in investments sold under repurchase agreements	150,097,539	-
Short-term borrowings from abroad	88,732,608	-
Capital increase	-	276,491,429
Dividends paid	(4,585,060)	(23,510,561)
Redemption of mortgage-funding notes	(330,290,165)	-
Issuance of mortgage-funding notes	304,828,530	-
Payment of subordinated debt obligation	(22,544,690)	(57,006,337)
Loans drawn down	428,809,772	-
Loan repayments	(363,921,545)	-
Other amounts used in financing activities	42,903,311	-
Net cash provided by (used in) financing activities	516,587,095	(234,847,874)
Net cash flow for the year	177,855,677	(84,513,259)
Effect of inflation on cash and cash equivalents	(18,612,513)	(23,195,324)
Net increase (decrease) in cash and cash equivalents	159,243,164	(107,708,583)
Cash and cash equivalents added through the merger of Banco de Chile with Banco Edwards	-	253,692,226
Cash and cash equivalents, beginning of year	697,595,019	551,611,375
Cash and cash equivalents, end of year	**856,838,183**	**697,595,018**

Note 26.1 – Significant accounting principles

a) Information provided

The consolidated financial statements are maintained in accordance with generally accepted accounting principles in Chile and the specific accounting standards of the various regulating entities in each area of business: SBIF and banking regulations of the United States of America, as applicable, and Law No. 19,396, which modifies the terms of payment of the subordinated debt obligation with the Chilean Central Bank. Under Law 19,396 and SBIF instructions, the subordinated obligation is not considered as a liability for accounting purposes and is only recorded in memorandum accounts. Nevertheless, the annual installment payable on April 30 of the following year is shown as a liability which has been provisioned at the end of the year.

For comparison purposes, the financial statements for the previous year have been adjusted for inflation by the percentage variation in the consumer price index, of 1.0%.

b) Basis of consolidation

These consolidated financial statements include the assets, liabilities and results of the subsidiaries detailed below:

	Direct and indirect shareholding	
	2003 %	2002 %
SM Chile S.A. and Subsidiaries	51.35	51.35
Inversiones LQ SM S.A.	99.99	99.99

The financial statements of Sociedad Matriz del Banco de Chile (SM Chile S.A.) and subsidiaries include the consolidation of the following direct and indirect subsidiaries: Banco de Chile, SAOS S.A., Banchile Corredores de Bolsa S.A., Banchile Asesoría Financiera S.A., Banchile Corredora de Seguros Ltda., Banchile Factoring S.A., Banco de Chile New York Branch, Banco de Chile Miami Agency, Banchile Administradora General de Fondos S.A., Banchile Securitizadora S.A., Promarket S.A. and Socofin S.A.

For the purposes of consolidation, the financial statements of Banco de Chile New York Branch and Banco de Chile Miami Agency have been converted to Chilean pesos in accordance with Technical Bulletin 64 of the Chilean Association of Accountants, which relates to the valuation of foreign investments. Unrealized exchange differences on these investments are shown in Shareholders' equity in the Adjustment for translation differences account in Other reserves.

The merger of Banco de Chile and subsidiaries with Banco de A. Edwards and subsidiaries became effective on January 1, 2002. All of the assets and liabilities, as well as the subsidiaries of Banco de A. Edwards, were absorbed by Banco de Chile which has become the successor for all legal purposes.

The effects of unrealized income on transactions with the subsidiaries have been eliminated and the participation of minority investors has been recorded and is shown in the balance sheet in the account Minority interest.

c) Interest and adjustments

Loans, investments and obligations are shown with interest and indexation adjustments accrued as of each year-end.
The Bank suspends the accrual of interest and principal indexation adjustments on loans that are overdue or when recovery is doubtful.

d) Price-level restatement

Shareholders' equity, premises and equipment and other non-monetary assets and liabilities have been restated in accordance with changes in the CPI, which resulted in a net charge to income of ThCh$3,240,762 (ThCh$7,612,340 in 2002).

e) Basis of translation

Assets and liabilities denominated in Unidades de Fomento (UF) have been valued at Ch$16,920.00 per UF (Ch$16,744.12 per UF in 2002).

f) Foreign currency

Assets and liabilities in United States dollars of subsidiaries regulated by the SBIF are shown at their equivalent value in Chilean pesos, calculated at the closing exchange rate of Ch$599.42 per US$1.00 at December 31, 2003 (Ch$712.38 per US$1.00 as of December 31, 2002), which does not differ significantly from the exchange rate applied by subsidiaries supervised by the SVS.

The balance of ThCh$92,416,616 (loss of ThCh$35,661,936 in 2002) corresponding to a net gain on foreign exchange shown in the statements of income includes gains and losses from foreign exchange transactions and the recognition of the effect of variations in the exchange rate on foreign currency assets and liabilities.

g) Financial investments

Investments in financial instruments traded on secondary markets are shown adjusted to their market value, as instructed by the SBIF. These instructions specify that the adjustments must be recorded in income for the year, except when they are made in relation to the permanent portfolio, in which case, subject to certain limits, they may be recorded in the Shareholders' equity account "Fluctuation in financial investment values".

The adjustment of these investments to market value resulted in a net charge to income of ThCh$10,227,091 in 2003 (credit to income of ThCh$15,727,372 in 2002), which is included in Operating income in the account Loss from trading and brokerage activities. The adjustment to the permanent portfolio resulted in a net credit to Shareholders' equity of ThCh$3,111,536 in 2003 (ThCh$9,173,543 in 2002).

Other investments correspond to financial instruments, which are shown at their restated cost plus accrued interest.

h) Premises and equipment

Premises and equipment are shown at restated cost (except for New York and Miami branches) and net of depreciation calculated using the straight-line method over the useful lives of the respective assets. Properties held for sale amounted to ThCh$1,916,487 as of December 31, 2003 (ThCh$6,616,875 in 2002). In order to reflect the realizable value of these assets, an allowance has been made against income for the year of ThCh$1,372,650 (ThCh$2,771,251 in 2002).

i) Investments in other companies

Shares or rights in companies in which there is a holding of 10% or more, or in which at least one member of the board or management can be elected or appointed, are shown recorded in assets at their equity-method value.

j) Derivative contracts

Forward currency contracts are maintained to hedge exposures to exchange risks.

These hedging instruments are shown at their market value and unrealized differences are shown as a charge to other assets or a credit to other liabilities, depending on whether the difference results in a gain or loss respectively.

Banco de Chile and its subsidiaries value their foreign currency forward contracts using the daily exchange rate and the resulting gains or losses are shown in the consolidated statement of income on an accrual basis. The initial premium or discount on these contracts is deferred and included in determining net income over the life of the contract. The net interest effect of the Bank's interest rate swap contracts, which corresponds to the difference between interest income and interest expense arising from such agreements, is recorded in net income in the period that cash differences originate. The Bank and its subsidiaries also account against their income for the year an adjustment to market value of the portfolio of interest swaps used to cover interest rate and exchange risks on its foreign investments.

k) Allowance for doubtful assets

The allowances required to cover the risk of asset losses have been made in accordance with the regulations of the SBIF. Assets are shown net of such allowances, except for loans, in which case the total allowance is netted against the total loan balance.

l) Voluntary provisions

In accordance with the General Banking Law, financial institutions can make special provisions called Voluntary Provisions which may be counted as effective equity for compliance with various regulations contained in the law. The amount maintained as of each year-end and its effect on income is shown in the Consolidated Balance Sheets and Consolidated Statements of Income.

m) Income taxes and deferred income taxes

The income tax provision has been determined in accordance with current legislation, in particular, Circular 41 and in the case of SM Chile S.A., Official Letter 1,874 issued by the Chilean Internal Revenue Service. The effects of deferred income taxes arising from timing differences between the financial and tax bases of assets and liabilities have been recorded on an accrual basis in accordance with Technical Bulletins 60, 69 and 71 of the Chilean Association of Accountants.

As of December 31, 2003 and 2002

n) Staff vacations

The annual cost of staff vacations and benefits is presented on an accrual basis.

o) Severance indemnities

The subsidiary Banco de Chile has agreements with some of its staff for the payment of severance indemnities for those who have been with the Bank for over 30 years, upon leaving the Bank. At year-end, the Bank has accrued the obligation relating to the portion earned but not yet exercised by qualified employees.

As of December 31, 2003 and 2002, a provision has been made for this obligation on the basis of its present value discounted at a real annual rate of 7%.

p) Cash and cash equivalents

LQ Inversiones Financieras S.A. considers all its short-term investments made as part of its cash management strategy and whose maturities do not exceed 90 days from the date of investment, including repurchase agreements and mutual funds, as cash and cash equivalents. The banking subsidiaries, in accordance with the specific provisions applicable to financial institutions, consider cash and cash equivalents to be only the cash shown in the Consolidated Balance Sheets. The Consolidated Statements of Cash Flows have been prepared using the indirect method.

Note 26.2 – Background of subsidiary Sociedad Matriz del Banco de Chile S.A.

During the Extraordinary Shareholders' Meeting held on July 18, 1996, pursuant to Law No. 19,396, Banco de Chile's shareholders approved a reorganization by which Banco de Chile was converted to a holding company named SM Chile S.A. that in turn organized a new wholly-owned banking subsidiary named Banco de Chile to which it contributed all of its assets and liabilities other than the Chilean Central Bank subordinated debt. SM Chile S.A. then created a second wholly-owned subsidiary, Sociedad Administradora de la Obligación Subordinada S.A., or SAOS S.A., that pursuant to a prior agreement with the Chilean Central Bank, assumed a new repayment obligation in favor of the Chilean Central Bank, which replaced the Central Bank subordinated debt in its entirety.

On November 8, 1996, Banco de Chile was transformed into Sociedad Matriz del Banco de Chile S.A., or SM Chile S.A. and proceeded to transfer all its assets, liabilities and memorandum accounts, except the subordinated obligation, to the new banking company Banco de Chile. On the same date, the company subscribed and paid in a capital increase to SAOS S.A. through the transfer of 28,593,701,789 of Banco de Chile shares representing a 63.64% holding, which were pledged as collateral to the Central Bank of Chile; simultaneously, responsibility passed to SAOS S.A. to pay the subordinated obligation, thus freeing SM Chile S.A. from the obligation. The company maintains the commitment to transfer to SAOS S.A. the dividends and free shares relating to 567,712,826 shares of Banco de Chile, while the latter still has the subordinated obligation with the Central Bank of Chile.

The company will remain in existence until the subordinated obligation of SAOS S.A. with the Central Bank of Chile is extinguished. When this occurs, its shareholders will be assigned the shares that the company has in Banco de Chile.

SM Chile S.A. is governed by Law No. 19,396 and is subject to the regulatory authority of the SBIF.

