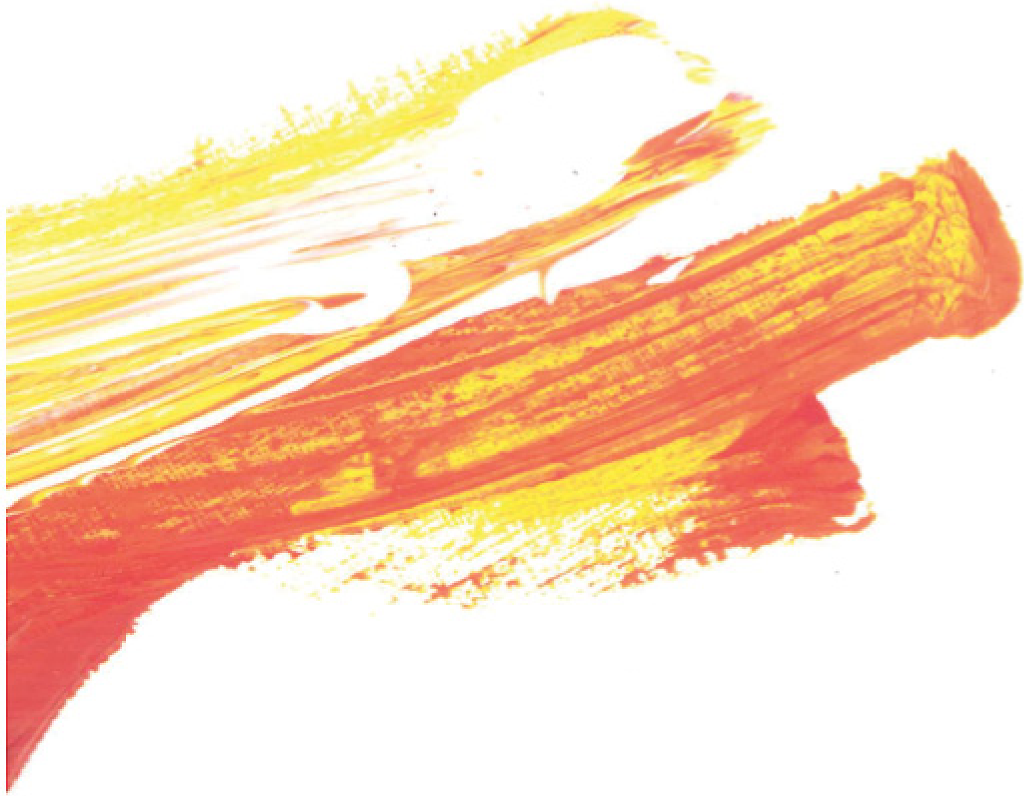
2005 annual report



QUIÑENCO S.A.

Quiñenco S.A.
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Enrique Foster Sur 20, 14th Floor
Las Condes,
Santiago, Chile
Telephone: (56-2) 750-7100
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Website:
www.quinenco.cl
www. quinencogroup.com

Shareholder Services
Enrique Foster Sur 20, 14th Floor
Las Condes,
Santiago, Chile
Teléfono: (56-2) 750-7100
dptoacciones@lq.cl

Investor Relations
Contact Cindi Freeman
Investor Relations Manager
Telephone: (56-2) 750-7221
Fax: (56-2) 245-6241

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

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

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

CORPORATE IDENTIFICATION

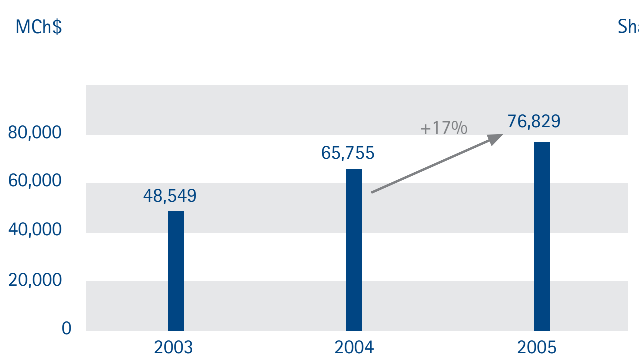
QUIÑENCO is an open stock company, which was incorporated as Forestal Quiñenco S.A. by public deed on January 28, 1957 and modified by public deed on April 15, 1957, both in the Valparaíso Notary Office of Mr. Carlos Calderón Cousiño. The company transferred its domicile to Santiago by a reform in its 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 November 5, 2004, granted before the Santiago Notary Office of Mr. Andrés Rubio Flores. An abstract of this reform was registered on page 38,347, number 28,535 of the Santiago Register of Commerce of 2004, and it was published in the Official Gazette on November 29, 2004.

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).

5 YEAR FINANCIAL HIGHLIGHTS

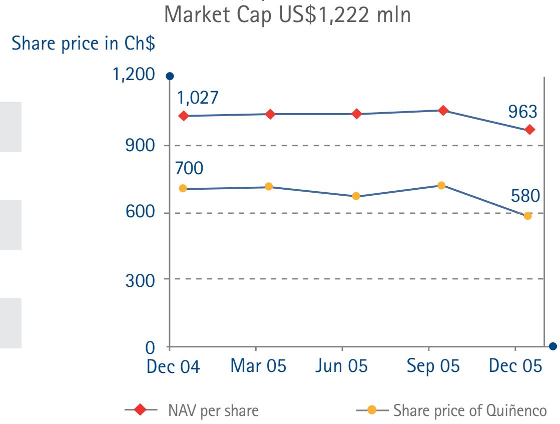
In millions of constant Ch$ as of December 31, 2005		2005	2004	2003	2002	2001
CONSOLIDATED RESULTS						
Net sales revenue	MCh$	421,968	396,281	366,314	425,038	523,667
Operating income		30,646	28,128	13,066	11,022	19,349
EBITDA		56,789	54,630	42,557	43,229	54,408
Proportionate share of net income of equity-method investments		71,806	60,574	58,831	27,010	40,048
Other non-operating loss		(37,061)	(58,440)	(58,650)	(143,174)	(81,441)
Net income (loss) for the year		51,080	24,193	38,637	(80,954)	17,133
FINANCIAL POSITION						
Total assets	MCh$	1,362,522	1,384,096	1,426,144	1,633,702	1,724,697
Total liabilities		519,214	613,956	677,504	872,397	877,120
Minority interest		139,055	112,233	98,768	85,065	99,278
Shareholders' equity	MCh$	704,252	657,907	649,873	676,239	748,299
Current ratio (current assets/ current liabilities)		2.69	1.47	1.54	0.85	1.04
Leverage (total liabilities/SH equity)		0.74	0.93	1.04	1.29	1.17
Earnings (loss) per share	Ch$	47.31	22.41	35.78	(74.98)	15.87
OTHER INFORMATION						
Number of shareholders		2,009	2,405	2,588	2,770	2,898
Number of shares outstanding		1,079,740,079	1,079,740,079	1,079,740,079	1,079,740,079	1,079,740,079

NET INCOME (LOSS) CONTRIBUTION FROM OPERATING COMPANIES

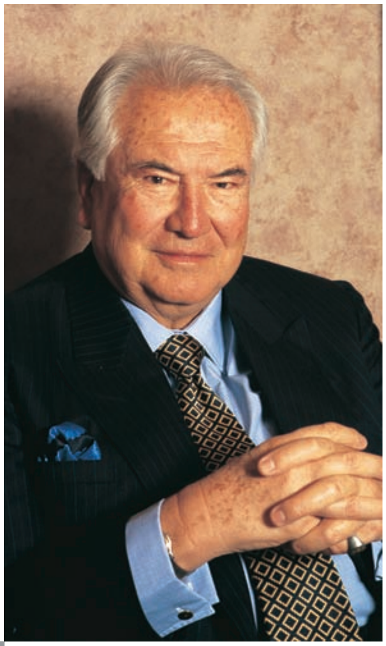


NAV/SHARE PRICE EVOLUTION

as of 12.31.05
NAV US$2,028 mln
Market Cap US$1,222 mln



QUIÑENCO S.A.



ANDRONICO LUKSIC ABAROA

1926-2005

Genetic, cultural, historical and psychological factors influenced the life of Andrónico Luksic Abaroa, but perhaps none of these factors explain how he became one of the most important and globalized Chilean businessmen of all times.

He was born in Antofagasta in 1926, the son of Elena Abaroa and a Croatian immigrant, Policarpo Luksic, just before the collapse of the Chilean nitrates industry. After studying law in Santiago, he lived in Europe for three years before returning to the country to become a partner in a vehicle distribution company, Soinarte. At that time, he was 24 years old and clearly unaware that this would be the beginning of a business career that would span another 55 years.

As a man with strong roots in the north of Chile, he saw great opportunities in mining from an early age. His first copper mine, Portezuelo, apart from helping him to learn the basics of the business in the early 1950s, introduced him to the complexity of the Andes mountains. Traversing them thoroughly and observing them with fascination, he would in time become a successful explorer and the owner of mining claims like El Tesoro, Michilla and Los Pelambres, one of the biggest copper mines in the world today.

At the end of the 1960s, he began to focus his business energies on other activities. With this drive, he not only diversified his businesses but also took over various emblematic Chilean companies like Lucchetti, Madeco, Hoteles Carrera, CCU and VTR. In the 1980s, he entered the financial services sector with substantial investments in Banco O'Higgins and Banco de Santiago, while also acquiring a controlling interest in Antofagasta Plc, a company that would later become a diversified mining conglomerate with offices in Antofagasta, Santiago and London.

"What some people call luck is not something that just happens; it has to be created".

Andrónico Luksic A.

In the 1990s, Andrónico Luksic restructured his businesses by converting Forestal Quiñenco, originally a timber business, into a holding company, now called Quiñenco S.A., to concentrate all of his businesses not related to the mining industry. Today Quiñenco is one of the principal business groups in the country with an important presence in the financial services, industrial and telecommunications sectors.

In addition to being a visionary and energetic entrepreneur, he was also a man very dedicated to his family, a characteristic that would lead him to instill his business creed in his sons from a very early age. He was a citizen whose commitment to Chile was evidenced in the creation of companies, employment, wealth and multiple charitable actions aimed at motivating impoverished communities and educating young people from disadvantaged backgrounds. He personally embraced the recovery of a technical-agricultural school and, thanks to his support, more than three hundred young people now have free access to good training and significantly higher expectations for their future. The civic and moral aspect of this experience led him to further sponsor other similar initiatives. He transmitted a profound sense of social responsability to his children and today they head different foundations dedicated to education, legal assistance, health and culture.

A man of enormous optimism even in times of adversity, Andrónico Luksic Abaroa believed in the potential of his projects and people. He was a great team builder and as an employer he was especially interested in the welfare of his personnel. In his passing, we are reminded of his generous spirit and the lessons in life he left behind, many of which are part of the motivational forces we experience daily at Quiñenco.

DEAR SHAREHOLDERS,

I would like to comment on Quiñenco's performance last year and share with you some of our expectations for 2006. However, before doing so, I must first express our deepest sorrow for the loss of the man who was the founder of our company, Andrónico Luksic Abaroa.

My personal feelings, as well as those of all of us at Quiñenco, have on this occasion kindled a desire to share part of the legacy of this visionary man who, through his example, instilled in us perseverance, tenacity and an enthusiasm for life, qualities that form part of the Quiñenco culture.

Andrónico Luksic Abaroa became one of the great leaders in the development of the Chilean business arena at the end of the 1940s. His extraordinary intuition enabled him to take advantage of opportunities and carry out his projects successfully. He formed and progressively developed important companies in the fields of mining, industry, banking and services, setting the bases on which the group is now solidly founded: a corporate conglomerate that operates with great dynamism, permanently contributing to the country's development. The strength that my father stamped on all of the projects he undertook has always been, and will continue to be, a model for those of us who are part of the Quiñenco group. The proof that this heritage is alive is that Quiñenco has continued to strengthen its position among the most important players in the financial services, food and beverage, telecommunications and manufacturing sectors, with capacity to further innovate and take on new business opportunities.

Letter from the Chairman

I must first express our deepest sorrow for the loss of the man who was the founder of our company, Andrónico Luksic Abaroa.

We can look again with satisfaction at the notable results of the company and its subsidiaries for the past year, having met the targets we set for ourselves during that period. In 2005, the global economy showed good progress and Chile was no exception. Its solid macroeconomic base, sustained growth and an environment of political and institutional stability have enabled the country to position itself favorably in the Latin American context, providing a platform for ever stronger investment. In addition, high copper prices and a proper handling of inflation and interest rates by the monetary authorities benefited domestic demand which became the principal force of economic growth.

Our companies and their human teams have known how to take advantage of these conditions and produced attractive results, which have added value for our shareholders in 2005. Quiñenco reported net earnings of Ch$51,080 million in 2005, a 111% increase over the Ch$24,193 million it earned in 2004. These excellent results are the product of skillful management at the corporate level and a very good performance by the group's operating companies.

The year was particularly positive for the corporate center. The public tender offer on Almacenes París enabled us to receive more than US$115 million from the sale of our 11.4% interest, which implied a return on investment of over 62%. In November, we completed a debt restructuring at the corporate level, which significantly improved our financing conditions. These transactions, added to the healthy level of dividends received from our investments during 2005, leave us in a good position to face new business opportunities with confidence.

With respect to our investment in the financial services sector, our subsidiary Banco de Chile produced record profits, which represented an increase of around 14% over the previous year. At the same time, and thanks to a strengthened business model, optimization of the fees structure, lower allowances for doubtful accounts and the growth in loans, the bank was, for the second consecutive year, the most profitable in the Chilean financial system, with a return on capital and reserves of nearly 30%.

With respect to the investigation of two of the bank's branches in the United States, Banco de Chile has put into effect a complete program for regulatory compliance and information sharing with American regulators. These branches are important agents for the bank abroad and will continue to focus on providing a high level of service for their customers.

Compañía Cervecerías Unidas (CCU) achieved the highest sales level in its 155 years of history, surpassing the record previously set in 2004. The increase in the profitability of its business segments enabled it to improve both its operating profits and cash generation. The deeper market penetration of its different product categories, supported by continuous product launchings, was reflected in strong market shares. CCU's extensive distribution network facilitates its strong presence and the growing accessibility of its consumer products, and its growth strategy has permitted a continuous creation of value of the different brands, thus cementing the company's future growth potential.

I have to mention that in 2005, the pisco business, which started out in 2003 with the Ruta Norte brand, significantly increased the scope of its activities through an association with the well-known company Pisco Control. This resulted in Compañía Pisquera de Chile, a company that today controls about 50% of the Chilean pisco market, estimated at approximately US$200 million. As the process consolidates, synergies will begin to be reflected in an efficient cost structure, and this should contribute towards the upward profitability of the company.

In Quiñenco, we believe that the current economic environment lends itself well to new investment opportunities.

Telefónica del Sur once again demonstrated its adaptability in the ever-changing telecommunications industry. As a strategy for facing the continued substitution of fixed-line telephony, Telefónica del Sur has been able to develop innovative fixed-charge plans, prepayment options and the cross-selling of its products and services.

Telefónica del Sur has also been developing non-traditional businesses like broad-band internet, tele-surveillance and data transmission, thus forming its own space in the new telecommunications era. The strong growth in these areas, which reached 29% of the company's consolidated sales in 2005, was reflected in the number of subscribers which increased by 23% last year. At the same time, it has carried out this transformation and fundamental change in its business structure in an efficient manner, thus allowing it to maintain its operating margins and generate strong cash flow.

Madeco continued its upward trend during 2005, thanks to the good performance by its cables business in its principal markets, mainly attributable to heightened demand from utility companies. The EBITDA for this line of business increased by more than 50% in 2005, the highest level seen in recent years. Nonetheless, soaring copper prices led to a need for higher levels of working capital, which were partly financed by a capital increase made at the end of the year. This capital increase enabled Madeco to fortify its debt structure and increase its profitability potential. The company is now strengthened to meet growth demands over the coming years.

The progressive growth forecasted for the Chilean economy permits us to face a challenging business scenario from a very favorable position. In Quiñenco, we believe that the current economic environment lends itself well to new investment opportunities. We therefore expect that our companies will be able to benefit and that their positions in their respective industries will continue to strengthen, whether this be through higher growth or new acquisitions.

I wish to express my thanks to you, our shareholders, for the trust you have deposited in the Board, management and all of the people who form part of our network, which has enabled us to concentrate on our tasks with dedication and to project ourselves into the future with enthusiasm.

Finally, I would like to share with you throughout this annual report, some phrases, which were characteristic of my father. These sayings reflect the simplicity, pragmatism and positive attitude that were his trademarks during his lifetime, and over time, have become part of the culture of Quiñenco.

Guillermo Luksic Craig
Chairman of the Board

Board of Directors

MATKO KOLJATIC MAROEVIC*
Director

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

HERNAN BÜCHI BUC
Director

Civil Mining Engineer,
University of Chile

GUILLERMO LUKSIC CRAIG*
Chairman

Director of Companies

* Member of the
Directors' Committee




JUAN ANDRES FONTAINE TALAVERA

Director

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

ANDRONICO LUKSIC CRAIG

Vice Chairman

Director of Companies

GONZALO MENENDEZ DUQUE*

Director

Business Administrator,
University of Chile

ADVISOR TO THE BOARD

Gustavo Delgado Opazo

Director of Companies
General Accountant

JEAN-PAUL LUKSIC FONTBONA

Director

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

History

1957

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

1960s

Lucchetti S.A. and Colcura Forestal S.A. become part of Forestal Quiñenco.

1970s

Hoteles Carrera joins the group.

1980s

The 80s is a decade of important acquisitions for the group. Starting with share purchases of Banco O'Higgins and Banco de Santiago, the group enters the finance services sector.

The group acquires a majority share in Madeco.

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

In the telecommunications sector, Quiñenco acquires a majority stake in VTR.

1993

In order to fortify its presence in the financial services sector, Quiñenco forms a partnership with Banco Central Hispanoamericano, creating the OHCH group.

1995

Quiñenco gains a controlling interest in Banco de Santiago.

With the objective of strengthening VTR's telecom business, Quiñenco enters into a strategic alliance with SBC Communications, Inc.

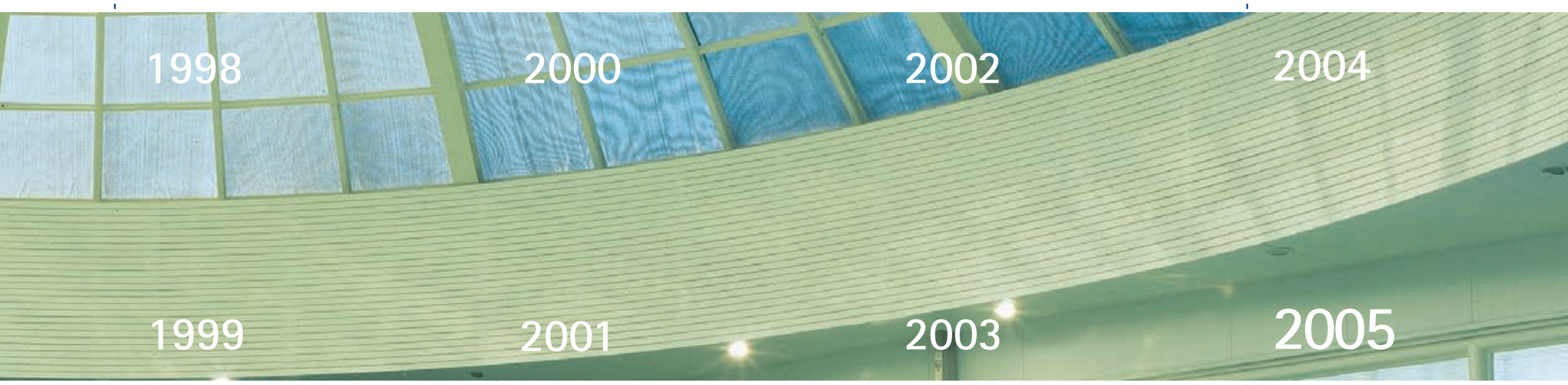
1996

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

The group's stake in Startel, a leader in mobile telephony, is sold to CTC.



1998

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

Habitaria is created in partnership with the Spanish construction company, Ferrovial Inmobilaria.

1999

Following the sale of Banco Central Hispanoamericano to BSCH, Quiñenco sells its stake in OHCH to the BSCH consortium. Shortly thereafter, Quiñenco acquires 51.2% of Banco de A. Edwards and an 8% interest in Banco de Chile, recreating its strong presence in the financial services sector.

Quiñenco acquires a 14.3% stake in Entel.

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

2000

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

2001

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

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.

2002

On the first day of the year, the merger between Banco de Chile and Banco Edwards becomes effective, creating the largest bank in Chile at that time.

2003

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

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

Quiñenco moves to reduce its presence in the hotel industry by selling Hotel Carrera of Santiago to the Chilean Ministry of Foreign Relations.

2004

Quiñenco divests 100% of its interest in Lucchetti Chile, marking the end of its long tradition as a pasta producer.

Calaf, a cookie and candy manufacturer, is acquired through a joint venture with CCU and Indalsa.

Quiñenco acquires an 11.41% interest in a leading retail department store chain, Almacenes Paris near the end of the year

2005

Quiñenco realizes important gains upon the sale of its interest in Almacenes Paris to Cencosud in a public tender offer.

Taking advantage of prevailing market conditions, Quiñenco refinances its financial debt, significantly lowering interest rates and improving its financial structure and debt profile.

Quiñenco completes its exit from the hotel industry by divesting Hotel Araucano in Concepción.

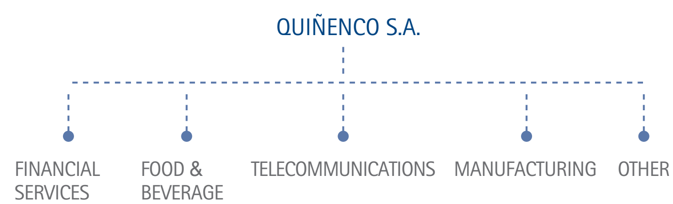
The holding supports Madeco's growth plan by participating in its capital increase.

Quiñenco Profile

We are the parent company of one of the most important business conglomerates in Chile. Our consolidated assets exceed US$2.6 billion and our market cap borders US$1.2 billion, having grown on average by 68% over the past three years.

Our investments are concentrated in key areas of the economy such as the financial services, food and beverage, telecommunications and manufacturing sectors, the first two of which are the most relevant, representing 81% of total investments and 71% of corporate level assets.

Our investment criteria is oriented to 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. This investment strategy has enabled us to create value over time and to provide attractive returns for our shareholders.



GROWTH STRATEGY

Strengthen value creation in core businesses through:

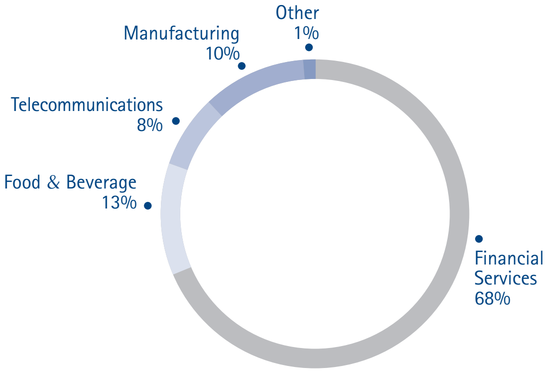
- Market leadership
- Adoption of best practices
- Exploitation of synergies across business units
- Increases in productivity and efficiencies
- Reorganizations and restructurings
- Highly skilled personnel
- Acquisition and divestment of businesses

Investment criteria:

- Brand and franchise development potential
- Adequate critical mass
- Developed distribution networks
- Industry experience
- Access to strategic partners and commercial alliances
- Controlling stakes

INVESTMENTS BY SECTOR

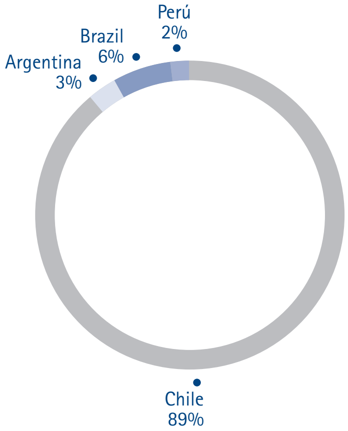
As of December 31, 2005 MCh$931,005



Book values as of December 31, 2005
(Quiñenco and intermediate holding companies)

CONSOLIDATED ASSETS BY COUNTRY

As of December 31, 2005 MCh$1,362,522



In our role as parent company, our main priority is the development of our group companies. We strive to reinforce the management capacity and performance of our group companies through methods that have proven successful during our almost fifty years of existence. We work together with the management of each entity, defining long-term strategies, projecting annual forecasts, supervising and controlling 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.

When an opportunity arises to enter new businesses, we may seek out first-class strategic partners to complement our knowledge and introduce added experience and capital resources. Several of the entities comprising the group have trading alliances with leading global companies in order to offer the best products and services to its consumers.

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 possible divestments. Our track record evidences our success, with proceeds from the sale of investments exceeding US$2.3 billion since our listing on the stock exchanges in 1997. 2005 was no exception and during the year we received US$140 million from the sale of holdings in the retail sector. These funds are fundamental for financing future acquisitions and supporting the growth of our subsidiaries.

FRANCISCO PEREZ MACKENNA | CEO

Proceeds from the sales of investments were close to US$140 million in 2005. Coupled with strong dividend cash flow, these resources allow us, as a corporate center, to develop new projects and support our subsidiaries in their growth plans.

2005 Financial Results

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

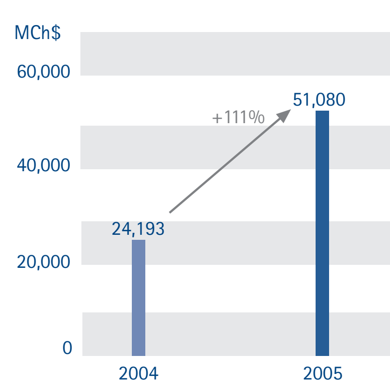
Quiñenco reported consolidated revenues of Ch$421,968 million in 2005, up 6.5% from the 2004 level. Consolidated revenues were boosted by the 8.9% or Ch$29,788 million increase in sales corresponding to Madeco's operations, related to strong demand for cable products in its main markets. The increase in consolidated revenues was partially offset by a Ch$3,979 million reduction in revenues at the corporate level, which in 2005 included the operations of Hoteles Carrera and Indalsa, both of which have divested almost all of their productive assets.

Consolidated operating income rose by 9.0% reaching Ch$30,646 million in 2005. The increase in operating profit for the year was mainly attributable to Madeco's operations, which, in spite of sustained increases in raw material costs and higher SG&A expenses, benefited from strong cable sales and improved performance from the flexible packing unit. To a lesser extent, reduced expenses at the corporate level also contributed to the improvement in operating results.

Financial results	2005 MCh$	2004 MCh$
Operating income	30,646	28,128
Non-operating results		
Share of net income from equity investments	71,806	60,574
Other non-operating income	29,072	7,278
Amortization of goodwill	(22,883)	(21,313)
Interest expense (net)	(25,799)	(27,725)
Others non-operating expense	(12,072)	(16,620)
Price-level restatement and FX translation	(5,379)	(60)
Non-operating income	34,745	2,134
Other*	(14,311)	(6,069)
Net income	51,080	24,193

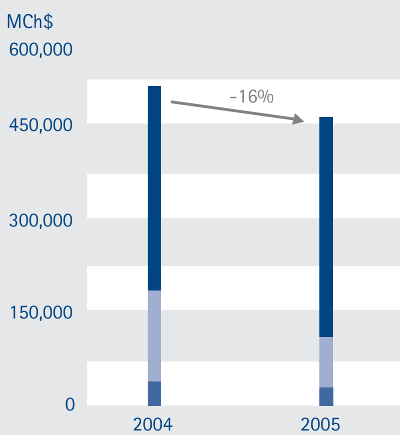
* Other includes income taxes, minority interest and amortization of negative goodwill.

NET PROFIT



CONSOLIDATED DEBT

MCh$	2004	2005	%
Corporate level	359,711	335,862	-7%
Madeco	123,547	80,024	-35%
Telefónica del Sur	61,271	44,084	-28%
Total	544,529	459,970	-16%



Quiñenco reported non-operating income of Ch$34,745 million, compared to Ch$2,134 million in 2004. The variation between the two years is largely explained by gains in 2005 on the sale of investments which amounted to Ch$23,924 million. Included with these gains was the sale of an 11.4% interest Quiñenco held in Almacenes Paris, a department store chain, which generated pre-tax non-recurring income of Ch$20,966 million during the period.

In addition, an 18.5% rise in income from equity investments served to increase Quiñenco's non-operating results in 2005. Equity income (net) totaled Ch$71,806 million, mainly due to the solid results obtained from Quiñenco's equity investments, namely Banco de Chile and CCU and, to a lesser extent, Entel.

The aforementioned improvements at the operating and non-operating levels boosted net profit for the year to Ch$51,080 million, up by more than 111% compared to the Ch$24,193 million reported in 2004.

Dividend cash flow amounted to Ch$69,241 million in 2005, an increase of Ch$18,423 million over dividends received in 2004. It is worth mentioning that dividends received in 2005 included an extraordinary dividend from Entel of Ch$10,622 million. In addition, Telefónica del Sur distributed dividends of Ch$3,440 million to Quiñenco (Ch$ 3,356 million in 2004). The strong dividend cash flow, coupled with resources obtained from the sale of investments in 2005, which totaled Ch$71,497 million, will facilitate the company's investment plan and future debt pay-down.

NET INCOME CONTRIBUTION FROM OPERATING COMPANIES

The following table shows the contribution of the main operating companies to Quiñenco's 2005 net income:

(In millions of Ch$ pesos as of December 31, 2005)

Companies	Quiñenco's ownership (1)	Sales revenue	Net profit (loss)	Quiñenco's prop. share	Total assets	S/H equity
Financial Services						
Banco de Chile	(2) 52.2%	(3) 518,451	180,724	52,769	10,692,761	775,107
Food & Beverage						
CCU	32.1%	492,047	48,177	15,452	643,273	319,030
Telecommunications						
Telsur	73.7%	54,724	7,677	5,656	128,624	67,693
Entel	5.7%	766,362	71,030	4,040	1,135,449	495,243
Manufacturing						
Madeco	47.8%	365,488	12,014	6,089	344,338	205,380
Other Operating Companies				(7,177)		
Total Operating Companies				76,829		
Quiñenco & Holding Companies				(25,749)		
Net Income for the Year				51,080		

(1) Direct or indirect.
(2) Corresponds to voting rights. As a consequence of the share repurchase that Banco de Chile carried out in August 2005, Quiñenco's dividend rights in the bank decreased from 29.9% to 29.2% and voting rights decreased from 53.5% to 52.2%.
(3) Corresponds to operating revenues.

Organization

FRANCISCO PEREZ MACKENNA
Chief Executive Officer
Business Administrator,
Catholic University of Chile
MBA, University of Chicago, U.S.A.

LUIS FERNANDO ANTUNEZ BORIES
Chief Financial Officer
Civil Industrial Engineer,
Catholic University of Chile
MBA, Georgia State University, U.S.A.

ALESSANDRO BIZZARRI CARVALLO
Attorney
Attorney,
Catholic University of Chile
MBA, Adolfo Ibañez University

DAVOR DOMITROVIC GRUBISIC
Attorney
Attorney,
University of Chile

MARTIN RODRIGUEZ GUIRALDES
Manager of Strategy and Performance Appraisal
Business Administrator,
Catholic University of Chile
MBA, Univ. of California at Los Angeles (UCLA), U.S.A.

