

QUIÑENCO S.A.

Consolidated financial statements

At December 31, 1999

(Translation from the original in Spanish)

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Ch\$ - Chilean pesos
ThCh\$ - Thousands of Chilean pesos
MCh\$ - Millions of Chilean pesos
UF - Inflation index-linked units
ThUS\$ - Thousands of United States Dollars

Price Waterhouse

Firma miembro de **PRICEWATERHOUSECOOPERS** 

REPORT OF INDEPENDENT ACCOUNTANTS
(Translation from the original in Spanish)

Santiago, February 25, 2000

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

We have audited the consolidated balance sheets of Quiñenco S.A. and its subsidiaries as of December 31, 1999 and 1998 and the related consolidated statements of income and of cash flows for years then ended. These financial statements (including the related notes thereto) 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 financial statements of O'Higgins Central Hispanoamericano S.A. for which investment the Company recognized a proportional profit amounting to ThCh\$ 3,342,389 for the year ended December 31, 1998. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for O'Higgins Central Hispanoamericano S.A., is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards 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 report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of Quiñenco S.A. and its subsidiaries as of December 31, 1999 and 1998 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Chile.

Eduardo Vergara D.

QUIÑENCO S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Translation from the original in Spanish)

	At December 31,	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
ASSETS		
CURRENT ASSETS		
Cash	5,370,170	3,353,487
Time deposits (Note 5)	130,876,019	36,938,292
Marketable securities (Note 6)	5,957,384	7,979,657
Accounts receivable (net)	77,990,151	108,109,098
Notes and accounts receivable (net)	9,515,374	9,312,543
Other accounts receivable	5,936,434	8,727,090
Notes and accounts receivable from related companies (Note 20)	3,840,912	27,454,002
Inventories (Note 7)	80,848,301	85,121,767
Recoverable taxes	17,729,173	15,448,416
Prepaid expenses	2,600,136	1,900,339
Other current assets (Note 8)	<u>43,368,804</u>	<u>102,383,379</u>
Total current assets	<u>384,032,858</u>	<u>406,728,070</u>
PROPERTY, PLANT AND EQUIPMENT		
Property	23,353,969	24,456,745
Buildings and installations	191,808,043	259,154,968
Machinery and equipment	333,834,709	332,008,402
Other fixed assets	47,498,507	59,721,323
Revaluation from technical appraisals	<u>24,554,038</u>	<u>23,830,983</u>
	621,049,266	699,172,421
Less: Accumulated depreciation	<u>(199,910,475)</u>	<u>(201,980,838)</u>
Total property, plant and equipment	<u>421,138,791</u>	<u>497,191,583</u>
OTHER ASSETS		
Investments in related companies (Note 10)	299,146,211	270,817,921
Other investments (Note 11)	44,661,270	30,972,034
Goodwill (Note 10)	125,250,248	83,007,718
Negative goodwill (Note 10)	(20,806,607)	(1,516,608)
Long-term accounts receivable (Note 13)	21,536,278	1,930,482
Notes and accounts receivable from related companies (Note 20)	36,355	176,317
Intangible assets	3,020,971	1,427,446
Amortization of intangible assets	(294,413)	(38,919)
Other non-current assets (Note 12)	<u>20,467,819</u>	<u>24,141,541</u>
Total other assets	<u>493,018,132</u>	<u>410,917,932</u>
Total assets	<u>1,298,189,781</u>	<u>1,314,837,585</u>

The accompanying Notes 1 to 33 form an integral part of these consolidated financial statements.

QUIÑENCO S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Translation from the original in Spanish)

	At December 31,	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term bank loans (Note 14)	89,872,197	91,537,378
Current portion of long-term bank loans	51,991,828	53,657,289
Current portion of bonds payable	4,201,450	3,738,389
Current portion of other long-term liabilities	3,401,619	4,946,774
Dividends payable	935,098	2,598,710
Accounts payable	25,905,529	27,743,689
Notes payable	21,523,697	18,694,480
Other liabilities	14,191,847	2,704,264
Notes and accounts payable to related companies (Note 20)	359,840	22,763,834
Provisions (Note 15)	26,662,063	17,416,052
Withholdings	4,150,946	5,908,508
Income taxes payable	11,891,656	1,396,854
Unearned income	2,935,105	4,100,709
Other current liabilities (Note 16)	<u>36,321,376</u>	<u>370,413</u>
Total current liabilities	<u>294,344,251</u>	<u>257,577,343</u>
LONG-TERM LIABILITIES		
Long-term bank loans	131,450,812	205,844,791
Bonds payable	28,503,891	32,124,341
Notes payable	69,989,938	68,721,754
Sundry creditors	2,081,659	24,390,047
Provisions	10,299,271	5,860,875
Other long-term liabilities	<u>703,153</u>	<u>1,506,295</u>
Total long-term liabilities	<u>243,028,724</u>	<u>338,448,103</u>
MINORITY INTEREST (Note 21)	<u>99,455,494</u>	<u>211,829,102</u>
SHAREHOLDERS' EQUITY		
Common stock	409,001,275	409,001,275
Reserves	14,979,275	12,602,013
Accumulated deficit during development period of subsidiaries	(225,666)	(5,844,726)
Retained earnings	77,296,265	64,200,519
Net income for the year	<u>160,310,163</u>	<u>27,023,956</u>
Total shareholders' equity	661,361,312	506,983,037
Total liabilities and shareholders' equity	<u>1,298,189,781</u>	<u>1,314,837,585</u>

The accompanying Notes 1 to 33 form an integral part of these consolidated financial statements.

QUIÑENCO S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Translation from the original in Spanish)

	For the year ended	
	December 31,	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
OPERATING RESULTS		
Net sales	406,673,943	552,987,437
Cost of sales	<u>(330,873,624)</u>	<u>(398,480,028)</u>
Gross margin	75,800,319	154,507,409
Administrative and selling expenses	<u>(95,876,447)</u>	<u>(108,306,675)</u>
Operating (loss) income	<u>(20,076,128)</u>	<u>46,200,734</u>
NON-OPERATING RESULTS		
Interest income	19,427,042	19,289,878
Proportional share of net income of equity method investments	17,421,190	17,600,472
Other non-operating income (Note 25)	245,470,378	28,520,417
Proportional share of net loss of equity method investments	(2,838,011)	(627,686)
Amortization of goodwill	(8,679,944)	(5,085,094)
Interest expense	(39,960,672)	(47,060,294)
Other non-operating expenses (Note 25)	(39,352,243)	(7,715,022)
Price-level restatements (Note 4)	<u>12,580,982</u>	<u>(7,501,606)</u>
Non-operating income (loss)	<u>204,068,722</u>	<u>(2,578,935)</u>
Income before income taxes	183,992,594	43,621,799
Income tax (Note 17)	<u>(21,397,901)</u>	<u>(6,875,629)</u>
Income before minority interest	162,594,693	36,746,170
Minority interest (Note 21)	<u>(4,172,164)</u>	<u>(11,403,030)</u>
Income before amortization of negative goodwill	158,422,529	25,343,140
Amortization of negative goodwill	<u>1,887,634</u>	<u>1,680,816</u>
NET INCOME FOR THE YEAR	<u>160,310,163</u>	<u>27,023,956</u>
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The accompanying Notes 1 to 33 form an integral part of these consolidated financial statements.

QUIÑENCO S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Translation from the original in Spanish)

	For the year ended	
	December 31,	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of accounts receivable	478,827,634	658,582,601
Interest income received	20,395,440	22,944,533
Dividends received	10,093,617	15,739,267
Other income received	5,356,797	1,834,157
Payments to suppliers and employees	(424,043,790)	(567,989,195)
Interest paid	(39,634,680)	(41,711,169)
Income taxes paid	(4,616,945)	(27,433,469)
Other operating expenses	(4,998,352)	(3,844,672)
VAT and other taxes paid	<u>(23,390,565)</u>	<u>(34,867,361)</u>
Net cash from operating activities	<u>17,989,156</u>	<u>23,254,692</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in capital	2,697,104	12,020,098
Borrowings	195,499,601	305,620,814
Borrowings from related companies	-	10,193,857
Other borrowings	546,000	3,670,027
Dividends paid	(19,942,649)	(77,382,946)
Return of capital to shareholders	(20,822,625)	(173,780)
Payments of loans	(217,644,627)	(277,849,060)
Payments of bonds	(3,097,551)	(5,779,174)
Payments of other borrowings from related companies	(3,109,807)	(15,083,819)
Payments of expenses relating to shares issued	-	(12,601)
Other financing activities	<u>(142,717)</u>	<u>(1,389,924)</u>
Net cash used in financing activities	<u>(66,017,271)</u>	<u>(46,166,508)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of property, plant and equipment	3,371,778	4,915,346
Proceeds from sales of investments	453,034,472	236,628,802
Proceeds from sales of other investments	5,740,820	1,131,608
Collection of other borrowings from related parties	9,373,175	6,833,560
Other income from investments	16,281,618	24,491,926
Additions to property, plant and equipment	(54,634,300)	(77,368,901)
Payments of interest	(1,152,191)	(798,520)
Other investments	(358,102,473)	(73,960,636)
Other investing activities	(39,549,920)	(155,901)
Other borrowings from related companies	-	(9,247,521)
Other disbursements relating to investments	<u>(12,145,553)</u>	<u>(8,510,717)</u>
Net cash from investing activities	<u>22,217,426</u>	<u>103,959,046</u>
Net cash flow for the year	(25,810,689)	81,047,230
PRICE-LEVEL RESTATEMENT OF CASH AND CASH EQUIVALENTS	<u>16,983,851</u>	<u>(5,444,726)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,826,838)	75,602,504
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>149,315,656</u>	<u>73,713,152</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>140,488,818</u>	<u>149,315,656</u>
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RECONCILIATION BETWEEN NET CASH FROM
OPERATING ACTIVITIES AND NET INCOME