Note 26.3 – Provision for payment of the Banco de Chile subordinated debt

The provision for payment of the eighth annual installment (of the 40 total installments of UF 3,187,363.9765 each) of the subordinated obligation with the Chilean Central Bank as of December 31, 2003 was ThCh$55,921,244 (ThCh$22,771,283 in 2002), equivalent to UF 3,305,038.06 (UF1,346,492.07 in 2002), which corresponds to the amount which according to the contract covering the obligation must be paid to the Central Bank in April 2004 as its annual installment, provided that Banco de Chile distributes all its net income for 2003 as a dividend.

Al 31 de diciembre de 2003

On January 14, 2003, Quiñenco S.A informed the Chilean Superintendency of Securities and Insurance of the following:

"In accordance with the provisions of clause 9 and the second paragraph of clause 10 of Law 18,045, I hereby inform you of the following significant information:

1) On January 13, 2003, Quiñenco S.A., for the one part, and Schörghuber Stiftung & Co. Holding K.G., Bayerische Brau Holding A.G. and FHI Finance Holding International B.V., for the other part, signed a Transaction and Settlement Agreement for the final settlement and termination of the arbitration proceedings brought before the International Arbitrations Court of the International Chamber of Commerce (case number 11681/KGA), the parties waiving, extinguishing and withdrawing their respective claims and mutually granting a complete release and settlement of these.

Quiñenco S.A. has agreed to file a voluntary waiver of its petition to designate an arbitrator initiated before the 10th Civil Court of Santiago, case number 2619-2000 "Quiñenco S.A." and a voluntary waiver of its appeal filed before the Court of Appeals of Santiago with respect to the aforementioned proceedings, case No.2581-2001.

Pursuant to the Settlement and Release Agreement and the voluntary waivers referred to hereinabove, all disputes between the parties, as the only shareholders of the joint stock company, Inversiones y Rentas S.A., and members of the controller of the joint stock company Compañía Cervecerías Unidas S.A., have been completely resolved and terminated.

In accordance with the Settlement and Release Agreement, the Shareholders' Agreement entered into between the shareholders of Inversiones y Rentas S.A. on April 14, 1994 has been amended on January 13, 2003 and shall remain, as amended, in full force and effect.

2) As part of the agreements reached referred to in paragraph 1) above, FHI Finance Holding International B.V. has undertaken to pay to Quiñenco S.A. the amount of 50 million United States dollars, not later than January 31, 2003.

3) In the amendment to the Shareholders' Agreement, it was agreed that within a maximum period of three years starting on January 13, 2003, Schörghuber Stiftung & Co. Holding K.G. shall have the right to transfer its shares in FHI Finance Holding International B.V., or, alternatively, the latter shall have the right to sell its shares in Inversiones y Rentas S.A., to Heineken International B.V. (hereinafter referred to as "Heineken"), which sale shall not be subject to the procedures of First Refusal or of First Offer, as the case may be, regulated by the Shareholders' Agreement entered into amongst the said parties.

The above referred transfer to Heineken shall be subject to the following conditions:

a) Heineken shall not compete against Compañía Cervecerías Unidas S.A. ("CCU") in the so called "CCU Territories" (Chile and Argentina);
b) Heineken shall grant to CCU, subject to entering into a license agreement on Heineken's customary terms and conditions, the exclusive right to produce, market, sell and distribute the Heineken brand in Chile and Argentina, and shall not grant any such license to any party other than CCU in Chile and Argentina for so long as it owns any interest in Inversiones y Rentas S.A.; and
c) Heineken shall agree to be bound by the terms of the Shareholders' Agreement entered into amongst the parties in Inversiones y Rentas S.A. on April 14, 1994, as amended on January 13, 2003, as successor to all the rights and obligations of Schörghuber Stiftung & Co. Holding K.G. and FHI Finance Holding International B.V.

4) The extraordinary board meeting of Inversiones y Rentas S.A. held on January 13, 2003, decided to cause Inversiones y Rentas S.A. to propose to the board of the subsidiary Compañía Cervecerías Unidas S.A. to submit to the approval of the shareholders, at the proper instances, a distribution of dividends equal to 100% of the net profits for the year 2002. It has also been agreed to propose the distribution as eventual dividend against the retained earnings, of Ch$168,700,000,000, within the next 180 days, in one or more installments.

5) Simultaneously with the above, the company Southern Breweries Establishment ("SBE") of which CCU owns 50%, has agreed with Heineken, in principle, the terms of the sale to Heineken of SBE's stake in the Croatian company Karlovacka pivovara d.d. ("Cervecería de Karlovac"), at a price equal to ten times EBITDA; subject to inter alia prior regulatory approval and approval of the respective Boards of Heineken and SBE and its controlling companies, being Lanzville Investments Establishment and CCU, who shall be presented with information relating to such transaction".

At the ordinary board meeting of Quiñenco S.A. held on January 6, 2003, the Board authorized Guillermo Luksic, in his capacity as Chairman, to sign the significant information communication.

On April 10, 2003, the Company informed the Superintendency of Securities and Insurance as follows:

"In accordance with clause 9 and the second paragraph of clause 10 of the Securities Market Law No.18,045, General Rule No.30 of the Superintendency of Securities and Insurance, and the provisions of clause 44 of the Corporations Law No.18,046, I report as significant information that the subsidiary, Hidroindustriales Overseas Company, has signed a loan agreement on April 10, 2003 with the related company Andsberg Finance Corporation Ltd. by which the former received an unsecured loan of US$19,000,000, payable in full in three years, in April 2006, with quarterly interest payments for an amount equivalent to LIBOR plus 1.83% per annum.

Andsberg Finance Corporation Ltd. is a finance company constituted under the law of the Bermudas and is controlled by Andrónico Luksic Abaroa.

This loan will enable the company to finance its development plans".

On April 17, 2003, the Company advised the Superintendency of Securities and Insurance of the following:

"Complementing the significant information reported by Quiñenco S.A. to the Superintendency on January 14, 2003, I inform you of the following:

On this date, Quiñenco S.A. has been notified that Schörghuber Stiftung & Co. Holding K.G. ("Schörghuber"), exercising its rights under the terms of the current Shareholders' Agreement with Quiñenco S.A., has disposed of its shares in FHI Finance Holding International B.V., a shareholder in Inversiones y Rentas S.A. (IRSA), to Heineken International B.V. ("Heineken"). Consequently, Heineken through FHI, has a 50% shareholding in IRSA and replaces Schörghuber in the Shareholders Agreement referred herein".

On May 5, 2003, the Company reported to the Superintendency of Securities and Insurance as follows:

"In accordance with clause 68 of the Securities Market Law and General Rule No.30, I inform you that at the Ordinary Shareholders' Meeting held on April 30, 2003 a new Board of Directors for the company was elected, which comprises the following persons":

Guillermo Luksic Craig
Andrónico Luksic Craig
Jean Paul Luksic Fontbona
Vladimir Radic Piraíno
Gonzalo Menéndez Duque
Hernán Büchi Buc
Joaquín Errázuriz Hochschild
Juan Andrés Fontaine Talavera
Matko Koljatic Maroevic

On May 9, 2003, the Company informed the Superintendency of Securities and Insurance of the following:

"In accordance with clause 68 of the Securities Market Law and General Rule No.30, I inform you that at the board meeting held on May 8, 2003 Guillermo Luksic Craig was elected as Chairman and Andrónico Luksic Craig was elected as Vice-Chairman".

On December 23, 2003, the Company informed the Superintendency of Securities and Insurance of the following:

"In accordance with clause 9 and the second paragraph of clause 10 of Securities Market Law No.18,045, General Rule No.30 of the Superintendency of Securities and Insurance and Circular No.687 of the same Superintendency, I inform you as significant information that the following resolutions were taken at a board meeting held on December 22, 2003:

1) The dividend policy, agreed upon for 2003 and informed to shareholders at the Ordinary Shareholders' Meeting held on April 30, was modified to allow the Board to determine the distribution of an interim dividend to be charged against 2003 net income.

Al 31 de diciembre de 2003

The restated dividend policy for the year 2003 would therefore be as follows: It is the intention to distribute a final cash dividend of at least 30% of the net income for the year, composed of an interim dividend of at least 30% of the accumulated earnings as of September 30, 2003, approved by the Board during the year 2003 and paid on the date determined by the Board. The balance shall be distributed as a final cash dividend payable after the Financial Statements for the year are approved by shareholders at the Ordinary Shareholders' Meeting and on the date set by law.

2) In accordance with the modification of the approved dividend policy, it was agreed to pay an interim dividend to be charged against 2003 net income of Ch$12,144,322,552, (Ch$11.24745 per share), equivalent to 30% of net income as of September 30, 2003.

This dividend is payable on January 9, 2004 at the Company's offices to those shareholders registered five business days prior to the date of payment".

For the year ended December 31, 2003 and 2002

Net income (loss)

Quiñenco reported net income of Ch$37,695 million in 2003, compared to a net loss of Ch$76,235 million in 2002. The variation in net results between the two years is mainly attributable to a higher level of operating and non-operating results in 2003.

Table N° 1: Composition of net income (loss)

	In millions of Ch$ as of December 31, 2003	
	2003	2002
Operating income	12,747	10,380
Non-operating loss	177	(109,393)
Other non-operating results (1)	24,771	22,778
Net income (loss) for the year	**37,695**	**(76,235)**

(1) Includes income taxes, minority interest and amortization of negative goodwill.

Operating income

In 2003, Quiñenco reported operating income of Ch$12,747 million, up by 22.8% compared to 2002. Table N° 2 shows a comparison of consolidated operating income:

Table N° 2: Composition of consolidated operating income

	In millions of Ch$ as of December 31, 2003	
	2003	2002
Madeco	7,457	4,043
Lucchetti	2,894	2,705
Telsur	12,317	13,230
Carrera	(211)	(382)
Quiñenco and others (1)	(9,710)	(9,217)
Total operating income	**12,747**	**10,380**

(1) Includes Quiñenco, intermediate holding companies and eliminations

Consolidated operating income reached Ch$12,747 million in 2003, an increase of 22.8% from the prior year, primarily due to an increase in Madeco's operating income, the effect of which was partially offset by a decline in Telefónica del Sur's operating income.

Madeco's operating income increased by 84.4% to Ch$7,457 million, attributable to lower SG&A expenses on a company-wide basis, which more than offset the decline in gross profits associated with the lower sales level reported during the period.

In spite of a 4.5% increase in sales and a 2.1% reduction in SG&A expenses following its 2002 restructuring, Telefónica del Sur's operating income fell by 6.9% to Ch$12,317 million in 2003. As Internet, security services and business services did not consolidate the entire year in 2002, a direct comparison of operating results is not possible. However, in general terms, the operating margin associated with these business segments does not yet fully compensate for the reduction in operating profit associated with Telsur's traditional telephony services.