BOARD OF DIRECTORS

CHIEF EXECUTIVE OFFICER

- STRATEGY AND PERFORMANCE APPRAISAL
- NEW BUSINESS DEVELOPMENT
- FINANCE AND ADMINISTRATION
  - HUMAN RESOURCES
- CONTROLLER
- LEGAL COUNSEL

PEDRO MARIN LOYOLA
Manager of Performance Appraisal
Business Administrator,
Catholic University of Chile
M.S. Finance,
London School of Economics, England

OSCAR HENRIQUEZ VIGNES
General Accountant
Certified Public Accountant,
University of Chile
Graduate degree in Tax Planning,
Catholic University of Chile
Master of Tax Management,
Adolfo Ibañez University

MANUEL JOSE NOGUERA EYZAGUIRRE
Chief Counsel
Attorney,
Catholic University of Chile

FELIPE JOANNON VERGARA
Manager of Business Development
Business Administrator,
Catholic University of Chile
MBA, The Wharton School,
Univ. of Pennsylvania, U.S.A.

CINDI FREEMAN
Investor Relations Manager
B.A., University of the Pacific, U.S.A.
Master of International Management,
American Graduate School of
International Management
(Thunderbird), U.S.A.

FERNANDO SILVA LAVIN
Controller
Business Administrator,
Catholic University of Chile

Quiñenco's shares have been traded on the New York Stock Exchange (NYSE) and the Santiago Stock Exchange (Bolsa de Comercio de Santiago) since 1997. The twelve largest shareholders as of December 31, 2005 are:

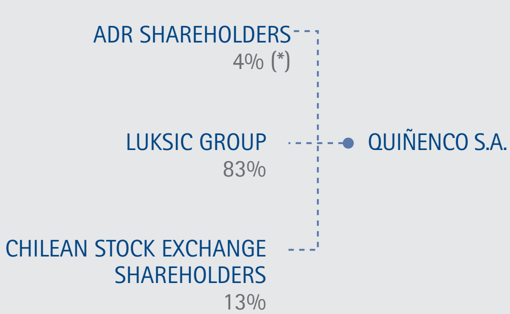
Corporate I.D. #	Name	Shares	%
77.636.320-0	Andsberg Inversiones Ltda. (*)	364,163,159	33.73
59.039.730-K	Ruana Copper A.G. Agencia Chile (*)	240,938,000	22.31
78.306.560-6	Inmobiliaria e Inversiones Río Claro S.A. (*)	143,427,860	13.28
96.536.010-7	Inversiones Consolidadas S.A. (*)	125,427,859	11.62
59.030.820-K	The Bank of New York (**)	45,055,790	4.17
96.894.180-1	Bancard S.A.	26,273,212	2.43
90.818.000-3	Axxión S.A.	20,824,008	1.93
96.871.750-2	Inversiones Salta S.A. (*)	18,000,000	1.67
80.537.000-9	Larrain Vial S.A. Corredora de Bolsa	6,185,277	0.57
96.684.990-8	Moneda S.A. A.F.I. para Pionero F.I. Mobiliaria	5,448,000	0.51
99.012.000-5	Compañía Seg. Vida Consorcio Nac. de Seguros S.A.	5,038,179	0.47
98.001.000-7	A.F.P. Cuprum S.A. Fondo Tipo C	4,037,527	0.37
	Total	1,004,818,871	93.06

Other information as of 12.31.2005	
Number of outstanding shares	1,079,740,079
Number of shareholders	2,009

(*) Companies related to the Luksic Group

(**) Depositary bank for ADR shareholders

Shareholders



(*) 1 ADR is equivalent to 10 ordinary shares

Quiñenco is controlled 82.8% 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. and Inmobiliaria e Inversiones Río Claro S.A. 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 Mariano Luksic Craig and his family directly and indirectly hold a 100% interest in Inversiones Consolidadas S.A. and Inversiones Salta S.A. Guillermo Antonio Luksic Craig and his family hold a 100% interest in Inmobiliaria e Inversiones Río Claro S.A. There are no formal agreements as to the voting or disposition of shares between members of the controlling shareholder group.

SHARE TRANSACTIONS BY OFFICERS AND EXECUTIVES OF THE COMPANY

	Number of shares Purchased (sold) 2005	Number of shares Purchased (sold) 2004	Transaction amount Purchased (sold) 2005 ThCh$	Transaction amount Purchased (sold) 2004 ThCh$	Unit price (**) (***) Purchased (sold) 2005 Ch$	Unit price (**) (***) Purchased (sold) 2004 Ch$
Francisco Pérez Mackenna (CEO) (*)	(334,799)	(334,799)	(227,663)	(180,122)	(680.00)	(538.00)
Martín Rodríguez Guiraldes (Executive) (*)	(83,190)	(83,188)	(56,569)	(44,755)	(680.00)	(538.00)
Pedro Marín Loyola (Executive) (*)	(38,665)	(38,665)	(26,292)	(20,802)	(680.00)	(538.00)
Luis Fernando Antúnez (Executive) (*)	(145,369)	(145,367)	(98,851)	(78,207)	(680.00)	(538.00)
Felipe Joannon Vergara (Executive) (*)	(179,439)	(179,439)	(122,019)	(96,538)	(680.00)	(538.00)
Oscar Henríquez Vignes (Executive) (*)	(37,494)	(37,493)	(25,496)	(20,171)	(680.00)	(538.00)
Manuel José Noguera (Executive) (*)	(179,439)	(179,439)	(122,019)	(96,538)	(680.00)	(538.00)
Davor Domitrovic Grubisic (Executive) (*)	(36,322)	(36,322)	(24,699)	(19,541)	(680.00)	(538.00)
Alessandro Bizzarri Carvallo (Executive) (*)	(49,211)	(49,210)	(33,463)	(26,475)	(680.00)	(538.00)
Cindi Freeman (Executive) (*)	-	(39,980)	-	(21,509)	-	(538.00)
Sergio Cavagnaro Santa María (Ex-Executive) (*)	(159,347)	(79,673)	(107,719)	(42,864)	(676.00)	(538.00)
Jorge Tagle Ovalle (Ex-Executive) (*)	(53,899)	(53,896)	(36,651)	(28,996)	(680.00)	(538.00)
Luis Hernán Paúl (Ex-Executive) (*)	-	(127,547)	-	(66,824)	-	(523.92)
	(1,297,174)	(1,385,018)	(881,441)	(743,344)		

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

SHARE TRANSACTIONS BY CONTROLLING SHAREHOLDERS

	Number of shares Purchased	Number of shares Sold	Transaction amount Purchased ThCh$	Transaction amount Sold ThCh$	Unit price (*) (**) Purchased Ch$	Unit price (*) (**) Sold Ch$
2005						
Inmobiliaria e Inversiones Río Claro S.A.	1,217,502	(608,751)	827,901	(415,509)	680.00	(682.56)
Inversiones Consolidadas S.A.	608,751		415,509		682.56	
2004						
Andsberg Inversiones Ltda. (1)	1,405,963	-	752,138	-	534.96	-

(1) On April 2, 2004, Inversiones Antofagasta Ltda. changed its name to Andsberg Inversiones Ltda. (*) Historic figures (**) Average price

STOCK SHARE PRICE AND VOLUME TRADED

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

Year	Number of shares traded	Transaction amount (*) ThCh$	Average price (*) Ch$
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
2004			
1st Quarter	28,137,796	15,280,208	543.05
2nd Quarter	10,422,736	5,428,486	520.83
3rd Quarter	29,218,704	18,306,609	626.54
4th Quarter	15,182,803	10,597,645	698.00
2003			
1st Quarter	36,834,844	13,198,888	358.33
2nd Quarter	32,575,377	13,300,895	408.31
3rd Quarter	19,140,097	8,770,464	458.22
4th Quarter	29,867,419	16,098,687	539.00

(*) Historic figures

Dividends

DIVIDEND POLICY

At the Annual Shareholders' Meeting to be held on April 27, 2006, the Board of Directors will propose to maintain its dividend policy of distributing at least 30% of annual (liquid) net profits.

Dividend number	Payment date	Dividend per share*	Total dividend*	For the year ended December 31st
N° 13	May 10, 2002	Ch$5.74560	Ch$6,203,753	2001
N° 14	January 9, 2004	Ch$11.24745	Ch$12,144,323	Interim 2003
N° 15	May 11, 2004	Ch$6.20807	Ch$6,703,102	2003
N° 16	May 5, 2005	Ch$12.97685	Ch$14,011,625	2004

* Historic figures

DISTRIBUTION OF INCOME

Net income for 2005 totaled ThCh$51,079,526. The Board of Directors has proposed to distribute 2005 net income as follows:

1) Absorption of the accumulated deficit from the development period of ThCh$1,497,336.
2) Payment of a dividend of ThCh$15,600,009 corresponding to the distribution of 2005 net income as follows:
   a) Payment of a minimum obligatory dividend of ThCh$14,334,824, to be paid in accordance with the date established at the Annual Shareholders' Meeting.
   b) Payment of an additional dividend of ThCh$1,265,185, to be paid in accordance with the date established at the Annual Shareholders' Meeting.
3) Allocation of the balance of ThCh$33,982,181 to retained earnings. The proposed dividend distribution corresponding to 2005 net income is equivalent to 30.54% of net earnings for the year.

Calculation of allowable dividend distribution	ThCh$
Net Income 2005	51,079,526
Accumulated deficit from the development period	(1,497,336)
Allowable distribution of 2005 earnings	49,582,190
2005 dividend as a percentage of allowable distribution	31.46%
Amortization of negative goodwill (consolidated)*	(1,799,476)

* 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.

Human Resources

The most valuable resource of our organization is its people. We at Quiñenco know that if it were not for the commitment, work and loyalty of everyone forming part of the group in their daily work, none of our companies would occupy the place they do in the Chilean economy. One of the principal concerns of the parent company therefore is to have access to the best talent in the market, both from a professional and human standpoint.

Those who form part of the Quiñenco group are highly qualified professionals. They know how to work as a team, are highly-committed to the organization, give of their maximum potential and are clearly results oriented. We have established effective personnel selection and recruitment mechanisms in order to attract excellent professionals, many of them with rising careers within the group.

At the same time, we have objective ways to evaluate personnel performance once contracted so that remuneration and benefits are coherent with the degree of responsibility assigned to each job, based on performance and results. This has helped to create a culture that contributes to the formation of talent and development of skills, both individually and collectively.

Our human resources area is responsible for developing and managing multiple policies, programs, training and related procedures, in order to operate under an efficient organizational structure with capable employees, progress opportunities, work satisfaction and security. We are explicitly committed to the community and our environment, and seek a balance between the interests of our shareholders and those of our personnel.

Lastly, we understand and have the tools necessary for our employees to adapt in the best way to the current demands of a fast changing and increasingly competitive world.

PERSONNEL (As of December 31, 2005)

Company	Executives	Professionals and technicians	Other workers	Total
Quiñenco	11	14	15	40
Banco de Chile	362	5,269	4,526	10,157
Madeco	49	706	2,103	2,858
Telsur	30	301	161	492
Other subsidiaries	11	52	56	119
Total	463	6,342	6,861	13,666

As of December 31, 2005, the affiliate companies CCU and Habitaria had 4,317 and 31 employees, respectively.

The contribution to our community through collaborative alliances is characteristic of our group's culture. This enables us to put our values into action and take part in projects of importance to society. In Quiñenco, we understand that social responsibility is not a mere reaction to social demands but an opportunity to exercise leadership and contribute to the common good and progress of the country.

This translates into an active participation by group companies in various activities and initiatives for improving the health and education of Chileans, promoting the culture of our country and protecting the environment.

WORKING TOGETHER FOR CHILDREN

Helping disabled children is a priority for the Quiñenco group. Our companies have therefore played a fundamental role in the Teletón, one of the most important collaborative efforts in the country, not only through economic help but through the giving of time, dedication, team work and enthusiasm.

Our companies also actively participate in various campaigns oriented towards helping disadvantaged children in Chile.

EDUCATIONAL SUPPORT

Considering the fundamental role of education in the country's development, we are committed to providing sponsorships of high quality educational programs. We also support the design and implementation of communal programs that strive to improve the level of education available to needy children. This is carried out through the constant support by different group companies of public schools, the granting of financial scholarships for primary, secondary and college education and donations of computer equipment and laboratories.

Social Responsibility

BRINGING CULTURE TO THE PEOPLE

The Quiñenco group is committed to promoting cultural activities for the community at large. Every year, through different group companies, we sponsor art exhibitions by well-known Chilean artists through local townships, colleges, community centers and restaurants. We also promote mass musical events such as concerts and live entertainment.

Likewise, we sponsor athletes and sports teams through our group companies, including tournaments for disabled athletes as well as a wide range of sports like family runs and international golf and ski competitions.

PROMOTING GOOD LIVING

Consideration of the environment is essential when planning and developing our investments. One of the basic principles of our group is that every company should work in harmony with the environment and promote nature conservation. Through one of our companies, we maintain native forests, which are unquestionably a concrete contribution to a better quality of life. We also have an annual donation plan which aims to promote respect for the conservation and replenishment of our natural environment.

FINANCIAL SERVICES

BANCO DE CHILE

Banco de Chile is the most profitable bank in the country thanks to the many product and service initiatives it has undertaken, such as an expanded distribution network, development of a world class technological platform and the formation and training of highly qualified service personnel.

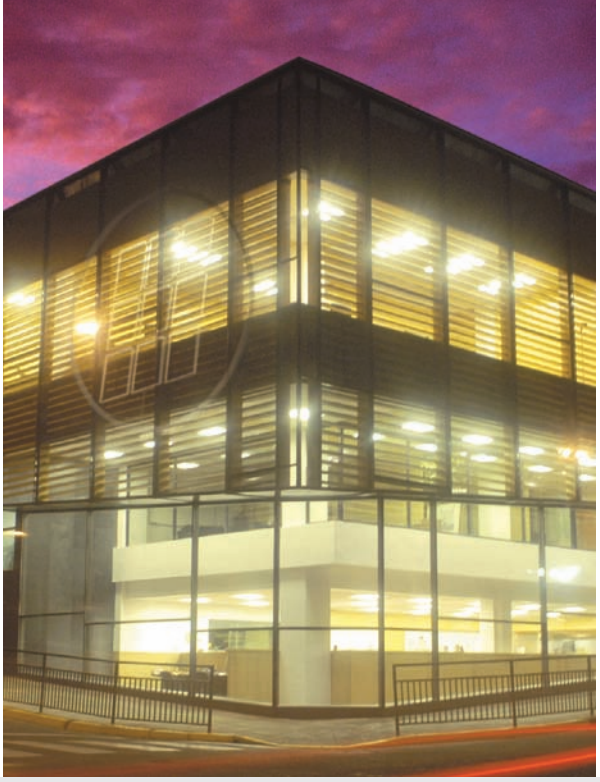
Business Activities

The contribution from operating companies to Quiñenco's net income grew by 17% in 2005.

FOOD & BEVERAGE

CCU

Its innovative strategy based on continuous product launches and in-depth knowledge of its customers has put CCU in the forefront of sustained profitability and growth. CCU is now the largest beverage company in Chile, and its extensive distribution network guarantees its customers easy accessibility to new products and line extensions.



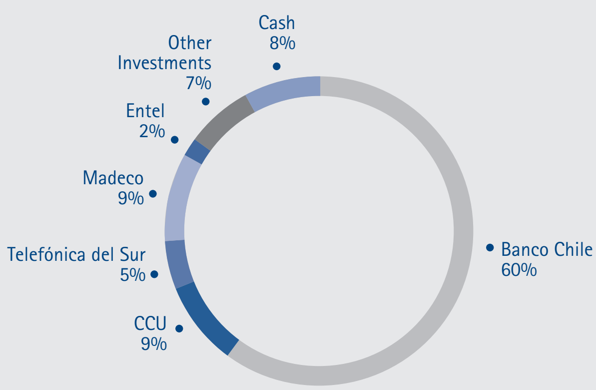
TELECOMMUNICATIONS

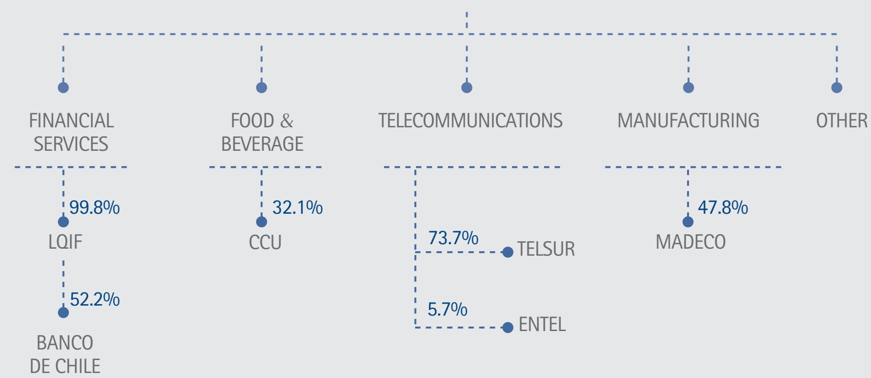
TELEFONICA DEL SUR

Telefónica del Sur continues to expand its horizons thanks to its privileged competitive position and proven adaptability in responding to changes in the ever dynamic telecommunications industry. Market leader in its concession areas, the company satisfies the needs of its customers by offering them the latest in products and services.

COMPOSITION OF ASSETS

As of 12.31.05 MCh$1,058,822

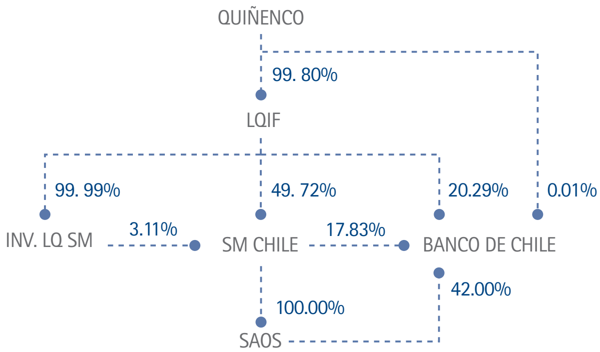




MANUFACTURING

MADECO

Madeco finished yet another year having made important advances in its development plan. Taking advantage of the favorable economic scenario which prevailed throughout the year in its principal markets, Madeco's cable business benefited from healthy investment levels, which directly translated into a healthy cash flow situation. This, coupled with a successful capital increase in 2005, leaves the company well structured to withstand future economic cycles.



Financial Services

LQ INVERSIONES FINANCIERAS (LQIF) is a wholly-owned subsidiary of Quiñenco whose purpose is to hold our investments in the financial sector. It is the controlling entity of Banco de Chile, one of Chile's principal banks. The management of LQIF is made up of executives and directors of Quiñenco who are responsible for the policies and strategies to be followed.

We have a long and successful track record in the Chilean financial services sector. This includes the merger of Banco Santiago with Banco O'Higgins in 1997; its subsequent sale to Banco Santander Central Hispano (BSCH) in1999; the acquisition of control of Banco Edwards and Banco de Chile in 1999 and 2001 respectively, and their subsequent merger in 2002.

Our investment in the financial services sector is sizeable, representing 60% of our total assets at the corporate level, 68% of our total investments. The contribution to our net results by Banco de Chile was Ch$52,769 million in 2005, by far the most significant of all of the operating companies which comprise the group.

2005 RESULTS

LQIF reported net profit of Ch$26,483 million in 2005, an increase of 20.9% compared to the previous year. The rise in net profit was principally attributable to increased income from investments in related companies – principally Banco de Chile – which reached Ch$52,745 million in 2005. In addition, interest expense was reduced by 10.7% as a result of a lower level of indebtedness and better financing conditions obtained during the year. The increase in net results was partially offset by lower tax refunds during the period compared to 2004.

LQIF'S STAKE IN BANCO DE CHILE

	2004	2005
Voting rights*	53.5%	52.2%
Dividend rights*	29.9%	29.2%
% of shares owned		
SM Chile	51.4%	52.8%
Banco de Chile	20.2%	20.3%

* As a consequence of the share repurchase that Banco de Chile carried out in August 2005.

Key financial information		12.31.2004	12.31.2005
Total loans	MCh$	7,136,954	8,205,924
Total assets	MCh$	9,996,575	10,692,761
Shareholders' equity	MCh$	698,817	775,107
ROAA		1.59%	1.77%
ROAE		23.6%	26.7%
Net financial margin		4.0%	4.2%
Efficiency ratio		51.3%	53.3%
Market share (loans)		17.6%	18.1%

BANCO DE CHILE is one of the largest and most competitive financial institutions in Chile. Its assets exceed US$20.8 billion and shareholder's equity is approximately US$1.5 billion. This translates into an 18.1% market share in bank loans, a 16.3% share in time deposits and a 23.3% in the number of current accounts. The bank's market capitalization is well over US$4.5 billion, making it one of the largest publicly traded companies in the country.

Banco de Chile's high return on equity has consolidated its position as the most profitable bank in Chile, known for the strength of its brand, wide range of products and services, an extensive customer base and a well diversified funding base. The bank distributes its products through the brand names Banco de Chile, Banco Edwards and CrediChile which, at the end of 2005, was made up of 248 branches from Arica to Punta Arenas, 1,258 automated teller machines and other electronic distribution channels.

In addition to traditional financial services, the subsidiary companies also offer securitization, stock-brokerage, investment banking, mutual funds, financial consultancy, factoring and foreign trade services. In order to facilitate its customers' businesses, Banco de Chile has branches in New York and Miami, representative offices in Buenos Aires, Mexico City and Sao Paulo, and foreign trade services in Hong Kong.

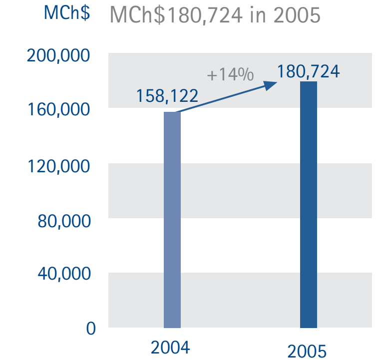
In order to maintain its leadership in its business areas and reinforce its competitive profile, Banco de Chile reorganized its business units during the year, which enabled it to reorient its loan portfolio mix to the most profitable market segments, such as retail and medium-low income consumers. These changes focus on the bank's main objective of maximum profitability in order to achieve sustainable value creation for shareholders.

Financial Services

Banco de Chile

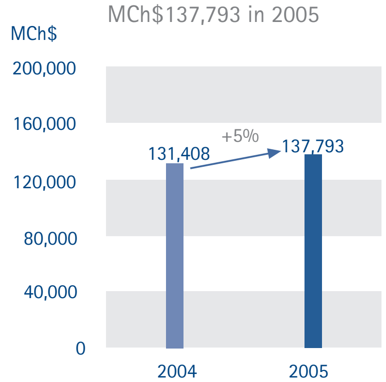
NET INCOME

MCh$180,724 in 2005



INCOME FROM
SERVICES, NET

MCh$137,793 in 2005



Financial Services

Banco de Chile's Neos project is a program for introducing a new business model that seeks to raise the standards of customer attention, increase the bank's response capacities and improve the product offering in terms of variety and opportunity. In the three years following its initial implementation, this has involved the total transformation of the bank's technological platform, paving the way for a new client service model, increased effectiveness of the sales teams, an increase in operating security, the modernization of procedures, a more flexible structure and greater efficiency. In summary, Neos is designed to add value to the institution in order to consolidate the bank's leadership with renewed competitive strength.

These advances were widely recognized by the market in the middle of the year when demand for the bank's shares was 17.5% times the 2.5% shareholding it offered to the public. Proceeds from the share offering amounted to US$104.5 million.

In 2005, Banco de Chile was recognized by the magazine Global Finance as "The Best Bank in Chile", and was placed 4th among the best Latin American banks by the magazine América Economía. Also, for the second consecutive year, Banco de Chile was awarded the "The Bank of the Year" prize by The Banker magazine, part of the Financial Times group, for institutions that have stood out from the rest for their performance, technological innovation and business strategy success.

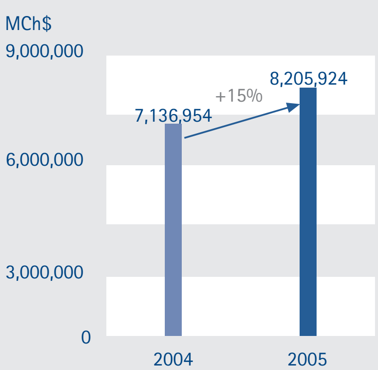
2005 RESULTS

Banco de Chile reported net income of Ch$180,724 million for the year ended December 31, 2005, surpassing its previous record net income of Ch$158,123 million in 2004. The 14.3% increase was a reflection of the multiple initiatives undertaken by the bank to build on its profitable banking and subsidiary operations. 2005 net income benefited from strong operating revenue growth and lower provisions for loan losses, the effect of which was partially offset by an increase in the bank's operating expenses during the year.

Operating revenues amounted to Ch$518,451 million, up 6.5% from the Ch$486,737 million reported in 2004. One of the main growth drivers was a 5.2% increase in net financial income. Net financial income, which is the sum of net interest income and net FX transactions, grew to Ch$377,369 million as a result of a 1.7% increase in average interest earning assets, higher inflation (3.8% in 2005 vs. 2.4% in 2004) and a more favorable asset mix. Likewise, fee income, which accounted for 26.6% of operating revenues in 2005 also contributed to the rise, growing by 6.5% to Ch$137,793 million in 2005. Fee income growth was mainly attributable to the bank's subsidiary operations, particularly the stock brokerage, fund management and insurance areas. Gains on the sale of financial instruments related to earnings on securities held by the stock brokerage subsidiary also boosted operating revenues during the year.

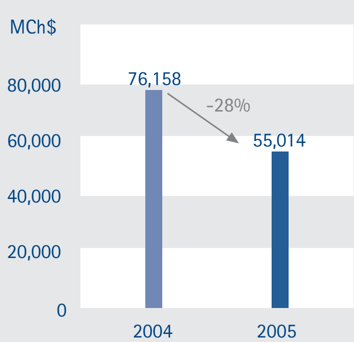
LOANS

MCh$8,205,924 in 2005



PROVISIONS FOR
LOAN LOSSES

MCh$55,014 in 2005



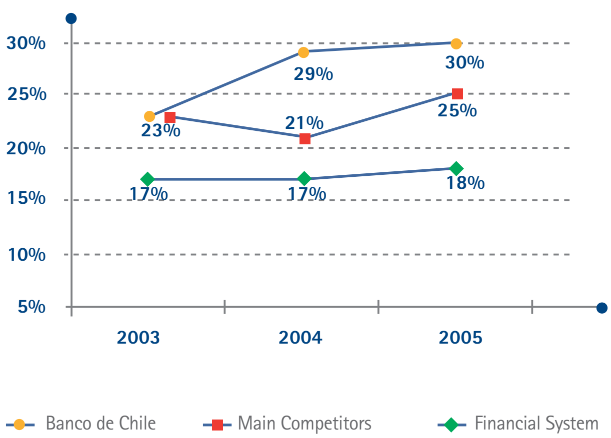
Provisions for loan losses decreased by 27.8% to Ch$55,014 million, reflecting the favorable economic environment which prevailed throughout 2005.

Operating expenses increased by Ch$26,841 million to Ch$276,464 million compared to 2004, primarily due to higher administrative expenses (an increase of Ch$12,700 million or US$24.8 million) associated with the bank's branches in the United States in connection with regulatory compliance requirements. Likewise, personnel expenses increased by Ch$9,698 million or 6.9% mainly as a result of employee severance costs incurred in connection with a reorganization of the bank's commercial platform.

As of December 2005, the Bank's loan portfolio had grown by 15.0% to Ch$8,205,924 million. Loan portfolio growth was driven by increases in commercial loans, consumer loans, other outstanding loans, contingent loans and factoring and leasing contracts, all of which were stimulated by the favorable economic conditions which prevailed in 2005.

Banco de Chile was the second ranked bank in the country (in terms of loans) with a market share of 18.1% according to information published by the Chilean Superintendency of Banks for the period ended December 31, 2005. Its return on capital and reserves for the twelve-month period was 30.4%, the highest in the Chilean financial system. The local financial system as a whole reported a return on capital and reserves of 17.9% in 2005, according to the same source.

RETURN ON CAPITAL AND RESERVES



COMPAÑIA CERVECERIAS UNIDAS (CCU) is the largest beverage company in Chile. Its ample product range, which includes beers, soft drinks, mineral waters, fruit juices, wines and piscos, are consumed daily by a large part of the Chilean population, giving it brand recognition throughout the country.

CCU is Chile's largest beer producer with a market share of 88%, its Cristal brand being the best seller. CCU also satisfies a wide range of tastes with its other brands, including Royal Guard, Morenita, Escudo, Royal Light, Dorada and Lemon Stones. CCU also sells under licence the well-known international brands Heineken, Budweiser and Paulaner, and is 50% owner of the small breweries Kunstmann and Austral. The company has three production plants which have a total capacity of 650 million liters per year, located in Temuco, Antofagasta and Santiago.

In Argentina, CCU is the second player in the beer market with a 16% share. It has plants in Salta and Santa Fe, which produce the brands Schneider, Santa Fe, Salta, Córdoba, and Rosario. It also sells the international brands, Budweiser and Heineken, under licence.

Through its subsidiary ECUSA, CCU is the principal bottler and distributor of mineral waters in Chile, leading the domestic market with its Cachantun and Porvenir brands. In 2005, the company successfully launched Cachantun "Mas", a mineral water based drink, which enabled it to significantly increase its sales volumes in this segment. The company is known for its Bilz, Pap, Kem and Kem Xtreme brands in the soft drinks market, brands which perfectly complement the marketing of PepsiCo, Schweppes Holdings Ltd. and Watt's Alimentos brands, produced under licence.

Food and Beverage

CCU

Market share	2004	2005
Beer in Chile	90%	88%
Beer in Argentina	15%	16%
Soft drinks	22%	22%
Mineral water	64%	67%
Fruit juices	53%	53%
Domestic wine (VSP)	17%	19%
Export wine (VSP)	15%	12%

In the wine sector, CCU controls 60% of Viña San Pedro, an important domestic producer and one of the country's largest exporters, with customers in more than 60 countries around the world. The Santa Helena, Altair and Tabalí wine companies in Chile and Finca de Celia in Argentina also form part of the VSP group, which offers wines of different vintages and qualities.

Just two years after its incursion into the pisco sector, CCU saw its efforts rewarded by the achievement of a significant position in the market in 2005. Following its association with Control early in the year, it managed to capture close to 50% of this market that is so representative of Chilean culture. Ruta Norte was one of the three principal brands consumed in Chile in 2005 and the addition of new brands such as Mistral, 3 Erres, Campanario, Control and La Serena are certain to provide the company with an even stronger growth platform going forward.

We would be remiss not to mention the success of Calaf in 2005. This producer of candy and cookies acquired in 2004, finished the year having undergone a complete product reformulation and design based on a successful strategy that enables it to compete on equal footing with its principal competitors.

2005 RESULTS

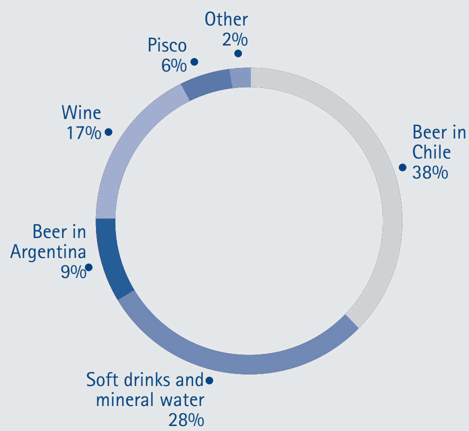
CCU's consolidated sales revenues rose by 12.9% to Ch$492,047 million, attributable to an 8.4% increase in volume sold and 3.7% higher average prices. The favorable economic scenario which prevailed throughout 2005 contributed to the sharp increases in sales shown by the beer, soft drinks and mineral water segments, accounting for Ch$35,423 million or approximately 63% of the total increase. Also worth noting is that the pisco segment contributed Ch$19,948 million to the consolidated sales growth as a result of the creation of Cía. Pisquera de Chile in March 2005.