(Translation from the original in Spanish)

	For the year ended December 31,	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
NET INCOME FOR THE YEAR	160,310,163	27,023,956
Income from sales of assets:		
(Gain) loss on sales of property, plant and equipment	(251,977)	91,356
Gain on sales of investments	(236,229,018)	(17,297,429)
Loss on sales of investments	38,058	86,064
Loss on sales of other assets	1,571,215	-
Add (deduct) charges (credits) which do not represent movements of funds:		
Depreciation	36,736,728	37,404,443
Amortization of intangible assets	1,258,875	840,365
Write-offs and provisions	40,017,563	10,149,102
Proportional share of net income of equity method investments	(17,421,190)	(17,600,472)
Proportional share of net loss of equity method investments	2,838,011	627,686
Amortization of goodwill	8,679,944	5,085,094
Amortization of negative goodwill	(1,887,634)	(1,680,817)
Price-level restatements	(12,580,982)	7,501,606
Other non-cash credits	(6,100,401)	(9,040,228)
Other non-cash charges	15,729,319	10,102,501
Changes in assets affecting cash flows:		
Decrease (increase) in accounts receivable	7,400,237	(520,344)
Decrease (increase) in inventories	7,127,675	(4,647,541)
Increase in other assets	(5,284,587)	(155,195)
Changes in liabilities affecting cash flows:		
Decrease in accounts payable to related companies	(10,161,401)	(34,658,191)
Increase in interest payable	11,082,044	17,939,671
Increase (decrease) in income tax payable	2,187,625	(28,755,079)
Increase in other accounts payable to related companies	5,994,007	12,296,336
Net increase (decrease) in VAT and other taxes	2,762,718	(2,941,222)
Minority interest share of income	<u>4,172,164</u>	<u>11,403,030</u>
Net cash flow from operating activities	17,989,156	23,254,692
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The accompanying Notes 1 to 33 form an integral part of these consolidated financial statements.

QUIÑENCO S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 1999 AND 1998

(Translation from the original in Spanish)

The explanatory notes detailed below provide, in the opinion of Management, sufficient but less detailed information than that contained in the notes forming part of the financial statements delivered to the Superintendency of Securities and Insurance and the Santiago Stock Exchange where they are available to the public in general.

These details may also be obtained at the Company's offices during the 15 days prior to the Ordinary Shareholders' Meeting.

NOTE 1 - THE COMPANY

On November 26, 1996, the Superintendency of Securities and Insurance registered the Company in its Securities Register, under No. 0597. It was also registered with the Santiago Stock Exchange on December 5, 1996.

References herein to "Quiñenco" or "The Parent Company" are to Quiñenco S.A. and references herein to the "Company" are to Quiñenco together with its consolidated subsidiaries and the companies in which Quiñenco holds significant equity interests.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation and principles of consolidation

The accompanying consolidated financial statements include all the assets and liabilities of Quiñenco S.A. and its subsidiary companies in which it owns directly or indirectly over 50% of the paid capital:

	Percentage of direct or indirect holding	
	<u>1999</u>	<u>1998</u>
	%	%
Inversiones Río Bravo Ltda. and subsidiaries	100.00	-
Inversiones Nacionales Ltda. and subsidiaries	-	100.00
Inversiones Río Grande S.A. and subsidiaries	100.00	100.00
VTR S.A. and subsidiaries	100.00	55.90
Agrícola El Peñón S.A. and subsidiary	96.05	96.05
Comatel S.A.	83.85	83.85
O'Higgins Punta Arenas Ltda. CPA and subsidiary	75.56	75.56
Madeco S.A. and subsidiaries	56.50	56.50

The effects of significant transactions with subsidiaries have been eliminated and the participations of minority shareholders are shown in the consolidated financial statements as Minority Interest.

The consolidated financial statements of Inversiones Río Grande S.A. and subsidiaries include the consolidation of the following direct and indirect subsidiaries: Inversiones Río Seco S.A., Inmobiliaria e Inversiones Hidroindustriales S.A., Hidroindustriales Overseas Co., Hidrosur Ltda., Inversiones y Bosques S.A., Inversiones Ranquil S.A., Inversiones Punta Brava S.A., Inmobiliaria del Norte S.A., Editorial Trineo S.A., Inmobiliaria Norte Verde S.A., Inversiones Pal S.A., Merquor Establishment, Lisena Establishment and Consultorías y Asesorías Financieras Ltda.

The consolidated financial statements of Inversiones Río Bravo Ltda. and subsidiaries include the accounts of Inversiones Nacionales Ltda. and Empresas Lucchetti S.A. and subsidiaries.

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

The consolidated 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., Electromecánica e Industrial S.A., Indalum S.A. and subsidiaries, Madecotel S.A. and subsidiaries, Soindmad S.A. and subsidiaries, Comercial Madeco S.A. – Argentina, Invercob S.A. – Perú, Madeco Overseas S.A. - Cayman Islands, Metal Overseas S.A. and subsidiaries and Metalúrgica e Industrial S.A. and subsidiaries - Argentina.

The consolidated financial statements of V.T.R. 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. On April 28, 1999, VTR S.A. sold its total investment in VTR Hipercale S.A.

The consolidated financial statements of the Company do not include the financial statements of Banco A. Edwards as this subsidiary applies different accounting policies to those applied by Quiñenco. On November 5, 1999, the Superintendency of Securities and Insurance authorized the Company to not consolidate the financial statements of Banco A. Edwards.

Certain reclassifications have been made in the 1998 amounts to conform with the 1999 presentation.

b) Price-level restatements

The consolidated financial statements have been restated to reflect the effects of changes in the purchasing power of the currency during the respective years. According to current regulations, non-monetary assets and liabilities at the year ends and initial net worth and its changes have been restated in line with changes in the official cost of living indexes, which amounted to 2.6% for 1999 (4.3% for 1998).

Monthly income and expense account balances were also restated to express them at year-end values.

The amounts for 1998 have been restated by 2.6% for comparison purposes.

c) Assets and liabilities in foreign currency

Assets and liabilities in foreign currency, detailed in Note 24, have been translated into Chilean pesos at the Observed Exchange Rate determined by the Central Bank of Chile in effect at year end of Ch\$ 530.07 per US\$ 1 (Ch\$ 472.41 per US\$ 1 in 1998).

Assets and liabilities in UFs have been converted at their year-end value of Ch\$ 15,066.96 per UF 1 (Ch\$ 14,685.39 per UF 1 in 1998).

d) Time deposits

Time deposits are stated at cost plus interest and monetary correction (indexation) accrued at each year end.

e) Marketable securities

Marketable securities are valued as follows:

Shares: At the lower of restated cost (cost plus price-level restatement) or market value of the portfolio at each year end. Shares include the quoted shares of companies in which the Company's shareholding is less than 10% of the investee's capital.

Money market funds: At the quoted value of the respective unit at each year-end.

f) Accounts receivable

An allowance for doubtful receivables has been recorded based on those balances considered to be of doubtful recovery.

g) Inventories

Raw materials are valued at the lower of their restated cost or current replacement cost. Work-in-process and finished goods are shown at restated cost, which includes related direct and indirect manufacturing expenses. Supplies, spare parts and other inventories are shown at their restated cost. Installation projects of telephone cables in progress are accounted for by the percentage of completion method.

The restated value of inventories does not exceed their estimated net realizable value.

h) Prepaid expenses

This item includes payments made for services to be received during the following year.

i) Other current assets

Correspond mainly to securities purchased under reverse repurchase agreements and are valued at year end at cost plus accrued interest and restatements. Further, this caption also includes time deposits and guarantee notes issued to third parties.

j) Recoverable taxes

Recoverable taxes principally represent the difference between the provision for income tax and monthly tax prepayments plus VAT credits which can be used in future periods.

k) Property, plant and equipment

Property, plant and equipment are stated at cost plus price-level restatements and are presented net of provisions for obsolescence.

Depreciation has been determined by the straight-line method based on the estimated useful lives of the assets.

As authorized by the SVS, property, plant and equipment include the revaluation increment arising from the technical appraisals carried out during 1979, 1986 and 1997, of certain assets acquired by Madeco in Brazil.

Assets acquired under capital lease contracts are shown at the present value of the contract, calculated by discounting the value of installments and the purchase option at the interest rate implicit in the respective contracts. The corresponding liability is shown net of deferred interest.

l) Investments in related companies

Investments in related companies are shown under Other assets and are recorded by the equity method based on the respective financial statements of the investee.