For the year ended December 31, 2003 and 2002

Net sales

During 2003, consolidated sales amounted to Ch$357,379 million, a decrease of 10.7% compared to 2002. This reduction is explained by lower sales at Lucchetti and Madeco. The composition of consolidated sales is shown in Table N° 3:

Table N° 3: Composition of consolidated sales

	In millions of Ch$ as of December 31, 2003	
	2003	2002
Madeco	237,666	258,845
Lucchetti	59,115	84,637
Telsur	51,469	49,270
Carrera	6,671	7,086
Quiñenco and others (1)	2,459	424
Total sales	**357,379**	**400,262**

(1) Includes Quiñenco, intermediate holding companies and eliminations

Madeco's sales fell by 8.2% in 2003 due to lower volume sales of cable products, particularly in Brazil. In addition, the appreciation of the Chilean peso vis-à-vis the US dollar further impacted sales revenues reported for the period.

The 30.2% reduction in Lucchetti's sales was mainly due to the discontinuation of its activities in Peru following the forced closure of its plant facilities in early 2003. Lucchetti's sales in Chile were also affected by a sharp reduction in the volume of edible oils sold as the domestic market was flooded by Argentine imports. Pasta and soup sales in Chile showed an increase in 2003, although this did not compensate for the decline in edible oil sales.

Telsur's sales increased by 4.5% compared to 2002, principally due to the consolidation of non-regulated Internet, security and business services. As these subsidiaries, which were previously in the development stage, entered into the consolidation in different months of 2002, year-over-year figures are not directly comparable. The increase in revenues associated with non-regulated services more than offset the drop in long distance and public telephony revenues experienced during the year. Basic telephony and access charge revenues, which account for approximately 63% of revenues, were flat in 2003.

Carrera's sales decreased by 5.9% in 2003, mostly explained by lower occupancy rates and average room rates associated with the hotels in Santiago and La Serena.

Cost of sales

Consolidated cost of goods sold decreased by 10.7% compared to 2001, in line with the overall 10.7% reduction in sales. This is mainly explained by a decrease in the cost of goods sold at Madeco and Lucchetti. The composition of consolidated cost of goods sold is presented in Table N° 4:

Table N° 4: Composition of consolidated cost of goods sold

	In millions of Ch$ as of December 31, 2003	
	2003	2002
Madeco	(208,437)	(226,833)
Lucchetti	(40,805)	(61,998)
Telsur	(25,264)	(21,855)
Carrera	(5,636)	(6,058)
Quiñenco and others (1)	(4,885)	(2,357)
Total cost of goods sold	**(285,027)**	**(319,101)**

(1) Includes Quiñenco, intermediate holding companies and eliminations

For the year ended December 31, 2003 and 2002

Selling, general and administrative expenses

Consolidated SG&A expenses decreased by 15.8% to Ch$59,605 million in 2003, mainly due to a 22.2% reduction in Madeco's SG&A expenses due to a company-wide cost reduction program as well as a 22.7% reduction in Lucchetti's expenses as a result of the closure of its Peruvian operations at the beginning of 2003.

Non-operating results and other items

Quiñenco reported non-operating income and other items of Ch$24,948 million in 2003, compared to a non-operating loss and other items of Ch$86,615 million in 2002. The improvement in non-operating results is mainly attributable to (i) an increase in income from related companies that do not consolidate with Quiñenco, mainly Banco de Chile and CCU; (ii) an increase in other non-operating income, which in 2003 included the settlement payment of Ch$36,035 million obtained by Quiñenco from its ex partner, the Schorghuber Group, in IRSA; (iii) a reduction in other non-operating expenses, which in 2002 included the provision for 100% of the investment of Lucchetti Peru of Ch$30,110 million and higher write-offs and provisions for losses at Madeco of Ch$8,888 million. Worth mentioning is that the reduction in other non-operating expenses in 2003 was partially offset by a loss associated with the capital increase in Madeco to which Quiñenco did not subscribe for Ch$21,130 million; (iv) lower interest expense associated with a lower consolidated debt level and low prevailing interest rates; and (v) better results from foreign exchange, mainly attributable to Madeco's operations following the restructuring of its financial liabilities.

Amortization of negative goodwill in 2003 includes an extraordinary amortization of Ch$21,130 million, realized in connection with Quiñenco's non-subscription in Madeco's 2003 capital increase, which completely offsets the loss mentioned for the same amount in point (iii) above.

Table N° 5 shows the composition of non-operating results and other items.

Table N° 5: Breakdown of non-operating results and other items

	In millions of Ch$ as of December 31, 2003	
	2003	2002
Interest income	2,928	5,401
(Net) income from related companies	57,396	25,435
Goodwill amortization	(20,095)	(20,737)
Other non-operating income	38,009	6,037
Other non-operating expenses	(45,746)	(65,309)
Interest expense	(35,192)	(51,234)
Price-level restatement	1,892	5,073
Foreign exchange losses	984	(14,058)
Non-operating income (loss)	177	(109,393)
Income taxes	(2,569)	143
Extraordinary items	-	-
Minority interest	3,816	20,728
Negative goodwill amortization	23,523	1,908
Total non-operating income (loss) and other items	**24,948**	**(86,615)**

For the year ended December 31, 2003 and 2002

Composition of net income

Table N° 6 below shows Quiñenco's net income composition, broken down by its main operating companies:

Table N° 6: Net income contribution

In millions of Ch$ as of December 31, 2003

		Net income (loss)		Quiñenco's ownership		Quiñenco's proportionate share in	
Sector/Company		2003	2002	2003	2002	2003	2002
Financial Services							
Banco de Chile	(1)	130,553	53,161	52.2%	52.2%	38,047	15,578
Food & Beverage							
CCU	(2)	54,088	22,286	30.8%	30.8%	16,657	6,862
Lucchetti	(3)	(2,136)	(37,595)	95.9%	93.7%	(2,031)	(35,224)
Telecommunications							
Telsur	(4)	7,430	6,088	73.6%	73.6%	5,468	4,478
Entel	(5)	59,977	41,507	5.7%	5.7%	3,414	2,361
Manufacturing							
Madeco	(6)	(16,734)	(40,568)	55.2%	53.4%	(10,717)	(22,542)
Real Estate/ Hotel Admin.							
Carrera	(7)	(5,315)	(1,006)	90.0%	89.9%	(4,782)	(871)
Habitaria		(672)	907	50.0%	50.0%	(336)	453
Total operating companies						45,720	(28,905)
Quiñenco & others						(8,025)	(47,330)
Net income (loss) for the year						**37,695**	**(76,235)**

Notes:

(1) Indirect ownership through LQ Inversiones Financieras S.A. The economic rights associated with the ownership of Banco de Chile are 29.2%

(2) Indirect ownership through Inversiones y Rentas S.A.

(3) Indirect ownership through Inversiones Río Bravo Ltda.

(4) Direct and indirect ownership through VTR S.A.

(5) Direct and indirect ownership through VTR S.A. and Comatel S.A.

(6) Direct and indirect ownership through Inversiones Río Grande S.A.

(7) Indirect ownership through Agrícola El Peñón S.A.

Net income contribution of main operating companies

As shown in Table N° 6, the contribution of operating companies to Quiñenco's net income increased by Ch$74,625 million in comparison with 2002, of which Ch$32,264 million is explained by the increase in income corresponding to Banco de Chile and CCU and Ch$41,107 million by the reduction in the net loss contribution from Madeco and Lucchetti, partially offset by an increase in the net loss contribution of Hoteles Carrera.

Banco de Chile experienced an increase of 145.6% in its net earnings for the year. Net profit reached Ch$130,553 million and was mainly due to a reduction in provisions for loan losses, strong fee income growth (net), higher recovery on previously written-off loans and an important decline in operating expenses, the effects of which more than offset the reduction in net financial income and higher income taxes reported during the period.

CCU reported net profit of Ch$54,088 million, an increase of 142.7% compared to 2002, attributable to both higher operating and non-operating income. Operating results rose in connection with growth of the beer segments in Chile and Argentina. The increase in non-operating results was primarily due to the extraordinary profit realized on the sale of the Croatian brewery which produced a gain on sale of Ch$20,321 million in 2003.

For the year ended December 31, 2003 and 2002

Quiñenco and others

As shown in the line Quiñenco and others in Table N° 6, losses at the corporate level amounted to Ch$8,025 million in 2003, a reduction of 83% compared to 2002. The variation between 2002 and 2003 is mainly explained by the Ch$35,036 million settlement obtained by Quiñenco from its ex partner in IRSA, the Schörghuber Group, in 2003.

Balance sheet

Assets

As of December 31, 2003, Quiñenco had consolidated assets of Ch$1,391,360 million, a reduction of 9.6% compared to 2002. This change was mainly due to (i) a reduction in Madeco's fixed assets as a result of the appreciation of the Chilean peso as well as write-offs made in foreign operations as well as the sale of the Santiago Hotel Carrera (proceeds were mostly used to reduce indebtedness) and; (ii) a reduction in other assets due to goodwill amortization in the period and a reduction in investments in related companies due to dividend payments (mostly used to reduce liabilities).

As of December 31, 2003, current assets at the end of the year represented 18% of total consolidated assets. Table N° 7 shows a comparison of the composition of the consolidated assets at the close of each year:

Table N° 7: Composition of consolidated assets

	In millions of Ch$ as of December 31, 2003	
	2003	2002
Madeco	353,676	381,934
Lucchetti	79,457	77,108
Telsur	131,796	139,754
Carrera	11,610	23,438
Quiñenco and others (1)	814,821	916,237
Total consolidated assets	**1,391,360**	**1,538,470**

(1) Includes Quiñenco, intermediate holding companies and eliminations.

Liabilities

Table N° 8 presents Quiñenco's consolidated liabilities at the close of each year.

Table N° 8: Composition of consolidated liabilities and shareholders' equity

	In millions of Ch$ as of December 31, 2003	
	2003	2002
Current Liabilities	161,911	306,860
Long-term Liabilities	499,068	514,684
Total Liabilities	660,979	821,544
Minority Interest	96,359	80,107
Shareholders' Equity	634,022	636,820
Total liabilities and shareholders' equity	**1,391,360**	**1,538,470**

As of December 31, 2003, consolidated liabilities amounted to Ch$660,979 million, a 19.5% decrease compared to year end 2002. The sharp reduction is attributable to (i) lower indebtedness at Madeco following its financial restructuring in 2003; (ii) lower indebtedness at the corporate level, and to a lesser extent, at Lucchetti, Telsur and Carrera.

