Annual Report

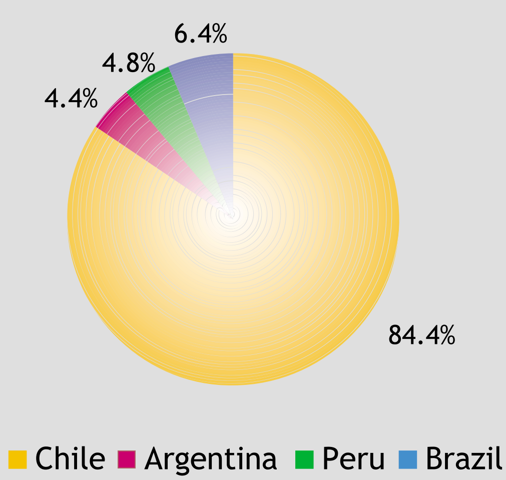
ANNUAL REPORT 2001

FINANCIAL SUMMARY

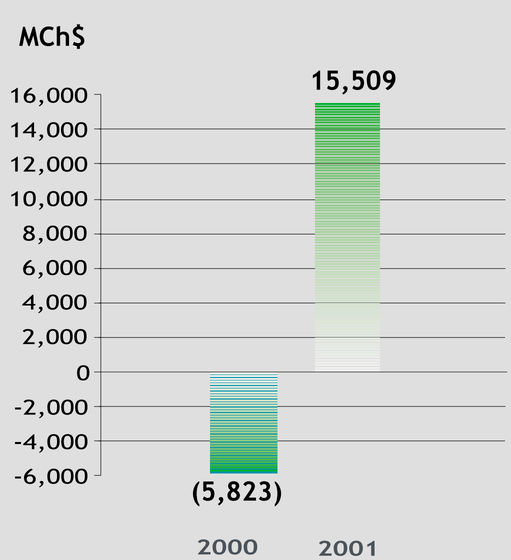
5 YEAR FINANCIAL HIGHLIGHTS
CONSOLIDATED RESULTS

		1997	1998	1999	2000	**2001**
Net sales revenue	MCh$	611,741	596,926	438,987	465,770	**474,037**
Operating income (loss)		48,807	49,872	(21,672)	16,161	**17,515**
EBITDA		85,673	91,155	19,343	47,898	**49,251**
Proportionate share of net income of equity method investments		28,097	18,321	15,742	17,281	**36,254**
Other non-operating income (loss)		116,977	(21,105)	204,541	(56,008)	**(73,724)**
Net income (loss) for the year		92,532	29,171	173,047	(5,823)	**15.509**
FINANCIAL POSITION						
Total assets	MCh$	1,569,245	1,419,311	1,401,408	1,406,568	**1.561,243**
Total liabilities		685,181	643,384	580,139	644,305	**793,993**
Minority interest		323,343	228,661	107,358	105,499	**89,869**
Shareholders' equity		560,721	547,266	713,911	656,764	**677,381**
Current ratio (current assets/current liabilities)		1.22	1.58	1.30	1.14	**1.04**
Leverage (total liabilities/SH equity)		1.22	1.18	0.81	0.98	**1.17**
Earnings (loss) per share	Ch$	92.16	27.02	160.27	(5.39)	**14.36**
Dividends per share for the year	Ch$	33.89	8.05	46.96	-	**-**
OTHER INFORMATION						
Number of shareholders		2,568	2,583	2,816	3,005	**2,898**
Number of shares		1,079,740,079	1,079,740,079	1,079,740,079	1,079,740,079	**1,079,740,079**

CONSOLIDATED ASSETS BY COUNTRY
As of December 31, 2001



NET INCOME (LOSS)
As of December 31, 2000 and 2001



NET INCOME CONTRIBUTION FROM OPERATING COMPANIES
(In millions of Ch$ pesos as of December 31, 2001)

COMPANIES	QUIÑENCO'S SHARE (*) (%)	SALES REVENUE	NET PROFIT (LOSS)	QUIÑENCO'S PROP. SHARE	TOTAL ASSETS	S/H EQUITY
FINANCIAL SERVICES SECTOR						
BANCO DE CHILE	(1) 52.7	596,079	86,968	15,527	6,120,982	398,269
BANCO DE A. EDWARDS	51.2	315,951	10,103	5,170	2,900,720	239,371
FOOD & BEVERAGE SECTOR						
CCU	30.8	343,562	38,377	11,817	629,403	411,575
LUCCHETTI	93.3	86,255	(6,407)	(5,735)	119,230	47,124
TELECOMMUNICATIONS SECTOR						
TELSUR	73.6	45,341	8,482	6,239	131,731	54,996
ENTEL	5.7	709,807	34,204	3,081	1,197,902	501,881
MANUFACTURING SECTOR						
MADECO	56.1	331,912	(50,096)	(28,109)	404,699	123,343
REAL ESTATE/HOTEL ADMIN. SECTOR						
HOTELES CARRERA	89.9	7,359	(1,140)	(1,042)	23,499	15,066
HABITARIA	50.0	19,474	417	209	48,898	16,028

* Direct or indirect
(1) Corresponds to voting rights

2001 FINANCIAL RESULTS

Quiñenco incorporates the profit and loss of more than 40 companies in its financial results each period. Nonetheless, it only consolidates its operations with a number of its investments, the main operating companies being Madeco, Lucchetti, Telsur and Hoteles Carrera. The profit or loss from other investments such as Banco de Chile, Banco Edwards and CCU, which are the most 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 net income of Ch$15,509 million in 2001, reverting the net loss it reported in 2000. The improvement in the Company's performance during the period was due to both higher operating and non-operating results.

Operating profits increased by over 8%, reaching Ch$17,515 million in 2001. Of Quiñenco's operating companies, Telsur led the growth experienced during the year due to its successful geographic expansion and new product and service development. Madeco also contributed to the increase in operating profits, having benefited from strong demand for wire and cable products in Brazil during the first half of the year.

Those companies that do not consolidate with Quiñenco, namely CCU, Banco de Chile, Banco Edwards, Entel and Habitaria, contributed Ch$35,804 million to consolidated non-operating results, a significant increase over the Ch$16,207 million contributed in 2000.

As a consequence of the acquisition of Banco de Chile in the first quarter of 2001, Quiñenco reported a higher level of interest expense and goodwill amortization expense in 2001. The sum of these expenses totaled Ch$86,417 million, compared to Ch$50,174 million in the year 2000.

During 2001, Quiñenco divested a portion of its stake in Entel, equivalent to 8% of Entel's outstanding shares. The corresponding gain on sale was Ch$49,569 million. In addition, the divestment generated extraordinary income of Ch$7,582 million in connection with early recognition of negative goodwill.

Other non-operating expenses totaled Ch$42,240 million, of which Ch$30,413 million corresponded to Madeco, whose results were negatively affected by the slowdown in its Argentine and Brazilian operations. As a consequence, in the second half of the year, Madeco was forced to take drastic measures to curb its losses, including the temporary closure of its Argentine subsidiary and a deep restructuring in Brazil. The impact of Madeco's losses was partially offset by the add-back of income at the Quiñenco consolidated level for the portion of losses corresponding to Madeco's minority shareholders, which totaled Ch$21,987 million.

LETTER FROM THE CHAIRMAN OF THE BOARD

Dear Shareholders,

The 2001 business year was marked by numerous challenges and considerable achievements, but it was not without its difficulties. Notwithstanding, Quiñenco was able to strengthen its long-term potential and, aside from improving returns, is ready for what the future holds. For this reason, the Annual Report and Financial Statements for 2001 carry a stamp of optimism and confidence in what is to come.

Among the first tasks of the financial year was putting the final touches on the takeover of Banco de Chile, one of the most important financial institutions in the Chilean market. The bank is known for its efficiency and profitability, and boasts an extensive branch network - not only in Chile but also abroad – designed to best look after the needs of a broad and diversified client base. The takeover process, which started in 1999 and went through various phases – among them a public acquisition offering for five per cent of the equity – culminated successfully when Quiñenco amassed 52.7% of the shares in March 2001.

A crucial factor in the success of that operation was the underlying financial health of the company, as much in terms of liquidity as in its foreign exchange exposure at the time of the share purchase. The placement of Quiñenco's first-ever bond issue for UF6.5 million with eight and 21-year maturities, allowed the company to raise enough financing, in record time, to complete the deal without complications.

As a result of the new obligations, at the start of April 2001 Quiñenco was carrying debt of about US$700 million. Although this level of indebtedness was viable for a company of Quiñenco's size and solidity, the administration's policy was to prioritise the sale of some investments, with the aim of reducing liabilities.

Given this, during 2001 Quiñenco sold eight per cent of its holding in Entel, at a price which it allowed it to nearly triple its original investment in less than three years, and cut its debt to US$500 million. That operation once again brought to the fore the company's agility in investment portfolio management. As a result of the divestment, Quiñenco cut its shareholding in Entel to 5.7%. In another deal, the company sold, with an option to buy back, its 39.4% stake in Plava Laguna, a Croatian tourist complex, for US$29.6 million. The sale netted the company an additional US$2 million for the year.

With its proven experience in the financial sector, and specifically in the merger of banks, Quiñenco had the confidence during the year to lay the foundations for the tie-up of Banco de Chile and Banco Edwards, with the aim of creating the biggest bank in the country. This objective started to become reality towards the end of 2001, when both the regulatory authorities and more than 80% of the shareholders from the two banks approved the merger, paving the way for the new Banco de Chile to be launched in 2002.

Of course, this development has important and far-reaching implications for Quiñenco and its shareholders. The merger of two of the most-established financial institutions to create the biggest of its kind in Chile has allowed the group to strengthen its position in the banking sector and so capitalize on its considerable experience in this highly profitable business. This means even more value added for Quiñenco shareholders. At the same time, the extra dimension that the bank purchase adds to the company has encouraged us to consider a revamping of activities and investments, which means prioritizing and fortifying those companies with the best growth potential, as these are the key to Quiñenco's future.

Compañía Cervecerías Unidas (CCU), part of the industrial portfolio, began to benefit from the cost-cutting plan initiated during 2000. The effects of this growth strategy translated into diverse innovations in the commercial field, and in important savings across all business sectors. Notwithstanding the political problems and economic instability that the Argentine subsidiary had to deal with, in addition to sluggish consumer growth in Chile, CCU showed important growth, clearly reflected in its sales figures, operating margins and net profits. In fact, the Ch$38,377 million reported in profits are among the highest of recent times.

However, during the year Quiñenco found itself confronted with a an obvious conflict-of-interest dilemma involving Schörghuber, the German group which is equal partner with Quiñenco in Inversiones y Rentas (IRSA), venture that controls CCU. This conflict arose from the German group's plans to link with Heineken, the Dutch brewer which competes with CCU in Argentina and Chile. Against a situation of such scope, Quiñenco initiated arbitration proceedings to protect its interests. This process is still under way, and we hope for a favorable conclusion as soon as possible.

In the telecommunications sector, Telefonica del Sur also posted a notable performance, thanks to an ongoing policy of geographic expansion and development of new products and services. The former has allowed it to stand out from the competition with extensive local telephone coverage and other services. Telsur managed a more than 10% profit rise during the reporting period, reporting Ch$8,482 million pesos.

Another company which did very well during the year was Habitaria. Indeed, the company reported profits – of Ch$417million – for the first time in the three years since it began operating in the Chilean real estate sector. The fact is all the more worthy of mention because it happened in the middle of a major crisis in the construction sector, a fact which suggests that Habitaria is a company which is able to generate sales in adverse conditions. It managed to successfully complete various important projects, booking sales of Ch$19,474 million.

Lucchetti, for its part, is in a better financial position than the year before, despite losses in 2001 of Ch$6,407 million. After the sale of its Argentine business in May and a capital increase at the end of the year, the company was able to restructure its debt, cutting its bank liabilities by more than 46%, from US$160 million in 2000 to US$86 million. This position will allow the company to concentrate its efforts on operational aspects and take on, with a sharpened focus, the challenges which come with such a competitive business environment. As to Lucchetti's Peruvian operation, the company has initiated the preliminary steps toward international arbitration, in the interests of defending its right to run its plant in Lima. In conclusion, and in the same context, recent court decisions in Peru have reaffirmed that our representatives acted with legitimacy in the matter.

Madeco came up against a difficult situation in the second half of the year, stemming mainly from its foreign operations. To the political and economic crisis in Argentina, one has to add the heavy decline in demand for copper-based products seen in the Brazilian telecommunications market. For this reason, of the whole group, Madeco was the company whose results were most severely affected. The fall in sales was dramatic, particularly in the final quarter, which was what made it necessary to close some operations in Argentina and carry out a deep restructuring in Brazil. As a result of all this, Madeco incurred a loss of Ch$50,096 million for the fiscal 2001 year.

However, it is important to emphasize that Madeco's management is working hard to soften the impact of this difficult situation. Apart from other measures, the company has opted to sell non-core businesses and restructure debt to better match the reality of its cash flow generation. It is hoped that the fruits of this exercise will begin to show over the next few quarters. This will be, without doubt, a priority for us.