Participations in the results of these investments are shown in the consolidated statement of income on an accrual basis after eliminating unrealized income on intercompany transactions.

Foreign investments have been valued in accordance with Technical Bulletin N° 64 of the Chilean Institute of Accountants.

m) Goodwill and negative goodwill

Goodwill and negative goodwill represent the difference between the amount paid and the equity value of an investment at the time of the acquisition.

These amounts are being amortized over a maximum term of 20 years from the acquisition date.

n) Other investments

Other investments representing less than 10% of the voting stock of the investee and which are considered to be permanent, are valued at the lower of cost plus price-level restatements or market value.

o) Intangible assets

These relate to the costs of registering trademarks, net of their amortization which is carried out on a straight-line basis over a maximum term of 40 years, being the period in which the benefits are expected to be received.

p) Bonds payable

This item includes bonds issued by the subsidiaries Empresas Lucchetti S.A., Madeco S.A., Compañía Nacional de Teléfonos, Telefónica del Sur S.A. and Compañía de Teléfonos de Coyhaique S.A.

Bonds payable are shown under liabilities at their par value plus accrued interest. The discount which arises from the difference between par value and the proceeds actually received is included in Other assets and is being amortized over the term of the bonds by the straight-line method.

q) Staff severance indemnities

Subsidiaries which have agreements to pay severance indemnities calculate this liability based on the present value (accrued cost of the benefit method), assuming a real annual discount rate of 6% and an estimated service period depending on the age and probable tenure of the employee until retirement or other termination of employment.

r) Current income taxes and deferred income taxes

The Company and subsidiaries have calculated their current income tax liabilities in accordance with current tax legislation. Subsidiaries with taxable losses have not provided for current income taxes.

The Company and its consolidated subsidiaries have not recognized the effect of deferred income taxes.

s) Staff vacations

The cost of staff vacations is recognized in the financial statements on an accrual basis.

t) Operating revenues

Subsidiaries record as operating revenues the value of products when they are dispatched and of services when they are provided. Revenues from installation projects in progress are shown by the percentage of completion basis.

The subsidiaries in the telecommunication business record as operating revenues, in addition to billings issued during the year, an estimate of services provided but not yet billed at year end. This estimate is determined on the basis of calls actually made, and valued at the rates prevailing in the corresponding period in which the service was provided. This is shown in the caption Accounts receivable in the balance sheet. The cost of these services is included in Operating expenses in the consolidated statement of income.

u) Accumulated deficit during development period

In accordance with Circular 981 of the Superintendency of Securities and Insurance, disbursements made during the organization and start-up stage which are not assignable to tangible or intangible assets are shown in the balance sheet as Accumulated deficit during development period, as a deduction from Shareholders' equity.

v) Consolidated statement of cash flows

Cash and cash equivalents are made up of investments made as part of the normal cash management and include cash, time deposits and other current assets (reverse repurchase agreements with maturities not exceeding 90 days and a minimum price risk).

"Cash flow from operating activities" includes the cash flows related to the business of the Company and its subsidiaries, interest paid, financial income and all cash flows not otherwise defined as being from financing and investing activities. This concept is broader than that for Operating income used in the consolidated statement of income.

The headings "Increase in capital", "Dividend payments" and "Return of capital" include both the cash flows of the Company and of subsidiary companies to minority shareholders.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

As of January 1, 1999, the indirect subsidiary CNT Telefónica del Sur S.A. and its subsidiary, Compañía de Teléfonos de Coyhaique S.A., changed the useful lives of the principal components of their fixed assets. The net effect of this change resulted in an increased charge to income of ThCh\$ 6,451,783.

During the year ended December 31, 1999, there were no other significant changes in accounting principles that could affect the interpretation of these consolidated financial statements.

NOTE 4 - PRICE-LEVEL RESTATEMENTS

The application of the price-level restatements method described in Note 2 b) generated a net credit to income of ThCh\$ 15,722,531(a net charge of ThCh\$ 6,665,829 in 1998) as follows:

	<u>1999</u>			<u>1998</u>		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
	<u>currency</u>	<u>currency</u>		<u>currency</u>	<u>currency</u>	
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Financial investment	2,299,963	30,216,930	32,516,893	1,653,746	255,005	1,908,751
Investments in related companies	6,799,415	-	6,799,415	3,097,194	-	3,097,194
Balances with related parties	918,594	172,721	1,091,315	1,167,160	(300,130)	867,030
Other assets	17,202,047	12,081,769	29,283,816	24,140,838	8,656,035	32,796,873
Bank loans	(4,058,544)	(7,837,442)	(11,895,986)	(1,224,792)	(3,990,938)	(5,215,730)
Bonds payable	(145,496)	-	(145,496)	(276,819)	-	(276,819)
Accumulated translation adjustment	-	2,837,565	2,837,565	-	1,025,569	1,025,569
Other current liabilities and minority interest	(12,028,172)	(20,063,904)	(32,092,076)	(11,687,449)	(8,784,981)	(20,472,430)
Shareholders' equity	<u>(12,672,915)</u>	<u>-</u>	<u>(12,672,915)</u>	<u>(20,396,267)</u>	<u>-</u>	<u>(20,396,267)</u>
(Charge) credit to income	(1,685,108)	17,407,639	15,722,531	(3,526,389)	(3,139,440)	(6,665,829)
Income and expense accounts in terms of year-end constant Chilean pesos	<u>(3,141,549)</u>	<u>-</u>	<u>(3,141,549)</u>	<u>(835,777)</u>	<u>-</u>	<u>(835,777)</u>
Price-level restatements	<u>(4,826,657)</u>	<u>17,407,639</u>	<u>(12,580,982)</u>	<u>(4,362,166)</u>	<u>(3,139,440)</u>	<u>(7,501,606)</u>

NOTE 5 - TIME DEPOSITS

These investments are summarized as follows:

	At December 31,	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Bank or financial institution:		
Banco Santiago	19,753,257	28,145
Banco de Chile	18,620,544	3,975,370
Banco Santander	16,926,173	6,702,346
Bankers Trust Co.	16,580,702	-
Banco Crédito e Inversiones	15,765,354	4,138,034
Banco BICE	9,716,194	1,078,290
Banco de A. Edwards	8,293,557	-
Banco BHIF	7,551,427	-
ABN AMRO Bank	5,905,603	345,085
Banco Santander Brasil	3,280,696	3,153,973
Credibanco Brasil	2,506,296	249,990
Chase Manhattan Bank	1,751,540	7,754,427
BAMERINDUS Brasil	1,468,341	213,074
Banco Security	1,032,129	808,689
Banco Safra Brasil	483,334	-
Banco ABC Brasil	483,334	-
CCF Brasil	420,033	473,096
Boston Brasil	212,383	380,403
BCN Brasil	-	831,429
Boavista Brasil	-	4,063,649
Banco Sogeral Brasil	-	253,602
Banco Voltorantim	-	422,134
ING Bank Brasil	-	2,032,427
Other	<u>125,122</u>	<u>34,129</u>
Total	<u>130,876,019</u>	<u>36,938,292</u>
	=====	=====

NOTE 6 - MARKETABLE SECURITIES

Marketable securities are summarized as follows:

	At December 31,	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Shares:		
Enersis S.A	1,503,140	-
Chilectra	161,357	125,336
Copec	89,610	-
Falabella	63,252	-
CTC-A	58,111	58,434
CTC-B	51,134	51,135
Saesa	50,049	50,049
Soquimich "B"	36,030	-
Cía. Cervecera Salta	9,468	9,467
Sudamericano	3,593	3,593
Cobre Cerrillos	2,250	2,614
CGE	879	-
Sipsa S.A.	702	711
Duncan Fox	-	660
Endesa	117	118
Others	993	-
Subtotal	<u>2,030,685</u>	<u>302,117</u>
Money market funds:		
BICE Fondos Mutuos	2,002,292	1,372,807
Santiago Fondos Mutuos	892,142	24,342
Citicorp Fondos Mutuos	695,117	-
BHIF Fondos Mutuos	66,263	256,578
Santander Fondos Mutuos	151,303	166,318
Bancrédito Fondos Mutuos	42,942	3,858,965
Banchile Fondos Mutuos	-	542,827
Corpbanca Fondos Mututos	-	190,995
Sudamericano Fondos Mutuos	-	1,003,994
Security Fondos Mutuos	-	10,074
Subtotal	<u>3,850,059</u>	<u>7,426,900</u>
Other investments	<u>76,640</u>	<u>250,640</u>
Total marketable securities	<u>5,957,384</u>	<u>7,979,657</u>
	=====	=====

NOTE 7 - INVENTORIES

Inventories at the end of each year valued as described in Note 2 g), are detailed as follows:

	At December 31,	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Finished goods and semi-finished products	39,766,693	41,650,493
Work-in-process	3,832,851	3,342,087
Raw materials and supplies	31,917,252	37,423,992
Other	<u>5,331,505</u>	<u>2,705,195</u>
Total	80,848,301	85,121,767
	=====	=====

Inventories are presented net of the allowance for obsolescence and write-offs.