For the year ended December 31, 2003 and 2002

Table N° 9 shows the composition of consolidated liabilities at the close of each year:

Table N° 9: Composition of consolidated liabilities

	In millions of Ch$ as of December 31, 2003	
	2003	2002
Madeco	196,168	268,191
Lucchetti	51,571	60,757
Telsur	70,048	81,081
Carrera	3,071	8,772
Quiñenco and other (1)	340,122	402,743
Total liabilities	**660,979**	**821,544**

(1) Includes Quiñenco, intermediate holding companies and eliminations

Consolidated leverage decreased from 1.29:1 at the close of 2002 to 1.04:1 in 2003, mainly explained by the 19.5% reduction in liabilities. Current liabilities represented 24.5% of total liabilities as of December 31, 2003.

Minority interest at the end of 2003 was Ch$96,359 million, 20.3% higher than the year before, principally related to minority shareholders in Madeco.

Shareholders' equity

At the close of 2003, shareholders' equity amounted to Ch$634,022 million, a decrease of 0.4% compared to 2002. The reduction in shareholders' equity mainly corresponded to an adjustment for exchange rate differences (made in connection with Bulletin 64 under Chilean GAAP), partially offset by net income (after interim dividends).

The book value of Quiñenco's shares as of December 31, 2003 was Ch$587.20 per share and the earnings per share for the year amounted to Ch$34.91.

For the year ended December 31, 2003 and 2002

Financial indicators

Financial indicators		12.31.03	9.30.03	12.31.02
Liquidity				
Current ratio		1.5	1.4	0.9
Acid test ratio		0.5	0.5	0.3
Indebtedness				
Debt/equity ratio		1.04	1.06	1.29
Short-term debt/Total debt		24.50%	29.57%	37.35%
Long-term debt/Total debt		75.50%	70.43%	62.65%
Interest coverage ratio	Times	2.14	2.48	-0.49
Balance sheet				
Total assets	MCh$	1,391,360	1,472,149	1,538,470
Inventory rotation	Times	4	3	4
Inventory turnover/days		90	110	92
Income statement				
Sales	MCh$	357,379	274,049	400,262
Cost of goods sold	MCh$	(285,027)	(218,243)	(319,101)
Operating income	MCh$	12,747	11,094	10,380
Interest expense	MCh$	(35,192)	(29,079)	(51,234)
Non-operating income (loss)	MCh$	177	8,836	(109,393)
Net income (loss) for the year	MCh$	37,695	40,360	(76,235)
Profitability				
ROE		5.9%	6.0%	-11.4%
ROA		2.6%	2.6%	-4.8%
Return on operating assets (*)		2.1%	1.6%	1.5%
Earnings (loss) per share	Ch$	34.91	37.38	(70.60)
Dividend yield		0.0%	0.0%	1.7%

(*) Excludes other consolidated assets

Difference between book value and fair value of main assets

Asset valuations include adjustments for price-level restatement and allowances to record certain assets at their fair market value.

Market analysis

Quiñenco is an investment company and as such it does not directly participate in any market. As of December 31, 2003, its investments in operating companies were concentrated in five sectors as shown in Table N° 6 "Net income contribution" which makes a comparative analysis of the contribution of each of these sectors to Quiñenco's net results. For further details about consolidated sales trends, see the analysis related to Table N° 3 "Composition of consolidated sales".

For the year ended December 31, 2003 and 2002

Cash flow summary

	In millions of Ch$ as of December 31, 2003	
	2003	2002
Net cash flow provided by operating activities	64,842	30,307
Net cash flow (used) provided by financing activities	(99,694)	5,182
Net cash flow provided (used) by investing activities	11,961	886
Total net cash flow for the year	(22,891)	36,375
Price-level restatement on cash and cash equivalents	(14,818)	2,598
Net increase (decrease) in cash and cash equivalents	(37,709)	38,973
Cash and cash equivalents at the beginning of the year	94,018	55,045
Cash and cash equivalents at the end of the year	**56,309**	**94,018**

As of December 31, 2003, Quiñenco generated a consolidated net cash flow deficit of Ch$22,891 million due to the cash flow used in financing activities of Ch$99,694 million, partially offset by cash flow provided by operating activities of Ch$64,842 million and investing activities of Ch$11,961 million.

The cash flow used in financing activities was mainly comprised of debt and bond repayments (net) of Ch$139,279 million, partially offset by minority shareholder subscription to Madeco's capital increase of Ch$45,694 million. Cash flow provided by operating activities was mostly made up of dividends and other income which amounted to Ch$74,553 million and collection of accounts receivable (net of supplier and personnel payments) of Ch$38,149 million, partially offset by interest expense paid (net) of Ch$28,209 million. Net cash flow provided by investing activities was mainly made up of other investment income, mainly the settlement obtained by Quiñenco from its ex partner, the Schorghuber Group, in IRSA, proceeds from the sale of fixed assets that are mainly composed of the proceeds from the sale of the Hotel Carrera and proceeds from the sale of other investments at Madeco. These items were partially offset by the purchase of financial instruments by Madeco to be used towards future bond amortization payments.

Exchange rate risk and interest rate risk

Table N° 10: Foreign currency exchange rate risk exposure

In millions of Ch$ as of December 31, 2003

2003	US dollar	Euro	Argentine peso	Peruvian sol	Brazilian real	Other currencies
Assets	191,812	780	3,965	1,910	17,828	2,422
Liabilities	112,450	22	2,639	814	10,185	760
FX forwards	56,934	-	-	-	(4,715)	-
Net exposure in assets (liabilities)	**136,295**	**758**	**1,326**	**1,096**	**2,929**	**1,662**

In millions of Ch$ as of December 31, 2003

2002	US dollar	Euro	Argentine peso	Peruvian sol	Brazilian real	Other currencies
Assets	258,063	860	9,641	2,978	25,116	3,170
Liabilities	264,544	150	2,798	1,027	6,131	1,298
FX forwards	78,245	-	-	-	(16,052)	-
Net exposure in assets (liabilities)	**71,763**	**710**	**6,843**	**1,951**	**2,934**	**1,871**

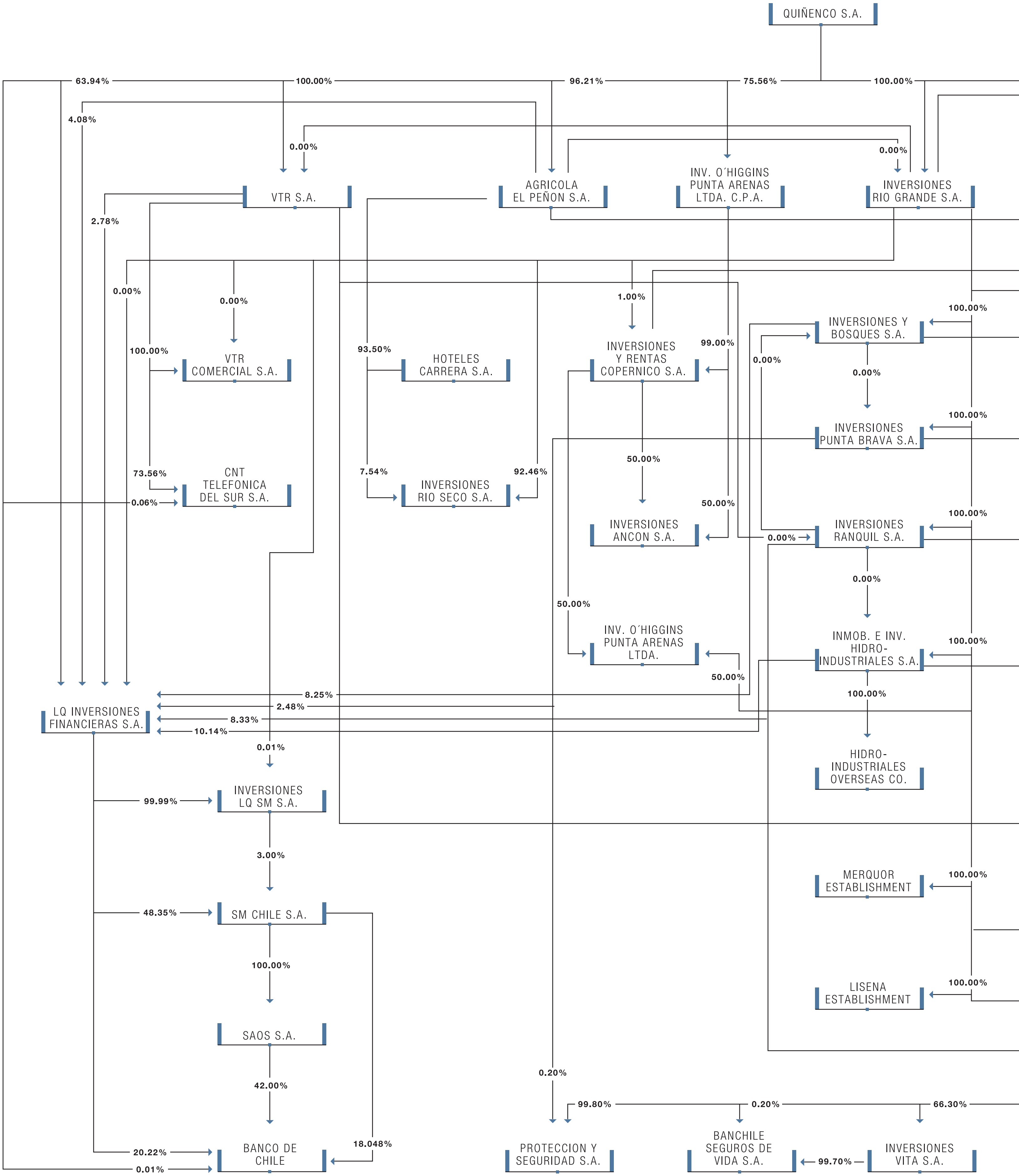
With respect to interest rate risk, 36.3% (51.9% in 2002) of Quiñenco's interest bearing debt has been contracted at fixed rates and amounts to Ch$207,131 million (Ch$389,569 million in 2002). The remaining 63.7% (48.1% in 2002) corresponds to variable rates, equivalent to Ch$362,788 million (Ch$361,453 million in 2002). The exposure in terms of interest rate risk was equivalent to 26.1% of consolidated assets at the end of 2003 (23.5% in 2002). Management believes the exposure is reasonable and has not therefore covered this risk.