In 2002, Quiñenco looks to be in a strong position to continue the consolidation of its businesses, despite a complex outlook for the commercial and macro-economic environment. Our objective is value-creation for shareholders based on professional and efficient management of our companies and intelligent portfolio decision-making at Quiñenco headquarters.

One priority for 2002 is the satisfactory conclusion of the Banco de Chile merger. We are aiming to build a new institution which satisfies all its clients, and one that is not only the biggest in Chile, but the most efficient and profitable. Another priority is the resolution of the conflict with our associates in Inversiones y Rentas SA. Finally, our biggest effort is dedicated to improving the performance and capital structure of the operating units of the company.

In concluding this letter, I must, as representative of the whole board of Quiñenco, thank all the staff of Quiñenco and its subsidiary companies for the tremendous effort put in over the reporting period. Without your dedication and sacrifice, none of our achievements would have been possible. People are our first and most-prized asset. Personally, I wish to extend the same gratitude to our investors, for the confidence and support granted us throughout the whole year.

GUILLERMO LUKSIC CRAIG
Chairman

BOARD OF DIRECTORS

CHAIRMAN

Guillermo Luksic Craig (5)
Director of Companies

VICE CHAIRMAN

Andrónico Luksic Craig (6)
Director of Companies

BOARD MEMBERS

Jean Paul Luksic Fontbona (7)
Director of Companies
B.Sc. Management and Science,
London School of Economics, England

Vladimir Radic Piraíno (8)**
Director of Companies

Hernán Büchi Buc (1)
Civil Mining Engineer,
University of Chile

Juan Andrés Fontaine Talavera (3)
Business Administrator,
Catholic University of Chile
Master in Economics,
University of Chicago, U.S.A.

Joaquín Errázuriz Hochschild (2)**
Chemical Engineer,
Columbia University, U.S.A.
Master in Administration and
Economics,Columbia University, U.S.A.

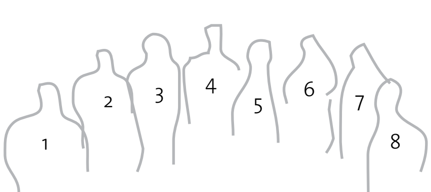
Gonzalo Menéndez Duque (4)**
Business Administrator,
University of Chile

Philip Adeane*
Director of Companies

ADVISORS TO THE BOARD

Gustavo Delgado Opazo
Director of Companies
General Accountant

Fernando Silva Lavín
Business Administrator,
Catholic University of Chile



* Due to international commitments, Philip Adeane does not appear in this photograph.
** Member of the Audit Committee

History

1957

Sociedad Forestal Quiñenco S.A. is formed as a eucalyptus logging firm and manufacturer of rafters for coalmines.

1960s

Forestal Colcura S.A., owner of 20,000 hectares of eucalyptus, and Empresas Lucchetti S.A. are acquired by Quiñenco.

1970s

Quiñenco acquires Hoteles Carrera S.A.

1981

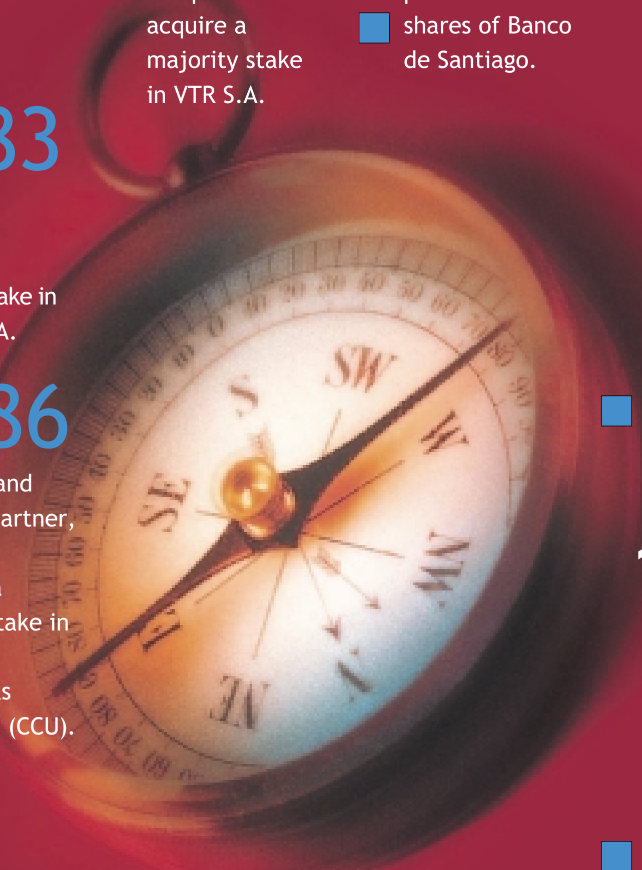
The group acquires Banco O'Higgins.

1983

Quiñenco acquires a majority stake in Madeco S.A.

1986

Quiñenco and strategic partner, Paulaner, purchase a majority stake in Compañía Cervecerías Unidas S.A. (CCU).



1987

Quiñenco-related companies acquire a majority stake in VTR S.A.

1988

Quiñenco initiates the purchase of shares of Banco de Santiago.

1990

Quiñenco acquires shares in Endesa S.A., reaching a 9.2% stake in the company.

1993

Quiñenco forms a joint venture with Banco Central Hispanoamericano to create OHCH, a financial sector holding company.

1995

Quiñenco sells a 6.2% stake in Endesa S.A.

The Group gains control of Banco de Santiago.

Quiñenco and SBC Communications, Inc. enter into a strategic alliance in order to strengthen their potential in the telecommunications sector, through VTR S.A.

1996

Quiñenco is reorganized into its current structure via the merger of Quiñenco S.A. with Inversiones Andes Trust (Chile) S.A. and Inversiones Anaconda S.A. (both subsidiaries of Antofagasta Holdings PLC and Inversiones Rimac S.A.). The merger concentrates the Luksic Group's investments in the financial and industrial sectors in Quiñenco. The mining and railroad assets remain in Antofagasta Holdings PLC.

OHCH expands its activities in the financial sector throughout the Southern Cone.

1997

The public offering of Quiñenco's shares on the New York Stock Exchange and the Santiago Stock Exchange generates funds of US$ 279 million for the company.

VTR S.A. sells its stake in Startel S.A., a cellular telephone company.

1998

VTR S.A. sells VTR Larga Distancia S.A., a multi-carrier telephone service provider.

Quiñenco, in a joint venture with the Spanish construction firm, Ferrovial Inmobiliaria, forms Habitaria S.A.

1999

Quiñenco sells its stake in OHCH to the BSCH consortium.

Quiñenco acquires 51.2% of Banco de A. Edwards. Shortly thereafter, Quiñenco subscribes to a capital increase in the bank, maintaining its controlling interest.

Quiñenco purchases 8% of Banco de Chile.

Quiñenco acquires a 14.3% stake in Entel.

Quiñenco sells 66% of its stake in VTR Hipercable S.A. to UIH Latin America.

Quiñenco acquires 100% of the ownership in VTR, following purchases SBC's and Madeco's shares in the company.

2000

Quiñenco purchases 39.4% of Plava Laguna, a tourist complex located on the Adriatic coast in Croatia.

Quiñenco creates Inversiones Vita S.A. to invest in insurance services.

Quiñenco creates LQ Inversiones Financieras S.A., a holding company for Quiñenco's investments in the financial sector.

2001

Quiñenco acquires a controlling 52.7% voting interest in Banco de Chile.

Quiñenco sells an 8% stake of Entel S.A.

Quiñenco sells its stake in Plava Laguna in Croatia, with an option to repurchase the complex in 2004.

The merger between Banco de Chile and Banco Edwards is approved effective January 2002, thus forming the largest bank in the country.

Financial Services · Manufacturing · Real Estate / Hotel Administration · Food & Beverage · Telecommunications

ORGANIZATION

CEO

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

STRATEGY AND PERFORMANCE APPRAISAL

Manager of Strategy and Performance Appraisal
Luis Hernán Paúl Fresno
Civil Engineer,
Catholic University of Chile
MBA, Massachusetts Institute of Technology, U.S.A.

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

NEW BUSINESS DEVELOPMENT

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

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

Manager of New Business Development
Jorge Tagle Ovalle
Civil Industrial Engineer,
Catholic University of Chile
MBA, The Wharton School,
Univ. of Pennsylvania, U.S.A.

FINANCE AND ADMINISTRATION

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

Treasurer
Patricio León Délano
Civil Engineer,
Catholic University of Chile

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

General Accountant
Oscar Henríquez Vignes
Certified Public Accountant,
University of Chile

LEGAL COUNSEL

Legal Counsel
Manuel José Noguera Eyzaguirre
Chief Counsel,
Catholic University of Chile

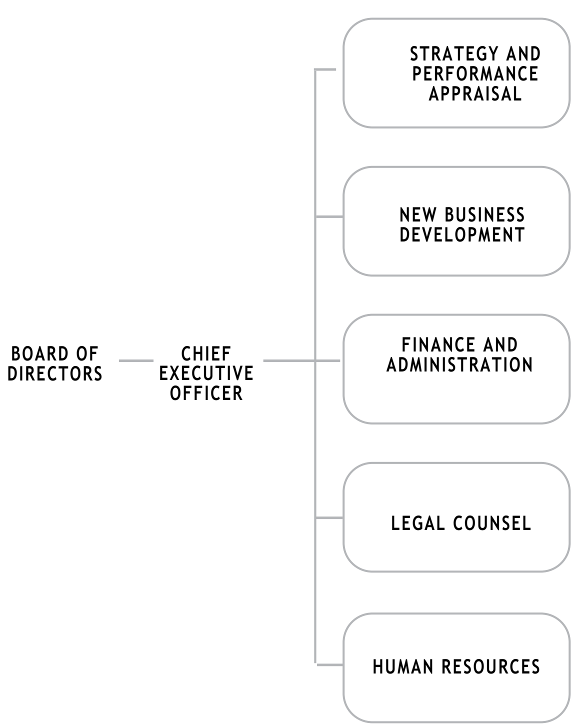
Attorney
Alessandro Bizzarri Carvallo
Attorney,
Catholic University of Chile
MBA, Adolfo Ibañez University

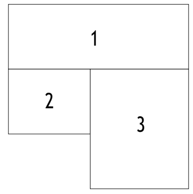
Attorney
Davor Domitrovic Grubisic
Attorney,
University of Chile

HUMAN RESOURCES

Manager of Human Resources
Sergio Cavagnaro Santa María
Civil Industrial Engineer,
Catholic University of Chile
DPA, Adolfo Ibañez University

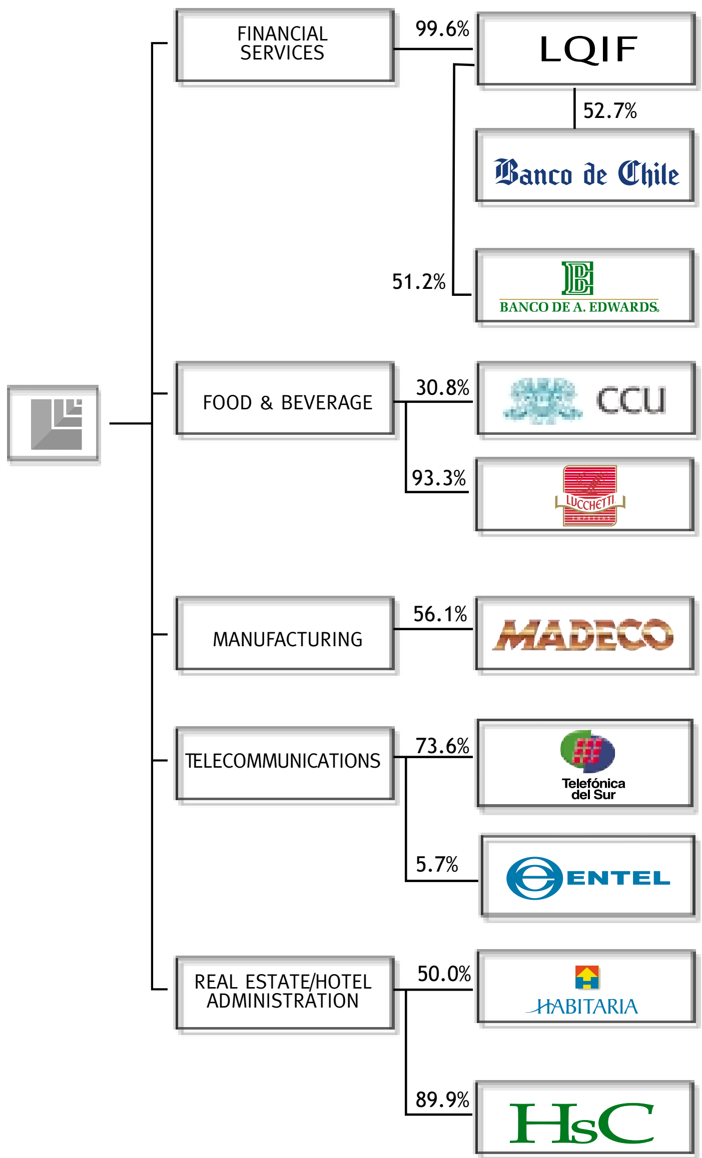
Francisco Pérez Mackenna
CEO



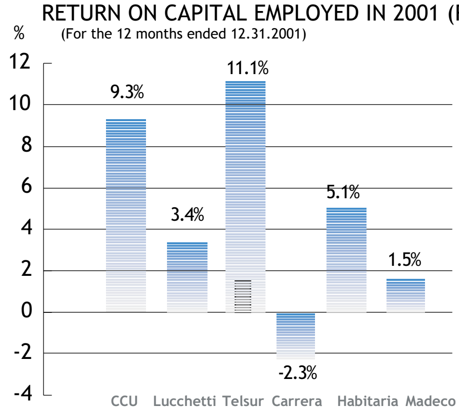


1. Jorge Tagle, Martín Rodríguez, Felipe Joannon, Luis Hernán Paúl and Pedro Marín
2. Davor Domitrovic, Manuel José Noguera and Alessandro Bizzarri
3. Luis Fernando Antúnez, Patricio León, Oscar Henríquez, Cindi Freeman and Sergio Cavagnaro

QUIÑENCO PROFILE



RETURN ON CAPITAL EMPLOYED IN 2001 (ROCE)
(For the 12 months ended 12.31.2001)



Quiñenco is a conglomerate whose investments are concentrated in five business areas: financial services; food and beverages; telecommunications; manufacturing; and real estate/ hotel administration.