Operating income jumped by 9.3% to Ch$66,470 million in 2005, mainly due to the higher sales levels associated with the beer (Chile and Argentina), soft drinks and mineral water segments. Nonetheless, higher costs and SG&A expenses served to partially pull down this increase, as well as lower operating profits from the wine segment as a consequence of the 8.2% appreciation of the Chilean peso vis-à-vis the US dollar. EBITDA reached Ch$107,609 million showing an increase of 3.9% over 2004.

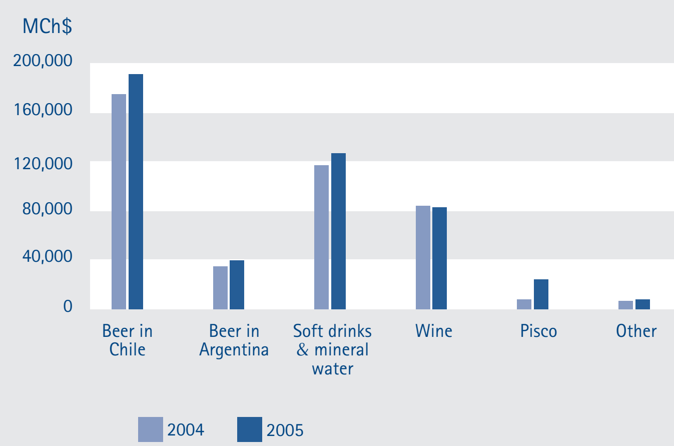
CCU reported non-operating losses of Ch$9,315 million, compared to non-operating losses of Ch$6,400 million in 2004. The deterioration in non-operating results is mostly explained by a reduction in other non-operating income, which

CCU

2005 SALES COMPOSITION
MCh$492,047



SALES
MCh$492,047 in 2005



in 2004 included gains on the sale of fixed assets, and to a lesser extent, higher interest expense and price-level restatement losses.

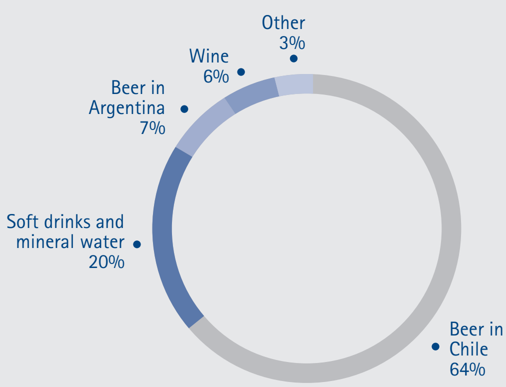
2005 net income, which grew by 2.4% to Ch$48,177 million, reflects the company's marked improvement in operating performance, although the increase was partially offset by the aforementioned reduction in non-operating results and a heavier tax burden during the year.

Volume sold (*)	2004	2005	Change
Beer in Chile	3,807	4,170	+10%
Beer in Argentina	2,101	2,269	+8%
Soft drinks and mineral water	4,424	4,742	+7%
Domestic wine (VSP)	503	525	+4%
Export wine (VSP)	448	400	-11%
Pisco	70	203	+191%

(*) Thousands of hectoliters

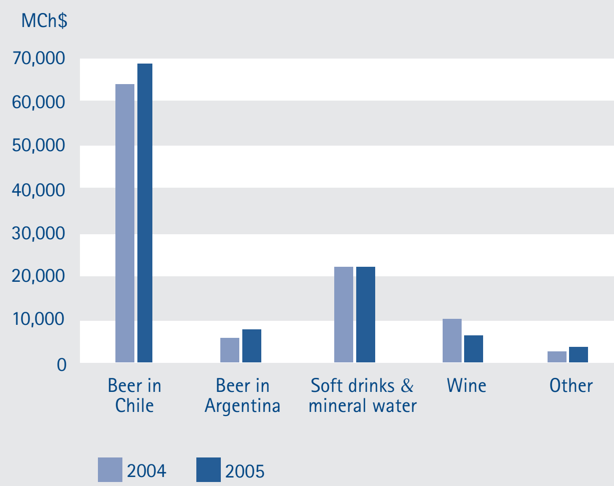
2005 EBITDA BY SEGMENT

MCh$107,609



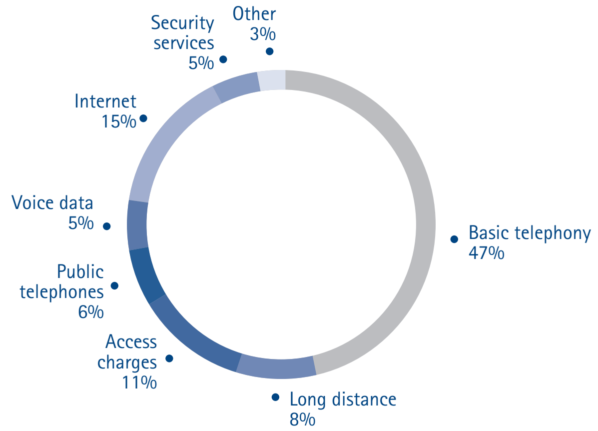
EBITDA

MCh$107,609 in 2005



2005 SALES COMPOSITION

MCh$54,724



Telecommunications

TELEFONICA DEL SUR is the principal provider of telecommunication services in the south of Chile, with more than 200,000 subscribers distributed among its different concession areas. It operates between Chile's 8th and 11th Regions, which cover the cities of Concepción, Temuco, Valdivia, Osorno, Puerto Montt, Castro and Coyhaique.

Telefónica del Sur is continually evaluating technological alternatives that enable it to remain at the forefront of innovation and to better meet the needs of its customers. The company has significantly broadened its service network, transforming itself into a telecommunications operator that, apart from its traditional fixed line service, offers Internet (ISP), tele-security, wireless voice and data services for businesses and other specialized services like data transmission, hosting and call centers.

In recent years, Telefónica del Sur has placed great emphasis on the development of broad-band internet in order to optimize its services due to the attractiveness of the mass market nature of this service. In 2005, the company launched new generation products, including Centrex IP services for companies based on the internet protocol and the broad band self-installation kit, which has managed to reduce selling costs. This service is the fastest-growing business of Telefónica del Sur.

The company has also established strategic alliances which have enabled it to position itself successfully and add value to its technological services. This is the case of the alliance with Direct TV, which positions Telefónica del Sur as the sole Chilean operator offering the 4Full-Sur service which includes telephone, internet, satellite TV and tele-security. This has led to a significant increase in customer loyalty as it is a highly attractive product.

Telefónica del Sur

2005 RESULTS

Telefónica del Sur's revenues reached Ch$54,724 million in 2005, varying only slightly from the Ch$54,846 million reported in 2004. Although the sales level in 2005 remained constant, the revenue mix highly favored Internet and tele-security sales. The growth in non-regulated services offset the decline in revenues associated with basic telephony and access charges which in 2005 represented less than 50% of revenues. Telefóncia del Sur continued to migrate towards fixed price plans for basic telephony services, which has tended to compensate for lost traffic revenue due to the substitution of internet and mobile communication alternatives.

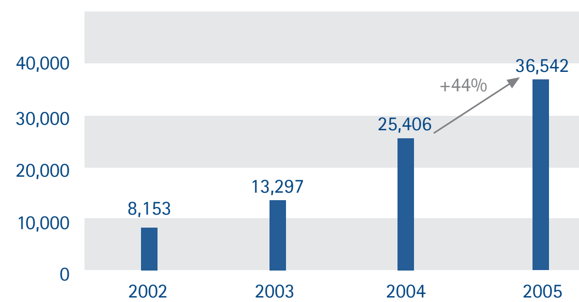
Internet revenue jumped by 33.2% to Ch$8,433 million in 2005, accounting for 15.4% of all sales. The strong growth in this area was due to a 43.8% increase in the number of wide band clients, which as of December 31, 2005 reached 36,542. Likewise, revenue from tele-security and data services experienced rapid growth in 2005, increasing by 30.8% and 7.3%, respectively.

Operating profits remained steady at Ch$12,983 million, varying by less than 1% from 2004. Telsur's cash generating capacity remained strong in 2005 with EBITDA reaching Ch$26,520 million, almost unchanged from the Ch$26,449 million reported in 2004.

Non-operating losses decreased from Ch$3,562 million in 2004 to Ch$2,930 million in 2005. The improvement in non-operating results was primarily due to a 29.9% reduction in interest expense (net of interest income) as a result of a debt restructuring carried out in 2005.

Net profit in 2005 amounted to Ch$7,677 million, representing an 8.0% increase from the Ch$7,108 million reported in 2004. The increase in bottom line results for the year was mainly attributable to the aforementioned improvement in non-operating results.

WIDE BAND CLIENTS



Market share	2004	2005
Concepción	13%	13%
Temuco	50%	45%
10th Region	83%	81%
11th Region	89%	88%

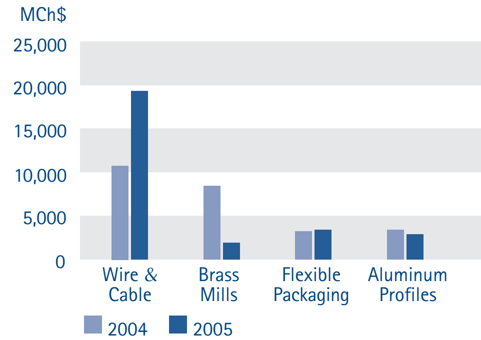
ENTEL

Since 1999, Quiñenco has held an interest in Entel, one of the main providers of telecommunication services in Chile. Entel, leader in mobile telephony, long distance, fixed line telephony, data transmission and Internet, satisfies the needs of its millions of consumers in Chile, United States, Central America and Peru.

In 2005, Entel reported net profit of Ch$71,030 million, 5.7% of which corresponded to Quiñenco's proportionate share.

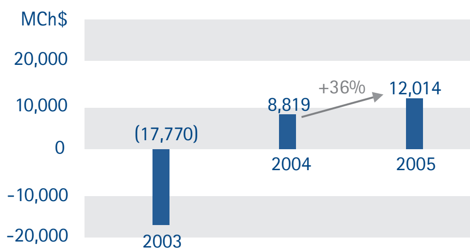
OPERATING INCOME

MCh$27,840 in 2005



NET INCOME

MCh$12,014 in 2005



Manufacturing

MADECO is a leading conglomerate in the manufacture of copper and aluminum products in Latin America. The company has a wide range of products and markets which has enabled it to develop commercial leadership in its different businesses and in the countries in which it operates.

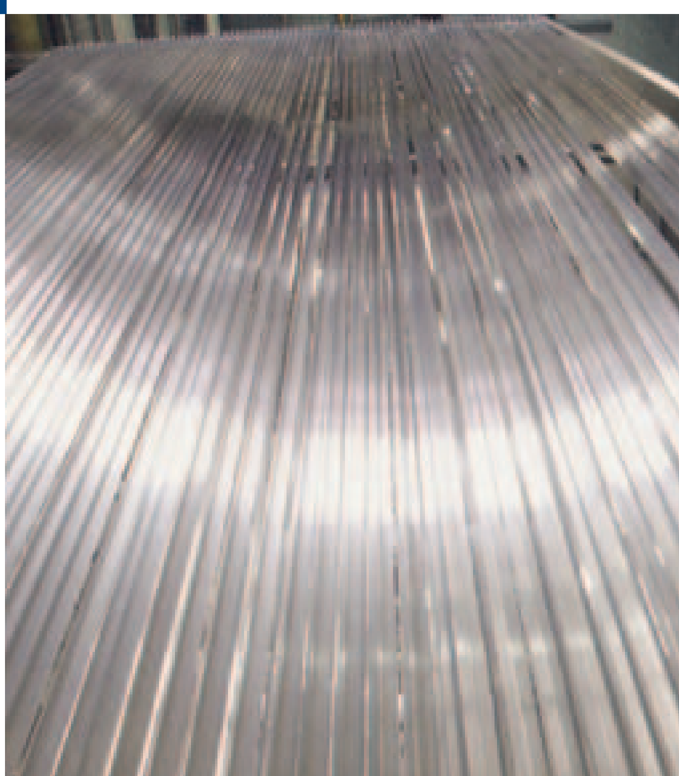
Madeco's main business is the production of copper and aluminum cables for important sectors of the economy like construction, industry, electricity transmission and distribution, mining and telecommunications. Madeco also has an important presence in the manufacture of brass mills products, flexible packaging for mass consumer products and aluminum profiles.

Madeco has 18 manufacturing plants in Chile, Brazil, Peru and Argentina where it also operates as a marketing platform for products made at its principal plants. The company exports a large variety of products to more than 20 countries, mainly Latin America, USA and Europe, supported by seven sales representatives abroad.

Madeco's strategic plan, implemented in 2003, met its expectations for 2005, which consisted of increasing sales through a better commercial organization, greater exports and the recovery of its market share, as well as achieving greater operating efficiencies and a reduction in its cost structure. The success of these actions is reflected in the company's profitability and market positioning.

In April 2005, Madeco bought from Corning International Corporation the remaining 50% of Optel Ltda., an optic fiber cable manufacturer in Brazil and Argentina. With this, the company plans to reinforce the business in order to meet market needs.

In order to strengthen its financial structure to allow it to adequately face economic cycles, in late 2005, Madeco completed a capital increase, raising close to Ch$44,000 million. It is expected that profitability levels will benefit as new capital will serve to further reduce the company's debt load and provide it with additional working capital requirements as a result of the sharp rise in copper prices.



2005 RESULTS

Madeco's sales rose by 8.9% to Ch$365,488 million in 2005. The growth in sales during the year was mainly attributable to an increase in the volume sold and higher average prices of cables products in Brazil, Chile and Peru. Price increases were related to the increase in the price of copper during the period. The rise in consolidated sales was partially offset by lower sales corresponding to the brass mills, flexible packaging and aluminum profiles business units.

Sales corresponding to the cable business unit were up by Ch$39,806 million or 23.1% to Ch$212,062 million as a consequence of strong demand for copper wire and copper and aluminum cables in Madeco's main markets of Brazil, Chile and Peru. The increase in sales was price driven (+12.6%), although a 9.3% increase in the volume sold also contributed to the boost in sales.

Brass mill sales fell by 8.2% to Ch$79,908 million due to a reduction in the volume sold in Chile and abroad. The flexible packaging unit also reported a decline in sales from Ch$46,742 million in 2004 to Ch$44,159 million in 2005, mainly due to reduced sales in Chile as a consequence of the closure of a subsidiary in 2004. Sales of the aluminum profiles unit remained in line with those of 2004, decreasing slightly to Ch$29,358 million due to lower average prices.

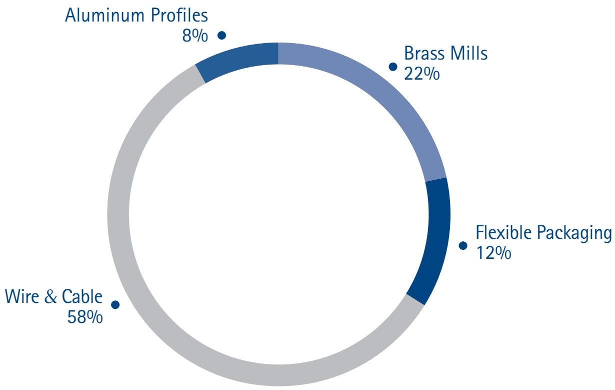
In spite of higher costs associated with raw materials, particularly copper and aluminum, as well as a 4.6% increase in SG&A expenses, mostly related to one-time expenses in the Brazilian cable operations, the strong sales performance of the cable business unit led to an increase in operating profits for the period. Operating income rose by 6.7% to Ch$27,840 million, almost entirely attributable to the 78.3% growth experienced by the cable unit during the year.

Madeco reported non-operating losses of Ch$13,642 million, down by 7.9% from the Ch$14,816 million reported in 2004, mostly explained by a 17.9% reduction in interest expense and a decline in non-operating expenses (net).

Madeco reported net income of Ch$12,014 million in 2005. This represented an increase of 36.2% compared to 2004, attributable to the significantly stronger operating and non-operating performance of the company during the year.

2005 SALES COMPOSITION

MCh$365,488



Market share	2004	2005
Wire & Cable		
Chile	37%	38%
Brazil	18%	19%
Peru	65%	73%
Argentina	5%	6%
Brass Mills		
Chile	59%	58%
Argentina	14%	12%
Coin banks	4%	4%
Flexible Packaging		
Chile	26%	28%
Argentina	8%	7%
Aluminum Profiles	71%	69%

Corporate Affairs

CORPORATE HEADQUARTERS

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

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 where it has proven experience. In the past, the Company has formed strategic alliances in order to obtain financing and know-how.

FINANCING POLICY

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

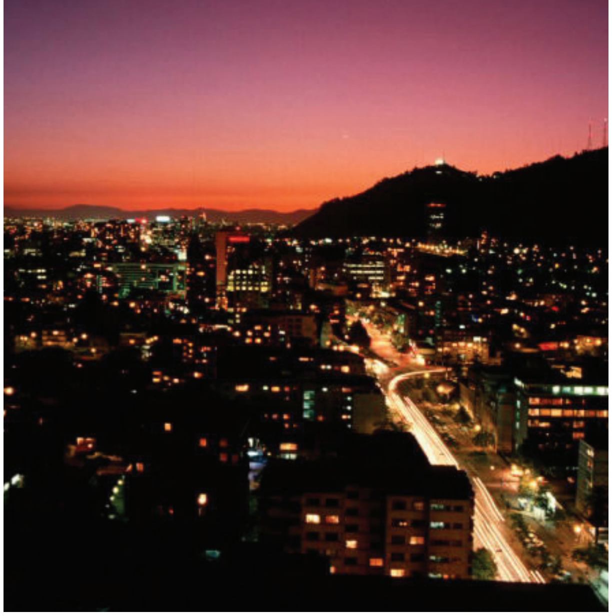
DIRECTORS' COMMITTEE

The three members of the Directors' Committee are Guillermo Luksic Craig, Gonzalo Menéndez Duque, and Matko Koljatic Maroevic. These members were appointed by the Board of Directors on May 5, 2005. The Directors' Committee had been composed by the same three members since January of 2005, in accordance with the appointment made by the Board of Directors on November 8, 2004 in an Extraordinary Board Meeting. 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 2005:

a) An examination of and subsequent report on the type of operations referred to in Articles 44 and 89 of the Corporations Law. The Committee reviewed in detail the information relative to the following transactions:



(1) A one year contract extension for financial consulting services with the firm Juan Andrés Fontaine y Asociados Limitada, for a total monthly payment of UF370. (2) The rental of office space to an affiliate company, IRSA Limitada.

b) A review of the salary and compensation packages of Quiñenco's main executives and long-term incentive plan.

c) Review and approval of the Company's Form 20-F for the year 2004 that was registered with the Securities and Exchange Commission of the United States.

d) A review of the reports issued by the Company's external auditors, including the interim financial report as of June 30, 2005 and the Internal Control Report periodically sent to the Company's administration. The committee reviewed the 2005 Audited Financial Statements prior to submitting them to the shareholders for approval.

e) The committee proposed to the Board of Directors the designation of Ernst & Young Servicios Profesionales de Auditores y Asesorías Limitada as external auditors for the year 2006. If this firm for whatever reason can not be contracted, it would then propose PriceWaterhouseCoopers, and as a third alternative, Deloitte & Touche. Feller Rate Clasificadora de Riesgo Limitada and Clasificadora de Riesgo Humphreys Limitada 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 must comply with the NYSE's listing standards and regulations of the Securities and Exchange Commission (SEC). In accordance with Sarbanes Oxley, on June 2, 2005, the company formed an audit committee whose function is to help ensure the reliability of the Company's financial statements, accounting and control processes, as well as supervise the external auditors. Matko Koljatic Maroevic is an independent member of the audit committee as defined by current regulations.

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 6.3% (according to the Central Bank of Chile) for the year 2005. 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 a devaluation of the Chilean peso relative to the U.S. dollar.

In addition to its operations in Chile, some of Quiñenco's businesses operate in and export to companies that, in turn, 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 profit margins and results of operations of Quinenco's businesses, which as a result, could materially and adversely affect the dividend cash flow Quinenco 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 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 is contingent upon their earnings and cash flows. In addition, Quiñenco's level of income has largely depended on the periodic sale of assets held for investment. There can be no assurance that Quiñenco will be able to continue to rely on certain subsidiaries' dividends and distributions, nor that 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.

BOARD COMPENSATION

As agreed upon at the Annual Shareholders' Meeting held in 2005, 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$5,651 and ThCh$25,099 (ThCh$4,523 and ThCh$33,385 in 2004); Andrónico Luksic Craig, ThCh$188 and ThCh$25,099 (ThCh$0 and ThCh$33,385 in 2004); Jean-Paul Luksic Fontbona, ThCh$2,826 and ThCh$25,099 (ThCh$2,073 and ThCh$33,385 in 2004); Hernán Büchi Buc, ThCh$2,448 and ThCh$25,099 (ThCh$2,263 and ThCh$33,385 in 2004); Joaquín Errázuriz Hochschild, ThCh$0 and ThCh$20,288 (ThCh$2,262 and ThCh$33,385 in 2004); Juan Andrés Fontaine Talavera, ThCh$3,201 and ThCh$25,099 (ThCh$2,450 and ThCh$33,385 in 2004); Gonzalo Menéndez Duque, ThCh$3,201 and ThCh$25,099 (ThCh$2,450 and ThCh$33,385 in 2004); Vladimir Radic Piraíno, ThCh$0 and ThCh$20,288 (ThCh$2,073 and ThCh$33,385 in 2004) and Matko Koljatic Maroevic, ThCh$2,826 and ThCh$25,099 (ThCh$2,262 and ThCh$33,385 in 2004). In addition, Guillermo Luksic Craig, Gonzalo Menéndez Duque, Matko Koljatic Maroevic, Joaquín Errázuriz Hochschild and Vladimir Radic Piraíno received compensation for their services as a member of the Directors' Committee in 2005 of ThCh$4,930, ThCh$4,930, ThCh$5,376, ThCh$0 and ThCh$0 (ThCh$896, ThCh$4,927, ThCh$896, ThCh$4,032 and ThCh$4,032 in 2004), 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, fees and other, respectively), Guillermo Luksic Craig, ThCh$20,141, ThCh$42,087 and ThCh$0 (ThCh$25,622, ThCh$42,365 and ThCh$0 in 2004); Andrónico Luksic Craig, ThCh$15,829, ThCh$126,262 and ThCh$0 (ThCh$14,159, ThCh$120,111 and ThCh$37,506 in 2004) and Gonzalo Menéndez Duque, ThCh$157,701, ThCh$42,087 and ThCh$0 (ThCh$192,596, ThCh$42,365 and ThCh$46,342 in 2004).

- In Madeco S.A. (per diem), Guillermo Luksic Craig, ThCh$2,734 (ThCh$2,160 in 2004); Andrónico Luksic Craig, ThCh$583 (ThCh$589 in 2004); Jean Paul Luksic Fontbona, ThCh$2,337 (ThCh$1,377 in 2004) and Hernán Büchi Buc, ThCh$2,734 (ThCh$2,160 in 2004).

- In Telefónica del Sur S.A. (per diem and profit sharing, respectively), Guillermo Luksic Craig, ThCh$8,209 and ThCh$26,514 (ThCh$7,491 and ThCh$26,734 in 2004) and Gonzalo Menéndez Duque, ThCh$11,018 and ThCh$31,975 (ThCh$8,199 and ThCh$32,010 in 2004).

- In Industria Nacional de Alimentos S.A. (per diem and fees, respectively), Guillermo Luksic Craig, ThCh$1,218 and ThCh$10,757 (ThCh$2,162 and ThCh$10,757 in 2004); Andrónico Luksic Craig, ThCh$311 and ThCh$0 (ThCh$312 and ThCh$10,757 in 2004) and Hernán Büchi Buc, ThCh$6,749 and ThCh$0 (ThCh$8,645 and ThCh$0 in 2004).

- In Hoteles Carrera S.A. (per diem), Joaquín Errázuriz Hochschild, ThCh$0 (ThCh$1,883 in 2004) and Vladimir Radic Piraíno, ThCh$0 (ThCh$2,035 in 2004).

BOARD OF DIRECTOR EXTERNAL CONSULTING EXPENSES

In 2005, 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 2005, including salaries, benefits and performance bonuses, totaled ThCh$2,815,795.

INCENTIVE PLAN

In March of 2000, a long-term management incentive plan was established for the Company's main executives. Loans, which as of December 31, 2005 amounted to ThCh$1,065,672, were granted to acquire shares of Quiñenco and its subsidiaries at market price. The loans, expressed in UF, repayable in annual installments, and the shares acquired, are delivered in guarantee and may be delivered in payment. The plan was made in accordance with the directives of the Board of Directors on March 8, 2000.

EMPLOYEE SEVERANCE PAYMENTS

In 2005, the Company incurred expenses associated with severance payments to its managers and key executives of ThCh$111.479.

Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

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

REPORT OF INDEPENDENT AUDITORS

ERNST & YOUNG
Quality In Everything We Do

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, 2005 and 2004 and the related consolidated statements of income and cash flows for each of the years then ended. These financial statements (including the accompanying notes) are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements, based on our audits. We did not audit the consolidated financial statements of Compañía Cervecerías Unidas S.A. and subsidiaries, an equity method investment which represented ThCh$102,353,488 and ThCh$96,432,854 of total assets as of December 31, 2005 and 2004, respectively, and accounted for ThCh$15,541,638 and ThCh$14,488,486 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.

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, 2005 and 2004 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 26.2 to the summarized consolidated financial statements of Quiñenco S.A. and subsidiaries and in accordance with Law N°19,396, the subordinated debt obligation with the Chilean Central Bank assumed by 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 a similarly dated audit opinion, includes additional information required by the Chilean Superintendency of Securities and Insurance. Management believes that these additional disclosures are not necessary for an adequate understanding of the financial statements.

Arturo Selle S. — ERNST & YOUNG LTDA.

Santiago, Chile, February 24, 2006

Consolidated Balance Sheets

	As of December 31, 2005	2004
ASSETS	**ThCh$**	**ThCh$**
Current assets		
Cash	5,787,088	4,297,671
Time deposits	24,123,185	14,286,050
Marketable securities	1,511,708	675,921
Accounts receivable, net	69,409,425	64,403,728
Notes receivable, net	5,361,259	7,395,693
Other accounts receivable, net	4,204,396	3,609,464
Notes and accounts receivable from related companies	5,207,554	9,473,634
Inventories, net	75,135,351	74,407,562
Recoverable taxes	3,915,268	5,278,495
Prepaid expenses	1,072,449	969,049
Deferred taxes	3,914,755	3,148,047
Other current assets	68,785,542	31,505,665
Total current assets	**268,427,980**	**219,450,979**
Property, plant and equipment		
Land	14,305,584	15,460,113
Buildings and infrastructure	151,276,250	161,813,465
Machinery and equipment	328,202,724	330,989,633
Other property, plant and equipment	48,943,431	49,987,130
Revaluation from technical appraisals	13,189,143	15,121,268
Subtotal	555,917,132	573,371,609
Less: Accumulated depreciation	(298,436,394)	(289,150,057)
Property, plant and equipment, net	**257,480,738**	**284,221,552**
Other assets		
Investments in related companies	517,009,298	484,939,034
Investments in other companies	2,685,995	47,041,331
Goodwill, net	300,247,654	324,564,887
Negative goodwill, net	(16,551,184)	(11,247,619)
Long-term accounts receivable	2,125,088	3,233,366
Notes and accounts receivable from related companies	1,580,929	861,920
Deferred taxes	6,429,090	8,855,197
Intangible assets	548,529	567,373
Amortization of intangible assets	(179,248)	233,764)
Other assets	22,716,720	21,841,941
Total other assets	**836,612,871**	**880,423,666**
Total assets	**1,362,521,589**	**1,384,096,197**

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

LIABILITIES AND SHAREHOLDERS' EQUITY	As of December 31, 2005 ThCh$	2004 ThCh$
Current liabilities		
Current bank obligations	24,443,092	24,498,398
Current portion of long-term bank obligations	16,767,337	41,398,543
Bonds payable	15,644,396	31,393,527
Other long-term obligations due within one year	409,818	938,154
Dividends payable	401,596	344,178
Accounts payable	19,056,532	14,397,200
Notes payable	662,634	9,698,235
Other accounts payable	2,103,152	5,035,659
Notes and accounts payable to related companies	423,141	355,323
Provisions	14,569,034	16,087,256
Withholdings	2,603,333	3,136,634
Deferred income	1,703,293	370,974
Other current liabilities	964,969	1,743,107
Total current liabilities	**99,752,327**	**149,397,188**
Long-term liabilities		
Long-term bank obligations	156,854,931	196,166,432
Bonds payable	246,260,198	251,072,289
Notes payable	256	5,435
Other accounts payable	5,817,558	6,618,624
Notes and accounts payable to related companies	8,017	9,053
Provisions	9,723,364	9,514,012
Other long-term liabilities	797,357	1,173,000
Total long-term liabilities	**419,461,681**	**464,558,845**
Minority interest	**139,055,457**	**112,233,440**
Shareholders' equity		
Paid in capital	487,721,867	487,721,867
Other reserves	(5,701,739)	(17,009,016)
Retained earnings	172,649,806	163,809,309
Accumulated deficit during development stage	(1,497,336)	(808,848)
Net income for the year	51,079,526	24,193,412
Total shareholders' equity	**704,252,124**	**657,906,724**
Total liabilities and shareholders' equity	**1,362,521,589**	**1,384,096,197**

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

Consolidated Statements of Income

	For the years ended December 31 2005 ThCh$	2004 ThCh$
Operating results		
Revenues	421,967,509	396,281,486
Cost of sales	(344,925,253)	(321,297,567)
Gross margin	**77,042,256**	**74,983,919**
Administrative and selling expenses	(46,396,572)	(46,855,993)
Operating income	**30,645,684**	**28,127,926**
Non-operating results		
Interest income	3,046,382	2,032,154
Equity participation in income of equity-method investments	73,534,003	65,279,966
Other non-operating income	29,072,112	7,277,678
Equity participation in losses of equity-method investments	(1,727,777)	(4,706,256)
Amortization of goodwill	(22,882,697)	(21,312,769)
Interest expense	(28,846,231)	(29,756,835)
Other non-operating expenses	(12,071,529)	(16,619,571)
Price-level restatement, net	(4,344,718)	(369,852)
Foreign currency translation, net	(1,034,451)	309,615
Non-operating income	**34,745,094**	**2,134,130**
Income before income taxes, minority interest and amortization of negative goodwill	**65,390,778**	**30,262,056**
Income tax expense	(6,782,862)	(2,025,876)
Income before minority interest and amortization of negative goodwill	**58,607,916**	**28,236,180**
Minority interest	(9,327,865)	(6,966,523)
Income before amortization of negative goodwill	**49,280,051**	**21,269,657**
Amortization of negative goodwill	1,799,475	2,923,755
Net income for the year	**51,079,526**	**24,193,412**