NOTE 8 - OTHER CURRENT ASSETS

Other current assets are summarized as follows:

	At December 31,	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Reverse repurchase agreements	39,289,222	101,140,961
Other	<u>4,079,582</u>	<u>1,242,418</u>
Total	43,368,804	102,383,379
	=====	=====

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

	At December 31,	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Property	23,353,969	24,456,745
Buildings and installations:		
Commercial and industrial construction	129,208,911	105,358,891
Other	<u>62,599,132</u>	<u>153,796,077</u>
Total buildings and installations	<u>191,808,043</u>	<u>259,154,968</u>
Machinery and equipment:		
Machinery	264,394,480	275,273,035
Other	<u>69,440,229</u>	<u>56,735,367</u>
Total machinery and equipment	<u>333,834,709</u>	<u>332,008,402</u>
Other fixed assets:		
Fixed assets under leasing contracts	12,553,651	22,743,864
Other	<u>34,944,856</u>	<u>36,977,459</u>
Total other fixed assets	<u>47,498,507</u>	<u>59,721,323</u>
Revaluation from technical appraisals	24,554,038	23,830,983
Accumulated depreciation	<u>(199,910,475)</u>	<u>(201,980,838)</u>
Total property, plant and equipment	<u>421,138,791</u>	<u>497,191,583</u>

Depreciation totaled ThCh\$ 36,736,728 in 1999 (ThCh\$ 37,404,443 in 1998) and includes depreciation of the Revaluation from technical appraisals of ThCh\$ 674,143 (ThCh\$ 502,327 in 1998).

At December 31, 1998, VTR S.A.'s fixed assets included assets acquired through capital lease contracts. On August 26, 1999 this company prepaid its leasing contracts held with Santiago Leasing.

During 1999, the subsidiary Madeco S.A. reclassified inactive fixed assets to Other assets. These assets, which had a net book value of M\$ 9,265,953, were written down to its net realizable value amounting to M\$ 4,024,961, resulting in a charge to income of Th\$5,240,992, presented under Other non-operating expense.

The breakdown of the technical appraisal balances of fixed assets at December 31, 1999 for each subsidiary is as follows:

	<u>Hoteles</u> <u>Carrera S.A.</u>	<u>Inmobiliaria</u> <u>del Norte S.A.</u>	<u>Madeco S.A.</u>	<u>Total</u>
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Property	2,296,500	-	2,798,272	5,094,772
Buildings and infrastructure	8,657,072	129,097	8,771,340	17,557,509
Machinery and equipment	-	-	<u>1,901,757</u>	<u>1,901,757</u>
Total	<u>10,953,572</u>	<u>129,097</u>	<u>13,471,369</u>	<u>24,554,038</u>

NOTE 10 - INVESTMENTS IN RELATED COMPANIES

- a) The following investments, valued as described in Note 2 I), are shown in the balance sheet under Other assets:

At December 31, 1999:

<u>Company</u>	<u>Holding</u>	<u>Equity of company</u>	<u>Quiñenco's proportional share</u>	<u>Unrealized income</u>	<u>Quiñenco's equity value</u>	<u>Proportion of results</u>
	%	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Inversiones y Rentas S.A.	50.00	233,609,688	116,804,844	-	116,804,844	14,360,996
Aurum S.A. (4)	-	-	-	-	-	38,972
Agromercantil Ltda	45.00	252,437	113,597	-	113,597	558
Promarket S.A. (5)	50.00	3,340	1,670	-	1,670	-
Empresa Aerea El Litoral S.A	50.00	315,552	157,776	-	157,776	(10,362)
OHCH S.A. (3)	50.00	-	-	-	-	(704,586)
Banco A.Edwards (2)	51.18	210,941,605	107,951,136	-	107,951,136	(1,899,844)
Colada Continua Chilena S.A	41.00	4,752,475	1,948,515	-	1,948,515	774
Cobrecon S.A (Perú)	33.33	1,778,561	592,853	-	592,853	130,574
Entel S.A	14.3	421,872,908	60,359,731	-	60,359,731	2,561,773
Habitaria S.A.	50.00	9,036,946	4,518,473	-	4,518,473	(48,114)
Nieto S.A	-	-	-	-	-	(175,105)
Newcom S.A. (4)	-	-	-	-	-	3,893
Systral S.A. (Perú) (1)	100.00	499,144	499,144	-	499,144	-
Peruplast S.A. (Perú)	25.00	13,837,299	3,459,325	-	3,459,325	120,538
Promosol S.A	50.00	127,243	63,622	-	63,622	461
Tech Pack S.A. (Argentina)	25.00	10,702,100	2,675,525	-	<u>2,675,525</u>	<u>202,651</u>
Total					299,146,211	14,583,179
					=====	=====

- (1) Indirect subsidiaries of Madeco S.A. in the development stage.
- (2) The financial statements of Banco A. Edwards have not been consolidated as this subsidiary applies different accounting policies to those applied by Quiñenco. The exemption not to consolidate the accounts of Banco A. Edwards was authorized by the Superintendency of Insurance and Securities on November 5, 1999.
- (3) Per public deed dated May 3, 1999, the Company sold its investment in O'Higgins Central Hispanoamericano S.A. (OHCH) for US\$ 600 million, generating a pre-tax profit of ThCh\$150,105,138.
- (4) Investment sold in May 1999
- (5) Investment acquired on December 27, 1999

At December 31, 1998

<u>Company</u>	<u>Holding</u>	<u>Equity of company</u>	<u>Quiñenco's proportional share</u>	<u>Unrealized income</u>	<u>Quiñenco's equity value</u>	<u>Proportion of results</u>
	%	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Aurum S.A	50.00	(3,813)	-	-	-	(72,646)
Agromercantil Ltda	45.00	251,197	113,039	-	113,039	694
Cobrecon S.A(Perú)	50.00	1,874,108	937,054	-	937,054	151,566
Colada Continua Chilena S.A	41.00	5,623,284	2,305,546	-	2,305,546	697
Empresa Aérea El Litoral S.A	50.00	336,276	168,138	-	168,138	-
Habitaria S.A	50.00	9,133,175	4,566,587	-	4,566,587	(162,400)
Lucchetti Perú S.A. (2)	100.00	(1,672,232)	-	-	-	-
Systral S.A(Perú) (1)	100.00	824,754	824,754	-	824,754	-
OHCH S.A.	50.00	321,105,198	160,552,598	(14,220,981)	146,331,618	3,342,389
Inversiones y Rentas S.A.	50.00	213,999,783	106,999,892	(122,973)	106,876,919	13,903,827
Comercial Systral S.A (Perú) (1)	100.00	250,222	250,222	-	250,222	-
Newcom S.A	50.00	26,346	13,173	-	13,173	958
Nieto S.A	63.00	7,924,257	3,053,565	-	3,053,563	-
Promosol S.A	50.00	126,321	63,161	-	63,161	1,057
Peruplast S.A (Perú)	25.00	12,211,858	3,052,965	-	3,052,965	(16,322)
Tech Pack S.A(Argentina)	25.00	9,044,726	2,261,182	-	2,261,182	199,284
Inversiones Hidronor Ltda. (3)	-	-	-	-	-	(344,894)
Others		-	-	-	-	(31,424)
Total					270,817,921	16,972,786

(1) Indirect subsidiaries of Madeco S.A. in the development stage.

(2) Foreign subsidiary of Empresas Lucchetti S.A. in the development stage.

(3) This company was merged in December 1998.

General information of development stage subsidiaries

The financial statements of subsidiaries in the development stage have not been consolidated. The following shows the summarized balance sheets of the subsidiaries in the development stage at December 31, 1999 and 1998:

	Systral S.A (Perú)		Lucchetti	Comercial	Systral
	1999	1998	Perú S.A.(1)	Systral y Cía (1)	y Cía S.A.(1)
	ThCh\$	ThCh\$	1998	1998	1998
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Assets					
Current assets	116,175	-	15,510,069	353,956	247,706
Fixed assets	582,791	-	22,244,934	17,310	844,348
Other assets	-	-	<u>3,343,262</u>	<u>3,945</u>	-
Total	<u>698,966</u>	-	<u>41,098,265</u>	<u>375,211</u>	<u>1,092,054</u>
	=====	=====	=====	=====	=====
Liabilities and equity					
Current liabilities	199,822	-	32,507,154	124,988	267,300
Long-term liabilities	-	-	10,263,343	-	-
Capital and reserves	1,097,788	-	14,732,895	250,223	824,754
Accumulated deficit during development period	(598,644)	-	(8,965,044)	-	-
Deficit for the year	-	-	<u>(7,440,083)</u>	-	-
Total	<u>698,966</u>	-	<u>41,098,265</u>	<u>375,211</u>	<u>1,092,054</u>
	=====	=====	=====	=====	=====

(1) These companies were consolidated in 1999.

Subsidiary not consolidated since it applies different accounting policies, in accordance with the norms of the Superintendency of Banks and Financial Institutions.

