2007 ANNUAL REPORT

QUIÑENCO S.A.

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INVESTOR RELATIONS
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STOCK EXCHANGES
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
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Telephone: (56-2) 676-1000

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 is 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 11, 2007, granted before the Santiago Notary Office of Mr. Andrés Rubio Flores. An abstract of this reform was registered on page 20,649, number 15,082 of the Santiago Register of Commerce of 2007, and it was published in the Official Gazette on May 25, 2007.

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).

QUIÑENCO S.A.

WHO WE ARE

Quiñenco is one of the largest business conglomerates in Chile with consolidated assets of over US$3.6 billion. We are the parent company of renowned businesses in the financial services, food & beverage, telecommunications and manufacturing sectors.

WHAT WE DO

We invest in companies that are leaders in their respective industries, in order to create value and interesting returns for our shareholders, through a proven and successful business model.

INVESTMENT CRITERIA

We take a consistent approach in our search for new investments. Generally, we invest in large scale businesses in which we have the possibility to acquire a controlling stake, on many occasions with world class strategic partners. In the past, we have sought out investments with potential for further development of consumer franchises and brand value, taking advantage of synergies across business units and distribution networks, in order to achieve economies of scale and maximize operating efficiencies.

VALUE CREATION

We have developed a unique system of value creation for our shareholders through the professional management of our investments, evidenced by proceeds from divestitures amounting to approximately US$2.8 billion during the last 10 years.

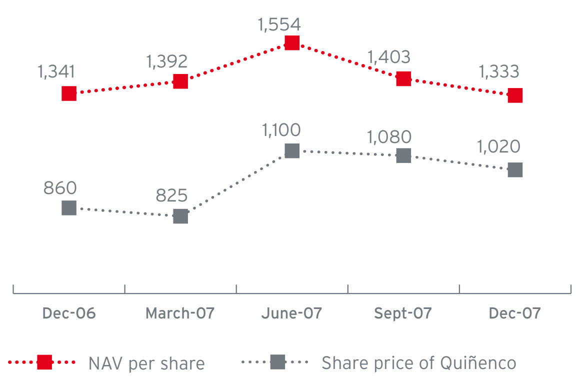
5 YEAR FINANCIAL HIGHLIGHTS

In millions of constant Ch$ as of December 31, 2007		2007	2006	2005	2004	2003
CONSOLIDATED RESULTS						
Net sales revenue	MCh$	700,767	661,693	462,710	434,544	416,144
Operating income		39,038	57,738	33,605	30,844	14,843
EBITDA		73,520	88,718	62,272	59,905	48,346
Proportionate share of net income of equity method investments		98,039	84,206	78,739	66,422	66,834
Other non-operating losses		(7,911)	(55,502)	(40,640)	(64,082)	(66,628)
Net income for the year		105,241	61,264	56,012	26,529	43,893
FINANCIAL POSITION						
Total assets	MCh$	1,808,430	1,600,866	1,494,079	1,517,736	1,620,143
Total liabilities		619,313	591,213	569,346	673,236	769,664
Minority interest		193,330	182,751	152,482	123,070	112,203
Shareholders' equity	MCh$	995,787	826,902	772,251	721,430	738,275
Current ratio (current assets/current liabilities)		2.55	3.01	2.69	1.47	1.54
Leverage (total liabilities/SH equity)		0.62	0.71	0.74	0.93	1.04
Earnings per share	Ch$	91.95	56.74	51.87	24.57	40.65
OTHER INFORMATION						
Number of shareholders		1,613	1,867	2,009	2,405	2,588
Number of shares outstanding		1,144,577,775	1,079,740,079	1,079,740,079	1,079,740,079	1,079,740,079

NAV/SHARE PRICE EVOLUTION

As of December 31, 2007
NAV US$3,071 mln
Market Cap US$2,350 mln

Share price in Ch$



23%

is the discount between Quiñenco's NAV value and the price of its shares as of December 31, 2007.

LETTER FROM THE CHAIRMAN

DEAR SHAREHOLDERS,

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

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

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

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

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

Guillermo Luksic Craig
Chairman of the Board

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

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

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

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

Several agreements were reached during 2007 that are beneficial for the future development of the group.

LETTER FROM THE CHAIRMAN

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

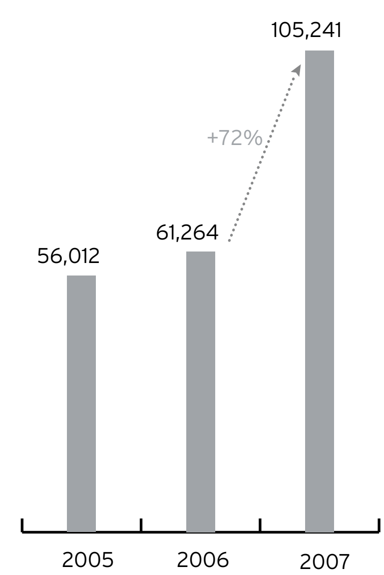
Madeco's performance in 2007 was positively influenced by the acquisitions it made early in the year. Madeco acquired a majority shareholding in Cedsa, a Colombian producer of cables, and increased its shareholding to 50% in two flexible packaging manufacturers in Peru. These companies contributed Ch$61,536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

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

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

Guillermo Luksic Craig / Chairman of the Board

NET INCOME
Figures in MCh$



CHAIRMAN

Guillermo Luksic Craig*

Director of Companies

VICE CHAIRMAN

Andrónico Luksic Craig

Director of Companies

DIRECTOR

Hernán Büchi Buc

Civil Mining Engineer,
University of Chile

ADVISOR TO THE BOARD

Gustavo Delgado Opazo
Director of Companies
General Accountant

DIRECTOR

Gonzalo Menéndez Duque*

Business Administrator,
University of Chile

* Member of the Directors' Committee

DIRECTOR

Matko Koljatic Maroevic*

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

DIRECTOR

Jean - Paul Luksic Fontbona

Director of Companies
B.Sc. Management and Science,
London School of Economics, England

DIRECTOR

Juan Andrés Fontaine Talavera

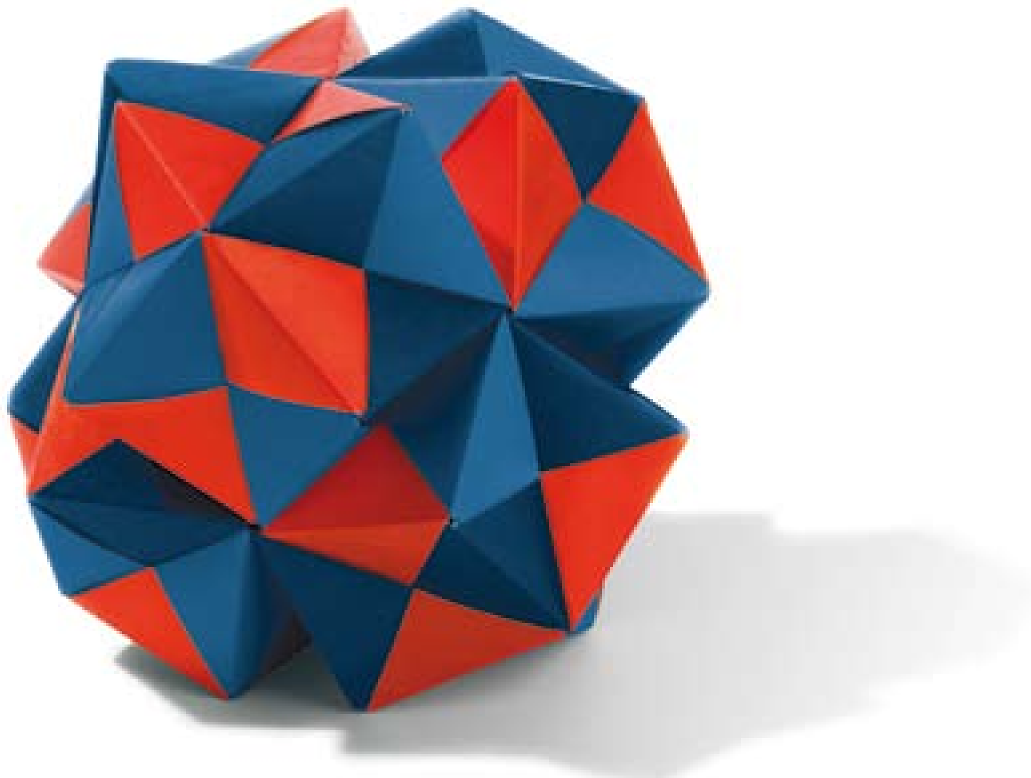
Business Administrator,
Catholic University of Chile
Master of Economics,
University of Chicago, U.S.A.

CORPORATE GOVERNANCE

The Board of Directors of Quiñenco, its Directors' Committee and the Chief Executive Officer are responsible for defining and upholding corporate governance practices. The Board of Directors is made up of seven members, elected for a period of three years. The current Board was elected in 2005, and new elections will be held at the General Ordinary Shareholders' Meeting in 2008.

Quiñenco is permanently committed to the highest standards of corporate governance, in accordance with its bylaws and legal norms in Chile, in particular, the Law of Open Stock Corporations and the Securities Law. Its code of ethics, applicable to all employees, strives to promote honest behavior in every circumstance, avoidance of conflict of interests, principles of transparency in relations and respect for the rights of others.

QUIÑENCO PROFILE

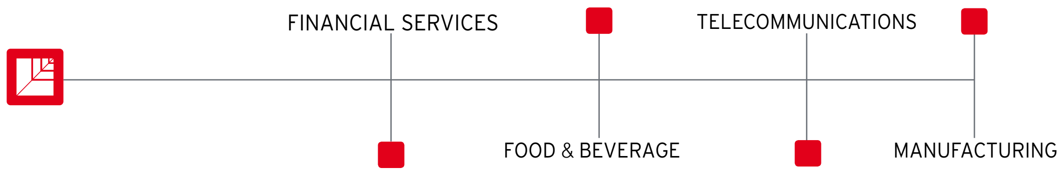


Quiñenco is Chile's most diversified business conglomerate with a long and successful track record. We invest in companies very relevant to the local economy and in such sectors as financial services, food and beverage, telecommunications and manufacturing. Our group companies collectively employ nearly 22,000 people and aggregate sales during 2007 were over US$4 billion in Chile and abroad. Investments in the financial services and food and beverage sectors are the most significant, representing 82% of total investments and 69% of corporate level assets.

In our role as parent company, our main priority is to ensure that our companies are successful in their business dealings. We work together with the management of each entity, defining long term strategies, projecting annual forecasts, supervising operating and financial performance, structuring and directing important mergers and acquisitions, and identifying synergies between the different business units, always focused on growth and improvement. Our results reflect time proven strategies which are oriented towards reinforcing the management capacity and performance of our group companies.

Our investment criteria is oriented towards the development of mass consumer brands and franchises, which enables us to secure the critical mass necessary to achieve economies of scale and greater efficiencies while taking advantage of synergies across business units and distribution networks. Our leadership position allows us to team up with world class partners and, during 2007 we forged alliances with Citigroup, Nexans and Nestlé. These partners complement our knowledge, experience and resources and permit us to offer our consumers world class services and products and over time, create value and attractive returns for our shareholders.

The nucleus of our business model consists of supporting the companies in which we have invested in order to increase their value and their returns to Quiñenco through dividends or eventually, divestments. In 2007, our dividend income surpassed US$110 million and proceeds from the sale of investments, mainly sales of shares of Entel, exceeded US$106 million, valuable resources in financing future acquisitions.



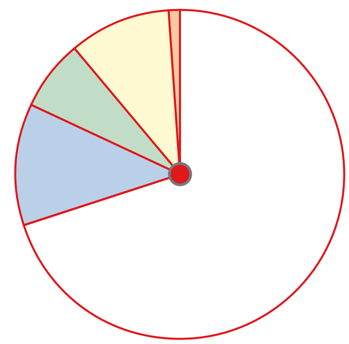
US$32.4 billion

Assets managed by Quiñenco of a select group of companies, leaders in their respective industries.

INVESTMENTS BY SECTOR

MCh$1,137,190 as of 12/31/2007
Book value corporate level

Financial Services	70%
Food & Beverage	12%
Telecommunications	7%
Manufacturing	10%
Other	1%

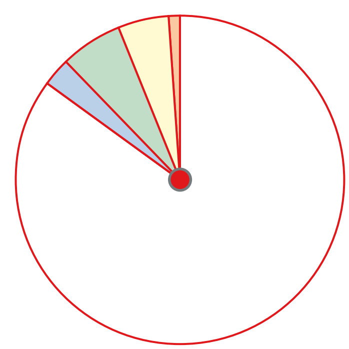


Our business model revolves around the premise of making resources available to our companies so that they thrive. This not only increases their value but also returns to Quiñenco, through dividends and proceeds from divestitures. In this sense, our history speaks for itself, with proceeds from sales of investments of over US$2.7 billion during the last 10 years. These resources are fundamental when the time comes to finance new acquisitions and support the development of our subsidiaries' businesses.

CONSOLIDATED ASSETS BY COUNTRY

MCh$1,808,430 as of 12/31/2007

Chile	85%
Argentina	3%
Brazil	6%
Peru	5%
Colombia	1%



+9.2%

was the growth of Group company sales which reached US$4 billion on an aggregate basis in 2007.

21,846

professionals are employed by our group companies in Chile and abroad.

-29%

Net debt at the corporate level decreased to US$395 million in 2007 as a result of proceeds from sales of investments and a steady dividend cash flow.

HISTORY

1957

Forestal Quiñenco S.A. initiates its operations making wooden supports for coal mines from eucalyptus forest exploits.

1960's

Forestal Quiñenco begins to diversify its business by investing in Lucchetti S.A. and Colcura Forestal S.A.

1970's

Quiñenco further diversifies by acquiring Hoteles Carrera.

1980's

This decade is fundamental to Quiñenco's growth. It starts out by investing in the financial sector in shares of Banco O'Higgins and Banco de Santiago.

In keeping with its diversification strategy, Quiñenco then acquires a controlling stake in Madeco S.A.

Later on, together with the German group Schörghuber, Quiñenco acquires a majority share in Compañía Cervecerías Unidas (CCU).

Quiñenco enters the telecom sector by acquiring a controlling interest in VTR S.A.

1993

The OHCH group is created in a joint partnership between Quiñenco and Banco Central Hispanoamericano, thereby staking out their claim in the financial services sector.

1995

OHCH becomes the controlling shareholder of Banco de Santiago. On a parallel basis, Quiñenco forms an alliance with SBC Communications, Inc. in order to strengthen its telecom business, VTR.

1996
The Luksic Group reorganizes, and Quiñenco becomes the holding company for investments in the financial services 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.

Quiñenco sells 100% of its interest in Startel to CTC.

1998
Quiñenco further diversifies by forming Habitaria, a real estate developer, by way of a joint venture with Ferrovial Inmobiliaria of Spain.

1999
Quiñenco sells its stake in OHCH and shortly thereafter acquires a 51.2% stake in Banco de A. Edwards and an 8% interest in Banco de Chile.

In the telecom sector, Quiñenco negotiates the sale of its 66% interest in VTR hipercable to UIH Latin America. Afterwards, it acquires a 14.3% interest in Entel S.A.

2001
Quiñenco sells an 8% stake in Entel and divests its 39.4% interest in Plava Laguna, a tourist resort located on the Adriatic coast in Croatia.

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

2002
Banco de Chile and Banco Edwards merge their operations on the first day of the year, creating the largest bank in Chile at that time.

2003
Quiñenco sells the Hotel Carrera of Santiago to the Chilean Ministry of Foreign Relations.

Quiñenco joins forces with Heineken in IRSA, the controlling entity of CCU.

2004
Quiñenco divests 100% of its interest in Lucchetti Chile.

2005
Quiñenco realizes important gains by selling its interest in Almacenes Paris to Cencosud in a public tender offer.

2006
Quiñenco terminates its ADR program and initiates the delisting process of its shares on the NYSE.

2007
Quiñenco announces a historic alliance with Citigroup that contemplates the merger of Citibank Chile with Banco de Chile starting January 1, 2008.

Quiñenco successfully raises Ch$64,838 million in new capital.

Quiñenco sells a 2.8% shareholding in Entel.

ORGANIZATION

CHIEF EXECUTIVE OFFICER

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

MANAGER OF STRATEGY AND PERFORMANCE APPRAISAL

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

MANAGER OF PERFORMANCE APPRAISAL

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

INVESTOR RELATIONS MANAGER

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.

CHIEF FINANCIAL OFFICER

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

Board of Directors

Chief Executive Officer

Strategy and Performance Appraisal

New Business Development

Finance, Administration and Human Resources

Controller

Legal Counsel

MANAGER OF BUSINESS DEVELOPMENT

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

LEGAL ADVISOR

Davor Domitrovic Grubisic
Attorney, University of Chile

GENERAL ACCOUNTANT

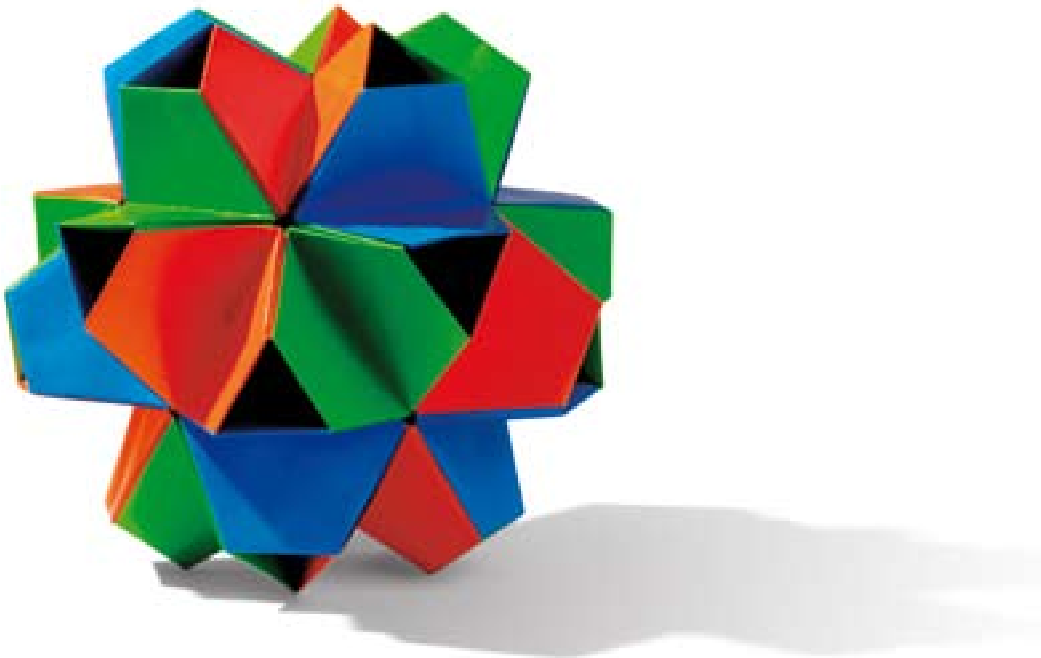
Oscar Henríquez Vignes
Certified Public Accountant, University of Chile
Graduate degree in Tax Planning, Catholic University of Chile
Master of Tax Management, Adolfo Ibañez University

CHIEF COUNSEL

Manuel José Noguera Eyzaguirre
Attorney, Catholic University of Chile

CONTROLLER

Fernando Silva Lavín
Business Administrator, Catholic University of Chile



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 and Telefónica del Sur. The profit or loss from other investments such as Banco de Chile and CCU, which are highly 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's net earnings increased by nearly 72% in 2007, reaching Ch$105,241 million. Trading profits were key to the performance of the holding during the year, as were results from the equity investments, Banco de Chile and CCU. In addition, important strategic alliances were formed, which will impact the shape and form of the company in periods to come. All in all, 2007 was undoubtedly one of the best years in Quiñenco's history.

Quiñenco reported consolidated revenues of Ch$700,767 million in 2007, up 5.9% from the 2006 level. Consolidated revenues were boosted by the 6.4% or Ch$38,493 million increase in sales corresponding to Madeco's operations, as a result of acquisitions it carried out during the year.

In spite of the higher sales level, operating income was affected at both Madeco and Telefónica del Sur, which served to reduce consolidated operating income by 32.4% to Ch$39,038 million. The brass mills business unit of Madeco's operations was affected by increased competition from domestic and international producers, lower prices and a weak US dollar on exports. Telefónica del Sur faced an increase in SG&A expenses on new product launches, as well as higher depreciation expense associated with equipment and network improvement.

Equity income (net) totaled Ch$98,038 million, its highest level ever, due to the solid results obtained from Quiñenco's two main equity investments, Banco de Chile and CCU, which contributed Ch$73,297 million and Ch$26,180 million, respectively.

NET INCOME CONTRIBUTION FROM OPERATING COMPANIES

The following table shows the contribution of the main operating companies to Quiñenco's 2007 net income:
(In millions of Ch$ pesos as of December 31, 2007)

Companies	Quiñenco's Ownership (1)	Sales Revenue	Net Profit	Quiñenco's Proportionate Share of N.I.	Total Assets	S/H Equity
Financial Services						
Banco de Chile	(2) 52.5%	(3) 691,608	242,288	73,297	14,620,509	1,051,393
Food & Beverage						
CCU	33.1%	628,284	79,199	26,180	826,616	401,796
Telecommunications						
Telsur	74.4%	60,693	6,211	4,587	153,687	77,413
Manufacturing						
Madeco	45.2%	639,011	19,660	9,048	487,097	263,894
Other Operating Companies				(8,717)		
Total Operating Companies				104,395		
Quiñenco & Holding Companies				846		
Net Income for the Year				105,241		

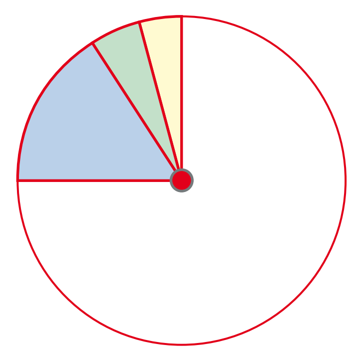
(1) Direct or indirect
(2) Corresponds to voting rights
(3) Corresponds to operating revenues

Dividend cash flow amounted to Ch$54,753 million in 2007, up from the Ch$52,942 million received in 2006. In 2007, for the second consecutive year, Banco de Chile reduced its pay-out ratio from 100% to 70%, capitalizing 30% of it net profits. Nonetheless, dividends from the bank reached Ch$43,271 million, an increase of 6.5% over the prior year. Sustained dividend cash flow and proceeds from the sale of investments have fortified Quiñenco's cash reserves, which as of December 31, 2007 stood at Ch$167,836 million, leaving it well prepared to take advantage of new investment opportunities and service debt obligations.

COMPOSITION OF DIVIDEND INCOME

Banco de Chile	75%
IRSA	16%
Telefónica del Sur (*)	5%
Entel	4%

(*) Eliminated in the consolidation



+71.8%

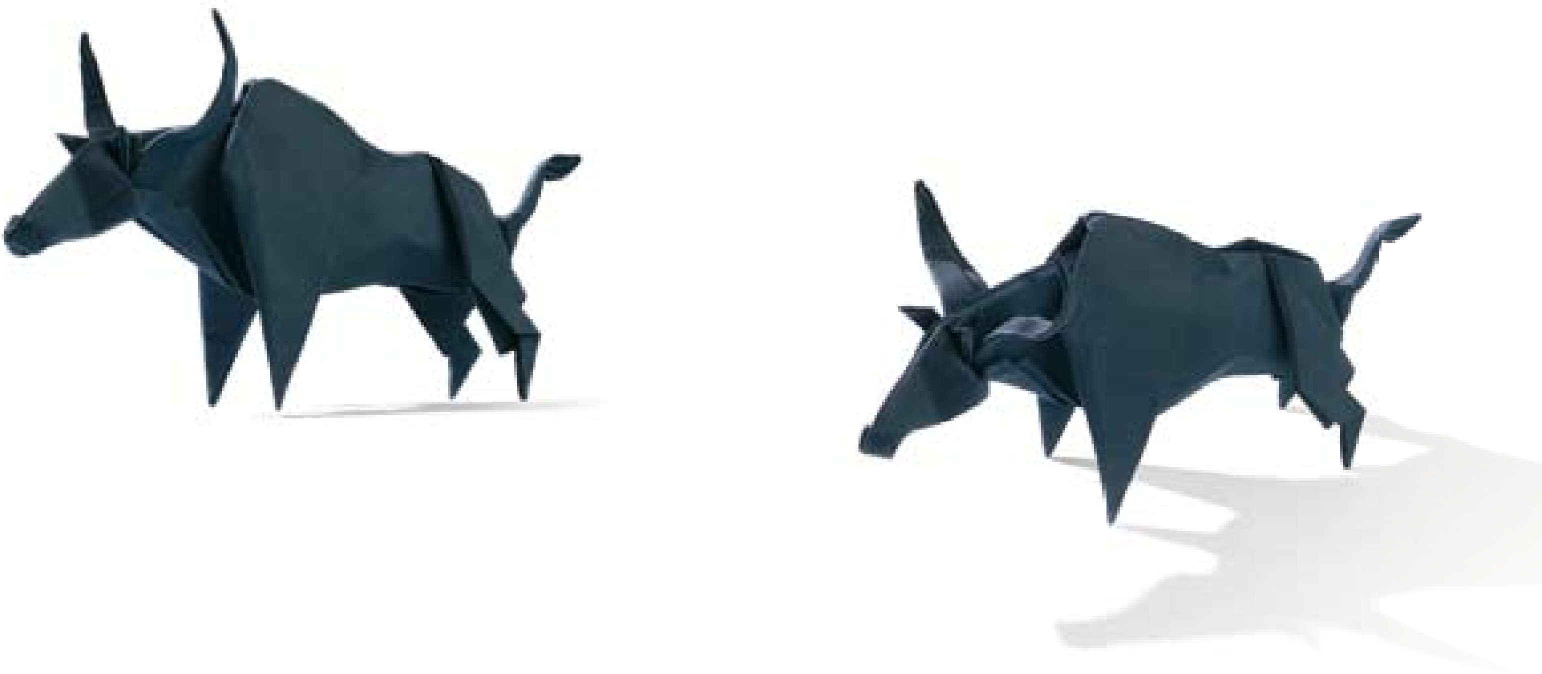
Net income grew to Ch$105,241 million in 2007, thanks to profits from trading activities and the strong performance of Banco de Chile and CCU.

COMPOSITION OF CONSOLIDATED DEBT

	2006	2007
	MCh$	MCh$
Corporate level (*)	361,461	344,987
Madeco	105,215	110,725
Telefónica del Sur	43,300	52,040
Total consolidated debt	**509,976**	**507,752**

(*) does not include the debt of the affiliate company, IRSA, of MCh$18,959

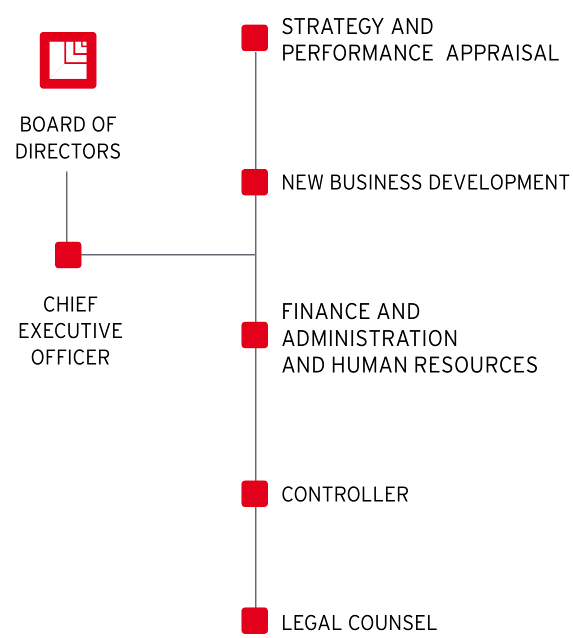
HUMAN RESOURCES

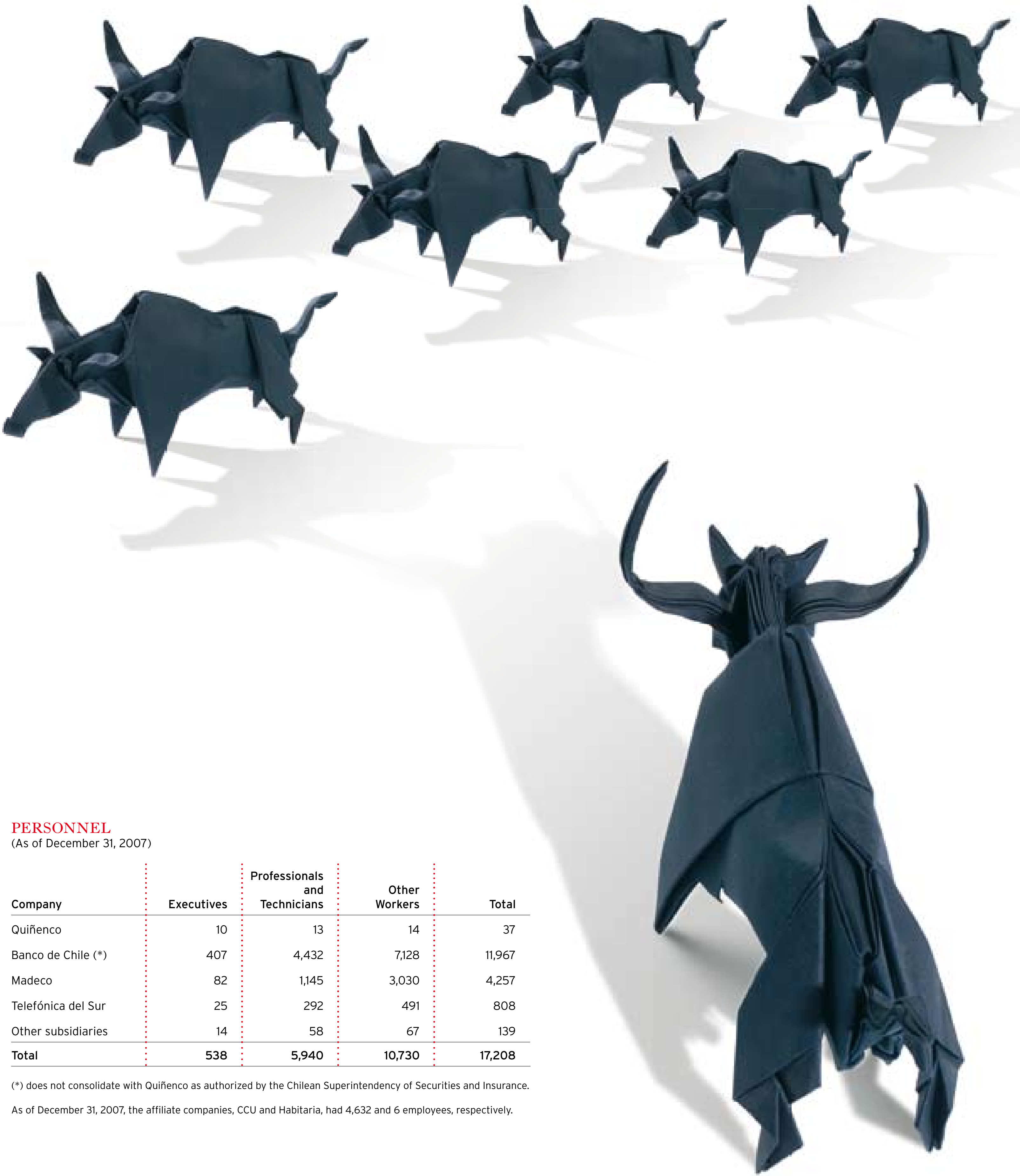


The people who work in the Quiñenco group are its most valuable resource. We know that if it were not for their daily commitment, dedication and loyalty, none of our companies would enjoy the position they have worked so hard to attain. We are not only referring to professional attributes, but personal attributes as well, contributing factors in terms of successful business dealings and reputation.

For this reason, our main priority is the selection of highly qualified professionals, hand picked for their skills, strengths and areas of specialty, both from a professional and human standpoint. We entrust our people to put the directives of the Company's board and administrators into practice so that we may achieve our objectives through a collaborative effort.

Our human resources area oversees the selection and retention of personnel, the establishment and measurement of individual goals, training, incentives and promotions. Teamwork and dedication are fundamental to reaching levels of excellence, and we seek to build competent teams whose abilities and professional preparation are matched in such a way as to create value, both for the company and the individual.





PERSONNEL
(As of December 31, 2007)

Company	Executives	Professionals and Technicians	Other Workers	Total
Quiñenco	10	13	14	37
Banco de Chile (*)	407	4,432	7,128	11,967
Madeco	82	1,145	3,030	4,257
Telefónica del Sur	25	292	491	808
Other subsidiaries	14	58	67	139
Total	**538**	**5,940**	**10,730**	**17,208**

(*) does not consolidate with Quiñenco as authorized by the Chilean Superintendency of Securities and Insurance.

As of December 31, 2007, the affiliate companies, CCU and Habitaria, had 4,632 and 6 employees, respectively.

At Quiñenco, we believe that social responsibility is linked to long term development. We try to demonstrate this by the strong commitment we show to our employees, shareholders, the local community and society at large, which creates a strong sense of connection, and ultimately helps towards improving the quality of life.

Quiñenco believes that social responsibility represents a window of opportunity to make genuine contributions to the community through collaborative efforts. This enables us to put our values into action and take part in projects of importance which promote cultural exchange. In Quiñenco, we understand that social responsibility is not a response to social demands, but an opportunity to exercise leadership and contribute to the common good and progress of the country.

Our active participation is through activities and initiatives whose objectives are aimed at improving health and education as well as integration within all facets of society.

Education

We are committed to improving the level of education in Chile as we believe that this is the fundamental key to further development. In this way, we sponsor high quality educational programs which strive to instil a sense of social conscience in dealing with today's problems and challenges. Our group companies participate in community programs by awarding scholarships to needy children, teenagers and college students, and we also provide valuable equipment to aid in learning such as computers and laboratories.

Thanks to the collaboration of various public and private educational institutions, one of our group companies has initiated a program aimed at facilitating internet access in parts of the south of Chile to the public school system.

We have also developed and promoted numerous campaigns to prevent drug, tobacco abuse as well as to promote the responsible use of alcoholic beverages.

It is our intention to lend a hand by providing the necessary tools to help people make smart decisions and construct a more secure future.

Sports

We regularly sponsor athletes and a wide variety of sports teams so that they may fully develop their potential.

Culture

We feel cultural activities contribute to our sense of well being and stimulate the way we think. It is an expression of life and communications, which gives us a way to reflect upon ourselves and others. For this reason, the Quiñenco group promotes on a regular basis, cultural activities for the community at large such as theatre, opera, concerts as well as art exhibitions throughout the country, whether it be on a massive scale at beaches or stadiums or in more intimate settings.

Living Better

Being in harmony with nature is essential. A clean and safe environment is a priority for all of our group companies. In order to make a contribution in this area, we go beyond planting trees by implementing full scale conservation programs aimed at creating consciousness of the importance of saving native forests as well as our national heritage.

Working Together

Each member of our society is important, among them the almost two and one half million people that live with some type of disability, many of them without outside support. We believe this must be stopped, and it motivates us to participate in numerous fund raising campaigns such as the annual Teletón, where we donate not only money, but time, hard work and dedication.

BUSINESS ACTIVITIES

Banco de Chile

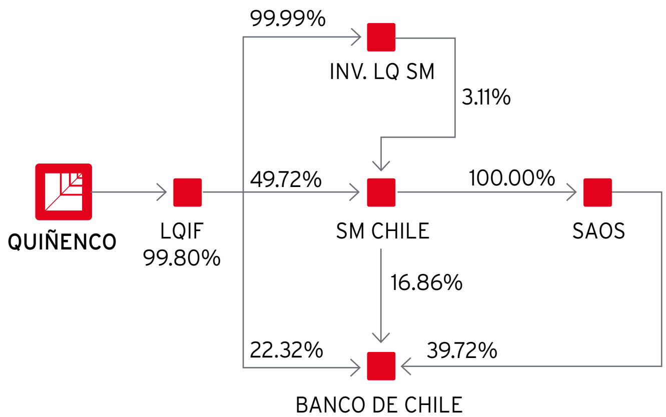
LQIF
99.8%

BANCO DE CHILE
52.5% (*)

(*) Voting rights

LQIF'S STAKE IN BANCO DE CHILE

As of December 31st	2007
Voting rights	52.5%
Dividend rights	30.7%
% of shares owned	
SM Chile	52.8%
Banco de Chile	22.3%



Formed in 2000, LQ Inversiones Financieras S.A. (LQIF) concentrates Quiñenco's investments in the financial sector. Since 2001, its principal investment is its controlling stake in Banco de Chile, one of the largest financial institutions in Chile.

In 2007, LQIF signed a historic agreement with Citigroup for the joint development of their financial activities in Chile. At the beginning of 2008, Citigroup became a shareholder in LQIF with a 32.96% interest. The agreement also contemplates options for Citigroup to increase its shareholding in LQIF to 50% within 28 months from the date of closing of the transaction. One of the main aspects of the alliance is the merger of Banco de Chile with Citibank Chile, effective January 1, 2008.

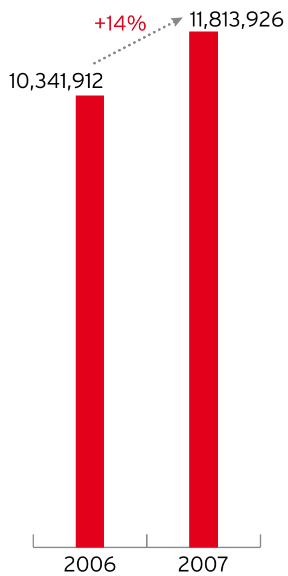
Thanks to this association, the long standing success and leadership of Banco de Chile will be coupled with the experience and global leadership position of Citibank, thereby attaining a unique position in the Chilean market, as it will enable Banco de Chile to offer global services to its customers. The bank's business will be driven by important economies of scale and synergies between both financial entities, the benefits of which are expected to be reflected in high profitability and efficiency ratios, evidencing the value creation from this association.

The group has a long and successful history in the Chilean financial sector. This includes the merger of Banco Santiago and Banco O'Higgins in 1997, the sale of the merged entity to Banco Santander Central Hispano (BSCH) in 1999, the acquisition of Banco Edwards in 1999 and of Banco de Chile in 2001, which were subsequently merged in 2002, having since produced a 120% real increase to date in terms of the market value of Banco de Chile.