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

Consolidated Statements of Cash Flows

	For the years ended December 31 2005 ThCh$	2004 ThCh$
Cash flows from operating activities		
Collection of accounts receivable	521,077,333	485,927,202
Interest income received	4,812,106	2,210,602
Dividends and other distributions received	69,240,520	50,817,603
Other income received	2,401,437	6,778,554
Payments to suppliers and employees	(469,194,863)	(441,661,478)
Interest paid	(27,406,432)	(27,643,596)
Income taxes paid	(3,365,584)	(1,901,661)
Other operating expenses paid	(3,258,360)	(2,500,344)
VAT and other taxes paid	(10,071,383)	(12,114,096)
Net cash provided by operating activities	**84,234,774**	**59,912,786**
Cash flows from financing activities		
Capital increase	30,284,462	10,658,036
Borrowings	114,114,308	54,791,357
Bonds issued	46,710,168	153,998,655
Other borrowings from related companies	-	41,340
Dividends paid	(15,706,522)	(20,980,895)
Capital distributions	(4,439)	(295,890)
Repayment of loans	(181,762,453)	(110,612,230)
Repayment of bonds	(72,114,409)	(84,095,031)
Repayment of promissory notes from related companies	-	(42,076,149)
Repayment of other loans from related companies	-	(72,905)
Payment of share issuance costs	(774,759)	(119,227)
Payment of bond issuance costs	(1,284,836)	(3,492,219)
Other amounts used in financing activities	(530,991)	(669,751)
Net cash used in financing activities	**(81,069,471)**	**(42,924,909)**
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	6,176,178	4,362,501
Proceeds from sales of permanent investments	298,489	11,938,116
Proceeds from sales of investments in other companies	71,496,715	29,569,604
Collection of specific term loans from related companies	-	22,940
Collection of other loans from related companies	8,787,250	771,742
Other income from investments	1,228,356	6,205,673
Additions to property, plant and equipment	(18,655,518)	(19,708,550)
Payments of capitalized interest	(47,908)	(91,419)
Purchase of permanent investments	(10,577,011)	(52,550,972)
Specific term loans granted to related companies	-	(4,724,082)
Other loans granted to related companies	(3,963,612)	(1,112,570)
Other investing activities	(2,853,283)	(6,820,888)
Net cash provided by (used in) investing activities	**51,889,656**	**(32,137,905)**
Net cash flows for the year	**55,054,959**	**(15,150,028)**
Effect of price-level restatement on cash and cash equivalents	(3,590,322)	(687,060)
Net decrease in cash and cash equivalents	**51,464,637**	**(15,837,088)**
Cash and cash equivalents, beginning of year	43,957,062	59,794,150
Cash and cash equivalents, end of year	**95,421,699**	**43,957,062**

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

Consolidated Statements of Cash Flows

	For the years ended December 31 2005 ThCh$	2004 ThCh$
RECONCILIATION BETWEEN NET INCOME AND OPERATING CASH FLOWS		
Net income for the year	51,079,526	24,193,412
Income from sales of assets		
Loss on the sale of property, plant and equipment	1,383,165	1,214,275
Gain on the sale of investments	(23,712,429)	(4,360,934)
Charges (credits) to net income which do not represent cash flows		
Depreciation	26,051,511	26,319,383
Amortization of intangible assets	91,626	182,891
Write offs and provisions	2,943,816	7,271,594
Equity participation in income of equity-method investments	(73,534,003)	(65,279,966)
Equity participation in losses of equity-method investments	1,727,777	4,706,256
Amortization of goodwill	22,882,697	21,312,769
Amortization of negative goodwill	(1,799,475)	(2,923,755)
Price-level restatement, net	4,344,718	369,852
Foreign currency translation, net	1,034,451	(309,615)
Other non-cash credits	(4,558,192)	(5,156,876)
Other non-cash charges	9,803,095	15,266,097
Variations in assets affecting cash flows, (increase) decrease		
Accounts receivable	(7,919,725)	(6,491,551)
Inventories	(2,472,389)	(18,286,524)
Other assets	50,391,805	59,131,415
Variations in liabilities affecting cash flows, increase (decrease)		
Accounts payable related to operating income	(5,041,991)	44,778
Interest payable	14,462,187	2,113,239
Income taxes payable, net	4,576,449	(2,208,966)
Other accounts payable related to non-operating income	2,928,386	(3,781,566)
VAT and other taxes payable	243,904	(379,945)
Minority interest	9,327,865	6,966,523
Net cash provided by operating activities	**84,234,774**	**59,912,786**

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

In the opinion of the management, these summarized notes provide sufficient but less detailed information than that contained in the consolidated financial statements filed with the Chilean Superintendency of Securities and Insurance ("SVS") and the stock exchanges, which are available to the general public. 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 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
  - Investments
  - Transactions with derivative instruments
  - Foreign currency balances
  - Contingencies, commitments and other responsibilities
  - Commissions
  - Current and deferred taxes
  - Directors' expenses and remuneration
  - Reported material information
- Environmental issues
- Time deposits

b) Information included in the following notes was summarized:

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

NOTE 1 – THE COMPANY

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Periods covered

These financial statements cover the years ended December 31, 2005 and 2004.

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"). In case of discrepancies, the rules and regulations issued by the SVS prevail. The specific provisions governing corporations contained in Law No. 18,046 and its regulations have also been taken into account.

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

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 3.6% 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 as follows:

	Ownership percentage as of December 31,			
		2005		2004
	% 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	94.9786	0.0000	94.9786	96.2012
O'Higgins Punta Arenas Ltda. CPA and subsidiary	75.5579	0.0000	75.5579	75.5579
Comatel S.A.	0.0000	0.0000	0.0000	85.0422
LQ Inversiones Financieras S.A. and subsidiary	63.9383	36.0617	100.0000	100.0000
Madeco S.A. and subsidiaries	42.4386	5.3728	47.8114	51.2309

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

With respect to the information contained in Note 22, Contingencies and Restrictions, concerning the situation affecting the indirect subsidiary Indalsa Perú S.A. , which has resulted in an orderly liquidation of its assets, Industria Nacional de Alimentos S.A. has not consolidated the financial statements of Indalsa Perú S.A. as of December 31, 2005 and 2004, in accordance with the provisions of Technical Bulletin No. 72 of the Chilean Association of Accountants and Resolution No. 01642 of the SVS dated March 11, 2003.

Note 9 c) shows the summarized financial statements of the subsidiary Indalsa Perú S.A. as of December 31, 2005 and 2004.

On December 17, 2005, the Board of Directors of Empresa El Peñón S.A. agreed to merge Empresa El Peñón S.A. with Comatel S.A, effective December 31, 2005. The assets and liabilities of Comatel S.A. are included in the financial statements of Empresa El Peñón S.A., the surviving entity, at their book value.

As of December 31, 2004, the financial statements of Comatel S.A. were included in the consolidated financial statements of Quiñenco S.A.

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

In November 2005, the Parent Company and its subsidiary Inversiones Río Grande S.A. exercised 50% of their preemptive rights in the capital increase of the subsidiary Madeco S.A., subscribing for 281,781,913 shares. As a consequence, the Company's direct and indirect ownership interest in Madeco S.A. decreased from 51.23% to 47.81%. 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.

Consequently, the financial statements of Madeco S.A. and subsidiaries have been included in the consolidated financial statements of Quiñenco S.A.

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

As of December 31, 2003, the indirect subsidiary Metal Overseas S.A. had written off its 50% investment in Optel Limitada ("Optel (Brazil)"), held through Madeco Brasil Ltda., and had also provisioned for other expenses as a result of the unfavorable ruling against it in the arbitration between Metal Overseas S.A. and Corning International Corporation ("Corning Inc."), the holder of the remaining 50% of Optel (Brazil). The arbitration ruling denied management rights over Optel (Brazil), and as a consequence, Madeco S.A. did not consolidate with Optel as of December 31, 2004. For accounting purposes, Optel was treated as an affiliate company of Madeco S.A. as of December 31, 2004.

Pursuant to the arbitration ruling in New York by the American Arbitration Association, on March 31, 2005, Madeco S.A., through its indirect subsidiary Madeco Brasil Ltda., signed an agreement with Corning International Corporation to acquire Corning Inc.'s 50% interest in Optel (Brazil) for the nominal price of one Brazilian real. As a result, the financial statements of the indirect subsidiary Optel (Brazil) have been included in the consolidated financial statements of the subsidiary Madeco S.A. for the period ended December 31, 2005. The financial statements of VTR S.A. and subsidiaries include the consolidation of the following direct and indirect subsidiaries: Compañía Nacional de Teléfonos, Telefónica del Sur S.A. and subsidiaries and VTR Comercial S.A.

Effective November 2005, the indirect subsidiary CNT Telefónica del Sur S.A. has included the subsidiary Compañía de Telecomunicaciones de Llanquihue S.A. in its consolidated financial statements.

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

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 26 includes 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 Banchile Compañía de Seguros de Vida S.A. are shown in Note 9 b).

e) Price-level restatement

The 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, equity accounts and income and expense accounts have been restated in line with changes in the official consumer price index, which amounted to 3.6% during the year 2005 (2.5% for 2004).

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

f) Currency translation

Assets and liabilities contracted in Unidades de Fomento ("UF") are translated to pesos at Ch$17,974.81 per UF (Ch$17,317.05 per UF in 2004).

Assets and liabilities in United States dollars have been translated at the closing exchange rates as of December 31, 2005 of Ch$512.50 per US$1.00 (Ch$557.40 per US$1.00 in 2004).

g) Time deposits

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

h) Marketable securities

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

i) Inventories

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

Inventories with a turnover of greater than one year are shown in Other long-term assets net of allowances for obsolescence.

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

j) Allowance for doubtful accounts

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

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

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

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

Property, plant and equipment 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 except for some production plants whose depreciation is calculated using the unit of production method used on estimated production of such assets in units.

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
Items included under intangible assets are trademarks and software licenses that represent an effective service potential for the Company, which are amortized using the straight-line method based on the period in which they are expected to provide benefits, but not exceeding 40 years, in accordance with Technical Bulletin No. 55 of the Chilean Association of Accountants.

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

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

r) 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, in the terms set out in Circular 1,697 of the S.V.S.

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 return on the investment, but not exceeding 20 years.

t) Other assets – other
Inventories with no turnover during the year are presented under Other assets - other.

u) Financial derivative contracts
The Parent Company and its subsidiaries LQ Inversiones Financieras S.A. and Madeco S.A. enter into forward currency contracts to hedge their foreign exchange exposure. The subsidiary Madeco S.A. also has swap contracts to hedge its foreign exchange risks.

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

v) 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., Compañia Nacional de Teléfonos, Telefónica del Sur S.A. and Compañía de Teléfonos de Coyhaique S.A. They are shown at their face value at the end of each year. Accrued interest is included in current liabilities. The difference between 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.

w) 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 create differences between the accounting and tax results, 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.

x) Staff 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.

y) Operating revenues

The Parent Company does not carry out direct transactions and therefore has no operating revenues. Industrial and commercial transactions are carried out by the subsidiaries, and revenues are recorded on the basis of goods effectively delivered or services provided.

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. The related cost of these services is shown in Cost of sales. The estimated amounts of unbilled services and their related costs do not materially differ from those revenues charged on telephone bills to customers during the subsequent two month period.

As of December 31 2004, the subsidiary Hoteles Carrera S.A. followed the practice of recording an estimate for services provided and not billed at the year end. This estimate was made using the prices corresponding to the period in which the services were provided. The costs related to these services are included in Cost of sales.

z) Computer software

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

aa) Sales 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 received under these transactions receive the same treatment as the leased property, plant and equipment indicated in Note 2 o).

ab) Employee vacations

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

ac) Cash flows

The Parent Company and its subsidiaries have considered as Cash and cash equivalents all 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.

ad) Compensation plans

The subsidiary Madeco S.A. records values and presents compensation plans including share stock options, in accordance with the International Financial Information Standard NIIF No.2 "Share based Payments", recording the fair value effect of the shares granted as a charge to remunerations. This charge will be shown on a straight-line basis over the period between the granting of the options and the date on which the options become vested.

Until December 2004, the subsidiary Madeco S.A. did not record any effect as of the grant date of the options and only recognized the eventual increase in paid in capital once the respective options were exercised and payment for the capital increases made for the amount of the option exercise price. This accounting treatment was based on the provisions of International Financial Accounting Standard (IFRS) No. 19, as Chile has no specific accounting rules addressing this matter.

NOTE 3 – ACCOUNTING CHANGES

During the years ended December 31, 2005 and 2004, there were no accounting changes that would significantly affect the interpretation of these consolidated financial statements.

NOTE 4 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a) Notes and accounts receivable from related parties:

Company	Short-term As of December 31, 2005 ThCh$	Short-term As of December 31, 2004 ThCh$	Long-term As of December 31, 2005 ThCh$	Long-term As of December 31, 2004 ThCh$
Inversiones y Rentas S.A.	2,946,168	2,713,970	–	–
Blue Two Chile S.A.	1,174,697	4,988,317	–	–
Sodimac S.A.	368,945	–	–	–
Inversiones Ontario S.A.	227,940	11,590	–	224,556
Embotelladoras Chilenas Unidas S.A.	172,903	144,534	–	–
Cobrecón S.A.	85,953	33,337	–	112,891
Inmobiliaria Adriático S.A.	40,482	80,748	228,602	263,197
Calaf S.A.	39,174	56,491	–	–
Compañía Cervecerías Unidas S.A.	35,869	35,563	–	–
Inversiones Consolidadas S.A.	30,462	–	–	–
Viña San Pedro S.A.	19,987	21,594	–	–
Banco de Chile	13,672	–	–	–
Transporte y Servicios Aéreos S.A.	9,797	1,289,304	1,351,642	–
Colada Continua S.A.	635	4,156	–	–
Electromecánica Industrial S.A.	–	19,096	–	261,274
Cervecera CCU Chile Ltda.	–	8,936	–	–
Other	40,870	65,998	685	2
Total	**5,207,554**	**9,473,634**	**1,580,929**	**861,920**

b) Notes and accounts payable to related companies:

Company	Short-term As of December 31, 2005 ThCh$	Short-term As of December 31, 2004 ThCh$	Long-term As of December 31, 2005 ThCh$	Long-term As of December 31, 2004 ThCh$
Colada Continua Chilena S.A.	286,338	196,534	–	–
Compañía de Telecom. de Llanquihue S.A.	–	60,398	–	9,053
Minera Michilla S.A.	75,870	60,164	–	–
Almacenes París S.A.	–	6,378	–	–
Cervecera CCU Chile Ltda.	1,265	1,008	–	–
Embotelladoras Chilenas Unidas S.A.	–	990	–	–
Viña San Pedro S.A.	–	82	–	–
Cobrecón S.A.	37,743	–	–	–
Other	21,925	29,769	8,017	–
Total	**423,141**	**355,323**	**8,017**	**9,053**

c) Significant transactions with related parties:

Company	Relationship	Transaction	Years ended December 31, 2005 Amount ThCh$	2005 Effect on income (charge) credit ThCh$	2004 Amount ThCh$	2004 Effect on income (charge) credit ThCh$
Banco de Chile	Subsidiary (not consolidated)	Interest on investments and time deposits	85,878	85,878	399,228	399,228
Banco de Chile	Subsidiary (not consolidated)	Interest expense	331,960	(331,960)	44,889	(44,889)
Executive Incentive Plan	Executive officers	Payments, in lieu of payment, Note 16	1,078,682	–	1,199,552	–
Almagro S.A.	Common director	Sale of land	–	–	899,238	(190,380)
Andsberg Finance Corp. Ltd.	Common shareholders	Loan	–	–	54,714,298	–
Andsberg Finance Corp. Ltd.	Common shareholders	Indexation adjustments and interest	–	–	2,462,395	(2,462,395)
Blue Two Chile S.A.	Subsidiary (not consolidated)	Current account	3,357,444	–	4,687,882–	
Blue Two Chile S.A.	Subsidiary (not consolidated)	Accrued interest	226,115	226,115	46,051	46,051
Blue Two Chile S.A.	Subsidiary (not consolidated)	Purchase of materials	255,004	–	–	–
Cobrecón S.A.	Affiliate	Production services	956,174	–	1,201,771	–
Colada Continua Chilena S.A.	Affiliate	Production services	1,545,939	–	1,288,152	–
Embotelladoras Chilenas Unidas S.A.	Affiliate	Sales of products	773,666	647,619	972,359	817,109
Minera Los Pelambres S.A.	Common shareholders	Cable invoicing	217,696	182,938	506,439	425,578
Minera Michilla S.A.	Common shareholders	Purchase of raw materials	720,180	–	838,129	–
Inmobiliaria Adriatico S.A.	Common shareholders	Sale of real estate	–	–	394,548	369,257
Sodimac S.A.	Common director	Sales	4,903,478	4,120,570	6,083,619	5,112,285

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 is calculated at market rates. The maturities of such transactions are shown in the respective notes on short-term and long-term bank obligations.

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

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

NOTE 5 – INVENTORIES, NET

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

	2005 ThCh$	2004 ThCh$
Raw materials	20,451,507	21,748,709
Finished goods	27,077,621	19,996,178
Work-in-process	16,048,966	17,666,556
Supplies	5,648,913	6,787,488
Merchandise and imports in transit	3,104,929	3,524,986
Merchandise	2,717,655	4,466,333
Materials and packaging	85,760	217,312
Total	**75,135,351**	**74,407,562**

Inventories are shown net of an allowance for obsolescence amounting to ThCh$2,774,677 and ThCh$3,024,170 in 2005 and 2004, respectively.

NOTE 6 – CURRENT AND DEFERRED INCOME TAXES

a) Income taxes

For the year ended December 31, 2005, the Parent Company had accumulated tax losses of ThCh$4,875,341 (ThCh$3,128,421 in 2004) and has made no current provision for income taxes.

b) The detail of undistributed retained earnings for tax purposes of the Parent Company as of December 31, 2005 is as follows:

	ThCh$
Earnings with 15% credit, origin 1998	10,253,086
Earnings with 10% credit, origin 1998	111,551
Earnings with 15% credit, origin 1999	58,652,009
Earnings with 15% credit, origin 2000	60,588,824
Earnings without credit, origin 2000	9,938,902
Earnings with 15% credit, origin 2001	11,800,027
Earnings without credit, origin 2001	2,758,065
Earnings without credit, origin 2002	4,492,206
Earnings with 15% credit, origin 2002	2,412,337
Earnings with 15% credit, origin 2003	7,079,794
Earnings without credit, origin 2003	29,178,808
Earnings with 10% credit, origin 2003	7
Earnings with 16% credit, origin 2003	7,161,692
Earnings with 16.5% credit, origin 2003	10,012,767
Earnings with 15% credit, origin 2004	8,133
Earnings with 16% credit, origin 2004	3,911
Earnings with 16.5% credit, origin 2004	2,362
Earnings without credit, origin 2004	8,540,641
Exempt earnings without credit	3,290,513
Non-taxable earnings	159,399,160
Exempt earnings with 10% credit	1,690,376

c) Tax obligations

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

	As of December 31, 2005 ThCh$	2004 ThCh$
First category income tax	(7,494,278)	(2,686,831)
Additional income tax	(209,552)	(121,847)
Monthly income tax installments	2,186,272	1,868,602
Other tax credits	5,683,512	4,534,336
Other recoverable taxes	3,749,314	1,684,235
Total recoverable taxes	**3,915,268**	**5,278,495**

d) Composition of deferred income taxes:

	As of December 31, 2005				2004			
	Deferred tax asset		Deferred tax liability		Deferred tax asset		Deferred tax liability	
Description	Short-term ThCh$	Long-term ThCh$	Short- term ThCh$	Long- term ThCh$	Short- term ThCh$	Long-term ThCh$	Short-term ThCh$	Long-term ThCh$
Temporary differences								
Allowance for doubtful accounts	1,478,863	1,723,177	-	-	1,078,055	2,448,231	-	-
Deferred income	10,013	-	-	-	-	-	-	-
Provision for vacations	277,785	11,177	-	-	261,537	-	-	-
Leased property, plant and equipment	19,743	223,071	-	3,324,704	113,391	223,497	-	3,214,985
Manufacturing expenses	-	-	511,547	-	-	-	502,641	-
Depreciation of property, plant and equipment	-	943	-	16,198,239	-	348	261,000	16,802,456
Severance indemnities	-	-	-	675,082	-	-	-	662,762
Other events	521,588	4,466,284	241,000	361,288	1,009,039	5,215,236	347,658	317,357
Miscellaneous provisions	316,717	402,879	-	-	-	-	-	-
Accumulated tax losses	3,473,741	39,945,533	-	-	3,680,575	36,923,158	-	-
Allowance for disposable property, plant and equipment	49,026	423,377	-	-	246,866	985,206	-	-
Allowance for value of investment in Brazil	6,943,427	-	-	-	8,172,660	-	-	-
Allowance for obsolescence	644,268	91,386	-	-	525,331	187,020	-	-
Deferred expenses	-	2,287,636	-	-	-	1,927,931	-	-
Complementary accounts, net of amortization	(19,704)	(2,566,152)	-	(10,743,633)	(31,968)	(4,322,577)	-	(11,656,007)
Valuation allowance	(9,048,165)	(30,764,541)	-	-	(10,796,140)	(25,391,300)	-	-
Total	**4,667,302**	**16,244,770**	**752,547**	**9,815,680**	**4,259,346**	**18,196,750**	**1,111,299**	**9,341,553**

e) Composition of tax expense:

	Year ended December 31, 2005 ThCh$	2004 ThCh$
Current tax expense (provision for tax)	(7,703,830)	(2,808,678)
Tax expense adjustment from previous year's provision	1,521,915	(41,176)
Deferred income taxes for the year	(1,705,992)	(3,458,488)
Tax benefit for tax losses	2,815,541	2,730,470
Amortization of complementary accounts	856,315	2,059,780
Deferred tax assets and liabilities arising from changes in valuation allowance	(3,625,267)	(4,151,282)
Other	1,058,456	3,643,498
Total	**(6,782,862)**	**(2,025,876)**

NOTE 7 – OTHER CURRENT ASSETS

The following is a detail of other current assets:

	As of December 31	
	2005 ThCh$	2004 ThCh$
Repurchase agreements	64,387,933	24,945,698
Disposable assets held for sale, net	2,913,535	4,968,553
Time deposits in guarantee	724,945	283,266
Other	759,129	1,308,148
Total	**68,785,542**	**31,505,665**

NOTE 8 –PROPERTY, PLANT AND EQUIPMENT

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

	As of December 31	
	2005 ThCh$	2004 ThCh$
Accumulated depreciation:		
Buildings and infrastructure	59,495,357	56,241,795
Machinery and equipment	212,536,241	208,441,981
Other property, plant and equipment	21,254,276	19,253,753
Revaluation from technical appraisals	5,150,520	5,212,528
	298,436,394	**289,150,057**
Depreciation for the year:		
Cost of sales	24,268,424	23,896,456
Administrative and selling expenses	1,783,087	2,422,927
	26,051,511	**26,319,383**
Other non-operating expenses	1,335,417	2,232,564
	27,386,928	**28,551,947**
Other property, plant and equipment		
Leased assets	18,523,770	18,613,251
Furniture and fixtures	7,542,510	7,911,328
Construction in progress	2,042,563	1,303,825
Computer software	5,990,251	5,206,355
Office machines	6,806,283	3,675,992
Tools and other	3,720,703	2,169,617
Materials and spare parts	550,361	1,711,167
Computer equipment	319,642	306,316
Other	3,447,348	9,089,279
	48,943,431	**49,987,130**
Depreciation related to revaluation from technical appraisals		
Land	3,002,238	3,184,014
Buildings and infrastructure	7,992,962	9,727,983
Machinery and equipment	2,193,943	2,209,271
	13,189,143	**15,121,268**
Accumulated depreciation	4,758,858	4,789,912
Depreciation for the year	391,662	422,616
	5,150,520	**5,212,528**

NOTE 9 - INVESTMENTS IN RELATED COMPANIES

The detail of investments in related companies as of December 31, 2005 is as follows:

Company	Country	Ownership percentage %	Shareholders' equity of company ThCh$	Net income (loss) ThCh$	Participation in net income (loss) ThCh$	Participation in equity ThCh$	Unrealized results ThCh$	Book value ThCh$
Banco de Chile	Chile	20.2985	775,106,290	180,723,686	36,684,189	157,334,916	-	157,334,916
SM Chile S.A. (Series A)	Chile	3.1100	386,816,429	30,781,705	-	11,073,310	-	11,073,310
SM Chile S.A. (Series B)	Chile	47.8774	386,816,429	30,781,705	15,460,573	185,920,689	-	185,920,689
SM Chile S.A. (Series D)	Chile	1.8401	386,816,429	30,781,705	594,210	7,145,713	-	7,145,713
SM Chile S.A. (Series E)	Chile	-	386,816,429	30,781,705	29,664	-	-	-
Inversiones y Rentas S.A.	Chile	50.0000	196,099,021	28,959,093	14,479,546	98,049,510	-	98,049,510
Entel S.A.	Chile	5.6849	495,242,841	71,029,919	4,039,920	28,154,159	-	28,154,159
Habitaria S.A.	Chile	50.0000	6,427,124	(2,592,042)	(1,296,021)	3,213,562	-	3,213,562
Peruplast S.A.	Peru	25.0000	14,313,872	796,149	199,037	3,578,468	-	3,578,468
Tech Pack S.A.	Peru	25.6079	9,256,481	219,155	56,121	2,370,390	-	2,370,390
Banchile Seguros de Vida S.A.	Chile	99.0000	6,220,754	1,950,776	1,948,824	6,214,534	-	6,214,534
Colada Continua Chilena S.A.	Chile	41.0000	3,611,937	1,970	808	1,480,894	-	1,480,894
Cobrecón Perú S.A.	Peru	33.3333	1,893,228	75,324	25,108	631,076	-	631,076
Compañía Telecom. Llanquihue S.A.	Chile	-	-	-	16,003	-	-	-
Empresa Aérea El Litoral S.A.	Chile	50.0000	267,546	(19,767)	-	-	-	-
Inmobiliaria El Norte y El Rosal S.A.	Chile	50.0000	122,013	(6,385)	(3,192)	61,006	-	61,006
Blue Two Chile S.A.	Chile	100.0000	4,392,746	(1,703,230)	-	4,392,746	-	4,392,746
Transporte y Servicios Aéreos S.A.	Chile	50.0000	(296,465)	(423,711)	(211,856)	-	-	-
Inmobiliaria Barrio Verde S.A.	Chile	-	1,167,482	(41,221)	-	1	-	1
Calaf S.A.	Chile	50.0000	14,776,648	(433,416)	(216,708)	7,388,324	-	7,388,324
Indalsa Perú S.A.	Peru	100.0000	9,734,412	(1,162,261)	-	-	-	-
Total						**517,009,298**	**-**	**517,009,298**

The detail of investments in related companies as of December 31, 2004 is as follows:

Company	Country	Ownership percentage %	Shareholders' equity of company ThCh$	Net income (loss) ThCh$	Participation in net income (loss) ThCh$	Participation in equity ThCh$	Unrealized results ThCh$	Book value ThCh$
Banco de Chile	Chile	20.2282	698,815,812	158,122,372	32,804,889	142,177,360	-	142,177,360
SM Chile S.A. (Series A)	Chile	3.0000	364,439,825	28,537,946	-	10,078,856	-	10,078,856
SM Chile S.A. (Series B)	Chile	46.1896	364,439,825	28,537,946	13,804,433	168,956,141	-	168,956,141
SM Chile S.A. (Series D)	Chile	1.7753	364,439,825	28,537,946	530,577	6,493,713	-	6,493,713
SM Chile S.A. (Series E)	Chile	0.3804	364,439,825	28,537,946	113,724	1,391,623	-	1,391,623
Inversiones y Rentas S.A.	Chile	50.0000	193,156,683	28,825,803	14,412,901	96,578,342	-	96,578,342
Entel S.A.	Chile	5.6904	645,075,034	49,069,463	2,792,254	36,707,416	-	36,707,416
Habitaria S.A.	Chile	50.0000	9,019,166	(8,919,014)	(4,459,507)	4,509,583	-	4,509,583
Peruplast S.A.	Peru	25.0000	15,197,111	(87,204)	(21,801)	3,799,278	-	3,799,278
Tech Pack S.A.	Peru	25.6079	10,170,494	78,769	20,171	2,604,450	-	2,604,450
Banchile Seguros de Vida S.A.	Chile	99.0000	4,269,978	754,388	753,636	4,265,708	-	4,265,708
Colada Continua Chilena S.A.	Chile	41.0000	3,609,967	1,039	426	1,480,087	-	1,480,087
Cobrecón Perú S.A.	Peru	33.3333	2,048,348	(67,910)	(22,637)	682,782	-	682,782
Optel Brasil Ltda.	Brazil	50.0000	-	-	-	-	-	-
Compañía Telecom. Llanquihue S.A.	Chile	49.0000	1,202,203	52,381	25,667	576,060	-	576,060
Empresa Aérea El Litoral S.A.	Chile	50.0000	303,945	(16,631)	(8,316)	143,657	-	143,657
Inmobiliaria El Norte y El Rosal S.A.	Chile	50.0000	128,398	(2,990)	(1,495)	64,199	-	64,199
Blue Two Chile S.A.	Chile	99.0000	(890,229)	(310,338)	-	-	-	-
Transporte y Servicios Aéreos S.A.	Chile	50.0000	127,246	(385,000)	(192,500)	63,623	-	63,623
Inmobiliaria Barrio Verde S.A.	Chile	-	1,208,703	18,869	-	1	-	1
Calaf S.A.	Chile	50.0000	8,732,309	42,577	21,288	4,366,155	-	4,366,155
Indalsa Perú S.A.	Peru	100.0000	12,189,868	(8,995,499)	-	-	-	-
Total						**484,939,034**		**484,939,034**

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

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

1. Shares held:

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

	Issued shares		Shares held by LQ Inversiones Financieras S.A		Ownership Percentage of SM Chile S.A.	
	2005	2004	2005	2004	2005	2004
SM Chile S.A. (Series A)	567,712,826	567,712,826	377,528,973	377,528,973	3.11%	3.00
SM Chile S.A. (Series B)	11,000,000,000	11,000,000,000	5,811,598,701	5,811,598,701	47.88%	46.19%
SM Chile S.A. (Series D)	429,418,369	429,418,369	223,364,308	223,364,308	1.84%	1.78%
SM Chile S.A. (Series E)	141,373,600	584,921,232	-	47,866,985	0.00%	0.38%
Total	**12,138,504,795**	**12,582,052,427**	**6,412,491,982**	**6,460,358,967**	**52.83%**	**51.35%**

	Issued shares		Shares held by LQ Inversiones Financieras S.A		Ownership Percentage of SM Chile S.A.	
	2005	2004	2005	2004	2005	2004
Banco de Chile	68,079,783,605	68,079,783,605	13,819,171,849	13,762,345,978	20.30%	20.22%

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. or SM Chile.) until the subordinated obligation with the Central Bank of Chile is repaid.

Therefore, any surplus generated by SM Chile, 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 shown in the financial statements of the Parent Company 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. Repurchase of Own Shares

On March 26, 2004, Banco de Chile made a Public Share Offering to buy 1,701,994,590 of its shares, equivalent to 2.5% of the bank's total issued shares at Ch$31 per share, in accordance with its Share Repurchase Program, approved by shareholders at the Extraordinary Shareholders' Meeting of Banco de Chile held on March 20, 2003. This transaction has been accounted for as a reduction of shareholders equity, consistent with the accounting treatment recorded by the bank, resulting in a charge to equity amounting to ThCh$23,006,352 (historic pesos).