In terms of asset value, financial services and food and beverage together account for about 75%, so forming the pillar of the group and the main engine of value creation.

Its driving motive is to be become the best business group in Chile, as much for the quality of its goods and services as for the financial results it delivers, measured as return to shareholders. To this end Quiñenco, as a parent company supporting the development of different group interests, bases its business approach on six fundamental principals: be pro-active in the companies it controls; work with carefully-selected executive teams; specialize in a small, select number of business areas; use synergies and skills transfers between the distinct companies to help boost efficiency and productivity; seek the optimum blend of financing and risk-management; and consider investment opportunities with a strategic purpose.

As a pro-active investor, the Quiñenco team gets closely involved in: the selection of top executives; the drafting of long-term strategy with each company; the setting of annual goals; the follow-up and control of operational and financial management; and the structuring and direction of mergers and acquisitions as they arise.

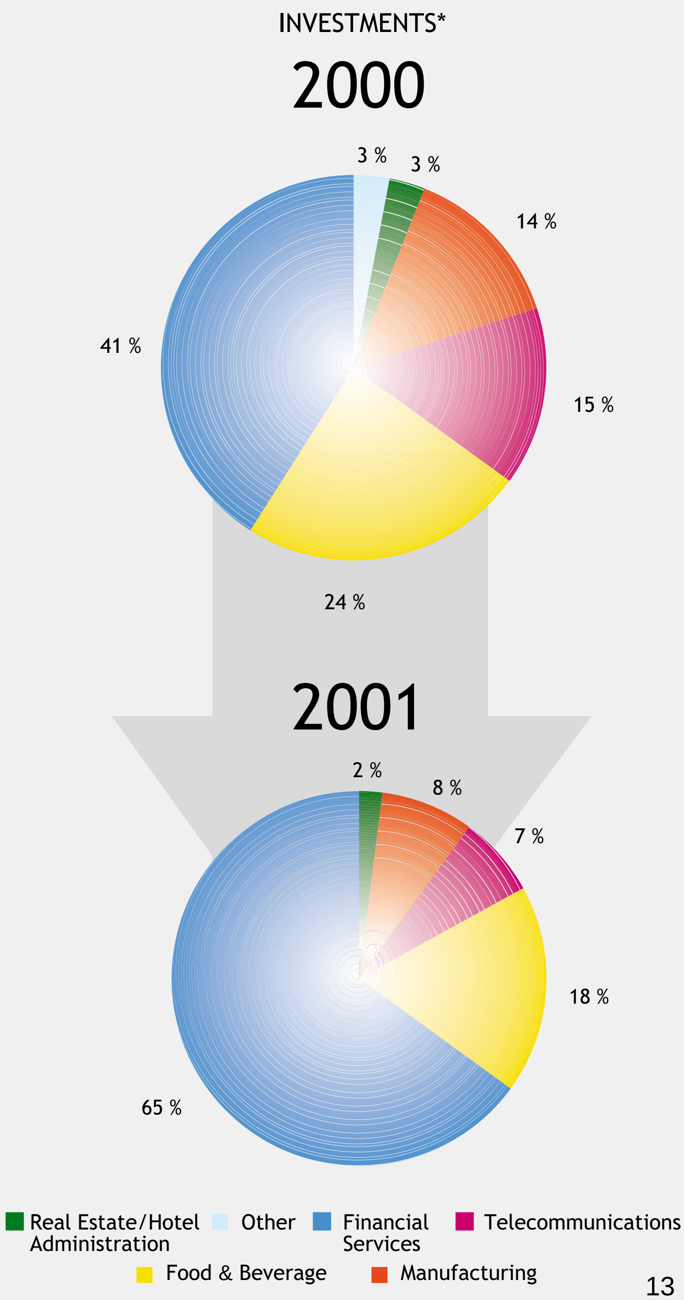
The parent company also concerns itself with identifying and executing strategic moves designed to improve general

The Financial Services and Food and Beverages sectors together account for about 75% of Quinenco's assets, and so form the pillar of the group.

corporate yield. The idea is to remain agile enough to be able to adjust the portfolio to give priority to those business areas which show the best promise in terms of value added.

Future Vision

In order to reach the objective of being the best Chilean business group, we have to be able to count on a top team of efficient and competitive executives and managers, who also have the sensitivity to sniff out good deals in opportune transactions.
In future years, Quiñenco aims to keep on managing its companies from the perspective of a business development center, but with a simplified structure honed by building sector leaders in a reduced number of markets.
Additionally, given the intensified competition that has come with globalization, the company has undertaken to be alert to sudden market changes and so keep its units modern, efficient, profitable and competitive.



*Corporate level

SHAREHOLDERS

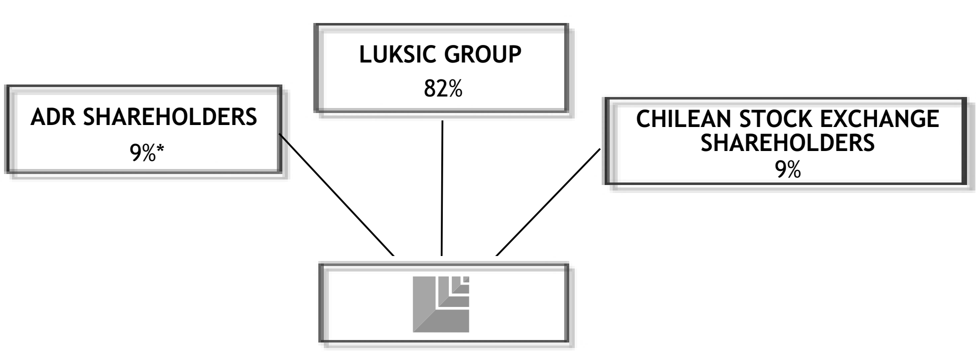
At the close of the year 2001, subscribed and paid-in capital was divided among 1,079,740,079 shares, held by 2,898 shareholders. The Company's shares have been traded on the New York Stock Exchange and the Bolsa de Comercio de Santiago (Santiago Stock Exchange) since 1997. The twelve largest shareholders as of December 31, 2001 are:

CORPORATE I.D. #	NAME	SHARES	%
77.629.860-3	Inversiones FCAB Ltda.*	362,757,196	33.60
59.039.730-k	Ruana Copper A.G. Agencia Chile*	240,938,000	22.31
78.306.560-6	Sociedad Inmob. y de Inv. Río Claro Ltda.*	142,819,109	13.23
96.536.010-7	Inversiones Consolidadas S.A.*	124,819,108	11.56
97.008.000-7	Citibank N.A. **	95,936,630	8.88
96.871.750-2	Inversiones Salta S.A.*	18,000,000	1.67
80.537.000-9	Larraín Vial S.A. Corredores de Bolsa	7,783,928	0.72
98.001.000-7	A.F.P. Cuprum para Fondos de Pensiones	6,813,783	0.63
98.000.400-7	A.F.P. Provida S.A. para Fondos de Pensiones	5,547,134	0.51
99.012.000-5	Compañía Seg. Vida Consorcio Nac. de Seguros S.A.	4,181,938	0.39
78.936.760-4	Sociedad de Rentas Rucahue Ltda.	3,653,000	0.34
96.913.380-6	Santa Gertrudis S.A.	2,587,000	0.24
	Total	1,015,836,826	94.08%

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

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

Antonio Andrónico Luksic Abaroa holds indirectly a 60.9% interest in Inversiones FCAB Ltda., a 100% interest in Ruana Copper A.G. Agencia Chile, a 60.9% interest in Anaconda South America Inc. and a 60.9% interest in The Andes Trust Limited. Andrónico Mariano Luksic Craig and his family hold 100% of Inversiones Consolidadas S.A. and Inversiones Salta S.A., both directly and indirectly. Guillermo Antonio Luksic Craig holds a 99.9% direct interest in Sociedad Inmobiliaria y de Inversiones Río Claro Limitada. Jean Paul Luksic Fontbona holds a 4.2% indirect interest in Inversiones FCAB Ltda.



*1 ADR is equivalent to 10 ordinary shares

HUMAN RESOURCES

The dynamic nature of business and the challenges set by globalization and heightened competitiveness, place tougher demands on all of us. For this reason, it is crucial to be able to count on well-suited professionals and provide the right environment to make best use of his or her skills. Throughout the years, Quiñenco has endeavored to promote group culture, based on the creation of value, leadership, innovation, all within a framework of sound ethics and values. Thanks to this, the professionals who work at the conglomerate are known for their great flexibility, team spirit, good judgment, solid human values and excellent interpersonal skills.

Through its Human Resources area, Quiñenco has created a series of executive evaluation tools, which has allowed it to establish a good career development scheme and guarantee the continuation of this over time. Among the tools are a well-defined set of criteria for the selection and hiring of executives; an established policy for evaluating performance; and incentive systems, which can be applied to each particular case.

Another role, which Quiñenco fills with determination, is that of promoting interaction between the various businesses, making the most of the synergies, which come with being part of a conglomerate, and developing best practices.

Quiñenco's priorities for the future include: improving day-to-day working conditions and a creating a climate of trust and innovation so that everyone feels inspired and proud to be part of the group; being proactive in the creation and refinement of job training schemes and programs to best meet the current and future demands of the business unit, as part of a strategy that favors cooperation and synergies; designing and promoting changes in the administrative structure aimed at creating flatter, more flexible, focused and autonomous units; granting specialized assistance to those divisions undergoing structural change (revamps, ongoing improvements, restructurings, total quality); and stepping up the early detection of personnel with potential and offering quality follow-up and career development.

PERSONNEL (As of December 31, 2001)

COMPANY	EXECUTIVES	PROFESSIONALS & TECHNICIANS	OTHER WORKERS	TOTAL
Quiñenco	14	16	10	40
Banco de Chile	124	2,775	1,151	4,050
Banco Edwards	122	1,713	1,008	2,843
Madeco	60	385	2,869	3,314
Telsur	28	353	249	630
Lucchetti	17	148	793	958
Hoteles Carrera	8	54	271	333
Other subsidiaries	16	74	65	155
TOTAL	389	5,518	6,416	12,323

As of December 31, 2001, the affiliate companies CCU, Promarket and Habitaria had 3,892, 1,248 and 83 employees, respectively.

Business Activities

Financial Services

The merger of Banco de Chile and Banco Edwards, approved at the end of 2001 and made reality in January 2002, creates the largest bank in the country.

LQ INVERSIONES FINANCIERAS S.A.

LQIF

Since the year 2000, Quiñenco's financial sector investments have been grouped in LQ Inversiones Financieras S.A., a 99.6%-owned subsidiary of the parent. As of December 31, 2001, LQIF controls both Banco de Chile and Banco Edwards, with holdings of 52.7% and 51.2%, respectively.

Together, investments in the banking sector represent about 65% of all of Quiñenco's investments, making it the single most important area for the conglomerate. This also places the company at the forefront of the local banking industry and will carve the road ahead in terms of future challenges.

The group has had a long and successful relationship in the banking sector, dating back to 1981. In the last 20 years, it has developed countless activities which have helped make it one of the most experienced financial conglomerates in Chile. These include the merger in 1993 of Banco O´Higgins and Banco de Santiago, a deal which created the largest bank in Chile at the time.

The story of the Banco de Chile acquisition started in 1999, when Quiñenco began to accumulate shares in the institution. During 2000 it made several purchases, amassing 12.3% of the voting rights. In December 2000, it announced that it had reached an agreement to buy an additional 35.8% from the Penta Group. Then, after a public share acquisition offer on the Santiago Stock Exchange in February 2001, Quiñenco added another 4.6% to its holding. Finally, on March 27, 2001, the company became the bank's new controlling shareholder, having completed the purchase from Penta and secured 52.7% of the voting shares.