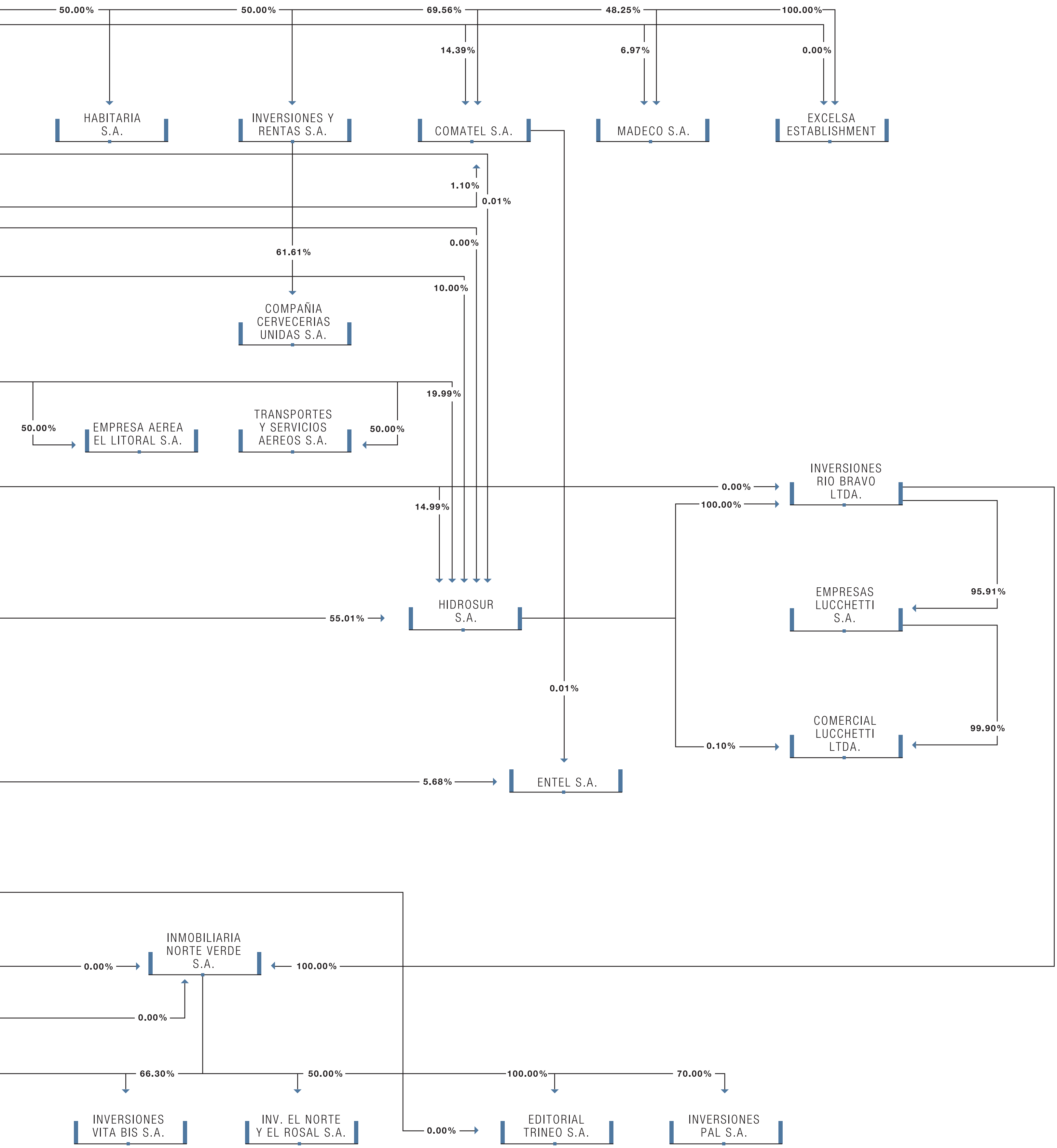
Francisco Pérez Mackenna
Chief Executive Officer

summarized consolidated financial statements

as of december 31, 2003 and 2002

QUIÑENCO S.A.


QUIÑENCO S.A.
63.94%
100.00%
96.21%
75.56%
100.00%
4.08%
0.00%
0.00%
VTR S.A.
AGRICOLA EL PEÑON S.A.
INV. O´HIGGINS PUNTA ARENAS LTDA. C.P.A.
INVERSIONES RIO GRANDE S.A.
2.78%
0.00%
0.00%
1.00%
100.00%
INVERSIONES Y BOSQUES S.A.
99.00%
0.00%
100.00%
VTR COMERCIAL S.A.
93.50%
HOTELES CARRERA S.A.
INVERSIONES Y RENTAS COPERNICO S.A.
0.00%
100.00%
INVERSIONES PUNTA BRAVA S.A.
50.00%
73.56%
CNT TELEFONICA DEL SUR S.A.
0.06%
7.54%
92.46%
INVERSIONES RIO SECO S.A.
50.00%
100.00%
INVERSIONES ANCON S.A.
0.00%
INVERSIONES RANQUIL S.A.
0.00%
50.00%
INV. O´HIGGINS PUNTA ARENAS LTDA.
50.00%
INMOB. E INV. HIDRO-INDUSTRIALES S.A.
100.00%
8.25%
2.48%
8.33%
10.14%
LQ INVERSIONES FINANCIERAS S.A.
100.00%
0.01%
HIDRO-INDUSTRIALES OVERSEAS CO.
99.99%
INVERSIONES LQ SM S.A.
3.00%
MERQUOR ESTABLISHMENT
100.00%
48.35%
SM CHILE S.A.
100.00%
LISENA ESTABLISHMENT
100.00%
SAOS S.A.
42.00%
0.20%
99.80%
0.20%
66.30%
18.048%
20.22%
BANCO DE CHILE
0.01%
PROTECCION Y SEGURIDAD S.A.
BANCHILE SEGUROS DE VIDA S.A.
99.70%
INVERSIONES VITA S.A.