On March 24, 2005, the Board of Directors of Banco de Chile agreed to sell the 1,701,994,590 shares of Banco de Chile that it had repurchased under the program described above. As of December 31, 2005, all of these shares had been sold in the market, the effect of which is reflected in a credit to other equity reserves of the subsidiary LQIF S.A. of ThCh$25,665,171 (historic pesos).

4. Share exchange SM – Chile E

At its ordinary meeting held on April 28, 2005, the Board of Directors of SM Chile S.A., agreed to establish a period in which SM Chile E Series shares could be exchanged for shares of Banco de Chile.

Pursuant to this plan, SM Chile S.A. offered Series E shareholders the opportunity to redeem their shares and receive in payment shares of Banco de Chile on a one-for-one basis. LQIF S.A. accepted the exchange offer for its 47,866,985 SM Chile E shares. As this transaction generated an increase in the proportionate shareholding in Banco de Chile and SM Chile, the accounting treatment reflected an amount for negative goodwill as if it was a purchase of additional rights. The effect of the transaction was shown in a credit to negative goodwill amounting to ThCh$6,257,929.

5. Voting rights in Banco de Chile:

The voting rights in Banco de Chile corresponding to the 41,041 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) 2005	Participation of LQIF in each series 2005	Number of votes for LQIF 2005	LQIF voting rights 2005	LQIF voting rights 2004
Owned by SM Chile S.A. and SAOS					
SM Chile S.A. (Series A)	1,921	66.50%	1,277	1.88%	1.93%
SM Chile S.A. (Series B)	37,217	52.83%	19,662	28.88%	29.62%
SM Chile S.A. (Series D)	1,453	52.02%	756	1.11%	1.14%
SM Chile S.A. (Series E)	141	0.00%	-	0.00%	0.07%
Other shareholders	27,348	20.29%			
Subtotal	68,080		21,695	31.87%	32.76%
Banco de Chile (includes Quiñenco S.A.)				20.30%	20.73%
Total voting rights in Banco de Chile				**52.17%**	**53.49%**

6. Dividend rights in Banco de Chile:

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

Series	Dividend distribution rights 2005	Dividend distribution rights 2004	% corresponding to LQ Inversiones Financieras S.A.'s ownership interest. 2005	% corresponding to LQ Inversiones Financieras S.A.'s ownership interest. 2004
SM Chile S.A. (Series A)	0.00%	0.00%	0.00%	0.00%
SM Chile S.A. (Series B)	16.16%	16.57%	8.54%	8.75%
SM Chile S.A. (Series D)	0.63%	0.65%	0.33%	0.34%
SM Chile S.A. (Series E)	0.21%	0.88%	0.00%	0.07%
SAOS S.A.	42.83%	43.93%	0.00%	0.00%
Banco de Chile (includes Quiñenco S.A.)	40.17%	37.97%	20.30%	20.73%
Total	**100.00%**	**100.00%**	**29.17%**	**29.89%**

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 earnings as a dividend before the end of April each year. In March 2005, Quiñenco, through its subsidiary LQ Inversiones Financieras S.A., received 29.89% of Banco de Chile's 2004 net income with respect to its direct and indirect shareholdings, which amounted to ThCh$45,630,013 (historic pesos).

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

As part of a review of the Office of the Comptroller of the Currency (OCC) and separately, the Board of Governors of the Federal Reserve performed on Banco de Chile's New York and Miami branches, Banco de Chile administrative resolutions (Consent Order and Cease and Desist Order Upon Consent) were issued, effective February 1, 2005. The bank and its respective branches committed themselves to adopt various measures set out in the above referenced documents, mainly in the areas of compliance relating to rules covering banking secrecy (Bank Secrecy Act) and the prevention of money laundering (Anti - Money Laundering).

In the opinion of the management of the subsidiary Banco de Chile, its New York and Miami branches were complying with the orders and agreements made with the OCC and FED as of December 31, 2005.

On October 12, 2005, the subsidiary Banco de Chile agreed with the Office of the Comptroller of the Currency (OCC), and separately with the Financial Crimes Enforcement Network (FinCEN), to the imposition of fines on the New York and Miami branches to be met by a lump sum payment of three million United States dollars in relation to breaches in the Bank Secrecy Act, in particular the regulations concerning the prevention of money laundering and the obligation to report suspicious transactions.

Other Resolutions were imposed by the Financial Crimes Enforcement Network (FinCEN) and the Office of the Comptroller of the Currency (OCC), (Imposition of Civil Money Sanctions and Consent Order to a Civil Money Sanction) on the same date.

8. Exemption from consolidation of banking companies:

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

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

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

Balance Sheet	As of December 31, 2005 ThCh$	2004 ThCh$
Assets		
Investments	19,292,819	15,940,506
Premiums receivable	1,848,045	1,299,762
Receivables from reinsurance	393,674	236,250
Other assets	379,552	316,401
Total assets	**21,914,090**	**17,792,919**
Liabilities and shareholders' equity		
Technical reserves	11,520,890	9,614,432
Insurance premiums payable	226,607	884,263
Due to reinsurers	1,018,119	954,617
Other liabilities	2,927,720	2,069,629
Shareholders' equity	6,220,754	4,269,978
Total liabilities and shareholders' equity	**21,914,090**	**17,792,919**

Statement of Income	Years ended December 31, 2005 ThCh$	2004 ThCh$
Operating revenue	23,952,703	12,312,758
Operating costs	(22,468,213)	(12,024,177)
Operating income	**1,484,490**	**288,581**
Income from investments	603,734	543,547
Other income and expenses	3,565	(14,047)
Foreign currency translation	(2,137)	(3,414)
Price-level restatement, net	259,697	92,607
Non-operating result	**864,859**	**618,693**
Income before income taxes	2,349,349	**907,274**
Income taxes	(398,573)	(152,886)
Net income for the year	**1,950,776**	**754,388**

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 Tresmontes S.A.

As indicated in the note on Contingencies and restrictions, on December 31, 2002, the subsidiary Industria Nacional de Alimentos S.A. decided to make an allowance for its investment in the indirect subsidiary Indalsa Perú S.A., following which its valuation by the equity method was suspended and replaced by a value of Ch$1. This will remain as such so long as the shareholders' equity of Indalsa Perú S.A. is not negative, in which event the subsidiary Industria Nacional de Alimentos S.A. would make additional allowances.

As shown in Note 14, Provisions and write offs, the total amount of the allowance deducted amounted to ThCh$29,398,410 and ThCh$31,973,998 as of December 31, 2005 and 2004 respectively.

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

Balance Sheet	As of December 31, 2005 ThCh$	2004 ThCh$
Assets		
Total current assets	92,818	158,127
Property, plant and equipment, net	12,511,016	14,198,574
Total other assets	2,788,935	3,679,628
Total assets	**15,392,769**	**18,036,329**
Liabilities and shareholders' equity		
Total current liabilities	277,862	346,825
Total long-term liabilities	5,380,495	5,499,636
Total shareholders' equity	9,734,412	12,189,868
Total liabilities and shareholders' equity	**15,392,769**	**18,036,329**

Statement of Income	As of December 31, 2005 ThCh$	2004 ThCh$
Operating revenue	-	-
Operating costs	-	-
Gross margin	**-**	**-**
Administrative and selling expenses	(469,290)	(338,466)
Operating loss	**(469,290)**	**(338,466)**
Financial income	-	5,751
Financial expenses	(208,143)	(331,558)
Other non-operating expenses	(408,475)	(8,460,678)
Foreign currency translation, net	(76,353)	129,452
Non-operating loss	**(692,971)**	**(8,657,033)**
Net loss for the year	**(1,162,261)**	**(8,995,499)**

d) Executive incentive plan:

As described in Note 16 Movements in equity accounts, Quiñenco received payments in cash and in shares of Banco de Chile, CNT Telefónica del Sur S.A., Madeco S,A, and Industria Nacional de Alimentos S.A. from executives as per the agreed installments for 2005, 2004 and 2003.

e) Summarized Balance Sheet of Blue Two Chile S.A. (subsidiary in the development stage):

	As of December 31, 2005 ThCh$	2004 ThCh$
Assets		
Total current assets	1,425,305	1,908,274
Property, plant and equipment, net	9,886,906	6,921,788
Total other assets	564,366	260,598
Total assets	**11,876,577**	**9,090,660**
Liabilities and shareholders' equity		
Total current liabilities	4,060,335	9,979,448
Total long-term liabilities	3,423,496	1,236
Total shareholders' equity	4,392,746	(890,024)
Total liabilities and shareholders' equity	**11,876,577**	**9,090,660**

f) Entel S.A.

The investment in Entel S.A. is shown at its equity value in accordance with the methodology applicable to investments in which the investor has the capacity to exercise influence or control over the investee, as the Company, through its subsidiary VTR S.A., has elected a director and an alternate director in Entel S.A.

g) Foreign investments

1) As of December 31, 2005, there were no liabilities that have been specifically designated and booked to hedge investments abroad.
2) There were no remittable profits as of December 31, 2005.

NOTE 10 – GOODWILL AND NEGATIVE GOODWILL

a) Goodwill:

	Years ended December 31,			
	2005		2004	
Company	Amortization for the year ThCh$	Goodwill (net) ThCh$	Amortization for the year ThCh$	Goodwill (net) ThCh$
SM Chile S.A. (Series B)	11,148,313	167,251,581	11,217,062	178,399,894
Banco de Chile	7,550,375	106,452,806	7,467,378	113,086,628
Madeco S.A. and subsidiaries	3,663,861	20,433,376	2,172,607	26,475,608
SM Chile S.A. (Series D)	410,229	4,953,000	341,480	5,363,229
CNT Telefónica del Sur S.A.	45,332	522,290	44,892	566,899
Inversiones Río Grande S.A. and subsidiaries	35,147	634,601	67,600	641,022
Other	29,440	-	1,750	31,607
Total	**22,882,697**	**300,247,654**	**21,312,769**	**324,564,887**

b) Negative goodwill:

	Years ended December 31,			
	2005		2004	
Company	Amortization for the year ThCh$	Goodwill (net) ThCh$	Amortization for the year ThCh$	Goodwill (net) ThCh$
SM Chile S.A. Series B	106,513	5,676,747	-	-
Madeco S.A. and subsidiaries	243,563	4,418,304	1,702,816	4,152,586
VTR S.A. and subsidiary	710,247	2,426,649	710,239	3,136,887
Entel S.A.	166,464	2,162,222	166,445	2,328,665
Empresa El Peñón S.A. and subsidiary	498,946	409,515	285,092	688,349
Inversiones Río Grande S.A. and subsidiaries	30,910	463,628	30,908	494,537
SM Chile S.A. Series A	33,144	775,965	27,885	440,970
SM Chile S.A. Series D	4,093	218,154	-	-
Other	5,595	-	370	5,625
Total	**1,799,475**	**16,551,184**	**2,923,755**	**11,247,619**

As a result of the capital increase made in July 2004 by the subsidiary Madeco S.A., in which the Parent Company did not participate, the Company amortized ThCh$49,467 (historic pesos) of goodwill in Madeco S.A., equivalent to the dilution gain for not participating.

As a result of the capital increase made in October 2004 by the subsidiary Madeco S.A., in which the Parent Company did not participate, the Company amortized ThCh$1,204,750 (historic pesos) of negative goodwill in Madeco S.A., equivalent to the amount of the dilution loss for not participating.

As a result of the capital increase made in November 2005 by the subsidiary Madeco S.A., in which the Parent Company partially participated, the Company amortized ThCh$1,154,875 (historic pesos) of goodwill in Madeco S.A., equivalent to the dilution gain for not participating. The subsidiary Río Grande also partially participated in this share issue. It amortized ThCh$546,142 (historic pesos) of goodwill in Madeco S.A., equivalent to the dilution gain for not participating.

The exchange of SM Chile Series E shares owned by LQ Inversiones Financieras for shares of Banco de Chile, produced a gain of ThCh$1,968,803. As this transaction did not affect control over the subsidiary Banco de Chile, LQIF S.A. amortized the goodwill related to the investment of ThCh$1,852,922.

NOTE 11 – CURRENT BANK OBLIGATIONS

Short-term obligations with banks are as follows:

	Year ended December 31, 2005 ThCh$	2004 ThCh$
Short-term payable in:		
United States dollars	13,034,052	11,166,612
Other foreign currencies	5,724,773	5,789,755
Unidades de Fomento (UF)	14,372	6,927
Chilean pesos (non-indexed)	5,669,895	7,535,104
Total	**24,443,092**	**24,498,398**
Short-term portion of long-term bank obligations payable in:		
United States dollars	33,408	495,828
Other foreign currencies	-	1,062,641
Unidades de Fomento (UF)	16,450,581	39,572,345
Chilean pesos (non-indexed)	283,348	267,729
Total	**16,767,337**	**41,398,543**

NOTE 12 – LONG-TERM BANK OBLIGATIONS

The maturities of obligations with banks and financial institutions as of December 31, 2005 are as follows:

	2005 ThCh$
Years to maturity:	
Between 1 and 2 years	25,251,892
Between 2 and 3 years	39,505,704
Between 3 and 5 years	54,479,286
Between 5 and 10 years	37,618,049
More than 10 years	-
Total	**156,854,931**

NOTE 13 – BONDS PAYABLE

Current portion of long-term bonds payable

Registration or identification number of instrument	Series	Nominal value of current liability	Measurement unit	Interest rate	Maturity date	Payment periods Interest	Amortization	Book value As of December 31, 2005 ThCh$	2004 ThCh$	Domestic or foreign issuance
229	D	337,500	UF	3.50%	07-21-2013	Annual	Annual	6,835,595	-	Domestic
399	D	232,129	UF	5.00%	12-10-2011	Semi-annual	Semi-annual	4,254,251	4,059,239	Domestic
384	B	-	UF	4.75%	05-15-2025	Annual	Annual	1,614,039	321,092	Domestic
385	A	-	UF	3.25%	05-15-2010	Annual	Annual	1,472,457	293,993	Domestic
198	F	34,000	UF	4.05%	02-01-2018	Semi-annual	Semi-annual	789,295	599,326	Domestic
229	A	-	UF	4.17%	07-21-2026	Annual	Annual	678,759	1,488,480	Domestic
229	B	-	UF	6.20%	04-30-2008	Semi-annual	Semi-annual	-	16,724,758	Domestic
198	E	-	UF	5.80%	12-01-2005	Semi-annual	Semi-annual	-	5,170,592	Domestic
251	G	-	UF	6.00%	12-01-2005	Semi-annual	Semi-annual	-	2,403,456	Domestic
184	D	-	UF	5.80%	12-01-2005	Semi-annual	Semi-annual	-	281,322	Domestic
251	H	-	UF	6.00%	12-01-2021	Semi-annual	Semi-annual	-	51,269	Domestic
Total current portion								**15,644,396**	**31,393,527**	

Long-term bonds payable

Registration or identification number of instrument	Series	Nominal value of current liability	Measurement unit	Interest rate	Maturity date	Payment periods Interest	Amortization	Book value As of December 31, 2005 ThCh$	2004 ThCh$	Domestic or foreign issuance
385	A	4,000,000	UF	3.25%	05-15-2010	Annual	Annual	71,899,240	71,761,855	Domestic
384	B	3,000,000	UF	4.75%	05-15-2025	Annual	Annual	53,924,430	53,821,392	Domestic
229	D	2,362,500	UF	3.50%	07-21-2013	Annual	Annual	42,465,489	-	Domestic
229	A	2,000,000	UF	4.17%	07-21-2026	Annual	Annual	35,949,620	34,759,648	Domestic
399	D	1,346,795	UF	5.00%	12-10-2011	Semi-annual	Semi-annual	24,208,382	28,326,635	Domestic
251	H	600,000	UF	6.00%	12-01-2021	Semi-annual	Semi-annual	10,784,886	10,764,278	Domestic
198	F	391,000	UF	4.05%	02-01-2018	Semi-annual	Semi-annual	7,028,151	7,634,271	Domestic
229	B	-	UF	6.20%	04-30-2008	Semi-annual	Semi-annual	-	40,366,044	Domestic
184	D	-	UF	5.80%	12-01-2005	Semi-annual	Semi-annual	-	3,638,166	Domestic
198	E	-	UF	5.80%	12-01-2005	Semi-annual	Semi-annual	-	-	Domestic
251	G	-	UF	6.00%	12-01-2005	Semi-annual	Semi-annual	-	-	Domestic
Total long-term portion								**246,260,198**	**251,072,289**	

NOTE 14 - PROVISIONS AND WRITE OFFS

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

	2005 ThCh$	2004 ThCh$
Current liabilities:		
Remunerations, fees and consulting expenses	3,228,123	2,755,260
Employee vacations	2,596,819	2,498,160
Telephone connection and long-distance costs	1,528,488	1,345,849
Staff severance indemnities	1,001,331	1,148,443
Restructuring expenses	860,636	1,004,915
Property, municipal and other taxes	842,447	577,566
Provision for basic consumption	807,703	356,700
Suppliers invoices	726,673	725,167
General and commercial expenses	685,587	1,030,761
Provision for installation and maintenance contractors	483,218	178,414
Distribution fees and freights	319,153	465,896
Advertising, promotion and corporate image	278,947	119,846
Lawsuits pending	267,155	1,572,878
Employee profit-sharing and benefits	142,223	373,416
Export and import expenses	136,073	156,366
Provision for net value of sale of property, plant and equipment	-	456,786
Provision for write off of Optel Brasil	-	445,695
Provision for guarantee received	-	92,818
Provision for work in progress	-	29,049
Other	664,458	753,271
Total	**14,569,034**	**16,087,256**
Long-term liabilities:		
Contingencies	6,210,616	5,159,168
Subsidiaries with accumulated deficits	148,268	890,026
Lawsuits pending	1,559,720	1,661,791
Staff severance indemnities	1,135,830	1,203,138
Other	668,930	599,889
Total	**9,723,364**	**9,514,012**

Allowances against assets	2005 ThCh$	2004 ThCh$
Current assets:		
Accounts receivable	6,986,422	8,194,739
Notes receivable	985,397	1,376,476
Other accounts receivable	3,342,215	174,802
Inventories (obsolescence)	2,774,677	3,024,170
Unrealized income (inventories)	146,634	917,374
Recoverable taxes Uruguay and Argentina	298,099	307,112
Accounts receivable Optel Brasil	-	255,966
Property, plant and equipment held for sale	1,124,091	2,005,038
Guarantees provision contingency adjustment (Other current assets)	-	1,164,268
Long-term assets:		
Provision for investment in Indalsa Perú S.A.	29,398,410	31,973,998
Accounts receivable Indalsa Perú S.A.	5,499,642	4,657,518
Provision for property, plant and equipment for sale	321,216	713,440
Inventories without movement for more than one year	66,839	43,594
Obsolescence of property, plant and equipment	1,911,072	1,591,026
Other long-term assets (long-term receivables)	-	3,299,622
Valuation of property, plant and equipment - Argentina	1,638,716	1,374,678
Provision for investment in Optel Brasil (50%)	-	1,585,121
Provision for property, plant and equipment, not in use	4,485,776	4,293,127
Write offs made:		
Bad debts	415,662	1,913,004

NOTE 15 - MINORITY INTEREST

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

	Percentage minority interest		Minority interest			
			Book value		Statement of income	
	2005 %	2004 %	2005 ThCh$	2004 ThCh$	2005 ThCh$	2004 ThCh$
Madeco S.A.	52.19	48.77	107,184,982	80,088,965	(5,924,830)	(4,038,117)
CNT Telefónica del Sur S.A.	26.33	26.33	17,821,868	17,456,776	(2,021,292)	(1,872,198)
Alusa S.A.	24.04	24.04	8,774,869	8,994,612	(511,329)	(625,968)
Industria Nacional de Alimentos S.A.	0.96	4.36	185,657	759,967	46,583	149,915
Indeco S.A. (Peru)	5.99	7.00	1,202,779	1,494,228	(208,231)	(222,576)
Hoteles Carrera S.A.	6.50	6.50	20,013	302,035	67,562	16,709
Inversiones Vita S.A.	33.70	33.70	1,375,284	941,585	(430,603)	(167,260)
Cía. Teléfonos de Coyhaique S.A.	11.29	11.29	882,016	864,821	(122,735)	(139,935)
Empresa El Peñón S.A.	5.02	3.80	470,130	300,628	2,176	(10,557)
Indalum S.A.	0.84	0.84	229,174	213,440	(17,146)	(16,275)
Comatel S.A.	-	14.96	-	109,060	-	1,913
Inversiones Pal S.A.	-	30.00	-	(739)	-	16,857
Distribuidora Boliviana Indalum S.A.	5.78	5.78	-	-	307	15,016
Inversiones Alusa S.A.	-	30.73	-	1,817	-	(366)
Inv. O'Higgins Punta Arenas Ltda. C.P.A.	24.44	24.44	218,159	227,228	9,070	11,426
Inversiones Vita Bis S.A.	33.70	33.70	699,147	478,679	(217,374)	(85,031)
Other	-	-	(8,621)	338	(23)	(76)
Total			**139,055,457**	**112,233,440**	**(9,327,865)**	**(6,966,523)**

NOTE 16 – SHAREHOLDERS' EQUITY

a) The following movements have occurred in shareholders' equity during 2005 and 2004:

	Paid in capital ThCh$	Other reserves ThCh$	Retained earnings ThCh$	Interim dividends ThCh$	Deficit during the development stage ThCh$	Net income (loss) for the year ThCh$	Total ThCh$
Balance as of January 1, 2004	**459,291,711**	**13,760,250**	**135,696,160**	**(12,144,323)**	**(276,463)**	**37,694,846**	**634,022,181**
Distribution of prior year's result	-	-	25,274,060	12,144,323	276,463	(37,694,846)	-
Final dividend	-	-	(6,703,102)	-	-	-	(6,703,102)
Deficit of companies in development stage	-	-	-	-	(780,742)	-	(780,742)
Proportional share of other changes directly affecting Shareholders' equity	-	(30,522,225)	-	-	-	-	(30,522,225)
Price-level restatement of equity	11,482,292	344,006	3,849,976	-	-	-	15,676,274
Net income for the year	-	-	-	-	-	23,352,714	23,352,714
Balance as of December 31, 2004	**470,774,003**	**(16,417,969)**	**158,117,094**	**-**	**(780,742)**	**23,352,714**	**635,045,100**
Balance restated for comparative purposes	**487,721,867**	**(17,009,016)**	**163,809,309**	**-**	**(808,848)**	**24,193,412**	**657,906,724**
Balance as of January 1, 2005	470,774,003	(16,417,969)	158,117,094	-	(780,742)	23,352,714	635,045,100
Distribution of prior year's income	-	-	22,571,972	-	780,742	(23,352,714)	-
Final dividend	-	-	(14,011,625)	-	-	-	(14,011,625)
Deficit of companies in development stage	-	-	-	-	(1,497,336)	-	(1,497,336)
Proportional share of equity changes (1)	-	11,307,277	-	-	-	-	11,307,277
Price-level restatement of equity	16,947,864	(591,047)	5,972,365	-	-	-	22,329,182
Net income for the year	-	-	-	-	-	51,079,526	51,079,526
Balance as of December 31, 2005	**487,721,867**	**(5,701,739)**	**172,649,806**	**-**	**(1,497,336)**	**51,079,526**	**704,252,124**

1) In March 2000, a long-term incentive plan was established for executives of the Company. A loan was granted amounting to ThCh$4,729,878 (historic pesos) as of December 31, 2002 to acquire shares of the Parent Company and its subsidiaries at market value. The loan denominated in UF is repayable in annual installments over the period 2003 – 2006 and the shares acquired are pledged in guarantee and may be used in payment. The plan was made in accordance with instructions approved by the Board of Directors on March 8, 2000. Payments of the corresponding installments for each year were made in April 2005, April 2004 and June 2003, in accordance with the conditions of the long-term incentive plan.

b) Number of shares as of December 31, 2005:

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

c) Capital as of December 31, 2005:

Series	Subscribed capital ThCh$	Paid in capital ThCh$
Common	487,721,867	487,721,867

d) Accumulated deficit of companies in development stage as of December 31, 2005:

Company	Amount of Deficit For the year ThCh$	Amount of Deficit Accumulated ThCh$
VTR S.A.	1,255,642	1,255,642
Inversiones y Rentas S.A.	145,093	145,093
CNT Telefónica del Sur S.A.	1,904	1,904
Inversiones Río Grande S.A.	28,494	28,494
Empresa El Peñón S.A.	3,826	3,826
LQ Inversiones Financieras S.A.	62,377	62,377
Total	**1,497,336**	**1,497,336**

NOTE 17 – NON-OPERATING INCOME AND EXPENSES:

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

	2005 ThCh$	2004 ThCh$
Other non-operating income		
Gain on sale of stock investments	23,924,204	4,216,298
Gain related to non-participation in capital increase	1,708,555	104,053
Reversal of provisions	1,570,332	756,192
Gain on sale of property, plant and equipment	650,005	808,552
Dividends received	222,034	115,043
Rentals	108,248	114,399
ADR depositary contracts	50,138	59,025
Recovery of taxes and expenses	6,212	93,358
Sale of trademarks	-	650,765
Other	832,384	359,993
Total	**29,072,112**	**7,277,678**
Other non-operating expenses		
Loss on sale of property, plant and equipment	2,327,073	648,455
Fees, profit sharing, remuneration and consultancies	2,073,403	1,416,131
Legal defense expenses Indalsa Perú S.A.	1,599,466	1,633,825
Depreciation of idle assets	1,353,459	2,323,396
Allowance for account receivable Indalsa Perú S.A.	1,101,414	2,467,145
Contingencies and fines	1,191,323	702,911
Write offs and obsolescence	483,309	388,473
Bank fees and other charges	276,921	242,820
Severance payments and other settlements	272,622	249,173
Lawsuits pending and arrangements	98,395	266,687
Sale of machinery in Peru	-	1,837,356
Loss related to non-participation in capital increase of subsidiary	-	1,415,315
Provision for loss on guarantee granted	-	1,164,268
Adjustment to market value of assets held for sale	-	407,796
Allowance for valuation property, plant and equipment and other assets in Argentina	-	293,265
Closure and valuation adjustments of assets of subsidiaries (Chile and Uruguay)	-	79,178
Other	1,293,874	1,083,377
Total	**12,071,259**	**16,619,571**

NOTE 18 – PRICE-LEVEL RESTATEMENT

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

	Indexation unit	2005 ThCh$	2004 ThCh$
Inventories, net	CPI and replacement cost	547,252	595,764
Property, plant and equipment	CPI	6,978,135	5,182,495
Investments in related companies	CPI	17,868,548	13,498,888
Goodwill and negative goodwill	CPI	9,784,217	7,380,641
Financial investments	CPI	1,393,606	435,314
Related company current accounts, net	UF	627,262	913,850
Other assets	UF	239,074	181,905
Other non-monetary assets	CPI	2,758,853	1,291,086
Expense and cost accounts	CPI	6,240,231	4,264,079
Total credits		**46,437,178**	**33,744,022**
Shareholders' equity	CPI	(22,329,182)	(16,240,620)
Bank obligations	CPI	(57,528)	(71,616)
Bank obligations	UF	(7,416,684)	(5,133,973)
Bonds payable	UF	(9,621,022)	(2,973,563)
Other liabilities	UF	(526,704)	(2,285,176)
Foreign suppliers	US$	335	74,133
Non-monetary liabilities	CPI	(4,451,824)	(3,086,553)
Revenue accounts	CPI	(6,379,287)	(4,396,506)
Total charges		**(50,781,896)**	**(34,113,874)**
Net loss due to price-level restatement		**(4,344,718)**	**(369,852)**

NOTE 19 – FOREIGN CURRENCY TRANSLATION

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

	Currency	2005 ThCh$	2004 ThCh$
Assets (charges)/ credits			
Cash and financial investments	US dollar	(304,040)	(349,511)
Accounts and notes receivable	US dollar	(982,333)	(1,067,534)
Other assets	US dollar	(132,356)	630,584
Other assets	Other	(157,447)	-
Derivative instruments	US dollar	212,923	811,440
Translation adjustments	US dollar	(240,174)	538,268
Related company current accounts	US dollar	(26,505)	-
Total (charges) credits		**(1,629,932)**	**563,247**
Liabilities (charges)/ credits			
Bank obligations	US dollar	460,273	(784,450)
Accounts and notes receivable	US dollar	612,930	431,145
Other liabilities	US dollar	391	(444,834)
Translation adjustment in Peru	Peruvian sol	(328,250)	655,905
Other liabilities	Other	244,287	18,270
Translation adjustment in Brazil	Brazilian real	1,609,924	1,004,392
Hedging costs Brazil	Brazilian real	(1,828,477)	(989,397)
Translation adjustment in Argentina	Argentine peso	(198,492)	(144,663)
Foreign suppliers	US dollar	22,895	-
Total credits (charges)		**595,481**	**(253,632)**
Net foreign currency translation		**(1,034,451)**	**309,615**

NOTE 20 – STATEMENT OF CASH FLOWS

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

	As of December 31, 2005 ThCh$	2004 ThCh$
Cash	5,787,088	4,297,671
Mutual funds	1,123,494	427,643
Time deposits	24,123,184	14,286,050
Transactions under repurchase agreements	64,387,933	24,945,698
Total	**95,421,699**	**43,957,062**

Other income includes the following:

	As of December 31, 2005 ThCh$	2004 ThCh$
Tax refund	1,524,876	6,240,665
Rental	217,162	455,592
Insurance	142,475	-
Futures contracts and other	338,572	-
Other	178,352	82,297
Total	**2,401,437**	**6,778,554**

The following is the detail of other investment income:

	As of December 31, 2005 ThCh$	2004 ThCh$
Sale of machinery in Brazil	-	4,863,209
Sale of assets of subsidiary	946,422	1,331,260
Rentals	72,716	-
Other	209,218	11,204
Total	**1,228,356**	**6,205,673**

The following is the detail of other investment disbursements:

	As of December 31, 2005 ThCh$	2004 ThCh$
Investment fund in Brazil	2,612,213	-
Brand rights	5,967	-
Share sale commission	174,391	-
Purchase of machinery	-	6,819,717
Other	60,712	1,171
Total	**2,853,283**	**6,820,888**

NOTE 21 – DERIVATIVE CONTRACTS

				Description of contract						Derivative instruments effect		
						Hedged item				Asset / Liability	Effect on income	
Type of derivative	Type of contract	Nominal amount	Maturity date	Specific item	Purchase/ Sale	Description	Initial amount	Closing amount	Name	Amount ThCh$	Realized ThCh$	Deferred ThCh$
FR	CCPE	2,365,550	1st qtr. 2006	Dollar exchange rate	P	Dollar assets	2,357,500	2,357,500	OCA	2,892	-	2,892
S	CCPE	1,510,907	4th qtr. 2007	Interest	P	Loan	1,510,907	1,510,907	OCL	7,574	(7,574)	-
S	CCPE	1,013,252	1st qtr. 2007	Dollar exchange rate	P	Dollar loan	1,013,252	1,013,252	OCA	8,155	(8,155)	-
FR	CCPE	847,163	1st qtr. 2006	Dollar exchange rate	P	Inventories (copper)	847,163	847,163	OCA	2,130	(2,130)	-
S	CCPE	639,852	1st qtr. 2006	Dollar exchange rate	P	Dollar loan	639,852	639,852	OCA	7,012	7,012	-
S	CCPE	588,833	1st qtr. 2006	Yen	P	Loan	588,833	588,833	OCA	1,745	(1,745)	-
S	CCPE	561,892	1st qtr. 2006	Dollar exchange rate	P	Dollar loan	561,892	561,892	OCA	19,730	19,730	-
S	CCPE	512,500	2nd qtr. 2007	Dollar exchange rate	P	Dollar loan	512,500	512,500	OCA	4,887	4,887	-
S	CCPE	486,875	4th qtr. 2006	Dollar exchange rate	P	Dollar loan	486,875	486,875	OCA	4,716	4,716	-
FR	CCPE	476,625	1st qtr. 2006	Dollar exchange rate	P	Inventories (copper)	476,625	476,625	OCA	2,727	(2,727)	-
FR	CCPE	382,325	1st qtr. 2006	Dollar exchange rate	P	Inventories (copper)	382,325	382,325	OCA	2,182	(2,182)	-
FR	CCPE	376,688	1st qtr. 2006	Dollar exchange rate	P	Inventories (copper)	376,688	376,688	OCA	2,126	(2,126)	-
S	CCPE	371,336	1st qtr. 2006	Dollar exchange rate	P	Dollar loan	371,336	371,336	OCA	3,327	3,327	-
FR	CCPE	366,950	1st qtr. 2006	Dollar exchange rate	P	Inventories (copper)	366,950	366,950	OCA	21,473	21,473	-
S	CCPE	285,345	2nd qtr. 2006	Dollar exchange rate	P	Dollar loan	285,345	285,345	OCA	9,917	9,917	-
FR	CCPE	279,313	1st qtr. 2006	Dollar exchange rate	P	Inventories (copper)	279,313	279,313	OCA	5,223	5,223	-
FR	CCPE	276,750	1st qtr. 2006	Dollar exchange rate	P	Inventories (copper)	276,750	276,750	OCA	5,032	5,032	-
S	CCPE	272,684	1st qtr. 2006	Dollar exchange rate	P	Dollar loan	272,684	272,684	OCA	12,512	12,512	-
S	CCPE	264,963	1st qtr. 2006	Dollar exchange rate	P	Dollar loan	264,963	264,963	OCA	27,179	(27,179)	-
S	CCPE	261,838	2nd qtr. 2006	Dollar exchange rate	P	Dollar loan	261,838	261,838	OCA	3,211	3,211	-
S	CCPE	256,483	2nd qtr. 2006	Dollar exchange rate	P	Dollar loan	256,483	256,483	OCA	861	(861)	-
FR	CCPE	255,225	1st qtr. 2006	Dollar exchange rate	P	Inventories (copper)	255,225	255,225	OCA	10,236	10,236	-
S	CCPE	248,831	2nd qtr. 2006	Dollar exchange rate	P	Dollar loan	248,831	248,831	OCA	2,939	2,939	-
S	CCPE	239,151	1st qtr. 2006	Dollar exchange rate	P	Dollar loan	239,151	239,151	OCA	2,337	2,337	-
S	CCPE	237,789	1st qtr. 2006	Dollar exchange rate	P	Dollar loan	237,789	237,789	OCA	6,084	(6,084)	-
S	CCPE	229,920	1st qtr. 2006	Dollar exchange rate	P	Dollar loan	229,920	229,920	OCA	11,345	11,345	-
FR	CCPE	218,325	1st qtr. 2006	Dollar exchange rate	P	Inventories (copper)	218,325	218,325	OCA	12,791	12,791	-
FR	CCPE	182,963	1st qtr. 2006	Dollar exchange rate	P	Inventories (copper)	182,963	182,963	OCA	10,774	10,774	-
FR	CCPE	161,438	1st qtr. 2006	Dollar exchange rate	P	Inventories (copper)	161,438	161,438	OCA	9,505	9,505	-
S	CCPE	132,923	1st qtr. 2006	Dollar exchange rate	P	Dollar loan	132,923	132,923	OCA	1,395	1,395	-
S	CCPE	132,151	1st qtr. 2006	Interest	P	Loan	132,151	132,151	OCL	30	30	-
FR	CCPE	85,588	1st qtr. 2006	Dollar exchange rate	P	Inventories (copper)	85,588	85,588	OCA	4,968	4,968	-

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

The effect on income relates to variations in the fair value of the forward contracts, according to Circular No. 1,501 of the SVS.