From that moment on, Quiñenco began the work of merging Banco de Chile and Banco Edwards, a link-up which was approved by the authorities and a majority of the shareholders from both institutions at the end of 2001. This great leap will create, starting in January 2002, the largest banking institucion in Chile, with more than a million clients. The newly-merged bank will boast of assets nearing US$14.3 billion, capital of some $940 million and a loan portfolio worth $9.6 billion, all of which translates into a market share of around 20%.

LQIF's stake in Banco de Chile	Pre-merger	Post-merger
Voting rights	52.7%	52.2%
Dividend rights	17.8%	29.2%
% of shares owned		
SM Chile	51.4%	51.4%
Banco de Chile	4.3%	20.2%

El Chile que

Banco de Chile

Highlights (As of December 31, 2001)		BANCO DE CHILE	BANCO EDWARDS
Total loans	MCh$	3,858,820	2,218,508
Total Consolidated assets	MCh$	6,120,982	2,896,470
Shareholders' equity	MCh$	398,269	239,371
ROAA		1.24%	0.34%
ROAE		23.8%	4.3%
Efficiency ratio		54.4%	64.5%

Banco de Chile was the country's second ranked private banking institution with a market share of 11.9% as of December 31, 2001. It was also the most profitable Chilean-owned bank, showing a return on capital of 27.9% in 2001, according to the bank regulatory authority, SBIF.

As one of the largest banks in the country, Banco de Chile's diversified client base includes large corporations, small and medium businesses and persons from all income levels. Through its subsidiary companies, the bank offers a multitude of products and services such as insurance, brokerage services, mutual funds, factoring, and financial consulting. The bank's impressive service network boasts of 179 branches located throughout the country, 400 ATM machines and offices in key cities such as New York and Miami.

SM Chile S.A., the bank holding company of Banco de Chile, maintains a subordinated debt with the Central Bank through its wholly-owned subsidiary, Sociedad Administradora de la Obligación Subordinada SAOS. The payment terms associated with the subordinated debt require that 64.9% of dividends paid by Banco de Chile go directly to the Central Bank to satisfy its annual debt service obligation.

2001 RESULTS

Banco de Chile's operating revenues (net) reached Ch$272,544 million, a slight increase over the Ch$270,167 million reported in 2000, as a result of higher net interest revenue and fee income, which was partially offset by a reduction in other operating income.

Provisions for loan losses increased by 16.2% to Ch$45,887 million, in line with the bank's conservative credit policy in times of low economic growth. Banco de Chile's risk index climbed to 2.4% as of December 31, 2001.

Tax credits amounting to Ch$1,346 million were related to changes in the treatment of deferred taxes and prior year refunds.

Banco de Chile's net income reached Ch$86,968 million in 2001, an increase of 3% compared with the year 2000, attributable to the aforementioned increase in net operating revenues and tax benefits.

tú quieres

BANCO EDWARDS
del Banco de Chile

Banco Edwards is one of Chile's oldest and most prestigiousbanking institutions. As of December 31, 2001, it was the fifth ranked private bank in the country, with a market share of 7.3% in terms of total loans.

The bank has a wide service network of more than 86 branches and 290 ATM machines, located throughout Chile. In addition to traditional banking services such as loans and deposits, Banco Edwards offers its clients an ample selection of other products and services such as leasing, mutual funds, investment services, brokerage services, insurance and financial consulting. Its client base is broad and includes large corporations, small and medium businesses and individuals.

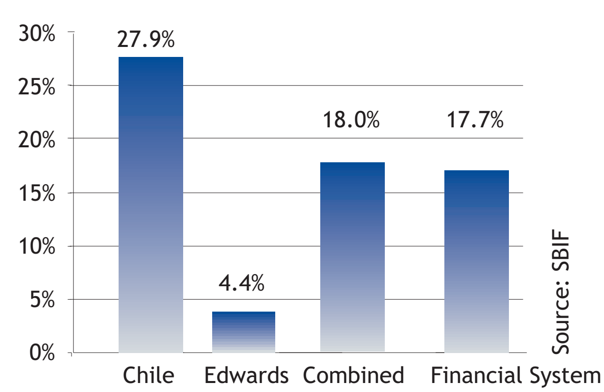
2001 RESULTS

Banco Edwards reported net earnings of Ch$10,103 million in 2001, a significant improvement over the Ch$3,276 million reported in 2000. Higher operating revenues and a lower level of write-offs associated with assets received in lieu of payment more than offset higher operating expenses and the establishment of voluntary reserves in connection with Banco Edwards' pending merger with Banco de Chile.

Operating revenues reached Ch$150,968 million, an increase of 12% compared to 2000. Net interest revenue and fee income were the most relevant components of the growth in operating revenues, showing increases of 12% and 47% respectively, in 2001.

Provisions for loan allowances increased by 22.6% to Ch$44,661 million, mainly related with one client in the telecom sector and the aforementioned establishment of voluntary reserves. The bank's risk index increased to 3.5% as of December 31, 2001.

RETURN ON CAPITAL 2001



Food & Beverage

Product and commercial innovations in each segment contributed to CCU's leadership position in 2001.

Compañía Cervecerías Unidas (CCU) is an international beverage business, recognized for its prestige and unique market positioning. It competes in the beer, wine, soft drinks, mineral water and juice markets, and boasts an important market share in each of them.

CCU is the biggest national brewery, benefiting from 150 years' experience in the business. Its main brands –Cristal, Royal Guard, and Escudo – are distributed the length and breadth of Chile, where they are the preferred choice of millions of consumers. The company also markets renowned international brands such as Paulaner, Budweiser, and Guinness in Chile. Since 1995, CCU has also been active in the Argentine market, where it commercializes the Schneider, Córdoba, Salta and Santa Fe beer brands. At the same time, the company produces Budweiser in Argentina through a joint venture with Anheuser-Busch. Finally, CCU holds a 34.4% stake in Karlovacka Pivovara, the largest brewer in Croatia.

Through its ECUSA subsidiary, CCU is the second-biggest producer of soft drinks and fruit juices in Chile, and the largest bottler of mineral water. In these two areas it produces own brands such as Bilz, Pap, Kem, Show, Cachantún and Porvenir mineral water, as well as licensed names from Cadbury Schweppes and PepsiCo such as Orange Crush, Ginger Ale, 7Up and Pepsi. As for the juices and nectars, the successful re-launch of the popular Watts brand in 1999 is worthy of mention.

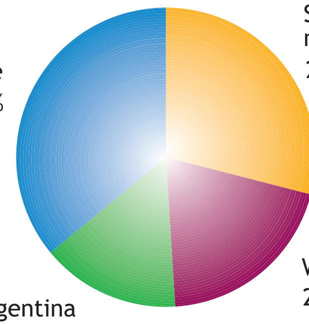
Viña San Pedro, a CCU subsidiary, has been consolidating its position in the wine segment during the last couple of years, the proof of which can be seen in its two-digit growth rate. In fact, the winery has become the second most important exporter of Chilean wines and the third largest in terms of domestic consumption.

During 2001 Viña San Pedro signed an agreement with Château Dassault of France to produce top-grade Chilean wines aimed mainly at export markets. This effort, together with numerous others, is bound to help consolidate San Pedro´s growing presence in international markets.

The 2001 reporting year was also a period in which one could see the results of a deep restructuring initiated at CCU the year before, which involved a cost-cutting plan and diverse marketing and sales initiatives across all business segments.

Improved sales, together with a cost-cutting plan implemented in 2000, translated into a 7% rise in operating profits.

SALES BY SEGMENT



RESULTS IN 2001

It was an excellent year for CCU, as much on the non-operating as on the operating side. Despite being weighed down by sluggish domestic demand in Chile and the heavy recession in Argentina, CCU managed to grow volumes, sales, EBITDA, operating profits and net profits.

Year-on-year sales rose 5%, to Ch$343,562 million, owing mainly to a strong showing from the wine division, where there was significant volume growth in both the local and international markets. Indeed, foreign sales were especially helped by the weaker peso. The other parts of the business held their own, despite the prevailing difficult business environment, which stifled strong further growth.

Improved sales volumes, coupled with the effects of a cost-cutting plan initiated the year before, translated into a 7% hike in operating profits, to Ch$43,652 million. As a percentage of sales, the operating margin rose to 12.7%, a figure which also reflects gains in efficiency.

Net profits surged almost 45%, to Ch$38,377 million, mainly thanks to the improved operating results and the sale of shares in Backus & Johnston in a deal which added Ch$16,698 million to non-operating results.

MARKET SHARE	2001	2000
Beer Chile	88%	89%
Beer Argentina	12%	13%
Soft drinks	24%	25%
Mineral water	62%	64%
Fruit juice	43%	31%
Domestic wine	14%	11%
Export wine	13%	12%

VOLUME SOLD (*)	2001	2000
Beer Chile	3,483	3,522
Beer Argentina	1,512	1,552
Soft drinks and mineral water	4,141	4,051
Domestic wine	428	321
Export wine	418	341

(*) Thousands of hectoliters

During 2001 Lucchetti concentrated much of its effort on strengthening its financial structure, which allowed it to cut debt by 46%.

LUCCHETTI
EMPRESAS

Founded in the early 1900s, Empresas Lucchetti S.A. is one of the principal companies in the foods industry, whose pasta, edible oils, and soups and broths make up part of the daily diet of millions of people. The Lucchetti brands are widely known for their quality, nutritional value and competitive prices.

Always looking to satisfy consumer taste buds, Lucchetti is constantly launching new products under its household brand names such as Lucchetti, Napoli, Talliani, Romano, Miraflores, Oro, El Dorado and Doña Sofía, among others.

Its strategy revolves around making the most of its brand names with the idea of holding and building on the strong market share it has earned over the years. In 2001, Lucchetti had 35.1% of the Chilean pasta market, and 17.4% in Peru; in edible oils the participation was 27.8%, and in soups and broths it was 11.8%, both in Chile.

After a long and successful operation in Chile, in the 1990s Lucchetti expanded into Argentina and Peru, where it built two state-of-the-art production plants. Within five years, the trans-Andean business had managed to penetrate the market, building up an important share. However, its profitability levels would not justify further investment, and, further hit by the slowdown in Argentina, the company opted to leave the country and sold its operation to Molinos Ríos de la Plata S.A., for approximately US$47 million. This sale was finalized in May of 2001.

In Peru, Lucchetti had to endure a series of conflicts related to the location of its production plant, on the outskirts of Lima. This forced Lucchetti Peru to defend its rights as a foreign company established in the country, which meant extraordinary expenses in legal counsel, and a sales decline, during the reporting period.

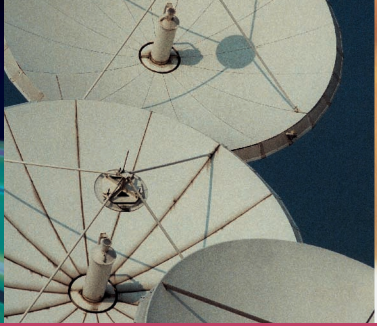
Owing to the difficult market conditions and economic outlook for the region, Lucchetti recognized the need to reduce debt to boost profitability. As a consequence, the company directed the proceeds of the Argentine sale, as well as the Ch$18,294 million resulting from a capital-raising in the third quarter, to reduce debt. As of December 31, 2001, Lucchetti had managed to cut its debt by 46%, to Ch$56,432 million. In addition, it completed a comprehensive debt restructuring which has allowed it to reduce its currency exposure and lengthen its credit maturities.

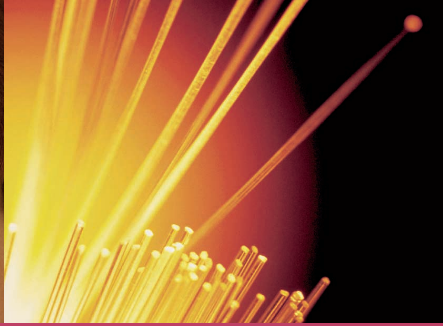
RESULTS IN 2001

Revenues in 2001 were Ch$86,255 million, down 13.2% from 2000, owing to the divestiture of the Argentine operation in the first quarter and a heavy decline in Peruvian sales. This reduction in sales during the year translated into a reduced operating margin, which was only partially offset by lower selling, general and administrative expenses.

At the non-operating level, Lucchetti incurred a loss of Ch$11,839 million, which was an improvement over 2000, which included the Ch$7,323 million loss on sale of the Argentine operation. The net loss for the 2001 reporting period came out at Ch$6,407 million, 38% less than in 2000, thanks mainly to the lower non-operating loss and tax benefits obtained during the period.

Telecommunications



In order to maintain its leadership position in the company´s home markets, Telsur continued to carry out its development plan in 2001.

Telefónica del Sur

Telefónica de Sur S.A (Telsur) is the leading provider of telecommunications services in the south of Chile. With more than 177,000 lines in service, it covers both residential and business clients in the 8th, 9th, 10th and 11th regions of the country, including the cities of Concepción, Temuco, Valdivia, Osorno, Puerto Montt and Coyhaique.