2007 Results

LQIF reported net income of Ch$47,515 million in 2007, an increase of 34.3% over the previous year. The rise in net income was primarily attributable to an increase in equity investment income related to Banco to Chile. In addition, annual earnings benefited from an 8.6% decline in net interest expense and an improvement in price-level restatement results, the effects of which were partially offset by a reduction in tax credits.

LOANS
Figures in MCh$ as of December 31, 2007



Banco de Chile

Banco de Chile, the country's oldest bank, is leader in the local banking industry in terms of quality of service to its customers and second in terms of absolute loan volume, with a market share of 18.5%. At the end of December 2007, its total assets amounted to over US$29 billion while its net equity amounted to the equivalent of US$2.1 billion. With more than US$17 billion in total deposits, it has a market share of 18.8% of (net) demand deposits and 22.9% of total checking accounts in the financial system.

Banco de Chile, in its constant search to provide financial services of excellence to its customers and add value for its shareholders, merged its operations with Citibank Chile, effective January 1, 2008. This merger undoubtedly marks a new strategic direction in the history of the bank. With this merger, Banco de Chile will have a network of over 400 branches and points of sale in Chile and access to one of the most important financial services platforms in the world, giving it the opportunity to consolidate its competitive position and face advantageously a market that shows high growth rates and levels of performance. In addition, the association between Banco de Chile and Citibank Chile is expected to create further value through important revenue and cost synergies.

From a financial perspective, Banco de Chile's market share will rise initially from about 18.5% to over 20%, accompanied by a greater share of the mass retail segments, which have been of special interest to the bank in recent years. Its market share of consumer loans will increase by more than 5%, thus significantly reducing the competitive gap with the industry leader in this segment.

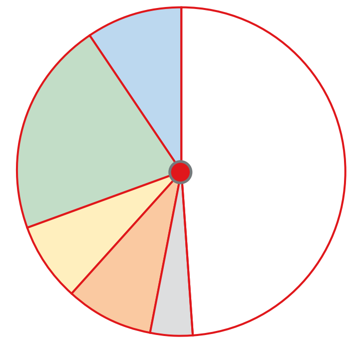
This important strategic complementation of both institutions is in addition to other sources of higher value for Banco de Chile, principally related to the acquisition of know-how in products and processes, expansion of the range of global products and services offered to its customers, especially in the areas of corporate banking, investment banking, private banking and international retail banking. The merger will also strengthen the bank's equity base, enabling it to meet projected growth in the different business segments as well as maximize the return for its shareholders, thanks to a greater dividend distribution capacity.

Banco de Chile, Banco Edwards/Citi, Atlas, Banco CrediChile and Banchile are the brands through which the bank will distribute its products following the merger, covering all

NET INCOME CONTRIBUTION BY BUSINESS AREA*

2007 Net Income MCh$242,288

Individuals and Small Businesses	49%
Banco CrediChile	4%
Large Companies	9%
Treasury Operations	8%
Public Corporations	21%
Foreign Branches & Subsidiaries	9%



* before tax

1st

Banco de Chile's return on average equity (ROAE) was 27% in 2007, the highest of any bank in the Chilean financial system.

2007

profits were the highest in the bank's history.

18.5%

Banco de Chile's market share in 2007.

the traditional services through its principal network of offices and automated teller machines. The bank also offers through its network of subsidiaries numerous services such as securitization, securities brokerage, investment banking and mutual funds, insurance brokerage, financial consulting and factoring.

2007 Results

Banco de Chile reported net income of Ch$242,288 million for the year ended December 31, 2007, the most profitable year in its history. The bank surpassed its previous record net income of Ch$209,696 million in 2006 by 15.5%, mainly attributable to strong growth in operating revenues, the effect of which more than offset an increase in provisions for loan losses and higher operating expenses.

Operating revenues amounted to Ch$691,608 million, up 14.8% from the Ch$602,331 million reported in 2006. One of the main drivers of growth in operating revenues was net financial income, which rose by 17.7% to Ch$530,751 million, as a result of a 10.6% increase in average interest earning assets, fueled by a significant expansion of the bank's loan portfolio. The financial margin was positively affected by the higher inflation rate, which led to an increase in interest income, a higher contribution from demand deposits and a favorable funding structure.

Fee income, which accounted for 24.4% of operating revenues, grew by 17.4% to Ch$168,490 million in 2007. It is worth mentioning that due to Chilean regulation on labor outsourcing implemented in 2007, certain expenses previously included as fee expenses were reclassified to operating expenses. Taking into account this change, real fee income growth in 2007 was 6.6%.

Losses on the sale of financial instruments and non-forward derivatives contracts amounted to Ch$7,633 million, compared to gains of Ch$7,924 million in 2006, as a result of declines in the value of the bank's Latin American security

portfolio and losses on Chilean securities booked in foreign branches.

Provisions for loan losses increased by Ch$13,710 million to Ch$52,619 million, in line with loan growth expansion, reflecting the higher risk profile associated with the consumer loan area.

Operating expenses increased by 3.3% to Ch$333,413 million compared to 2006, mainly in relation to the new regulatory requirements with respect to labor outsourcing, which resulted in a reclassification of Ch$15,460 million from fee expenses to operating expenses. Price-level restatement losses totaled Ch$37,948 million compared to price-level restatement losses of Ch$9,157 million reported in 2006, reflecting the higher inflation experienced during the period.

ABRE TU MUNDO

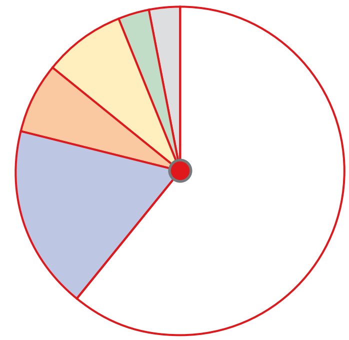
CCU

CCU
33.1%


CERVEZA
CRISTAL
DESECHABLE
UNICA · GRANDE · NUESTRA
CERVEZA
CRISTAL
DESDE EL AÑO 1850

BUSINESS ACTIVITIES

ABRE TU MUNDO CCU



MCh$146,791 in 2007

EBITDA BY SEGMENT

Beer in Chile	61%
Soft Drinks & Mineral Water	18%
Beer in Argentina	7%
Wine	8%
Spirits	3%
Other	3%

Compañía Cervecerías Unidas (CCU) is the largest Chilean brewery and the second in Argentina, as well as the leading company in the production of beverages in Chile. CCU has been the brand of preference for Chileans for many years with respect to beer, beverages, mineral waters, juices, wine and pisco. This is mainly due to constant innovation and the continual launching of new products to satisfy consumer tastes and provide an ample array of alternatives to the public.

In 2007, CCU launched a series of new products complementing its already successful brands. Notable among non-alcoholic drinks were the energy drink, SoBe Adrenaline, Rush, Kem Slice, Lipton Ice Tea (a ready-to-drink tea-based drink offered with lemon, green tea and peach flavorings), plus two new flavors of its Cachantun Mas brand, mineral water with grapefruit and peach flavorings.

In alcoholic drinks, CCU extended its product range with the launching of Sierra Morena rum, Ruta Norte, Campanario Berries Pisco Sour and treble-distilled Control C pisco. With respect to beers, Cristal Black Lager, a black beer, was added to the already ample product range, and the Paulaner brand was launched in Argentina. In wines, the products 35 Sur Sour and 35 Sur Reserva were created. Notable in this area was the purchase of Viña Leyda through an associate company of Viña San Pedro, a CCU subsidiary.

On the production side, CCU's new pisco plant in Ovalle is already operating, thus reducing freight costs by being closer to Santiago and to the farmers.

A new strategic plan was introduced for the period 2008-2010, consisting of six strategic objectives which will define the management of the company's businesses for the next three years.

In late 2007, CCU signed an important agreement with Nestlé Waters Chile S.A., through which Nestlé acquired 20% of a new company, Aguas CCU Nestlé Chile, which will be responsible for developing the mineral water business in Chile under the brands Cachantun, Porvenir and Glacier. As part of this agreement, Nestlé granted the new company the license to produce Nestlé Pure Life water in Chile. Nestlé also has the possibility to acquire an additional 29% within 18 months from December 2007. In addition, Calaf, an associate company of CCU, purchased the Natur cereals brand.

MARKET SHARE

As of December 31st	2007
Beer in Chile	87%
Beer in Argentina	16%
Soft drinks	23%
Mineral water	69%
Fruit juice	56%
Pisco	46%
Domestic wine (VSP)	19%
Export wine (VSP)	11%

+32.1%

In 2007, earnings growth was attributable to CCU's strong operating performance as well as an improvement in non-operating results.

CCU Argentina is in the process of acquiring Inversora Cervecera S.A. (ICSA), which would increase its market share with the brands Bieckert, Palermo and Imperial. ICSA also has a brewery at Luján, Buenos Aires. The idea behind the acquisition is to strengthen the company's position as the second player in the beer business in Argentina. The transaction is awaiting the resolution of the Argentine National Anti-Trust Commission.

2007 Results

CCU's main business segments experienced healthy growth in 2007. Its consolidated sales revenue rose by 7.2% to Ch$628,284 million, attributable to a 6.1% increase in volume sold. The growth in sales volumes was led by the Chilean and Argentine beer segments and the non-alcoholic drinks segment.

Operating income jumped by 18.5% to Ch$101,384 million in 2007, mainly due to the higher sales level, although higher direct costs and SG&A expenses partially offset the increase. EBITDA reached Ch$146,791 million showing an increase of 12.2% over 2006.

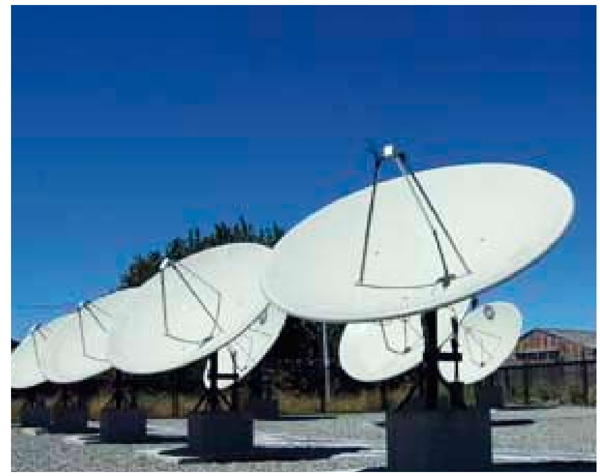
CCU reported non-operating losses of Ch$3,387 million, compared to non-operating losses of Ch$10,643 million in 2006. The improvement in non-operating results is mostly explained by a Ch$11,925 million after tax non-recurring gain related to the association with Nestle in the water business in 2007.

The aforementioned 18.5% increase in operating income and improvement in non-operating results in 2007 was reflected in CCU's net income for the year, which rose by 32.1% to Ch$79,199 million.

Telefónica del Sur
Siempre más cerca

TELSUR
74.4%


Innet



Telefónica del Sur is the principal telecommunications company in the south of Chile, with more than 300,000 customers, thanks to the multiple products and services it offers between Concepción and Coyhaique.

With the launching in 2007 of WiTV, its new IP digital television service, the company completed a further step in its strategy of differentiation in the market and diversification of sources of revenues, firmly entering the subscribed and triple-pack (telephone, internet and television) television segment, with important advantages and technological differentiation compared to the existing services, as WiTV is 100% IP and uses a broad band network based on fiber optic to the home and 20 megas for each home. It permits the interactivity of the customer with the television system and convergence with internet, plus a 100% wireless connection with the home.

WiTV complements the 2006 launching of local portable telephony with PHS technology through the product "SuperInalámbrico". Today there are over 53,000 customers with portable telephone terminals, fixed numbers and portable telephone service, operating in the principal cities between Temuco and Coyhaique. In addition, the service was launched to the business segment during 2007 with the new "Centrex Convergente" product, which permits unlimited calls between the fixed and portable lines of a customer as if they were extensions of their private telephone network.

A special mention should be made of the construction of the fiber optic network linking Chiloé, Palena and Aysén, over 830 kilometers in length, 130 km. of which are underwater. These zones are therefore now connected to the rest of Chile by fiber optics, permitting the future supply of the latest-generation services in order to provide further development, education, culture and entertainment to the inhabitants of the towns located on the route of the line.

2007 Results

Telefónica del Sur's revenues reached Ch$60,693 million in 2007, up slightly from the Ch$60,189 million reported in 2006. Although the overall sales level in 2007 remained relatively constant compared to 2006, the growing importance of Internet, security services, data services and subscription TV in Telsur's revenue mix was clearly observed. In addition, local telephony revenues grew by 4.3%, reverting the decline experienced in previous years thanks to the PHS portable

+12.5%

In 2007, Telefónica del Sur's client base expanded to more than 300,000, mostly associated with the growth of Internet, wireless PHS and digital TV services.

fixed line service introduced in 2006. These increases more than offset the decrease in revenues associated with public telephones and long distance services.

Internet revenue rose by 5.1% to Ch$10,991 million in 2007, accounting for 18.1% of all sales. The growth shown in this area was due to a 21.6% increase in the number of wide band clients, which as of December 31, 2007 reached 57,038. In late 2007, Telsur introduced subscription TV (TVoIP and WiTV), and as of the end of the year already had 5,472 clients.

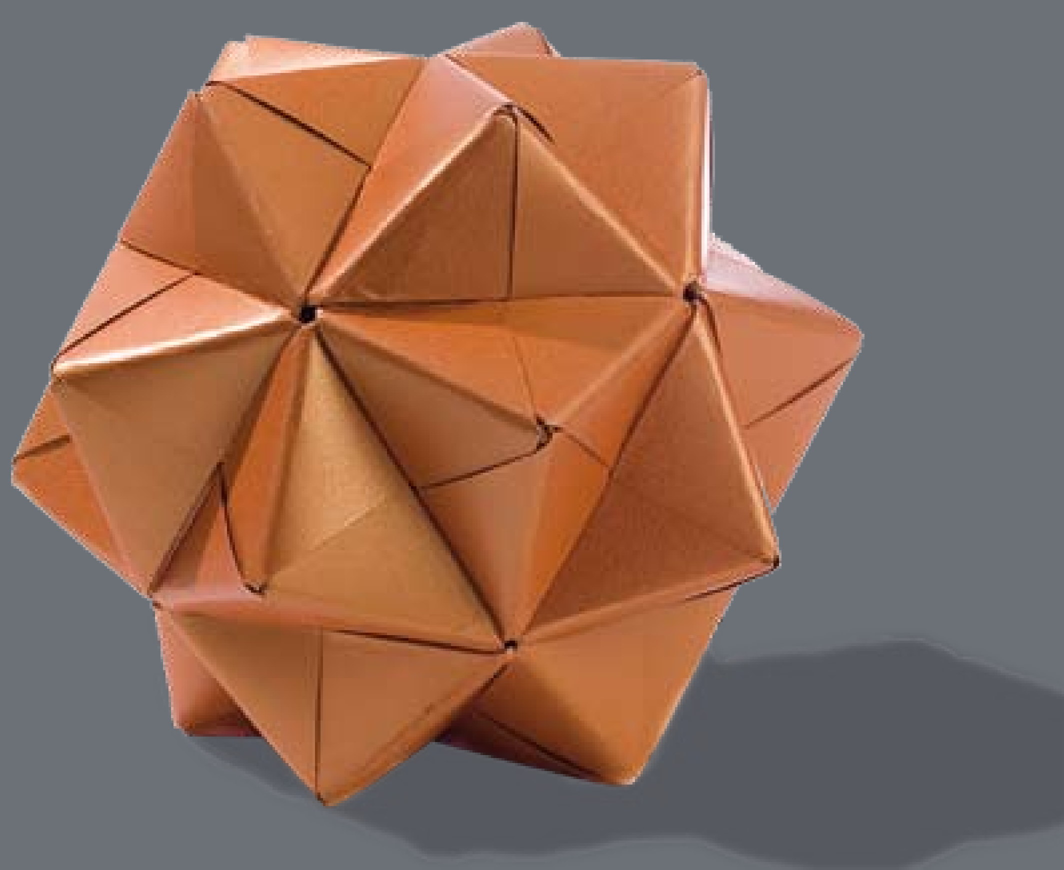
Operating profits fell by 24.0% to Ch$9,915 million, mainly as a result of depreciation on the investments made by Telefónica del Sur to develop new services, expenses associated with the launching of subscription TV and portable fixed line telephony and the consolidation of Blue Two Chile S.A. (in 2006 this was still in the development stage).

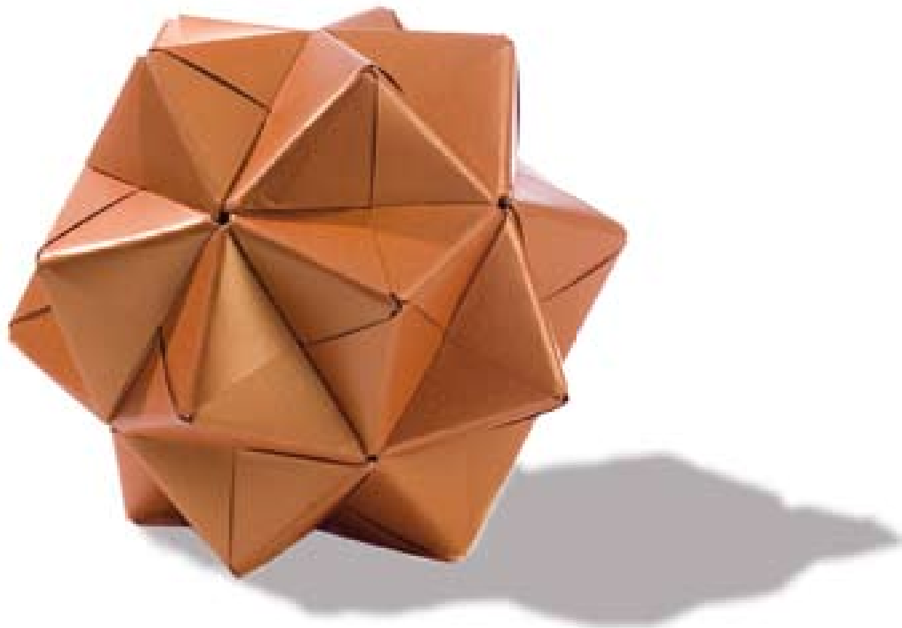
Non-operating losses decreased from Ch$2,314 million in 2006 to Ch$1,899 million in 2007. The improvement in non-operating results was primarily due to a 62.5% reduction in other non-operating expenses, which in 2006 included Ch$605 million in personnel severance expenses, and to a lesser extent, non-recurring income from supplier prepayment discounts.

Net profit in 2007 amounted to Ch$6,211 million, representing a 26.4% decline from the Ch$8,437 million reported in 2006. The decrease in bottom line results for the year was attributable to the aforementioned deterioration in operating results, the effect of which was partially offset by lower tax burden.

MADECO

MADECO
45.2%





MADECO

Madeco, the leading manufacturer of cables in Latin America and an important producer of flexible packaging, has 19 manufacturing plants in Chile, Brazil, Peru, Colombia and Argentina. It also has a global presence as an exporter of a wide variety of copper and aluminum products to 26 countries with more than 6,000 customers.

Madeco has four main businesses; the manufacture of cables, brass mills, aluminum profiles and flexible packaging. With its wide range of products, it supplies important companies in diverse sectors of the economy like construction, industry, electricity, telecommunications, mining and mass consumption.

2007 was a year of great changes for Madeco. In February, the company acquired 80% of the Colombian cables company, Cedsa, and in March increased its shareholdings from 25% to 50% in the Peruvian flexible packaging companies Peruplast and Tech Pak (which were merged under the name of Peruplast near the end of the year).

In November, in a historic agreement, Madeco agreed to transfer its cables unit to the French producer Nexans for US$448 million and 2.5 million shares in the French company, equivalent to an 8.9% shareholding.

Madeco will thus become the principal shareholder in Nexans, the world's leading cables producer. For its part, Nexans will acquire a presence in Latin America, allowing Madeco to form part of a growing international network. The transaction should be completed in mid 2008 following a due diligence process, shareholder approval by both companies and authorization from regulatory bodies.

2007 Results

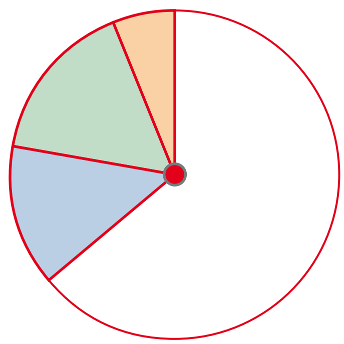
Madeco's sales rose by 6.4% to Ch$639,011 million in 2007. The growth in sales during the year was primarily attributable to the consolidation of companies acquired in 2007 (Cedsa, Tech Pak and Peruplast), partially offset by a sharp decline in the sales of the brass mills business unit of 19.6%. In 2007, consolidated volume increased by 17.1%, although average prices were significantly lower, mainly due to the product mix, which favored aluminum cables over copper cables.

Operating income decreased by Ch$15,481 million or 27.8% to Ch$40,115 million, mainly attributable to the brass mills business unit whose operating income declined by Ch$10,516 million to a negative Ch$1,361 million, as a result of stiff competition, lower prices and the effect of the appreciation of the Chilean peso vis-à-vis the US dollar on exports. In addition, operating income earned by the cables unit also

SALES COMPOSITION

MCh$639,011 in 2007

Wire & Cable	64%
Brass Mills	16%
Flexible Packaging	14%
Aluminum Profiles	6%



MARKET SHARE

As of December 31st	2007
Wire & Cable	
Chile	30%
Brazil	12%
Peru	64%
Argentina	12%
Colombia	9%
Brass Mills	
Chile	56%
Argentina	8%
Coin blanks	16%
Flexible Packaging	
Chile	30%
Argentina	6%
Peru	59%
Aluminum Profiles	60%

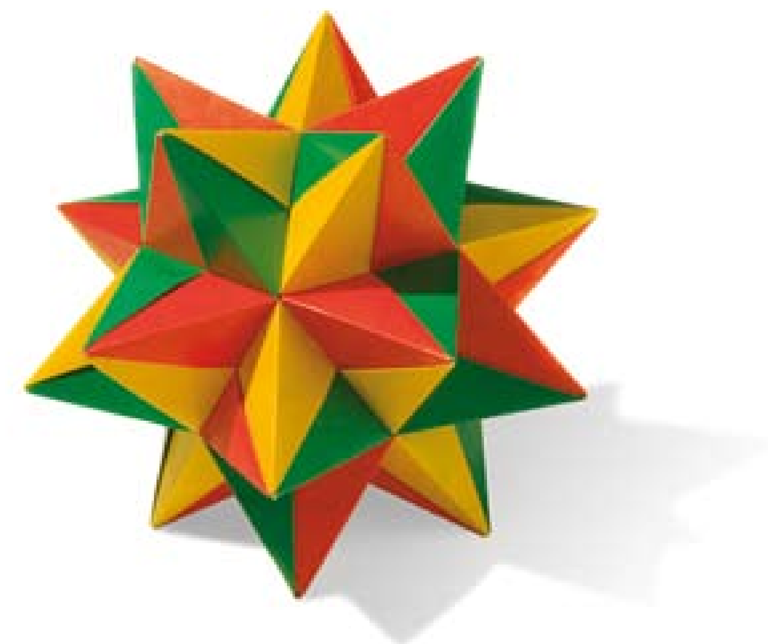
led to the decline in operating income for the year as the product mix favored lower margin aluminum cables. Worth mentioning is that in 2006, Madeco reported extraordinarily high operating profits as a consequence of the rise in copper prices between April and June of that year. EBITDA was also affected by this downturn, off by 20.1% for the year, amounting to Ch$55,900 million.

Madeco reported non-operating losses of Ch$16,160 million, varying slightly from the Ch$15,944 million reported in 2006, mostly explained by an increase in price-level restatement losses as a consequence of the higher inflation experienced during the year, partially offset by FX translation gains and a decrease in other non-operating expenses.

Madeco reported net income of Ch$19,660 million in 2007. This represented a decrease of 39.4% compared to 2006, attributable to the significant decline in operating income, the effect of which was partially offset by a lower tax burden.

MCh$61,536

is the amount that newly acquired companies contributed to Madeco's sales in 2007.



DIVIDEND POLICY

At the Annual Shareholders' Meeting to be held on April 29, 2008, the Board of Directors will propose to maintain its dividend policy of distributing at least 30% of annual (liquid) net profits.

DIVIDEND HISTORY

DIVIDEND NUMBER	PAYMENT DATE	DIVIDEND PER SHARE*	TOTAL DIVIDEND*	FOR THE YEAR ENDED DECEMBER 31ST
Nº 16	05-05-05	Ch$12.97685	ThCh$14,011,625	2004
Nº 17 y 18	10-05-06	Ch$14.44793	ThCh$15,600,009	2005
Nº 19 y 20	09-05-07	Ch$15.84908	ThCh$17,112,887	2006

* historic figures

DISTRIBUTION OF 2007 NET INCOME

Net income for 2007 totaled ThCh$105,241,007. The Board of Directors has proposed to distribute 2007 net income as follows:

1) Payment of a dividend of ThCh$52,620,498 corresponding to the distribution of 2007 net income as follows:
   a) Payment of a minimum obligatory dividend of ThCh$31,085,176, to be paid in accordance with the date established at the Annual Shareholders' Meeting.
   b) Payment of an additional dividend of ThCh$21,535,322, to be paid in accordance with the date established at the Annual Shareholders' Meeting.
2) Allocation of the balance of ThCh$52,620,509 to retained earnings.

The proposed dividend distribution corresponding to 2007 net income is equivalent to 50.00% of net earnings for the year.

CALCULATION OF ALLOWABLE DIVIDEND DISTRIBUTION	ThCh$
Net Income 2007	105,241,007
Allowable distribution of 2007 earnings	105,241,007
2007 dividend as a percentage of allowable distribution	50.00%
Amortization of negative goodwill (consolidated)*	(1,623,752)

* 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.

SHAREHOLDERS

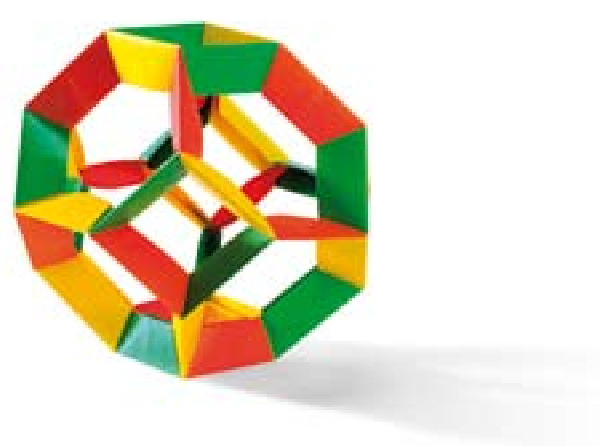
At the closing of 2007, Quiñenco's share capital is divided in 1,144,577,775 subscribed and paid-in shares. The twelve largest shareholders as of December 31, 2007 are:

CORPORATE I.D. #	NAME	SHARES	%
77.636.320-0	Andsberg Inversiones Ltda.*	391,308,877	34.19
59.039.730-k	Ruana Copper A.G. Agencia Chile*	255,946,677	22.36
78.306.560-6	Inmobiliaria e Inversiones Río Claro S.A.*	143,427,860	12.53
96.536.010-7	Inversiones Consolidadas S.A.*	129,988,779	11.36
90.818.000-3	Axxión S.A.	32,481,908	2.84
47.006.374-2	First Eagle Overseas Fund	24,062,197	2.10
90.249.000-0	Bolsa de Comercio de Santiago Bolsa de Valores	20,441,029	1.79
96.871.750-2	Inversiones Salta S.A.*	19,121,268	1.67
96.684.990-8	Moneda S.A.	18,701,595	1.63
96.551.730-8	Bolsa Electronica de Chile Bolsa de Valores	17,281,942	1.51
96.894.180-1	Bancard Inversiones Ltda.	10,801,339	0.94
98.001.000-7	A.F.P. Cuprum	9,335,373	0.82
	Total	**1,072,898,844**	**93.74**
	OTHER INFORMATION AS OF 12.31.2007		
	Number of outstanding shares	1,144,577,575	
	Number of shareholders	1,613	

* Companies related to the Luksic Group

Quiñenco is controlled 83.1% by the Luksic Group, through Andsberg Inversiones Ltda., Ruana Copper A.G. Agencia Chile, Inversiones Orengo S.A., Inversiones Consolidadas S.A., Inversiones Salta S.A., Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. The Luksburg Foundation indirectly holds a 94.6% interest in Andsberg Inversiones Ltda., a 100% interest in Ruana Copper A.G. Agencia Chile and a 97.3% interest in Inversiones Orengo S.A.

Andrónico Luksic Craig and his family control 100% of the shares of Inversiones Consolidadas S.A. and Inversiones Salta S.A. Guillermo Luksic Craig and his family control 100% of the shares of Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. There are no formal agreements as to the voting or disposition of shares between members of the controlling shareholder group.



SHARE TRANSACTIONS BY CONTROLLING SHAREHOLDERS

	NUMBER OF SHARES		TRANSACTION AMOUNT (*)		UNIT PRICE (*) (**)	
	PURCHASED	SOLD	PURCHASED ThCh$	SOLD ThCh$	PURCHASED Ch$	SOLD Ch$
2007						
Andsberg Inversiones Ltda.	26,007,901	-	26,365,331	-	1,013.74	-
Ruana Copper A.G. Agencia Chile	15,008,677	-	15,008,677	-	1,000.00	-
Inversiones Consolidadas S.A.	7,813,239	(3,252,319)	7,813,239	(3,609,749)	1,000.00	(1,109.90)
Inversiones Salta S.A.	1,121,268	-	1,121,268	-	1,000.00	-
Inversiones Río Claro Ltda.	8,934,508	-	8,934,508	-	1,000.00	-
2006						
Andsberg Inversiones Ltda.	1,137,817	-	728,203	-	640.00	

(*) Historic figures
(**) Average price

SHARE TRANSACTIONS BY OFFICERS AND EXECUTIVES OF THE COMPANY

	NUMBER OF SHARES		TRANSACTION AMOUNT (*)		UNIT PRICE (*) (**)	
	PURCHASED 2007 Nº	SOLD 2006 Nº	PURCHASED 2007 ThCh$	SOLD 2006 ThCh$	PURCHASED 2007 Ch$	SOLD 2006 Ch$
Francisco Pérez Mackenna (CEO)	-	(334,799)	-	(214,271)	-	(640.00)
Martín Rodríguez Guiraldes (Executive)	-	(83,188)	-	(53,240)	-	(640.00)
Pedro Marín Loyola (Executive)	917	(38,665)	917	(24,746)	1,000.00	(640.00)
Luis Fernando Antúnez (Executive)	5,690	(145,367)	5,690	(93,035)	1,000.00	(640.00)
Felipe Joannon Vergara (Executive)	-	(179,439)	-	(114,841)	-	(640.00)
Oscar Henríquez Vignes (Executive)	1,201	(37,493)	1,201	(23,996)	1,000.00	(640.00)
Manuel José Noguera (Executive)	-	(179,439)	-	(114,841)	-	(640.00)
Cindi Freeman (Executive)	141	-	141	-	1,000.00	-
Alessandro Bizzarri Carvallo (Ex-Executive)	131	(49,210)	131	(31,494)	1,000.00	(640.00)
Jorge Tagle Ovalle (Ex-Executive)	-	(53,896)	-	(34,493)	-	(640.00)
	8,080	(1,101,496)	8,080	(704,957)		

(*) Historic figures
(**) Average price

During the year 2007, the managers and principal executives of the Company did not carry out sales of shares. In 2006, they did not carry out purchases of shares.

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:

YEAR	NUMBER OF SHARES	TRANSACTION AMOUNT (*) ThCh$	AVERAGE PRICE Ch$
2007			
1st Quarter	11,298,641	9,245,564	818.29
2nd Quarter	19,794,194	17,412,698	879.69
3rd Quarter	9,346,635	10,640,854	1,138.47
4th Quarter	10,292,309	11,117,592	1,080.18
2006			
1st Quarter	19,496,830	12,356,140	633.75
2nd Quarter	16,246,819	10,172,953	626.15
3rd Quarter	4,956,082	3,071,929	619.83
4th Quarter	14,135,447	10,374,172	733. 91
2005			
1st Quarter	11,133,223	7,794,040	700.07
2nd Quarter	11,314,120	7,665,592	677.52
3rd Quarter	10,580,528	7,528,891	711.58
4th Quarter	11,720,344	7,710,086	657.84

(*) Historic figures

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.

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.

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 in which 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 profit distributions from its operating companies and with funds obtained from the sale of assets, the issuance of debt and equity instruments and bank financing.

The Company prioritizes long-term financing in order 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 exposed to the fluctuation in inventory values in some of its subsidiaries.

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 a GDP growth rate of approximately 5% for the year 2007. 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 and currency fluctuations.

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 in Latin America in general.

Quiñenco believes that its businesses face an increasingly high level of competition in the industries in which they operate. Increased competition is manifested in prices, costs and sales volumes of the products and services produced and marketed by Quiñenco's businesses. While the Company expects that its businesses, based on their past experience and track records, will be able to continue to successfully compete within their industries, there is no assurance that competition will not continue to increase in the future, including a possible ongoing trend of consolidation in certain industries. Increased competition could affect the profit margins and results of operations of Quinenco's businesses, which as a result, could materially and adversely affect the dividend cash flow Quiñenco receives from its businesses.

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 satisfied their capital needs with internally generated cash flow and with issues 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 its 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 contingencies. 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 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 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.

In addition, the market value of securities of Chilean companies is, to varying degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Chile, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Chilean issuers. There can be no assurance that the Chilean stock market will continue to grow or even sustain its gains and that the market value of the Company's securities would not be adversely affected by events elsewhere, especially in emerging market countries.

DIRECTORS' COMMITTEE

The Directors' Committee is composed of three members, Guillermo Luksic Craig, Gonzalo Menéndez Duque, and Matko Koljatic Maroevic. These members were appointed by the Board of Directors on May 5, 2005. The committee is presided over by Gonzalo Menéndez Duque and meets on a monthly basis.

Francisco Pérez Mackenna, CEO, Luis Fernando Antúnez, CFO, and Fernando Silva Lavín, Controller, are also regular participants at each session.

Each of the members of the Directors' Committee is related to the controlling shareholder under the terms described in Article 50 bis of the Corporations Law (Ley de Sociedades Anónimas).

The Directors' Committee, in accordance with Article 50 of the Corporations Law and its predetermined meeting schedule, carried out the following activities in 2007:

1) 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: (a) an increase of ThCh$465,000 in a loan of UF119,000 loan plus interest to the subsidiary company, Indalsa S.A., payable under the same conditions as the original loan, readjusted in Unidades de Fomento plus interest at the rate of TAB (180 days) plus 2.7% p. a., maturing in June 2008, guaranteed by shares of Calaf S.A. and (b) a new loan to the subsidiary company, Indalsa S.A. of UF85,000, renewable every 90 days, plus interest at a rate of TAB (180 days) plus 2.7% p.a. The purpose of this loan was to enable Indalsa S.A. to make a capital contribution to Calaf S.A. in proportion to the interest it holds in Calaf S.A. so that Calaf S.A. could carry out the financing of the acquisition of Natur for US$6 million.
2) A review of the salary and compensation packages of Quiñenco's main executives and long-term incentive plan.
3) A review of the reports issued by the Company's external auditors. During 2007, the committee reviewed the 2006 Audited Financial Statements presented by Management, prior to submitting them to shareholders for approval. Other reports included the interim financial report as of June 30, 2007 and the Internal Control Report periodically sent to the Company's administration.
4) The committee proposed to the Board of Directors the designation of Ernst & Young Servicios Profesionales de Auditores and Asesorías Limitada as external auditors for the year 2007. If this firm for whatever reason can not be contracted, it would then propose Deloitte. Feller Rate Clasificadores de Riesgo Limitada and Fitch Clasificadores de Riesgo were proposed as the Company's local risk classifiers and Standard & Poor's as its international risk classifier.

AUDIT COMMITTEE

As a listed company and foreign private issuer on the New York Stock Exchange (NYSE), Quiñenco used to comply with the NYSE's listing standards and regulations of the Securities and Exchange Commission (SEC). In accordance with the Law Sarbanes Oxley of 2002, on June 2, 2005, the company formed an audit committee whose function was to help ensure the reliability of the Company's financial statements, accounting and control processes, as well as supervise the external auditors. In 2006, the committee was composed of one member, Matko Koljatic Maroevic, an independent member of the audit committee as defined by regulations.

On November 16, 2006, Quiñenco's Board of Directors agreed to terminate the company's ADR program in the United States to which effect it agreed with the Bank of New York, as depositary bank, to terminate the depositary agreement with respect to its ADRs on January 19, 2007. As a consequence, the NYSE suspended trading of the Company's ADRs on January 22, 2007 and notified the SEC through Form 25 on January 26, 2007. No objection was made by the SEC and subsequently inscription of Quiñenco's ADRs was cancelled by the NYSE on February 5, 2007.

As a result of the termination of the ADR program and in keeping with company's objectives behind the termination of the program in the United States, Quiñenco is no longer required to maintain an Audit Committee as prescribed under the Law Sarbanes Oxley. Subsequently, on February 28, 2007, the Audit Committee was terminated and has since ceased to perform any function.