50.00%
50.00%
69.56%
48.25%
100.00%
14.39%
6.97%
0.00%
HABITARIA S.A.
INVERSIONES Y RENTAS S.A.
COMATEL S.A.
MADECO S.A.
EXCELSA ESTABLISHMENT
1.10%
0.01%
0.00%
61.61%
10.00%
COMPAÑIA CERVECERIAS UNIDAS S.A.
19.99%
50.00%
EMPRESA AEREA EL LITORAL S.A.
TRANSPORTES Y SERVICIOS AEREOS S.A.
50.00%
0.00%
INVERSIONES RIO BRAVO LTDA.
100.00%
14.99%
95.91%
EMPRESAS LUCCHETTI S.A.
55.01%
HIDROSUR S.A.
0.01%
COMERCIAL LUCCHETTI LTDA.
99.90%
0.10%
5.68%
ENTEL S.A.
INMOBILIARIA NORTE VERDE S.A.
0.00%
100.00%
0.00%
66.30%
50.00%
100.00%
70.00%
INVERSIONES VITA BIS S.A.
INV. EL NORTE Y EL ROSAL S.A.
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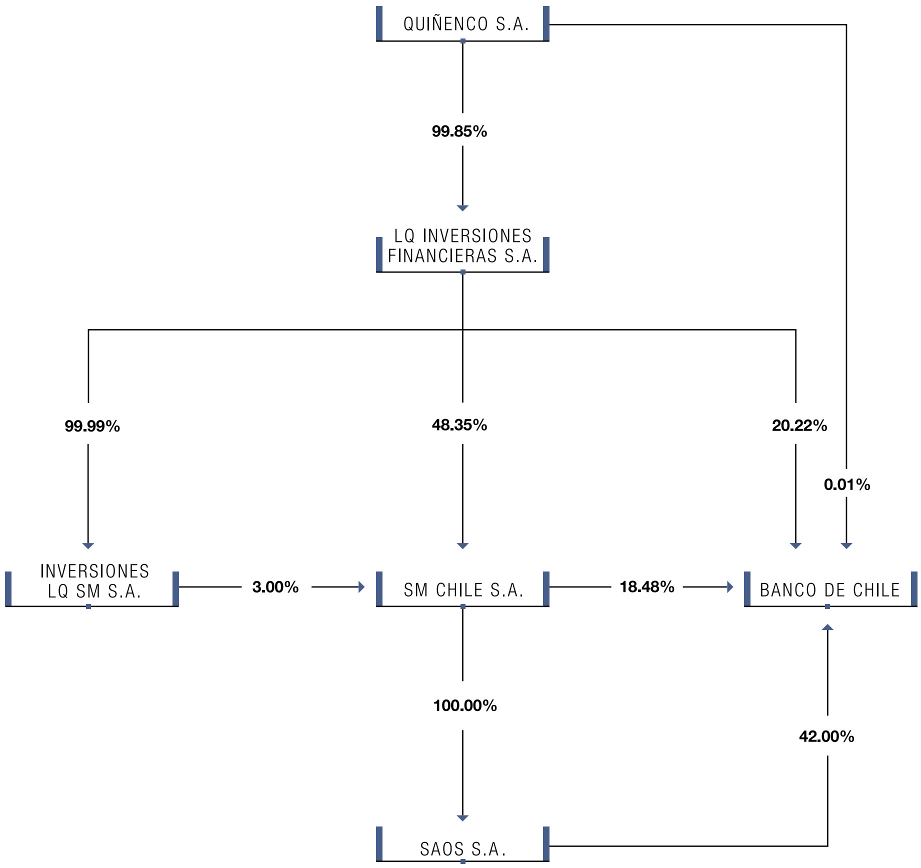
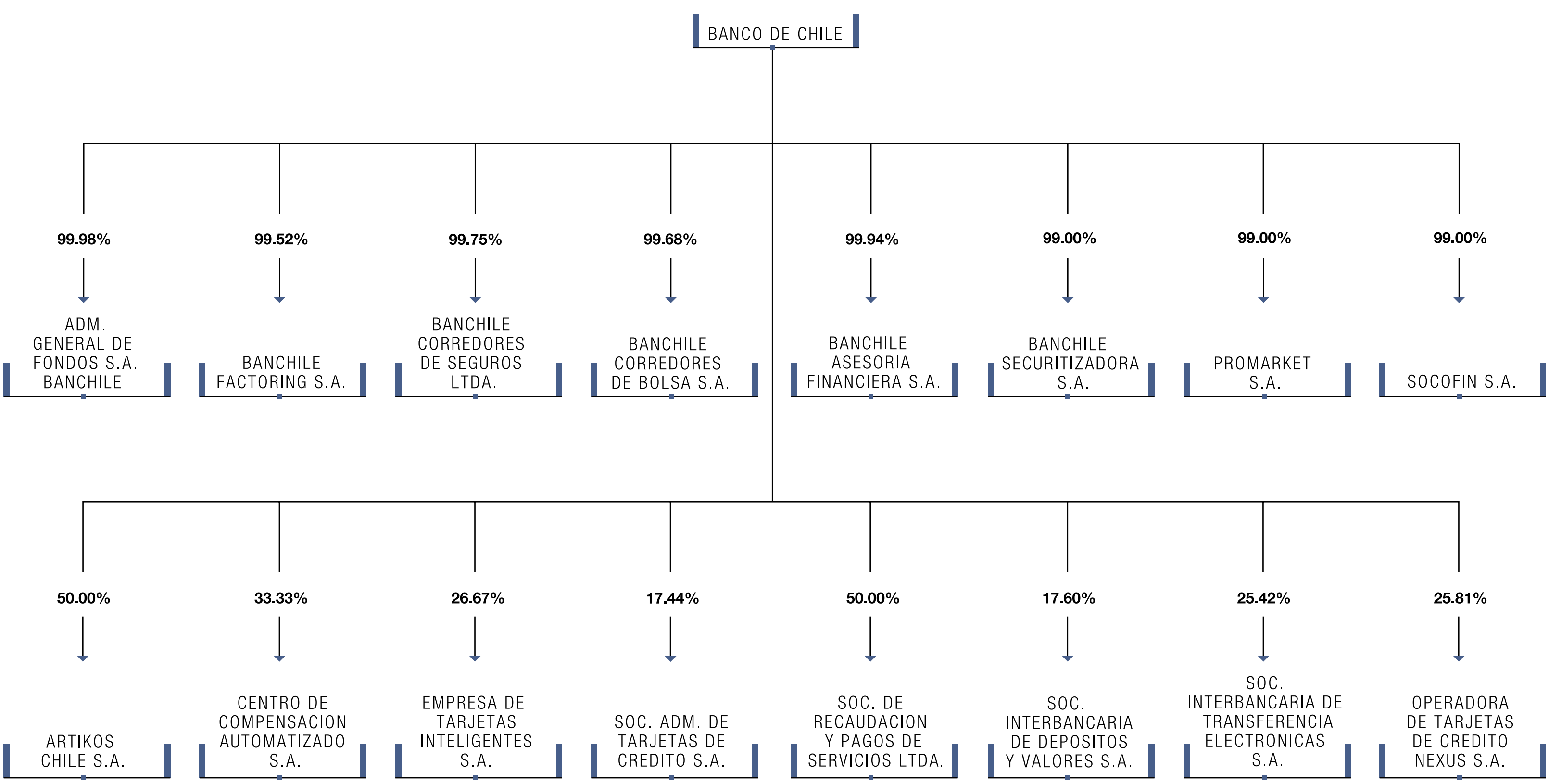
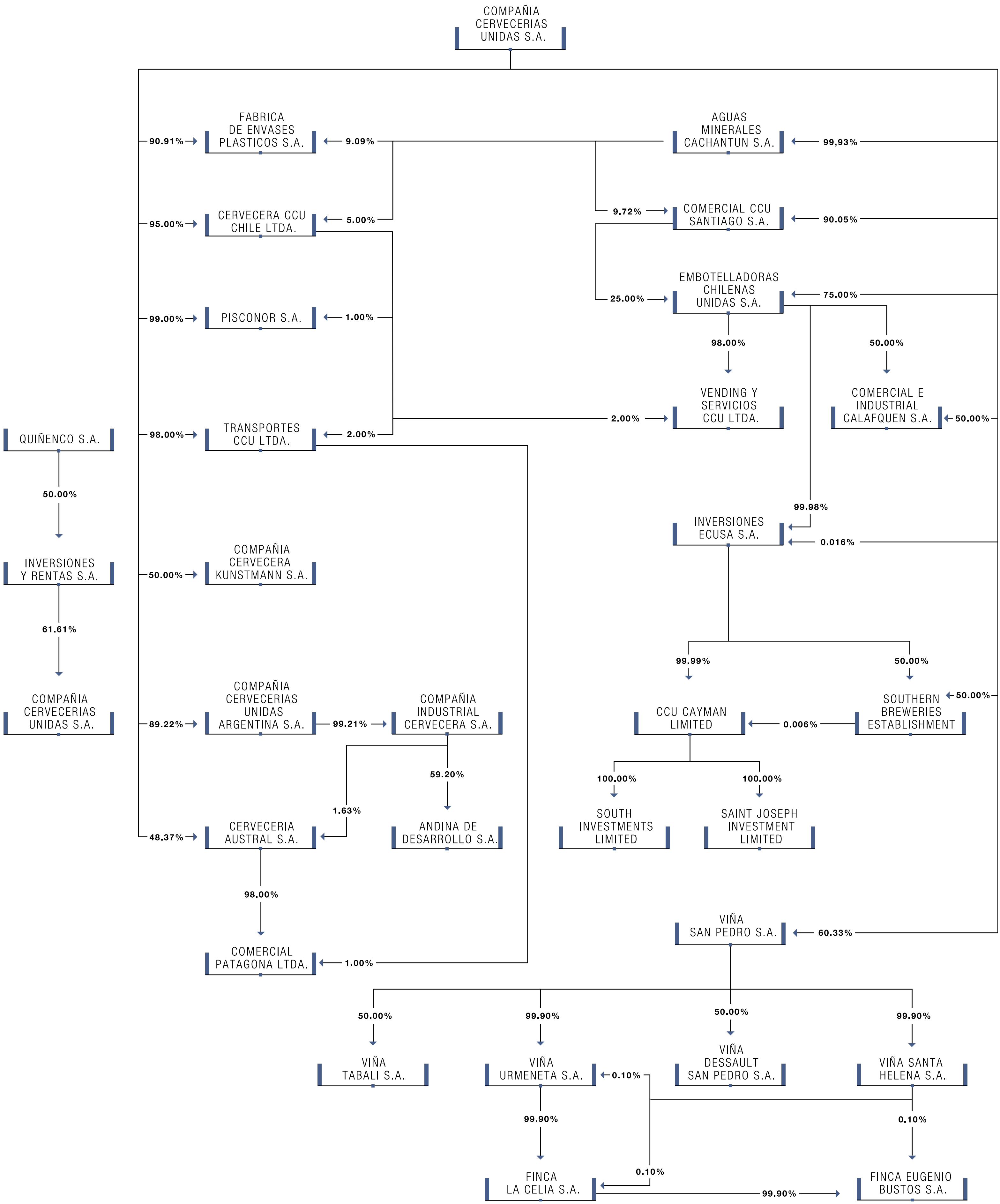
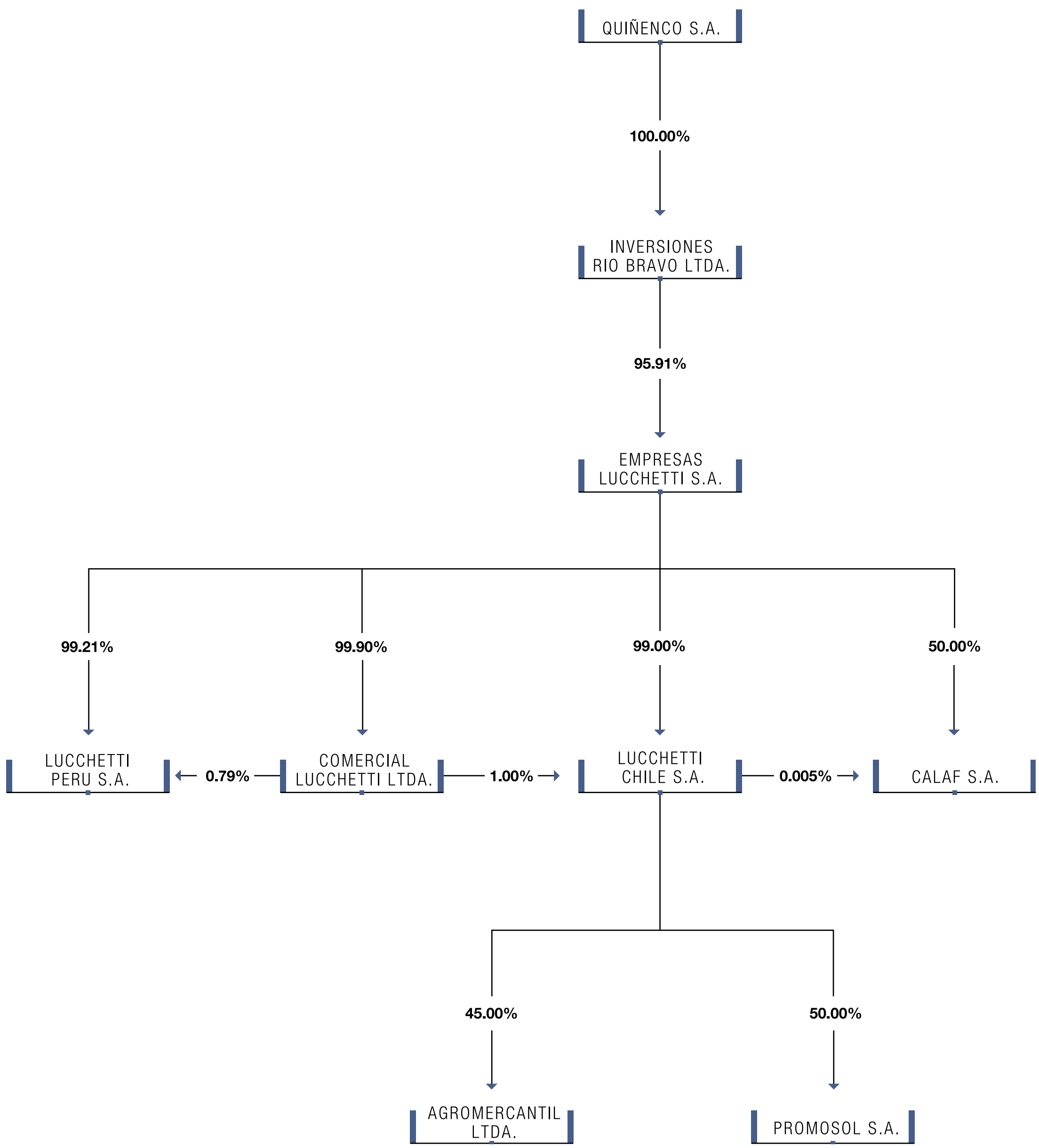
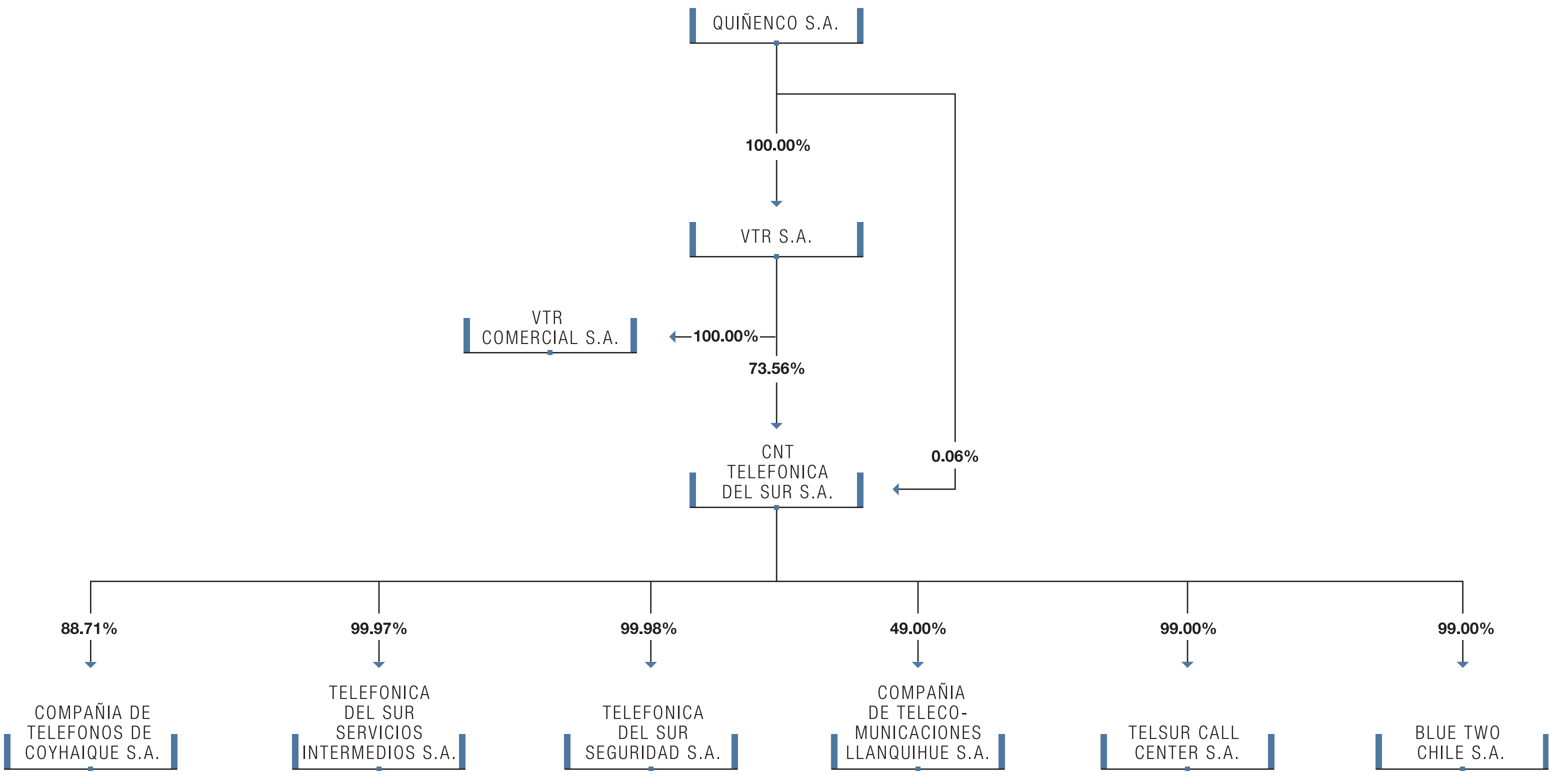
EDITORIAL TRINEO S.A.
INVERSIONES PAL S.A.