BANCO DE A. EDWARDS

	<u>1999</u>	<u>1998</u>
	MCh\$	MCh\$
Balance sheet		
Assets		
Cash and due from banks	157,265	231,096
Loans	1,924,766	1,899,212
Allowance for loan losses	(69,881)	(31,345)
Other interest bearing operations	26,734	6,791
Investments	214,981	82,193
Other assets	23,687	39,267
Bank premises and equipment	<u>60,112</u>	<u>57,373</u>
Total assets	2,337,664	2,284,587
	=====	=====
Liabilities and Shareholders' equity		
Deposits	1,984,054	1,925,873
Bonds payable	50,584	51,135
Loans from financial institutions	80,216	138,568
Other liabilities	11,868	12,697
Shareholders' equity	<u>210,942</u>	<u>156,314</u>
Total liabilities & shareholders' equity	2,337,664	2,284,587
	=====	=====
Income statement		
Operating revenue	260,142	316,136
Operating costs	(151,040)	(209,446)
Personnel salaries and expenses	(58,787)	(58,577)
Provisions, write-offs and recoveries	<u>(62,888)</u>	<u>(26,109)</u>
Operating (loss) income	(12,573)	22,004
Non-operating income	1,581	1,443
Non-operating expenses	(37)	(56)
Net income from investments	3,362	2,250
Price-level restatements	(1,879)	(3,386)
Income tax	2,946	(3,793)
Voluntary allowances for loan losses	<u>-</u>	<u>333</u>
Net (loss) income for the year	(6,600)	18,795
	=====	=====

b) Negative goodwill

The composition of negative goodwill and amortization of negative goodwill at the end of each year is as follows:

	Negative goodwill		Amortization	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Agrícola El Peñón S.A.	858,560	919,045	60,474	13,500
Inversiones Río Grande S.A. and subsidiaries (1)	14,150,056	8,245	604,990	1,654,703
Madeco S.A. and subsidiaries	189,397	587,722	633,803	11,109
VTR S.A. and subsidiaries	5,608,594	-	586,593	-
Others	<u>-</u>	<u>1,596</u>	<u>1,774</u>	<u>1,504</u>
Total	20,806,607	1,516,608	1,887,634	1,680,816
	=====	=====	=====	=====

(1) The negative goodwill of this subsidiary includes an amount of ThCh \$14,144,860, which corresponds to Entel S.A.

c) Goodwill

The composition of goodwill and amortization of goodwill at the end of each year is as follows:

	Goodwill		Amortization	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
VTR S.A. and subsidiaries	471,664	39,546,890	1,133,724	2,463,624
Madeco S.A. and subsidiaries	39,462,146	42,422,364	5,794,632	2,409,161
O'Higgins Central Hispano Americano S.A.	-	603,313	593,316	32,321
Inversiones Río Grande S.A. and subsidiaries (1)	6,061,498	435,151	180,215	179,988
Inversiones Río Bravo Ltda and subsidiaries	2,394,541	-	58,505	-
Banco de A. Edwards	<u>76,860,399</u>	<u>-</u>	<u>919,552</u>	<u>-</u>
Total	125,250,248	83,007,718	8,679,944	5,085,094
	=====	=====	=====	=====

(1) The goodwill of this subsidiary includes an amount of ThCh\$ 5,871,048, which corresponds to Entel S.A.

NOTE 11 - OTHER INVESTMENTS

At December 31, 1999 the investments included under this caption correspond primarily to the Company's investment in shares of Banco de Chile S.A. and Sociedad Matriz Banco de Chile, totaling ThCh\$ 38,921,899. The remaining balance corresponds to other investments held by subsidiaries.

NOTE 12 - OTHER ASSETS - OTHER NON-CURRENT ASSETS

The balance of Other non-current assets account, in Other assets, includes the following:

	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Recoverable tax benefits (Argentina and Brazil)	4,697,374	6,979,764
Inactive fixed assets (net)	4,361,106	336,145
Recoverable VAT – long-term (Argentina)	3,164,518	4,392,770
Promissory notes in judicial collection (net)	1,460,650	497,027
Bond issue expenses	1,401,624	1,545,423
Deposits received	1,336,227	2,484,384
State industrial promotion grant (Argentina)	1,270,702	637,558
Property under resale agreement	-	3,634,671
Loan issuance expenses	-	1,397,226
Inventories to be consumed after one year (net)	830,966	424,730
Others	<u>1,944,652</u>	<u>1,811,843</u>
Total	20,467,819	24,141,541
	=====	=====

NOTE 13 - LONG-TERM ACCOUNTS RECEIVABLE

The year-end balance of ThCh\$21,536,278 corresponds primarily to the sale of 410,018,557 shares of Banco de A. Edwards by the Company to J. Ergas Inversiones y Rentas Limitada, for a total of UF 1,238,290.4425, equivalent to ThCh\$18,657,273. The balance accrues interest at 8.98% (annually) and is due on March 31, 2003.

NOTE 14 - SHORT-TERM BANK LOANS

a) Short-term bank loans are summarized as follows:

	At December 31,	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Payable in:		
United States dollars	50,318,702	61,974,990
Inflation-linked units (UFs)	36,200,629	9,043,571
Chilean pesos (non-indexed)	<u>3,352,866</u>	<u>20,518,817</u>
Total	89,872,197	91,537,378
	=====	=====

b) Short-term liabilities

Short-term liabilities are summarized as follows:

	At December 31,	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Payable in:		
Other foreign currencies	63,337,784	53,047,466
Inflation-linked units (UFs)	9,537,230	4,631,823
Chilean pesos (non-indexed)	<u>79,605,212</u>	<u>54,703,387</u>
	152,480,226	112,382,676
	=====	=====

c) Long-term liabilities:

Long-term liabilities are summarized as follows:

	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Bonds payable (1) (2)	28,503,891	32,124,341
Notes payable	69,989,938	68,721,754
Sundry creditors	2,081,659	24,390,047
Provisions	10,299,271	5,860,875
Other long-term liabilities	<u>703,153</u>	<u>1,506,295</u>
	111,577,912	132,603,312
	=====	=====

(1) See restrictions in Note 22

(2) Bonds payable are summarized as follows:

<u>Company</u>	Original value <u>at issuance</u>	<u>1999</u>	<u>1998</u>
		ThCh\$	ThCh\$
	UF		
Compañía Nacional de Teléfonos, Telefónica del Sur S.A.	2,800,000	25,895,511	27,651,945
Compañía de Teléfonos de Coyhaique S.A.	130,000	1,360,572	1,586,274
Madeco S.A.	693,000	<u>5,449,258</u>	<u>6,624,512</u>
Subtotal		32,705,341	35,862,731
<u>Less: Current portion</u>		<u>(4,201,450)</u>	<u>(3,738,390)</u>
Total long term		28,503,891	32,124,341
		=====	=====

Long-term liabilities at December 31, 1999 are payable as follows:

<u>Year</u>	<u>ThCh\$</u>
2001	11,984,231
2002	7,923,827
2003	12,623,845
2004 and thereafter	<u>79,046,009</u>
Total	111,577,912 =====

d) Long-term bank loans

	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Corresponds to:		
Payable in:		
United States dollars	105,530,778	166,867,176
Inflation-linked units (UFs)	<u>77,911,862</u>	<u>92,634,904</u>
Total	183,442,640 =====	259,502,080 =====

Long-term bank loans are payable as follows:

<u>Principal payments within</u>	<u>At December 31, 1999</u>
	ThCh\$
1 to 2 years	66,384,343
2 to 3 years	33,963,545
3 to 4 years	20,415,524
4 to 5 years	6,251,451
5 to 6 years	4,247,069
more than 6 years	<u>188,880</u>
	131,450,812
Current portion	<u>51,991,828</u>
Total long-term bank loans	183,442,640 =====

NOTE 15 - PROVISIONS AND WRITE-OFFS

The following are the provisions at each year end:

	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Current liabilities:		
Staff vacations	3,547,482	4,351,446
Purchase price accruals	3,183,529	-
Restructuring expenses	2,386,274	-
Directors' remuneration	2,070,530	638,956
Provision for construction in progress	2,117,627	-
Remuneration and consulting services	1,343,391	720,636
Staff severance indemnities	1,512,881	755,815
Project expenses, suppliers and others	1,185,991	104,645
Installation costs of products sold	1,029,733	270,759
General expenses, balance sheets, annual reports and other publications	984,377	820,871
Commercial expenses	901,090	547,197
Municipal taxes and others	848,242	-
Advertising, promotions and corporate image	597,141	105,550
Employee benefits	461,109	643,034
Connection costs	453,903	347,088
Distributors' commissions	336,618	-
Exports and imports costs	281,530	313,832
Utilities	217,292	281,796
Accrued freight expenses	127,554	727,502
Long-distance calls	109,167	165,337
International satellite signals	-	2,525,148
Additional losses of subsidiaries in development stage	-	1,674,139
Others	<u>2,966,602</u>	<u>2,422,301</u>
Total	26,662,063	17,416,052
	=====	=====
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Long-term liabilities:		
VTR Galaxy Chile S.A. - negative equity	-	1,246,920
Contingencies	5,029,569	-
Staff severance indemnities	2,561,188	2,539,954
Pending legal disputes	2,708,514	1,984,061
Others	<u>-</u>	<u>89,940</u>
Total	10,299,271	5,860,875
	=====	=====

In addition to the above, accounts receivables are shown net of an allowance for doubtful accounts. Inventories are also presented net of an allowance for obsolescence and write-offs. Likewise, inactive assets are shown at their net realizable value.