NOTE 22 – CONTINGENCIES AND RESTRICTIONS

a) Pledge over shares

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

b) Investment in Peru and extraordinary allowance

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

The municipal actions lacked any basis because the Lima Municipal Council has no legal power to revoke operating licenses granted by another municipality, in this case Chorrillos, and because the revocation process did not allow the company the opportunity to present its comments or defense, thus depriving it of a basic right.

Consequently, on October 3, 2001, Industria Nacional de Alimentos S.A. started proceedings to protect its rights and interests as a foreign investor under the Reciprocal Investment Promotion and Protection Treaty signed between Chile and Peru (hereinafter "the Treaty").

On January 6, 2003, Indalsa Perú S.A. was ordered by the municipality of Chorrillos to close the plant and threatened with the use of public proceedings and the national police. Consequently, the Board of Directors of Industria Nacional de Alimentos S.A. agreed to comply with the order as quickly as possible in order to protect the subsidiary's employees and installations, and to begin an orderly liquidation of the assets of the Peruvian subsidiary. On January 16, 2003, an official and the Mayor of Chorrillos personally witnessed the closure of the plant.

As a result of these events, Industria Nacional de Alimentos S.A. proceeded to make an allowance for the entire investment and for part of the accounts receivable from its subsidiary Indalsa Perú S.A. of ThCh$30,678,486 (historic pesos). The accounting treatment was in accordance with the specific provisions of Technical Bulletins Nos. 33 and 64 of the Chilean Association of Accountants, and the instructions of the SVS (in particular, Circular 150 dated January 31, 2003) which require public companies to make allowances for estimated losses in the value of their assets, especially with regard to investments in other Latin American countries.

In the opinion of the management of Industria Nacional de Alimentos S.A., the allowance made reflected only the accounting effect of the non-recovery of the investment but did not take into account the intangible assets, such as the distribution networks, customer portfolio, brand image, know-how, market share, sale of distribution services to third parties and the whole business project designed by Industria Nacional de Alimentos S.A. Such intangible assets are not reflected in the accounts, nor are they shown in the balance sheet. Therefore, this allowance, which had to be constituted to comply with the aforementioned accounting rules, will not in any way reflect the amount of the assets and rights invested in Peru by Industria Nacional de Alimentos S.A., which is also the amount of damages that Industria Nacional de Alimentos S.A. may demand from the Peruvian state. Consequently, the amount of the allowance only formed a part of the total amount claimed from the Republic of Peru.

The management of Industria Nacional de Alimentos S.A., backed by legal reports and analyses, considers that the actions carried out by the Peruvian authorities constituted an indirect expropriation of the investment made by Industria Nacional de Alimentos S.A. in Peru, and as a consequence, believes that there is a reasonable legal basis under international law to obtain a favorable settlement for damages. Likewise, the legal advisers to Industria Nacional de Alimentos S.A., the firm Herberth & Smith, Mr. Francisco Orrego Vicuña and the firm Eluchans y Cía., believe that the arbitration with the ICSID has a high likelihood of success in obtaining a just indemnity, considering, among other factors, the amounts invested by the company in Peru. Despite these opinions, and in accordance with current accounting regulations, including Technical Bulletin No. 6 of the Chilean Association of Accountants, Industria Nacional de Alimentos S.A. decided not to record the potential settlement gain that might result from the international arbitration process.

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 consists of the following arbitrators: Mr. Thomas Buergenthal (Chairman of the tribunal, appointed by the ICSID General Secretary), Mr. Bernardo M. Cremades, named by the Republic of Peru state and Mr. Jan Paulsson, appointed by Industria Nacional de Alimentos S.A.

The first meeting of the arbitration tribunal was held on September 15, 2003, when the tribunal formally 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 tribunal established the procedure contemplated the presentation of a request by Peru to rule that it 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, 2004, accepting the request made by the Republic of Peru without entering into the merits of the case. The international tribunal ruled that it has no jurisdiction over arbitration proceedings between Industria Nacional de Alimentos S.A. and the Republic of Peru.

On June 6, 2005, 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 the annulment petition, another for replication and rejoinder, and finally the oral hearings.

c) Civil liability

Indalsa Perú S.A. , subsidiary of Industria Nacional de Alimentos S.A., is involved in criminal proceedings brought in Peru against the chief executive officer, a former manager and a director of Industria Nacional de Alimentos S.A. (hereinafter the "Executives") for alleged crimes relating to the trafficking of influence, which could result in legal contingencies for Industria Nacional de Alimentos S.A..

On August 31, 2005, the First Special Criminal Court of the Supreme Court of Justice of Lima, by its Resolution 89, ordered the start of oral hearings for September 29, 2005. The Executives did not attend because of the discriminatory and partial treatment the court has given them. The court then declared the Executives in contempt of court and issued an order for their international arrest, which was later annulled by a ruling of the Peruvian Supreme Court of Justice under constitutional proceedings.

In addition, the Peruvian Supreme Court of Justice, in a ruling on January 27, 2006, applied the statute of limitations with respect to the criminal action against Andrónico Luksic Craig. Later, the First Special Court of the Supreme Court applied the statute of limitations with respect to the criminal actions against Gonzalo Menéndez Duque and Fernando Pacheco Novoa, and the case was closed.. As a result, the potential liability of the Peruvian subsidiary is also extinguished. Lawyers representing the Peruvian state have appealed against this last resolution and the appeal remains pending. In the opinion of the legal advisers, the ruling is not likely to be overturned..

d) Lawsuits

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

Inapplicability proceedings were brought in this case, which entered the Supreme Court (Case No. 3150-05), and remains pending. As a result of these proceedings, a desist order was issued in the case before the Appeals Court by which the collection of the taxes is suspended.

The subsidiary VTR S.A. has a case before the Santiago Appeals Court (Case No. 6692-04) and is awaiting its consideration. This appeal was made against the sentence in the first instance by the Santiago East Metropolitan Regional Authority of the Chilean Internal Revenue Service, Resolution 1025, ordered by the Regional Director of the Internal Revenue Service concerning a tax claim dated December 16, 1999.

As of December 31, 2005, Madeco S.A. has lawsuits pending against it with respect to its ordinary course of business which, according to the company's legal advisers, do not represent 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. It is believed that total damages would amount to approximately ThR$6,950. Madeco S.A. has personal guarantees from the previous owner of Ficap S.A. to indemnify Madeco S.A. should the Brazilian subsidiary be affected by such legal actions.

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

In 2003, the subsidiary Madeco S.A. was notified of the arbitration panel's judgment which, amongst other issues, ruled that the investment agreement signed between the parties on June 12, 1999, and its amendments, be terminated. As a consequence, Madeco S.A. lost its management rights in Optel and a put option to sell its shares in Optel to Corning Inc. for US$18 million.

As of December 31, 2003, following the unfavorable judgment, Madeco S.A., through its indirect subsidiary Metal Overseas S.A., made an allowance against income for its 50% holding in Optel (Brazil), held through Madeco Brasil Ltda., and it also made provisions for other expenses.

On March 31, 2005, Madeco S.A., through its indirect subsidiary Metal Overseas S.A., signed an agreement with Corning International Corporation whereby it acquired, for the nominal price of one Brazilian real, Corning Inc.'s 50% interest in Optel.

On the same date, an agreement was reached with Optel's two principal bank creditors, whereby Optel's financial debt, equivalent to US$7.3 million , was settled upon the payment of US$2 million by Optel.

As of December 31, 2005, 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, 2005, CNT Telefónica del Sur S.A. and its subsidiaries have the following lawsuits pending against them:

1) Case No. 2525-2001 in the Second Civil Court of Valdivia, with Ms. Regina Barra Arias, for damages amounting to ThCh$553,143. The lawsuit was rejected in the first and second instances and is now pending an appeal to the Supreme Court. CNT Telefónica del Sur S.A. has not made a provision for this case because it believes that it will not result in any significant liabilities.

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

3) Case No. 192-04 in the Second Civil Court of Valdivia with Nayadet Infante Anabalón for damages due to a work accident amounting to ThCh$193,000. A hearing set for January 10, 2006 was not held due to lack of legal notification. The company has not made a provision for this case because it believes that it will not result in any significant damages.

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, 2005.

1. Quiñenco S.A. is subject to certain financial covenants, which as of December 31, 2005, 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.
- Quiñenco to maintain control of Banco de Chile (through its investment in LQ Inversiones Financieras S.A.).

With respect to the sale of Lucchetti Chile S.A., Quiñenco S.A., in a document dated July 8, 2005, agreed with the buyer to modify the following obligations assumed in the sales contract signed on March 31, 2004, to remain in force for three years from the date of sale:

a) Quiñenco S.A., either directly or indirectly, must maintain i) ownership of shares issued by Industria Nacional de Alimentos S.A. representing at least 51% of the capital of the company, and ii) control of Industria Nacional de Alimentos S.A. , by a majority of votes at shareholder meetings and the ability to elect a majority of the Directors of the company.

b) Industria Nacional de Alimentos S.A.'s shareholders equity, determined without considering trademarks, intellectual and industrial property rights and goodwill (except that of Calaf at that date), must be at least ThCh$10,000,000. However, Quiñenco S.A. shall not be responsible under this obligation should the equity of Industria Nacional de Alimentos S.A. be reduced to below that figure after June 30, 2005 due to i) operational and non-operational losses incurred in the business of Industria Nacional de Alimentos S.A. and its subsidiaries and affiliates; ii) acquisitions or disposals of assets carried out under fair market conditions similar to those normally prevailing in the market; or iii) provisions ordered by an authority or in compliance with applicable regulations.

2. The indirect 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 liquidity ratio of at least 0.50:1 on both an unconsolidated and consolidated basis.
- Leverage (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.

3. 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, 2005 are:

Until LQ Inversiones Financieras S.A. has repaid the total principal and interest on its bonds in circulation to bondholders, and starting with its financial statements as of June 30, 2004, LQ Inversiones Financieras S.A. must maintain a debt to asset ratio no greater than 0.50:1, as measured in its quarterly unconsolidated financial statements. Starting September 30, 2005, 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 than or equal to the amount to be paid to bondholders on the next installment date.

4. Madeco S.A. is subject to certain financial covenants and restrictions as of December 31, 2005, the most restrictive of which are :

Bonds Series D:
- Maintain a current ratio of at least 1.0:1.
- Minimum shareholders' equity equivalent to UF 7million.
- 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:
On September 5, 2005, Madeco S.A. prepaid all of its rescheduled loans signed with creditor banks on December 18, 2002. The prepayment was financed with the proceeds of a short-term loan from Banco Bilbao Vizcaya Argentaria, Chile. While this loan remains outstanding, Madeco S.A. must comply with the following restrictions:

Covenants:

a) Maintain its ownership of the following subsidiaries and their essential assets: Alusa S.A., Indalum S.A., Ficap S.A. and Indeco S.A.
b) Madeco S.A. must grant an exclusive mandate to Banco Bilbao Vizcaya Argentaria, Chile. To structure the refinancing of the loan under current market conditions should it not be able to repay the balance of the loan at its maturity date on June 30, 2006.

Negative covenants:

a) Madeco may not enter into contracts to liquidate, dissolve or divide its businesses without the prior consent of the bank.
b) Madeco may not significantly alter the nature of its principal businesses.
c) Madeco may not grant real guarantees to present or future creditors which would weaken the bank's position with respect to those creditors.

On December 5, 2005, Madeco S.A. repaid part of the loan granted by Banco Bilbao Vizcaya Argentaria and on the same date the contract was redenominated

in Chilean pesos (previously the loan was denominated in UF). As of December 31, 2005, the debt outstanding with Banco Bilbao Vizcaya Argentaria was ThCh$7,932,485.

As of December 31, 2005, the indirect subsidiary Alusa S.A. maintains a syndicated loan with Banco de Chile and Banco Estado of UF300,000 (historic value), for which it must comply with the following covenants:

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

With respect to export advances made by Banco Security of UF163,000 (historic pesos):

- In order to guarantee the credits obtained, 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 the credits.

Alusa S.A. was in compliance with all of these covenants as of December 31, 2005.

The following restrictions were established under negotiations carried out by Indalum S.A., a subsidiary of Madeco S.A., on December 29, 2003 with Banco de Chile, Banco de Crédito e 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 at June 30 and December 31 of each year:
- Debt ratio or leverage not to exceed 1.2:1.
- Minimum shareholders' equity equivalent to UF 1,630,000.
- Maintain the ownership of its property, plant and equipment necessary for the normal development of its operations and business and maintain its ownershipof the subsidiary Alumco S.A.
- May not pledge, mortgage or grant any charge or right over any property, plant and equipment of Indalum S.A. or its subsidiaries except for those over assets it acquires in the future and which are granted for financing their acquisition.
- May not grant guarantees to cover the compliance of any obligation, debt, liability or commitment contracted by a person other than Indalum S.A. or its subsidiaries, without the prior written consent of the creditors.
- 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 2726, 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. For this purpose, financial debt shall be defined as the sum of all loans made by Madeco S.A., which amounted to ThCh$873,951 as of December 31, 2005.
- Indalum may repay the financial loan currently owed to its Parent Company Madeco S.A. only if it has paid all of the amounts due to the banks and has fully complied with the covenants and negative covenants assumed under the agreement, or that the proceeds come from the sale of the properties mentioned above.
- Madeco S.A. 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, 2005, Indalum S.A. has fully complied with these restrictions.

f) Other contingencies

The indirect guarantees of the Parent Company, as shown in the following table, include joint and several guarantees for the debts of the following subsidiaries: 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.. The related loan agreements include clauses regarding the use of the funds and financial covenants that are normal for this type of agreement.

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

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

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

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

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.

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 (the committed buyer) all of their shareholdings in Banchile Seguros de Vida S.A. (the company).

The sales price shall be:

1) The sum of any capital contributions subscribed for in 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.

The sales contract should be signed no later than December 31, 2011, provided that the following conditions are met:

a) That 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) That the respective authority, whether it be the Superintendency of Banks and Financial Institutions and/or the Superintendency of Securities and Insurance 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) That the respective authority, whether it be the Superintendency of Banks and Financial Institutions and/or the Superintendency of Securities and Insurance 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) That 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.

Sale of subsidiary:
On March 31, 2004, the subsidiary Industria Nacional de Alimentos S.A. signed a contract to sell its subsidiary Lucchetti Chile S.A. to Corpora Tresmontes which, given the nature and complexity of the transaction, established certain commitments and guarantees in favor of each of the parties.

In particular, there is the obligation of the sellers to pay indemnities with respect to taxation matters and certain responsibilities with respect to third party lawsuits, with a liability limited to Ch$10,000 million.

As of December 31, 2005, the subsidiary Madeco S.A. has received notification of income tax differences for the tax years 2001, 2002 and 2003 relating to the first category income tax, tax refunds and additional tax for a total of ThCh$3,331,253 (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$1,613,597, 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, 2005, Alusa S.A. has received two notifications of taxes due with respect to the tax years 2001 and 2002 with respect to income tax and income refunds (Value of tax ThCh$94,085 and ThCh$42,195 respectively) from the Chilean Internal Revenue Service. The company's management has, through its legal advisers, begun proceedings to counter the claims made by the Chilean tax authorities.

As of December 31, 2005, the subsidiary Inversiones Río Grande S.A. has received one notification of taxes due, number 62, (historic value of tax ThCh$484,329, corresponding to the 1999 tax year) from the Chilean Internal Revenue Service. The company has filed a complaint with the tax tribunal, objecting to the notification of taxes due, claiming that they are inappropriate.

In February 2005, the subsidiary Inversiones Río Grande S.A. received demand Nº 64 for the tax year 2002 amounting to ThCh$518,146 (historic tax amount).

The company has filed a complaint with the tax tribunal, objecting to the notification of taxes due, claiming that they are inappropriate.

On August 26, 2005, the subsidiary VTR S.A. received demand 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 against this demand on November 4, 2005.

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. to the 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".

Industria Nacional de Alimentos S.A. filed a complaint against the aforementioned 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. Industria Nacional de Alimentos S.A. estimates that the complaint will be accepted by the tax authorities.

Following a sentence in the first instance, as of December 31, 2005, Ingewall S.A., a subsidiary of Madeco S.A., has a tax claim and on appeal with respect to certain VAT refunds for the periods July through December 1999 and February and August 2001, amounting to ThCh$261,288.

g) Indirect guarantees:

						Balance outstanding as of December 31,				Release of collateral			
Creditor	Debtor Name	Type of Relationship	Assets committed guarantee	Type	Book value	2005 ThCh$	2004 ThCh$	2006 ThCh$	Assets	2007 ThCh$	Assets	2008 ThCh$	Assets
Banco del Estado de Chile	Empresa El Peñón S.A.	Subsidiary	Guarantee	General	-	18,281,520	19,789,400	-	-	-	-	-	-
Banco del Estado de Chile	VTR S.A.	Subsidiary	Guarantee	General	-	4,653,478	5,037,301	-	-	-	-	-	-
Banco del Estado de Chile	Inv. Punta Brava S.A.	Subsidiary	Guarantee	General	-	16,486,607	17,886,219	-	-	-	-	-	-
Banco del Estado de Chile	Inv. Ranquil S.A.	Subsidiary	Guarantee	General	-	16,802,616	18,224,465	-	-	-	-	-	-
Banco del Estado de Chile	Inm. e Inv. Hidroindus-triales S.A.	Subsidiary	Guarantee	General	-	16,134,949	17,495,900	-	-	-	-	-	-
Banco del Estado de Chile	Inv. y Bosques S.A.	Subsidiary	Guarantee	General	-	16,042,524	17,398,500	-	-	-	-	-	-
Banco del Estado de Chile	Empresa El Peñón S.A.	Subsidiary	Pledge	Shares	27,987,981	18,281,520	19,789,400	-	-	-	-	5,597,596	-
Banco del Estado de Chile	VTR S.A.	Subsidiary	Pledge	Shares	19,082,709	4,653,478	5,037,301	-	-	-	-	3,816,542	-
Banco del Estado de Chile	Inv. Punta Brava S.A.	Subsidiary	Pledge	Shares	25,091,994	16,486,607	17,886,219	-	-	-	-	5,018,399	-
Banco del Estado de Chile	Inv. Ranquil S.A.	Subsidiary	Pledge	Shares	25,693,777	16,802,616	18,224,465	-	-	-	-	5,138,755	-
Banco del Estado de Chile	Inm. e Inv. Hidroindus-triales S.A.	Subsidiary	Pledge	Shares	24,589,574	16,134,949	17,495,900	-	-	-	-	4,917,915	-
Banco del Estado de Chile	Inv. y Bosques S.A.	Subsidiary	Pledge	Shares	24,438,198	16,042,524	17,398,500	-	-	-	-	4,887,640	-
Highways Authority	Indalum S.A.	Indirect subsidiary	Performance bond	-	-	784	812	784	-	-	-	-	-
Aurea Seg/Bco. Santos/Inter-Atlantico/Banrisul/Abc Brasil/Sud	Ficap S.A.	Indirect Insurance subsidiary guarantee	-	1,045,753	-	1,620,509	823,271	-	222,482	-	-	-	
Sudameris/Santander	Ficap S.A.	Indirect subsidiary	Assets contract	-	56,939	-	1,212	56,939	-	55,566	-	-	-

Creditor	Debtor Name	Type of Relationship	Assets committed guarantee	Type	Book value	Balance outstanding as of December 31, 2005 ThCh$	2004 ThCh$	Release of collateral 2006 ThCh$	Assets	2007 ThCh$	Assets	2008 ThCh$	Assets
Safra	Ficap S.A.	Indirect subsidiary	Assets contract	-	-	-	53,296	-	-	-	-	-	-
Safra	Ficap S.A.	Indirect subsidiary	Property, plant and equipment	-	551,863	-	508,655	-	-	-	-	-	-
Argentine Treasury	Armat S.A.	Indirect subsidiary	Performance or sale	US$	174,250	174,250	-	174,250	-	264,600	-	-	-
Argentine Treasury	Armat S.A.	Indirect subsidiary	Performance or sale	US$	256,250	256,250	-	256,250	-	1,191	-	-	-
Codelco	Armat S.A.	Indirect subsidiary	Performance or sale	US$	1,153	1,153	-	1,153	-	-	-	-	-
Argentine Treasury	Armat S.A.	Indirect subsidiary	Performance or sale	US$	7,303	7,303	-	7,303	-	-	-	-	-
Codelco	Armat S.A.	Indirect subsidiary	Performance or sale	US$	960	960	-	-	-	-	-	-	-
Central Bank of Costa Rica	Armat S.A.	Indirect subsidiary	Performance or sale	US$	20,756	20,756	-	20,756	-	-	-	-	-
Treasury Department	Armat S.A.	Indirect subsidiary	Check	US$	-	-	113,402	-	-	-	-	-	-
Casa Moneda de Chile	Armat S.A.	Indirect subsidiary	Performance or sale	US$	1,948	1,948	727	1,948	-	-	-	-	-
Aguas Andinas S.A.	Madeco S.A.	Subsidiary	Guarantee	Ch$	19,123	19,123	20,720	19,123	-	-	-	-	-
Casa de Moneda de Chile	Madeco S.A.	Subsidiary	Guarantee	Ch$	2,730	3,900	-	3,900	-	-	-	-	-
Cía. Americana de Multiservicios	Madeco S.A.	Subsidiary	Guarantee	Ch$	708,663	708,663	25,525	500,124	-	208,539	-	-	-
Corporación Nacional del Cobre	Madeco S.A.	Subsidiary	Guarantee	Ch$	7,805	7,805	-	7,805	-	-	-	-	-
Cía. Americana de Multiservicios	Madeco S.A.	Subsidiary	Guarantee	US$	44,201	22,653	255,119	22,653	-	-	-	-	-
Cía. de Teleco-municaciones de Chile S.A.	Madeco S.A.	Subsidiary	Guarantee	US$	528,680	270,949	267,498	270,949	-	-	-	-	-
Cía. Minera Riochilex S.A.	Madeco S.A.	Subsidiary	Guarantee	US$	21,124	10,826	-	-	-	10,826	-	-	-
CMPC Celulosa S.A.	Madeco S.A.	Subsidiary	Guarantee	US$	98,296	50,377	-	50,377	-	-	-	-	-
Corporación Nacional del Cobre	Madeco S.A.	Subsidiary	Guarantee	US$	424,640	217,628	4,324	2,562	-	215,066	-	-	-
Fam America Latina	Madeco S.A.	Subsidiary	Guarantee	US$	124,223	63,664	-	-	-	63,664	-	-	-
Hqi Transelec Chile	Madeco S.A.	Subsidiary	Guarantee	US$	4,992	2,558	-	2,558	-	-	-	-	-
Minera Escondida Ltda	Madeco S.A.	Subsidiary	Guarantee	US$	9,421	4,828	-	4,828	-	-	-	-	-
Minera Espence S.A.	Madeco S.A.	Subsidiary	Guarantee	US$	6,127	3,140	-	-	-	3,140	-	-	-
Outokumpu	Madeco S.A.	Subsidiary	Guarantee	US$	16,767	8,593	-	8,593	-	-	-	-	-
Cía. General de Electricidad	Madeco S.A.	Subsidiary	Guarantee	Ch$	-	-	43,997	-	-	-	-	-	-
Enami	Madeco S.A.	Subsidiary	Guarantee	Ch$	-	-	518	-	-	-	-	-	-
Emel S.A.	Madeco S.A.	Subsidiary	Guarantee	Ch$	-	-	5,180	-	-	-	-	-	-

NOTE 23 – GUARANTEES OBTAINED FROM THIRD PARTIES

The Company has received pledges over shares in Quiñenco S.A. and its subsidiaries Banco de Chile, Madeco S.A., CNT, Telefónica del Sur S.A. and the affiliate Compañía Cervecerías Unidas S.A., granted by its executives, which guarantee a balance of ThCh$1,065,672, of the long-term incentive plan for executives set up in March 2000. These pledges have been partially released in the years 2003, 2004 y 2005, in accordance with the plan.

NOTE 24 - SANCTIONS

During 2005 and 2004, neither the Parent Company nor its directors or managers received any sanctions from the SVS or any other regulatory authority.

NOTE 25 – SUBSEQUENT EVENTS

There have been no events of a financial or other nature occurring between December 31, 2005 and the date of the issuance of these consolidated financial statements which would significantly affect their interpretation.