Telsur´s network is 100% digital, which allows it to add value to all of its services. Among these are national and international multi-carrier services, along with non-regulated areas such as internet service provider (ISP), web-hosting, call waiting, message-transfer, conference calling, call-blocking and ISDN. The company also has an extensive network of public telephone booths in its coverage areas.

In 2001, fixed-wireless and internet services were added to the Company’s product base, not only in the main cities of the regions, but also in rural areas. The project, which will be fully implemented over the next five years, involves a total investment of US$50 million and seeks to embrace 35,000 additional clients between the 8th and 11th regions.

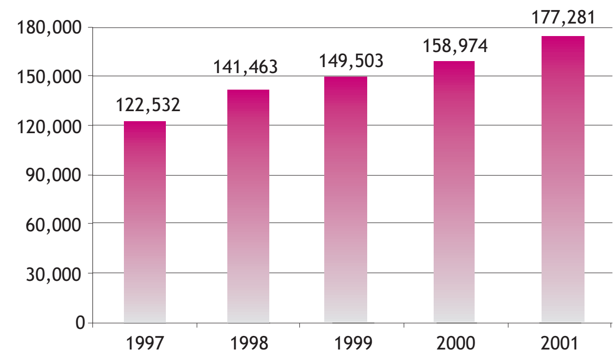
Another highlight of the year was the agreement signed with the Chilean Navy to provide telephone services to the Talcahuano Naval Base (2nd Naval Zone). The contract, which will remain in force for seven years, entails investments of about U$1 million and involves the development of a fiber-optic ring which will link directly to the base. The idea is to upgrade the base’s existing internal networks and offer additional services and access to users, while guaranteeing uninterrupted connection.

It is also important to mention the creation of a new Call Center service during the reporting period. This will allow Telsur subscribers access to a quicker and more efficient virtual platform, at greatly reduced costs.

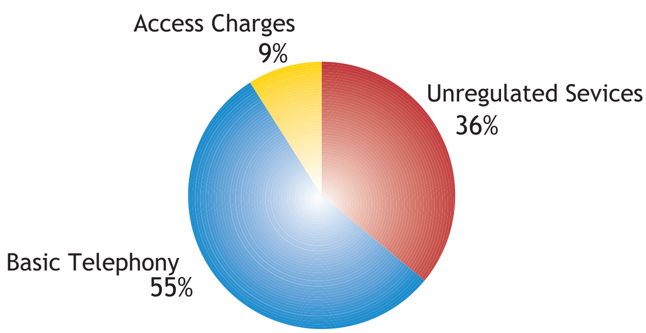
To complete its integrated development plan – envisaging the incorporation of further non-regulated services such as broad-band, internet, and tele-monitoring, as well as geographic expansion – Telsur issued bonds in the local market worth UF1 million with maturities of five and 21 years.

Sales growth, in basic telephony and other services, together with efficiency gains and cost controls, all contributed to the net profit of Ch$8,482 million in 2001.

TELSUR - LINES IN SERVICE



SALES BY SEGMENTS 2001



MARKET SHARE	2001	2000
Concepción	6.8%	0.6%
Temuco	37.8%	33.9%
Region X	75.5%	78.6%
Region XI	80.6%	81.3%
Overall market share	43.7%	41.6%

2001 RESULTS

Telefónica de Sur once again had a good year in 2001. Net profits reached Ch$8,482 million, representing an increase of 10.7% over 2000. The improvement in the net profit in 2001 was directly related to Telsur's expanded geographical coverage, the incorporation of new products and services, and the use of late generation technology.

Consolidated sales rose 5.7%, to Ch$45,341 million. Basic telephony, which makes up 55% of total sales, grew more than 9%, thanks to expanded coverage in the cities of Concepción and Temuco. Income from other services such as ISP, security and long-distance, among others, showed a similar trend, climbing by about 5%.

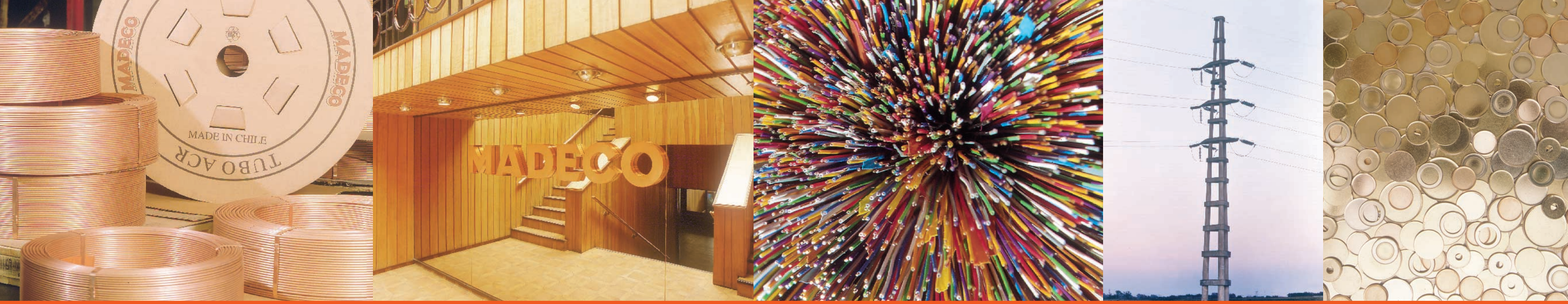
Improved sales, together with efficiency gains and costs controls, translated into a 9% increase in operating profits, to Ch$13,441 million. Non-operating results were little changed on 2000, a fact which also contributed to the increase in the final results for the period.

ENTEL

At December 31, 2001, Quiñenco held a 5.7% equity stake in Entel, one of the leading players in Chile's telecommunications market with more than two million subscribers to its mobile telephone, long-distance and ISP services. During 2001, Quiñenco divested, for Ch$87,401 million, an 8% stake in the company which it had held since 1999. The sale generated profits for Quiñenco of Ch$49,569 million in 2001.

For the year 2001, Entel reported net profits of Ch$34,204 million, of which Ch$3,081 million corresponded to Quiñenco's proportionate share under the equity method.

Manufacturing



The sharp drop in demand seen in the second half of 2001 forced Madeco to initiate a debt restructuring and corporate reorganization in its subsidiaries.

MADECO

With 57 years experience in the elaboration of copper and aluminum based products, Madeco is the Chilean leader in the manufacture of cables, wires, sheets, tubes, metal plates and sidings, all key elements in important economic sectors such as telecommunications, construction, mining exploration, energy, and general and consumer industries.

Madeco is made up of four business units - wire and cable; brass mills; flexible packaging; and aluminum profiles – and has operations in Chile, Brazil, Argentina and Peru. It also exports a variety of products to Latin America, the United States and Europe.

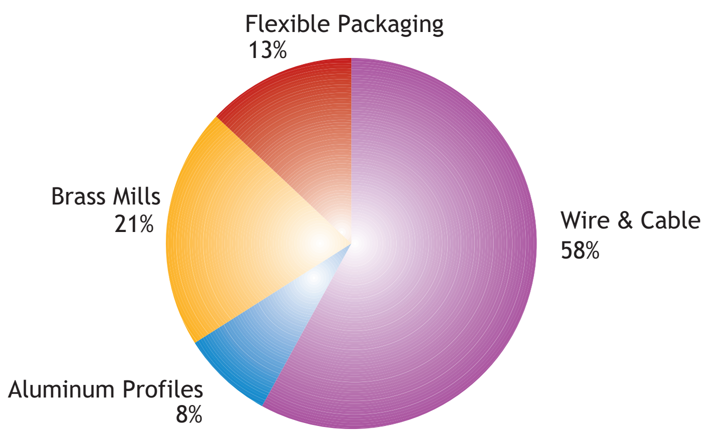
The company's main business, accounting for 57.6% of consolidated sales in 2001, is the manufacture of copper and aluminum wire and cable, as well as fiber optic cable. These products feed the telecommunications market, and are essential in the transmission and distribution of electricity, the mining sector, and industry and construction. Next in terms of sales is the production and commercialization of brass mills products (21%), flexible packaging for mass consumption (12.8%) and aluminum profiles (8.6%).

Throughout the years, Madeco has recognized the importance of achieving high levels of efficiency in order to be profitable in this highly competitive industry. With this in mind, Madeco linked up with Corning International Corporation in the area of fiber optics. The idea was to make the most of the experience, strengths and synergies of the two groups to develop the South American market. After the sale of a further 25% of Ficap Optel, a subsidiary, for US$20 million, Madeco modified its joint venture with Corning in 2001, leaving the partners with 50% each. Together, they operate two plants in Brazil and Argentina with installed capacity of 1.3 million kilometers of fiber optic cable, making them one of the largest producers in the region.

Another peculiarity of the business is that it tends to be cyclical, and heavily dependent on the level of investment in the different sectors in which it operates. Because of this, and as a consequence of the heavy fall in demand during the second half of 2001, Madeco was forced to implement a deep restructuring across all its operations. These changes were introduced mainly in Brazil where Madeco reduced the number of personnel and Argentina, where the company decided to temporarily shut down the operations of the Decker-Indelqui unit.

Madeco believes that these measures, together with a series of other actions, will leave the company in an improved position to take on future challenges. At the same time, Madeco is undergoing an intense debt restructuring which, coupled with commercial and production initiatives, will help the company to strengthen its financial position and improve the relationship between credit maturities and cash flow generation.

SALES BY SEGMENT 2001



The net loss for the reporting period of Ch$50,096 million reflects the difficult situation the company has had to endure.

MARKET SHARES		2001
Wire & Cable		
	Chile	32%
	Brazil	16%
	Peru	48%
	Argentina	8%
Brass Mills		
	Chile	52%
	Argentina	27%
Flexible Packaging		
	Chile	26%
	Argentina	7%
Aluminum Profiles		
	Chile	74%

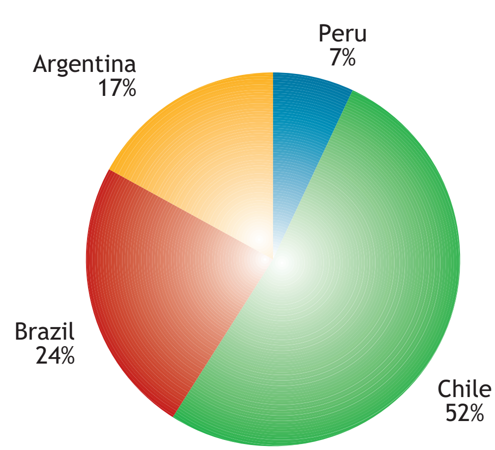
RESULTS IN 2001

Madeco's sales grew by 6.3% to Ch$331,912 million in 2001. The increase was mainly due to improved first-half sales corresponding to the wire & cable unit in Brazil, associated with strong demand from the telecommunications sector. This is reflected in the operating profit, which reached Ch$10,666 million, despite an increase in selling, general and administrative expenses.

During the second half of 2001, however, Madeco was hit by a strong drop in demand in the telecommunications sector which, together with the severe recession in Argentina and the subsequent currency devaluation and deterioration in export markets, meant heavy charges in the non-operating results in the fourth quarter of the year.

The net loss for the reporting period of Ch$50,096 million reflects the difficult situation the company has had to endure. This, in turn, has forced Madeco to take additional measures aimed at restructuring debt so that it may better face the current market conditions in the markets in which it operates.

ASSETS BY COUNTRY
As of December 31, 2001



BUSINESS ACTIVITIES

Real Estate & Hotel Administration

After three years of operations, Habitaria reported net profits of Ch$417 million in 2001.

HABITARIA

Habitaria, a real estate development company, was created in 1998 as a joint venture between Quiñenco and Ferrovial Inmobilaria Chile Ltd., subsidiary of Ferrovial Inmobilaria, the residential market leader in Spain.

Through this joint venture, Quiñenco is a player in the development of the real estate development industry in Chile, where it specializes in projects aimed at medium and high-income families. Since its inception, the company has been behind nine projects in diverse sectors of Santiago and the 5th region, Chile's two main population centers.

In 2002, Habitaria plans to invest US$10 million in land acquisition in the capital. In 2003, it proposes using these new sites to build a mixture of houses and apartments.

2001 RESULTS

Three years after its inception, Habitaria was able to report net profits of Ch$417 million in 2001. During the year it finalized a number of important projects, delivering to their owners a number of units which had been pre-sold in previous reporting periods. This, together with a great marketing campaign, meant Habitaria was able to increase markedly the monthly average of units sold. Total sales for the reporting period were Ch$19,474 million, corresponding to 398 real estate units.

On December 31, 2001, Habitaria had a stock of 861 units ready for sale, of which 126 were pre-sold and will be delivered in future reporting periods.

Hotel Carrera

With more than 60 years of history, Hotel Carrera is a recognized symbol of the best of Chilean hospitality and accommodation. Indeed, the Hotel Carrera in downtown Santiago belongs to an exclusive group of establishments known as "The Leading Hotels of the World", being the only hotel in Chile that complies with the rigorous standards of quality and excellence demanded by this prestigious group.