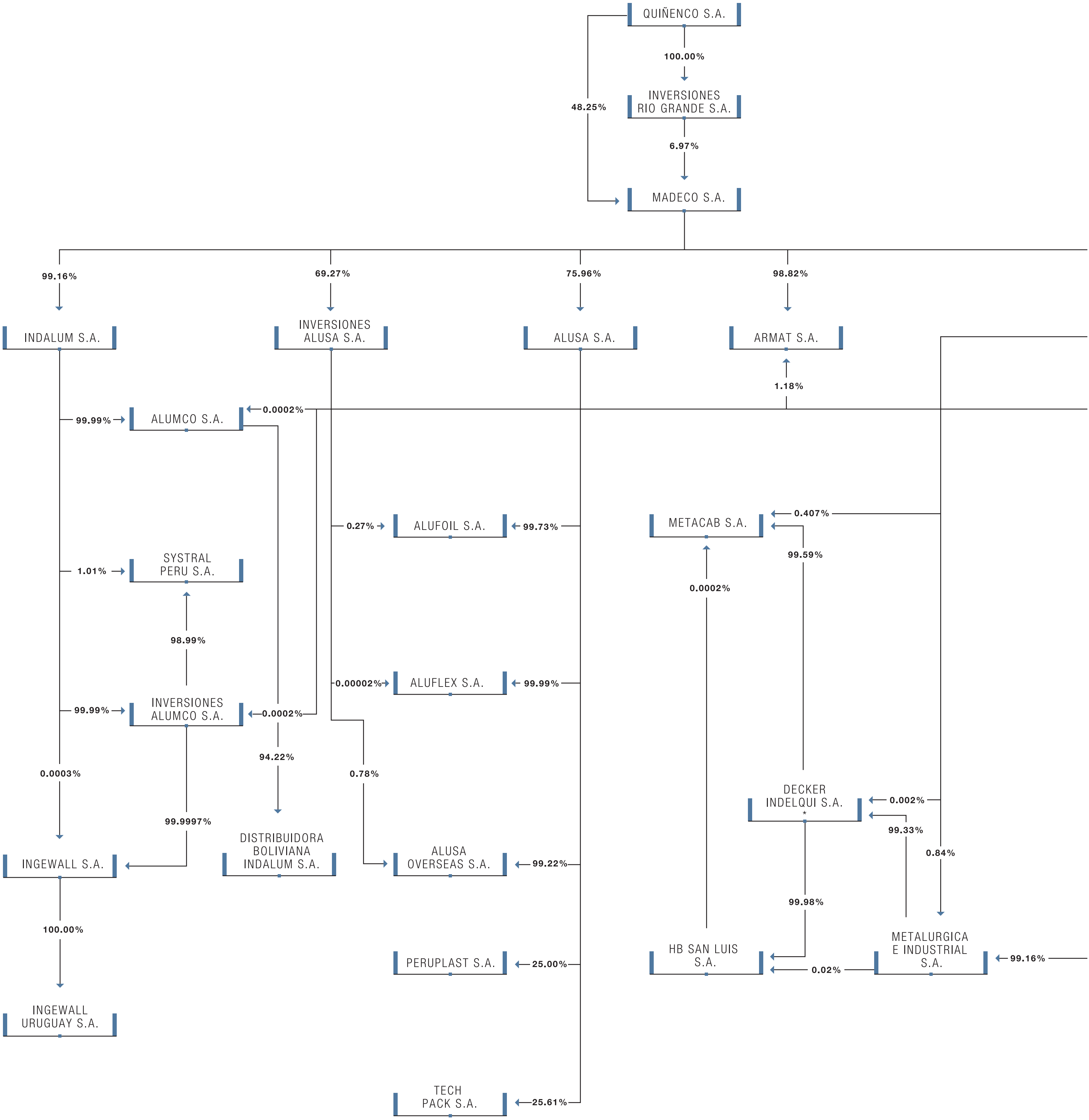

QUIÑENCO S.A.
99.85%
LQ INVERSIONES FINANCIERAS S.A.
99.99%
48.35%
20.22%
0.01%
INVERSIONES LQ SM S.A.
3.00%
SM CHILE S.A.
18.48%
BANCO DE CHILE
100.00%
42.00%
SAOS S.A.


BANCO DE CHILE
99.98%
99.52%
99.75%
99.68%
99.94%
99.00%
99.00%
99.00%
ADM. GENERAL DE FONDOS S.A. BANCHILE
BANCHILE FACTORING S.A.
BANCHILE CORREDORES DE SEGUROS LTDA.
BANCHILE CORREDORES DE BOLSA S.A.
BANCHILE ASESORIA FINANCIERA S.A.
BANCHILE SECURITIZADORA S.A.
PROMARKET S.A.
SOCOFIN S.A.
50.00%
33.33%
26.67%
17.44%
50.00%
17.60%
25.42%
25.81%
ARTIKOS CHILE S.A.
CENTRO DE COMPENSACION AUTOMATIZADO S.A.
EMPRESA DE TARJETAS INTELIGENTES S.A.
SOC. ADM. DE TARJETAS DE CREDITO S.A.
SOC. DE RECAUDACION Y PAGOS DE SERVICIOS LTDA.
SOC. INTERBANCARIA DE DEPOSITOS Y VALORES S.A.
SOC. INTERBANCARIA DE TRANSFERENCIA ELECTRONICAS S.A.
OPERADORA DE TARJETAS DE CREDITO NEXUS S.A.