BOARD COMPENSATION

As agreed upon at the Annual Shareholders' Meeting held in 2007, compensation paid to members of the Board of Directors during the year was as indicated below (per diem and profit sharing, respectively):

Guillermo Luksic Craig, ThCh$4,938 and ThCh$38,907 (ThCh$4,559 and ThCh$36,333 in 2006); Andrónico Luksic Craig, ThCh$616 and ThCh$38,907 (ThCh$829 and ThCh$36,333 in 2006); Jean-Paul Luksic Fontbona, ThCh$1,852 and ThCh$38,907 (ThCh$2,280 and ThCh$36,333 in 2006); Hernán Büchi Buc, ThCh$3,497 and ThCh$38,907 (ThCh$3,314 and ThCh$36,333 in 2006); Juan Andrés Fontaine Talavera, ThCh$3,296 and ThCh$38,907 (ThCh$2,899 and ThCh$36,333 in 2006); Gonzalo Menéndez Duque, ThCh$3,497 and ThCh$38,907 (ThCh$3,522 and ThCh$36,333 in 2006); and Matko Koljatic Maroevic, ThCh$3,497 and ThCh$38,907 (ThCh$3,522 and ThCh$36,333 in 2006). In addition, Guillermo Luksic Craig, Gonzalo Menéndez Duque and Matko Koljatic Maroevic received compensation for their services as members of the Directors' Committee in 2007 of ThCh$5,883, ThCh$5,883 and ThCh$6,867 (ThCh$5,910, ThCh$5,910 and ThCh$10,832 in 2006), 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$6,596 and ThCh$45,160 (ThCh$9,784 and ThCh$46,833 in 2006); Andrónico Luksic Craig, ThCh$12,263 and ThCh$135,481 (ThCh$8,797 and ThCh$140,498 in 2006); Gonzalo Menéndez Duque, ThCh$145,749 and ThCh$45,160 (ThCh$150,280 and ThCh$46,833 in 2006); Hernán Büchi Buc, ThCh$45,822 and ThCh$34,145 (ThCh$0 and ThCh$0 in 2006); and Juan Andrés Fontaine Talavera, ThCh$0 and ThCh$32,400 (ThCh$0 and ThCh$0 in 2006).

- In SM Chile (per diem) Andrónico Luksic Craig, ThCh$101,982 (ThCh$70,270 in 2006) and Gonzalo Menéndez Duque, ThCh$0 (ThCh$772 in 2006).

- In Madeco S.A. (per diem and Director's Committee, respectively), Guillermo Luksic Craig, ThCh$1,340 and ThCh$0 (ThCh$1,090 and ThCh$429 in 2006); Andrónico Luksic Craig, ThCh$374 and ThCh$0 (ThCh$438 and ThCh$0 in 2006); Jean-Paul Luksic Fontbona, ThCh$1,896 and ThCh$0 (ThCh$873 and ThCh$644 in 2006) and Hernán Büchi Buc, ThCh$2,068 and ThCh$0 (ThCh$1,528 and ThCh$644 in 2006).

- In Telefónica del Sur S.A. (per diem and profit sharing, respectively), Guillermo Luksic Craig, ThCh$8,799 and ThCh$16,685 (ThCh$5,425 and ThCh$24,269 in 2006) and Gonzalo Menéndez Duque, ThCh$11,031 and ThCh$28,921 (ThCh$10,621 and ThCh$37,604 in 2006).

- In Industria Nacional de Alimentos S.A. (per diem), Guillermo Luksic Craig, ThCh$344 (ThCh$344 in 2006); and Hernán Büchi Buc, ThCh$8,917 (ThCh$8,966 in 2006).

BOARD OF DIRECTORS EXTERNAL CONSULTING EXPENSES

In 2007, the Board of Directors did not incur any expenses with respect to external consultants.

MANAGEMENT COMPENSATION

Compensation paid to Quiñenco's main executives during the year 2007, including salaries, benefits and performance bonuses, totaled ThCh$3,362,508.

INCENTIVE PLAN

Quiñenco did not have a long-term incentive plan for the company's main executives as of December 31, 2007.

EMPLOYEE SEVERANCE PAYMENTS

In 2007, the Company did not incur expenses associated with severance payments to its managers and key executives.

SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

As of and for the years ended December 31, 2007 and 2006

(A translation of the Summarized Consolidated Financial Statements originally issued in Spanish See Note 2b))

CONTENTS

Ch$	-	Chilean pesos
ThCh$	-	Thousands of Chilean pesos
MCh$	-	Millions of Chilean pesos
US$	-	United States dollars
ThUS$	-	Thousands 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.

REPORT OF INDEPENDENT AUDITORS

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

ERNST & YOUNG

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

1. We have audited the accompanying consolidated balance sheets of Quiñenco S.A. and subsidiaries (the "Company") as of December 31, 2007 and 2006 and the related consolidated statements of income and cash flows for each of the two years then ended. These financial statements and 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 Compañía Cervecerías Unidas S.A. and subsidiaries, an indirect equity method investment that is reflected in the financial statements of the equity method investment Inversiones y Rentas S.A., which represented ThCh$132,817,522 and ThCh$ 123,983,155 of total assets as of December 31, 2007 and 2006, respectively, and accounted for ThCh$ 26,180,069 and ThCh$ 19,821,800 of net income for the years then ended. 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. The included Management, Discussion & Analysis and Significant Events are not considered an integral part of these consolidated financial statements; therefore this report does not cover those sections.

2. We conducted our audits 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, 2007 and 2006 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Chile.

4. As described in Note 27 to the consolidated financial statements and in accordance with Law N°19,396, the subordinated debt obligation with the Chilean Central Bank assumed by the subsidiary Sociedad Matriz del Banco de Chile S.A. through its subsidiary Sociedad Administradora de la Obligación Subordinada S.A. has not been recorded as a liability.

5. The notes accompanying this report are a summarized version of the official financial statements, over which we have also issued an audit opinion as of the same date, and which included additional information required by the Chilean Superintendency of Securities and Insurance that are not necessary for an adequate understanding of the financial statements.

Arturo Selle S. ERNST & YOUNG LTDA.

Santiago, Chile
February 26, 2008

QUIÑENCO S.A.

CONSOLIDATED BALANCE SHEETS

(Translation of financial statements originally issued in Spanish – See Note 2)

	As of December 31,	
	2007	**2006**
Assets	**ThCh$**	**ThCh$**
Current assets		
Cash	11,071,982	5,729,639
Time deposits	150,096,412	96,291,166
Marketable securities	1,039,271	601,107
Accounts receivable, net	105,325,528	105,442,198
Notes receivable, net	11,728,986	6,644,965
Other accounts receivable, net	7,406,393	9,400,834
Notes and accounts receivable from related companies	6,788,290	13,446,710
Inventory, net	139,175,525	105,991,760
Recoverable taxes	13,966,103	10,537,744
Prepaid expenses	1,921,501	1,142,668
Deferred taxes	11,771,992	7,023,887
Other current assets	22,698,630	32,240,818
Total current assets	**482,990,613**	**394,493,496**
Property, plant and equipment		
Land	19,344,526	17,040,488
Buildings and infrastructure	175,119,684	168,686,863
Machinery and equipment	399,843,045	370,569,525
Other property, plant and equipment	83,463,267	59,565,719
Revaluation from technical appraisals	12,920,296	14,047,257
Less: Accumulated depreciation	(375,721,857)	(352,724,453)
Property, plant and equipment, net	**314,968,961**	**277,185,399**
Other assets		
Investments in related companies	653,169,385	569,586,955
Investments in other companies	20,328,824	35,280,264
Goodwill, net	323,318,076	313,036,816
Negative goodwill, net	(14,007,543)	(14,278,151)
Long-term accounts receivable	3,098,251	2,031,877
Notes and accounts receivable from related companies	590,782	1,244,256
Deferred taxes	-	4,319,908
Intangible assets	1,549,321	602,312
Amortization of intangible assets	(341,985)	(263,715)
Other assets	22,765,523	17,626,534
Total other assets	**1,010,470,634**	**929,187,056**
Total assets	**1,808,430,208**	**1,600,865,951**

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

QUIÑENCO S.A.

CONSOLIDATED BALANCE SHEETS

(Translation of financial statements originally issued in Spanish – See Note 2)

	As of December 31	
	2007	**2006**
Liabilities and shareholders' equity	**ThCh**	**ThCh**
Current liabilities		
Current bank obligations	35,128,211	19,068,260
Current portion of long-term bank obligations	50,686,772	31,760,696
Bonds payable - current portion	18,045,964	18,002,824
Other long-term obligations due within one year	2,312,427	524,503
Dividends payable	8,701,517	608,000
Accounts payable	35,458,232	26,910,095
Notes payable	3,255,519	1,367,927
Other accounts payable	3,565,939	2,998,662
Notes and accounts payable to related companies	616,214	474,978
Provisions	21,048,881	16,386,831
Withholdings	4,443,470	2,689,498
Deferred income	4,989,455	8,881,125
Other current liabilities	1,302,574	1,308,343
Total current liabilities	**189,555,175**	**130,981,742**
Long-term liabilities		
Long-term bank obligations	161,009,048	184,244,742
Bonds payable	242,882,148	256,899,897
Notes payable	248	286
Other accounts payable	8,854,143	6,169,091
Notes and accounts payable to related companies	11,570,136	12,288,579
Provisions	3,931,327	-
Other long-term liabilities	1,510,922	628,745
Total long-term liabilities	**429,757,972**	**460,231,340**
Minority interest	**193,330,171**	**182,751,012**
Shareholders' equity		
Paid-in capital	589,584,298	534,813,365
Share premium	12,193,860	-
Other reserves	20,789,442	5,850,759
Retained earnings	267,978,283	224,973,590
Net income	105,241,007	61,264,143
Total shareholders' equity	**995,786,890**	**826,901,857**
Total liabilities and shareholders' equity	**1,808,430,208**	**1,600,865,951**

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

QUIÑENCO S.A.

CONSOLIDATED STATEMENTS OF INCOME

(Translation of financial statements originally issued in Spanish – See Note 2)

	For the years ended December 31	
	2007	**2006**
	ThCh	**ThCh**
Operating income		
Revenues	700,767,361	661,693,111
Cost of sales	(600,820,307)	(548,865,243)
Gross margin	**99,947,054**	**112,827,868**
Administrative and selling expenses	(60,909,385)	(55,089,888)
Net operating income	**39,037,669**	**57,737,980**
Non-operating income and expenses		
Interest income	6,762,256	5,242,346
Equity participation in income of equity-method investments	101,485,745	85,019,069
Other non-operating income	45,333,852	5,806,571
Equity participation in losses of equity-method investments	(3,447,293)	(813,100)
Amortization of goodwill	(24,299,447)	(24,126,991)
Interest expense	(29,507,423)	(30,723,992)
Other non-operating expenses	(4,256,130)	(10,422,581)
Price-level restatement, net	(5,294,313)	(1,428,532)
Foreign currency translation, net	3,349,985	151,676
Net non-operating income	**90,127,232**	**28,704,466**
Income before income taxes, minority interest and amortization of negative goodwill	129,164,901	86,442,446
Income tax expense	(8,761,022)	(4,504,894)
Income before minority interest and amortization of negative goodwill	120,403,879	81,937,552
Minority interest	(16,786,624)	(22,245,617)
Income before amortization of negative goodwill	103,617,255	59,691,935
Amortization of negative goodwill	1,623,752	1,572,208
Net income	**105,241,007**	**61,264,143**

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

QUIÑENCO S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Translation of financial statements originally issued in Spanish – See Note 2)

	For the years ended December 31	
	2007	2006
	ThCh$	ThCh$
Cash flows from operating activities		
Collection of accounts receivable	851,831,240	767,965,036
Interest income received	7,223,800	4,060,335
Dividends and other distributions received	54,752,613	52,942,081
Other income received	14,137,831	15,630,751
Payments to suppliers and employees	(805,158,059)	(727,664,468)
Interest paid	(27,987,823)	(27,186,949)
Income taxes paid	(9,186,212)	(11,048,923)
Other operating expenses paid	(6,589,929)	(4,693,945)
VAT and other taxes paid	(7,513,684)	(10,240,580)
Net cash flows provided by operating activities	**71,509,777**	**59,763,338**
Cash flows from financing activities		
Capital increase	73,465,374	10,163,418
Borrowings	264,966,380	158,901,903
Other borrowings from related companies	-	1,404,328
Other sources of financing	-	6,990,155
Dividends paid	(20,079,000)	(18,858,604)
Capital distributions	(5,079,808)	(230,556)
Repayment of loans	(255,798,900)	(149,803,782)
Repayment of bonds	(12,897,412)	(11,692,785)
Other amounts used in financing activities	(383,750)	(1,774,102)
Net cash flows provided by (used in) financing activities	**44,192,884**	**(4,900,025)**
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	4,376,441	4,631,266
Proceeds from sales of investments in related companies	53,044,514	772,005
Collection of specific term loans from related companies	-	90,663
Collection of other loans from related companies	954,336	1,326,006
Other income from investments	23,378,349	1,534,248
Additions to property, plant and equipment	(54,661,587)	(28,728,403)
Payments of capitalized interest	(179,745)	(77,704)
Purchase of investments in related companies	(69,911,765)	(1,939,612)
Investments in securities	(89,481,949)	(84,919,081)
Other loans granted to related companies	-	(9,251,665)
Other investing activities	(259,046)	-
Net cash flows used in investing activities	**(132,740,452)**	**(116,562,277)**
Net cash flows	**(17,037,791)**	**(61,698,964)**
Effect of price-level restatement on cash and cash equivalents	3,597,289	617,530
Net increase (decrease) in cash and cash equivalents	**(13,440,502)**	**(61,081,434)**
Cash and cash equivalents, beginning of year	43,553,609	104,635,043
Cash and cash equivalents, end of year	**30,113,107**	**43,553,609**

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

QUIÑENCO S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Translation of financial statements originally issued in Spanish – See Note 2)

	For the years ended December 31	
	2007	**2006**
	ThCh$	**ThCh$**
Reconciliation between net income and operating cash flows		
Net income	105,241,007	61,264,143
Results from sale of assets		
Gain on the sale of property, plant and equipment	(3,479,561)	(112,199)
Gain on the sale of investments	(37,288,522)	(138,250)
Loss on the sale of investments	33,418	540,661
(Gain) loss on sale of other assets	10,352	(33,967)
Charges (credits) to net income which do not represent cash flows		
Depreciation	34,326,759	30,893,911
Amortization of intangible assets	155,210	85,687
Write-offs and provisions	3,599,607	9,100,022
Equity participation in income of equity-method investments	(101,485,745)	(85,019,069)
Equity participation in losses of equity-method investments	3,447,293	813,100
Amortization of goodwill	24,299,447	24,126,991
Amortization of negative goodwill	(1,623,752)	(1,572,208)
Price-level restatement, net	5,294,313	1,428,532
Foreign currency translation, net	(3,349,985)	(151,676)
Other credits which do not represent cash flows	(12,984,078)	(3,733,554)
Other charges which do not represent cash flows	18,139,635	10,263,511
Changes in assets affecting cash flows (increase) decrease		
Accounts receivable	(3,793,326)	(30,291,479)
Inventory	(19,885,496)	(27,645,126)
Other assets	45,701,565	46,607,089
Changes in liabilities affecting cash flows increase (decrease)		
Accounts payable related to operating income	(4,142,969)	3,371,297
Interest payable	(704,137)	7,697,174
Income taxes payable, net	4,618,304	(10,653,402)
Other accounts payable related to non-operating income	1,586,238	3,656,538
VAT and other taxes payable	(2,992,424)	(2,980,005)
Minority interest	16,786,624	22,245,617
Net cash flows provided by operating activities	**71,509,777**	**59,763,338**

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

SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2007 and 2006

(A translation of the Summarized Consolidated Financial Statements originally issued in Spanish- See Note 2b))

In the opinion of the Company's 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. This information may also be obtained from the Company's offices within 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 and repurchase agreements
- Sales with leaseback agreements
- Staff severance indemnities
- Bond and share issuance and placement costs
- Local and foreign currencies
- The environment
- The following 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
    - Trading investments
    - Investment instruments
    - Transactions with derivative instruments
    - Foreign currency balances
    - Contingencies, commitments and other responsibilities
    - Commissions
    - Current and deferred income taxes
    - Directors' expenses and salary

b) Information included in the following notes was summarized:

- Time deposits
- Transactions and balances with related companies
- Investments in related companies
- Goodwill and negative goodwill
- Short-term bank obligations
- Long-term bank obligations
- Changes in shareholders' equity

NOTE 1 – BUSINESS DESCRIPTION

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 Registry under No. 0597 and is subject to regulation by the SVS.

The Parent Company's principal operations relate to investing activities.

The following consolidated subsidiaries are registered in the Chilean Securities Registry:

Madeco S.A., Registration No. 251
Empresa El Peñón S.A., Registration No. 78
Compañía Nacional de Teléfonos Telefónica del Sur S.A., Registration No. 167
LQ Inversiones Financieras S.A., Registration No. 730
Also included in the consolidation is Industria Nacional de Alimentos S.A., Registration No. 64

On December 18, 2007, by Resolution 633 of the SVS, the registration of Industria Nacional de Alimentos S.A. was cancelled in the securities registry, and the company is considered a privately-held corporation as of that date.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Periods covered
These financial statements cover the years ended December 31, 2007 and 2006.

b) Basis of 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") which coincide except for investments in its banking subsidiaries and the insurance company subsidiary, which are shown on just one line in the balance sheet at their proportional equity value and thus are not consolidated line by line. This treatment does not change net income for the year or equity. Should there be differences other than that mentioned above, the regulations of the SVS prevail. In addition, the specific provisions affecting corporations contained in Law 18,046 and its regulation have been taken into account.

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

c) Basis of presentation
The figures of the financial statements of the previous year have been adjusted for inflation for presentation and comparison purposes by the percentage change of 7.4% 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
The subsidiaries included in the consolidation are detailed as follows:

Sociedad	Ownership percentage as of December 31,			
	2007			2006
	% Direct	% Indirect	% Total	% Total
Excelsa Establishment	99.9900	0.0100	100.0000	100.0000
VTR S.A. and subsidiaries	99.9999	0.0001	100.0000	100.0000
Inversiones Río Grande S.A. and subsidiaries	99.9898	0.0102	100.0000	100.0000
Empresa El Peñón S.A. and subsidiary	94.9794	-	94.9794	94.9794
O'Higgins Punta Arenas Ltda. CPA and subsidiary	75.5579	-	75.5579	75.5579
LQ Inversiones Financieras S.A. and subsidiary	65.5978	34.4022	100.0000	100.0000
Madeco S.A. and subsidiaries	40.0957	5.0760	45.1717	46.1498
VTR II S.A.	99.9999	0.0001	100.0000	-
VTR III S.A.	99.9999	0.0001	100.0000	-

The accompanying consolidated financial statements include the assets, liabilities and cash flows of the Parent Company Quiñenco S.A. 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 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. and subsidiary, Merquor Establishment, Lisena Establishment and Inversiones O'Higgins Punta Arenas Ltda.

The financial statements of Industria Nacional de Alimentos S.A. and subsidiaries are included in the consolidation through Inmobiliaria e Inversiones Hidroindustriales S.A. and subsidiaries.

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

On November 10, 2006, shareholders at the Extraordinary Shareholders' Meeting of Industria Nacional de Alimentos S.A. approved the division of the company between Inversiones Río Rimac S.A. and Industria Nacional de Alimentos S.A., the legal successor. As a result, the Peruvian operations were transferred to Inversiones Río Rimac S.A. except for the litigation rights which have been maintained in Industria Nacional de Alimentos S.A.

The management of Inversiones Río Rimac S.A has decided not to prepare consolidated financial statements as its investment in its subsidiaries Inversiones Punta Lobos S.A. and Indalsa Perú S.A. are considered discontinued businesses. The summarized balance sheet and statement of income as of December 31, 2007, are shown in Note 10.

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

In May 2006, the Parent Company and its subsidiary Inversiones Río Grande S.A. did not participate in the issuance of 192,802,758 shares of the subsidiary Madeco S.A., nor did it participate in the issuance of 120,000,000 shares made by that subsidiary in October 2007. As a consequence of both these transactions, the Company's direct and indirect ownership interest in Madeco S.A. decreased from 46.15% to 45.1717%. In accordance with Technical Bulletin No. 72 of the Chilean Association of Accountants and clause 86 of the Corporations Law 18,046, the Parent Company continues to have effective control of the subsidiary by maintaining a majority of the Board of Directors, a situation which is not expected to change in the near future. The financial statements of Madeco S.A. and subsidiaries have therefore been included in the consolidated financial statements of the Parent Company.

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. and subsidiaries (Argentina), Indeco S.A. (Peru), Madeco Overseas S.A. (Cayman Islands), and Metal Overseas S.A. and subsidiaries (Cayman Islands). The consolidation in 2007 also included the direct and indirect subsidiaries Madeco Cables S.A., Madeco Brass Mills S.A., Invercables S.A., Indelqui S.A. and Cedsa S.A.

In June 2006, Comercial Madeco S.A. bought 106,393,873 shares in Metalúrgica Industrial S.A. from Agencia Madeco S.A. (Cayman Islands), increasing its share from 24.249% to 61.328%. Comercial Madeco S.A. therefore consolidated this company and its subsidiaries from that date.

The companies Invercables S.A., Madeco Cables S.A. and Madeco Brass Mills S.A. (Chile) were incorporated in the consolidation during 2007.

On February 12, 2007, Madeco S.A. acquired 80% of the share capital of the Colombian company Cedsa S.A., which is included in the consolidation as of December 31, 2007.

The consolidated financial statements of VTR S.A. include the consolidation of the Parent Company and its subsidiary Compañía Nacional de Teléfonos, and Telefónica del Sur S.A. and subsidiaries.

The consolidated financial statements of the indirect subsidiary CNT Telefónica del Sur S.A. include the financial statements of Compañía de Teléfonos de Coyhaique S.A., Telefónica del Sur Servicios Intermedios S.A., Telsur Callcenter S.A., Telefónica del Sur Seguridad S.A., Compañía Telecomunicaciones Llanquihue S.A. and Winet Wireless Networking Ltda. since September 2006, and of Blue Two Chile S.A. since January 2007.

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 entities apply different accounting principles than those applied by commercial corporations. The exemption from consolidation was authorized by the SVS in its Official Letter No. 03200 dated May 9, 2002. Note 27 shows the summarized financial statements of LQ Inversiones Financieras S.A. and its banking subsidiaries prepared in accordance with 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 its Official Letter No. 7203 dated November 2, 2000. The summarized financial statements of this indirect subsidiary are shown in Note 10 b).

e) Price-level restatement

These consolidated financial statements have been restated to reflect the effects of variations in the purchasing power of the Chilean peso during each year. According to current regulations, non-monetary assets and liabilities, and equity accounts have been restated according to changes in the official Chilean consumer price index (CPI), which amounted to 7.4% for 2007 (2.1% for 2006).

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

f) Foreign currency translation

Assets and liabilities in Unidades de Fomento ("UF") are converted to pesos at Ch$19,622.66 per UF (Ch$18,336.81 per UF in 2006).

Assets and liabilities in United States dollars have been converted using the current exchange rate as of December 31, 2007, Ch$496.89 per US$1.00 (Ch$532.39 per US$1.00 in 2006).

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 fund quotas. Shares are recorded at the lower of their price-level restated cost and market values as of the end of each year. Investments in mutual funds are recorded at their redemption value as of the end of each year.

i) Inventory
Inventory of finished products, by-products and products being processed is valued at restated cost, which includes indirect manufacturing expenses. Inventory of raw materials, warehoused materials and goods in transit is valued at its restated cost. Inventory does not exceed its market value. Inventory is shown net of allowances for obsolescence.

Inventory with a turnover exceeding one year is shown in Other long-term assets, net of allowances for obsolescence.

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.

k) Other current assets
Other current assets mainly include time deposits pledged in guarantee, disposable assets for sale, repurchase agreements and derivative contracts.

l) Repurchase agreements
Repurchase agreements correspond to fixed-income instruments acquired under resale agreements and are included in Other current assets. They are stated at cost plus interest and indexation adjustments accrued at year-end.

m) Property, plant and equipment
Property, plant and equipment are valued at restated cost which includes the cost of financing until assets are placed in service. The resultant amounts are presented net of allowances for obsolescence.

Property, plant and equipment that will not be used for an indefinite period of time or that are held for sale have been adjusted to their estimated realizable value and are shown in Other short or long-term assets based on the Company's expectation of their use or sale.

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, taking into account the incremental value following a technical appraisal made in accordance with SVS Circular 1,529.

The depreciation of property, plant and equipment that is temporarily inactive is shown under Other non-operating expenses in the Statement of income.

o) Leased property, plant and equipment
Property, plant and equipment acquired under financial leases are shown under Property, plant and equipment and the total obligation plus interest is shown on an accrual basis. These assets do not legally belong to the Company or its subsidiaries until the respective purchase option is exercised.

p) Intangible assets
These relate to trademarks that represent an effective service potential for the Company and subsidiaries, which are amortized using the straight-line method based on the period in which they are expected to provide benefits, 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, recording income on an accrued basis and after eliminating any unrealized income on inter-company transactions. Equity movements that do not affect the income of the related companies are shown proportionally as a charge or credit to Other reserves.

Investments in foreign companies have been valued 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) Investments in other companies
Investments in other companies include investments in listed and unlisted companies in which the Company does not have the power to exercise significant influence, according to the terms set out in Circular 1,697 of the SVS.

Investments in other companies are shown at restated cost.

s) Goodwill and negative goodwill

Goodwill and negative goodwill represent the difference between the acquisition cost of the related company and the equity value of the participation or fair value of the assets and liabilities of the investment at the date of purchase. Amortization is determined using the straight-line method as a function of the expected period of return on the investment, but not exceeding 20 years.

t) Financial derivative contracts

The Parent Company enters into forward currency contracts to hedge its foreign exchange exposure.

The subsidiary Madeco S.A. also has forward currency contracts, interest-rate and commodities swaps and options to hedge its exchange rate fluctuation and commodity price risks.

Hedging instruments for existing transactions are shown at their market value, and unrealized gains and losses are shown as a charge to Other assets or a credit to Other liabilities (short or long-term), depending on whether the difference will result in a gain or a loss.

Hedging instruments for expected transactions are shown at their market value and differences are shown as a charge to Other assets or a credit to Other liabilities (short or long-term) for the unrealized gain or loss. The effects are recognized in results in the period in which the contract expires.

u) Bonds payable

Bonds payable include bonds that have been issued by the Parent Company and the direct and indirect subsidiaries LQ Inversiones Financieras S.A., Madeco S.A. and Compañia Nacional de Teléfonos, Telefónica del Sur 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 the nominal 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 expense in accordance with current tax 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 give rise to differences between the accounting and tax income, 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) Employee severance indemnities

Severance indemnities that subsidiaries have agreed to pay to their employees for years of service 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 the estimated remaining service period of each employee until retirement.

x) Operating income

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 goods effectively delivered or services provided. This is considered to occur when title, risks and compensation of ownership of the products are taken and assumed by the customer.

The telecommunications sector subsidiaries follow a policy of recording revenue when the services are provided. They include an estimate of accrued traffic and services which are not yet billed, based on a calculation of unbilled domestic and international calls and data transmission. This estimate is made on the basis of services effectively provided, valued at the current tariffs in the year the service has been provided, and is shown in Accounts receivable in the balance sheet. The related cost of these services is shown in Cost of sales.

y) Computer software

Until December 31, 2006, computer software acquired as part of computer purchase programs is shown in Other assets under Property, plant and equipment and was amortized over 4 years, in accordance with Circular 981 of the SVS.

Effective January 1, 2007, SVS Circular 1,819 cancelled its Circular 981 so that disbursements on computer software are booked as intangible assets and are amortized over 5 years, as established in International Accounting Standard (IAS) 38.

z) Sales transactions with leaseback

Sales with leaseback transactions are recorded by the subsidiaries by maintaining the assets at the same book value as prior to the transaction. The assets will legally belong to the subsidiaries when they exercise the purchase options. The results produced by these transactions are amortized over the useful lives of the respective property, plant and equipment and are shown in Other property, plant and equipment as part of leased assets.

aa) Vacation provision

The Parent Company and its subsidiaries made a provision for the cost of employee vacations on an accrual basis.

ab) Cash Flows
The Parent Company and its subsidiaries define Cash and cash equivalents as all short-term 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.

ac) Compensation plans
The compensation plans of the subsidiary Madeco S.A. that grant stock options, effective from January 1, 2005, are shown in the financial statements in accordance with International Financial Reporting Standard IFRS No. 2 "Share-based Payment", recording the fair value effect of the shares granted as a charge to remunerations. This charge is shown on a straight-line basis over the period between the granting of the options and the date on which the options are vested.

ad) Accounting estimates
The preparation of the financial statements in accordance with Chilean GAAP requires management to make certain assumptions and estimates that can affect the reported assets and liabilities and any asset or liability contingencies at the end of the year, as well as revenue and expenses accounts. The actual results may differ from the estimates.

NOTE 3 – ACCOUNTING CHANGES

During 2007, there were no accounting changes that would significantly affect the interpretation of these consolidated financial statements.

NOTE 4 – TIME DEPOSITS

The detail of time deposits as of December 31, is as follows

	2007	2006
	ThCh$	ThCh$
Banco Estado de Chile	36,454,423	25,409,958
Banco de Chile	28,879,745	18,728,757
Banco Santander Chile	29,645,144	27,049,903
Banco de Crédito e Inversiones	-	5,210,509
Banco BBVA	33,571,110	14,091,146
Banco Security	16,299,413	-
Banco BICE	-	5,437,076
Banco Citibank	5,238,694	-
Depósitos Bancos en Brasil	7,883	280,907
Centrum Bank (Vaduz)	-	82,910
Total	**150,096,412**	**96,291,166**

NOTE 5 - BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

a) Notes and accounts receivable from related companies:

	Short-term		Long-term	
	As of December 31,		As of December 31,	
Company	2007	2006	2007	2006
	ThCh$	ThCh$	ThCh$	ThCh$
Blue Two Chile S.A.	-	7,812,557	-	-
Inversiones y Rentas S.A.	4,947,827	3,957,069	-	-
Sodimac S.A.	1,290,056	1,061,101	-	-
Minera Los Pelambres S.A.	257,824	203,607	-	-
Embotelladoras Chilenas Unidas S.A.	138,163	216,560	-	-
Compañía Inveriones Adriático S.A.	52,340	44,808	87,188	170,930
Calaf S.A.	41,352	45,560	-	-
Indalsa Perú S.A.	29,775	-	-	-
Transporte y Servicios Aéreos S.A.	8,445	9,529	502,778	1,073,306
Cobrecón S.A.	8,198	4,104	-	-
Colada Continua S.A.	4,495	11,593	-	-
Minera Michilla S.A.	2,478	58,901	-	-
Cervecera CCU Chile Ltda.	110	3,158	-	-
Compañía Cervecerías Unidas S.A.	-	2,245	-	-
Viña San Pedro S.A.	-	2,135	-	-
Other	7,227	13,783	816	20
Total	**6,788,290**	**13,446,710**	**590,782**	**1,244,256**

b) Notes and accounts payable to related companies:

	Short-term	
	As of December 31,	
	2007	2006
Company	ThCh$	ThCh$
Colada Continua Chilena S.A.	413,343	232,968
Minera Michilla S.A.	101,996	117,415
Cobrecón S.A.	31,124	59,319
Sodimac S.A.	58,102	53,508
Viña San Pedro S.A.	781	3,635
Embotelladoras Chilenas Unidas S.A.	1,444	1,674
Other	9,424	6,459
Total	**616,214**	**474,978**

c) Significant transactions with related companies:

			Years ended December 31,			
			2007		2006	
Company	Relationship	Transaction	Amount	Effect on income (charge) credit	Amount	Effect on income (charge) credit
			ThCh$	ThCh$	ThCh$	ThCh$
Banco de Chile	Subsidiary (not consolidated)	Interest income	888,463	888,463	104,510	104,510
Banco de Chile	Subsidiary (not consolidated)	Interest expense	153,109	(153,109)	269,183	(269,183)
Executive Incentive Plan	Executive officers	Payments, in lieu of payment, Note 17	-	-	1,145,809	-
Blue Two Chile S.A.	Subsidiary (not consolidated)	Current account	-	-	3,369,357	-
Blue Two Chile S.A.	Subsidiary (not consolidated)	Sale of services	-	-	425,131	425,131
Blue Two Chile S.A.	Subsidiary (not consolidated)	Accrued interest	-	-	183,242	183,242
Blue Two Chile S.A.	Subsidiary (not consolidated)	Purchase of materials	-	-	1,153,939	-
Cobrecón S.A.	Affiliate	Production services	865,994	-	1,047,366	-
Colada Continua Chilena S.A.	Affiliate	Production services	1,846,390	-	1,696,206	-
Colada Continua Chilena S.A.	Affiliate	Sales	176,409	148,242	228,518	192,032
Embotelladoras Chilenas Unidas S.A.	Affiliate	Sales of products	937,962	788,203	1,033,264	868,289
Minera Los Pelambres S.A.	Common shareholders	Cable invoicing	456,557	383,660	1,571,540	1,320,622
Minera Michilla S.A.	Common shareholders	Purchase of raw materials	993,248	-	1,129,247	-
Sodimac S.A.	Common director	Sales	6,766,818	5,686,402	7,279,266	6,117,030
Sodimac S.A.	Common director	Purchases	263,313	-	239,504	-
Transportes CCU Ltda.	Common shareholders	Sales	-	-	231,008	194,124

The Parent Company has accounts and obligations, temporary investments and financial obligations with Banco de Chile. The rights and obligations with this institution have been shown under different headings in the financial statements, taking into account the nature of the balance and not its position as being related, in order not to distort financial analysis.

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

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.

NOTE 6 – INVENTORY

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

	2007	2006
	ThCh$	ThCh$
Finished goods	44,694,215	39,351,006
Raw materials	33,656,919	27,327,587
Work-in-process	24,032,788	24,181,970
Supplies	12,021,360	7,473,957
Merchandise in transit	18,026,094	4,039,956
Merchandise	6,669,867	3,547,242
Materials and packaging	74,282	70,042
Total	**139,175,525**	**105,991,760**

Inventory is shown net of an allowance for obsolescence amounting to ThCh$2,537,549 and ThCh$3,024,777 in 2007 and 2006, respectively.

NOTE 7 – CURRENT AND DEFERRED INCOME TAXES

a) Income taxes

For the year ended December 31, 2007, the Parent Company had accumulated tax losses of ThCh$3,590,503 (ThCh$3,039,489 in 2006) and has made no current provision for income taxes.