NOTE 16 - OTHER CURRENT LIABILITIES

The year-end balance of ThCh\$ 36,321,376 corresponds to the sale of marketable securities under repurchase agreements, which mature in January 2000.

NOTE 17 - INCOME TAX

a) Current income tax

Current income taxes are summarized as follows:

	At December 31,	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Quiñenco S.A.	11,734,786	463,257
Agrícola El Peñón S.A. and subsidiaries	(25,636)	3,597
Madeco S.A. and subsidiaries	2,667,206	3,885,611
Inversiones Río Grande S.A. and subsidiaries	(1,159,890)	283,853
VTR S.A. and subsidiaries	7,863,121	2,071,613
Empresas Lucchetti S.A. and subsidiaries	324,726	161,198
Comatel S.A.	<u>(6,412)</u>	<u>6,500</u>
Total	21,397,901	6,875,629
	=====	=====

b) Deferred income taxes:

In accordance with the current norms, neither the Company nor its consolidated subsidiaries have recognized the effects of deferred income taxes. The Company and its subsidiaries calculated deferred income taxes only for disclosure purposes, as follows:

	<u>1999</u>
	ThCh\$
ASSETS	
Allowance for doubtful accounts	2,435,824
Allowance for obsolescence	1,636,604
Staff vacations	247,511
Unearned income - inventories	943,096
Provisions	43,196
Valuation allowance	(20,581,106)
Sales commissions	114,474
Tax loss carry forward	27,865,999
Others	<u>757,302</u>
	13,462,900
	=====

	<u>1999</u>
	ThCh\$
LIABILITIES	
Accelerated depreciation	6,468,706
Staff severance indemnities	309,606
Fixed assets under leasing	2,400,939
Fabrication expenses	395,943
Others	<u>80,603</u>
	9,655,797
	=====

NOTE 18 - STAFF SEVERANCE INDEMNITIES

The companies having agreements with their personnel for the payment of severance indemnities have made provisions as described in Note 2 q). The changes in the provisions during the years are summarized as follows:

	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Beginning balance	3,295,769	3,944,953
Increase in provision	2,220,048	1,646,217
Payments made during the year	<u>(1,441,748)</u>	<u>(2,295,401)</u>
Closing balance	4,074,069	3,295,769
	=====	=====
Short-term provision	1,512,881	755,815
Long-term provision	<u>2,561,188</u>	<u>2,539,954</u>
Total	4,074,069	3,295,769
	=====	=====

NOTE 19 - SHAREHOLDERS' EQUITY

a) The changes in Shareholders' equity during the years 1999 and 1998 in historical amounts are summarized as follows:

	Paid-in capital	Accumulated deficit during development period of subsidiaries	Reserves	Retained earnings	Income for the year	Cumulative translation adjustments	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Balances at January 1, 1998	382,202,033	(7,250,028)	11,542,624	18,812,885	80,103,942	-	485,411,456
Allocation of 1997 net income	-	7,250,028	-	72,853,914	(80,103,942)	-	-
Payment of dividends	-	-	-	(32,041,577)	-	-	(32,041,577)
Price-level restatements	16,434,687	-	496,333	2,948,383	-	-	19,879,403
Translation adjustments	-	-	-	-	-	1,477,930	1,477,930
Proportional share of losses of subsidiaries in development stage	-	(5,696,614)	(1,234,223)	-	-	-	(6,930,837)
Net income for the year	-	-	-	-	26,339,138	-	26,339,138
Balances at December 31, 1998	398,636,720	(5,696,614)	10,804,734	62,573,605	26,339,138	1,477,930	494,135,513
Restatement of December 31, 1998 balances to December 31, 1999 constant pesos	409,001,275	(5,844,726)	11,085,657	64,200,519	27,023,956	1,516,356	506,983,037
Balances at January 1, 1999	398,636,720	(5,696,614)	10,804,734	62,573,605	26,339,138	1,477,930	494,135,513
Allocation of 1998 net income	-	5,696,614	-	20,642,524	(26,339,138)	-	-
Payment of dividends	-	-	-	(7,901,743)	-	-	(7,901,743)
Price-level restatements	10,364,555	-	313,180	1,981,879	-	13,301	12,672,915
Translation adjustments	-	-	-	-	-	3,767,205	3,767,205
Proportional share of losses of subsidiaries in development stage	-	(225,666)	220,748	-	-	-	(4,918)
Reversal from sale of investment	-	-	1,019,904	-	-	(2,637,727)	(1,617,823)
Net income for the year	-	-	-	-	160,310,163	-	160,310,163
Balances at December 31, 1999	409,001,275	(225,666)	12,358,566	77,296,265	160,310,163	2,620,709	661,361,312

- b) The Board of Directors at a meeting of March 3, 1999, agreed to propose to the Ordinary Shareholder's Meeting the distribution of a final dividend of ThCh\$7,901,743, in accordance with the Company's dividend policy. The final dividend is made up of ThCh\$ 6,192,763, corresponding to 30% of net income for the year 1998, after deducting the accumulated deficit during development stage of subsidiaries, and an additional dividend of ThCh\$ 1,708,980, corresponding to 8.28% of net income for the year 1998, after deducting the accumulated deficit during development stage of subsidiaries.

This proposition meant a distribution of Ch\$ 7.31819 per share to a total of 1,079,740,079 shares.

- c) As of December 31, 1999 and 1998, the account Cumulative translation adjustment included the exchange differences resulting from the application of Technical Bulletin N°64 of the Institute of Chilean Accountants.
- d) As of December 31, 1998, the account Accumulated deficit during development stage of subsidiaries included the recognition of the proportional share of equity adjustments recorded by the subsidiaries Agrícola El Peñon S.A, Inversiones Río Grande S.A., Madeco S.A., VTR S.A. and Inversiones Nacionales Ltda.
- e) As of December 31, 1999, the account Accumulated deficit during development stage of subsidiaries included the recognition of the proportional share of equity adjustments recorded by Madeco S.A.
- f) The capital of the Company at December 31, 1999 is represented by 1,079,740,079 no par value shares.

NOTE 20 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances with related companies at December 31 of each year were as follows:

a) Current assets

Notes and accounts receivable from related parties:

<u>Company</u>	<u>Nature of relationship</u>	At December 31,	
		<u>1999</u>	<u>1998</u>
		ThCh\$	ThCh\$
Comercial Systral (Perú) S.A.	Subsidiary in development stage	196,248	115,802
Systral S.A. (Perú)	Subsidiary in development stage	-	134,752
Inversiones y Rentas S.A.	Investment (equity method)	2,555,423	3,213,320
V.T.R. Galaxy (Chile) S.A.	Indirect	-	2,028,877
Embotelladoras Chilenas Unidas S.A.	Indirect	95,364	8,793
Minera Los Pelambres	Indirect	232,863	1,317,139
Compañía Cervecerías Unidas S.A.	Indirect	6,079	35,201
U.I.H. Latin América S.A.	Indirect	-	4,514,022
Lucchetti Perú S.A.	Subsidiary in development stage	-	14,552,462
Antofagasta (Chili) and Bolivia Railway Plc.	Indirect	314	-
Anaconda Chile S.A.	Indirect	5,696	-
Promosol S.A.	Indirect	625,361	1,327,400
Viña San Pedro S.A.	Indirect	3,196	-
Cobrecom S.A(Perú)	Indirect	1,651	-
Colada Continua Chilena S.A.	Indirect	1,074	-
Others		<u>117,643</u>	<u>206,234</u>
Total		<u>3,840,912</u>	<u>27,454,002</u>

b) Long-term assets

Notes and accounts receivable from related parties:

<u>Company</u>	<u>Nature of relationship</u>	At December 31,	
		<u>1999</u>	<u>1998</u>
		ThCh\$	ThCh\$
Comercial Sur S.A.	Indirect	-	135,145
O'Higgins Central Hispanoamericano S.A.	Investment (equity method)	-	4,818
Promosol S.A.	Indirect	<u>36,355</u>	<u>36,354</u>
Total		<u>36,355</u>	<u>176,317</u>

c) Current liabilities

Notes and accounts payable to related parties:

<u>Company</u>	<u>Nature of relationship</u>	At December 31,	
		<u>1999</u>	<u>1998</u>
		ThCh\$	ThCh\$
Polimer S.A	Indirect	81,122	-
Nieto S.A.	Indirect	-	1,386,895
Cervecersa Santiago Ltda	Indirect	3,928	-
Embotelladora Chilenas Unidas S.A	Indirect	3,232	-
Viña San Pedro	Indirect	2,886	-
SBC International INC	Indirect	-	21,079,729
Colada Continua Chilena S.A	Indirect	256,016	-
Others		<u>12,656</u>	<u>297,210</u>
Total		<u>359,840</u>	<u>22,763,834</u>
		=====	=====

The year-end balances maintained with Banco de A. Edwards are included in bank loans and time deposits.

d) Transactions

The main transactions with related parties and affecting the statement income of accounts are as follows:

Company	Nature of relationship	Transaction amount		(Charge) credit to income		Type of transaction
		1999	1998	1999	1998	
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	
Cía. Cervercerías Unidas S.A.	Indirect	43,772	131,608	37,095	111,434	Services and purchases of raw materials
Habitaria S.A.	Indirect	-	7,799	-	7,799	Interest earned
Anaconda Chile S.A.	Indirect	7,984	-	6,766	-	Services
Banco Santiago	Indirect	72,946	322,888	72,946	322,888	Services and investments
Banco Santiago	Indirect	12,282,749	34,814,028	(395,101)	(1,043,543)	New loan
Ferrocarril Antofagasta Bolivia	Indirect	15,305	12,971	-	-	Services
O'Higgins Central Hispanoamericano S.A.	Investment (equity method)	102	12,922	102	12,922	Interest earned
Santiago Fondos Mutuos	Indirect	1,798	496	1,798	496	Investments
Santiago Corredores de Bolsa	Indirect	27,751	142,733	27,751	142,733	Investments
Embotelladoras Chilenas Unidas S.A.	Indirect	315,520	43,000	267,390	36,441	Sales of products and services
Embotelladoras Chilenas Unidas S.A.	Indirect	17,557	12,242	(14,879)	(12,242)	Services
Consultora Inmobiliaria e Inversiones Arko	Indirect	-	12,577	-	(12,577)	Sales of products and services
Lucchetti Perú S.A.	Indirect	-	9,858,133	-	1,758,054	Sales of products and services
Ruana Copper A.G. Agencia Chile	Shareholder	-	6,680	-	(6,680)	Interest earned
Inversiones Norte Grande S.A.	Indirect	-	245,426	-	(245,426)	Interest earned
Iversiones y Rentas S.A.	Indirect	19,464	-	19,464	-	Interest earned and services
Inversiones La Haya S.A.	Indirect	73,122	69,318	(73,122)	(69,318)	Services
Inversiones Portezuelo S.A.	Indirect	-	-	-	-	Payment of interest
Minera Michilla S.A.	Indirect	37,079	21,717	31,423	19,726	Billings
Industrias Polymer S.A.	Indirect	-	287,183	-	(287,183)	Interest earned
Italpasta S.A.	Indirect	472,216	442,658	400,183	375,134	Purchases
Cervecera Santiago S.A.	Indirect	10,875	-	9,216	-	Purchases
Colada Continua S.A.	Indirect	25,564	56,999	21,664	48,305	Services and purchases
SBC International Inc.	Indirect	-	612,113	-	(518,739)	Consulting and expenses
VTR Telecable Chile S.A.	Indirect	-	3,907	-	3,907	Services
VTR Servicios Públicos	Indirect	-	5,257	-	5,257	Services
Viña San Pedro S.A.	Indirect	18,780	-	18,780	-	Services
Viña San Pedro S.A.	Indirect	4,713	-	(3,994)	-	Services
Minera Los Pelambres S.A.	Indirect	1,614,477	2,495,233	1,368,201	2,114,604	Purchases
Others		100,386	183,092	85,073	(52,568)	

NOTE 21 - MINORITY INTEREST

Minority interest is summarized as follows:

	Balance at December 31,		Income statement	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Alusa S.A.	8,457,044	7,083,071	1,243,336	146,770
Madeco S.A.	65,557,775	87,460,444	22,635,724	(5,437,866)
VTR S.A.	-	53,508,994	(28,705,108)	(8,082,245)
Agrícola El Peñón S.A.	760,913	871,861	115,893	37,624
Comatel S.A.	97,330	93,179	(4,487)	(10,561)
Empresas Lucchetti S.A.	5,662,874	10,821,108	2,268,201	1,789,176
Nieto S.A.	-	-	-	207,974
Inversiones Pal S.A.	42,090	38,513	(3,592)	25,732
Hoteles Carrera S.A.	1,288,826	1,375,209	86,385	17,748
Inversiones Alusa S.A.	1,708	1,566	(143)	254
Indalum S.A.	188,627	288,335	88,004	(32,123)
Indeco S.A.(Perú)	1,813,089	2,110,718	19,790	(8,393)
Dist. Boliviana S.A.(Bolivia)	25,765	26,107	(1,459)	(3,782)
Ficap S.A(Optel S.A.)	1,646,116	-	(259,711)	-
Inversiones O'Higgins Punta Arenas Ltda. C.P.A.	288,463	298,656	10,193	11,558
Telefónica del Sur Carrier	1,237	1,173	(89)	-
C.N.T Telefónica del Sur S.A.	12,943,797	12,052,612	(2,738,953)	(2,450,686)
V.T.R Hipercable S.A.	-	35,185,765	1,238,439	2,366,945
Cía de Teléfonos de Coyhaique S.A.	654,874	586,889	(192,977)	(232,082)
V.T.R Larga Distancia S.A.	-	-	-	243,703
Madecotel S.A.	4,598	-	25,516	13,639
Other	<u>20,368</u>	<u>24,902</u>	<u>2,874</u>	<u>(6,415)</u>
Total	99,455,494	211,829,102	(4,172,164)	(11,403,030)
	=====	=====	=====	=====

NOTE 22 - GUARANTEES, ENCUMBRANCES, CONTINGENCIES AND COMMITMENTS

Pledges granted by the Company to cover its own obligations are as follows:

<u>In favor of</u>	<u>Type</u>	<u>Assets pledged</u>	Balance of Secured loans		<u>Maturity date</u>
			<u>1999</u>	<u>1998</u>	
			ThCh\$	ThCh\$	
Siemens					
Beteiligunger A.G.	Pledge	8,000,000 Madeco shares	10,646,143	9,726,797	June 5, 2000
			=====	=====	

The above pledge was in effect as at December 31, 1999 and 1998.

Pledges granted by the Company to cover related companies' obligations, plus pledges granted by related companies are as follows:

<u>Number of shares</u>	<u>Company</u>	<u>Beneficiary</u>	<u>Balance of secured loans</u>	
			1999 ThCh\$	1998 ThCh\$
73,500,000	Madeco S.A.	Banco del Estado de Chile	26,461,779	31,306,669
58,127,677	Madeco S.A.	BCH (Grand Cayman)	16,294,140	-
28,542,032	OHCH	BCH (Grand Cayman)	-	22,325,478
106,372,098	CNT	CTC	<u>15,298,607</u>	<u>14,967,904</u>
			58,054,526	68,600,051
			=====	=====

The Company has certain financial covenants set by loan agreements that require them to maintain a current ratio of greater than 1 and to maintain certain debt to equity and interest coverage ratios. The majority of the Group companies were in compliance with the financial covenants. For those subsidiaries of the Company that were in default, the necessary waivers have been obtained.

On April 29, 1999, VTR S.A. and its subsidiary, Compañía Nacional de Teléfonos, Telefónica del Sur S.A., sold their investment in VTR Hiper cable S.A. to UIH Latin America Inc. As part of the sale, the parties signed an agreement denominated "Indemnification Agreement", in which Quiñenco agreed to indemnify UIH Latin America for any losses not covered by VTR S.A. and its subsidiary for an amount in excess of US\$5 million, which were incurred by UIH and related parties as a result of:

- (i) any non-compliance by VTR of the terms established in the sales agreement denominated "Promise Agreement", dated October 15, 1998.
- (ii) any inaccuracies in the declarations and/or guarantees as stipulated in Section 5 of the Promise Agreement.

This obligation is limited to 55.9% of the total of these losses.

The obligation to indemnify relates primarily to the legal constitution of VTR S.A., VTR Hiper cable S.A.'s financial statements, and the preferential right granted to UIH over CNT's shares in case that VTR S.A. decides to sell its investment in this company.

On June 16, 1999, as a result of the Company's purchase of VTR's shares from SBC International, both parties assumed certain reciprocal obligations which could result in adjustments to the purchase price.

Inversiones Río Grande Limitada and subsidiaries

a) Direct commitments

Inversiones Río Bravo Ltda. and its subsidiaries have granted mortgages over property and pledges with respect to machinery and buildings with a book value of ThCh\$ 7,407,440, in order to guarantee bank loans totaling ThCh\$ 14,059,725.

b) Indirect commitments

Empresas Lucchetti S.A. has guaranteed loans received by certain of its subsidiaries totalling US\$ 43 million. Additionally, Empresas Lucchetti S.A. has pledged its shares in Lucchetti Argentina S.A.

Empresas Lucchetti S.A. has pledged various trademarks to guarantee loans from Lucchetti Chile S.A.

In addition, Empresas Lucchetti S.A. has guaranteed loans obtained by Lucchetti Chile S.A. from Banco de A. Edwards, amounting to UF 100,000.

Agrícola El Peñón S.A. and subsidiary

The subsidiary Hoteles Carrera has granted a mortgage over buildings with a book value of ThCh\$ 11,847,446, in order to guarantee bank loans amounting to ThCh\$ 12,225,325 (ThCh\$ 7,438,914 in 1998).