As well as its emblematic five-star establishment on Teatinos Street, a few steps from the Presidential Palace in downtown Santiago, Hotel Carrera also has four other regional establishments which promise the same level of service that has distinguished the original hotel during its long history.

RESULTS IN 2001

The year 2001 was characterised by lower occupancy rates and average prices, the result of weak demand for five-star hotels. The Hotel Carrera in Santiago was no exception, and it received fewer national and international tourists and executives during the period. However, with total sales of Ch$7,359 million, this drop in demand was not reflected in the numbers, owing to an increase in occupancy rates in other hotels of the Carrera chain located in the north of Chile, which helped to offset the downturn in Santiago. The bottom line, however, was a net loss of Ch$1,140 million, owing to general softness in the hotel industry.

Contribution to the Community

THE COMMUNITY
Quiñenco and its group companies have a long tradition of service to the community, which can be seen through their creative support programs covering the areas of health, education, sports and charity. Through the years, the businesses which make up the group have taken on, with gusto, a commitment to improving living conditions for handicapped children and those of lower-income families, to working in harmony with the environment, and to supporting sports events and cultural activities, along with other initiatives such as massive education campaigns.

THE CHILDREN
Since the outset, the group companies have worked on various initiatives directed at helping youngsters. One of these is the Teletón, an aid organization for handicapped children that has been operating in Chile for more than 20 years. A good selection of the Quiñenco companies have helped ensure that these children can integrate into society at large.

Quiñenco companies have also supported the campaign by the Hogar de Cristo (Home of Christ) known as "Del dolor a la esperanza" (From Pain to Hope), by collecting funds and recruiting members for the foundation.

In much the same way, the companies have worked to provide a better education for children of scant resources. Through the "Educación Empresa" (Business Education) program, developed by its associates, Quiñenco is permanently contributing educational materials to public schools, while other subsidiaries finance scholarships to top-scoring students in the Academic Aptitude Test. It also donates computer equipment for the setting-up of student laboratories and workshops in subsidized municipal schools and other institutions. Additionally, it provides economic assistance to indigents and young orphans.

THE ENVIRONMENT
Working in harmony with the ecosystem while promoting conservation of natural resources is one of the basic principals of each of the companies that make up Quiñenco. For example, Lucchetti Peru, one of the group companies, holds ISO 9002 and ISO 14001 certificates, which recognize its use of environmentally-friendly and high-quality production equipment. Another initiative in support of the environment is a reforestation project called "Criadero de árboles nativos" (Native tree nursery), whose objective is the planting of 100,000 native species in urban areas, squares and poor communities. The project was launched by one of the Quiñenco companies last year.

CULTURE
The group is constantly supporting the arts, culture, sports and concerts. To this end, it has taken the time to back several Chilean artists, to sponsor sporting teams, including those for the handicapped, and to promote popular live music events.

EDUCATION
One of the proudest initiatives of those who make up the Quiñenco Group is the creation of two educational programs, now up and running, aimed at promoting a responsible approach to alcoholic beverages. The first, called "Educación en Familia¨ (Education at Home), is directed to students of secondary school age, who receive instruction on the importance of responsible drinking behavior. This encourages the discussion of drinking and related topics in the home with the whole family. The second program, known as "Campaña Educacional para el 18 de Septiembre" (Educational campaign for September 18th) was developed together with the Chilean police and the National Driver Education Commission and is aimed at both motorists and pedestrians. The job involves designing and later distributing pamphlets, complete with road accident statistics from high-risk holiday periods, in an attempt to deliver a message on the perils of drinking and driving.

Corporate Affairs

CORPORATE HEADQUARTERS
Quiñenco maintains its corporate headquarters in the El Golf sector of Santiago at Enrique Foster Sur Street #20.

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 will add value to Quiñenco's overall investment portfolio.

Quiñenco seeks out investment opportunities in companies with a strong brand orientation and in industries where it has proven experience. When the Company detects opportunities in areas where it has no prior experience, in the past it has formed strategic alliances.

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

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

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

Quiñenco is a Chilean-based company. As such, its results from operations and financial position depend to a great extent on the general level of economic activity in Chile. Even though the Chilean economy experienced high growth levels until 1998, in 1999 Chile entered into a recession, registering negative growth of 1.1%. Since then, the economy has shown signs of recovery, however there is no assurance that the country will return to the growth levels achieved during the 1990s. Factors that could have an adverse effect on the Company and its results from operations include a slowdown in the Chilean economy, inflationary pressures and a deterioration in exchange rate terms, among others.

Certain subsidiary and affiliate companies operate in or export to Argentina, Brazil and Peru, all of which have been characterized in the past as countries which are economically and politically unstable or volatile. Quiñenco's businesses, their earnings and the value of their assets could be affected by inflationary pressures, exchange rates, interest rates, political governability, price and salary controls, regulatory issues, expropriation and social instability in these countries, among other things.

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

As a holding company, Quiñenco's debt service and repayment capacity, as well as it ability to make dividend distributions depends on the level of dividends and profit distributions it receives from its subsidiary and affiliate companies. In certain cases, these companies may have restrictions on earnings and cash flow, which would prevent them from making cash distributions to Quiñenco.

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.

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

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

DIVIDEND POLICY
At the Annual Shareholders' Meeting to be held on April 30, 2002, the Board of Directors will propose to maintain its dividend policy of distributing at least 30% of annual net profits.

DIVIDEND NUMBER	PAYMENT DATE	DIVIDEND PER SHARE*	TOTAL DIVIDEND*	FOR THE YEAR ENDED DECEMBER 31ST
N°10	11-05-98	Ch$29.67527	ThCh$ 32,041,577	1997
N° 11	12-05-99	Ch$7.31819	ThCh$ 7,901,743	1998
N° 12	04-05-00	Ch$44.54132	ThCh$ 48,093,048	1999
N° 13	Ch$5.74560 per share (ThCh$6,203,753 in total) has been proposed by the Board of Directors, to be approved at the General Ordinary Shareholders' Meeting to be held on April 30, 2002			

*Historic Figures

DISTRIBUTION OF INCOME
Net income for 2001 totaled ThCh$15,509,382, proposed by the Board of Directors to be distributed as follows:

a) Absorption of the accumulated deficit from the development period of ThCh$3,131,382.
b) Payment of a minimum obligatory dividend of Ch$3.24925 per share, which equates to a total payment of ThCh$3,508,344.
c) Payment of an additional dividend of Ch$2.49635 per share, which equates to a total payment of ThCh$2,695,409.

d) Allocation of the balance of ThCh$6,174,247 to retained earning.

CALCULATION OF ALLOWABLE DIVIDEND DISTRIBUTION	ThCh$
Net income 2001	15,509,382
Accumulated deficit from the development period	(3,131,382)
Amortization of negative goodwill	(683,520)
Allowable distribution of 2001 earnings	11,694,480
2001 dividend as a percentage of allowable distribution	53.05%
Amortization of negative goodwill (consolidated)	8,919,864

BOARD COMPENSATION

As agreed upon at the Annual Shareholders' Meeting held in 2001, 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$3,701 and ThCh$0 (ThCh$4,836 and ThCh$39,490 in 2000); Andrónico Luksic Craig, ThCh$995 and ThCh$0 (ThCh$1,566 and ThCh$39,490 in 2000); Jean-Paul Luksic Fontbona, ThCh$426 and ThCh$0 (ThCh$1,281 and ThCh$39,490 in 2000); Philip Adeane, ThCh$0 and ThCh$0 (ThCh$142 and ThCh$39,490 in 2000); Hernán Büchi Buc, ThCh$1,566 and ThCh$0 (ThCh$2,133 and ThCh$39,490 in 2000); Joaquín Errázuriz Hochschild, ThCh$1,708 and ThCh$0 (ThCh$2,275 and ThCh$39,490 in 2000); Juan Andrés Fontaine Talavera, ThCh$1,566 and ThCh$0 (ThCh$2,560 and ThCh$39,490 in 2000); Gonzalo Menéndez Duque, ThCh$1,708 and ThCh$0 (ThCh$2,134 and ThCh$39,490 in 2000); and Vladimir Radic Piraíno, ThCh$1,708 and ThCh$0 (ThCh$1,991 and ThCh$39,490 in 2000). In addition, Joaquín Errázuriz Hochschild, Gonzalo Menéndez Duque and Vladimir Radic Piraíno were compensated for their service on the Directors' Committee in the amounts of ThCh$1,766, ThCh$1,766 and ThCh$1,623, respectively.

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

- In Banco de Chile (per diem and fees, respectively), Guillermo Luksic Craig, ThCh$25,744 and ThCh$57,852 (ThCh$0 and ThCh$0 in 2000) and Gonzalo Menéndez Duque, ThCh$109,327 and ThCh$28,926 (ThCh$0 and ThCh$0 in 2000).

- In Banco Edwards (per diem and fees, respectively), Guillermo Luksic Craig, ThCh$5,693 and ThCh$316 (ThCh$23,878 and ThCh$631 in 2000); Andrónico Luksic Craig, ThCh$66,305 and ThCh$0 (ThCh$56,017 and ThCh$0 in 2000) and Gonzalo Menéndez Duque, ThCh$7,907 and ThCh$15,497 (ThCh$87,802 and ThCh$19,176 in 2000).

- In Madeco S.A.(per diem and fees, respectively), Guillermo Luksic Craig, ThCh$1,431 and ThCh$0 (ThCh$1,063 and ThCh$3,829 in 2000); Andrónico Luksic Craig, ThCh$897 and ThCh$2,780 (ThCh$1,058 and ThCh$3,829 in 2000); Jean-Paul Luksic Fontbona, ThCh$708 and ThCh$0 (ThCh$1,940 and ThCh$0 in 2000) and Hernán Büchi Buc, ThCh$2,495 and ThCh$14,733 (ThCh$1,767 and ThCh$3,829 in 2000).

- In Telefónica del Sur S.A. (per diem and fees, respectively), Guillermo Luksic Craig ThCh$6,390 and ThCh$30,669 (ThCh$3,171 and ThCh$39,209 in 2000); Jean-Paul Luksic Fontbona, ThCh$0 and ThCh$690 (ThCh$234 and ThCh$4,011 in 2000) and Gonzalo Menéndez Duque, ThCh$8,305 and ThCh$31,677 (ThCh$3,212 and ThCh$7,293 in 2000).

- In Empresas Lucchetti S.A. (per diem and fees, respectively), Guillermo Luksic Craig, ThCh$1,707 and ThCh$13,259 (ThCh$837 and ThCh$12,977 in 2000); Andrónico Luksic Craig, ThCh$2,560 and ThCh$13,259 (ThCh$841 and ThCh$12,977 in 2000) and Hernán Büchi Buc, ThCh$7,412 and ThCh$0 (ThCh$7,243 and ThCh$0 in 2000).

- In Hoteles Carrera S.A. (per diem), Joaquín Errázuriz Hochschild, ThCh$1,850 (ThCh$1,706 in 2000) and Vladimir Radic Piraíno, ThCh$1,708 (ThCh$285 in 2000).

MANAGEMENT COMPENSATION

Compensation paid to Quiñenco's main executives during the year 2001, including salaries, benefits and performance bonuses, totaled ThCh$2,143,713.

INCENTIVE PLAN

In March 2000, a long-term incentive plan was established for Quiñenco executives. A loan in the amount of ThCh$4,772,715 was granted to acquire shares of Quiñenco and its subsidiaries at market price. The loan, 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.

AUDIT COMMITTEE

The Board of Directors, in its meeting of March 17, 2001, in accordance with Article 50 bis, Law Number 18,046, designated as members of the Audit Committee, Vladimir Radic Piraíno, Gonzalo Menéndez Duque and Joaquín Errázuriz Hochschild. The Audit Committee initiated its activities on May 3, 2001. In its first meeting, the committee established procedures for requesting information from the Company's administration and set a calendar of regular monthly meetings for the year, outside of the extraordinary meetings that may take place from time to time. It also established committee guidelines and rules and reviewed the norms established by law with respect to the Committee's responsibilities. Gonzalo Menéndez Duque was named Chairman of the committee and Quiñenco's Chief Counsel, Manuel José Noguera Eyzaguirre, was named Secretary. The committee meets once a month, and Francisco Pérez Mackenna, CEO, and Luis Fernando Antúnez, CFO, are also regular participants at each session.

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

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 sale of Quiñenco's interest in Plava Laguna to a company related to Quiñenco's controlling shareholders, concluding that the transaction was conducted within the parameters established by the law.

b) A review of the salary and compensation packages of Quiñenco's main executives.

c) A review of the reports issued by the Company's external auditors, including the Internal Control Report periodically sent to the Company's administration. The committee, prior to the presentation of the 2001 Audited Financial Statements to shareholders, reviewed the documents.

d) The committee proposed to the Board of Directors the designation of Arthur Andersen-Langton Clarke as external auditors for the year 2002. If this firm for whatever reason can not be contracted, it would then propose PriceWaterhouseCoopers, and as a third alternative, Deloitte & Touche. Feller Rate and Humphreys were proposed as the Company's risk classifiers for 2002.