Composition of tax expense:

	Year ended December 31,	
	2007	2006
	ThCh$	ThCh$
Current tax expense (provision for tax)	(10,815,304)	(10,236,691)
Tax expense adjustment from previous year's provision	154,540	(6,636)
Deferred income taxes	(1,414,351)	(670,432)
Tax benefit of tax losses	(1,944,048)	(4,314,567)
Amortization of complementary accounts	(480,735)	(789,926)
Deferred tax assets and liabilities arising from changes in valuation provision	3,961,308	5,518,956
Other	1,777,568	5,994,402
Total	**(8,761,022)**	**(4,504,894)**

b) The detail of undistributed retained earnings for tax purposes of the Parent Company as of December 31, 2007, is as follows:

	ThCh$
Earnings with 15% credit, origin 1999	33,889,000
Earnings with 15% credit, origin 2000	65,809,584
Earnings without credit, origin 2000	10,795,308
Earnings with 15% credit, origin 2001	12,816,800
Earnings without credit, origin 2001	2,995,720
Earnings without credit, origin 2002	4,879,286
Earnings with 15% credit, origin 2002	2,620,202
Earnings with 15% credit, origin 2003	7,689,839
Earnings without credit, origin 2003	31,693,059
Earnings with 10% credit, origin 2003	9
Earnings with 16% credit, origin 2003	7,778,794
Earnings with 16.5% credit, origin 2003	10,875,538
Earnings with 15% credit, origin 2004	8,833
Earnings with 16% credit, origin 2004	4,247
Earnings with 16.5% credit, origin 2004	2,566
Earnings without credit, origin 2004	9,276,563
Earnings without credit, origin 2005	9,472,061
Earnings with 15% credit, origin 2005	3,215,466
Earnings with 16% credit, origin 2005	185
Earnings with 16.5% credit, origin 2005	16,218
Earnings with 17% credit, origin 2005	1,896
Earnings with 17% credit, origin 2006	5,868,670
Earnings with 16.5% credit, origin 2006	142,610
Earnings with 16% credit, origin 2006	5,376,100
Earnings with 15% credit, origin 2006	330,524
Earnings without credit, origin 2006	1,558,403
Exempt earnings without credit	3,574,047
Non-income earnings	173,134,114
Exempt earnings with 10% credit	1,836,030

c) Tax obligations

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

	As of December 31,	
	2007	2006
	ThCh$	ThCh$
First category income tax	(10,747,109)	(10,166,846)
Additional income tax	(70,035)	(71,121)
Sub total	**(10,817,144)**	**(10,237,967)**
Monthly income tax installments	9,502,713	9,081,161
Other tax credits	5,683,790	3,852,065
Total taxes (payable) recoverable	**4,369,359**	**2,695,259**

d) Recoverable taxes

The detail of recoverable taxes as of December 31 of each year is as follows:

	2007	2006
	ThCh$	ThCh$
Income tax recoverable	4,369,359	2,695,259
Balance of VAT fiscal credit	7,692,409	6,578,606
Other taxes recoverable	1,904,335	1,263,879
Total recoverable taxes	**13,966,103**	**10,537,744**

e) Composition of deferred income taxes:

	As of December 31,							
	2007				2006			
	Deferred tax asset		Deferred tax liability		Deferred tax asset		Deferred tax liability	
Description	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Temporary differences								
Allowance for doubtful accounts	2,231,010	3,095	-	-	2,736,312	406,443	-	-
Deferred income	106,362	-	-	-	26,435	-	-	-
Vacation provision	471,133	-	-	-	336,294	-	-	-
Leased property, plant and equipment	141,922	384,383	102,217	4,698,383	135,212	55,371	-	3,569,756
Manufacturing expenses	-	-	498,354	-	-	-	476,285	-
Depreciation of property, plant and equipment	-	2,339	48,570	19,353,852	-	1,686	2,075	17,162,673
Severance indemnities	-	-	-	663,267	-	-	-	697,445
Other events	246,111	2,937,962	165,939	902,482	220,486	5,232,009	168,424	782,773
Miscellaneous provisions	1,724,347	90,618	-	-	1,577,346	699,626	-	-
Accumulated tax losses	7,466,071	36,115,218	-	-	3,073,126	40,356,468	-	-
Allowance for disposable property, plant and equipment	19,510	23,482	-	-	32,273	23,995	-	-
Allowance for value of investment in Brazil	1,907,846	3,703,466	-	-	1,565,742	5,349,618	-	-
Allowance for obsolescence	656,206	18,918	-	-	1,328,890	102,457	-	-
Allowance for long-term assets	72,416	352,337	-	-	-	491,634	-	-
Allowance for property, plant and equipment	491,419	466,211	-	-	-	219,280	-	-
Complementary accounts, net of amortization	(8,681)	(1,756,960)	-	(10,185,575)	(14,650)	(2,187,267)	-	(10,893,076)
Valuation provision	(2,938,600)	(30,839,987)	-	-	(3,346,795)	(35,111,841)	-	-
Total	**12,587,072**	**11,501,082**	**815,080**	**15,432,409**	**7,670,671**	**15,639,479**	**646,784**	**11,319,571**

NOTE 8 – OTHER CURRENT ASSETS

The following is a detail of other current assets:

	As of December 31,	
	2007	2006
	ThCh$	ThCh$
Repurchase agreements	17,931,295	25,780,706
Disposable assets held for sale, net	2,355,767	4,026,047
Copper hedging contracts at fair value	1,728,667	1,117,676
Time deposits in guarantee	1,362	726,791
Other	681,539	589,598
Total	**22,698,630**	**32,240,818**

NOTE 9 – 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:

	As of December 31,	
	2007	2006
	ThCh$	ThCh$
Accumulated depreciation		
Buildings and infrastructure	77,288,352	71,002,734
Machinery and equipment	261,779,685	251,062,947
Other property, plant and equipment	31,129,884	25,169,637
Revaluation from technical appraisals	5,523,936	5,489,135
	375,721,857	**352,724,453**
Depreciation		
Cost of sales	31,632,796	28,124,142
Administrative and selling expenses	2,693,963	2,769,769
	34,326,759	30,893,911
Other non-operating expenses	539,132	973,654
	34,865,891	**31,867,565**
Other property, plant and equipment		
Leased assets	29,543,751	21,501,172
Construction in progress	19,933,438	4,453,875
Computer software	7,149,331	6,768,460
Office machines	7,087,702	7,284,806
Furniture and fittings	6,938,959	6,891,806
Tools and other	3,480,136	3,494,497
Materials for projects	683,931	876,857
Computer equipment	402,528	360,085
Other	8,243,491	7,934,161
	83,463,267	**59,565,719**
Technical appraisals		
Land	3,109,992	3,319,549
Buildings and infrastructure	7,990,447	8,881,314
Machinery and equipment	1,819,857	1,846,394
	12,920,296	**14,047,257**
Depreciation related to revaluation from technical appraisals		
Accumulated depreciation	5,087,790	5,050,056
Depreciation for the year	436,146	439,079
	5,523,936	**5,489,135**

NOTE 10 - INVESTMENTS IN RELATED COMPANIES

The detail of investments in related companies as of December 31, 2007, is as follows:

Company	Country	Ownership percentage	Shareholders' equity of company	Net income (loss)	Participation in net income (loss)	Participation in equity	Book value
		%	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Banco de Chile	Chile	22.32028	1,051,392,627	242,287,692	52,876,786	234,673,778	234,673,778
SM Chile Serie A	Chile	3.11018	497,479,497	39,151,055	-	14,254,825	14,254,825
SM Chile Serie B	Chile	47.87739	497,479,497	39,151,055	19,664,204	239,099,879	239,099,879
SM Chile Serie D	Chile	1.84013	497,479,497	39,151,055	755,772	9,189,603	9,189,603
Inversiones y Rentas S.A.	Chile	50.00000	256,559,073	49,409,949	24,704,974	128,279,537	128,279,537
Habitaria S.A.	Chile	50.00000	1,270,493	(173,468)	(86,734)	635,246	635,246
Jardín de las Ursulinas S.A.	Chile	50.00000	2,550,647	(24,985)	(12,493)	1,275,324	1,275,324
Colada Continua Chilena S.A.	Chile	41.00000	3,837,936	(123,987)	(50,835)	1,573,553	1,573,553
Cobrecón Perú S.A.	Perú	33.33333	1,843,964	(15,945)	(5,315)	614,654	614,654
Inversiones Alusa S.A.	Chile	0.01000	601,235	(35,820)	-	-	-
Inmobiliaria Del Norte y El Rosal S.A.	Chile	50.00000	74,013	9,026	4,513	37,006	37,006
Banchile Seguros de Vida S.A.	Chile	99.00000	12,811,845	3,290,485	3,287,197	12,799,035	12,799,035
Transporte y Servicios Aéreos S.A.	Chile	50.00000	1,065,479	(416,122)	(208,062)	532,739	532,739
Calaf S.A.	Chile	50.00000	16,064,797	2,797,819	(1,398,910)	8,032,399	8,032,399
Inversiones Punta Lobos S.A.	Peru	99.42000	2,032,519	1,694,774	(1,684,944)	2,020,731	2,020,731
Indalsa Perú S.A.	Peru	100.0000	151,912	193,394	192,299	151,076	151,076
Total						**653,169,385**	**653,169,385**

The detail of investments in related companies as of December 31, 2006, is as follows:

Company	Country	Ownership percentage	Shareholders' equity of company	Net income (loss)	Participation in net income (loss)	Participation in equity	Book value
		%	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Banco de Chile	Chile	20.72463	896,393,211	209,695,987	43,458,724	185,774,206	185,774,206
SM Chile Serie A	Chile	3.11018	441,063,311	35,388,108	-	12,617,217	12,617,217
SM Chile Serie B	Chile	47.87739	441,063,311	35,388,108	17,774,208	212,000,888	212,000,888
SM Chile Serie D	Chile	1.84013	441,063,311	35,388,108	683,132	8,148,085	8,148,085
Inversiones y Rentas S.A.	Chile	50.00000	234,545,922	36,477,563	18,238,782	117,272,961	117,272,961
Entel S.A.	Chile	-	-	-	1,427,749	-	-
Habitaria S.A.	Chile	50.00000	1,443,961	(411,061)	(205,531)	721,981	721,981
Casa Kennedy S.A.	Chile	-	-	-	(2,492)	-	-
Jardín de las Ursulinas S.A.	Chile	50.00000	2,575,633	(35,453)	(17,726)	1,287,816	1,287,816
Peruplast S.A.	Perú	25.00000	17,372,784	1,631,484	407,870	4,343,197	4,343,197
Tech Pak S.A.	Perú	25.60790	11,591,985	1,255,428	321,489	2,968,464	2,968,464
Colada Continua Chilena S.A.	Chile	41.00000	3,961,922	1,237	507	1,624,387	1,624,387
Cobrecón Perú S.A.	Perú	33.33333	2,140,258	28,019	9,340	713,418	713,418
Inversiones Alusa S.A.	Chile	0.01000	697,499	29,844	-	-	-
Inmobiliaria Del Norte y El Rosal S.A.	Chile	50.00000	64,987	(68,807)	(34,403)	32,493	32,493
Blue Two Chile S.A.	Chile	100.0000	2,899,333	(1,917,550)	-	2,899,333	2,899,333
Banchile Seguros de Vida S.A.	Chile	99.00000	9,521,361	2,699,967	2,697,268	9,511,839	9,511,839
Transporte y Servicios Aéreos S.A.	Chile	50.00000	352,022	(461,097)	(230,549)	176,011	176,011
Calaf S.A.	Chile	50.00000	15,558,596	(644,797)	(322,399)	7,779,298	7,779,298
Indalsa Perú S.A.	Peru	100.0000	1,505,292	(13,903,777)	-	1,715,361	1,715,361
Total						**569,586,955**	**569,586,955**

a) Investments in Banco de Chile and SM Chile S.A.:
The indirect shareholding of Quiñenco S.A. in Banco de Chile, through its subsidiary LQ Inversiones Financieras S.A., is detailed 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 detailed as follows:

	Issued shares		Shares held by LQ Inversiones Financieras		Ownership Percentage of SM Chile S.A.	
	2007	2006	2007	2006	2007	2006
SM Chile S.A. (Series A)	567,712,826	567,712,826	377,528,973	377,528,973	3.11%	3.11%
SM Chile S.A. (Series B)	11,000,000,000	11,000,000,000	5,811,598,701	5,811,598,701	47.88%	47.88%
SM Chile S.A. (Series D)	429,418,369	429,418,369	223,364,308	223,364,308	1.84%	1.84%
SM Chile S.A. (Series E)	141,373,600	141,373,600	-	-	-	-
Total	**12,138,504,795**	**12,138,504,795**	**6,412,491,982**	**6,412,491,982**	**52.83%**	**52.83%**
	Issued shares		Shares held by Quiñenco and LQ Inversiones Financieras		Ownership Percentage of SM Chile S.A.	
	2007	2006	2007	2006	2007	2006
Banco de Chile	71,996,083,216	69,037,564,665	16,069,727,378	14,307,782,107	22.32%	20.72%

2. Equity participation in the results of SM Chile S.A.
The novation of the subordinated obligation set forth in accordance with Law 18,818 of November 1989 suspended the dividend rights of the Series A shares of the company formerly called Banco de Chile (now called Sociedad Matriz del Banco de Chile S.A.) until the subordinated obligation with the Central Bank of Chile is repaid.

Therefore, any surplus generated by Sociedad Matriz del Banco de Chile S.A., after recording the provision for the payment of the annual installment of the subordinated obligation of the subsidiary Sociedad Administradora de la Obligación Subordinada S.A., may only be distributed as dividends to the holders of the Series B, D and E shares.

The accrued net income for any year is therefore shown in the Parent Company's financial statements based on the percentage of dividend rights associated with the shares held.

The Series A shares of SM Chile S.A. grant no rights as to the recognition of results of any kind, nor do they have associated dividend rights. The equity value of these shares is calculated as the participation in the shareholders' equity of SM Chile S.A., excluding net income.

3. Voting rights in Banco de Chile:
The voting rights in Banco de Chile corresponding to the 40,732 million shares held by SM Chile S.A. and SAOS S.A. are exercised by the shareholders of SM Chile S.A. that attend the Bank's shareholders' meetings. The rights corresponding to the shares owned by SM Chile S.A. are exercised proportionally through shareholders of all of the series (Series A, B, D and E). The 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)	Participation of LQIF in each series	Number of votes for LQIF	Quiñenco & LQIF voting rights	
	As of December 31,				
	2007	2007	2007	2007	2006
Owned by SM Chile S.A. and SAOS S.A.					
SM Chile S.A. (Series A)	1,921	66.50%	1,277	1.78%	1.85%
SM Chile S.A. (Series B)	37,217	52.83%	19,663	27.31%	28.49%
SM Chile S.A. (Series D)	1,453	52.02%	756	1.05%	1.09%
SM Chile S.A. (Series E)	141	-	-	-	-
Subtotal	**40,732**		**21,696**	**30.14%**	**31.43%**
Held by other shareholders	31,264		16,060	22.32%	20.72%
Total	**71,996**				
Total voting rights in Banco de Chile				**52.46%**	**52.15%**

4. Dividend rights in Banco de Chile:

As of December 31 of each year, the dividend distribution rights in Banco de Chile are as follows:

Series	Dividend distribution rights		% corresponding to Quiñenco & LQ 's ownership interest	
	As of December 31,			
	2007	2006	2007	2006
SM Chile S.A. (Series A)	-	-	-	-
SM Chile S.A. (Series B)	15.28%	15.93%	8.07%	8.42%
SM Chile S.A. (Series D)	0.60%	0.62%	0.31%	0.32%
SM Chile S.A. (Series E)	0.20%	0.21%	-	-
SAOS S.A.	40.50%	42.24%	N/A	N/A
Banco de Chile (includes Quiñenco S.A.)	43.42%	41.00%	22.32%	20.72%
Total	**100.00%**	**100.00%**	**30.70%**	**29.46%**

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 with respect to 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 must distribute its previous year's earnings as a dividend each year before the end of April. For the year ended December 31, 2006, the Board of Banco de Chile agreed to distribute 70% of its net income and capitalize the remaining 30% through the issuance of shares. This decision was ratified by the shareholders at the meeting held on March 22, 2007.

In March 2007, LQ Inversiones Financieras S.A. thus received the sum of ThCh$40,346,472 (historic pesos).

5. Capitalization of Banco de Chile earnings

On March 23, 2006, at an Extraordinary Shareholders' Meeting of the subsidiary Banco de Chile, shareholders agreed to increase the bank's capital through the capitalization of 30% of 2005 net income by issuing "bonus" shares of no par value. On March 28, 2006, the Central Bank of Chile, as lender of the subordinated debt, communicated its decision to opt for payment in cash of its share of the 2005 net income.

The amount capitalized by the subsidiary Banco de Chile amounted to ThCh$30,984,357, through the issuance and distribution of 957,781,060 shares on May 11, 2006, on the basis of 0.02461 "bonus" shares for each share held in Banco de Chile. Following the capital increase, Banco de Chile's paid-in shares of no par value amounted to 69,037,564,665 shares.

As a result, the Company has recorded a proportional increase in its holding of Banco de Chile, triggered by the option taken by the Central Bank of Chile not to receive its proportion of 2005 net income in the form of shares, but in cash. This implied an increased shareholding, from 20.29% to 20.72%. The "bonus" shares were issued at Ch$32.35 per share and, due to the increase in the percentage shareholding, goodwill in the amount of ThCh$6,896,901 (historic pesos) was generated.

On March 23, 2007, at an Extraordinary Shareholders' Meeting of the subsidiary Banco de Chile, shareholders agreed to increase the bank's capital through the capitalization of 30% of 2006 net income by issuing "bonus" shares with no par value. On March 26, 2007, the Central Bank of Chile, as lender of the subordinated debt, communicated its decision to opt for payment in cash of its share of the 2006 net income.

The amount capitalized by the subsidiary Banco de Chile amounted to ThCh$33,832,753 (historic pesos), through the issuance and distribution of 882,459,200 shares on the basis of 0.02213 "bonus" shares for each share held in Banco de Chile. Following the capital increase, Banco de Chile's paid-in shares of no par value amounted to 69,920,023,865 shares.

As a result, the Company has recorded a proportional increase in its holding of Banco de Chile, triggered by the option taken by the Central Bank of Chile not to receive its proportion of 2006 net income in the form of shares, but in cash. This implied an increased shareholding, from 20.72% to 21.10%. The "bonus" shares were issued at Ch$38.34 per share and, due to the increase in the percentage shareholding, goodwill in the amount of ThCh$7,598,908 (historic pesos) was generated.

6. Capital increase of Banco de Chile

On May 17, 2007, at an Extraordinary Shareholders' Meeting of the subsidiary Banco de Chile, shareholders agreed to increase capital by Ch$ 110 billion through the issuance of 2,516,010,979 shares of no par value for payment. The SBIF approved the capital increase on June 1, 2007 and registered the issuance in the securities register. The term for the issue, subscription and payment of these shares is 3 years starting May 17, 2007. As of December 31, 2007, Quiñenco S.A. and LQIF have subscribed and paid 1,311,760,323 shares, thereby increasing their participation to 22.32%. This has generated goodwill of Ch$25,897,144 (historic pesos).

7. Agreement with the regulators of New York and Miami branches of Banco de Chile

In September 2004, the federal agency Office of the Controller of the Currency (OCC) and the Federal Reserve Bank of Atlanta revised our New York and Miami branches to evaluate, among other things, their compliance with the US Bank Secrecy Act and other regulations concerning the prevention of asset laundering in the United States. As a result, Banco de Chile agreed with the OCC on the issuance of a Consent Order and, with the Federal Reserve Bank of Atlanta, a Cease and Desist Order, effective February 1, 2005. An action plan was then prepared which included the preparation and maintenance of programs designed to strengthen compliance with these regulations.

On December 31, 2007, Banco de Chile and Citibank N.A. signed an Asset Sale and Assumption of Liabilities Agreement with regard to Banco de Chile's Miami and New York branches, effective January 1, 2008, through which Citibank N.A. acquired these assets and assumed their liabilities with certain exclusions, subject to approval by the federal agency Controller of the Currency (OCC) and the Federal Reserve Bank of Atlanta, paying Banco de Chile a total price of US$ 130 million on January 3, 2008.

As a result, the Miami and New York branches of Banco de Chile have begun the process of liquidating the assets not transferred, under the condition of a non-banking entity, to be concluded no later than June 30, 2008.

8. Exemption from consolidation of banking companies:

These financial statements do not include the consolidation of Banco de Chile and SM Chile S.A. as they apply different accounting principles from those followed by commercial corporations. This exemption was granted by the SVS in its Official Letter No. 03200 dated May 9, 2002.

Note 27 to the consolidated financial statements shows the consolidated financial statements of LQ Inversiones Financieras S.A. and subsidiaries prepared according to the instructions of the SBIF.

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

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

Banchile Seguros de Vida S.A	As of December 31,	
	2007	2006
Balance Sheets	ThCh$	ThCh$
Assets		
Investments	35,738,907	27,775,763
Premiums receivable	3,023,136	2,225,777
Receivables from reinsurance	497,164	626,156
Other assets	888,184	676,094
Total assets	**40,147,391**	**31,303,790**
Liabilities and shareholders' equity		
Technical reserves	21,363,381	16,293,347
Insurance premiums payable	526,598	1,201,121
Other liabilities	5,445,567	4,287,961
Shareholders' equity	12,811,845	9,521,361
Total liabilities and shareholders' equity	**40,147,391**	**31,303,790**
	Years ended December 31,	
Statements of Income	2007	2006
Operating revenue	24,418,872	20,853,622
Operating costs	(21,339,027)	(18,550,162)
Net operating income	**3,079,845**	**2,303,460**
Income from investments	1,310,453	992,469
Other income	14,594	4,396
Interest expense	(26,797)	(23,908)
Adjustment allowances and write-offs	(161,760)	(6,982)
Foreign currency translation, net	(24,373)	3,319
Price-level restatement, net	(233,734)	(20,393)
Net non-operating income	**878,383**	**948,901**
Income before income taxes	**3,958,228**	**3,252,361**
Income taxes	(667,743)	(552,394)
Net income	**3,290,485**	**2,699,967**

c) Summarized Financial Statements of Indalsa Perú S.A.:
At an Extraordinary Shareholders' Meeting of Lucchetti Perú S.A. held on September 21, 2005, shareholders agreed to change the company's name to Indalsa Perú S.A., in keeping with its contractual obligations in relation to the sale of certain brands to Corpora Tres Montes S.A.

As a result of the division of Industria Nacional de Alimentos, on November 10, 2006, the company Inversiones Río Rimac S.A. was formed, which received, among other assets, the shares in Indalsa Perú S.A. plus its obligations and all the assets relating to its operations in Peru, excluding the litigation rights of Industria Nacional de Alimentos S.A. and Indalsa Perú S.A. in the arbitration proceedings that continue before the International Center for Settling Investment-Related Differences (ICSID) against the Republic of Peru and all the rights to claim in the future indemnities for any damage related to the investment made either directly or indirectly. These rights remain with Industria Nacional de Alimentos S.A. at the time of the division and equity distribution that gave rise to Inversiones Río Rimac S.A.

On November 9, 2006, the Ordinary Shareholders' Meeting of Indalsa Perú S.A. approved the division of the company into Inversiones Punta Lobos S.A. and Indalsa Perú S.A. (the legal successor) to be effective once the constitution deed of the new company was registered, which occurred on February 12, 2007. The industrial property located in the district of Chorrillos, in Lima province, Peru, together with a fiscal credit for sales tax were transferred to Inversiones Punta Lobos S.A. This division reduced the capital of Indalsa Perú S.A.

The management of Inversiones Río Rimac S.A. considers the investments maintained in Peru through the subsidiaries Inversiones Punta Lobos S.A. and Indalsa Perú S.A. to be discontinued as the plant is still closed and it is anticipated that the investments in Peru will be liquidated in the short term.

However, it has been decided that the investment in both companies be classified in Investments in related companies in order to enable a better comparative analysis.

The management of the subsidiary Inversiones Río Rimac S.A. also believes that there will be no other additional items in the short term that might significantly affect the present consolidated financial statements.

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

Indalsa Perú S.A.	As of December 31,	
	2007	2006
Balance Sheets	ThCh	ThCh
Assets		
Total current assets	176,641	3,713,722
Total other assets	40,170	19,983
Total assets	**216,811**	**3,733,705**
Liabilities and shareholders' equity		
Total current liabilities	64,899	2,228,413
Total shareholders' equity	151,912	1,505,292
Total liabilities and shareholders' equity	**216,811**	**3,733,705**

	Years ended December 31,	
	2007	2006
Statements of Income	M$	M$
Operating revenue	-	-
Operating costs	-	-
Gross margin	**-**	**-**
Administrative and selling expenses	(94,071)	(317,458)
Net operating loss	**(94,071)**	**(317,458)**
Interest income	4,554	-
Other non-operating income	20,805	-
Interest expenses	(1,911)	(99,023)
Other non-operating expenses	(1,773)	(14,642,670)
Foreign currency translation, net	265,790	1,155,374
Net non-operating income (loss)	**287,465**	**(13,586,319)**
Net income (loss) for the year	**193,394**	**(13,903,777)**

Presented below are the summarized financial statements of Punta de Lobos S.A.:

Punta de Lobos S.A.	As of December 31,
	2007
Balance Sheets	**ThCh$**
Assets	
Total current assets	2,205,377
Total assets	**2,207,377**
Liabilities and shareholders' equity	
Total current liabilities	172,858
Total shareholders' equity	2,032,519
Total liabilities and shareholders' equity	**2,205,377**
	Year ended December 31,
	2007
Statements of Income	**ThCh$**
Operating revenue	-
Operating costs	-
Gross margin	**-**
Administrative and selling expenses	(152,380)
Net operating loss	**(152,380)**
Other non-operating expenses	(1,409,017)
Foreign currency translation, net	(133,377)
Net non-operating loss	**(1,542,394)**
Net loss for the year	**(1,694,774)**

d) Executive incentive plan:

As described in Note 17, 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 Industria Nacional de Alimentos S.A. from executives as per the agreed installments for 2006, 2005, 2004 and 2003. The payment made in May 2006 finalized the long-term incentives plan current at that time, as approved by the Board on March 8, 2000.

e) Foreign investments

- As of December 31, 2007, there were no liabilities that have been specifically designated and booked to hedge investments abroad.

- There were no remittable profits as of December 31, 2007.

NOTE 11 – GOODWILL AND NEGATIVE GOODWILL

a) Goodwill:

	Years ended December 31,			
	2007		2006	
Company	Amortization for the year	Goodwill (net)	Amortization for the year	Goodwill (net)
	ThCh$	ThCh$	ThCh$	ThCh$
SM Chile S.A. (Series B)	12,305,140	158,790,109	12,305,140	171,095,250
Banco de Chile	9,728,454	141,483,760	8,615,781	115,707,923
Madeco S.A. and Subsidiaries	1,787,073	16,952,701	2,748,486	19,979,843
SM Chile S.A. (Series D)	369,425	4,692,382	369,425	5,061,807
Inversiones Río Grande S.A. and subsidiaries	46,789	872,357	38,294	664,505
CNT Telefónica del Sur S.A	50,167	526,767	49,865	527,488
Other	12,399	-	-	-
Total	**24,299,447**	**323,318,076**	**24,126,991**	**313,036,816**

b) Negative goodwill:

	Years ended December 31,			
	2007		2006	
Company	Amortization for the year	Negative goodwill (net)	Amortization for the year	Negative goodwill (net)
	ThCh$	ThCh$	ThCh$	ThCh$
SM Chile S.A. Series B	311,243	5,602,373	311,242	5,913,616
Madeco S.A. and subsidiaries	388,343	5,544,838	274,547	4,579,740
VTR S.A. and subsidiary	778,815	1,103,332	778,814	1,882,136
SM Chile S.A. Series A	50,481	749,525	50,481	800,313
Inmobiliaria Del Norte y El Rosal S.A.	33,893	440,607	33,893	474,500
Empresa El Peñón S.A. and subsidiary	48,988	351,079	48,987	400,067
SM Chile S.A. Series D	11,961	215,296	11,960	227,257
Entel S.A.	-	-	59,715	-
Other	28	493	2,569	522
Total	**1,623,752**	**14,007,543**	**1,572,208**	**14,278,151**

NOTE 12 – CURRENT BANK OBLIGATIONS

Short-term obligations with banks are detailed as follows:

	As of December 31,	
	2007	2006
	ThCh$	ThCh$
Short-term obligations payable in:		
United States dollars	25,536,723	12,126,642
Other foreign currencies	4,419,213	3,246,534
Unidades de Fomento (UF)	1,177,760	-
Chilean pesos (non-indexed)	3,994,515	3,695,084
Total	**35,128,211**	**19,068,260**
Short-term portion of long-term bank obligations payable in:		
United States dollars	5,413,914	9,311,294
Other foreign currencies	10,575,564	4,824,551
Unidades de Fomento (UF)	34,697,294	15,791,076
Chilean pesos (non-indexed)	-	1,833,775
Total	**50,686,772**	**31,760,696**

NOTE 13 – LONG-TERM BANK OBLIGATIONS:

The maturities of obligations with banks and financial institutions as of December 31, 2007, are detailed as follows:

	2007
	ThCh$
Years to maturity:	
Between 1 and 2 years	53,078,931
Between 2 and 3 years	42,281,972
Between 3 and 5 years	60,777,232
Between 5 and 10 years	4,870,913
Total	**161,009,048**

NOTE 14 – 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	Final maturity	Payment periods		Book value As of December 31		Domestic or foreign issuance
						Interest	Amortization	2007 ThCh$	2006 ThCh$	
426	D	337,500	UF	3.50%	07-21-2013	Annual	Annual	7,243,725	7,373,677	Domestic
399	D	255,923	UF	5.00%	12-10-2011	Semi-annual	Semi-annual	5,081,276	4,872,734	Domestic
384	B	-	UF	4.75%	05-15-2025	Annual	Annual	1,762,007	1,768,347	Domestic
385	A	-	UF	3.25%	05-15-2010	Annual	Annual	1,607,446	1,613,230	Domestic
251	H	40,000	UF	6.00%	12-01-2021	Semi-annual	Semi-annual	837,245	844,009	Domestic
198	F	34,000	UF	4.05%	02-01-2018	Semi-annual	Semi-annual	783,431	797,363	Domestic
229	A	-	UF	4.17%	07-21-2026	Annual	Annual	730,834	733,464	Domestic
Total current portion								**18,045,964**	**18,002,824**	

Long-term bonds payable

Registration or identification number of instrument	Series	Nominal value of current liability	Measurement unit	Interest rate	Final maturity	Payment periods		Book value As of December 31		Domestic or foreign issuance
						Interest	Amortization	2007 ThCh$	2006 ThCh$	
385	A	4,000,000	UF	3.25%	05-15-2010	Annual	Annual	78,490,640	78,773,088	Domestic
384	B	3,000,000	UF	4.75%	05-15-2025	Annual	Annual	58,867,980	59,079,817	Domestic
229	A	2,000,000	UF	4.17%	07-21-2026	Annual	Annual	39,245,320	39,386,544	Domestic
426	D	1,687,500	UF	3.50%	07-21-2013	Annual	Annual	33,113,239	39,878,877	Domestic
399	D	847,136	UF	5.00%	12-10-2011	Semi-annual	Semi-annual	16,623,066	21,722,840	Domestic
251	H	520,000	UF	6.00%	12-01-2021	Semi-annual	Semi-annual	10,203,784	11,028,233	Domestic
198	F	323,000	UF	4.05%	02-01-2018	Semi-annual	Semi-annual	6,338,119	7,030,498	Domestic
Total long-term portion								**242,882,148**	**256,899,897**	

NOTE 15 - PROVISIONS AND WRITE OFFS

The detail of provisions as of December 31, 2007 and 2006, is as follows:

	2007	2006
	ThCh$	ThCh$
Current liabilities:		
Salaries, fees, consultancies and participations	6,574,944	4,860,621
Vacation provision	3,774,365	3,230,197
Telephone connection and long-distance costs	1,973,908	1,361,440
General and commercial expenses	1,113,838	1,328,764
Staff severance indemnities	1,058,591	989,751
Restructuring expenses	858,513	922,043
Property, municipal and other taxes	670,023	692,584
Provision for basic consumption	458,359	334,274
Distribution fees and freights	357,853	313,390
Inventory pending invoicing	1,062,941	345,825
Payments to contractors	386,382	291,106
Lawsuits pending	1,468,144	245,439
Employee profit-sharing and benefits	127,149	212,542
Advertising, promotion and corporate image	42,096	193,145
Export and import expenses	252,521	78,306
Sales and withholding expenses	212,908	214,210
Other	656,346	773,194
Total	**21,048,881**	**16,386,831**
Long-term liabilities:		
Contingencies	6,787,891	7,196,606
Lawsuits pending	2,669,132	2,304,830
Staff severance indemnities	1,327,969	1,521,116
Property, municipal and other taxes	766,613	1,242,108
Other	18,531	23,919
Total	**11,570,136**	**12,288,579**
Allowances deducted from assets		
Current assets:		
Accounts receivable	6,901,796	8,058,142
Notes receivable	1,888,977	1,201,336
Other accounts receivable	2,264,771	3,744,145
Inventory (obsolescence)	2,537,549	3,024,777
Unrealized income (inventory)	921,207	934,200
Recoverable taxes Uruguay and Argentina	1,555,651	560,096
Property, plant and equipment held for sale	**275,462**	**318,399**
Long-term assets:		
Property, plant and equipment for sale	142,303	242,879
Obsolescence of property, plant and equipment	111,279	98,870
Property, plant and equipment, not in use	2,301,648	2,395,193
Reduced value of recoverable taxes - Argentina	107,550	2,128,600
Reduced value judicial deposits (IPTU) - Brazil	342,458	326,487
Reduced value of property, plant and equipment not in use	4,617,760	5,293,472
Investment in and account receivable of Indalsa Perú S.A.	23,263,524	28,984,414
Write-offs made:		
Accounts receivable	347,795	296,640
Other accounts receivable	1,389,717	-

NOTE 16 – MINORITY INTEREST

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

	Percentage minority interest As of December 31,		Minority interest			
			Book value As of December 31,		Statement of income As of December 31,	
	2007	2006	2007	2006	2007	2006
	%	%	ThCh$	ThCh$	ThCh$	ThCh$
Madeco S.A.	54.83	53.85	144,688,492	145,486,895	(10,611,807)	(17,353,345)
CNT Telefónica del Sur S.A.	25.57	26.33	19,795,311	19,832,077	(1,623,764)	(2,218,683)
Alusa S.A.	24.04	24.04	10,538,567	10,505,546	(941,311)	(1,097,733)
Indeco S.A. (Perú)	6.03	6.03	1,612,743	1,547,330	(417,180)	(542,810)
Industria Nacional de Alimentos S.A.	0.44	0.86	35,815	135,959	52,243	51,129
Inversiones Río Rímac S.A.	0.43	0.87	(2,297)	(357)	4,472	1,013
Hoteles Carrera S.A.	6.50	6.50	2,931	22,851	363	(906)
Cía. Teléfonos de Coyhaique S.A.	11.29	11.29	1,014,292	969,687	(120,263)	(143,608)
Telefónica del Sur Servicios Intermedios S.A.	0.03	0.03	3,256	3,363	(245)	(344)
Wi-Net Wireless Networking Ltda.	49.00	49.00	52,208	24,080	(6,688)	(6,086)
Inversiones Vita S.A.	33.70	33.70	2,840,384	2,108,507	(731,875)	(600,436)
Inversiones Vita Bis S.A.	33.70	33.70	1,443,913	1,071,877	(372,034)	(305,227)
Empresa El Peñón S.A.	5.02	5.02	684,705	548,636	(83,268)	(25,288)
Inversiones O'Higgins Punta Arenas Ltda. CPA	24.44	24.44	216,971	231,069	14,098	8,155
Indalum S.A.	0.84	0.84	270,421	263,473	(6,948)	(12,172)
Cedsa S.A.	20.00	-	1,234,060	-	(279,541)	-
Peruplast S.A.	50.00	-	8,898,119	-	(1,662,771)	-
Distribuidora Boliviana Indalum S.A.	-	-	-	-	-	739
Other	-	-	280	19	(105)	(14)
Total			**193,330,171**	**182,751,012**	**(16,786,624)**	**(22,245,616)**

NOTE 17 – SHAREHOLDERS' EQUITY

a) The following movements have occurred in shareholders' equity during 2007 and 2006:

	Paid-in capital	Share premium	Other reserves	Retained earnings	Deficit during the development stage	Net income (loss) for the year	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Balance as of January 1, 2006	487,721,867	-	(5,701,739)	172,649,806	(1,497,336)	51,079,526	704,252,124
Distribution of prior year income	-	-	-	49,582,190	1,497,336	(51,079,526)	-
Final dividend	-	-	-	(15,600,009)	-	-	(15,600,009)
Deficit of companies in development stage	-	-	-	-	(1,529,842)	-	(1,529,842)
Proportional share of equity changes	-	-	11,247,920	-	-	-	11,247,920
Transfer accumulated development stage deficit	-	-	-	(1,529,842)	1,529,842	-	-
Price-level restatement of equity	10,242,160	-	(98,547)	4,370,471	-	-	14,514,084
Net income	-	-	-	-	-	57,042,964	57,042,964
Balance as of December 31, 2006	**497,964,027**	**-**	**5,447,634**	**209,472,616**	**-**	**57,042,964**	**769,927,241**
Balances restated for comparative purposes	**534,813,365**	**-**	**5,850,759**	**224,973,590**	**-**	**61,264,143**	**826,901,857**
Balances as of January 1, 2007	497,964,027	-	5,447,634	211,002,458	(1,529,842)	57,042,964	769,927,241
Distribution of prior year income	-	-	-	55,513,122	1,529,842	(57,042,964)	-
Final dividend	-	-	-	(17,112,,887)	-	-	(17,112,,887)
Capital increase	53,019,081	11,818,615	-	-	-	-	64,837,696
Proportional share of equity changes	-	-	14,938,683	-	-	-	14,938,683
Share placement expenses	-	(15,265)	-	-	-	-	(15,265)
Price-level restatement of equity	38,601,190	390,510	403,125	18,575,590	-	-	57,970,415
Net income	-	-	-	-	-	105,241,007	105,241,007
Balance as of December 31, 2007	**589,584,298**	**12,193,860**	**20,789,442**	**267,978,283**	**-**	**105,241,007**	**995,786,890**

Capital increase

On April 27, 2007, at an Extraordinary Shareholders' Meeting of Quiñenco S.A., shareholders agreed to the issuance of 67,259,921 common shares with no par value for an amount of ThCh$55,000,000.

During July 2007, 226,496 shares were subscribed and paid for a total of ThCh$226,496, equivalent to Ch$1,000 per share, generating a share premium of ThCh41,286.

During August 2007, 64,611,200 shares were subscribed and paid for a total of ThCh$64,611,200, equivalent to Ch$1,000 per share, generating a share premium of ThCh$11,777,329.

These share issuances generated expenses amounting to ThCh$15,625 (historic pesos), which have been deducted from the share premium, as required by Circular 1,370 of the SVS.

b) Number of shares as of December 31, 2007:

Series	Subscribed shares	Paid-in shares	Shares with voting rights
Common	1,144,577,775	1,144,577,775	1,144,577,775

c) Capital:

Series	Subscribed capital	Paid-in capital
	ThCh$	ThCh$
Common	589,584,298	589,584,298

NOTE 18 – NON-OPERATING INCOME AND EXPENSES

Non-operating income and expenses for the years ended December 31, 2007 and 2006, are detailed as follows:

	2007	2006
	ThCh$	ThCh$
Other non-operating income		
Gain on sale of shares in Entel S.A.	37,288,522	-
Gain on sale of property, plant and equipment	3,479,561	112,199
Dividends received	2,341,392	4,219,808
Rentals received	176,378	38,560
Supplier discounts	169,736	109,558
Recovery of ADR expenses	34,227	144,339
Gain on non-participation in share issue	-	758,747
Gain on sale of stock investments	-	138,250
Other	1,844,036	285,110
Total	**45,333,852**	**5,806,571**
Other non-operating expenses		
Fees, profit sharing, remuneration and consultancies	1,424,740	923,155
Depreciation of idle assets (1)	627,132	1,010,056
Severance payments, settlements and others	459,702	-
Loss from sale, obsolescence and write-offs of property, plant and equipment	256,259	1,326,108
Legal defense expenses Indalsa Perú S.A.	247,016	3,123,231
Contingencies	224,043	616,253
Bank fees and other charges	192,593	48,582
Allowance for account receivable Indalsa Perú S.A.	-	1,199,759
Lawsuits pending	67,052	18,609
Foreign subsidiaries' fines, taxes and interest	41,151	698,682
Loss on sales of share investments	33,418	540,661
Other	683,024	917,485
Total	**4,256,130**	**10,422,581**

1) Relates to depreciation of idle property, plant and equipment (ThCh$539,132) and unused assets (ThCh$88,000).