NOTE 26 – 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 Summarized Consolidated Balance Sheets Assets	As of December 31, 2005 ThCh$	 2004 ThCh$
Cash	**659,319,979**	**922,687,968**
Loans		
Commercial loans	3,510,901,746	2,970,510,420
Foreign trade loans	550,769,841	620,616,909
Consumer loans	864,144,110	716,757,755
Mortgage loans	670,346,676	849,397,295
Leasing contracts	454,805,008	356,231,366
Contingent loans	723,574,612	550,013,721
Other current loans	1,335,020,880	969,947,006
Overdue loans	71,348,731	87,733,947
Total loans	8,180,911,604	7,121,208,419
Less : Allowances for loan losses	(141,304,829)	(159,317,798)
Total loans, net	**8,039,606,775**	**6,961,890,621**
Other credit operations		
Interbank loans	25,012,012	15,744,426
Investments purchased under resale agreements	60,241,574	28,501,967
Total other credit operations	**85,253,586**	**44,246,393**
Investments		
Central Bank and Treasury securities	611,538,135	950,158,516
Other financial investments	547,555,806	331,649,927
Investment collateral under repurchase agreements	244,219,694	356,069,830
Assets to be leased	22,103,616	27,809,242
Assets received in lieu of payment	10,449,513	16,710,475
Other non-financial investments	1,750	2,263
Total investments	**1,435,868,514**	**1,682,400,253**
Other assets		
Other assets	344,029,400	251,706,795
Total other assets	**344,029,400**	**251,706,795**
Fixed assets		
Fixed assets, net	142,449,596	137,446,280
Investments in other companies	7,160,269	5,606,533
Negative goodwill	(412,937)	(440,971)
Goodwill	276,565,498	296,597,321
Total fixed assets	**425,762,426**	**439,209,163**
Total assets	**10,989,840,680**	**10,302,141,193**

LQIF and Banking Subsidiaries Summarized Consolidated Balance Sheets Liabilities and shareholders' equity	As of December 31, 2005 ThCh$	 2004 ThCh$
Deposits and other obligations		
Checking accounts	1,516,172,716	1,475,803,980
Savings and time deposits	4,770,257,866	3,994,783,171
Bankers' drafts and other deposits	418,226,542	683,634,141
Investments sold under repurchase agreements	270,749,591	358,042,184
Mortgage finance bonds	556,504,321	817,288,316
Contingent liabilities	723,906,894	551,330,211
Total deposits and other obligations	**8,255,817,930**	**7,880,882,003**
Bonds payable		
Bonds	453,613,747	314,247,916
Subordinated bonds	305,284,479	275,890,605
Total bonds payable	**758,898,226**	**590,138,521**
Borrowings from financial institutions		
Central Bank of Chile credit lines for loan rescheduling	1,406,714	1,999,584
Other Central Bank of Chile borrowings	-	111,517,897
Borrowings from domestic financial institutions	122,766,442	65,406,915
Foreign borrowings	661,492,776	616,988,158
Other borrowings	33,743,187	46,460,982
Total borrowings from financial institutions	**819,409,119**	**842,373,536**
Other liabilities		
Provision for payment of subordinated obligation with Central Bank of Chile	77,411,502	69,467,094
Other liabilities	250,976,869	175,727,523
Total other liabilities	**328,388,371**	**245,194,617**
Total liabilities	**10,162,513,646**	**9,558,588,677**
Minority interest	**336,805,247**	**300,759,695**
Shareholders' equity		
Capital and reserves	464,136,299	438,039,768
Other equity accounts	(97,557)	(17,157,199)
Net income for the year	26,483,045	21,910,252
Total shareholders' equity	**490,521,787**	**442,792,821**
Total liabilities and shareholders' equity	**10,989,840,680**	**10,302,141,193**

LQIF and Banking Subsidiaries **Summarized Consolidated Statements of Income**	For the years ended December 31, 2005 ThCh$	 2004 ThCh$
Interest revenue and expenses		
Interest revenue	680,258,203	562,978,813
Gains from trading and brokerage activities	14,212,769	21,010,525
Income from fees and other services	173,340,832	151,041,483
Foreign currency translation, net	7,564,193	17,412,366
Other operating income	14,266,377	21,663,634
Total operating revenues	**889,642,374**	**774,106,821**
Less :		
Interest expense	(317,401,180)	(230,736,730)
Losses from trading and brokerage activities	(10,924,261)	(24,274,262)
Other services expenses	(32,739,404)	(28,469,476)
Other operating expenses	(17,077,962)	(12,829,436)
Gross margin	**511,499,567**	**477,796,917**
Personnel salaries and expenses	(150,726,418)	(141,610,964)
Administrative and other expenses	(108,942,837)	(91,025,469)
Depreciation and amortization	(18,205,122)	(17,926,947)
Net margin	**233,625,190**	**227,233,537**
Allowances for loan losses	(23,663,698)	(43,635,977)
Operating income	**209,961,492**	**183,597,560**
Non-operating results		
Non-operating income	9,838,948	5,030,028
Non-operating expenses	(12,280,545)	(13,911,039)
Equity participation in income of related companies, net	681,253	451,285
Amortization of negative goodwill	27,885	27,885
Amortization of goodwill	(20,948,376)	(19,013,946)
Price-level restatement, net	(12,257,632)	(6,979,176)
Income before income taxes	**175,023,025**	**149,202,597**
Provision for income taxes	(20,494,737)	(16,483,769)
Income after income taxes	**154,528,288**	**132,718,828**
Minority interest	(50,633,741)	(41,341,482)
Provision for payment of subordinated debt obligation with the Central Bank of Chile	(77,411,502)	(69,467,094)
Net income for the year	**26,483,045**	**21,910,252**

LQIF and Banking Subsidiaries Summarized Consolidated Statements of Cash Flows	For the years ended December 31, 2005 ThCh$	 2004 ThCh$
Cash flows from operating activities		
Net income for the year	26,483,045	21,910,252
Charges (credits) to income which do not represent cash flows:		
Depreciation and amortization	18,205,122	17,926,947
Allowances for loan losses	56,649,680	78,586,301
Net change in market value of investments	3,250,928	742,390
Gain on investments in other companies	(681,253)	(451,285)
Net gain on sale of assets received in lieu of payment	(5,071,822)	(5,688,976)
Loss on sale of fixed assets	(98,411)	(224,783)
Minority interest	50,633,741	41,341,482
Fixed asset write offs and allowances	10,252,429	7,593,514
Price-level restatement, net	12,257,632	7,862,311
Other charges to results that do not represent cash flows	16,957,442	18,167,084
Changes in assets affecting cash flows	966,434	44,751,796
Changes in liabilities affecting cash flows	2,387,150	(2,334,539)
Net variation in accrued interest, indexation adjustments and fees	(61,745,649)	8,608,492
Provision for subordinated debt obligation	77,411,502	69,467,094
Net cash provided by operating activities	**207,857,970**	**308,258,080**
Cash flows from investing activities		
(Increase) in loans, net	(914,393,906)	(517,541,039)
Decrease in other credit operations, net	(30,211,094)	1,448,080
Decrease (increase) in investments, net	7,248,470	156,425,374
Additions to fixed assets	(18,271,549)	(12,752,865)
Sales of fixed assets	291,517	1,394,583
Investments in other companies	(1,665,200)	(302,044)
Dividends received from investments in other companies	559,986	759,755
Sale of investments in other companies	19,833	12,136
Sale of assets received in lieu of payment	14,863,142	17,313,781
Net changes in other assets and liabilities	(22,248,809)	(117,424,498)
Net cash used in investing activities	**(963,807,610)**	**(470,666,737)**
Cash flows from financing activities		
Increase (decrease) in deposits and borrowings	869,210,424	267,939,985
Increase in bond obligations, net	155,051,979	289,118,834
Increase in checking accounts	91,651,134	203,744,098
Increase in other sight or term obligations	(218,462,356)	29,592,200
Increase (decrease) in investments sold under repurchase agreements	(78,399,000)	(80,333,975)
Short-term borrowings from abroad	(325,578,596)	75,512,019
Dividends paid	(42,654,814)	(23,868,091)
Redemption of mortgage-funding notes	(716,634,922)	(330,102,985)
Issuance of mortgage-funding notes	510,989,062	138,874,619
Increase in other short-term liabilities	(45,399,255)	44,921,663
Loans drawn from Central Bank of Chile (long-term)	554,473	2,128,644
Repayment of loans from Central Bank of Chile (long-term)	(1,100,934)	(3,152,406)
Loans received from abroad – long-term	706,620,336	239,094,686
Repayment of loans from abroad – long-term	(316,862,503)	(527,762,895)
Repayment of loans from financial institutions – long-term	-	(106,648)
Other long-term loans drawn	1,478,055	1,880,289
Repayment of other long-term loans	(40,965,229)	(69,312,785)
Payment of the subordinated obligation	(67,050,841)	(57,933,046)
Sale of repurchased shares	57,636,878	-
Net cash provided by financing activities	**540,083,891**	**200,234,206**
Net cash flow for the year	**(215,865,749)**	**37,825,549**
Effect of inflation on cash and cash equivalents	(38,811,884)	(20,158,242)
Net increase in cash and cash equivalents	**(254,677,633)**	**17,667,307**
Cash and cash equivalents, beginning of year	927,543,774	909,876,467
Cash and cash equivalents, end of year	**672,866,141**	**927,543,774**

NOTE 26.1 – SIGNIFICANT ACCOUNTING PRINCIPLES

a) Information provided

These consolidated financial statements are prepared in accordance with generally accepted accounting principles in Chile and the specific accounting standards of the various regulating entities in each area of business: SBIF, 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 consumer price index, of 3.6%.

b) Basis of consolidation

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

	Direct and indirect shareholding	
	2005	2004
	%	%
SM Chile S.A. and subsidiaries	52.83	51.35
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 Agency, Banchile Administradora General de Fondos S.A., Banchile Securitizadora S.A., Promarket S.A. and Socofin S.A.

For the purposes of consolidation, the financial statements of Banco de Chile New York 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 Currency 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, fixed assets and other non-monetary assets and liabilities have been restated in accordance with changes in the CPI, which resulted in a net charge to income of ThCh$12,257,632 (ThCh$6,979,176 in 2004). The income statement accounts are restated except in the subsidiaries regulated by the SBIF.

e) Basis of translation

Assets and liabilities denominated in Unidades de Fomento (UF) have been valued at Ch$17,974.81 (Ch$17,317.05 per UF in 2004).

f) Foreign currency

Assets and liabilities in United States dollars of subsidiaries regulated by the SBIF are shown at their equivalent value in Chilean pesos, calculated at the closing exchange rate of Ch$514.21 per US$1.00 as of December 31, 2005 (Ch$559.83 per US$1.00 as of December 31, 2004), which does not differ significantly from the exchange rate applied by subsidiaries supervised by the SVS.

The balance of ThCh$7,564,193 (gain of ThCh$17,412,366 in 2004) 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) Financial investments

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

The adjustment of these investments to market value resulted in a net charge to income of ThCh$3,250,928 in 2005 (charge of ThCh$742,390 in 2004), which is included in Operating income in the account Loss from trading and brokerage activities. The adjustment to the permanent portfolio resulted in a net charge to Shareholders' equity of ThCh$55,284 in 2005 (charge of ThCh$243,640 in 2004).

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

h) Transactions under repurchase agreements

The bank 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 to the loan are shown as "Investment collateral under repurchase agreements". The obligation to repurchase the investment is shown as "Investments sold under repurchase agreements", valued according to the agreed interest rate.

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

i) 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.

j) 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 at their nominal value net of non-accrued interest and taxes at the end of each year.

k) Factoring transactions

The bank 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.

l) Fixed assets

Fixed assets 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$353,257 as of December 31, 2005 (ThCh$511,583 in 2004). In order to reflect the realizable value of these assets, an allowance has been made against income for the year of ThCh$285,213 as of December 31, 2005 (ThCh$304,383 in 2004).

m) 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.

n) Derivative contracts

Banco de Chile and its subsidiaries value their foreign currency forward contracts using the daily exchange rate and the resulting gains or losses are shown in the consolidated statement of income on an accrual basis. The initial premium or discount on these contracts is deferred and included in determining net income over the life of the contract.

The net interest effect of the Bank's interest rate swap contracts, which corresponds to the difference between interest income and interest expense arising from such agreements, is recorded in net income in the period that cash differences originate. The Bank and its subsidiaries also charge to income for the year an adjustment to market value of the portfolio of interest swaps used to cover interest rate and exchange risks on its foreign investments. The assets and liabilities related to derivative contracts are shown net in Other liabilities.

o) Allowance for doubtful assets

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

p) Current and deferred income taxes

The Parent Company and its direct and indirect subsidiaries have determined their liability for first category tax in accordance with current legislation. The banking subsidiaries take into account, in particular, 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 financial and tax bases of assets and liabilities have been recorded on an accrual basis in accordance with Technical Bulletins 60, 69, 71 and 73 of the Chilean Association of Accountants and Circular No.1,466 of the SVS.

q) Staff vacations

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

r) 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. At the year-end, the Bank has accrued the obligation relating to the portion earned but not yet exercised by qualified employees.

As of December 31, 2005, a provision has been made for this obligation on the basis of its present value discounted at a real annual rate of 6% (7% in 2004).

s) Cash and cash equivalents

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

NOTE 26.2 – BACKGROUND OF SUBSIDIARY SOCIEDAD MATRIZ DEL BANCO DE CHILE S.A.

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

On November 8, 1996, Banco de Chile was transformed into Sociedad Matriz del Banco de Chile S.A., or SM Chile S.A. and proceeded to transfer all its assets, liabilities and memorandum accounts, except the subordinated obligation, to the new banking company Banco de Chile. On the same date, the company subscribed and fully paid a capital increase to SAOS S.A. through the transfer of 28,593,701,789 of Banco de Chile shares 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. The company maintains the commitment to transfer the dividends and free 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 26.3 – PROVISION FOR PAYMENT OF THE BANCO DE CHILE SUBORDINATED DEBT

The provision for payment of the tenth 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, 2005 was ThCh$77,411,502 (ThCh$69,467,094 in 2004), equivalent to UF 4,306,665.96 (UF 3,872,090 in 2004), which corresponds to the amount that, according to the contract covering the obligation, must be paid to the Central Bank by April 30, 2006 as its annual installment provided that Banco de Chile distributes all its net income for 2005 as a dividend. The final value of the annual installment will be known once the shareholders of Banco de Chile approve the distribution of 2005 net income at the shareholders' meeting.

On January 27, 2006, the subsidiary Banco de Chile reported the following significant information:

"In accordance with clauses 9 and 10 of Law 18,045 and Chapter 18 - 10 of the Compendium of Regulations of the SBIF, you are informed that on January 26, 2006, the Board of Directors of Banco de Chile agreed to call the Ordinary Shareholders' Meeting for March 23, 2006, in order to propose, among other matters, the distribution of dividend No. 194 for Ch$1.8582 per share, corresponding to 70% of the net income for year ended December 31, 2005. The Board also agreed to call an Extraordinary Shareholders' Meeting for the same day to approve the capitalization of 30% of the bank's net income for the year 2005 through the issuance of shares with no par value and free of payment, determined at a value of Ch$32.35 per share and distributed to shareholders in a proportion of 0.02461 per share."

NOTE 26.4 – ACCOUNTING CHANGES

There were no accounting changes that could affect the interpretation of these consolidated financial statements during the year ended December 31, 2005.

NOTE 26.5 – SUBSEQUENT EVENTS

There are no other facts of a financial or other nature occurring between December 31, 2005 and the date of issuance of these consolidated financial statements that might significantly affect their interpretation.

On March 7, 2005, the following was reported to the Chilean Superintendency of Securities and Insurance:

"In accordance with clauses 9 and 10.2 of the Securities Market Law 18,045 and General Rule No.30 of the Superintendency, I, duly empowered by the Board of Directors of Quiñenco S.A., wish to inform you that:

Quiñenco S.A., through its subsidiary Inversiones Río Azul S.A., Consorcio Financiero S.A. and Parque Arauco S.A. (the "Offerors") agreed to make a public tender offer to buy shares issued by Empresas Almacenes Paris S.A., subject to the terms of Chapter XXV of the Securities Market Law 18,045 (the "Offer").

The objective of the Offer is to acquire 164,000,000 shares of Empresas Almacenes Paris S.A., representing 27.3333% of that company's subscribed and paid in share capital, which will enable Quiñenco S.A., as the indirect holder through its subsidiary Inversiones Río Azul S.A., Consorcio Financiero S.A. and Parque Arauco S.A., to become the holders, should the Offer be declared successful, of 20.0816%, 20.0794% and 10%, respectively, of the subscribed and paid in shares of Empresas Almacenes Paris S.A.

The Offer shall be subject to the tender of at least 164,000,000 shares, equivalent to 27.3333% of the paid in capital of Empresas Almacenes Paris S.A., being offered for sale to the Offerors in accordance with the terms of the Offer, notwithstanding the rights of the Offerors, should the number of acceptances be lower at the expiry of the Offer, to reduce the Offer to the number of shares covered by such acceptances.

The Offer price shall be Ch$900 for each share of Empresas Almacenes Paris S.A., payable in Chilean pesos without interest or indexation on the second banking business day following the publication of the notice of the results. This price represents a premium for control of 15.2404% compared to the market price of the share of Empresas Almacenes Paris S.A. which, according to the legal definition is Ch$780.9578, taking April 9, 2005 as the date on which the shares would be acquired.

The Offer shall have a term of 30 consecutive days beginning at 00:00 hours on March 8, 2005 and expiring at 24:00 hours on April 6, 2005. The Offerors reserve the right to extend the term in accordance with the law.

The total amount of the Offer is Ch$147,600,000,000, which will be financed by the Offerors from their own resources and, if necessary, with funds provided by their shareholders".

On March 16, 2005, the Chilean Superintendency of Securities and Insurance was informed that:

"In accordance with clauses 9 and 10 of Securities Market Law 18,045 and Circular 660 of the Superintendency of Securities and Insurance, and being duly authorized, I inform you as Significant Information that the Board of Directors, at its meeting held on March 14, 2005, agreed to propose at the next Ordinary Shareholders' Meeting, the distribution of a final dividend of Ch$14,011,625,044, corresponding to 60% of the net income for 2004 and comprising: a) a minimum obligatory dividend of Ch$5,924,944,115, equivalent to 30% of the net income for 2004, after deducting from the consolidated net income for the year the accumulated development period deficit and amortization of negative goodwill; b) an additional dividend of Ch$8,086,680,929 corresponding to 34.55% of the net income for 2004.

The final dividend amounts to Ch$12.97685 per share, payable starting May 11, 2005".

On March 16, 2005, the Chilean Superintendency of Securities and Insurance was informed that:

"In accordance with clauses 9 and 10.2 of the Securities Market Law 18,045 and General Rule No.30 and Circular 1737 of January 13, 2005 of the Superintendency, I, duly empowered by the Board of Directors of Quiñenco S.A., wish to inform you that:

Inversiones Río Azul S.A., a subsidiary of Quiñenco S.A., and Consorcio Financiero S.A., having taken note of and analyzed the new price conditions offered by Cencosud S.A. in its public offer (the "Offer") for the acquisition of 100% of the shares of Empresas Almacenes Paris S.A. ("Paris"), which were informed to the market on this date, have considered that these new Offer conditions are favorable for the shareholders of Paris and have therefore resolved not to improve the terms of their competing public offer made and published on March 7, 2005 (the Competing Offer)".

Also on March 16, 2005, Inversiones Río Azul S.A. and Nahuel S.A., both subsidiaries of Quiñenco S.A., signed an agreement (the "Agreement") with Cencosud S.A., Inversiones Latadía S.A., Quinchamalí S.A., Mehuin S.A., Inversiones y Rentas Cerro Verde Limitada, Consorcio Financiero S.A., Maquihue S.A. and Lemoniz S.A. whereby the shareholders of Paris that are parties to the Share Assignment Agreement dated October 5, 2004, mutually authorized each other to participate in the Offer, with the consent of the other parties to the Agreement, all within the terms contained in the Agreement, by which the parties mentioned contracted the following obligations to one another:

1.- Should the Offer be declared successful, Cencosud S.A. is obliged to make a new public purchase offer (the "New Offer") for all the shares of Paris which had not been included in the Offer, including the shares in Paris held by Nahuel S.A. and Consorcio Financiero S.A. and its subsidiaries, on the same terms and conditions of the Offer, except with respect to the causes of expiry of the New Offer, which were modified under the Agreement. The New Offer should be made and initiated within 30 days from the day on which the notice of the success of the Offer is published and should be concluded and paid at least 5 business days (excluding Saturdays, Sundays and holidays) prior to the date granting the rights of the holder of shares of Cencosud S.A. to the payment of dividends in 2005.

However, should Nahuel S.A., Consorcio Financiero S.A. and its subsidiaries and Lemoniz S.A. choose to accept and sell in the Offer, Cencosud S.A. shall not be obliged to make its New Offer.

2.- Inversiones Río Azul S.A. and Consorcio Financiero S.A. are obliged to sell to Cencosud S.A. all their shares in Paris should the Offer de declared successful.

For its part, Cencosud S.A. is obliged to not declare the Offer successful should it receive acceptances for less than 120,000,000 Paris shares.

3.- In addition, until the Offer is declared successful, Mehuin S.A. and Lemoniz S.A. shall be authorized to make the Competing Offer.

4.- Inversiones Río Azul S.A. and Consorcio Financiero S.A. are obliged to (i) not acquire Paris shares in any form, directly or indirectly, other than those they should acquire under their Competing Offer (obligation that shall cease on the date the notice of the results of the Competing Offer is published, or the notice of the results of the New Offer, as the case shall be); (ii) not modify the terms of the Competing Offer; (iii) not extend the term of the Competing Offer, and (iv) not declare successful the Competing Offer if acceptances for less than 164,000,000 Paris shares are received".

On April 29, 2005, the Superintendency of Securities and Insurance was informed that:

"In accordance with clauses 9 and 10 of the Securities Market Law 18,045 and being duly empowered, I wish to inform you as Significant Information that the Ordinary Shareholders' Meeting of the Company was held on April 28, 2005 to elect the Board of Directors of the Company for a new period of three years. The following members of the Board of Directors were elected:

Andrónico Luksic Craig
Guillermo Luksic Craig
Jean Paul Luksic Fontbona
Gonzalo Menéndez Duque
Hernán Büchi Buc
Juan Andrés Fontaine Talavera
Matko Koljatic Maroevic

At the same meeting shareholders also agreed to distribute a final dividend of Ch$14,011,625,044, corresponding to 60% of the net income for 2004, comprised as follows:

a) a minimum obligatory dividend of Ch$5,924,944,115, and
b) an additional dividend of Ch$8,086,680,929.

The final dividend corresponds to Ch$12.97685 per share, which it was agreed would be payable starting May 11, 2005 to shareholders of record of the Company registered at least 5 business days prior to that date.

Lastly, at an Extraordinary Board Meeting held on April 28, 2005, the Board of Directors appointed Guillermo Luksic Craig as Chairman of the Board and Andrónico Luksic Craig as Vice-Chairman of the Board".

On September 2, 2005, the Superintendency of Securities and Insurance was informed that:

"In accordance with clauses 9 and 10.2 of the Securities Market Law 18,045 and General Rule No.30 of the Superintendency, I, duly empowered, wish to inform you of the following Significant Information:

1) The Board of Directors of the Company agreed to sign a commitment letter with Deutsche Bank by which the latter commits to subscribing for 50% of the rights belonging to Quiñenco S.A. in the future capital increase of Madeco S.A. such that Quiñenco S.A., together with the bank mentioned, will subscribe in equal parts for all the rights corresponding to Quiñenco S.A. in that capital increase.

The Board of Directors felt it necessary to report this because, if the joint subscription is formalized, it could result in Quiñenco S.A. reducing its present shareholding in Madeco S.A. to a percentage of less than 50%, despite the fact that it would maintain a controlling shareholding in Madeco S.A..

2) However, should the subscription of the capital increase of Madeco S.A. by Deutsche Bank not materialize as indicated, Quiñenco S.A. shall subscribe for all of its rights in the capital increase of Madeco S.A.".

There have been no other events occurring during the period between January 1 and December 31, 2005, which, by their nature or importance, have the character of Significant Information, as defined in General Rule No.30 of the Superintendency of Securities and Insurance.

NET INCOME

Quiñenco reported net income of Ch$51,080 million in 2005, an increase of Ch$26,887 million compared to 2004. The variation in net results between the two years is mainly explained by an increase in operating and non-operating results. Non-operating results included gains on the sale of shares of Almacenes Paris, Cencosud and others, which amounted to Ch$23,657 million.

Table No. 1: Composition of net income

	In millions of Ch$ as of December 31, 2005	
	2005	2004
Operating income	**30,646**	**28,128**
Non-operating income	34,745	2,134
Other (1)	(14,311)	(6,069)
Net non-operating results	**20,434**	**(3,935)**
Net income for the year	**51,080**	**24,193**

(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, 2005	
	2005	2004
Madeco	27,840	26,082
Telefónica del Sur	12,983	12,965
Quiñenco and others (1)	(10,177)	(10,920)
Total operating income	**30,646**	**28,128**

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

In 2005, Quiñenco reported operating income of Ch$30,646 million, up by 8.9% compared to 2004, primarily due to an increase in Madeco's operating income.

Madeco's operating income increased by 6.7% to Ch$27,840 million, attributable to higher sales of the cables business units, the effect of which was partially offset by a reduction in the operating income of the brass mills and aluminum profiles business units.

Lower costs and SG&A expenses compensated for the slight drop in Telefónica del Sur's sales revenues and operating profit for the company remained stable at Ch$12,983 million, rising by 0.1% compared to the previous year.

NET SALES

During 2005, consolidated sales amounted to Ch$421,968 million, an increase of 6.5% compared to 2004. 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, 2005	
	2005	2004
Madeco	365,488	335,700
Telefónica del Sur	54,724	54,846
Quiñenco and others (1)	1,756	5,736
Total sales	**421,968**	**396,281**

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

Madeco's sales grew by 8.9% in 2005, mostly due to the higher sales associated with the cables business unit in Chile, Peru and Brazil as a consequence of higher sales volumes and higher average prices, partially offset by lower sales related to the brass mills, flexible packaging and aluminum profiles business units.

Telefónica del Sur's revenues varied only slightly compared to 2004, although the product mix highly favored non regulated services, especially Internet, which grew by 33.2%.

The reduction of 69.4% in the revenues of Quiñenco and others mainly corresponded to the decline in activity of Hoteles Carrera and Indalsa following the sale of their main businesses.

COST OF SALES

Consolidated cost of goods sold increased by 7.4% compared to 2004. This variation is mainly explained by an increase of 9.4% in the cost of goods sold at Madeco, attributable to higher raw material costs, particularly copper, aluminum and plastics. 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, 2005	
	2005	2004
Madeco	(313,548)	(286,580)
Telefónica del Sur	(27,207)	(27,257)
Quiñenco and others (1)	(4,170)	(7,461)
Total cost of goods sold	**(344,925)**	**(321,298)**

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Consolidated SG&A expenses amounted to Ch$46,397 million, a reduction of 1.0% compared to the previous year, mainly to the 15.6% decline in SG&A expenses associated with Quiñenco and others (principally Indalsa). The decrease in SG&A expenses was partially offset by 4.6% increase in SG&A expenses at Madeco, attributable to its Brazilian operations. 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, 2005	
	2005	2004
Madeco	(24,099)	(23,038)
Telefónica del Sur	(14,534)	(14,623)
Quiñenco and others (1)	(7,763)	(9,195)
Total cost of goods sold	**(46,397)**	**(46,856)**

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

NON OPERATING RESULTS AND OTHER ITEMS

Quiñenco reported non-operating losses and other items of Ch$20,434 million, up by Ch$24,369 million compared to 2004. The variation between the two years is largely explained by a sharp rise in other non-operating income, which in 2005 included a gain of Ch$23,657 million on the sale and exchange of shares of Almacenes Paris, Cencosud and others. In addition, the increase in equity income from investments (primarily Banco de Chile, CCU and Entel) and a decrease in other non-operating expenses also served to boost non-operating results during the year. The increase in non-operating results was partially offset by higher income taxes and price-level restatement losses.
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, 2005	
	2005	2004
Interest Income	3,046	2,032
(Net) Income from equity method investments	71,806	60,574
Goodwill amortization	(22,883)	(21,313)
Other non-operating income	29,072	7,278
Other non-operating expenses	(12,072)	(16,620)
Interest expense	(28,846)	(29,757)
Price-level restatement	(4,345)	(370)
Foreign exchange differences	**(1,034)**	**310**
Non-operating income	**34,745**	**2,134**
Income Taxes	(6,783)	(2,026)
Extraordinary items	-	-
Minority Interest	(9,328)	(6,967)
Negative goodwill amortization	1,799	2,924
Total non-operating income (loss) and other items	**20,434**	**(3,935)**

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, 2005

Sector/Company			Net Income (loss) 2005	Net Income (loss) 2004	Quiñenco's Ownership 2005	Quiñenco's Ownership 2004	Quiñenco's Proportionate Share 2005	Quiñenco's Proportionate Share 2004
Financial Services	Banco de Chile	(1)	180,724	158,122	52.2%	53.5%	52,769	47,254
Food & Beverages	CCU	(2)	48,177	47,028	32.1%	30.8%	15,452	14,488
Telecommunications	Telefónica del Sur	(3)	7,677	7,108	73.7%	73.6%	5,656	5,235
	Entel	(3)	71,030	49,069	5.7%	5.7%	4,040	2,792
Manufacturing	Madeco	(4)	12,014	8,819	47.8%	51.2%	6,089	4,781
Other Operating Companies		(5)					(7,177)	(8,795)
Total Operating Companies							**76,829**	**65,755**
Others (Corporate level)							(25,749)	(41,562)
Net income for the year							**51,080**	**24,193**

Notes:

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

(2) Indirect ownership through Inversiones y Rentas S.A 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. and Industria Nacional de Alimentos S.A.

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 16.8% or Ch$11,074 million to Ch$76,829 million in comparison with 2004, mostly explained by the increase in the contribution from Banco de Chile, Madeco and Entel and the reduction in losses associated with other operating companies (Hoteles Carrera, Indalsa and Habitaria).

Banco de Chile experienced an increase of 14.3% in its net earnings, reaching Ch$180,724 million for the year. The increase in net income was primarily attributable to a higher level of operating revenues related with deposits as a result of the higher inflation rate, significant expansion of the bank's loan portfolio, an increase in fee income and gains on the sale of financial instruments, as well as lower provisions for loan losses.

CCU's net profit amounted to Ch$48,177 million, an increase of 2.4% compared to 2004. The variation in net earnings is explained by an increase in operating results in 2005, the effect of which was partially offset by higher non-operating losses and a heavier tax burden. Operating income rose by 9.3% in 2005, mainly due to an increase in the volume sold (+8.4%) and higher average prices (+3.7%), the effect of which was partially offset by an increase in product costs and SG&A expenses.

Madeco reported net income of Ch$12,014 million, an increase of 36.2% compared to the previous year, mainly attributable to an improvement in operating performance. Operating profits rose by 6.7% as a result of higher cable sales (volume and price transfers) in spite of the increase in raw material costs it faced in 2005. Better non-operating results also contributed to the improvement in net earnings. Non-operating results benefited from a lower level of interest expense and other non-operating expenses, the effect of which was partially offset by higher price-level restatement and FX losses.

Telefónica del Sur reported an 8.0% increase in net earnings in 2005, attributable to an improvement in its non-operating results, which benefited from a reduction in interest expense due to a lower debt level. Telefónica del Sur's revenues highly reflected the growth of revenues from internet, tele-security and data services, which more than offset the industry-wide decline in revenues associated with fixed line and long distance services.

Other operating companies, which include the results of Habitaria, Indalsa and Hoteles Carrera, contributed a loss of Ch$7,177 million to Quiñenco's net results for the year, down from the loss from other operating companies, which amounted to Ch$8,795 million reported in 2004.

OTHERS (CORPORATE LEVEL)

As shown in the line Quiñenco and Others in Table No. 7, losses at the corporate level amounted to Ch$25,749 million in 2005, compared to Ch$41,562 million in 2004. The variation between 2005 and 2004 is mainly explained by gains on the sales of investments, namely Almacenes Paris, Cencosud and others, the effect of which was partially offset by higher interest expense and taxes.

Assets
As of December 31, 2005, Quiñenco had consolidated assets of Ch$1,362,522 million, a reduction of 1.6% compared to 2004.

Current assets were Ch$268,428 million, which represents an increase of 22.3%. The increase is primarily attributable to higher time deposits and repurchase agreements (included with other current assets) at Quiñenco and intermediate holding companies.

Fixed assets reached Ch$257,481 million, a decrease of 9.4%, mainly explained by Madeco in relation to the revaluation of the Chilean peso vis-à-vis the US dollar, which affected fixed asset values of investments abroad.

Other Long-term assets were Ch$836,613 million, a decline of 5.0% compared to last year, principally due to a reduction in investments in other companies as a result of the disposal of Almacenes Paris, Cencosud and others.

Table No. 8: Composition of Consolidated Assets

	In millions of Ch$ as of December 31, 2005	
	2005	2004
Madeco	344,338	355,255
Telefónica del Sur	128,624	143,106
Quiñenco and others (1)	889,560	885,735
Total consolidated assets	**1,362,522**	**1,384,096**

(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, 2005	
	2005	2004
Current Liabilities	99,752	149,397
Long-term Liabilities	419,462	464,559
Total Liabilities	519,214	613,956
Minority Interest	139,055	112,233
Shareholders' Equity	704,252	657,907
Total liabilities and shareholders' equity	**1,362,522**	**1,384,096**

As of December 31, 2005, consolidated liabilities amounted to Ch$519,214 million, a 15.4% decrease compared to year end 2004. The sharp reduction is attributable to lower indebtedness at Madeco, the corporate level and Telefónica del Sur.

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, 2005	
	2005	2004
Madeco	128,751	180,332
Telefónica del Sur	60,048	75,942
Quiñenco and others (1)	330,415	357,682
Total liabilities	**519,214**	**613,956**

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

Consolidated leverage decreased from 0.93:1 at the close of 2004 to 0.74:1 in 2005, mainly explained by the 15.4% reduction in liabilities, (mostly composed of debt obligations). Current liabilities represented 19.2% of total liabilities, compared to 24.3% as of December 31, 2004.

Minority interest at the end of 2005 was Ch$139,055 million, 23.9% higher than the year before, principally related to minority shareholders in Madeco following the 2005 capital increase in which third parties increased their participation in the company.

Shareholders' equity
At the close of 2005, shareholders' equity amounted to Ch$704,252 million, an increase of 7.0% compared to 2004. The increase in shareholders' equity mainly corresponded to the net earnings for the period and adjustments in Other Reserves. Other reserves varied due to the effect of Banco de Chile's stock sale program on net worth (1,701,994,590 shares, equivalent to 2.5% of total outstanding shares) and exchange rate differences (in connection with Bulletin 64 under Chilean GAAP). Dividend distributions partially offset the increase in shareholders' equity in 2005.