BOARD OF DIRECTOR EXTERNAL CONSULTING EXPENSES
In 2001, the Board of Directors did not incur any expenses with respect to external consultants.

EMPLOYEE SEVERANCE PAYMENTS
In 2001, the Company did not incur any expenses associated with severance payments to its managers or key executives.

SHARE TRANSACTIONS IN 2001 BY CONTROLLING SHAREHOLDERS

2001	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	TRANSACTION AMOUNT (*) PURCHASED	TRANSACTION AMOUNT (*) SOLD	PRICE PER SHARE (*) PURCHASED	PRICE PER SHARE (*) SOLD
Northern Mines Sociedad Contractual Minera	-	33,571,898	-	3,200,744,755	-	95.34
Antofagasta (Chile) and Bolivia Railway Co. P.L.C.	-	329,185,298	-	24,596,725,467	-	74.72
Inversiones FCAB Ltda.	362,757,196	-	27,797,470,222	-	(**) 76.63	-

In the 2001, the controlling shareholders did not purchase or sell any of the shares of the company.

SHARE TRANSACTIONS IN 2001 BY OFFICERS AND EXECUTIVES OF THE COMPANY

	NUMBER OF SHARES 2001	NUMBER OF SHARES 2000	TRANSACTION AMOUNT(*) 2001	TRANSACTION AMOUNT(*) 2000	PRICE PER SHARE (*) 2001	PRICE PER SHARE (*) (**) 2000
Francisco Pérez Mackenna (CEO)	-	1,668,215	-	949,121,815	-	568.94
Luis Fernando Antúnez Bories (Executive)	-	672,814	-	381,966,790	-	567.72
Pedro Marín Loyola (Executive)	-	166,441	-	94,274,785	-	566.42
Juan Correa Garcia (Ex-Executive)	(145,287)	159,075	(81,321,493)	90,153,135	559,73	566.73
Felipe Joannon Vergara (Executive)	-	820,303	-	465,522,135	-	567.50
Martín Rodríguez Guiraldes (Executive)	-	388,765	-	220,772,445	-	567.88
Patricio León Délano (Executive)	-	171,128	-	96,922,940	-	566.38
Sergio Cavagnaro Santa María (Executive)	-	357,001	-	202,751,348	-	567.93
Manuel José Noguera Eyzaguirre (Executive)	-	800,484	-	453,928,020	-	567.07
Luis Hernán Paúl Fresno (Executive)	-	669,918	-	380,554,610	-	568.06
Jorge Tagle Ovalle (Executive)	-	235,835	-	133,651,735	-	566.72
Oscar Henríquez Vignes (Executive)	-	160,886	-	91,118,850	-	566.36
Alessandro Bizzarri Carvallo (Executive)	-	196,841	-	111,215,165	-	565.00
Davor Domitrovic Grubisic (Executive)	145,287	-	81,321,493	-	559,73	-
Cindi Freeman (Executive)	42,246	-	15,631,020	-	370,00	-

* 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:

	NUMBER SHARES #	TRANSACTION AMOUNT (*) ThCh$	AVERAGE PRICE (*) Ch$
2001			
1st Quarter	15,443,669	6,622,534	428.82
2nd Quarter	11,447,275	4,995,221	436.37
3rd Quarter	10,582,837	5,243,839	495.50
4th Quarter	6,245,261	2,786,740	446.22
2000			
1st Quarter	16,040,197	9,935,809	619.43
2nd Quarter	12,510,162	7,010,912	560.42
3rd Quarter	19,808,418	9,927,131	501.16
4th Quarter	17,891,394	8,279,650	462.77
1999			
1st Quarter	3,697,767	1,451,292	392.48
2nd Quarter	5,634,115	2,896,089	514.03
3rd Quarter	9,904,378	5,161,557	521.14
4th Quarter	15,635,709	8,203,434	524.66

*Historic figures

CONTROVERSY IN AFFILIATE COMPANY INVERSIONES Y RENTAS

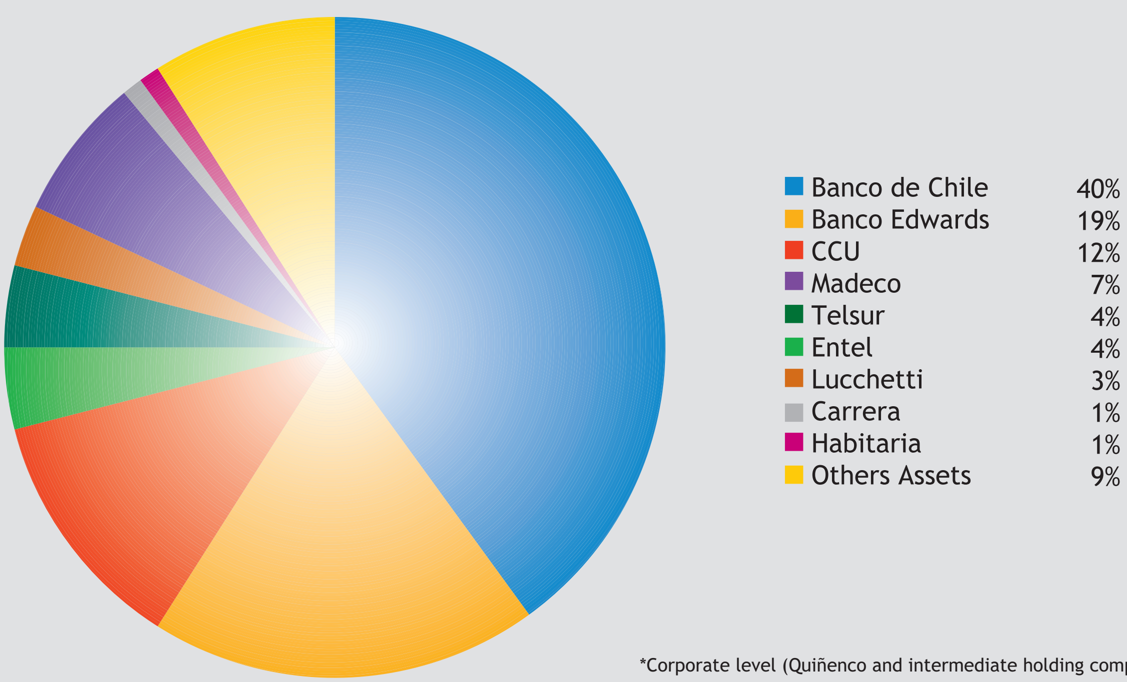
The Company is currently involved in arbitration proceedings under the jurisdiction of the International Chamber of Commerce against its partner Bayerische BrauHolding A.G. (Paulaner) of Germany and its subsidiary, FHI Finance Holding International B.V. of Holland. The Company alleges that the shareholders' agreement it maintains with Paulaner in Inversiones y Rentas S.A. (IRSA), the controlling shareholder of Compañía Cervecerías Unidas S.A. (CCU), was breached as a result of the announced association between Paulaner and Heineken N.V., a direct competitor of CCU.

The arbitration panel has put a temporary freeze on the transfer to Heineken N.V. of any interest that Paulaner maintains in IRSA. It is hoped that a definitive ruling will be issued by the fourth quarter of 2002.

In addition, the Company has requested the designation of an arbitration panel in Chile (Justicia Ordinaria Chilena) in order to resolve disagreements between the partners of IRSA with respect to its charter documents. To date, an arbitrator has not yet been assigned to the case.

COMPOSITION OF ASSETS

As of December 31, 2001



*Corporate level (Quiñenco and intermediate holding companies)

SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2001 and 2000
(A free translation from the original in Spanish)

CONTENTS

$	-	CHILEAN PESOS
ThCh$	-	THOUSANDS OF CHILEAN PESOS
MCh$	-	MILLONS OF CHILEAN PESOS
US$	-	DOLLARS USA
ThUS$	-	THOUSANDS OF DOLLARS USA
UF	-	UNIDAD DE FOMENTO (AN OFFICIAL INFLATION-INDEXED MONETARY UNIT)

Report of the Independent Accountants

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

1- We have audited the accompanying consolidated balance sheet of Quiñenco S.A. and subsidiaries (The "Company") as of December 31, 2001 and the related consolidated statements of income and cash flows for the year then ended, all expressed in thousands of Chilean pesos. 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 audit. We did not audit the consolidated financial statements of Madeco S.A. and subsidiaries, or the equity method investments in Compañía Cervecerías Unidas S.A. and Entel S.A. as of and for the year ended December 31, 2001, those companies together represent 35.9% of total consolidated assets. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these companies, is based solely on the reports of the other auditors. The financial statements of Quiñenco S.A. and subsidiaries as of December 31, 2000 were audited by other auditors, whose report dated February 28, 2001 expressed an unqualified opinion on those financial statements.

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

3- In our opinion, based on our audit 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, 2001 and the results of their operations and their cash flows for the year ended December 31, 2001, in conformity with accounting principles generally accepted in Chile and the guidelines issued by the Chilean Superintendency of Securities and Insurance.

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

5- As described in Note 22 (h) to the consolidated financial statements of Quiñenco S.A., the subsidiary Madeco S.A. and the related company Compañía Cervecerías Unidas S.A. have investments in Argentina that are affected by the uncertainty existing in that country.

6- As described in Note 22 (d) to the consolidated financial statements, the investment in Lucchetti Perú S.A., has legal contingencies, which are not possible to estimate as of the date of the financial statements.

7- The notes accompanying this report are a summarized version of the financial statements filed with the Chilean Superintendency of Securities and Insurance. We have also issued a similarly dated audit opinion on the financial statements, which 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. ARTHUR ANDERSEN – LANGTON CLARKE

Santiago, Chile March 13, 2002

CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2001	2000
	ThCh$	ThCh$
ASSETS		
CURRENT ASSETS		
Cash	4,197,948	5,001,981
Time deposits	17,312,399	15,015,665
Marketable securities	1,411,385	4,396,629
Accounts receivable, net	75,546,087	88,355,416
Notes receivable, net	9,907,048	13,240,042
Other accounts receivable, net	6,287,146	7,021,946
Notes and accounts receivable from related companies (Note 4)	9,143,803	6,053,408
Inventories, net (Note 5)	78,672,562	86,798,820
Recoverable taxes, net (Note 6)	8,869,675	12,692,689
Prepaid expenses	1,922,233	3,069,326
Deferred income taxes (Note 6)	6,535,623	2,697,330
Other current assets (Note 7)	45,945,366	139,673,898
TOTAL CURRENT ASSETS	265,751,275	384,017,150
PROPERTY, PLANT AND EQUIPMENT, NET		
Land	24,295,434	24,550,105
Buildings and infrastructure	194,047,033	204,300,160
Machinery and equipment	372,120,344	341,981,670
Other property, plant and equipment (Note 8)	71,507,216	60,236,011
Revaluation from technical appraisals (Note 8)	24,658,822	26,819,916
Less: Accumulated depreciation (Note 8)	(268,844,419)	(235,764,919)
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	417,784,430	422,122,943
OTHER ASSETS		
Investments in related companies (Note 9)	474,753,161	404,647,001
Investments in other companies	584,635	2,995,667
Goodwill, net (Note 10)	356,294,781	161,410,452
Negative goodwill, net (Note 10)	(9,840,210)	(20,973,699)
Long - term accounts receivable	23,671,088	24,114,904
Notes and accounts receivable from related companies (Note 4)	39,244	39,244
Deferred income taxes (Note 6)	7,774,796	4,078,994
Intangible assets, net	3,659,861	4,200,718
Amortization of intangibles assets	(1,366,197)	(1,667,966)
Other assets	22,136,311	21,582,855
TOTAL OTHER ASSETS	877,707,470	600,428,170
TOTAL ASSETS	1,561,243,175	1,406,568,263

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

CONSOLIDATED BALANCE SHEETS

	2001 ThCh$	2000 ThCh$
	As of December 31,	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current bank obligations (Note 11)	121,809,898	160,012,583
Current portion of long-term bank liabilities (Note 11)	49,529,292	69,227,280
Bonds payable (Note 13)	7,269,799	3,965,593
Other long-term liabilities due within one year	2,599,728	2,136,884
Dividends payable	1,044,987	1,097,422
Accounts payable	26,139,923	33,232,142
Notes payable	15,234,774	31,862,617
Other accounts payable	5,117,121	6,731,928
Notes and accounts payable to related companies (Note 4)	421,750	471,802
Provisions (Note 14)	19,935,066	23,587,865
Withholdings	3,204,066	4,637,156
Income taxes payable	-	97,813
Deferred income	146,794	477,374
Other current liabilities	3,510,468	687,711
TOTAL CURRENT LIABILITIES	255,963,666	338,226,170
LONG-TERM LIABILITIES		
Long-term bank obligations (Note 12)	220,597,317	205,977,223
Bonds payable (Note 13)	209,294,693	68,118,725
Notes payable	79,776,717	8,534,042
Other accounts payable	13,795,540	10,199,778
Provisions (Note 14)	13,863,899	12,617,667
Other long-term liabilities	701,274	632,070
TOTAL LONG-TERM LIABILITIES	538,029,440	306,079,505
MINORITY INTEREST (Note 15)	89,869,445	105,499,077
SHAREHOLDERS' EQUITY (Note 16)		
Paid-in capital	441,499,289	441,499,289
Other reserves	24,618,505	17,286,010
Accumulated deficit during development stage	(3,131,381)	(978,308)
Retained earnings	198,884,829	204,779,707
Net income (loss) for the year	15,509,382	(5,823,187)
TOTAL SHAREHOLDERS' EQUITY	677,380,624	656,763,511
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,561,243,175	1,406,568,263