NOTE 19 – PRICE-LEVEL RESTATEMENT

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

	Indexation unit	2007	2006
		ThCh$	ThCh$
Inventory, net	CPI and replacement cost	220,672	219,083
Property, plant and equipment	CPI	15,746,189	4,297,257
Investments in related companies	CPI	46,086,270	11,532,181
Goodwill and negative goodwill	CPI	20,254,339	5,926,187
Financial investments	CPI	8,204,988	2,449,462
Related company current accounts, net	UF	568,503	249,404
Other assets	UF	1,601,708	956,761
Other non-monetary assets	CPI	1,973,802	856,168
Expense and cost accounts	CPI	13,913,697	3,321,344
Total credits		**108,570,168**	**29,807,847**
Shareholders' equity	CPI	(57,970,415)	(15,588,126)
Bank obligations	UF	(10,390,623)	(3,675,992)
Bonds payable	UF	(16,793,292)	(5,353,295)
Other liabilities	UF	(400,956)	(138,464)
Non-monetary liabilities	CPI	(11,299,303)	(2,885,520)
Revenue accounts	CPI	(17,009,892)	(3,594,982)
Total charges		**(113,864,481)**	**(31,236,379)**
Net loss due to price-level restatement		**(5,294,313)**	**(1,428,532)**

NOTE 20 – FOREIGN CURRENCY TRANSLATION

The detail of the foreign currency translation for the years ended December 31, is as follows:

	Currency	2007	2006
		ThCh$	ThCh$
Assets (charges)/ credits			
Cash and financial investments	US dollar	(172,457)	478,366
Accounts and notes receivable	US dollar	(1,615,685)	591,271
Other assets	US dollar	(335,511)	98,393
Other assets	Other	46,244	197,326
Derivative instruments	US dollar	174,424	(152,630)
Translation adjustments	US dollar	299,910	(182,874)
Related company current accounts	US dollar	(867,280)	(30,096)
Total (charges) credits		**(2,470,355)**	**999,756**
Liabilities (charges)/ credits			
Bank obligations	US dollar	609,304	(564,582)
Accounts and notes receivable	US dollar	854,753	(352,953)
Other liabilities	US dollar	116,310	(15,521)
Translation adjustment in Peru	Peruvian sol	490,143	983,474
Other liabilities	Other	482	(56,913)
Translation adjustment in Brazil	Brazilian real	4,685,791	1,743,713
Hedging costs Brazil	Brazilian real	(1,093,377)	(2,357,775)
Translation adjustment in Argentina	Argentine peso	(351,810)	(227,523)
Translation adjustment in Colombia	Colombian peso	508,744	-
Total credits (charges)		**5,820,340**	**(848,080)**
Net foreign currency translation		**3,349,985**	**151,676**

NOTE 21 – STATEMENT OF CASH FLOWS

The composition of Cash and cash equivalents consists of all financial investments that are easily convertible to cash made 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:

	As of December 31,	
	2007	2006
	ThCh$	ThCh$
Cash	11,071,982	5,729,639
Mutual funds	786,819	334,780
Time deposits	323,011	11,708,484
Transactions under repurchase agreements	17,931,295	25,780,706
Total	**30,113,107**	**43,553,609**

Other income includes the following:

	Year ended December 31,	
	2007	2006
	ThCh$	ThCh$
Tax refund	14,137,831	12,823,550
Rentals	-	1,423,574
Other	-	1,383,627
Total	**14,137,831**	**15,630,751**

The following is the detail of other investment income:

	Year ended December 31,	
	2007	2006
	ThCh$	ThCh$
Initial balance Peruvian companies	4,119,327	-
Long-term time deposits	19,194,223	-
Sale of assets subsidiary	-	1,534,248
Other	64,799	-
Total	**23,378,349**	**1,534,248**

NOTE 22 – DERIVATIVE CONTRACTS

As of and for the year ended December 31, 2007												
		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$
S	CCPE	11,008,776	4th qtr. 2011	Interest	P	Dollar loan	11,008,776	10,609,086	OCA	4,214	(4,214)	-
FR	CCTE	5,217,345	1st qtr. 2008	Dollar exchange rate	P	Purchase from supplier	5,217,345	5,217,345	OCL	92,519	(92,519)	-
FR	CCTE	3,229,785	1st qtr. 2008	Dollar exchange rate	P	Purchase from supplier	3,229,785	3,229,785	OCL	35,685	(35,685)	-
FR	CCTE	2,732,895	1st qtr. 2008	Dollar exchange rate	P	Purchase from supplier	2,732,895	2,732,895	OCL	46,513	(46,513)	-
S	CCPE	2,610,402	3rd qtr. 2009	Dollar exchange rate	P	Debt	2,610,402	2,610,402	OCL	246,881	(246,881)	-
S	CCPE	2,484,450	4th qtr. 2008	Dollar exchange rate	P	Debt	2,484,450	2,484,450	OCL	36,327	(36,327)	-
S	CCPE	1,535,544	1st qtr. 2009	Dollar exchange rate	P	Debt	1,535,544	1,535,544	OCL	3,892	3,892	-
FR	CCTE	1,490,670	1st qtr. 2008	Dollar exchange rate	P	Purchase from supplier	1,490,670	1,490,670	OCL	7,171	(7,171)	-
S	CCPE	1,473,050	1st qtr. 2008	Dollar exchange rate	P	Debt	1,473,050	1,473,050	OCL	3,734	3,734)	-
S	CCPE	1,107,687	2nd qtr. 2008	Dollar exchange rate	P	Debt	1,107,687	1,107,687	OCL	547,590	(547,590)	-
S	CCPE	1,032,076	1st qtr. 2008	Inventory (copper)	P	Inventory (copper)	1,032,076	829,372	OCA	187,095	(10,854)	-
S	CCPE	1,030,468	1st qtr. 2008	Inventory (copper)	P	Inventory (copper)	1,030,468	829,372	OCA	160,537	(23,623)	-
S	CCPE	1,026,701	1st qtr. 2008	Inventory (copper)	P	Inventory (copper)	1,026,701	829,372	OCA	177,307	(5,114)	-
S	CCPE	1,025,359	1st qtr. 2008	Inventory (copper)	P	Inventory (copper)	1,025,359	829,372	OCA	175,366	(4,011)	-
S	CCPE	1,024,780	1st qtr. 2008	Inventory (copper)	P	Inventory (copper)	1,024,780	829,372	OCA	176,607	(2,895)	-
S	CCPE	1,022,460	2nd qtr. 2008	Inventory (copper)	P	Inventory (copper)	1,022,460	829,372	OCA	176,099	(4,707)	-
S	CCPE	1,020,043	1st qtr. 2008	Inventory (copper)	P	Inventory (copper)	1,020,043	829,372	OCA	171,468	(2,381)	-
S	CCPE	1,019,765	1st qtr. 2008	Inventory (copper)	P	Inventory (copper)	1,019,765	829,372	OCA	164,197	(335)	-
S	CCPE	1,018,323	1st qtr. 2008	Inventory (copper)	P	Inventory (copper)	1,018,323	829,372	OCA	161,816	(17,810)	-
FR	CCTE	954,078	2nd qtr. 2008	London Metal Exc	P	Cash Flow	954,078	954,078	OCL	118,420	-	(118,420)
FR	CCTE	920,004	2nd qtr. 2008	London Metal Exc	P	Cash Flow	920,004	920,004	OCL	108,539	-	(108,539)
S	CCPE	805,995	4th qtr. 2008	Dollar exchange rate	P	Debt	805,995	805,995	OCL	84,274	(84,274)	-
S	CCPE	699,264	1st qtr. 2009	Dollar exchange rate	P	Debt	699,264	699,264	OCL	73,114	(73,114)	-
FR	CCTE	671,284	2nd qtr. 2008	London Metal Exc	P	Cash Flow	671,284	671,284	OCL	17,363	-	(17,363)
S	CCPE	658,444	4th qtr. 2009	Dollar exchange rate	P	Debt	658,444	658,444	OCL	68,846	(68,846)	-
FR	CCTE	652,168	1st qtr. 2008	London Metal Exc	P	Cash Flow	652,168	652,168	OCL	34,341	-	(34,341)
FR	CCTE	652,168	1st qtr. 2008	London Metal Exc	P	Cash Flow	652,168	652,168	OCL	29,601	-	(29,601)
FR	CCTE	652,168	2nd qtr. 2008	London Metal Exc	P	Cash Flow	652,168	652,168	OCL	25,424	-	(25,424)
FR	CCTE	652,168	2nd qtr. 2008	Interest	P	Cash Flow	652,168	652,168	OCL	21,029	-	(21,029)
FR	CCTE	555,483	1st qtr. 2008	Dollar exchange rate	P	Cash Flow	555,483	555,483	OCL	73,811	(73,811)	-
FR	CCTE	555,051	2nd qtr. 2008	Dollar exchange rate	P	Cash Flow	555,051	555,051	OCL	57,727	-	(57,727)
FR	CCTE	545,188	1st qtr. 2008	Dollar exchange rate	P	Cash Flow	545,188	545,188	OCL	74,462	-	(74,462)
FR	CCTE	533,014	1st qtr. 2008	Dollar exchange rate	P	Cash Flow	533,014	533,014	OCL	32,868	-	(32,868)
S	CCPE	511,741	1st qtr. 2009	Dollar exchange rate	P	Debt	511,741	511,741	OCL	43,227	(43,227)	-
FR	CCTE	501,660	1st qtr. 2008	Dollar exchange rate	P	Cash Flow	501,660	501,660	OCL	27,323	-	(27,323)
FR	CCTE	501,660	2nd qtr.2008	Dollar exchange rate	P	Cash Flow	501,660	501,660	OCL	24,141	-	(24,141)
FR	CCTE	501,660	2nd qtr. 2008	Dollar exchange rate	P	Cash Flow	501,660	501,660	OCL	20,792	-	(20,792)
FR	CCTE	501,660	3rd qtr. 2008	Dollar exchange rate	P	Cash Flow	501,660	501,660	OCL	17,455	-	(17,455)
FR	CCTE	501,660	3rd qtr. 2008	Inventory (copper)	P	Cash Flow	501,660	501,660	OCL	14,237	-	(14,237)
FR	CCTE	449,872	2nd qtr. 2008	Inventory (copper)	P	Cash Flow	449,872	449,872	OCL	34,691	-	(34,691)
FR	CCTE	444,220	1st qtr. 2008	Inventory (copper)	P	Purchase from supplier	444,220	444,220	OCL	6,436	-	6,436
FR	CCTE	437,869	1st qtr. 2008	Inventory (copper)	P	Cash Flow	437,869	437,869	OCL	58,669	-	(58,669)
FR	CCTE	408,891	1st qtr. 2008	Inventory (copper)	P	Cash Flow	408,891	408,891	OCL	53,138	-	(53,138)
FR	CCTE	353,736	1st qtr. 2008	Inventory (copper)	P	Cash Flow	353,736	353,736	OCL	19,180	-	(19,180)
FR	CCTE	352,394	1st qtr. 2008	Inventory (copper)	P	Cash Flow	352,394	352,394	OCL	19,092	-	(19,092)
S	CCPE	312,601	1st qtr. 2008	Inventory (copper)	P	Debt	312,601	312,601	OCL	87,696	(87,696)	-
FR	CCTE	257,811	1st qtr. 2008	Inventory (copper)	P	Cash Flow	257,811	257,811	OCL	7,419	-	(7,419)
FR	CCTE	216,147	2nd qtr. 2008	London Metal Exc	P	Purchase from supplier	216,147	216,147	OCL	2,350	-	2,350
FR	CCTE	209,911	1st qtr. 2008	London Metal Exc	P	Cash Flow	209,911	209,911	OCL	8,469	(8,469)	-
FR	CCTE	181,370	2nd qtr. 2008	Dollar exchange rate	P	Cash Flow	181,370	181,370	OCL	32,038	-	(32,038)
FR	CCTE	181,365	2nd qtr. 2008	Dollar exchange rate	P	Purchase from supplier	181,365	181,365	OCL	9,304	-	(9,304)
FR	CCTE	166,263	3rd qtr. 2008	London Metal Exc	P	Cash Flow	166,263	166,263	OCL	218	-	(218)

As of and for the year ended December 31, 2007												
		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$
FR	CCTE	161,489	1st qtr. 2008	London Metal Exc	P	Cash Flow	161,489	161,489	OCL	3,759	-	3,759
FR	CCTE	161,489	1st qtr. 2008	London Metal Exc	P	Cash Flow	161,489	161,489	OCL	4,097	-	4,097
FR	CCTE	161,489	2nd qtr. 2008	London Metal Exc	P	Cash Flow	161,489	161,489	OCL	4,285	-	4,285
FR	CCTE	161,489	2nd qtr. 2008	London Metal Exc	P	Cash Flow	161,489	161,489	OCL	4,454	-	4,454
FR	CCTE	161,489	2nd qtr. 2008	London Metal Exc	P	Cash Flow	161,489	161,489	OCL	4,583	-	4,583
FR	CCTE	161,489	3rd qtr. 2008	London Metal Exc	P	Cash Flow	161,489	161,489	OCL	4,688	-	4,688
FR	CCTE	161,489	3rd qtr. 2008	London Metal Exc	P	Cash Flow	161,489	161,489	OCL	4,741	-	4,741
FR	CCTE	161,489	3rd qtr. 2008	London Metal Exc	P	Cash Flow	161,489	161,489	OCL	4,740	-	4,740
FR	CCTE	161,489	4th qtr. 2008	London Metal Exc	P	Cash Flow	161,489	161,489	OCL	4,691	-	4,691
FR	CCTE	161,489	4th qtr. 2008	London Metal Exc	P	Cash Flow	161,489	161,489	OCL	4,609	-	4,609
FR	CCTE	161,489	4th qtr. 2008	London Metal Exc	P	Cash Flow	161,489	161,489	OCL	4,513	-	4,513
FR	CCTE	161,489	1st qtr. 2009	London Metal Exc	P	Cash Flow	161,489	161,489	OCL	4,335	-	4,335
FR	CCTE	153,787	2nd qtr. 2008	Dollar exchange rate	P	Purchase from supplier	153,787	153,787	OCL	7,870	-	(7,870)
FR	CCTE	153,770	2nd qtr. 2008	London Metal Exc	P	Cash Flow	153,770	153,770	OCL	26,914	-	(26,914)
FR	CCTE	150,036	1st qtr. 2008	London Metal Exc	P	Cash Flow	150,036	150,036	OCL	2,608	(2,608)	-
FR	CCTE	149,142	1st qtr. 2008	London Metal Exc	P	Cash Flow	149,142	149,142	OCL	1,805	-	(1,805)
FR	CCTE	147,353	1st qtr. 2008	London Metal Exc	P	Cash Flow	147,353	147,353	OCL	443	(443)	-
FR	CCTE	134,250	1st qtr. 2008	London Metal Exc	P	Cash Flow	134,250	134,250	OCL	16,358	(16,358)	-
FR	CCTE	133,663	2nd qtr. 2008	Dollar exchange rate	P	Purchase from supplier	133,663	133,663	OCL	2,173	-	(2,173)
FR	CCTE	130,483	1st qtr. 2008	London Metal Exc	P	Cash Flow	130,483	130,483	OCL	4,191	-	4,191
FR	CCTE	130,185	2nd qtr. 2008	Dollar exchange rate	P	Purchase from supplier	130,185	130,185	OCL	6,705	-	(6,705)
FR	CCTE	130,113	2nd qtr. 2008	London Metal Exc	P	Cash Flow	130,113	130,113	OCL	23,132	-	(23,132)
FR	CCTE	126,791	1st qtr. 2008	London Metal Exc	P	Cash Flow	126,791	126,791	OCL	1,507	-	1,507
FR	CCTE	115,110	1st qtr. 2008	London Metal Exc	P	Cash Flow	115,110	115,110	OCL	5,228	-	5,228
FR	CCTE	113,460	1st qtr. 2008	London Metal Exc	P	Cash Flow	113,460	113,460	OCL	21,796	(21,796)	-
FR	CCTE	111,303	2nd qtr. 2008	Dollar exchange rate	P	Purchase from supplier	111,303	111,303	OCL	1,769	-	(1,769)
FR	CCTE	106,963	1st qtr. 2008	London Metal Exc	P	Cash Flow	106,963	106,963	OCL	5,332	(5,332)	-
FR	CCTE	106,374	1st qtr. 2008	London Metal Exc	P	Cash Flow	106,374	106,374	OCL	1,523	-	1,523
FR	CCTE	100,682	1st qtr. 2008	London Metal Exc	P	Cash Flow	100,682	100,682	OCL	17,884	-	(17,884)
FR	CCTE	96,521	1st qtr. 2008	London Metal Exc	P	Cash Flow	96,521	96,521	OCL	14,644	(14,644)	-
FR	CCTE	95,853	1st qtr. 2008	London Metal Exc	P	Cash Flow	95,853	95,853	OCL	840	-	840
FR	CCTE	92,956	1st qtr. 2008	London Metal Exc	P	Cash Flow	92,956	92,956	OCL	6,369	(6,369)	-
FR	CCTE	89,962	1st qtr. 2008	London Metal Exc	P	Cash Flow	89,962	89,962	OCL	7,338	-	(7,338)
FR	CCTE	89,801	1st qtr. 2008	London Metal Exc	P	Cash Flow	89,801	89,801	OCL	1,540	-	(1,540)
FR	CCTE	88,198	2nd qtr. 2008	London Metal Exc	P	Cash Flow	88,198	88,198	OCL	6,206	(6,206)	-
FR	CCTE	87,950	1st qtr. 2008	London Metal Exc	P	Cash Flow	87,950	87,950	OCL	6,076	(6,076)	-
FR	CCTE	87,723	1st qtr. 2008	London Metal Exc	P	Cash Flow	87,723	87,723	OCL	8,306	(8,306)	-
FR	CCTE	84,198	1st qtr. 2008	London Metal Exc	P	Cash Flow	84,198	84,198	OCL	108	-	(108)
FR	CCTE	84,037	1st qtr. 2008	London Metal Exc	P	Cash Flow	84,037	84,037	OCL	1,928	(1,928)	-
FR	CCTE	83,701	2nd qtr. 2008	Dollar exchange rate	P	Purchase from supplier	83,701	83,701	OCL	3,762	-	(3,762)
FR	CCTE	83,701	3rd qtr. 2008	London Metal Exc	P	Cash Flow	83,701	83,701	OCL	1,323	-	1,323
FR	CCTE	83,701	3rd qtr. 2008	London Metal Exc	P	Cash Flow	83,701	83,701	OCL	1,371	-	1,371
FR	CCTE	83,701	1st qtr. 2008	London Metal Exc	P	Cash Flow	83,701	83,701	OCL	379	-	379
FR	CCTE	83,478	4th qtr. 2008	London Metal Exc	P	Cash Flow	83,478	83,478	OCL	1,457	-	1,457
FR	CCTE	83,117	2nd qtr. 2008	Dollar exchange rate	P	Purchase from supplier	83,117	83,117	OCL	3,677	-	(3,677)
FR	CCTE	83,117	2nd qtr. 2008	London Metal Exc	P	Cash Flow	83,117	83,117	OCL	1,366	-	1,366
FR	CCTE	83,057	2nd qtr. 2008	London Metal Exc	P	Cash Flow	83,057	83,057	OCL	77	-	(77)
FR	CCTE	83,005	2nd qtr. 2008	London Metal Exc	P	Cash Flow	83,005	83,005	OCL	1,322	-	1,322
FR	CCTE	82,996	2nd qtr. 2008	London Metal Exc	P	Cash Flow	82,996	82,996	OCL	179	-	(179)
FR	CCTE	82,919	1st qtr. 2008	London Metal Exc	P	Cash Flow	82,919	82,919	OCL	204	-	(204)
FR	CCTE	82,608	1st qtr. 2008	London Metal Exc	P	Cash Flow	82,608	82,608	OCL	1,583	-	1,583
FR	CCTE	81,300	1st qtr. 2008	London Metal Exc	P	Cash Flow	81,300	81,300	OCL	1,325	-	1,325
FR	CCTE	74,325	1st qtr. 2008	London Metal Exc	P	Cash Flow	74,325	74,325	OCL	2,603	-	(2,603)
FR	CCTE	73,441	1st qtr. 2008	London Metal Exc	P	Cash Flow	73,441	73,441	OCL	5,877	(5,877)	-
FR	CCTE	71,657	1st qtr. 2008	London Metal Exc	P	Cash Flow	71,657	71,657	OCL	4,148	(4,148)	-

As of and for the year ended December 31, 2007													
		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$
FR	CCTE	70,290	1st qtr. 2008	London Metal Exc	P	Cash Flow	70,290	70,290	OCL	4,792	(4,792)	-
FR	CCTE	69,599	1st qtr. 2008	London Metal Exc	P	Cash Flow	69,599	69,599	OCL	817	(817)	-
FR	CCTE	66,782	3rd qtr. 2008	Dollar exchange rate	P	Purchase from supplier	66,782	66,782	OCL	3,102	-	(3,102)
FR	CCTE	65,917	1st qtr. 2008	London Metal Exc	P	Cash Flow	65,917	65,917	OCL	352	-	(352)
FR	CCTE	62,282	1st qtr. 2008	London Metal Exc	P	Cash Flow	62,282	62,282	OCL	4,527	(4,527)	-
FR	CCTE	60,074	1st qtr. 2008	London Metal Exc	P	Cash Flow	60,074	60,074	OCL	782	-	(782)
FR	CCTE	54,161	1st qtr. 2008	Dollar exchange rate	P	Purchase from supplier	54,161	54,161	OCL	407	-	407
FR	CCTE	50,221	3rd qtr. 2008	Dollar exchange rate	P	Purchase from supplier	50,221	50,221	OCL	2,285	-	(2,285)
FR	CCTE	49,803	2nd qtr. 2008	Dollar exchange rate	P	Purchase from supplier	49,803	49,803	OCL	2,153	-	(2,153)
FR	CCTE	47,261	1st qtr. 2008	London Metal Exc	P	Cash Flow	47,261	47,261	OCL	2,283	-	(2,283)
FR	CCTE	41,580	1st qtr. 2008	London Metal Exc	P	Cash Flow	41,580	41,580	OCL	3,626	(3,626)	-
FR	CCTE	34,574	1st qtr. 2008	London Metal Exc	P	Cash Flow	34,574	34,574	OCL	1,099	-	(1,099)
FR	CCTE	33,789	1st qtr. 2008	Dollar exchange rate	P	Purchase from supplier	33,789	33,789	OCL	496	-	(496)
FR	CCTE	32,233	2nd qtr. 2008	London Metal Exc	P	Cash Flow	32,233	32,233	OCL	1,408	(1,408)	-
FR	CCTE	31,549	1st qtr. 2008	London Metal Exc	P	Cash Flow	31,549	31,549	OCL	426	-	(426)
FR	CCTE	30,683	1st qtr. 2008	London Metal Exc	P	Cash Flow	30,683	30,683	OCL	1,058	(1,058)	-

FR	Forward contracts
S	Swap
OCA	Other current assets
OCL	Other current liabilities

NOTE 23 – CONTINGENCIES AND RESTRICTIONS

a) Pledge over shares
Pledges over shares are shown under Contingencies and Restrictions – Indirect guarantees.

b) Investment in Peru
At the Extraordinary Shareholders' Meeting of the subsidiary Industria Nacional de Alimentos S.A. held on November 10, 2006, shareholders agreed to the division and capital reduction of Industria Nacional de Alimentos S.A. and the formation of the company Inversiones Río Rimac S.A., which received, among other assets, the shares that Industria Nacional de Alimentos S.A. held in the indirect subsidiary Indalsa Perú S.A. and all the assets and liabilities relating to its operations in Peru. This includes the obligations, but excludes the litigation rights of the subsidiary Industria Nacional de Alimentos S.A. and the indirect subsidiary Indalsa Perú S.A. in the arbitration proceedings that continue before the International Center for Settling Investment-Related Differences (ICSID) against the Republic of Peru and all the rights for claiming in the future indemnities for any damage related to the investment made either directly or indirectly by Industria Nacional de Alimentos S.A. and Indalsa Perú S.A. in Peru. These rights remain with Industria Nacional de Alimentos S.A. at the time of the division and equity distribution that gave rise to Inversiones Río Rimac S.A.

c) Arbitration proceedings before the ISCID
On August 22, 2001, the Lima Municipality Metropolitan Council published in the Diario El Peruano two council resolutions (Nos. 258 and 259) by which it declared the public need to preserve the ecological zone alongside the production plant of the subsidiary of Industria Nacional de Alimentos S.A., Indalsa Perú S.A., and authorized the mayor to prepare a draft law for expropriating the land where the plant was built, revoked the operating license granted by the Municipality of Chorillos to the indirect subsidiary Indalsa Perú S.A. for the industrial plant, and ordered the final closure of the plant and its total eradication within twelve months.

The municipal resolutions lack justification because the Lima Municipal Council does not have the legal powers to revoke operating licenses granted by another municipality, in this case Chorillos, and also because the revocation process did not give the company the opportunity to express its point of view or defense, thus depriving it of its basic rights.

Consequently, the subsidiary Industria Nacional de Alimentos S.A., on October 3, 2001, began proceedings to protect its rights and interests as a foreign investor under the Treaty for the Mutual Promotion and Protection of Investments signed between Chile and Peru ("the Treaty").

On January 6, 2003, the indirect subsidiary Indalsa Perú S.A. was notified of the closure order by an official of the Municipality of Chorillos ordering compliance of the closure, warning of resort to the court or national police force. The board of the subsidiary Industria Nacional de Alimentos S.A therefore agreed to comply with the order as soon as possible in order to protect the employees of the subsidiary and its facilities, and to begin the orderly liquidation of the assets of the Peruvian subsidiary.

On January 16, 2003, the official and mayor of the Municipality of Chorillos personally visited the plant closure.

As a result of the above, the subsidiary Industria Nacional de Alimentos S.A. decided to make an allowance for its whole investment and to partially cover the accounts receivable of its subsidiary Indalsa Perú S.A. amounting to ThCh$30,674,486 (historic pesos). In order to make this allowance, special attention was given to the absolute need to apply the provisions of Technical Bulletins Nos. 33 and 64 of the Chilean Association of Accountants and also to apply Circular 150 of January 21, 2003 of the SVS which instruct publicly-held corporations to make allowances for the estimated loss of their assets, particularly investments in other Latin American countries.

In the opinion of management of the subsidiary Industria Nacional de Alimentos S.A, the allowance made only reflects the accounting effect of the recovery of the investment but not of the intangible assets related to that subsidiary such as distribution networks, customer portfolios, brand image, know-how, market share, sale of distribution services to third parties, etc. and in general the business project designed by the subsidiary Industria Nacional de Alimentos S.A. These intangible assets are not reflected in the accounts or balance sheet so this allowance, which should be made to comply with the official regulations, does not reflect in any way what the assets and rights of the subsidiary Industria Nacional de Alimentos S.A. effectively invested in Peru amount to, nor the quantification therefore of the damages that the subsidiary Industria Nacional de Alimentos S.A. will demand from the Peruvian state, of which the allowance forms just a part of the total claimed.

Industria Nacional de Alimentos S.A's management argued in the legal analyses and reports that it considered that the acts and agreements carried out by the Peruvian authorities were an indirect expropriation without payment for the investment made in the subsidiary Industria Nacional de Alimentos S.A. in Peru, and therefore it was believed that there was a reasonable basis in international legislation for obtaining a favorable resolution of an indemnity for the damages caused. The legal advisers of the subsidiary Industria Nacional de Alimentos S.A, i.e. the firm Herbeth & Smith, Francisco Orrego and the firm Eluchans y Cía., believed that the arbitration demand before the ICSID had high expectations of success that should permit the company a just indemnity, taking into account, among other things, the amounts invested by the company in Peru. Despite these opinions, and in compliance with current regulations, particularly the provisions of Technical Bulletin No.6 of the Chilean Association of Accountants, the subsidiary Industria Nacional de Alimentos S.A. decided not to record the eventual contingency of a gain that might arise from this international arbitration.

On March 25, 2003, the General Secretary of the ICSID registered the arbitration request presented by the subsidiary Industria Nacional de Alimentos S.A. on December 23, 2002. On August 1, 2003, the ICSID arbitration tribunal was constituted to assess and resolve the lawsuit brought against the Republic of Peru at which time it began formal procedures. The arbitration tribunal consisted of the following arbitrators: Thomas Buergenthal (chairman of the tribunal, appointed by the ICSID General Secretary), Bernardo M. Cremades, named by the Republic of Peru and Jan Paulsson, appointed by the subsidiary Industria Nacional de Alimentos S.A.

The first meeting of the arbitration tribunal was held on September 15, 2003, when the tribunal formally and finally rejected the request of the Republic of Peru to suspend the arbitration proceedings. The tribunal also set forth the procedures to be followed for the lawsuit brought by Industria Nacional de Alimentos S.A. against the Republic of Peru.

The arbitration procedure established that the tribunal consider the presentation of a request by Peru to rule that the tribunal had no jurisdiction over the case, the response by Industria Nacional de Alimentos S.A., the replication by the Republic of Peru, and finally a rejoinder by Industria Nacional de Alimentos S.A.. Oral arguments were heard on September 2 and 3, 2004.

Despite the sound legal arguments made by Industria Nacional de Alimentos S.A., the tribunal issued its findings on February 7, 2005, accepting the request made by the Republic of Peru without entering into the merits of the case. The international tribunal ruled that it had no jurisdiction over arbitration proceedings between Industria Nacional de Alimentos S.A. and the Republic of Peru.

On June 6, 2005, the subsidiary Industria Nacional de Alimentos S.A. presented a petition to the General Secretary of the ICSID for the annulment of the ruling which, after being duly registered, was initiated. In order to hear the annulment petition, ICSID appointed an ad hoc committee consisting of three arbitrators, Hans Danelius, Franklin Berman and Andrea Giordina. On February 16, 2006, procedures were established for the presentation of the annulment petition, another for replication and rejoinder, and finally the oral hearings.

On May 18, 2006, the law firms representing the subsidiary Industria Nacional de Alimentos S.A. presented to the tribunal a brief which set out the position of the subsidiary Industria Nacional de Alimentos S.A., requesting the nullity of the sentence made by the previous tribunal. The Peruvian state presented a response brief on August 17 to which the subsidiary Industria Nacional de Alimentos S.A. replied on October 16. The Peruvian state presented its rejoinder on December 15. On February 20 and 21, the oral proceedings before the ad hoc arbitration tribunal took place Washington D.C.

On September 5, 2007, the subsidiary Industria Nacional de Alimentos S.A. was notified by the Secretary of the International Center for Settling Investment-Related Differences (ICSID) of the sentence of the ad hoc tribunal that rejected, in a divided decision (2 votes to 1), the request for annulment of the sentence of February 7, 2005, of the ICSID arbitration tribunal which assessed the proceedings brought by the subsidiary Industria Nacional de Alimentos S.A. against the Republic of Peru.

The resolution stated that the ICSID had no competence to resolve the arbitration demand brought by the subsidiary Industria Nacional de Alimentos S.A., recognizing this company's right to seek indemnities in other courts, whether internationally or within Peru, which is being analyzed and will be resolved by the Board of Directors of Industria Nacional de Alimentos S.A.

d) Lawsuits

In 1999, the subsidiary VTR S.A. appealed a judgment of the Tax Tribunal of the Santiago Center Metropolitan Regional Authority of the Chilean Internal Revenue Service that on October 26, 1999, rejected a claim made by the company (Demand No. 29 of January 21, 1998) with respect to additional tax (Clause 21 of the Tax Law) applied to a loss on a foreign currency futures contract signed on January 2, 1995 between VTR S.A. and Citibank N.A..

On April 11, 2007, the Santiago Appeals Court accepted the renewal of the suspension of tax collection for 6 months starting April 13, 2007.

Later, on May 11, 2007, the Santiago Appeals Court declared the nullity of the sentence in the first instance as it was given by a delegated tax judge (lacking jurisdiction), and ordered the reinstatement of the case in which the Santiago Center Metropolitan Regional Authority of the Chilean Internal Revenue Service gives due proceedings to the claim presented, thus invalidating all that contained in those proceedings.

The proceedings are currently in the first instance, having re-entered the Tax tribunal of the Santiago Center Metropolitan Regional Authority on June 1, 2007, ordering performance and annulling the charges.

On August 28, 2007, the court resolved to accept the claim and ordered the inspector's report. On November 30, 2007, report No.178-1 issued on October 29, 2007, was presented by the Selective Inspection Department of the Santiago Center Metropolitan Regional Authority of the Internal Revenue Service.

As of December 31, 2007, Madeco S.A. has lawsuits pending against it with respect to its ordinary course of business which, according to the company's legal advisers, does not represent a risk of significant losses.

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. The total damages claimed amount to approximately ThR$6,950. The subsidiary 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.

As of December 31, 2007, Armat S.A., a subsidiary of Madeco S.A., has lawsuits pending against it in relation to its normal course of business. The legal advisers of Armat S.A. believe there is no risk of significant losses.

As of December 31, 2007, the subsidiary CNT Telefónica del Sur S.A. has the following lawsuits pending:

a) The subsidiary CNT Telefónica del Sur S.A. brought a demand before the Free Competition Defense Tribunal against VTR Banda Ancha Chile S.A. for breach of decree 211, for the introduction of predatory prices and unfair competition practices in Chile's 10th region. The demand was contested and is currently in the investigation stage.
b) VTR denounced the subsidiary CNT Telefónica del Sur S.A. before the National Economic Inspector for alleged conduct against free competition. This has been contested by CNT Telefónica del Sur S.A. and is currently in the investigation stage.

As of December 31, 2007, the indirect subsidiary Telefónica del Sur Servicios Intermedios S.A. has the following lawsuit pending:

On January 27, 2005, demands were brought by subsidiary CNT Telefónica del Sur S.A. and the indirect subsidiary Telefónica del Sur Servicios Intermedios S.A. against the Chilean Treasury seeking the payment for investments in works ordered by entities reporting to the Ministry of Public Works and carried out in the city of Valdivia and on Highway 5 South, and for the reimbursement of usage rights of fiscal strips, in both cases with indexation adjustments and interest. The actions were presented to the 24th Civil Court of Santiago. On the same date, the Interim President of the State Defense Council, on behalf of the Chilean Treasury, was notified. As of December 31, 2007, the demand was rejected in the first instance so an appeal was brought before the Santiago Appeals Court.

e) Financial contingencies

Quiñenco S.A. and its group companies were in compliance with their financial covenants related to current bond issuances and bank loan agreements as of December 31, 2007.

1. Quiñenco S.A. is subject to certain financial covenants, which as of December 31, 2007, are as follows:
• Maintain a ratio of unencumbered assets at book value to unsecured debt of at least 1.3:1.
• Unconsolidated financial debt to total capitalization ratio no greater than 0.45:1.
• Consolidated financial 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 S.A.
• Quiñenco S.A. to maintain control of Banco de Chile (through its investment in LQ Inversiones Financieras S.A.).

2. Shareholders at the Extraordinary Shareholders' Meeting of the subsidiary Industria Nacional de Alimentos S.A. held on November 10, 2006, agreed to contribute to Inversiones Río Rimac S.A., together with certain assets, an obligation of UF102,000 that the subsidiary Industria Nacional de Alimentos S.A. has with Quiñenco S.A.

At the same meeting, shareholders agreed that the subsidiary Industria Nacional de Alimentos S.A would provide a guarantee in favor of the creditor, for the obligations of the subsidiary Inversiones Río Rimac S.A. in the partial novation of the credit. They also consented to pledge shares of the affiliate company Calaf S.A. in order to cover the obligations assumed by the new debtor. On January 10, 2007, the subsidiary Industria Nacional de Alimentos S.A., together with the indirect subsidiary Inversiones Río Rimac S.A. and Calaf S.A., signed a new novation contract, guarantee and share pledge, accepting the obligations referred herein.

The subsidiary Inversiones Río Rimac S.A. therefore owes Quiñenco S.A. the sum of UF 102,000. The loan matures on June 28, 2008 and bears interest at the rate of TAB plus 2.7% p.a. Interest and principal are payable upon maturity. The contract states the following obligations and restrictions:

a) The subsidiary Inversiones Río Rimac S.A. is obliged to prepay the obligation with any amounts received from the sale of any of its assets or assets of its subsidiaries.

b) "Essential assets" are the shares issued by the indirect subsidiary Indalsa Perú S.A., the shares issued by any company arising from its division and the property consisting of the industrial plant located in the district of Chorrilllos, Lima, Peru.
With respect to these essential assets, the subsidiary Inversiones Río Rimac S.A. is forbidden to sell, encumber or dispose of these in any way without the prior written consent of the parent Quiñenco S.A.

3. The subsidiary CNT Telefónica del Sur S.A. and subsidiaries are subject to certain financial covenants and restrictions related to their bond issuances and bank loan agreements. The main financial covenants are as follows:

CNT Telefónica del Sur S.A.
- Maintain a current ratio of at least 0.50:1 on both an unconsolidated and consolidated basis.
- Debt ratio (liabilities/shareholders' equity) no greater than 1.5:1 on both an unconsolidated and consolidated basis.
- Minimum shareholders' equity of UF 2 million.
- 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 shareholders' equity.
- Maintain a ratio of unencumbered assets to unsecured debt of at least 1.3:1.
- Maintain an operating income to interest expense ratio of at least 1.5:1, on both an unconsolidated and consolidated basis.

4. The subsidiary LQ Inversiones Financieras S.A. is subject to certain financial covenants and restrictions related to its bond issuance and bank loan agreements. The principal restrictions as of December 31, 2007, are:

- The subsidiary LQ Inversiones Financieras S.A must maintain a debt to asset ratio no greater than 0.40:1 in its quarterly unconsolidated financial statements.
- For the three-month period prior to the annual payment of its bond coupons, LQIF must maintain a liquid cash reserve greater of at least the amount to be paid to bondholders on the next installment date.
- Quiñenco S.A. must maintain control of Banco de Chile through its investment in LQ Inversiones Financieras S.A

5. The subsidiary Madeco S.A. is subject to certain financial covenants and restrictions as of December 31, 2007, the main ones being:

Bonds Series D:
- Maintain a current ratio of at least 1.0:1.
- Minimum shareholders' equity equivalent to UF 7 million.
- Debt to equity ratio (Third-party liabilities/Shareholder's equity plus minority interest) may not exceed 1.8:1.
- Unencumbered assets to be at least 1.2 times the total amount of bonds outstanding.
- 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 directly hold at least 35% of the shares.

Bank loans:
As of December 31, 2007, the subsidiary Madeco S.A. has syndicated loans with financial institutions which oblige the company to comply with certain conditions and covenants over the life of the loan as follows:

a) The subsidiary Madeco S.A. must prepay all the bank loans should the Luksic group cease to hold, directly or indirectly, at least 40% of the shares with voting rights in Madeco S.A. and to have control, directly or indirectly, of the subsidiary Madeco S.A. (as defined in clause 97 of the Securities Market Law 18,045).

b) Financial covenants
1. The ratio of net financial Debt, less changes in working capital, to EBITDA (with respect to the last four quarters) must not exceed 3.2:1.

2. The ratio of net financial Debt, less changes in working capital, to adjusted equity ratio must be less than 0.75:1.
3. The ratio of EBITDA (for the last four quarters) to interest expense (for the last four quarters) must be at least 2.5:1.
4. Adjusted equity must be at least UF 7,000,000.

c) General covenants
1. The subsidiary Madeco S.A. and its essential subsidiaries (Alusa S.A., Indalum S.A., Ficap S.A. and Indeco S.A.) shall take all the actions necessary to maintain their legal existence, rights, franchises and licenses current and effective.
2. The debtor and its essential subsidiaries shall maintain and preserve their essential assets. "Essential assets" mean the equipment, machinery and all other essential elements that the debtor needs to conduct its businesses and those of its main subsidiaries.
3. Use the loan proceeds exclusively for the financing of exports and investments in assets directly related to exporting its products and refinancing existing debt.
4. The debtor and its essential subsidiaries should comply in all substantial aspects with all laws concerning pollution or waste materials of an environmental nature that do not cause an adverse material effect.

d) Main negative covenants
1. The debtor and its essential subsidiaries may not encumber their assets without the prior written consent of the creditors.
2. The debtor and/or its essential subsidiaries may not agree to mergers, absorption or incorporation, nor may they liquidate, terminate business or be dissolved without the prior written consent of the creditors.
3. Essential Assets may not be disposed of except in lease-back transactions.
4. The debtor and/or its essential subsidiaries may not make any changes of importance in the nature of their principal businesses without the prior written consent of the creditors.

As of December 31, 2007, the indirect subsidiary Alusa S.A. was in compliance with all of the covenants in its syndicated loan agreements.