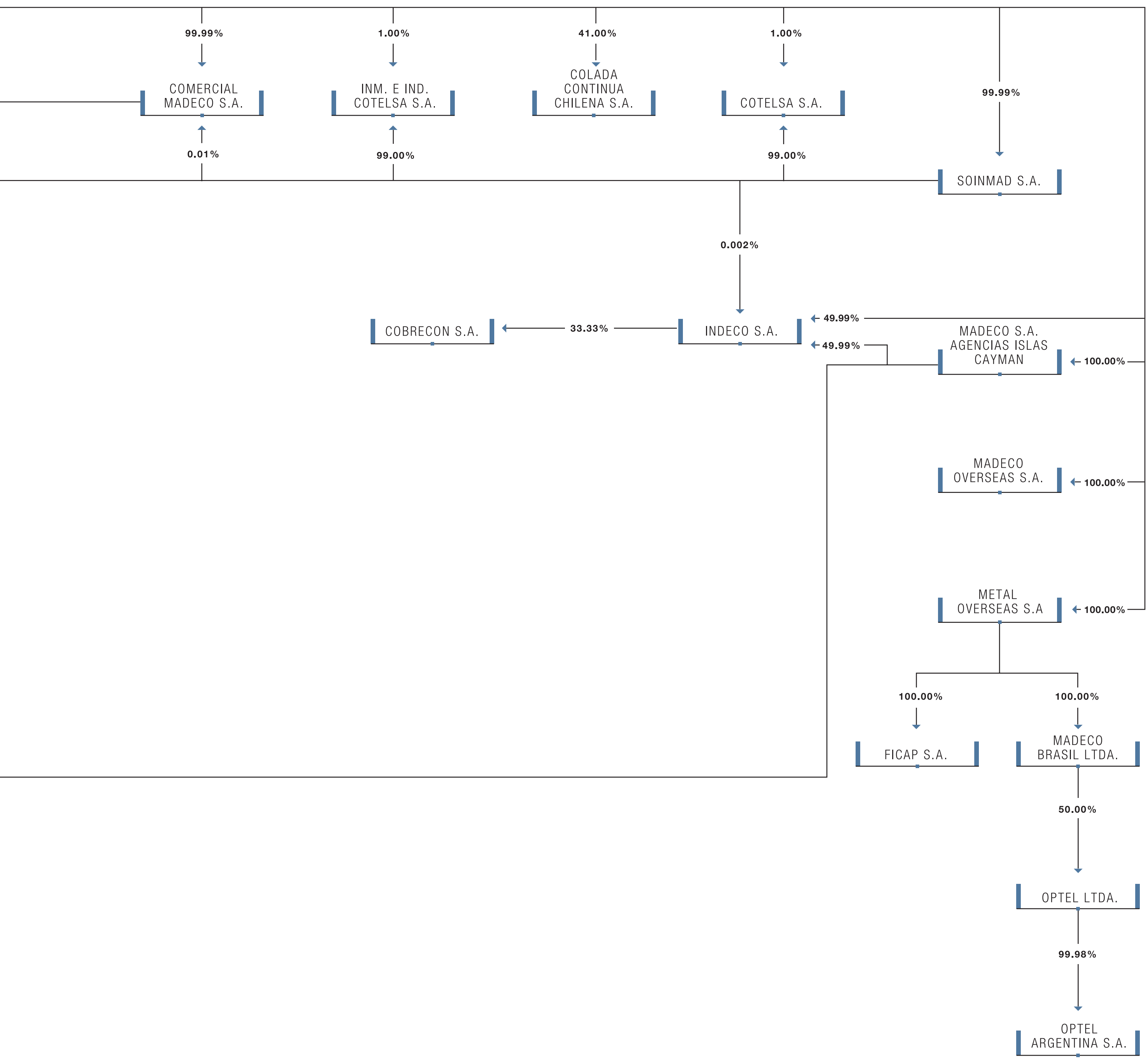

COMPAÑIA CERVECERIAS UNIDAS S.A.
FABRICA DE ENVASES PLASTICOS S.A.
90.91%
9.09%
AGUAS MINERALES CACHANTUN S.A.
99,93%
CERVECERA CCU CHILE LTDA.
95.00%
5.00%
COMERCIAL CCU SANTIAGO S.A.
9.72%
90.05%
EMBOTELLADORAS CHILENAS UNIDAS S.A.
25.00%
75.00%
PISCONOR S.A.
99.00%
1.00%
98.00%
50.00%
VENDING Y SERVICIOS CCU LTDA.
2.00%
COMERCIAL E INDUSTRIAL CALAFQUEN S.A.
50.00%
QUIÑENCO S.A.
TRANSPORTES CCU LTDA.
98.00%
2.00%
50.00%
99.98%
INVERSIONES ECUSA S.A.
0.016%
INVERSIONES Y RENTAS S.A.
COMPAÑIA CERVECERA KUNSTMANN S.A.
50.00%
61.61%
99.99%
50.00%
COMPAÑIA CERVECERIAS UNIDAS S.A.
COMPAÑIA CERVECERIAS UNIDAS ARGENTINA S.A.
89.22%
99.21%
COMPAÑIA INDUSTRIAL CERVECERA S.A.
CCU CAYMAN LIMITED
0.006%
SOUTHERN BREWERIES ESTABLISHMENT
50.00%
59.20%
1.63%
100.00%
100.00%
CERVECERIA AUSTRAL S.A.
48.37%
ANDINA DE DESARROLLO S.A.
SOUTH INVESTMENTS LIMITED
SAINT JOSEPH INVESTMENT LIMITED
98.00%
VIÑA SAN PEDRO S.A.
60.33%
COMERCIAL PATAGONA LTDA.
1.00%
50.00%
99.90%
50.00%
99.90%
VIÑA TABALI S.A.
VIÑA URMENETA S.A.
0.10%
VIÑA DESSAULT SAN PEDRO S.A.
VIÑA SANTA HELENA S.A.
99.90%
0.10%
0.10%
FINCA LA CELIA S.A.
99.90%
FINCA EUGENIO BUSTOS S.A.

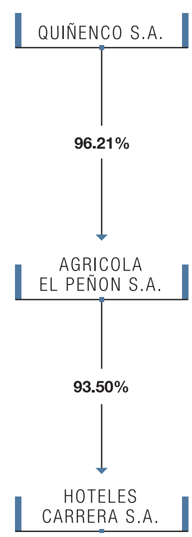

QUIÑENCO S.A.
100.00%
INVERSIONES RIO BRAVO LTDA.
95.91%
EMPRESAS LUCCHETTI S.A.
99.21%
99.90%
99.00%
50.00%
LUCCHETTI PERU S.A.
0.79%
COMERCIAL LUCCHETTI LTDA.
1.00%
LUCCHETTI CHILE S.A.
0.005%
CALAF S.A.
45.00%
50.00%
AGROMERCANTIL LTDA.
PROMOSOL S.A.

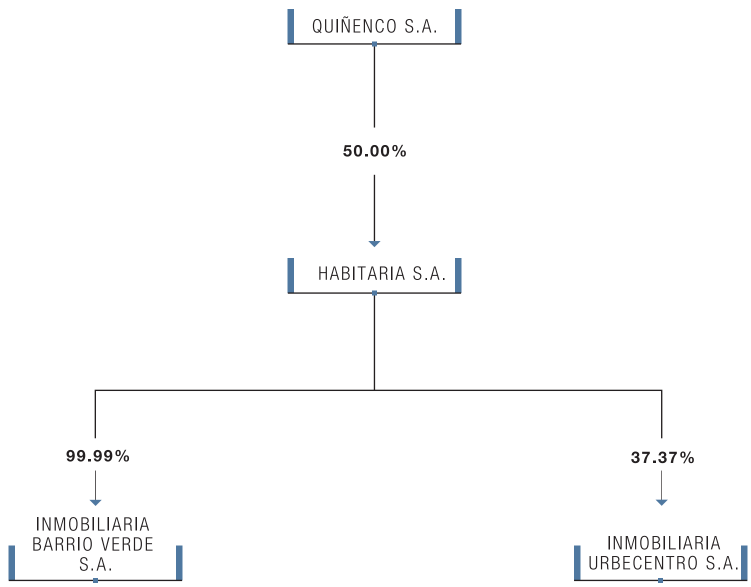

QUIÑENCO S.A.
100.00%
VTR S.A.
VTR COMERCIAL S.A.
100.00%
73.56%
0.06%
CNT TELEFONICA DEL SUR S.A.
88.71%
99.97%
99.98%
49.00%
99.00%
99.00%
COMPAÑIA DE TELEFONOS DE COYHAIQUE S.A.
TELEFONICA DEL SUR SERVICIOS INTERMEDIOS S.A.
TELEFONICA DEL SUR SEGURIDAD S.A.
COMPAÑIA DE TELECO-MUNICACIONES LLANQUIHUE S.A.
TELSUR CALL CENTER S.A.
BLUE TWO CHILE S.A.



*As of December 32, 2003 Madeco held 0.057% of its own shares.


99.99%
1.00%
41.00%
1.00%
COMERCIAL MADECO S.A.
INM. E IND. COTELSA S.A.
COLADA CONTINUA CHILENA S.A.
COTELSA S.A.
99.99%
0.01%
99.00%
99.00%
SOINMAD S.A.
0.002%
COBRECON S.A.
33.33%
INDECO S.A.
49.99%
49.99%
MADECO S.A. AGENCIAS ISLAS CAYMAN
100.00%
MADECO OVERSEAS S.A.
100.00%
METAL OVERSEAS S.A
100.00%
100.00%
100.00%
FICAP S.A.
MADECO BRASIL LTDA.
50.00%
OPTEL LTDA.
99.98%
OPTEL ARGENTINA S.A.


QUIÑENCO S.A.
96.21%
AGRICOLA
EL PEÑON S.A.
93.50%
HOTELES
CARRERA S.A.


QUIÑENCO S.A.
50.00%
HABITARIA S.A.
99.99%
37.37%
INMOBILIARIA BARRIO VERDE S.A.
INMOBILIARIA URBECENTRO S.A.

Design & Production
Espacio Vital Diseño
www.espaciovital.cl

Printer
Editorial Trineo S.A.
www.trineo.cl

corporate identification

QUIÑENCO is an open stock company, which was incorporated as Forestal Quiñenco S.A. by public deed on January 28, 1957 and modified by public deed on April 15, 1957, both in the Valparaíso Notary Office of Mr. Carlos Calderón Cousiño. The company transferred its domicile to Santiago by a reform in its by-laws, which was set forth in public deed on March 25, 1966 granted before the Valparaíso Notary Office of Mr. Rafael Luis Barahona Stahr, modified by public deed on April 13, 1966 granted before the Santiago Notary Office of Mr. Eduardo González Abbott. An abstract of the reform was registered on page 3,787, number 1,952 of the Register of Commerce of Santiago of 1966 and published in the Official Gazette on June 11, 1966. The company changed its name to Quiñenco S.A. and agreed on a new revised text of its by-laws by a reform set forth in public deed on October 11, 1996 granted before the Santiago Notary Office of Mr. René Benavente Cash. An abstract of this reform was registered on page 26,437 number 20,473 of the Santiago Register of Commerce of 1996, and it was published in the Official Gazette on October 29, 1996. The last modification was set forth in public deed on May 26, 1997, granted before the Santiago Notary Office of Mr. Andrés Rubio Flores. An abstract of this reform was registered on page 12,971 number 10,387 of the Santiago Register of Commerce of 1997, and it was published in the Official Gazette on June 9, 1997.

In accordance with Law N°18,046, QUIÑENCO S.A. (Quiñenco), an open stock company registered in the Securities Register under number 0597, is subject to regulation by the Chilean Superintendency of Securities and Insurance (SVS).

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Santiago, Chile
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Fax: (56-2) 750-7101
Website:
www.quinenco.cl
www. quinencogroup.com

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Las Condes,
Santiago, Chile
Telephone: (56-2) 750-7100
dptoacciones@lq.cl

Investor Relations
Contact Cindi Freeman
Investor Relations Manager
Telephone: (56-2) 750-7221
Fax: (56-2) 245-6241
cfreeman@lq.cl

Stock Exchanges
In the United States (LQ): NYSE
10 ordinary shares = 1 ADR

In Chile (Quinenco):
Bolsa de Comercio de Santiago
Bolsa de Comercio de Valparaíso
Bolsa de Valores de Chile

Auditors
Ernst & Young Ltda.
Huérfanos 770, 5th Floor
Santiago, Chile
Telephone: (56-2) 676-1000

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