Madeco S.A. and subsidiaries

Direct commitments

	Amount of Guarantee	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Mortgage over assets	412,937	133,776
Pledge over machinery	3,623,299	2,336,950
Pledge over raw materials and semi-finished products	2,650,350	-

At December 31, 1999, Madeco S.A. has guaranteed loans obtained by Madeco Overseas S.A. from foreign financial institutions for a total of US\$ 110 million (US\$ 110 million in 1998). The loan agreement requires that Madeco S.A. maintain a current ratio of greater than 1 certain debt to equity and interest coverage ratios.

In order to guarantee loans obtained by Alusa S.A. and its subsidiaries Alusa Overseas S.A. and Aluflex S.A., Alusa became guarantor and co-debtor for loans obtained from Rabobank Curacao N.V., ABN AMRO Bank and Citibank. In addition, Alusa S.A. must maintain certain financial restrictions including a debt to equity ratio of less than 2 and interest coverage ratios.

VTR S.A. and subsidiaries

- a) VTR S.A. and its subsidiaries maintain obligations for the issuance of bonds. This requires that the issuing subsidiaries maintain a current ratio greater than 1, certain debt to equity ratios less than 1.5 and, further, they are prohibited from investing more than 20% of their equity in companies not approved by the Chilean government for investments by private Chilean pension funds or that do not require the certification of the Chilean Risk Rating Commission.
- b) Tax proceedings

VTR S.A. is involved in tax proceedings relating to First Category Income Tax and VAT recovered. Management believes that these legal proceedings will not have a material impact.

- c) Through public deed dated October 14, 1998, VTR S.A. and VTR Larga Distancia S.A. signed an agreement denominated "Liberation, Contingencies and Guarantees." On December 27, 1999, VTR S.A. and Globus S.A. (previously known as VTR Larga Distancia S.A.) signed a new agreement denominated "Changes to Declarations and Stipulations" in which the previous agreement was modified and it was established that VTR S.A. is solely responsible for a period of two years, for any payments and/or disbursements that Globus S.A. makes in relation to any situation or circumstance originating between January 1994 until the date of the agreement, and that do not correspond to the contingencies and issues subscribed in the agreement. The above-mentioned responsibility is limited to US\$ 13 million. In order to guarantee compliance of the agreement, VTR S.A. issued promissory bank notes totaling UF 88,658.83 at December 31, 1999.

NOTE 23 - GUARANTEES RECEIVED FROM THIRD PARTIES

At December 31, 1999, the company J. Ergas Inversiones y Rentas Ltda., guaranteed the 414,018,557 shares of Banco A. Edwards as described in Note 13.

NOTE 24 - FOREIGN CURRENCY ASSETS AND LIABILITIES

Balances denominated in foreign currency at each year end are as follows:

	At December 31,	
	<u>1999</u>	<u>1998</u>
	ThUS\$	ThUS\$
Assets:		
Cash and time deposits	47,361	17,708
Accounts receivable	58,056	37,394
Notes and accounts receivable from related companies	11,301	39,365
Other assets	<u>463,501</u>	<u>419,337</u>
Total assets	580,219	513,804
	=====	=====
Liabilities:		
Bank loans	328,442	417,021
Accounts payable and supplier notes payable	54,780	51,286
Other accounts payable	20,084	22,309
Notes payable - long term	-	110,903
Provisions	4,061	5,315
Other	<u>132,146</u>	<u>15,861</u>
Total liabilities	539,513	622,695
	=====	=====
Net asset (liability)	40,706	(108,891)
	=====	=====

NOTE 25 - OTHER NON-OPERATING INCOME AND EXPENSES

Non-operating income and expenses for each year are summarized as follows:

a) Other non-operating income

	At December 31,	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Gain on sale of investments	236,229,018	21,384,464
Realization of deferred profits	3,286,265	1,253,616
Recovery of taxes	1,607,319	1,550,403
Gain on sale of fixed assets	399,558	202,552
Dividends received	361,313	715,195
Indemnities received	628,220	-
Other	<u>2,958,685</u>	<u>3,414,187</u>
Total	<u>245,470,378</u>	<u>28,520,417</u>

b) Other non-operating expenses

	At December 31,	
	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Restructuring expenses and severance payments	8,058,860	110,943
Property, plant and equipment written down	5,240,992	-
Contingencies	5,029,567	-
Consulting services	4,738,142	1,166,306
Payments under contract	2,664,529	-
Adjustment to investment in subsidiary	2,110,478	-
Loss on forward contracts	1,751,876	-
Obsolescence and write-offs	1,507,316	2,506,646
Reversal of adjustment to unrealized income	1,315,145	-
Provision for adjustment to stock market prices	1,139,456	9,794
Loss on construction contracts	965,041	-
Directors' allowances and fees	743,208	777,417
Reallocating expenses	725,439	1,185,246
Labor settlements	577,408	-
Amortization of extraordinary expenses	202,069	-
Other	<u>2,582,717</u>	<u>1,958,670</u>
Total	<u>39,352,243</u>	<u>7,715,022</u>

NOTE 26 - DIRECTORS' REMUNERATION

During 1999, the Directors of Quiñenco and its subsidiaries received ThCh\$ 442,610 (ThCh\$ 1,485,520 in 1998) for attendance at meetings, remuneration, profit sharing and fees, from both the Company and its subsidiaries.

NOTE 27 - SHARE TRANSACTIONS

Based on the Company's share register, the following transactions were carried out by the majority shareholders, chairman, directors, managers and/or inspectors of accounts during 1999 and 1998:

	<u>1999</u>		<u>1998</u>	
	<u>Purchases</u>	<u>Sales</u>	<u>Purchases</u>	<u>Sales</u>
Inversiones Lota Schwager S.A.	-	-	-	90,323,177
Inversiones Lota Schwager "1" S.A.	-	-	45,161,588	45,161,588
Inversiones Lota Schwager "2" S.A.	-	-	45,161,589	45,161,589
Inversiones Tronco Alto S.A.	-	-	-	194,835,071
Inversiones Tronco Alto "1" S.A.	-	-	97,417,536	97,417,536
Inversiones Tronco Alto "2" S.A.	-	-	97,417,535	97,417,535
Sociedad Inmobiliaria y de Inversiones Río Claro S.A.	238,486	-	142,580,623	-
Inversiones Consolidadas Ltda.	238,483	-	142,580,625	18,000,000
Inversiones Salta S.A.	-	-	18,000,000	-
Citibank N.A.	7,932,149	15,039,940	8,061,560	8,749,110

NOTE 28 - CONTROLLING SHAREHOLDERS

<u>Type of shareholder</u>	<u>Percentage of ownership</u>		<u>Number of shareholders</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	<u>%</u>	<u>%</u>		
Holding of 10% or more	88.67	89.58	5	5
Holding of less than 10% with investment of UF 200 or more	10.96	9.96	803	596
Holding of less than 10% with investment of less than UF 200	<u>0.37</u>	<u>0.46</u>	<u>2,008</u>	<u>1,982</u>
Total	100.00	100.00	2,816	2,583
	=====	=====	=====	=====
Controlling shareholders	82.37	82.33	5	5
	=====	=====	=====	=====

NOTE 29 - SANCTIONS

There were no sanctions applied to the Company, its directors or management by the Superintendency of Securities and Insurance Companies during 1999.

NOTE 30 - RESEARCH AND DEVELOPMENT EXPENSES

The Company had no significant research and development expenses during 1999. The research and development expenses charged during 1998 amounted to ThCh\$ 82,814. Accumulated research and development expenses incurred during the last five years amounted to ThCh\$ 971,259.

NOTE 31 – FOREIGN INVESTMENTS AND ASSOCIATED OBLIGATIONS

Effective January 1, 1998, the Company began applying Technical Bulletin N°64 of the Chilean Institute of Public Accountants. This bulletin modified the methodology in which foreign investments are valued and the treatment of the exchange differences produced from obligations obtained as hedge instruments for foreign investments.

Quiñenco S.A. does not have direct investments abroad and, consequently the credits in the account Cumulative translation adjustment correspond to its subsidiaries.

The detail of the Cumulative translation adjustment, account at December 31, 1999 is as follows:

	<u>ThCh\$</u>
Opening balance	1,477,930
Price-level restatement	13,301
Net credits from direct and indirect subsidiaries	6,604,770
Reversal from sales of investments	(2,637,727)
Charges from loans obtained as hedge instruments	<u>(2,837,565)</u>
Closing balance	2,620,709 =====

NOTE 32 - YEAR 2000 ISSUE

The Company has not incurred any material expenses in relation to the “Year 2000 Issue.”

The detail of the expenses incurred by the subsidiaries regarding the Year 2000 compliance is as follows:

	<u>1999</u>	<u>1998</u>
	ThCh\$	ThCh\$
Hardware	502,557	548,774
Software	595,070	698,243
Consulting and others	<u>484,851</u>	<u>306,563</u>
	1,582,478 =====	1,553,580 =====

During the years 1999 and 1998, the subsidiaries have not recorded any provisions or write-offs regarding the Year 2000 issue.

NOTE 33 - SUBSEQUENT EVENTS

There have been no subsequent events between December 31, 1999 and the date on which these financial statements were prepared which could have a significant effect on the consolidated financial statements.

Francisco Pérez Mackenna
General Manager

Oscar Henríquez Vignes
Chief Accountant