Agreement with Nexans:
On November 15, 2007, in Paris, France, the subsidiary Madeco S.A. and Nexans signed a framework agreement whereby it was agreed to transfer to Nexans all of the assets of Madeco's cable unit in Chile, Argentina, Peru, Brazil and Colombia, for US$ 448 million plus 2.5 million shares of Nexans, totaling approximately US$ 823 million.

The board of the subsidiary Madeco S.A. believes that the transaction is beneficial for its shareholders in view of its terms and conditions, with Madeco becoming the largest shareholder in Nexans, with an approximate 8.9% of its share capital. Nexans is the principal manufacturer of cables in the world with a presence in Europe, North America, Asia, Africa, Australia and, within South America, in Brazil.

Among other relevant aspects of this transaction, the signing of the framework agreement with Nexans was conditioned upon a due diligence process during the period and terms stated in that agreement. If the result is satisfactory to both parties, the final agreement will be signed.

For this purpose, the subsidiary Madeco S.A. will proceed to separate its cables business in Chile and Argentina through the formation of subsidiaries to which this cable business will be transferred.

As this transaction involves the disposal of approximately 60% of the subsidiary's assets, an extraordinary shareholders' meeting will be called to decide on the matter.

The indirect subsidiary Alusa S.A. and subsidiaries has the following contingencies and/or covenants as of December 31, 2007:

Alusa S.A. is subject to the following commitments with the financial institutions indicated:

Syndicated loan with Banco de Chile and Banco Estado UF 300,000.

Export advances made by Banco Security of UF 163,000.

Loan from Banco Estado of UF 52,000.

Alusa S.A. should ensure that Madeco S.A. remains the direct or indirect owner of at least 50.1% of the capital with voting rights of Alusa S.A. during the term of these credit facilities.

On December 26, 2006, Alusa S.A. became the guarantor of Aluflex S.A. to cover a loan by Banco del Desarrollo to that company for US$4 million. The loan matures in January 2010.

Alusa S.A. was in compliance with all of these covenants as of December 31, 2007.

The following restrictions apply to a loan to Indalum S.A., a subsidiary of Madeco S.A., signed on December 29, 2003, by Banco de Chile, Banco de Crédito e Inversions, Banco Estado and Banco Security, to cover the period from that date until December 26, 2010:

Maintain the following covenants on the basis of its consolidated financial statements as of June 30 and December 31 of each year:
- Debt ratio or leverage not exceeding 1.2:1.
- Minimum shareholders' equity equivalent to UF 1,630,000.
- Maintain ownership of its 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 pledges, mortgages or other encumbrances 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, except those with respect to assets acquired in the future to finance their acquisition.
- May not give guarantees to cover any obligation, debt, liability or commitment of any party other than Indalum S.A. or its subsidiaries without the prior written consent of the creditors.
- Indalum may not pay or distribute dividends that exceed 30% of the net income of any given year, without the prior written consent of the creditors.
- May not grant direct financing to third parties outside of its business. This shall not include the trade accounts receivable of Indalum S.A. with its customers or 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 Vitacura Avenue 2736, Office 301, Vitacura, and Santa Marta Street 1313, Maipú, the sales proceeds should be used to prepay the rescheduled obligations on a pro rata basis. For this calculation, the principal amount of outstanding financial loans due to Madeco S.A. shall be added to the rescheduled obligations. In August 2006, the property at Santa Maria 1313, Maipú was disposed of, for which the banks gave a waiver.
- Indalum S.A. may only repay the financial loan currently owed to its Parent Company Madeco S.A. if it is current in the payment of all of the loans due to the banks and has fully complied with all 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. must directly and indirectly control Indalum S.A. during the term of the agreement or have a shareholding of at least 50.1% in the company.

As of December 31, 2007, Indalum S.A. is in full compliance with these restrictions.

In November 2007, Indulam S.A. was denounced to the National Economic Inspector by a former distributor that has an unpaid debt with the company. According to the legal advisers of this indirect subsidiary, this denouncement should have a favorable outcome for the company.

On November 6, 2007, Peruplast S.A., a subsidiary of Madeco S.A., accepted the following covenants with respect to two long-term bank loans for US$ 8 million each:

a) Obligations with Scotiabank
Peruplast S.A. has the obligation to maintain the following ratios at the end of each quarter:

Maintain a debt ratio (total liabilities less deferred taxes to net shareholders' equity less intangible assets less non-business-related accounts receivable with affiliates of Peruplast) of not more than 1.5:1 from December 2007 to September 2009 and no more than 1.25:1 from December 2009 onward.

Maintain a debt coverage ratio (financial debt to EBITDA) of not more than 2:1 from December 2007 to September 2009 and no more than 1.75:1 from December 2009 onward.

Maintain a debt service coverage ratio (EBITDA to the current portion of long-term debt plus interest expense) of not more than 1.5:1.

b) Obligation with BCP - Banco de Crédito del Perú
The company has the obligation to maintain the following financial ratios:

Leverage (Total liabilities less taxes and deferred participations to Shareholders' equity) of less than 1.5:1. For this purpose, liabilities include all guarantees and contingencies granted by it in favor of third parties.

Debt service coverage ratio (operating income plus depreciation and amortization less income tax and participations less distributions to shareholders less loans to related companies less net capital investments plus initial cash balance) to debt service, to be more than 1.25:1.

As of December 31, 2007, Peruplast S.A. was in compliance with all the ratios for the above loans.

f) Other contingencies
The indirect guarantees of the Parent Company, as shown in table that follows, include joint and several guarantees for the debts of the following subsidiaries: Empresa El Peñón S.A., VTR S.A., Inversiones y Bosques S.A., Inversiones Ranquil S.A., Inversiones Punta Brava S.A. and Inmobiliaria

e Inversiones Hidroindustriales S.A., plus clauses regarding the use of the funds and financial covenants that are normal for this type of agreement.

Certain obligations were reciprocally agreed to between the parties with respect 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.

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

On August 19, 2002, Inersa S.A. and the subsidiaries Inversiones Vita S.A. and Inmobiliaria Norte Verde S.A., the committed sellers, signed a share sale commitment with Banco de Chile whereby the committed sellers promise to sell, assign and transfer to Banco de Chile all of their shareholdings in Banchile Seguros de Vida S.A

The sales price shall be:
1) The sum of any capital contributions subscribed by the company prior to December 31, 2001, expressed in UF.
2) The capital contributions made to the company by its shareholders in accordance with the "risk equity" requirements for the business.
3) The above amounts expressed in UF at the date of each contribution plus a real compounded interest rate of 12% annually (UF 336,982 as of December 31, 2007).

The sales contract must be signed no later than December 31, 2011, provided that the following conditions are met:
a) The law and/or regulations authorize banks and/or their subsidiary companies to participate in the life insurance business, acquire shareholdings in a life insurance company or form financial conglomerates that can participate in the life insurance business.
b) The respective authority, whether it be the SBIF and/or the SVS, authorizes the participation of Banco de Chile and/or its subsidiary companies or its respective financial conglomerate or Parent Company in the ownership of a life insurance company and/or the purchase of shares in such business.
c) The respective authority, whether it be the SBIF and/or the SVS, authorizes the participation of Banco de Chile and/or its subsidiary companies or its respective financial conglomerate or Parent Company, to purchase the shares referred to in the sales commitment.
d) The Company complies with the law and that the shares are sold free of any type of prohibition, encumbrances or pledges of any kind, embargoes, litigation, precautionary measures or other kind of limitation on the ownership. This condition is stipulated for the benefit of the committed buyer.

Because of the nature of this transaction, it is impossible to estimate the probability of its occurrence and/or its effect on these financial statements.

As of December 31, 2007, the subsidiary Madeco S.A. has received notification of tax differences for the tax years 2001, 2002, 2003 and 2004 relating to the first category income tax, tax refunds and additional tax for a total of ThCh$4,774,410 (value of the tax). Madeco's management has, through its legal advisers, begun proceedings to counter the claims made by the Chilean tax authorities

In addition, for the 2004 tax year, Madeco S.A. is requesting a refund of ThCh$642,494, which corresponds to taxes withheld by the Chilean Internal Revenue Service of ThCh$3,038,789, an amount originally requested by Madeco S.A. as part of a tax loss absorption.

As of December 31, 2007, the indirect subsidiary Alusa S.A. has received tax notifications with respect to the tax years 2001, 2002 and 2003 corresponding to first category tax differences and income tax refunds for a total of ThCh$281,263 (value of the tax).

Alusa's management has, through its legal advisers, begun proceedings to counter the claims made by the Chilean tax authorities.

As of December 31, 2007, the subsidiary Inversiones Río Grande S.A. has made an appeal to the Metropolitan Regional Santiago East Tax Office of the Chilean Internal Revenue Service against tax notification No.62, (historic value of tax ThCh$484,329 corresponding to the 1999 tax year).

The last resolution, dictated on April 1, 2005, referred to comments made in the Inspector's reports which were considered valid.

On August 26, 2005, the subsidiary VTR S.A. received notification No.156 from the Internal Revenue Service for special taxes for the tax year 2003, amounting to ThCh$484,269 (historic tax amount). The company appealed this claim on November 4, 2005. On February 16, 2006, Resolution 32/2006 was issued stating that there was case for reviewing the inspector's actions so the claim itself is still pending. On June 29, 2007, the inspector presented his comments to report No.93 issued on June 6, 2007 and the tax tribunal confirmed, on July 9, 2007, that these comments had been presented.

On September 1, 2004, the Chilean Internal Revenue Service issued Resolution No. Ex. 221, in which it rejected the loss produced by the sale of shares of Indalsa Perú S.A., subsidiary of Industria Nacional de Alimentos S.A., to the indirect subsidiary Lucchetti Chile S.A. in 2000, on the grounds that the loss is not "needed to produce income ...because it is not essential to the company's line of business".

The subsidiary Industria Nacional de Alimentos S.A. filed a complaint against this resolution, which is presently in process, claiming statute of limitations and that the resolution does not take into consideration the existence of an economic loss with respect to this investment. It is believed that the complaint will be accepted by the tax authorities.

By Resolution 78 of April 29, 2005 and 88 of April 28, 2006, the internal revenue service reiterated its instruction to reduce the loss declared in Form 22 for the tax years 2002 and 2003.

The subsidiary Industria Nacional de Alimentos S.A. has presented claims against both resolutions, requesting that they be added to the above proceedings.

As of December 31, 2007, Ingewall S.A., a subsidiary of Madeco S.A., has been questioned and notified by the Chilean IRS with regard to certain Value Added Tax returns corresponding to the period June to December 1999 and February to August 2001 and whose net value in the first instance after sentencing was M$276,549.

As of December 31, 2007, Ingewall S.A., a subsidiary of Madeco S.A., has received an Internal Revenue Service resolution for the tax years 2001 and 2002 regarding a modification of tax loss carry forwards. Ingewall's management has, through its legal advisers, begun proceedings to counter the claims made by the Chilean tax authorities. It has also received notifications for the tax years 2004 to 2006 relating to 1st category income tax of ThCh$185,333 (amount of the tax). The management of Ingewall S.A. has, within the legal term set out in the tax code, begun appeal proceedings through its legal advisers.

As of December 31, 2007, Indalum S.A., a subsidiary of Madeco S.A., has received notification from the Internal Revenue Service for the tax years 1999 to 2003 relating to differences in income tax and tax refunds of ThCh$327,810 (value of tax). The company's management has begun, within the legal term set out in the tax code, through its legal advisers, the administrative proceedings to appeal in the first instance to the Tax Tribunal against the notifications as it considers that they are not pertinent.

On July 19, 2006, Ficap S.A., a subsidiary of Madeco S.A., received notification from the Rio Janeiro State Treasury Authority for the tax years 2001, 2002, 2003, 2004 and 2005, corresponding to income tax differences totaling ThR$18,550 (ThUS$8,571 approx.) which, according to the company's legal advisers, do not present risks of significant losses.

Metacab S.A., a subsidiary of Decker Indelqui S.A., has claims against it arising from the Participated Property Program, under a purchase contract signed with the former company ECA, an Argentine state entity. The corporate by-laws of Metacab S.A. stated that the holders of 6% of its capital should be organized under a Participated Property Program, which qualified employees of the company could join. This plan was never implemented. There are now lawsuits from former employees of that company claiming that inadequate business management led to the company's losses in the past and affected the beneficiaries of the Program. As a result of the claims, and among other restrictions, embargoes have been placed on the Lomas de Zamora plant and certain machinery of the company. The company's legal advisers currently believe that it is not possible to estimate the outcome of this issue and have said that any outcome is unquantifiable.

g) Indirect guarantees:

	Debtor			Assets committed		Balance outstanding as of December 31,		Release of collateral					
Creditor	Name	Relationship	Type of guarantee	Type	Book value	2007	2006	2008	Assets	2009	Assets	2010	Assets
						ThCh$	ThCh$	ThCh$		ThCh$		ThCh$	
Banco del Estado de Chile	Empresa El Peñón S.A.	Subsidiary	Guarantee	General	-	19,733,318	20,066,250	-	-	-	-	-	-
Banco del Estado de Chile	VTR S.A.	Subsidiary	Guarantee	General	-	5,023,026	5,107,773	-	-	-	-	-	-
Banco del Estado de Chile	Inv. Punta Brava S.A.	Subsidiary	Guarantee	General	-	17,795,864	18,096,110	-	-	-	-	-	-
Banco del Estado de Chile	Inv. Ranquil S.A.	Subsidiary	Guarantee	General	-	18,136,968	18,442,970	-	-	-	-	-	-
Banco del Estado de Chile	Inm. e Inv. Hidro-industriales S.A.	Subsidiary	Guarantee	General	-	17,416,280	17,710,120	-	-	-	-	-	-
Banco del Estado de Chile	Inv. y Bosques S.A.	Subsidiary	Guarantee	General	-	17,316,515	17,608,672	-	-	-	-	-	-
Banco del Estado de Chile	Empresa El Peñón S.A.	Subsidiary	Pledge	Shares	28,999,337	19,733,318	20,066,250	5,799,867	-	5,799,867	-	5,799,867	-
Banco del Estado de Chile	VTR S.A.	Subsidiary	Pledge	Shares	19,772,270	5,023,026	5,107,773	3,954,454	-	3,954,454	-	3,954,454	-
Banco del Estado de Chile	Inv. Punta rava S.A.	Subsidiary	Pledge	Shares	26,863,156	17,795,864	18,096,110	5,372,631	-	5,372,631	-	5,372,631	-
Banco del Estado de Chile	Inv. Ranquil S.A.	Subsidiary	Pledge	Shares	16,653,397	18,136,968	18,442,970	5,330,679	-	5,330,679	-	5,330,679	-
Banco del Estado de Chile	Inm. e Inv. Hidro-industriales S.A.	Subsidiary	Pledge	Shares	26,132,752	17,416,280	17,710,120	5,226,550	-	5,226,550	-	5,226,550	-
Banco del Estado de Chile	Inv. y Bosques S.A.	Subsidiary	Pledge	Shares	26,033,460	17,316,515	17,608,672	5,206,692	-	5,206,692	-	5,206,692	-
Casa Moneda de Chile	Madeco S.A.	Subsidiary	Compliance or sale	-	-	-	4,016	-	-	-	-	-	-
Cía. de Telecomunicaciones	Madeco S.A.	Subsidiary	Compliance or sale	-	-	1,794	-	1,794	-	-	-	-	-
Comercial y Logística General S.A.	Madeco S.A.	Subsidiary	Compliance or sale	-	-	42,922	-	42,922	-	-	-	-	-
S.Q.M. Industrial S.A.	Madeco S.A.	Subsidiary	Compliance or sale	-	-	3,530	3,791	3,530	-	-	-	-	-
S.Q.M. Salar S.A.	Madeco S.A.	Subsidiary	Compliance or sale	-	-	1,298	2,892	1,298	-	-	-	-	-
Techint Chile S.A	Madeco S.A.	Subsidiary	Compliance or sale	-	-	854	25,023	-	-	854	-	-	-
Corporación Nacional del Cobre	Madeco S.A.	Subsidiary	Compliance or sale	-	-	83,985	537	-	-	-	-	83,985	-
Atacama Minerals Chile SCM	Madeco S.A.	Subsidiary	Compliance or sale	-	-	654	-	654	-	-	-	-	-
Casa Moneda de Chile	Madeco S.A.	Subsidiary	Compliance or sale	-	-	94,676	-	94,676	-	-	-	-	-
Cía. Americana de Multiservicios	Madeco S.A.	Subsidiary	Compliance or sale	-	-	-	223,970	-	-	-	-	-	-
Cía. de Telecom. de Chile S.A.	Madeco S.A.	Subsidiary	Compliance or sale	-	-	34,873	-	34,873	-	-	-	-	-
Corporación Nacional del Cobre	Madeco S.A.	Subsidiary	Compliance or sale	-	-	10,823	-	10,823	-	-	-	-	-
FAM América Latina	Madeco S.A.	Subsidiary	Compliance or sale	-	-	31,982	72,272	31,982	-	-	-	-	-
Metso Paper	Madeco S.A.	Subsidiary	Compliance or sale	-	-	26,681	30,702	26,681	-	-	-	-	-
Minera Escondida Ltda.	Madeco S.A.	Subsidiary	Compliance or sale	-	-	57,612	-	57,612	-	-	-	-	-
Minera Espence S.A.	Madeco S.A.	Subsidiary	Compliance or sale	-	-	-	3,503	-	-	-	-	-	-

	Debtor			Assets committed		Balance outstanding as of December 31,		Release of collateral					
Creditor	Name	Relationship	Type of guarantee	Type	Book value	2007	2006	2008	Assets	2009	Assets	2010	Assets
						ThCh$	ThCh$	ThCh$		ThCh$		ThCh$	
Minera Los Pelambres	Madeco S.A.	Subsidiary	Compliance or sale	-	-	91,777	72,281	62,814	-	28,963	-	-	-
Minera San Cristóbal	Madeco S.A.	Subsidiary	Compliance or sale	-	-	158,886	182,836	158,886	-	-	-	-	-
Mitsubishi Corp. Sucursal Chile Const. y Proyectos	Madeco S.A.	Subsidiary	Compliance or sale	-	-	64,248	73,932	64,248	-	-	-	-	-
Costanera Center S.A.	Madeco S.A.	Subsidiary	Compliance or sale	-	-	4,969	-	4,969	-	-	-	-	-
Cía. Minera Ríochilex S.A.	Madeco S.A.	Subsidiary	Compliance or sale	-	-	-	12,078	-	-	-	-	-	-
Corporación Nacional del Cobre	Madeco S.A	Subsidiary	Compliance or sale	-	-	-	251,380	-	-	-	-	-	-
Cía. Americana de Multiservicios	Madeco S.A	Subsidiary	Compliance or sale	-	-	-	8,292	-	-	-	-	-	-
Banco Central de la Rep. Argentina	Armat S.A.	Subsidiary Indirect	Compliance or sale	-	-	844,713	-	844,713	-	-	-	-	-
Banco Central de la Rep. Dominicana	Armat S.A.	Subsidiary Indirect	Compliance or sale	-	-	174,240	-	174,240	-	-	-	-	-
Banco de Guatemala	Armat S.A.	Subsidiary Indirect	Compliance or sale	-	-	359,719	343,072	359,719	-	-	-	-	-
Casa de Moneda de Chile	Armat S.A.	Subsidiary Indirect	Compliance or sale	-	-	470,306	-	470,306	-	-	-	-	-
Casa de Moneda de Chile	Armat S.A.	Subsidiary Indirect	Compliance or sale	-	-	464,393	725,462	6,541	-	-	-	457,852	-
Codelco	Armat S.A.	Subsidiary Indirect	Compliance or sale	-	-	3,833	-	479	-	3,354	-	-	-
Banco Central de Chile	Armat S.A..	Subsidiary Indirect	Compliance or sale	-	-	-	228,715	-	-	-	-	-	-
Ministerio de Hacienda	Ficap S.A.	Subsidiary Indirect	Fixed assets (labor claim)	-	124,603	124,603	-	-	-	-	-	124,603	-
Ministerio de Hacienda	Ficap S.A.	Subsidiary Indirect	Fixed assets (taxes)	-	5,081,862	5,081,862	-	-	-	-	-	5,081,862	-
Porto Primavera Transm. Energía	Ficap S.A.	Subsidiary Indirect	5% performance bond	-	12,987	12,987	12,382	12,987	-	-	-	-	-
Promon. Eng. Ltda	Ficap S.A.	Subsidiary Indirect	10% performance bond	-	16,135	16,135	15,382	-	-	16,135	-	-	-
Energ. Power Ltda..	Ficap S.A.	Subsidiary Indirect	10% performance bond	-	18,653	18,653	17,782	18,653	-	-	-	-	-
Consorcio Pra1	Ficap S.A.	Subsidiary Indirect	20% performance bond	-	7,779	7,779	7,416	7,779	-	-	-	-	-
Alstom Brasil Ltda.	Ficap S.A.	Subsidiary Indirect	10% performance bond	-	80,530	80,530	76,774	80,530	-	-	-	-	-
Ande	Ficap S.A.	Subsidiary Indirect	Compliance or sale	-	-	-	35,387	-	-	-	-	-	
Outotek Tec. Brasil	Ficap S.A.	Subsidiary Indirect	10% performance bond	-	120,076	120,076	-	-	-	120,076	-	-	-
Marinha do Brasil	Ficap S.A.	Subsidiary Indirect	Performance bond	-	8,136	8,136	-	8,136	-	-	-	-	-
Poyry Empreend. Ind.	Ficap S.A.	Subsidiary Indirect	Performance bond	-	95,223	95,223	-	95,223	-	-	-	-	-
Itumbiara Transms. de Energía	Ficap S.A.	Subsidiary Indirect	5% performance bond	-	32,904	32,904	-	32,904	-	-	-	-	-
Ate III Transm.	Ficap S.A.	Subsidiary Indirect	5% performance bond	-	57,558	57,558	66,278	-	-	57,558	-	-	-
Coverteam Brasil Ltda.	Ficap S.A.	Subsidiary Indirect	30% performance bond	-	294,946	294,946	-	294,946	-	-	-	-	-
Serra da Mesa Transm. Energía	Ficap S.A.	Subsidiary Indirect	10% performance bond	-	230,120	230,120	802,789	-	-	230,129	-	-	-
Furnas Centrais Eléctricas	Ficap S.A.	Subsidiary Indirect	5% performance bond	-	9,187	9,187	-	9,187	-	-	-	-	-
IEMG	Ficap S.A.	Subsidiary Indirect	10% performance bond	-	1,326,891	1,326,891	-	1,326,891	-	-	-	-	-
Serra da Mesa Transm. Energía	Ficap S.A.	Subsidiary Indirect	Notice of infraction guarantee	-	41,336	41,336	-	41,336	-	-	-	-	-
11a Vara de Fazenda RJ	Ficap S.A.	Subsidiary Indirect	Notice of infraction guarantee	-	329,468	329,468	-	-	-	-	-	329,468	-
11a Vara de Fazenda RJ	Ficap S.A.	Subsidiary Indirect	Notice of infraction guarantee	-	727,577	727,577	-	-	-	-	-	727,577	-
11a Vara de Fazenda RJ	Ficap S.A.	Subsidiary Indirect	Notice of infraction guarantee	-	713,129	713,129	-	-	-	-	-	713,129	-
11a Vara de Fazenda RJ	Ficap S.A.	Subsidiary Indirect	Notice of infraction guarantee	-	515,326	515,326	-	-	-	-	-	515,326	-
11a Vara de Fazenda RJ	Ficap S.A.	Subsidiary Indirect	Notice of infraction guarantee	-	144,924	144,924	-	-	-	-	-	144,924	-
Pocos de Caldas Transm. Energía	Ficap S.A.	Subsidiary Indirect	Advance payment guarantee	-	242,363	242,363	-	242,363	-	-	-	-	-
Pocos de Caldas Transm. Energía	Ficap S.A.	Subsidiary Indirect	10% performance bond	-	486,420	486,420	-	486,420	-	-	-	-	-
Obras y Desarrollo S/A	Ficap S.A.	Subsidiary Indirect	10% performance bond	-	12,686	12,686	28,167	12,686	-	-	-	-	-
UTE	Ficap S.A.	Subsidiary Indirect	5% performance bond	-	5,311	5,311	-	5,311	-	-	-	-	-
Compañía Americana de Multiservicios	Ficap S.A.	Subsidiary Indirect	10.6% performance bond	-	19,379	19,379	-	-	-	19,379	-	-	-
ATE II Trans. de Energía S/A	Ficap S.A.	Subsidiary Indirect	5% performance bond	-	32,516	32,516	-	32,516	-	-	-	-	-
Elecnor S/A.	Ficap S.A.	Subsidiary Indirect	10% performance bond	-	46,949	46,949	505,605	-	-	46,949	-	-	-

Creditor	Debtor		Type of guarantee	Assets committed		Balance outstanding as of December 31,		Release of collateral					
	Name	Relationship		Type	Book value	2007	2006	2008	Assets	2009	Assets	2010	Assets
						ThCh$	ThCh$	ThCh$		ThCh$		ThCh$	
Alunorte Alumina do Brasil	Ficap S.A.	Subsidiary Indirect	Guarantee	-	-	-	314,536	-	-	-	-	-	-
Consorcio Lummus	Ficap S.A.	Subsidiary Indirect	Guarantee	-	-	-	114,152	-	-	-	-	-	-
Cpel Comercialización Brasil	Ficap S.A.	Subsidiary Indirect	Guarantee	-	-	-	70,915	-	-	-	-	-	-
Electro Norte S.A.	Ficap S.A.	Subsidiary Indirect	Compliance or sale	-	-	-	22,732	-	-	-	-	-	-
Enerbrasil Energ Rent do Brasil	Ficap S.A.	Subsidiary Indirect	Compliance or sale	-	-	-	97,352	-	-	-	-	-	-
Ficap S.A (Matriz)	Ficap S.A.	Subsidiary Indirect	Guarantee	-	-	-	534,880	-	-	-	-	-	-
Kvaernen do Brasil Ltda..	Ficap S.A.	Subsidiary Indirect	Guarantee	-	-	-	218,022	-	-	-	-	-	-
Michelin Partic. Ind. Comercio	Ficap S.A.	Subsidiary Indirect	Guarantee	-	-	-	575,514	-	-	-	-	-	-
Safra	Ficap S.A.	Subsidiary Indirect	Court guarantee	-	-	-	1,121,801	-	-	-	-	-	-
Vila do Conde Transm Energ.	Ficap S.A.	Subsidiary Indirect	Compliance or sale	-	-	-	5,625	-	-	-	-	-	-
Dirección de Vialidad	Idalum S.A.	Subsidiary Indirect	Performance bond	-	-	853	862	853	-	-	-	-	-
Serviu Región Metropolitana	Idalum S.A.	Subsidiary Indirect	Performance bond	-	-	94	-	-	-	-	-	94	-
Huemura Representaciones S.R.L./BCP	Indeco S.A.	Subsidiary Indirect	Guarantee	-	4,969	4,969	-	4,969	-	-	-	-	-
Condumax S.A./BBVA	Indeco S.A.	Subsidiary Indirect	Guarantee	-	2,484	2,484	-	2,484	-	-	-	-	-
V y F Tecnología Comercial S.A.C/Scotiabank	Indeco S.A.	Subsidiary Indirect	Guarantee	-	24,845	24,845	-	24,845	-	-	-	-	-
Ingerniería Sociedad Anónima Norte/BCP	Indeco S.A.	Subsidiary Indirect	Guarantee	-	4,969	4,969	-	4,969	-	-	-	-	-
Distribuidora Romero SRL/BBVA	Indeco S.A.	Subsidiary Indirect	Guarantee	-	24,845	24,845	-	24,845	-	-	-	-	-
Huemura Representaciones SRL/BCP	Indeco S.A.	Subsidiary Indirect	Guarantee	-	9,938	9,938	-	9,938	-	-	-	-	-
Distribuidora Romero SRL/BCP	Indeco S.A.	Subsidiary Indirect	Guarantee	-	4,969	4,969	-	4,969	-	-	-	-	-
Industrial Com. Santa Adelaida S.A./BCP	Indeco S.A.	Subsidiary Indirect	Guarantee	-	12,422	12,422	-	12,422	-	-	-	-	-
Condumax S.A./BBVA	Indeco S.A.	Subsidiary Indirect	Guarantee	-	29,813	29,813	-	29,813	-	-	-	-	-
Distribuidora Romero SRL/BBVA	Indeco S.A.	Subsidiary Indirect	Guarantee	-	9,938	9,938	-	9,938	-	-	-	-	-
Dimex SAC/BBVA	Indeco S.A.	Subsidiary Indirect	Guarantee	-	11,606	11,606	-	11,606	-	-	-	-	-
Distribuidora Incoresa S.A./BCP	Indeco S.A.	Subsidiary Indirect	Guarantee	-	17,391	17,391	-	17,391	-	-	-	-	-
Comercial Iquitos S.A./BBVA	Indeco S.A.	Subsidiary Indirect	Guarantee	-	9,938	9,938	-	9,938	-	-	-	-	-
Koller SRL/BBVA	Indeco S.A.	Subsidiary Indirect	Guarantee	-	49,689	49,689	-	49,689	-	-	-	-	-
Distribuidora Incoresa S.A./BCP	Indeco S.A.	Subsidiary Indirect	Guarantee	-	9,938	9,938	-	9,938	-	-	-	-	-
Huemura Representaciones SRL/Scotiabank	Indeco S.A.	Subsidiary Indirect	Guarantee	-	9,938	9,938	-	9,938	-	-	-	-	-
Jorvex S.A./Banco Continental	Indeco S.A.	Subsidiary Indirect	Guarantee	-	149,067	149,067	-	149,067	-	-	-	-	-
Distribuidora Romero SRL/BCP	Indeco S.A.	Subsidiary Indirect	Guarantee	-	9,938	9,938	-	9,938	-	-	-	-	-
Distribuidora Incoresa S.A./BCP	Indeco S.A.	Subsidiary Indirect	Guarantee	-	7,453	7,453	-	7,453	-	-	-	-	-
Distribuidora Romero SRL/BCP	Indeco S.A.	Subsidiary Indirect	Guarantee	-	4,969	4,969	-	4,969	-	-	-	-	-
Jorvex S.A./Scotiabank	Indeco S.A.	Subsidiary Indirect	Guarantee	-	49,689	49,689	-	49,689	-	-	-	-	-
Condutek S.A. y/o Condumax S.A./BBVA	Indeco S.A.	Subsidiary Indirect	Guarantee	-	49,689	49,689	-	49,689	-	-	-	-	-
Canala Com. Eléctrica Cía. Ltda./American Express	Indeco S.A.	Subsidiary Indirect	Guarantee	-	55,155	55,155	-	55,155	-	-	-	-	-
Jorvex S.A./BCP	Indeco S.A.	Subsidiary Indirect	Guarantee	-	149,067	149,067	-	149,067	-	-	-	-	-
Rensa Ventas y Servicios SRL/BCP	Indeco S.A.	Subsidiary Indirect	Guarantee	-	1,491	1,491	-	1,491	-	-	-	-	-
Distribuidora Romero SRL/BCP	Indeco S.A.	Subsidiary Indirect	Guarantee	-	4,969	4,969	-	4,969	-	-	-	-	-
Distribuidora Romero SRL/BCP	Indeco S.A.	Subsidiary Indirect	Guarantee	-	4,969	4,969	-	4,969	-	-	-	-	-
Cam. Perú SRL	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	115,831	-	-	-	-	-	-
Edelnor S.A.A.	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	667,843	-	-	-	-	-	-
Electro Oriente S.A.	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	2,202	-	-	-	-	-	-
Electro Puno S.A.	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	2,252	-	-	-	-	-	-
Electro Sur Este S.A.A.	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	4,257	-	-	-	-	-	-
Electrocentro S.A.	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	6,112	-	-	-	-	-	-
Electronoroeste S.A.	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	9,327	-	-	-	-	-	-
Electronorte S.A.	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	8,503	-	-	-	-	-	-
Gas Natural de Lima y Callao	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	3,202	-	-	-	-	-	-
Hidrandina S.A.	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	15,584	-	-	-	-	-	-
Lima Airport Patners SRL	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	17,318	-	-	-	-	-	-
Luz de Sur S.A.A.	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	1,976	-	-	-	-	-	-
Red de Energía de Perú S.A.	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	4,950	-	-	-	-	-	-
Sociedad Eléctrica del Sur Oeste S.A.	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	629	-	-	-	-	-	-
Sunat	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	1,926,432	-	-	-	-	-	-
Turbogeneradores del Perú S.A.C	Indeco S.A.	Subsidiary Indirect	Guarantee	-	-	-	29,662	-	-	-	-	-	-

NOTE 24 – GUARANTEES OBTAINED FROM THIRD PARTIES

The Company has received a pledge over 7,279,400 shares of Calaf S.A. to cover the obligation of the subsidiaries Industria Nacional de Alimentos S.A. and Inversiones Río Rimac S.A. with the Parent Company Quiñenco S.A.

NOTE 25 - SANCTIONS

During 2007 and 2006, neither the Parent Company nor its directors or managers received any sanctions from the SVS or any other regulatory authority.

NOTE 26 – SUBSEQUENT EVENTS

On January 11, 2007, the Parent Company, Quiñenco S.A., reported the following information to the SVS:

“Regarding our presentations to the SVS on November 15 and 16, 2007, informing you that Quiñenco S.A. had been party to a framework agreement dated November 15, 2007, between its subsidiary Madeco S.A. and the French company Nexans, which involves the transfer of all the cable assets of Madeco in Chile, Argentina, Peru, Brazil and Colombia, in accordance with clause 9 and 10.2 of the Securities Market Law 18,045, the following is complementary information:

On February 21, 2008, and after the parties involved mutually agreed to extend the period initially agreed to in the framework agreement and satisfactorily completed the corresponding due diligence, the final transfer agreement covering the aforementioned transfer of the cable assets by Madeco to Nexans was signed in Santiago.

The final agreed-upon price is US$ 448 million, payable in cash plus 2.5 million shares issued by Nexan, whose value at the close of February 20, 2008 was US$267 million. The cash component of the final price is subject to the normal adjustments in this type of transaction, such as changes in working capital, debt and proportions of the minority shareholders of each of the Latin American companies involved in this transaction at the date of closing. This closing shall be no later than September 30, 2008, and is subject to compliance of the following principal conditions:

1. Approval of the transaction by shareholders at the respective extraordinary shareholders’ meetings of Madeco and Nexans.
2. Obtaining all of the required administrative authorizations in order to carry out the transaction, in accordance with the legislation of each country in which the assets are located.
3. Obtaining the consents of financial creditors and those related to other contractual obligations, and
4. The completion of the corporate reorganization needed to carry out the transaction.

Quiñenco has assumed the following obligations related to the framework agreement: a) to support and vote in favor of this transaction in the respective extraordinary shareholders’ meeting of Madeco, b) to maintain its shareholding in Madeco, and c) to not approve any capital reductions in Madeco above a certain minimum.

Regarding the financial effects of this transaction on Quiñenco, it will report a proportional gain of approximately US$97 million in relation to Madeco’s profit on this transaction in 2008, a figure that differs from that estimated on November 16, 2007, in our correspondence to the SVS, as a result of the change in the corresponding profit estimate reported by Madeco at that time. This calculation has been based on Quiñenco’s present shareholding in Madeco. This estimate is subject to variations in value and other changes that could occur between February 20, 2008, and the closing date.”

There have been no other events of a financial or other nature occurring between December 31, 2007, and the date of the issuance of these consolidated financial statements that would significantly affect their interpretation.

NOTE 27 – SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS OF LQ INVERSIONES FINANCIERAS AND ITS BANKING SUBSIDIARIES

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

The following shows the consolidated financial statements of LQ Inversiones Financieras S.A. and subsidiaries prepared in accordance with instructions of the SBIF.