The book value of Quiñenco's shares as of December 31, 2005 was Ch$652.24 per share and the earnings per share for the year amounted to Ch$47.31.

FINANCIAL INDICATORS		31.12.05	30.09.05	31.12.04
Liquidity				
Current ratio		2.7	1.6	1.5
Acid test ratio		1.0	0.6	0.3
Indebtedness				
Debt/equity ratio		0.74	0.81	0.93
Short-term debt/Total debt		19.21%	33.99%	24.33%
Long-term debt/Total debt		80.79%	66.01%	75.67%
Interest coverage ratio	Times	3.01	3.34	1.88
Balance Sheet				
Total assets	MCh$	1,362,522	1,397,827	1,384,096
Inventory rotation	Times	5	3	5
Inventory turnover	Days	78	103	79
Income Statement				
Sales	MCh$	421,968	319,179	396,281
Cost of goods sold	MCh$	(344,925)	(260,786)	(321,298)
Operating income	MCh$	30,646	23,932	28,128
Interest expense	MCh$	(28,846)	(22,430)	(29,757)
Non-operating income (loss)	MCh$	34,745	34,595	2,134
Net income (loss) for the year	MCh$	51,080	45,054	24,193
Profitability				
ROE		7.5%	6.6%	3.6%
ROA		3.7%	3.2%	1.7%
Return on operating assets (*)		6.0%	4.3%	5.0%
Earnings (loss) per share	Ch$	47.31	41.73	22.41
Dividend yield		2.3%	1.9%	2.6%

(*) 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, 2005, 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, 2005	
	2005	2004
Net cash flow provided by operating activities	84,235	59,913
Net cash flow (used) provided by financing activities	(81,069)	(42,925)
Net cash flow provided (used) by investing activities	51,889	(32,138)
Total net cash flow for the year	55,055	(15,150)
Price-level restatement on cash and cash equivalents	(3,590)	(687)
Net increase (decrease) in cash and cash equivalents	51,465	(15,837)
Cash and cash equivalents at the beginning of the year	43,957	59,794
Cash and cash equivalents at the end of the year	95,422	43,957

As of December 31, 2005, Quiñenco generated a consolidated net cash flow of Ch$55,055 million, due to the cash flow provided by operating activities of Ch$84,235 million and investing activities of Ch$51,889 million, partially offset by cash flow used in financing activities of Ch$81,069 million.

The cash flow provided by operating activities was mostly composed of dividends and other distributions received from Banco de Chile, and to a lesser extent, Entel and CCU, which amounted to Ch$69,241 million.

The cash flow used in financing activities was mostly made up of bank debt payments (net) at Madeco, the holding level and Telefónica del Sur of Ch$67,648 million, bond payments made by Quiñenco (net), Telefónica del Sur and Madeco of Ch$25,404 million and dividend payments amounting to Ch$15,707 million.
The cash flow provided by investing activities mainly consisted of the disposal of other investments of Ch$71,497 million, namely Almacenes Paris and Cencosud, the effect of which was partially offset by fixed asset additions at Madeco and Telefónica del Sur, amounting to Ch$18,656 million.

EXCHANGE RATE RISK AND INTEREST RATE RISK

Table No. 11 Foreign currency exchange rate risk exposure

In millions of Ch$ as of December 31, 2005

2005	US dollar	Euro	Argentine peso	Peruvian sol	Brazilian real	Other currencies
Assets	123,634	1,229	7,480	13,490	45,245	271
Liabilities	(27,325)	(857)	(3,237)	(5,866)	(18,784)	(584)
FX forwards	(2,358)	-	-	-	(12,157)	-
Net exposure in assets (liabilities)	**93,952**	**372**	**4,243**	**7,624**	**14,304**	**(313)**

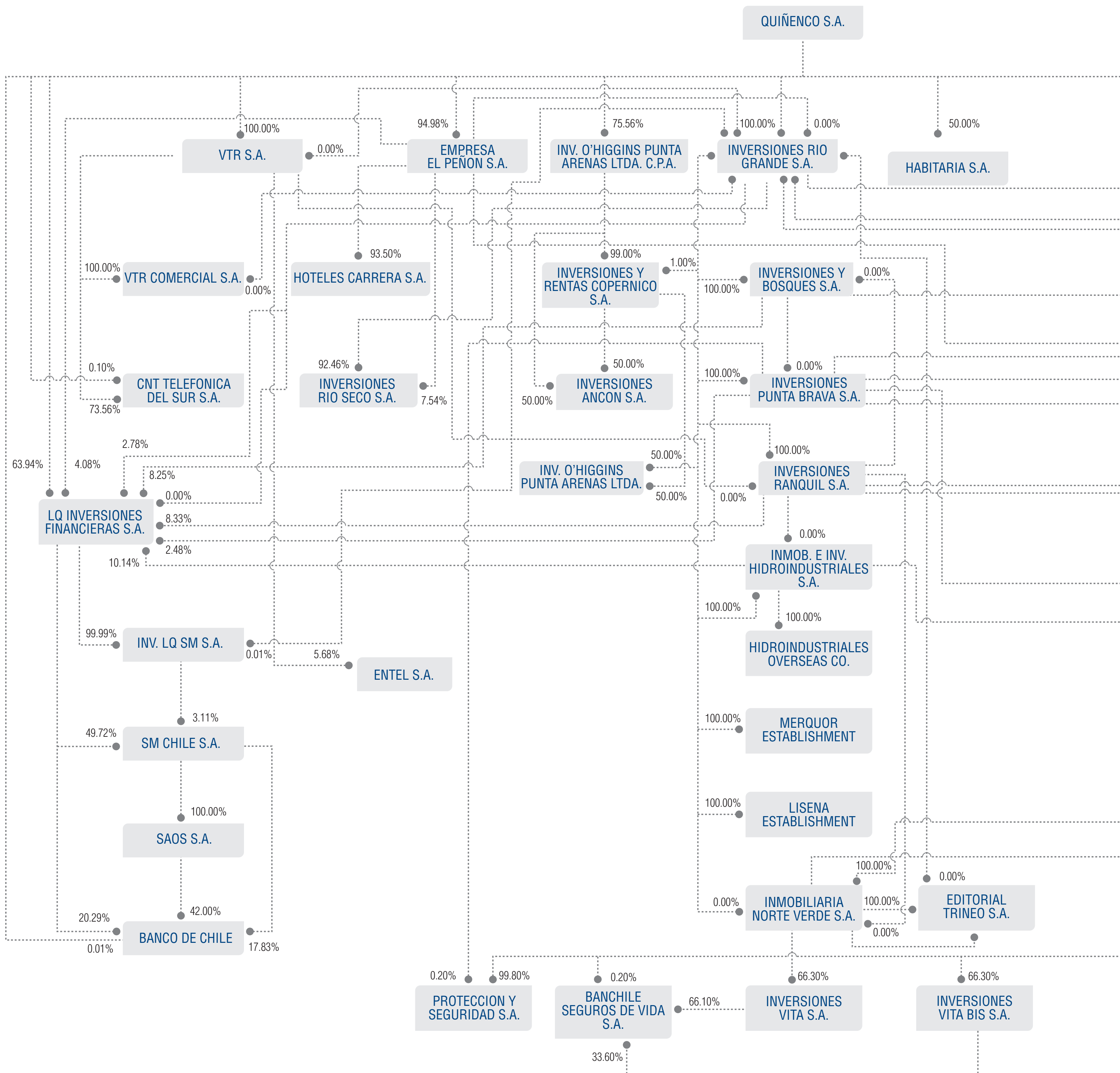
2004	US dollar	Euro	Argentine peso	Peruvian sol	Brazilian real	Other currencies
Assets	142,632	191	7,088	2,019	34,044	9,806
Liabilities	(46,480)	(117)	(2,525)	(1,049)	(12,244)	(1,484)
FX forwards	12,202	-	-	-	(11,061)	-
Net exposure in assets (liabilities)	**108,354**	**74**	**4,563**	**970**	**10,740**	**8,322**

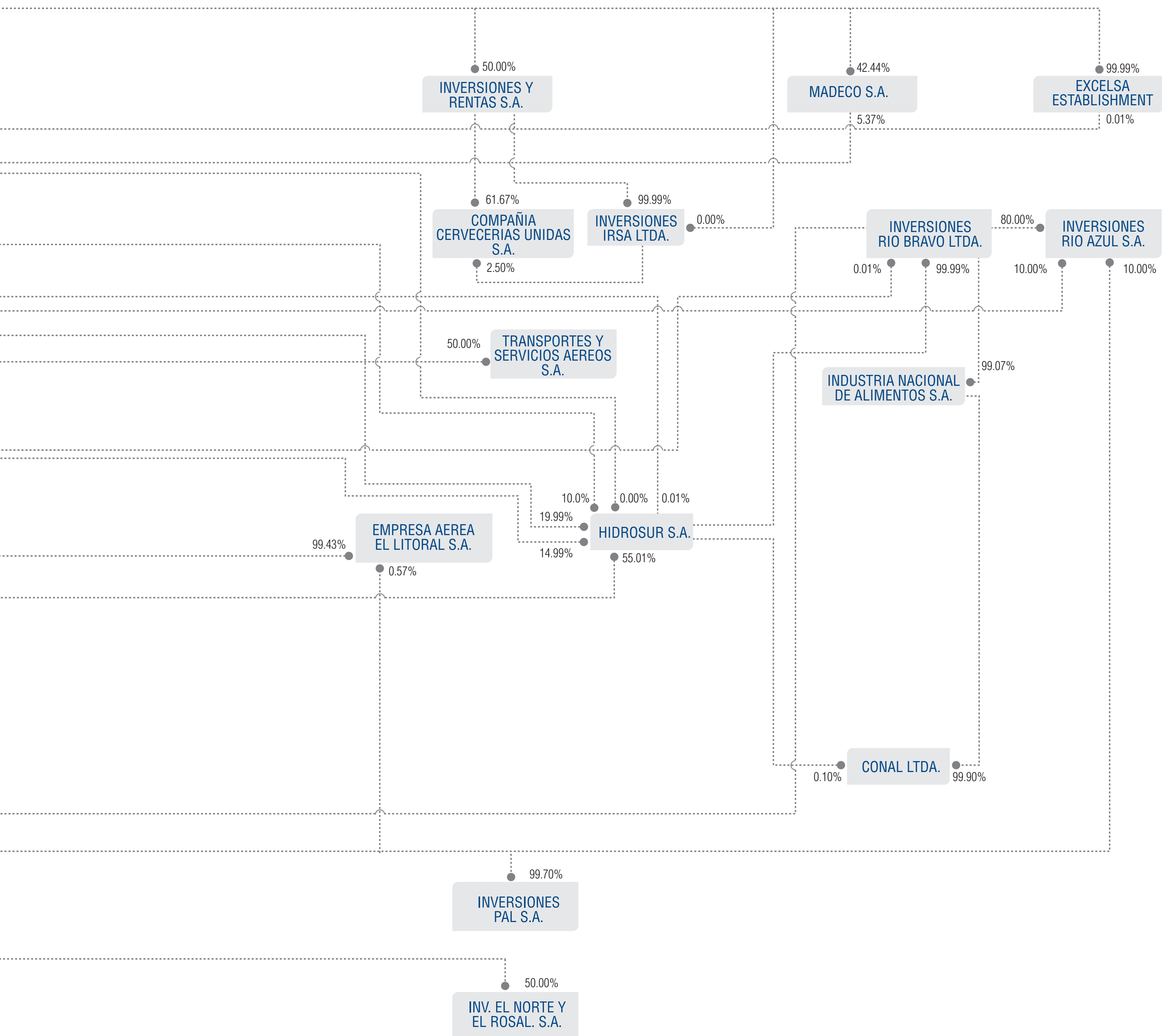
With respect to interest rate risk, 62.0% (65.7% in 2004) of Quiñenco's interest bearing debt has been contracted at fixed rates and amounts to Ch$289,020 million (Ch$282,464 million in 2004). The remaining 38.0% (34.3% in 2004) corresponds to variable rates, equivalent to Ch$177,227 million (Ch$189,946 million in 2004). The exposure in terms of interest rate risk was equivalent to 13.0% of consolidated assets at the end of 2005 (13.7% in 2004). Management has not utilized hedging mechanisms to cover this risk.

Francisco Pérez Mackenna
Chief Executive Officer

Corporate Structure

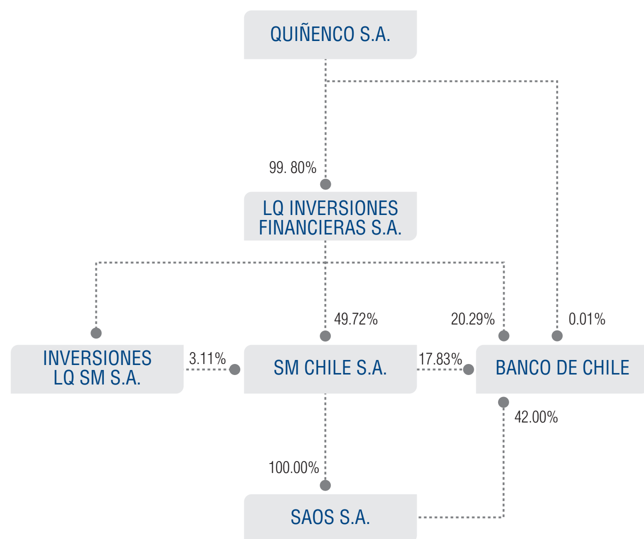
Subsidiaries and Affiliate Companies
As of December 31, 2005

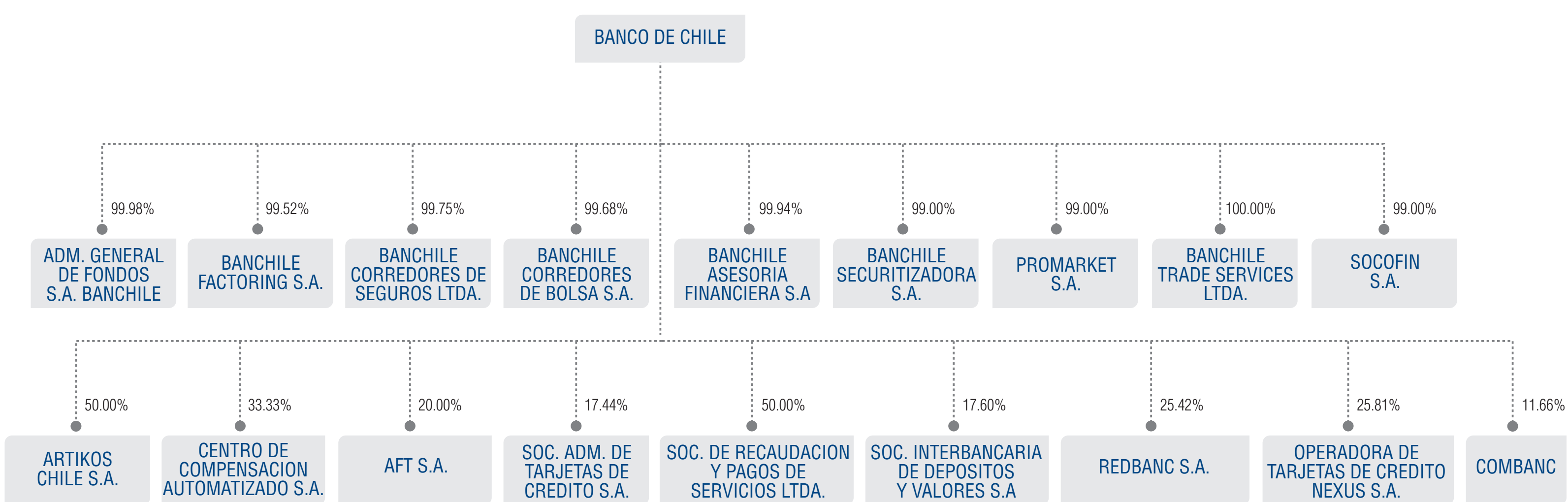

QUIÑENCO S.A.
100.00%
VTR S.A.
0.00%
94.98%
EMPRESA EL PEÑON S.A.
75.56%
INV. O'HIGGINS PUNTA ARENAS LTDA. C.P.A.
100.00%
0.00%
INVERSIONES RIO GRANDE S.A.
50.00%
HABITARIA S.A.
100.00%
VTR COMERCIAL S.A.
0.00%
93.50%
HOTELES CARRERA S.A.
99.00%
INVERSIONES Y RENTAS COPERNICO S.A.
1.00%
100.00%
INVERSIONES Y BOSQUES S.A.
0.00%
0.10%
CNT TELEFONICA DEL SUR S.A.
73.56%
92.46%
INVERSIONES RIO SECO S.A.
7.54%
50.00%
INVERSIONES ANCON S.A.
50.00%
100.00%
0.00%
INVERSIONES PUNTA BRAVA S.A.
2.78%
63.94%
4.08%
8.25%
50.00%
INV. O'HIGGINS PUNTA ARENAS LTDA.
50.00%
100.00%
INVERSIONES RANQUIL S.A.
0.00%
0.00%
LQ INVERSIONES FINANCIERAS S.A.
8.33%
2.48%
10.14%
0.00%
INMOB. E INV. HIDROINDUSTRIALES S.A.
100.00%
100.00%
HIDROINDUSTRIALES OVERSEAS CO.
99.99%
INV. LQ SM S.A.
0.01%
5.68%
ENTEL S.A.
3.11%
49.72%
SM CHILE S.A.
100.00%
MERQUOR ESTABLISHMENT
100.00%
SAOS S.A.
100.00%
LISENA ESTABLISHMENT
42.00%
20.29%
BANCO DE CHILE
0.01%
17.83%
100.00%
0.00%
0.00%
INMOBILIARIA NORTE VERDE S.A.
100.00%
0.00%
EDITORIAL TRINEO S.A.
0.20%
99.80%
PROTECCION Y SEGURIDAD S.A.
0.20%
BANCHILE SEGUROS DE VIDA S.A.
66.10%
66.30%
INVERSIONES VITA S.A.
66.30%
INVERSIONES VITA BIS S.A.
33.60%


50.00%
INVERSIONES Y RENTAS S.A.
42.44%
MADECO S.A.
5.37%
99.99%
EXCELSA ESTABLISHMENT
0.01%
61.67%
COMPAÑIA CERVECERIAS UNIDAS S.A.
2.50%
99.99%
INVERSIONES IRSA LTDA.
0.00%
INVERSIONES RIO BRAVO LTDA.
80.00%
INVERSIONES RIO AZUL S.A.
0.01%
99.99%
10.00%
10.00%
50.00%
TRANSPORTES Y SERVICIOS AEREOS S.A.
INDUSTRIA NACIONAL DE ALIMENTOS S.A.
99.07%
10.0%
0.00%
0.01%
19.99%
HIDROSUR S.A.
14.99%
55.01%
99.43%
EMPRESA AEREA EL LITORAL S.A.
0.57%
0.10%
CONAL LTDA.
99.90%
99.70%
INVERSIONES PAL S.A.
50.00%
INV. EL NORTE Y EL ROSAL. S.A.

LQ INVERSIONES FINANCIERAS S.A.

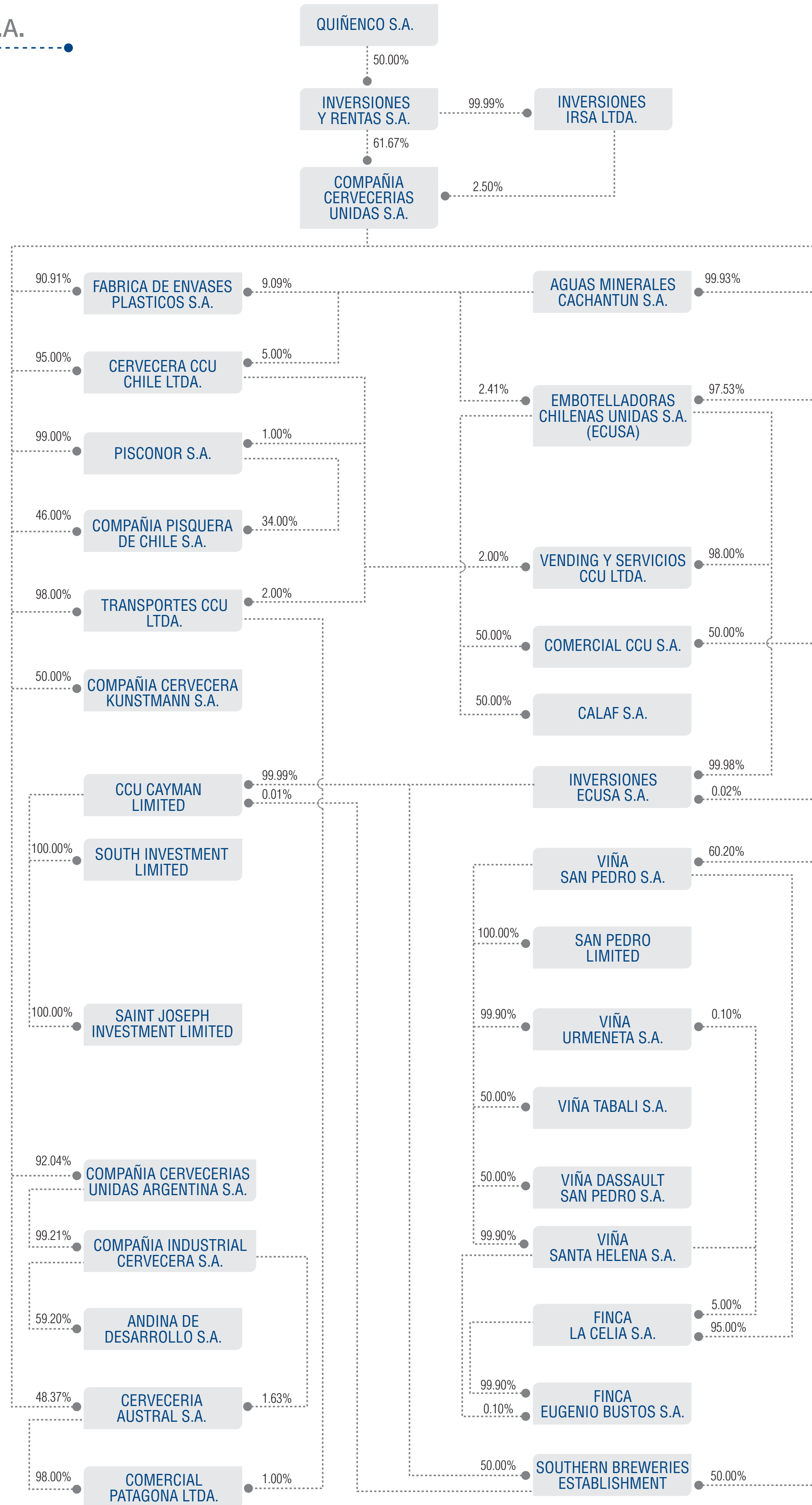
SUBSIDIARIES AND AFFILIATES

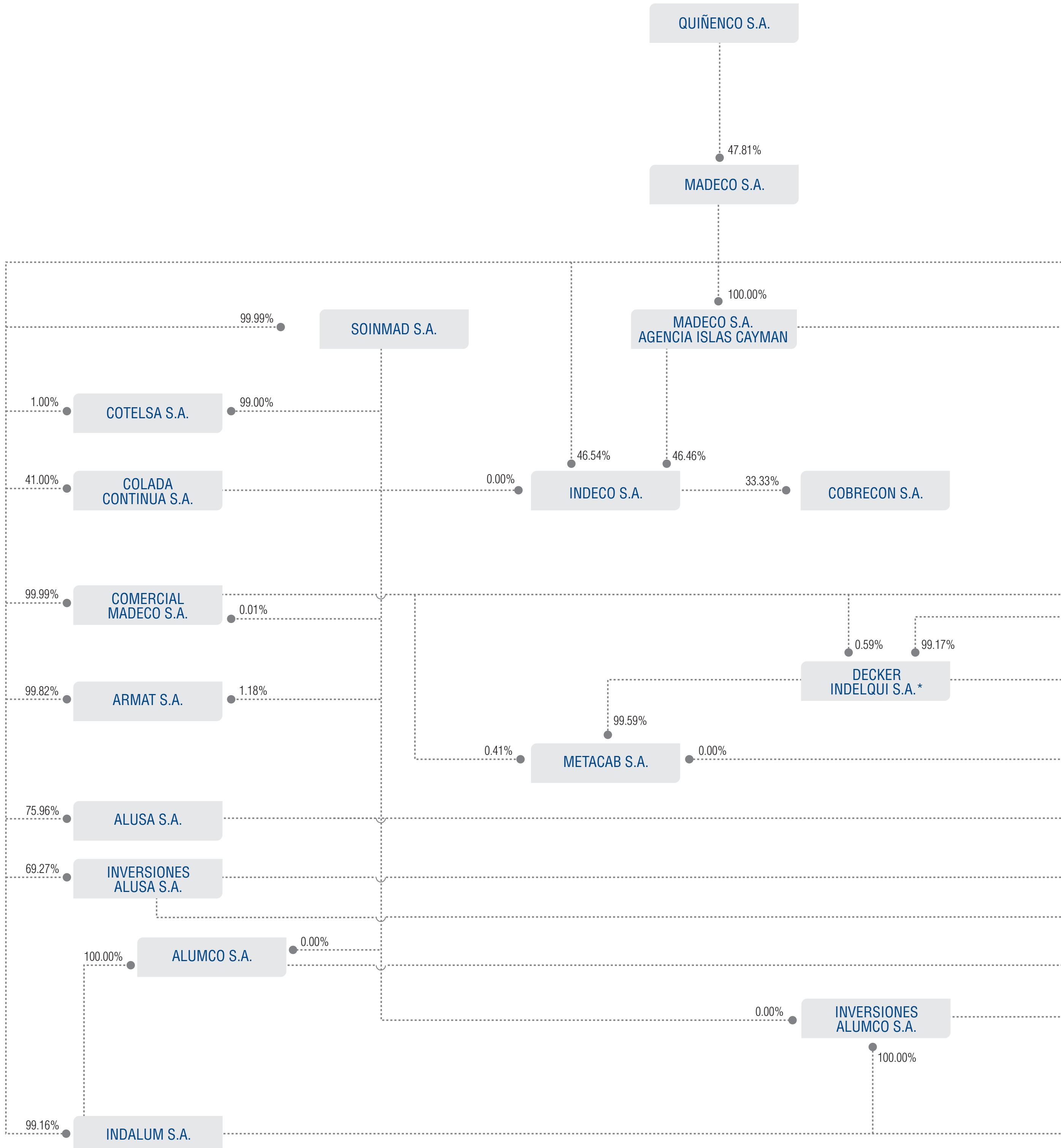




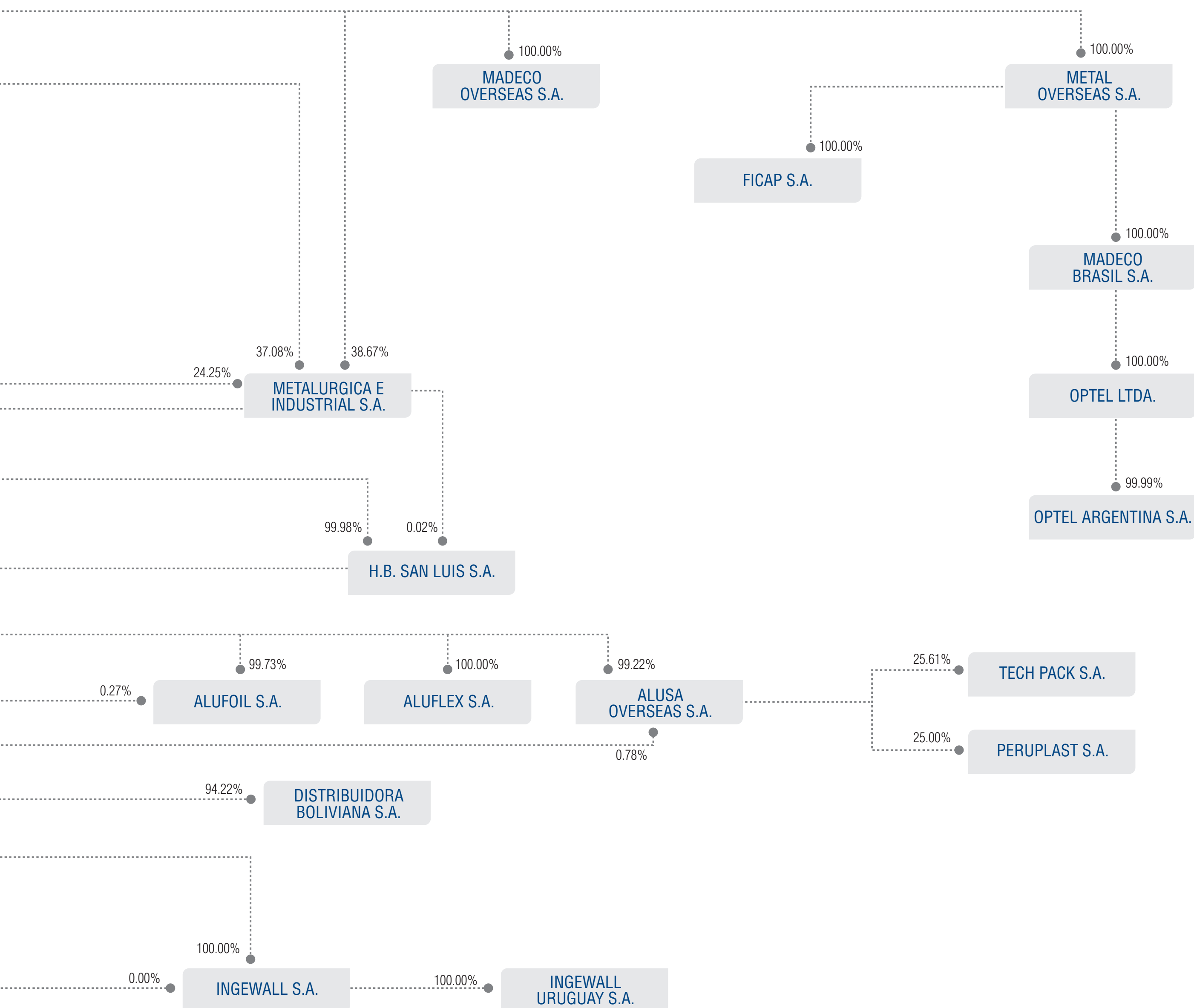
COMPAÑIA CERVECERIAS UNIDAS S.A.

SUBSIDIARIES AND AFFILIATES





* At December 31, 2005, the subsidiary owned 0.091% of its own shares.


100.00%
MADECO OVERSEAS S.A.
100.00%
METAL OVERSEAS S.A.
100.00%
FICAP S.A.
100.00%
MADECO BRASIL S.A.
37.08%
38.67%
24.25%
METALURGICA E INDUSTRIAL S.A.
100.00%
OPTEL LTDA.
99.99%
OPTEL ARGENTINA S.A.
99.98%
0.02%
H.B. SAN LUIS S.A.
99.73%
100.00%
99.22%
25.61%
TECH PACK S.A.
0.27%
ALUFOIL S.A.
ALUFLEX S.A.
ALUSA OVERSEAS S.A.
25.00%
PERUPLAST S.A.
0.78%
94.22%
DISTRIBUIDORA BOLIVIANA S.A.
100.00%
0.00%
INGEWALL S.A.
100.00%
INGEWALL URUGUAY S.A.

SUBSIDIARIES