LQIF and Banking Subsidiaries	As of December 31,	
Summarized Consolidated Balance Sheets	2007	2006
	ThCh$	ThCh$
Cash	**773,385,642**	**1,309,289,912**
Loans		
Commercial loans	4,981,776,950	4,264,756,037
Foreign trade loans	868,746,558	727,415,859
Consumer loans	1,257,737,691	1,151,675,890
Mortgage loans	471,508,812	624,228,373
Leasing contracts	651,725,922	579,075,042
Contingent loans	1,268,807,744	1,060,375,170
Other current loans	2,223,875,436	1,892,629,047
Overdue loans	61,327,480	66,249,818
Total loans	11,785,506,593	10,366,405,237
Less : Allowances for loan losses	(161,139,879)	(155,707,028)
Total loans, net	**11,624,366,714**	**10,210,698,209**
Other credit operations		
Inter-bank loans	28,419,008	46,202,796
Investments purchased under resale agreements	72,840,897	58,415,541
Total other credit operations	**101,259,905**	**104,618,337**
Investments for trading	**1,247,481,316**	**1,285,977,633**
Investment securities		
Available for sale	-	43,031,084
Held to maturity	54,633,377	43,551,368
Total investment instruments	**54,633,377**	**86,582,452**
Financial derivative contracts	**81,112,153**	**54,237,927**
Other assets	**624,687,074**	**515,213,132**
Premises and equipment		
Premises and equipment	169,163,820	162,900,981
Investments in other companies	7,356,954	8,261,960
Negative goodwill	(6,567,194)	(6,941,186)
Goodwill	304,966,251	291,617,703
Total premises and equipment	**474,919,831**	**455,839,458**
Total assets	**14,981,846,012**	**14,022,457,059**

LQIF and Banking Subsidiaries	As of December 31,	
Summarized Consolidated Balance Sheets	**2007**	**2006**
Liabilities and shareholders' equity	**ThCh$**	**ThCh$**
Deposits and other obligations		
Checking accounts	1,961,411,800	1,867,628,000
Savings and time deposits	6,684,326,581	6,362,936,166
Bankers' drafts and other deposits	518,358,226	552,462,795
Investments sold under repurchase agreements	301,979,136	329,562,559
Mortgage funding notes	397,333,203	512,982,148
Contingent liabilities	1,267,706,047	1,061,497,578
Total deposits and other obligations	**11,131,114,993**	**10,687,069,245**
Bonds payable		
Bonds	913,529,135	736,522,374
Subordinated bonds	446,394,975	435,982,119
Total bonds payable	**1,359,924,110**	**1,172,504,493**
Borrowings from financial institutions		
Central Bank of Chile credit lines for loan rescheduling	513,141	885,483
Other Central Bank of Chile borrowings	102,435,747	130,598,725
Foreign borrowings	782,868,279	635,349,402
Other borrowings	58,490,208	28,387,936
Total borrowings from financial institutions	**944,307,375**	**795,221,546**
Financial derivative contracts	**120,162,471**	**75,131,414**
Other liabilities		
Provision for payment of subordinated obligation with Central Bank of Chile	98,136,614	88,575,425
Other liabilities	173,403,956	245,273,159
Total other liabilities	**271,540,570**	**333,848,585**
Total liabilities	**13,827,049,519**	**13,063,775,283**
Minority interest	**456,824,121**	**390,165,753**
Shareholders' equity		
Capital and reserves	596,242,554	512,814,735
Other equity accounts	54,214,829	20,317,375
Net income	47,514,989	35,383,914
Total shareholders' equity	**697,972,372**	**568,516,023**
Total liabilities and shareholders' equity	**14,981,846,012**	**14,022,457,059**

LQIF and Banking Subsidiaries	For the years ended December 31,	
Summarized Consolidated Statements of Income	2007	2006
	ThCh$	ThCh$
Interest revenue and expenses		
Interest and indexation revenue	1,171,800,092	836,079,351
Gain from price difference	5,329,787	43,755,311
Income from fees and other services	216,750,978	197,178,517
Foreign exchange income, net	18,062,449	-
Other operating income	8,023,821	9,509,081
Total operating income	**1,419,967,127**	**1,086,522,260**
Less :		
Interest and indexation expense	(638,278,128)	(407,146,427)
Loss from price difference	(38,739,170)	(8,763,952)
Expenses in fees	(46,007,970)	(44,408,618)
Foreign exchange loss, net	-	(11,601,753)
Other operating expenses	(10,277,338)	(18,856,128)
Gross margin	**686,664,521**	**595,745,384**
Personnel salaries and expenses	(192,166,073)	(169,774,099)
Administrative and other expenses	(118,263,931)	(131,920,585)
Depreciation and amortization	(25,396,206)	(22,690,061)
Net margin	**350,838,311**	**271,360,639**
Allowances for loan losses	(52,943,235)	(36,787,296)
Net operating income	**297,895,076**	**234,573,343**
Non-operating income and expenses		
Non-operating income	18,644,469	17,953,807
Non-operating expenses	(12,672,369)	(15,652,603)
Equity participation in income of related companies, net	(2,047,105)	1,107,392
Amortization of negative goodwill	373,685	373,684
Amortization of goodwill	(22,389,587)	(21,275,582)
Price-level restatement, net	(36,591,889)	(9,216,274)
Income before income taxes	**243,212,280**	**207,863,766**
Provision for income taxes	(26,472,079)	(24,428,307)
Income after income taxes	**216,740,201**	**183,435,459**
Minority interest	(71,088,598)	(59,476,120)
Provision for payment of subordinated debt obligation with the Central Bank of Chile	(98,136,614)	(88,575,425)
Net income	**47,514,989**	**35,383,914**

LQIF and banking subsidiaries	**For the years ended December 31,**	
Summarized Consolidated Statements of Cash Flows	**2007**	**2006**
	ThCh$	**ThCh$**
Cash flows from operating activities		
Net income	47,514,989	35,383,914
Charges (credits) to income which do not represent cash flows:		
Depreciation and amortization	25,396,206	22,690,061
Allowances for loan losses	88,067,245	66,966,925
Fair value of trading instruments	5,347,081	(4,428,346)
Gain (loss) on investments in other companies	2,047,105	(1,107,392)
Net loss on sale of assets received in lieu of payment	(1,406,636)	(4,016,253)
Gain on sale of premises and equipment	(416,671)	(57,947)
Minority interest	71,088,598	59,476,120
Write-off of assets received in lieu of payment	10,986,988	12,697,868
Price-level restatement, net	36,594,135	9,216,274
Other charges to results that do not represent cash flows	14,151,913	37,195,559
Changes in assets affecting cash flows	993,074	3,012,030
Changes in liabilities affecting cash flows	(153,236)	(334,582)
Net variation in accrued interest, indexation adjustments and fees	(19,311,002)	27,108,872
Provision for subordinated debt obligation	98,136,614	88,575,425
Net cash flows provided by operating activities	**379,036,403**	**352,378,529**
Cash flows from investing activities		
Increase in loans, net	(1,420,415,386)	(1,115,920,784)
Increase in other credit operations, net	(1,210,038)	(26,415,432)
(Increase) decrease in investments, net	(52,917,163)	101,100,413
Additions to premises and equipment	(25,803,067)	(23,778,821)
Sales of premises and equipment	2,366,862	124,893
Investments in other companies	(2,040,000)	7,221
Dividends received from investments in other companies	853,947	675,098
Sale of assets received in lieu of payment	4,763,158	9,887,654
Net changes in other assets and liabilities	(564,696,865)	(370,217,171)
Net cash flows used in investing activities	**(2,059,098,552)**	**(1,424,536,929)**

LQIF and banking subsidiaries	For the years ended December 31,	
Summarized Consolidated Statements of Cash Flows	2007	2006
	ThCh$	ThCh$
Cash flows from financing activities		
Increase in deposits and borrowings	658,591,934	1,231,940,721
Increase in checking accounts	222,474,031	239,245,415
Increase in other sight or term obligations	4,842,286	108,732,835
Increase (decrease) in investments sold under repurchase agreements	(4,853,681)	38,834,212
Short-term borrowings from abroad	(118,377,360)	277,322,120
Net decrease in inter-bank loans	(6,403,495)	-
Dividends paid	(46,243,851)	(45,629,694)
Redemption of mortgage-funding notes	(93,270,601)	(127,210,751)
Issuance of mortgage-funding notes	5,080,273	54,456,273
Increase (decrease) in other short-term liabilities	16,360,741	(12,126,211)
Loans drawn from Central Bank of Chile (long-term)	1,380,160	481,448
Repayment of loans from Central Bank of Chile (long-term)	(1,694,138)	(1,093,679)
Loans received from abroad – long-term	625,030,724	545,741,138
Repayment of loans from abroad – long-term	(314,501,748)	(896,162,684)
Capital increase	66,014,036	-
Capital increase subsidiary Banco de Chile	84,349,853	-
Other long-term loans drawn	1,884,380	1,619,515
Repayment of other long-term loans	(1,724,238)	(5,910,187)
Payment of the subordinated obligation	(82,472,446)	(83,139,933)
Bond issue	228,163,052	353,882,980
Bond repayments	(38,510,306)	(12,833,032)
Net cash flows provided by financing activities	**1,206,119,606**	**1,668,150,486**
Net cash flows	**(473,942,543)**	**595,992,086**
Effect of inflation on cash and cash equivalents	(61,261,080)	(21,525,760)
Net increase (decrease) in cash and cash equivalents	**(535,203,623)**	**574,466,326**
Cash and cash equivalents, beginning of year	1,312,300,382	737,834,057
Cash and cash equivalents, end of year	**777,096,759**	**1,312,300,383**

NOTE 27.1 – SIGNIFICANT ACCOUNTING PRINCIPLES

a) Basis of preparation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Chile ("Chilean GAAP") and the specific accounting standards of the various regulating entities in each area of business: SBIF, SVS and the banking regulators 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 official Chilean consumer price index, of 7.4%.

b) Basis of consolidation

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

	Direct and indirect shareholding	
	2007	2006
	%	%
SM Chile S.A. and subsidiaries	52.83	52.83
Inversiones LQ SM S.A.	99.99	99.99

The financial statements of Sociedad Matriz del Banco de Chile and subsidiaries include the consolidation of the following direct and indirect subsidiaries: Banco de Chile, Sociedad Administradora de la Obligación Subordinada SAOS S.A., Banchile Trade Services Limited, 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 Branch, 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 and Miami branches and the subsidiary Banchile Trade Services Limited, Hong Kong, 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 in economically stable countries. Unrealized exchange differences on these investments are shown in Shareholders' equity in the Cumulative translation adjustment account in Other reserves.

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, property, plant and equipment and other non-monetary assets and liabilities have been restated in accordance with changes in the Chilean CPI, which resulted in a net charge to income of ThCh$36,591,889 (ThCh$9,216,274 in 2006). The income statement accounts are restated except in the subsidiaries regulated by the SBIF.

e) Basis of conversion

Assets and liabilities denominated in Unidades de Fomento (UF) have been valued at Ch$19,622.66 (Ch$18,336.38 per UF in 2006).

f) Foreign currency translation

Assets and liabilities denominated in U.S. dollars of subsidiaries regulated by the SBIF are shown at their equivalent value in Chilean pesos, calculated using the current exchange rate of Ch$495.82 per US$1.00 as of December 31, 2007 (Ch$534.43 per US$1.00 as of December 31, 2006), which does not differ significantly from the exchange rate applied by subsidiaries supervised by the SVS.

The balance of ThCh$18,062,449 (loss of ThCh$11,601,753 in 2006) corresponding to the 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) Trading instruments

Investments for trading relate to instruments acquired with the intention of generating gains on the fluctuations in the prices of short and long-term trading margins, or which are included in a portfolio in which there is a pattern of making short-term gains.

Instruments for trading are shown valued at their fair value according to market prices at the end of the year. Gains or losses from adjustments in their valuation at fair value, and the results of trading activities, are shown in Gains (losses) from price differences in the consolidated statement of income. Accrued interest and indexation are reported as Interest and indexation income.

All purchases and sales of instruments for trading that should be delivered within the term stated by market regulations or customs are recognized on the date of acquisition, which is the date on which the purchase or sale of the asset is promised. Any other purchase or sale is treated as derivative (forward) until the settlement.

h) Instruments for investment

Investment instruments are classified in two categories: investments to maturity and instruments available for sale. The category of investments to maturity includes only those instruments where there is the capacity and the intention to hold them until their maturity date. Other investment instruments are considered as available for sale.

Instruments for investment are shown initially at cost, which includes trading costs.

Instruments available for sale are later valued at their fair value according to market prices or values obtained from the use of models. Unrealized gains or losses caused by the change in their fair value are shown as a charge or credit to equity accounts. When these investments are disposed of or deteriorate, the amount of adjustments to fair value in equity is transferred to income and shown under Gain for price difference or Loss for price difference, as appropriate.

Investments to maturity are shown at their cost plus accrued interest and indexation, less the allowance for deteriorations made when the amount booked is higher than their estimated recovery value.

Interest and indexation on investments to maturity and investments available for sale are included in Interest and indexation income.

Investment instruments that are subject to accounting hedges are adjusted according to the hedging accounting rules.

Purchases and sales of investment instruments that have to be delivered within the term set by market regulations or custom are shown on the negotiation date on which the purchase or sale of the asset is agreed. Other purchases and sales are treated as derivatives (forward) until their settlement.

i) Transactions under repurchase agreements

The subsidiary Banco de Chile and its subsidiaries carry out repurchase transactions as a form of financing. The investments sold subject to a repurchase agreement and which serve as collateral for the loan are shown as "Traded documents". The obligation to repurchase the investment is shown as "Investments sold under repurchase agreements", valued according to the agreed interest rate.

The Parent Company and its subsidiaries also carry out repurchase agreements as a form of investment. Financial instruments bought under these agreements are included in assets under "Investments purchased under resale agreements", and are valued according to the agreed interest rate.

j) Assets received in lieu of payment

Assets received in lieu of payment are shown at their restated cost less legally-required write-offs and net of allowances for non-payment. The write-offs are required by the SBIF if the asset is not sold within one year of its receipt.

k) Leasing contracts

Receivables under leasing contracts, included in loans, relate to the periodic contract rentals that meet the requirements for qualifying as financial leases and are shown as their nominal value net of non-accrued interest and taxes at the end of each year.

l) Factoring transactions

The subsidiary Banco de Chile and its subsidiary Banchile Factoring S.A. carry out factoring transactions with their customers whereby they receive invoices and other trade instruments representative of credit, with or without recourse to the customer, and advance to the customer a percentage of the total amount receivable from the debtor of the documents so assigned.

The item Other current loans includes ThCh$469,835,034 as of December 31, 2007 (ThCh$441,257,832 in 2006) relating to the amount advanced to the assignor plus accrued interest, net of payments received.

m) 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$292,446 as of December 31, 2007 (ThCh$235,335 in 2006).

n) Investments in other companies

Shares or rights in companies in which there is a holding of 10% or more, or in which the Company can elect or appoint at least one member of the board or management, are shown recorded in assets at their equity-method value. Other minority investments are shown at their restated cost.

o) Derivative products

Financial derivative contracts, which include foreign currency and UF forward contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options, and other financial derivative instruments held by the banking and financial subsidiaries, are initially shown in the balance sheet at cost (including trading costs) and later valued at their fair value. The fair value is obtained from market quotations, discounted cash flow models and options valuation models, as appropriate. Derivative contracts are reported as an asset when their fair value is positive or as a liability when their fair value is negative, under the heading Financial derivative contracts.

Certain derivatives incorporated in other financial instruments are treated as separate derivatives when their risk or characteristics are not closely related to the principal contract and this is not recorded as their fair value with the unrealized gains or losses included in results.

At the time of the agreement of a derivative contract, this should be designated as derivative instrument for negotiation or for accounting hedging purposes.

Changes in the fair value of financial derivative contracts held for negotiation are included in Gain from price difference or Loss from price difference as appropriate in the consolidated Statement of income.

If the derivative instrument is classified for accounting hedging, this may be (1) a hedge for the fair value of existing assets or liabilities or firm commitments, or (2) a hedge for cash flows related to existing assets or liabilities or expected transactions. Hedging for accounting purposes should meet the following conditions: (a) at the time the hedge is agreed, the hedging has been formally documented, (b) it is expected that the hedge will be highly effective, (c) the effectiveness of the hedge can be measured in a reasonable manner, and (d) the hedge is highly effective in relation to the risk covered, continuously over the whole term of the hedge.

Certain transactions that do not qualify to be booked as hedging derivatives are treated and reported as derivatives for trading, even though they provide an effective hedge for managing exposures.

When a derivative covers exposure to changes in the fair value of an existing asset or liability, this is shown at its fair value in relation to the specific risk hedged. Gains or losses arising from the measurement of fair value of both the item hedged and of the hedging derivative, are shown against results for the year.

If the item covered in a fair value hedge is a firm commitment, changes in the fair value of the commitment with respect to the risk hedged are shown as assets or liabilities with effect on the results for the year. Gains and losses from measuring the fair value of the hedging derivative are shown against results for the year. When an asset or liability is acquired as a result of the commitment, the initial booking of the asset or liability acquired is adjusted to incorporate the accumulated effect of the valuation to fair value of the firm commitment that was recorded in the balance sheet.

When a derivative provides a hedge for exposure to changes in the cash flows of existing assets or liabilities or expected transactions, the effective portion of the changes in fair value with respect to the risk hedged is shown in equity. Any ineffective portion is shown directly against the results for the year. The amounts shown directly in equity are shown in results in the same year as the hedged assets or liabilities affect the results.

When a hedge at fair value is made covering interest rates for a portfolio, and the item hedged is an amount of money instead of individual assets or liabilities, the gains or losses arising from measuring the fair value, both of the portfolio hedged and the hedging derivative, are shown against results for the year, but the measurement of fair value of the hedged portfolio is shown in the consolidated balance sheet under Other assets or Other liabilities, depending on the position of the hedged portfolio at a moment in time.

p) Allowance for asset losses

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

q) Current and deferred income taxes

The Parent Company and its direct and indirect subsidiaries have determined their liability for first category income tax in accordance with current legislation. For these purposes, the banking subsidiaries especially consider Circular 41 of July 24, 1996 and Official Letter 1,874 of 1996 issued by the Chilean Internal Revenue Service.

The effects of deferred income taxes arising from timing differences between the book and tax values of assets and liabilities have been recorded on an accrual basis in accordance with Technical Bulletin 60 and complementary bulletins of the Chilean Association of Accountants and Circular No.1,466 of the SVS.

r) Staff vacations

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

s) Severance indemnities

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

As of December 31, 2007, a provision has been made for this obligation on the basis of its present value discounted at a real annual rate of 6% (6% in 2006).

NOTE 27.2 – BACKGROUND OF SUBSIDIARY SOCIEDAD MATRIZ DEL BANCO DE CHILE S.A.

During the Extraordinary Shareholders' Meeting held on July 18, 1996, Banco de Chile's shareholders accepted the provisions of clauses 3 and 5 of Law 19,396 concerning modifications of the payment conditions of the Subordinated Obligation with the Central Bank of Chile. By this, the company changed its name to Sociedad Matriz del Banco de Chile S.A., or SM Chile S.A. and changed its bylaws to being just the holder of shares in Banco de

Chile and carrying out the activities permitted under Law 19,396. It was also agreed to transfer all of its assets and liabilities of the company, except for the Subordinated Obligation with the Central Bank of Chile, to a new banking company to be called Banco de Chile, and to form a privately-held corporation called Sociedad Administradora de la Obligación Subordinada SAOS S.A., to which the commitment with the Chilean Central Bank and part of the shares in the new bank were transferred.

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 fully paid a capital increase to SAOS S.A. through the transfer of 28,593,701,789 shares of Banco de Chile representing a 42.0% 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.

SM Chile S.A. maintains the commitment to transfer the dividends and bonus shares (relating to 567,712,826 shares of Banco de Chile) to SAOS S.A., while the latter still has the subordinated obligation with the Central Bank of Chile. SM Chile S.A. will remain in existence until the subordinated obligation of its subsidiary Sociedad Administradora de la Obligación Subordinada SAOS S.A. with the Central Bank of Chile is repaid. When this occurs, its shareholders will be transferred the shares that the company holds 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 27.3 – ACCOUNTING CHANGES

There have been no accounting changes during the year 2007 that might affect the interpretation of these consolidated financial statements.

NOTE 27.4 - PROVISION FOR PAYMENT OF THE BANCO DE CHILE SUBORDINATED DEBT

The provision for payment of the twelfth annual installment (of the 40 total installments of UF 3,187,363.98 each) of the subordinated obligation with the Chilean Central Bank as of December 31, 2007 was ThCh$98,136,614 (ThCh$88,575,425 in 2006), equivalent to UF 5,001,188.13 (UF 4,497,750.52 in 2006), which corresponds to the amount that, according to the contract covering the obligation, must be paid to the Central Bank by April 30, 2008, as its annual installment provided that Banco de Chile distributes all its 2007 net income as a dividend. The final value of the annual installment will be known once the shareholders of Banco de Chile approve the distribution of 2007 net income at the shareholders' meeting.

NOTE 27.5 – SUBSEQUENT EVENTS

On January 1, 2008, the merger was completed by incorporating Citigroup Chile II S.A., a Chilean subsidiary of Citigroup, into LQIF, the latter absorbing the former and thereby acquiring all of its assets and liabilities and succeeding it in all of its rights and obligations and incorporating the equity of Citigroup Chile II into its own. The absorbed company was dissolved on that date, and it should be understood that for all legal purposes, LQIF is the legal successor of Citigroup Chile II.

The following was reported to the SVS on January 8, 2008:

"In accordance with clause 68 of the Securities Market Law 18,045 and General Rule No.30, you are informed that at the Ordinary Board Meeting of LQ Inversiones Financieras S.A. (the Company) held on January 7, 2008, the board of the Company, elected at the Extraordinary Shareholders' Meeting held on December 27, 2007, was constituted. As reported by a letter dated December 28, 2007, the members of the board are Guillermo Luksic Craig, Andrónico Luksic Craig, Francisco Pérez Mackenna, Pablo Granifo Lavín, Manuel José Noguera Eyzaguirre, Fernando Quiroz and Raúl Anaya, who shall remain in their positions until the Ordinary Shareholders' Meeting in 2008.

At the same board meeting, all of the directors accepted their positions and elected Guillermo Luksic Craig as the Chairman of the Company and Andrónico Luksic Craig as Vice Chairman.

At the same meeting, the resignation of the General Manager, Luis Fernando Antúnez Bories, was accepted and Rodrigo Manubens Moltedo was appointed in that position, assuming his functions immediately".

There are no other events of a financial, accounting or other nature occurring between December 31, 2007, and the date of issue of these financial statements that might significantly affect their interpretation.

MATERIAL INFORMATION

On January 11, 2007, the Parent company Quiñenco S.A. reported the following to the SVS:

"With respect to the conversations held between Quiñenco S.A. and Citigroup aimed at achieving a strategic association of the financial businesses of both parties, and with reference to the material information reported to the SVS on December 22, 2006, we inform you that an agreement that might lead to the formalization of such association has not been reached and that we have terminated the conversations which were being held to explore common interests with regards to an commercial association of our business interests".

The following was reported to the SVS on March 2, 2007:

"In accordance with clauses 9 and 10.2 of Law 18,045 and Circular 660 of the SVS, you are informed that at the board meeting held on March 1, 2007, it was agreed to propose to shareholders at the next ordinary shareholders' meeting, the distribution of a final dividend of Ch$17,112,886,891, representing 31.66% of the 2006 net income, comprised of a) a minimum obligatory dividend of Ch$16,214,769,891, equivalent to 30% of the 2006 net income, calculated after deducting the accumulated deficit during the development stage and the amortization of consolidated negative goodwill from consolidated income for the year, and b) an additional dividend of Ch$898,117,000 corresponding to 1.66% of the net income for the year.

This final dividend, which amounts to Ch$15.84908 per share, will be paid starting May 9, 2007 to shareholders on record five business days prior to the payment date".

On April 2, 2007, Quiñenco S.A. reported the following complementary information to the SVS:

"In accordance with clauses 9 and 10.2 of Law 18,045 and General Rule No.30 and Circular 1,737 of January 13, 2005 of the SVS, I inform you of the following:

On November 16, 2006, you were informed of the Company's decision to terminate its ADR program in the United States of America, cancel the registration of its ADRs and its ADSs with the New York Stock Exchange (NYSE) and also eventually deregister from the United States Securities and Exchange Commission (SEC).

Complementing that information, you are informed that Form 15 was submitted today to the SEC reporting obligations under the Securities Exchange Act of 1934 of the United States of America (Securities Exchange Act) are suspended.

As an immediate consequence of complying with this process and without any other condition, all obligations to present information to the SEC under the Securities Exchange Act were automatically suspended, including the obligation to present the Annual Report 20-F, as well as the other obligations and restrictions that the Sarbanes-Oxley Act of 2002 imposes on foreign issuers whose securities are offered to the public in that country and which are registered with the SEC".

On April 13, 2007, Quiñenco S.A. reported the following to the SVS:

"On April 10, Quiñenco S.A. notified its shareholders and the public of an extraordinary shareholders' meeting to be held on April 27 to approve a capital increase of 55 billion pesos.

In turn, on April 12, 2007, the subsidiary Banco de Chile reported as material information that its board had agreed at its meeting that day to call an extraordinary shareholders' meeting for May 17, 2007, to approve a capital increase of Ch$110,000,000,000 through the issuance of shares for payment to be subscribed and paid at the price and under the terms and other conditions determined at that shareholders' meeting.

Following the above, and responding to various enquiries made by shareholders and market participants, as well as to comments made by the press, we hereby confirm that the proposal to be made to shareholders at the Extraordinary Shareholders' Meeting of Quiñenco S.A., referred to above, regarding the use of the proceeds of the capital increase, will be mainly to support the capital increase of the subsidiary Banco de Chile, in the event that this is approved by its shareholders".

On April 27, 2007, Quiñenco S.A. reported the following to the SVS:

"In accordance with clauses 9 and 10.2 of Law 18,045 and Circular 660 of the SVS, you are informed that at the Ordinary Shareholders' Meeting of Quiñenco S.A., held on April 27, 2007, shareholders approved a final dividend distribution of Ch$17,112,886,891, corresponding to 31.66% of 2006 net income, comprised of a) a minimum obligatory dividend of Ch$16,214,769,891, equivalent to 30% of 2006 net income, calculated after deducting the accumulated deficit during the development stage and the amortization of consolidated negative goodwill from the consolidated income for the year, and b) an additional dividend of Ch$898,117,000 corresponding to 1.66% of the net income for the year.

This final dividend amounts to Ch$15.84908 per share, payable starting May 9, 2007 to shareholders of record as of May 3, 2007".

On June 28, 2007, Quiñenco S.A. reported the following to the SVS:

"In accordance with clauses 9 and 10.2 of Law 18,045 and General Rule No.30 and Circular 1,737 of January 13, 2005 of the SVS, you are informed that, in accordance with its policy to seek new businesses, Quiñenco S.A. has reinitiated conversations with Citigroup to jointly explore how to take better advantage of their respective capacities in the financial business. This would be through an eventual strategic association that would include the banking and financing businesses that Quiñenco S.A. carries out through various companies that it controls in the sector, including Banco de Chile.

As these conversations are still in the initial stages, it is not possible to anticipate whether there will be an agreement to proceed with such strategic association, bearing in mind that no document has yet been signed between the parties regarding the matter, nor has any agreement been reached that commits or obliges them".

On July 19, 2007, Quiñenco S.A. reported the following to the SVS:

"In accordance with clauses 9 and 10.2 of Law 18,045 and General Rule No. 30 and Circular 1,737 of January 13, 2005 of the SVS, you are informed that:

Complementing the significant information reported on June 28, 2007, today Citigroup Inc. (Citigroup) and Quiñenco signed a contract which contemplates a strategic association of their financial businesses and services in or in respect of Chile, subject to the prior authorizations of the authorities in Chile and the United States of America, any other approvals which may be required under current legislation as well as compliance with the other conditions and terms stated in this contract.

The most important aspects of the strategic association between Quiñenco and Citigroup are the following:

(a) Quiñenco and Citigroup will be shareholders in LQ Inversiones Financieras S.A. (LQIF), the parent company of Sociedad Matriz del Banco de Chile S.A. (SM Chile) and Banco de Chile, among others. Initially, and on the date of closing of this transaction, which is expected to occur on the first day of 2008 (the Closing Date), Citigroup will hold 32.96% of LQIF and Quiñenco the remainder. The contract stipulates that Citigroup may increase its holding in LQIF up to 50% in the 28 months following the Closing Date, as described below. A central requirement of this association is the agreement that LQIF maintains a shareholding of at least 56% of the voting rights in Banco de Chile.

(b) Quiñenco will continue to control LQIF and the companies directly or indirectly controlled by LQIF at all times and, thereby it will maintain the power to elect the majority of the board of directors of LQIF, SM Chile and Banco de Chile.

(c) In order to take maximum advantage of Citigroup's experience as the world's principal financial company, the, contract contemplates an active participation by Citigroup at all levels of the strategic association and contains various agreements that establish Citigroup's rights, which are designed to facilitate such active participation.

(d) In order to benefit the customers of Banco de Chile and Citigroup in Chile, the association will permit them to have access to a broad variety of products and services that will result from the combination of the strengths of both institutions, with a branch network available to them in Chile and in the entire world. The contract also contemplates the joint development between both institutions for their customers in Chile of products and services in which Citigroup has global leadership, in particular in the areas of corporate and investment banking, private banking, international personal banking, global transaction services and international finance transactions.

(e) A very important aspect of this association is the merger of Banco de Chile with the financial businesses of Citigroup in Chile, for which the various entities of Citigroup in Chile will firstly be reorganized in order to facilitate this merger. For the purposes of the merger, Banco de Chile has been valued at US$6,015 million and the financial business of Citigroup in Chile at US$701 million, the latter entity thus representing approximately 10.44% of the merged bank. It also takes into account the contribution by Citigroup of other assets to the strategic association for a value of approximately US$192 million, with which Citigroup would reach a participation of 32.96% in LQIF on the Closing Date, as indicated in (a) above.

With respect to 2007 net profits, the merger provides that these will be distributed among the present shareholders of Banco de Chile.

(f) The contract contemplates two options. The first may be exercised within 28 months from the Closing Date, through which Citigroup may acquire 8.52% of LQIF at a cost of UF11,475,455.68 plus interest of 5% p.a. from the Closing Date.

This option may be exercised by Citigroup or by Quiñenco (call/put) in such a way that should neither Citigroup nor Quiñenco choose not to exercise the option Citigroup will remain with the percentage initially indicated of its holding in LQIF.

The second option is for Citigroup to buy an additional 8.52% of LQIF, which would enable it to reach a 50% shareholding in the latter, as indicated above. The term for exercising this option is until the 29th month from the Closing Date, at a price of UF11,475,455.68 plus interest of 5% p.a. from the Closing Date.

(g) Another agreement contemplated consists of the acquisition by Citigroup of the businesses of Banco de Chile in the United States of America, which include the American branches of Banco de Chile, for a price of US$130 million. Following this acquisition, customers in the United States may continue to operate through the offices of Banco de Chile in Chile and attain access to the wide and sophisticated range of products and services that Citigroup, through its offices and branches in more than 100 countries, will place at their disposal.

(h) The contract reflects the parties' intention to incorporate Citigroup's holding in AFP Habitat into the strategic association. This will depend on Citigroup in light of existing contracts with its partner in this business, the Cámara Chilena de la Construcción A.G.

(i) On the Closing Date, it is agreed that a shareholders' agreement will be signed by the parties, to regulate, among other things, the transfer of shares between the partners, establishment of pre-emptive purchase rights and tag-along rights or joint sale rights, the joint approval of certain important matters, and other clauses relating to the management of the various companies making up the strategic association.

(j) The amounts indicated in the preceding paragraphs may suffer modifications according to the results of a due diligence process contemplated in the contract and the results of the capital increase of Banco de Chile currently underway.

It was also reported that the formalization of the association could generate for Quiñenco a financial gain in the order of Ch$116,000 million in 2008. The final effects of this transaction will be determined once the respective analyses of the related fair values are concluded. The contents of this paragraph do not take into account the effects that might be produced due to the eventual exercise of the options referred to in paragraph (f)".

On November 15, 2007, Quiñenco S.A. reported the following to the SVS:

"In accordance with clauses 9 and 10.2 of Law 18,045 and General Rule No.30 and Circular 1.737 of January 13, 2005 of the SVS, you are informed that:

Quiñenco has participated in the signing of a framework agreement signed this day between its subsidiary Madeco S.A. (Madeco) and the French company Nexans, by which Quiñenco has assumed the following obligations: (a) support and vote in favor of the disposal of Madeco's cable business and related assets possessed by Madeco in Chile, Argentina, Peru, Brazil and Colombia at the extraordinary shareholders' meeting of Madeco, which will be held in light of the fact that the disposal represents approximately 60% of the assets of the subsidiary (b) maintain Quiñenco's shareholding of Madeco and (c) it will not approve any capital reduction in Madeco to below a certain amount.

The board of Quiñenco considers that this transaction is of great interest in view of the economic and commercial benefits it will generate for its subsidiary Madeco. The transaction will be paid for approximately half in cash and the balance by the transfer to Madeco of shares issued by Nexans. In this way, the subsidiary Madeco would become the principal shareholder in Nexans, with an approximate 8.9% shareholding.

Nexans is the world's leading manufacturer of cables, with an industrial and commercial presence in Europe, North America, Asia, Australia and, within South America, in Brazil".

On November 16, 2007, Quiñenco S.A. reported the following to the SVS:

"With respect to our presentation to the SVS on November 15, 2007, you are informed that the subsidiary Madeco S.A. has signed a framework agreement with the French company Nexans, which involves the transfer of all the cable business assets of Madeco in Chile, Argentina, Peru, Brazil and Colombia and, in accordance with SVS Official Letter 14,956 of November 15, 2007, we respond to the questions raised as follows:

a. The financial effects of this transaction for Quiñenco:

Quiñenco reconocería en el ejercicio 2008 o cuando la transacción efectivamente se lleve a cabo, una utilidad proporcional de aproximadamente 1Quiñenco would record in 2008 or when the transaction is effectively completed, a proportionate gain of approximately US$128 million as a result of the profit that it will be recognizing in its subsidiary Madeco.

This calculation has been based on Quiñenco's current shareholding in that subsidiary.

It is worth mentioning that the effect of the above-mentioned figure is subject to revision as this is a complex transaction whose perfection is subject to due diligence and compliance of certain terms and conditions. The transaction also involves the disposal of assets and liabilities in five countries, the constitution of new subsidiaries in Chile and Argentina, the valuation of the Nexans shares to be received by Madeco, whose price is subject to market fluctuations, and various other legal acts and related accounting aspects.

The final financial effects of this transaction will therefore be determined once it has been completed, as a function of the structure established and the values of the assets and liabilities that are involved on the date of the transaction.

b. Any other pertinent and important aspect:

With respect to Quiñenco, there are no other aspects that are important and pertinent to the transaction in question".

On December 27, 2007, Quiñenco S.A. reported the following to the SVS:

"In accordance with clauses 9 and 10.2 of Law 18,045 and General Rule No.30 and Circular 1,737 of January 13, 2005 of the SVS, you are informed that:

Complementing the significant events reported June 28, 2007 and July 19, 2007, relating to the signing on the latter date of the framework agreement between Quiñenco S.A., as the first party, and Citigroup Inc. and Citibank Overseas Investment Corporation ("Citigroup"), as the second party, you are informed that the following occurred at the extraordinary shareholders' meetings held on this date:

1. The shareholders' meeting of LQ Inversiones Financieras S.A. (LQIF), which approved the merger by the incorporation of Citigroup Chile II S.A., a Chilean subsidiary of Citigroup (Citigroup Chile II), into LQIF, the former absorbing the latter.

2. The shareholders' meeting of Citigroup Chile II, which approved the merger by the incorporation of this company into LQIF.

3. The shareholders' meetings of Citibank Chile and Banco de Chile, which approved the merger by incorporation of the former by the latter.

Each of the above-mentioned extraordinary shareholders' meetings approved that all the respective mergers shall be effective starting January 1, 2008.

The holding of these meetings and the resolutions adopted in each of these constitute compliance with the conditions foreseen in order to formalize the strategic association between Citigroup and Quiñenco, which is the objective of the framework agreement".

During 2007, no other events have occurred which, by their nature or importance, are material or significant, as defined in General Rule No.30 of the SVS.

MANAGEMENT'S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2007

NET INCOME

Quiñenco reported net income of Ch$105,241 million in 2007, an increase of 71.8% compared to 2006. The variation in net results between the two years is mainly explained by an increase in non-operating results and others, which included a non-recurring gain on the sale of shares of Entel of Ch$37,289 million and an increase in income from equity method investments, Banco de Chile and CCU, the effect of which was partially offset by a reduction in operating income and a heavier tax burden.

Table No. 1: Composition of net income

	In millions of Ch$ as of December 31, 2007	
	2007	2006
Operating income	39,038	57,738
Non-operating income	90,127	28,704
Other (1)	(23,924)	(25,178)
Net non-operating results	66,203	3,526
Net income for the year	**105,241**	**61,264**

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

OPERATING INCOME

Table No. 2 shows a comparison of consolidated operating income:

Table No. 2: Composition of consolidated operating income

	In millions of Ch$ as of December 31, 2007	
	2007	2006
Madeco	40,115	55,596
Telefónica del Sur	9,915	13,046
Quiñenco and others (1)	(10,992)	(10,904)
Total operating income	**39,038**	**57,738**

(1) Includes Quiñenco, Hoteles Carrera, Indalsa, intermediate holding companies and eliminations

Operating income declined by 32.4% to Ch$39,038 million in 2007 compared to 2006, primarily due to a decrease in Madeco's operating income, and to a lesser extent, in Telefónica del Sur's operating income.

Madeco's operating income decreased by 27.8% to Ch$40,115 million, attributable to a reduction in gross income (-13.0%) as a result of lower sales prices and rising costs. In addition, Madeco also experienced a higher level of SG&A expenses, which dampened the level of operating income earned during the year. The decrease in operating income was attributable to the brass mills, cables and to a lesser extent, the aluminum profiles business units, partially offset by an increase in operating income associated with the flexible packaging business unit.

In spite of an 0.8% rise in sales, Telefónica del Sur's operating income fell by 24.0% to Ch$9,915 million, primarily due to higher marketing and sales costs, which included expenses related to the launching of subscription digital TV, the consolidation of Blue Two Chile (in 2006 this subsidiary was still in the development stage) and higher depreciation expense.

NET SALES

During 2007, consolidated sales amounted to Ch$700,767 million, an increase of 5.9% compared to 2006. This increase is explained by higher sales at Madeco. The composition of consolidated sales is shown in Table No. 3:

Table No. 3: Composition of consolidated sales

	In millions of Ch$ as of December 31, 2007	
	2007	**2006**
Madeco	639,011	600,518
Telefónica del Sur	60,693	60,189
Quiñenco and others (1)	1,063	986
Total sales	**700,767**	**661,693**

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

Madeco's sales grew by 6.4% in 2007 in comparison to 2006, mostly due to the higher sales associated with the cables business unit following the acquisition of Cedsa, and to a lesser extent, the cables businesses in Argentina and Brazil, which benefited from higher volume sales. Likewise, consolidated sales were boosted by the consolidation of Peruplast and Tech Pak during the year. These increases were partially offset by a decline in the sales of the brass mills business unit.

Telefónica del Sur's revenues rose by 0.8% to Ch$60,693 million compared to 2006, principally due to an increase in the number of local telephony, wide band internet and digital TV clients.

COST OF SALES

Consolidated cost of goods sold increased by 9.5% compared to 2006. This variation is mainly explained by an increase of 9.7% in the cost of goods sold at Madeco, attributable to higher raw material costs, particularly copper and aluminum, as well as an increase in volumes sold of the newly acquired subsidiaries. The composition of consolidated cost of goods sold is presented in Table No. 4:

Table No. 4: Composition of consolidated cost of goods sold

	In millions of Ch$ as of December 31, 2007	
	2007	**2006**
Madeco	(564,099)	(514,413)
Telefónica del Sur	(32,908)	(30,536)
Quiñenco and others (1)	(3,813)	(3,916)
Total cost of goods sold	**(600,820)**	**(548,865)**

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Consolidated SG&A expenses amounted to Ch$60,909 million, an increase of 10.6% compared to the previous year, attributable to Madeco's operations, which experienced a 14.1% increase, mainly as a result of the consolidation of Cedsa, Peruplast and Tech Pak. In addition, Telefónica del Sur experienced an increase in SG&A expenses of 7.6%, which also served to increase SG&A expenses on a consolidated basis. The composition of consolidated cost of goods sold is presented in Table No. 5:

Table No. 5: Composition of selling, general and administrative expenses

	In millions of Ch$ as of December 31, 2007	
	2007	**2006**
Madeco	(34,797)	(30,508)
Telefónica del Sur	(17,870)	(16,607)
Quiñenco and others (1)	(8,243)	(7,975)
Total selling, general and administrative expenses	**(60,909)**	**(55,090)**

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

NON OPERATING RESULTS AND OTHER ITEMS

Quiñenco reported non-operating income and other items of Ch$66,203 million, compared to Ch$3,526 million in 2006. The variation between the two years is largely explained by a non-recurring gain on the sale of shares of Entel of Ch$37,289 million in 2007. The increase was partially offset by a heavier tax burden.

Table No. 6 shows the composition of non-operating results and other items:

Table No. 6: Breakdown of non-operating results and other items

	In millions of Ch$ as of December 31, 2007	
	2007	2006
Interest income	6,762	5,242
(Net) income from equity method investments	98,038	84,206
Goodwill amortization	(24,299)	(24,127)
Other non-operating income	45,334	5,807
Other non-operating expenses	(4,256)	(10,423)
Interest expense	(29,507)	(30,724)
Price-level restatement	(5,294)	(1,429)
Foreign exchange differences	3,350	152
Non-operating income	**90,127**	**28,704**
Income taxes	(8,761)	(4,505)
Extraordinary items	-	-
Minority interest	(16,787)	(22,246)
Negative goodwill amortization	1,624	1,572
Total non-operating income and other items	**66,203**	**3,526**

COMPOSITION OF NET INCOME:

Table No. 7 below shows Quiñenco's net income composition, broken down by its main operating companies:

Table No. 7 Net income contribution:

In millions of Ch$ as of December 31, 2007

Sector/Company		Net income		Quiñenco's ownership		Quiñenco's proportionate share	
		2007	2006	2007	2006	2007	2006
Financial Services							
Banco de Chile	(1)	242,288	209,696	52.5%	52.2%	73,297	61,916
Food & Beverages							
CCU	(2)	79,199	59,964	33.1%	33.1%	26,180	19,822
Telecommunications							
Telefónica del Sur	(3)	6,211	8,437	74.4%	73.7%	4,587	6,218
Manufacturing							
Madeco	(4)	19,660	32,439	45.2%	46.2%	9,048	15,086
Other operating companies	(5)					(8,717)	(6,051)
Total operating companies						**104,395**	**96,991**
Others (corporate level)	(6)					846	(35,727)
Net income for the year						**105,241**	**61,264**

(1) Indirect ownership through LQ Inversiones Financieras S.A. The economic rights associated with the ownership of Banco de Chile are 30.7%.
(2) Indirect ownership through Inversiones y Rentas S.A and IRSA Ltda.
(3) Direct and indirect ownership through VTR S.A.
(4) Direct and indirect ownership through Río Grande S.A.
(5) Other operating companies include the results of Habitaria S.A., Hoteles Carrera S.A., Industria Nacional de Alimentos S.A and others.
(6) Others (corporate level) include Quiñenco and intermediate holding companies.

NET INCOME CONTRIBUTION OF MAIN OPERATING COMPANIES

As shown in Table No. 7, the contribution of operating companies to Quiñenco's net income increased by 7.6% or Ch$7,404 million in comparison to 2006, mostly explained by the increase in the contribution from Banco de Chile and CCU, partially offset by a reduction in the contribution from Madeco and to a lesser extent, Telefónica del Sur and other operating companies, principally Indalsa, as a result of higher provisions related to differed tax obligations.

Banco de Chile experienced an increase of 15.5% in its net earnings, reaching Ch$242,288 million for the year. The increase in net income was primarily attributable to an increase in the bank's net margin, which more than offset a rise in operating expenses, loan loss provisions (net) and higher non-operating losses.

CCU's net profit amounted to Ch$79,199 million, an increase of 32.1% compared to 2006. The variation in net earnings is explained by an increase in operating and non-operating results in 2007. Operating income increased by 18.5% due to an increase in volumes sold and higher average prices, partially offset by higher production costs and SG&A expenses.

Telefónica del Sur reported net income of Ch$6,211 million, a decrease of 26.4%, attributable to a deterioration in operating income, the effect of which was partially offset by better non-operating results and a lighter tax burden. In spite of the decline, Telefónica del Sur experienced continued growth, especially with regard to internet and wireless PHS local telephony services, offsetting the decline associated with long distance services and public telephones.

Madeco reported net income of Ch$19,660 million, a decrease of 39.4% compared to the previous year, mainly attributable to a deterioration in operating income as a result of rising raw material costs and higher SG&A expenses, partially offset by a lighter tax burden.

Quiñenco and Others

As shown in the line Quiñenco and Others in Table No. 7, the contribution to net income at the corporate level amounted to Ch$846 million in 2007, compared to a loss of Ch$35,727 million in 2006. The variation between 2007 and 2006 is mainly explained by a non-recurring gain on the sale of shares of Entel (through multiple transactions on the Santiago Stock Exchange) of Ch$37,289 million. During the year Quiñenco reduced its position in Entel by 2.8% and as of December 31, 2007 held a 2.9% interest. This effect was partially offset by a heavier tax burden (at the intermediate holding company level).

BALANCE SHEET

Assets

As of December 31, 2007, Quiñenco had consolidated assets of Ch$1,808,430 million, an increase of 13.0% compared to 2006.

Current assets were Ch$482.991 million, which represented an increase of 22.4%. The increase was primarily attributable to a higher level of short-term investments and inventory at Madeco as a consequence of higher sales volumes and raw material price increases.

Fixed assets reached Ch$314,969 million, an increase of 13.6%, mainly explained by incorporation of fixed assets at Madeco and Telefónica del Sur.

Other long-term assets were Ch$1,010,471 million, an increase of 8.7% compared to last year, principally due to an increase in the equity investment related to Banco de Chile as a result of the capitalization of a portion of its net profits during the year. In addition, the equity investment account increased, reflecting Quiñenco's participation in the bank's capital increase in 2007.

Table No. 8 below shows the composition of consolidated assets on a comparative basis:

Table No. 8: Composition of consolidated assets

	In millions of Ch$ as of December 31, 2007	
	2007	2006
Madeco	487,097	447,624
Telefónica del Sur	153,687	139,615
Quiñenco and others (1)	1,167,646	1,013,627
Total consolidated assets	**1,808,430**	**1,600,866**

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

Liabilities

Table No. 9 presents Quiñenco's consolidated liabilities at the close of each year.

Table No. 9: Composition of consolidated liabilities and shareholders' equity

	In millions of Ch$ as of December 31, 2007	
	2007	2006
Current liabilities	189,555	130,982
Long-term liabilities	429,758	460,231
Total liabilities	**619,313**	**591,213**
Minority interest	193,330	182,751
Shareholders' equity	995,787	826,902
Total liabilities and shareholders' equity	**1,808,430**	**1,600,866**

As of December 31, 2007, consolidated liabilities amounted to Ch$619,313 million, a 4.8% increase compared to year end 2006. The increase was attributable to higher indebtedness at Madeco related to greater working capital needs and acquisitions financing.

Table No. 10 shows the composition of consolidated liabilities at the close of each year:

Table No. 10 Composition of consolidated liabilities

	In millions of Ch$ as of December 31, 2007	
	2007	2006
Madeco	200,650	165,137
Telefónica del Sur	75,204	63,174
Quiñenco and others (1)	343,460	362,902
Total liabilities	**619,313**	**591,213**

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

Consolidated leverage decreased from 0.71:1 at the close of 2006 to 0.62:1 in 2007, mainly explained by the 20.4% increase in net worth. Current liabilities represented 30.6% of total liabilities, compared to 22.2% as of December 31, 2006.

Minority interest at the end of 2007 was Ch$193,330 million, 5.8% higher than the year before, principally related to a greater third party shareholder participation in Madeco.

Shareholders equity

At the close of 2007, shareholders' equity amounted to Ch$995,787 million, an increase of 20.4% compared to 2006. The increase in shareholders' equity mainly corresponded to the capital increase carried out in 2007 and the net earnings for the period, partially offset by a dividend distribution in May 2007.

The book value of Quiñenco's shares as of December 31, 2007 was Ch$870.00 per share and the earnings per share for the year amounted to Ch$91.95.

FINANCIAL INDICATORS

		12.31.07	9.30.07	12.31.06
LIQUIDITY				
Current ratio		2.5	2.5	3.0
Acid test ratio		1.0	0.9	1.0
INDEBTEDNESS				
Debt/equity ratio		0.62	0.64	0.71
Short-term debt/total debt		30.61%	32.32%	22.15%
Long-term debt/total debt		69.39%	67.68%	77.85%
Interest coverage ratio	Times	4.86	5.29	3.14
BALANCE SHEET				
Total assets	MCh$	1,808,430	1,806,717	1,600,866
Inventory rotation	Times	5	4	6
Inventory turnover/days		73	101	62
INCOME STATEMENT				
Sales	MCh$	700,767	545,789	661,693
Cost of goods sold	MCh$	(600,820)	(465,969)	(548,865)
Operating income	MCh$	39,038	35,486	57,738
Interest expense	MCh$	(29,507)	(21,585)	(30,724)
Non-operating income	MCh$	90,127	70,320	28,704
Net income for the year	MCh$	105,241	80,374	61,264
PROFITABILITY				
ROE		11.5%	9.0%	7.7%
ROA		6.2%	4.7%	4.0%
Return on operating assets (*)		5.3%	4.8%	9.5%
Earnings per share	Ch$	91.95	70.22	56.74
Dividend yield		1.6%	1.5%	1.8%

(*) 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, 2007, its investments in operating companies were concentrated in four sectors as shown in Table No. 7 "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 No. 3 "Composition of consolidated sales".

CASH FLOW SUMMARY

	In millions of Ch$ as of December 31, 2007	
	2007	2006
Net cash flow provided by operating activities	71,510	59,763
Net cash flow (used) provided by financing activities	44,193	(4,900)
Net cash flow provided (used) by investing activities	(132,741)	(116,562)
Total net cash flow for the year	**(17,038)**	**(61,699)**
Price-level restatement on cash and cash equivalents	3,597	618
Net increase (decrease) in cash and cash equivalents	**(13,441)**	**(61,081)**
Cash and cash equivalents at the beginning of the year	43,554	104,635
Cash and cash equivalents at the end of the year	**30,113**	**43,554**

As of December 31, 2007, Quiñenco generated negative consolidated net cash flow of Ch$17,038 million, due to the cash flow used in investing activities of Ch$132,741 million, partially offset by cash flow provided by operating activities of Ch$71,510 million and cash flow provided by financing activities of Ch$44,193 million.

The cash flow used in investing activities was mostly composed of investments of Quiñenco and intermediate holding companies in financial instruments of Ch$89,482 million, investments (mostly Banco de Chile) of Ch$69,912 million and fixed asset incorporation at Madeco and Telefónica del Sur of Ch$54,662 million, partially offset by sales of investments (Entel shares) of Ch$53,045 million and other investment income of Ch$23,378 million. Cash flow provided by financing activities is mostly made up of proceeds from Quiñenco's capital increase of Ch$73,465 million, partially offset by dividend payments amounting to Ch$20,079 million and payment of bonds for Ch$12,897 million (Quiñenco, intermediate holding companies and Madeco). Cash flow provided by operating activities is mostly made up of dividends received from Banco de Chile, and to a lesser extent, CCU, which amounted to Ch$54,753 million as well as collection of accounts receivable (net of payments to suppliers) of Ch$46,673 million, partially offset by interest payments of Ch$27,988 million.

EXCHANGE RATE RISK AND INTEREST RATE RISK

As of December 31, 2007 and 2006, Quiñenco maintains on a consolidated basis, assets and liabilities in foreign currencies as shown in Table No. 11. Quiñenco has a net asset exposure in US dollars, mainly corresponding to Madeco's fixed assets and investments abroad. Management has not utilized hedging mechanisms to cover this risk.

Table No. 11 Foreign currency exchange rate risk exposure

In millions of Ch$ as of December 31, 2007

2007	US dollar	Euro	Argentine peso	Peruvian sole	Brazilian real	Colombian peso	Other currencies
Assets	164,599	1,635	18,203	37,135	75,555	14,293	-
Liabilities	(84,690)	(154)	(6,021)	(6,194)	(31,016)	(5,813)	(1)
FX forwards	-	-	-	-	(26,662)	-	-
Net exposure in assets (liabilities)	**79,909**	**1,480**	**12,182**	**30,941**	**17,876**	**8,480**	**(1)**

In millions of Ch$ as of December 31, 2007

2006	US dollar	Euro	Argentine peso	Peruvian sole	Brazilian real	Colombian peso	Other currencies
Assets	166,987	1,257	17,657	16,686	65,678	-	64
Liabilities	(63,066)	(195)	(7,791)	(4,512)	(28,249)	-	(1,064)
FX forwards	(2,745)	-	-	-	(29,013)	-	-
Net exposure in assets (liabilities)	**101,176**	**1,062**	**9,865**	**12,174**	**8,416**	**-**	**(1,001)**

With respect to interest rate risk, 67.8% (65.5% in 2006) of Quiñenco's interest bearing debt has been contracted at fixed rates and amounts to Ch$352,918 million (Ch$338,567 million in 2006). The remaining 32.2% (34.5% in 2006) corresponds to variable rates, equivalent to Ch$167,710 million (Ch$178,310 million in 2006). The exposure in terms of interest rate risk was equivalent to 9.3% of consolidated assets at the end of 2007 (11.1% in 2006). Management has not utilized hedging mechanisms to cover this risk.

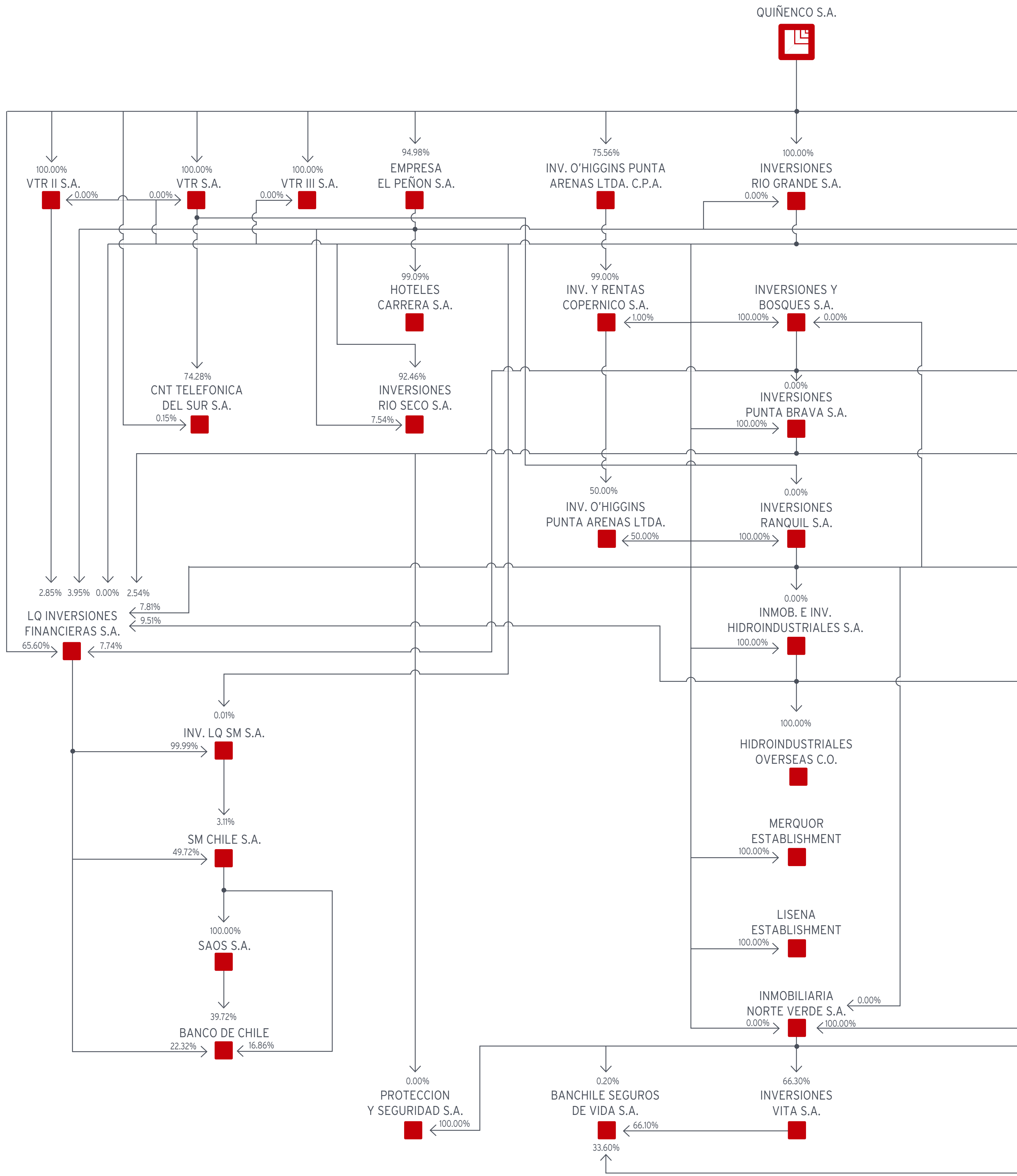
Other information and quarterly financial reports (summarized) may be found on Quiñenco's website at www.quinenco.cl.

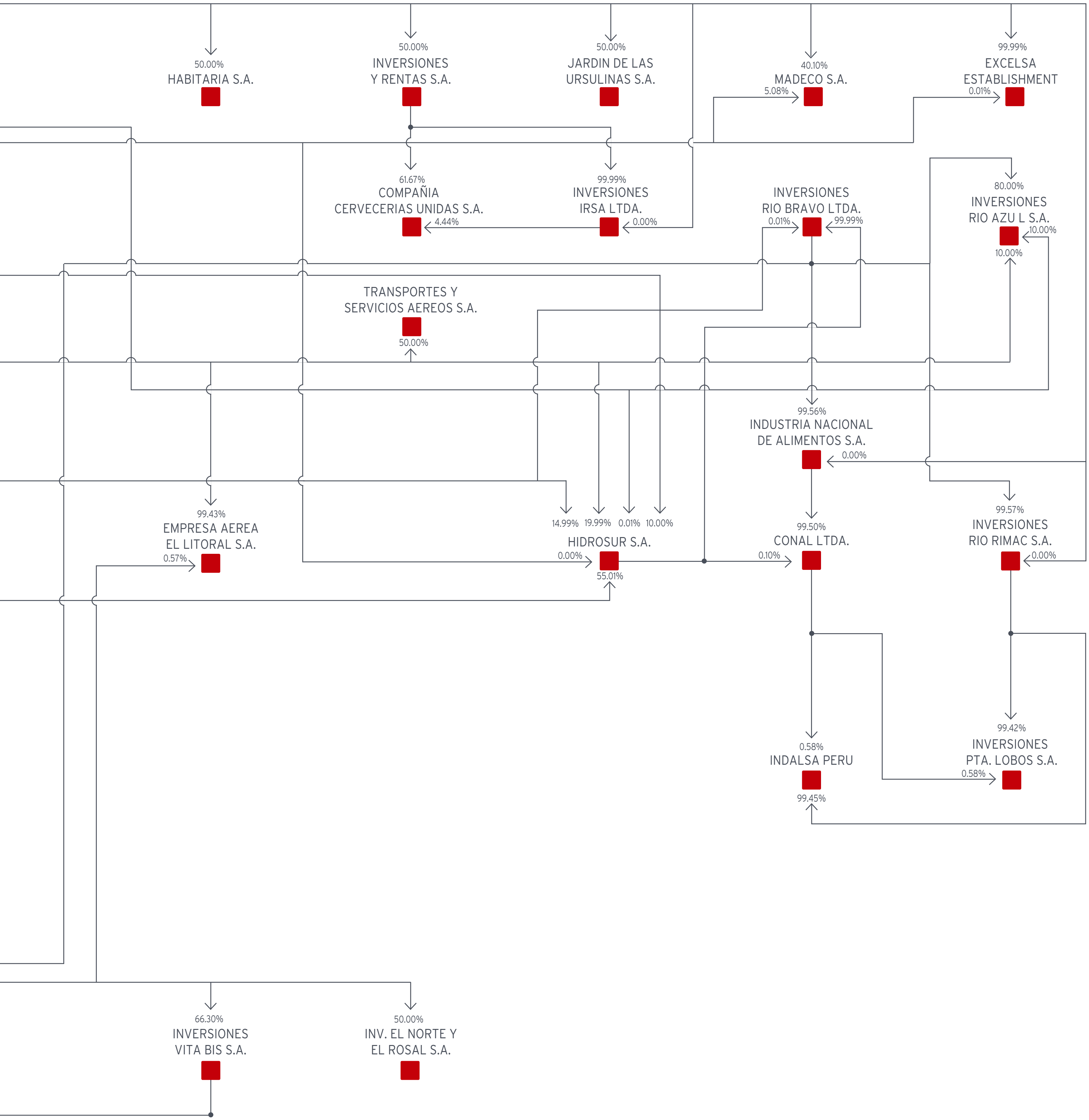
Francisco Pérez Mackenna
Chief Executive Officer

CORPORATE STRUCTURE

Subsidiaries and Affiliate Companies
As of December 31, 2007

QUIÑENCO S.A. SUBSIDIARIES AND AFFILIATES

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HABITARIA S.A.
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INVERSIONES
Y RENTAS S.A.
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JARDIN DE LAS
URSULINAS S.A.
40.10%
MADECO S.A.
5.08%
99.99%
EXCELSA
ESTABLISHMENT
0.01%
61.67%
COMPAÑIA
CERVECERIAS UNIDAS S.A.
4.44%
99.99%
INVERSIONES
IRSA LTDA.
0.00%
INVERSIONES
RIO BRAVO LTDA.
0.01%
99.99%
80.00%
INVERSIONES
RIO AZU L S.A.
10.00%
10.00%
TRANSPORTES Y
SERVICIOS AEREOS S.A.
50.00%
99.56%
INDUSTRIA NACIONAL
DE ALIMENTOS S.A.
0.00%
99.43%
EMPRESA AEREA
EL LITORAL S.A.
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14.99%
19.99%
0.01%
10.00%
HIDROSUR S.A.
0.00%
55.01%
99.50%
CONAL LTDA.
0.10%
99.57%
INVERSIONES
RIO RIMAC S.A.
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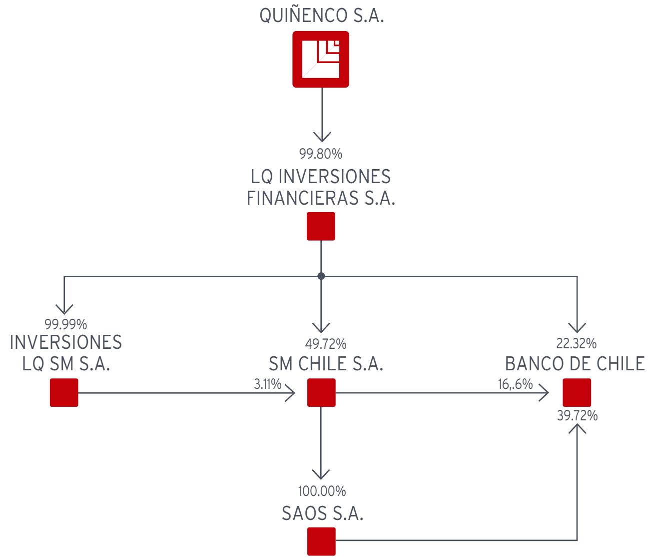
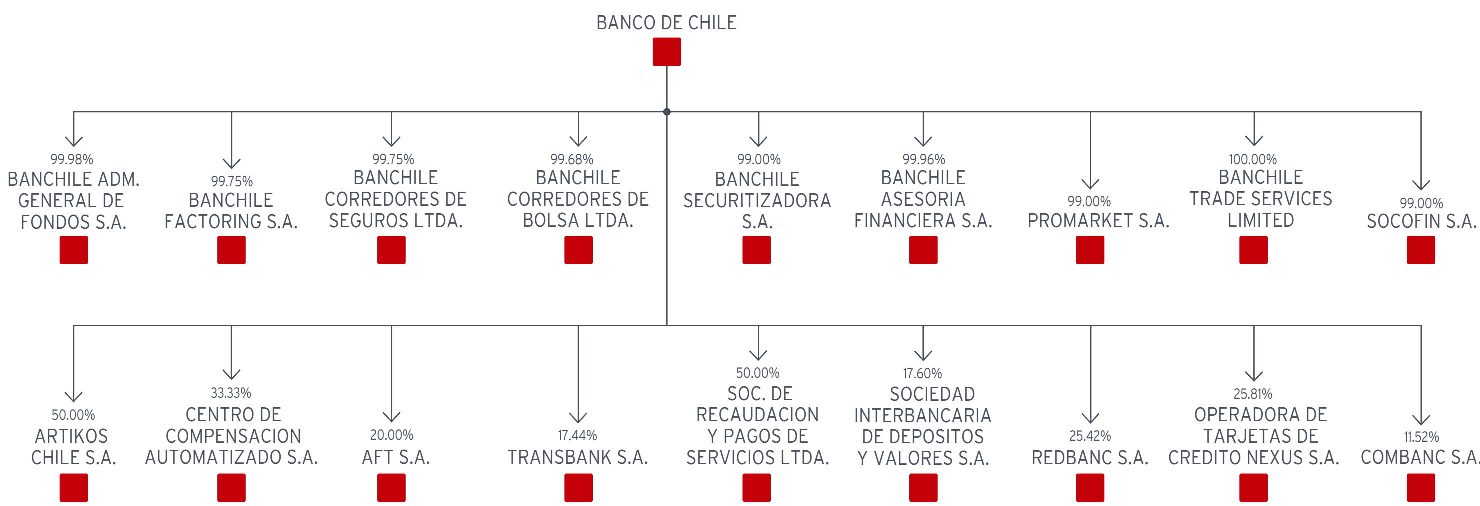
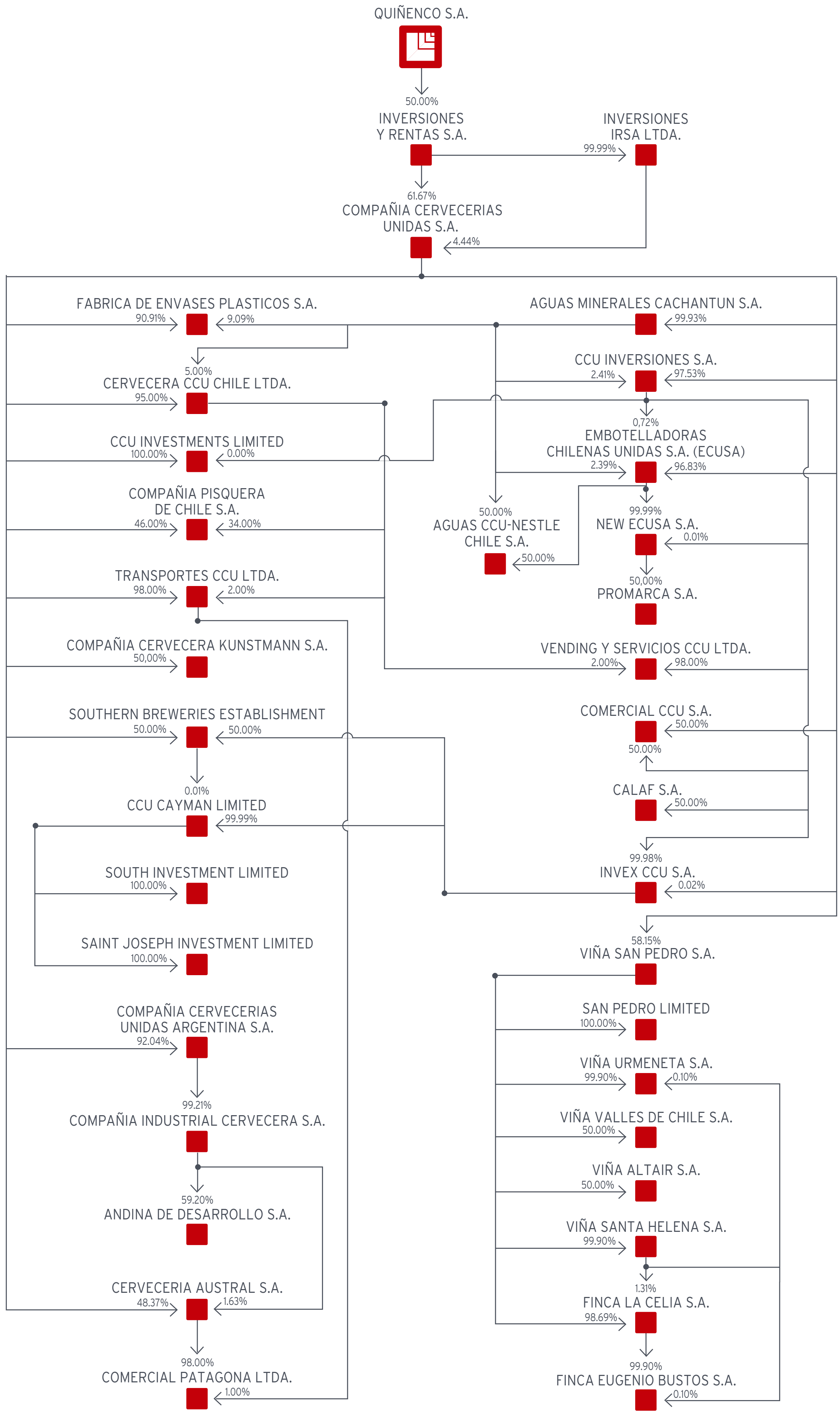
0.58%
INDALSA PERU
99.45%
99.42%
INVERSIONES
PTA. LOBOS S.A.
0.58%
66.30%
INVERSIONES
VITA BIS S.A.
50.00%
INV. EL NORTE Y
EL ROSAL S.A.

LQ INVERSIONES FINANCIERAS S.A. SUBSIDIARIES AND AFFILIATES

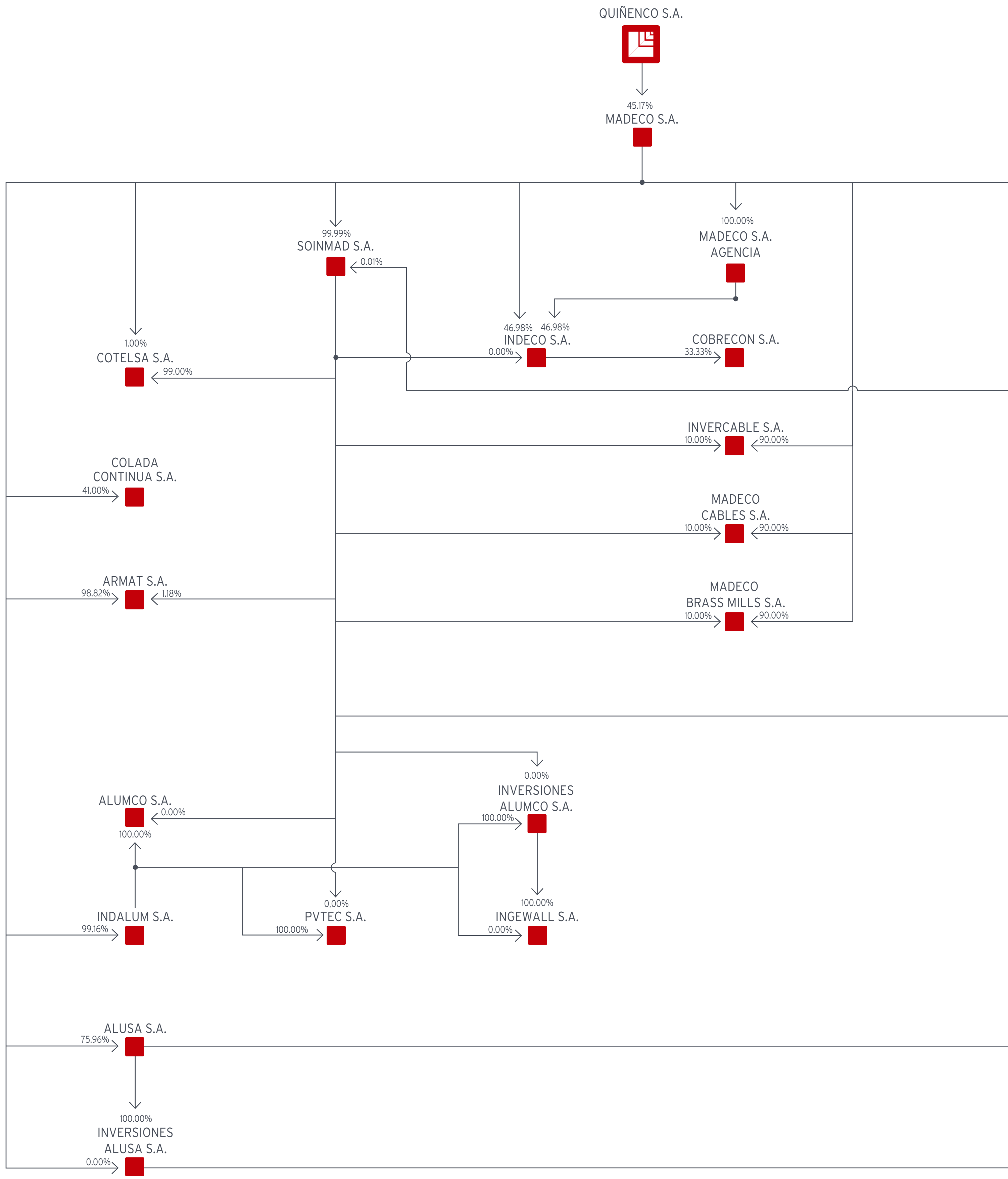


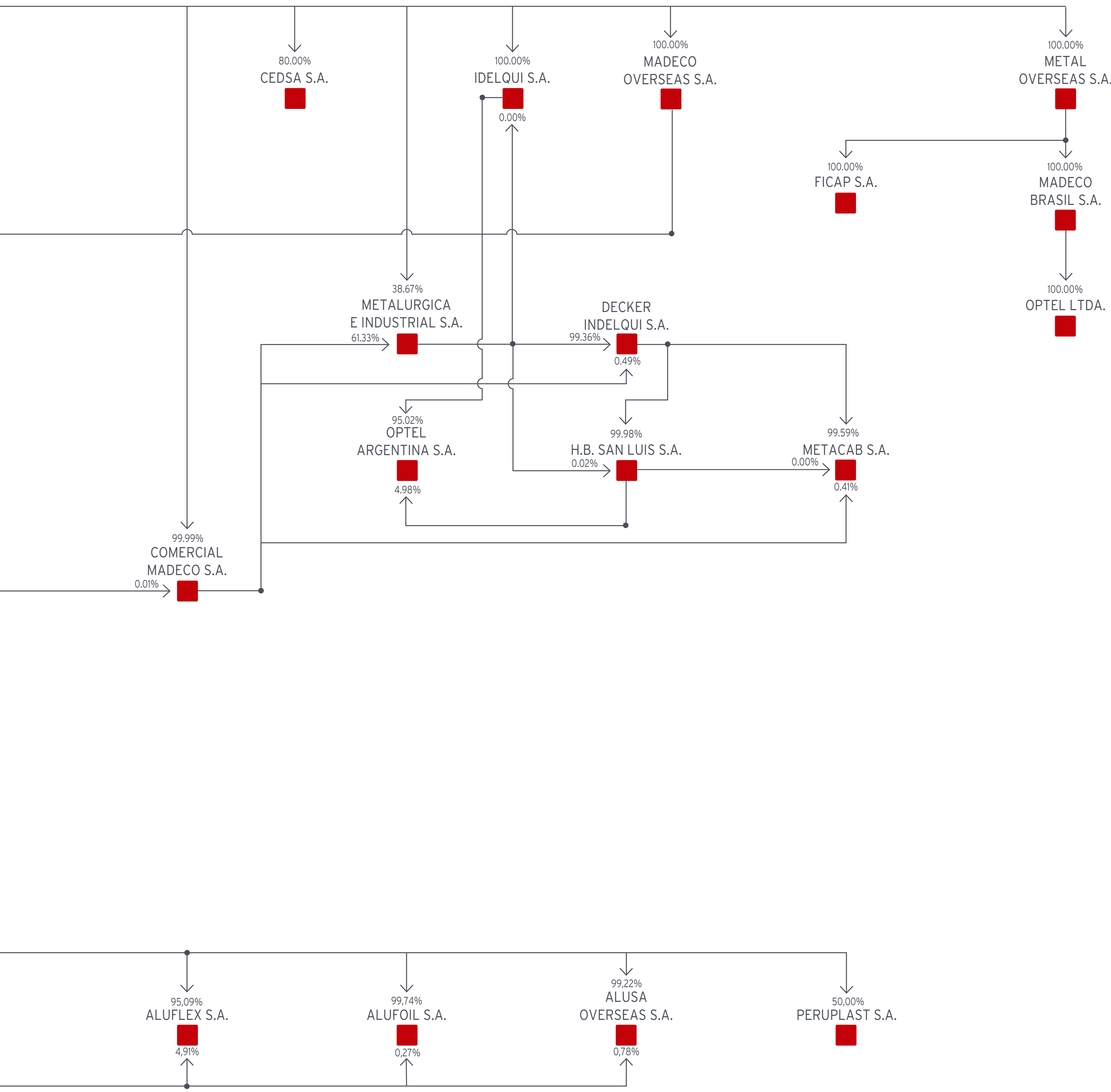


COMPAÑIA CERVECERIAS UNIDAS S.A.
SUBSIDIARIES AND AFFILIATES



MADECO S.A. SUBSIDIARIES AND AFFILIATES

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IDELQUI S.A.
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MADECO
OVERSEAS S.A.
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METAL
OVERSEAS S.A.
100.00%
FICAP S.A.
100.00%
MADECO
BRASIL S.A.
100.00%
OPTEL LTDA.
38.67%
METALURGICA
E INDUSTRIAL S.A.
61.33%
DECKER
INDELQUI S.A.
99.36%
0.49%
95.02%
OPTEL
ARGENTINA S.A.
4.98%
99.98%
H.B. SAN LUIS S.A.
0.02%
99.59%
METACAB S.A.
0.00%
0.41%
99.99%
COMERCIAL
MADECO S.A.
0.01%
95,09%
ALUFLEX S.A.
4,91%
99,74%
ALUFOIL S.A.
0,27%
99,22%
ALUSA
OVERSEAS S.A.
0,78%
50,00%
PERUPLAST S.A.

COMPAÑIA NACIONAL DE TELEFONOS, TELEFONICA DEL SUR S.A. SUBSIDIARIES