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

CONSOLIDATED STATEMENTS OF INCOME

	For the year ended December 31,	
	2001	2000
	ThCh$	ThCh$
OPERATING RESULTS		
Revenues	474,037,376	465,770,480
Cost of Sales	(376,604,193)	(371,847,851)
Gross Margin	97,433,183	93,922,629
Administrative and selling expenses	(79,917,705)	(77,762,024)
OPERATING INCOME	17,515,478	16,160,605
NON-OPERATING RESULTS		
Interest income	7,939,230	8,778,145
Equity participation in income of equity method investments	36,395,635	18,234,218
Other non-operating income (Note 17)	57,628,028	13,604,955
Equity participation in losses of equity method investments	(143,225)	(953,156)
Amortization of goodwill (Note 10)	(27,408,380)	(12,075,161)
Interest expense	(59,009,265)	(38,099,193)
Other non-operating expenses (Note 17)	(42,240,475)	(22,058,421)
Foreign exchange losses, net (Note 19)	(6,849,390)	(1,541,850)
Price-level restatement, net (Note 18)	(3,782,450)	(4,616,831)
NON-OPERATING LOSS	(37,470,292)	(38,727,294)
Loss before income taxes	(19,954,814)	(22,566,689)
Income tax benefit	4,750,039	7,321,588
Income before minority interest	(15,204,775)	(15,245,101)
Minority interest (Note 15)	21,794,293	6,964,671
Income (loss) before amortization of negative goodwill	6,589,518	(8,280,430)
Amortization of negative goodwill (Note 10)	8,919,864	2,457,243
NET INCOME (LOSS) FOR THE YEAR	15,509,382	(5,823,187)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,	
	2001	2000
	ThCh$	ThCh$
Cash Flows from Operating Activities		
Collection of accounts receivable	550,988,980	532,347,111
Interest income received	13,116,774	8,354,062
Dividends and other distributions received	19,734,026	11,206,528
Other income received	3,414,913	6,422,757
Payments to suppliers and employees	(492,538,667)	(484,291,174)
Interest paid	(56,095,359)	(39,817,828)
Income taxes paid	(3,813,667)	(13,431,716)
Other operating expenses	(3,679,429)	(3,221,632)
VAT and other taxes paid	(17,411,338)	(19,428,274)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	13,716,233	(1,860,166)
Cash flows from Financing Activities		
Increase in capital	729,938	3,698,196
Borrowings	246,849,495	318,726,511
Bonds issued	144,250,718	37,852,471
Borrowings from related companies	-	680,852
Other sources of financing	3,106,233	2,960,323
Dividends paid	(1,694,947)	(52,614,869)
Payment of loans	(432,856,777)	(273,802,695)
Payment of bonds	(7,495,661)	(3,900,538)
Payment of other borrowings from related companies	(1,055,288)	-
Payment of share issuance costs	(6,136)	(7,871)
Payment of bond issuance costs	(283,092)	(653,662)
Other financing activities	(10,321,658)	(5,393,237)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(58,777,175)	27,545,481

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUATION)

	For the year ended December 31,	
	2001 ThCh$	2000 ThCh$
Cash Flows from Investing Activities		
Proceeds from sale of property, plant and equipment	1,526,823	7,677,127
Proceeds from sales of permanent investments	141,795,500	13,537,483
Proceeds from sales of investments in other companies	16,644,239	47,294,314
Collection of notes receivable from related companies	70,087	-
Collection of other loans to related companies	638,542	-
Other income from investments	1,574,362	688,029
Acquisition of property, plant and equipment	(30,517,518)	(33,648,790)
Payments of capitalized interest	(633,261)	(339,002)
Long-term investments in financial instruments	(157,509,667)	(54,438,638)
Other investing activities	(3,259,565)	-
Loans granted to related companies	-	(25,248)
Other loans granted to related companies	(3,692,745)	(51,870)
Other disbursements relating to investing activities	(3,169,961)	(890,981)
NET CASH USED IN INVESTING ACTIVITIES	(36,533,164)	(20,197,576)
NET CASH FLOW FOR THE YEAR	(81,594,106)	5,487,739
EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND CASH EQUIVALENTS	(927,832)	(1,766,534)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(82,521,938)	3,721,205
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	135,435,136	131,713,931
CASH AND CASH EQUIVALENTS, END OF YEAR	52,913,198	135,435,136

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

RECONCILIATION BETWEEN NET CASH FROM OPERATING ACTIVITIES AND NET INCOME

	For the year ended December 31,	
	2001 ThCh$	2000 ThCh$
Net income (loss) for the year	15,509,382	(5,823,187)
Income from sales of assets:		
Loss (gain) on sales of property, plant and equipment	(32,257)	750,391
Gain on sale of investments	(53,191,738)	(9,326,544)
Loss on sale of investments	16,376,839	468,612
Loss on sale of other assets	212,756	38,602
Add (deduct) charges (credits) to income which do not represent cash flows:		
Depreciation	30,768,362	31,093,665
Write-offs and provisions	967,643	642,863
Amortization of intangible assets	9,695,403	9,232,165
Equity participation in income of equity method investments	(36,395,635)	(18,234,218)
Equity participation in losses of equity method investments	143,225	953,156
Amortization of goodwill	27,408,380	12,075,161
Amortization of negative goodwill	(8,919,864)	(2,457,243)
Foreign exchange losses, net	6,849,390	1,541,850
Price-level restatement, net	3,782,450	4,616,831
Other non-cash credits	(28,587,547)	(9,151,930)
Other non-cash charges	41,972,902	15,607,539
Variations in assets affecting cash flows:		
(Increase) decrease in accounts receivable	20,007,540	(13,113,769)
(Increase) decrease in inventories	10,466,844	(6,458,976)
Increase in other assets	(13,951,184)	(24,540,092)
Variations in liabilities affecting cash flows:		
Increase (decrease) in accounts payable related to operating income	(34,466,583)	6,953,395
Increase in interest payable	26,241,751	18,673,107
Net (decrease) increase in income taxes payable	(51,901)	(13,552,614)
Increase in other accounts payable related to non-operating income	(7,751,421)	3,861,119
Net increase in VAT and other taxes	8,455,789	1,254,622
Minority interest	(21,794,293)	(6,964,671)
NET CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES	13,716,233	(1,860,166)

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

In Management's opinion, these summarized notes provide sufficient, but less detailed information than the information included in the consolidated financial statements filed with the Chilean Superintendency of Securities and Insurance ("SVS"), which are available to the general public.
Such information may also be obtained from the Company's offices during the 15 days prior to the Ordinary Shareholders' Meeting.
The main amendments considered are as follows:

A) Notes excluded:
- Current and long-term accounts receivable
- Securities purchase agreements, sale agreements, repurchase agreements and purchases with resale agreements, sale with repurchase agreements.
- Sale with leaseback agreements
- Severance indemnities
- Bond and share issuance costs
- Local and foreign currencies
- Environment

B) Information included in the following notes was summarized:
- Summary of significant accounting principles
- Transactions with related parties
- Investments in related companies
- Goodwill and negative goodwill
- Current bank obligations
- Long-term bank obligations
- Changes in shareholders' equity
- Guarantees obtained from third parties
- Property, plant and equipment, net
- The notes to the consolidated financial statements of LQ Inversiones Financieras (LQIF) and its bank subsidiaries.

NOTE 1 – THE COMPANY

Quiñenco S.A. (the "Company") and Subsidiaries is registered in the Chilean Securities Register under N° 0597 and is subject to the regulation of the SVS.
Consolidated subsidiaries registered in the Chilean Securities Register are as follows:

Subsidiary	Record Number
Madeco S.A.	251
Agrícola El Peñón S.A.	78
Hoteles Carrera S.A.	210
Empresas Lucchetti S.A.	64
Comatel S.A.	54
Compañía Nacional de Teléfonos Telefónica del Sur S.A. ("CNT")	167
LQ Inversiones Financieras S.A.	730

Quiñenco S.A. and its subsidiary Madeco S.A. are also registered with the New York Stock Exchange ("NYSE") 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 consolidated financial statements reflect the Company's financial position as of December 31, 2001 and 2000, and the results of it operations and its cash flows for the years ended December 31, 2001 and 2000.

b) Basis for preparation

The consolidated financial statements as of December 31, 2001 and 2000 have been prepared in accordance with accounting principles generally accepted in Chile, issued by the Chilean Association of Accountants, and standards and instructions issued by the SVS (Collectively "Chilean GAAP"). In case of discrepancies, the standards of the SVS prevail. The specific provisions on corporations contained in Law N° 18,046 and the regulations thereto have also been taken into account.

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

c) Basis of presentation

The consolidated financial statements for the year ended December 31, 2001 and the amounts disclosed in the related explanatory notes have been adjusted for comparison purposes by the percentage change of 3.1% in the Consumer Price Index ("CPI").

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the current year's presentation.

d) Basis of consolidation

The accompanying financial statements include the consolidated financial position and results of operations and cash flows of the 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 as Minority Interest.

Companies included in consolidation

	Percentage participation			
	2001			2000
Company	% Direct	% Indirect	% Total	% Total
Excelsa Establishment	99.9900	0.0100	100.0000	100.0000
VTR S.A. and subsidiaries	99.9900	0.0100	100.0000	100.0000
Inversiones Río Grande S.A. and subsidiaries	99.9900	0.0100	100.0000	100.0000
Agrícola El Peñón S.A. and subsidiary	96.2000	0.0000	96.2000	96.0500
O'Higgins Punta Arenas Ltda. CPA and subsidiary	75.5600	0.0000	75.6000	75.5600
Comatel S.A.	69.5600	15.4822	85.0422	85.0000
LQ Inversiones Financieras S.A.	50.5200	49.4800	100.0000	100.0000
Madeco S.A. and subsidiaries	49.0200	7.0881	56.1081	56.1081

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. and subsidiaries, Inversiones y Bosques S.A., Inversiones Ranquil S.A., Inversiones Punta Brava S.A., Inmobiliaria del Norte Ltda. and subsidiaries, Inmobiliaria Norte Verde S.A., Merquor Establishment, Lisena Establishment and Consultorías y Asesorías Financieras S.A.

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

The consolidated financial statements of Madeco S.A. and subsidiaries include the following direct and indirect subsidiaries: Alusa S.A. and subsidiaries, Armat S.A., Indalum S.A. and subsidiaries, Soindmad S.A. and subsidiaries, Comercial Madeco S.A.-Argentina, Indeco S.A.-Perú, Madeco Overseas S.A.-Cayman Islands, Metal Overseas S.A. and subsidiaries-Cayman Islands, and Metalúrgica e Industrial Argentina S.A. and subsidiaries.

The consolidated financial statements of VTR S.A. and subsidiaries include the following direct and indirect subsidiaries: CNT and subsidiaries and VTR Comercial S.A.

The Company has not consolidated the financial statements of the following subsidiaries in CNT, which are in the development stage: Telefónica del Sur Net S.A., Telefónica del Sur Seguridad S.A. and Telsur Call Center S.A..

The consolidated financial statements of LQ Inversiones Financieras S.A. do not include its subsidiary financial institutions Banco Edwards, Banco de Chile and SM Chile S.A., as these financial companies apply different accounting principles than those applied by commercial corporations. This exemption from consolidation was authorized by the SVS in Official Letter No. 00492 dated January 21, 2002.

Similarly, the Company has not consolidated the financial statements of Banedwards Compañía de Seguros de Vida S.A. due to its line of business and specific accounting principles for insurance companies. The authorization not to consolidate was granted by the SVS in Official Letter No. 7203 dated November 2, 2000.

The SVS authorized the subsidiary Empresas Lucchetti S.A. not to consolidate the balance sheet of its Argentine subsidiary as of December 31, 2000, since it was considered to be an investment held for sale as of that date.

e) Price-level restatement

The consolidated financial statements of the Company have been restated to reflect the effects of variations in the purchasing power of the local currency during each year. According to current regulations, non-monetary assets and liabilities at the year-ends and initial net worth and its changes have been restated in line with changes in the official cost of living index, which amounted to 3.1% for the year 2001 (4.7% for 2000). Monthly balances of income and expense accounts were also restated to express them at year-end values. The amounts for 2000 have been restated by 3.1% for comparison purposes.

f) Basis for conversion

Balances in U.S. dollars and in Unidades de Fomento ("UF") are converted to pesos at the exchange rate in effect at the end of each period, as indicated below:

	2001 $	2000 $
United States dollar	654.79	573.65
Unidades de Fomento	16,262.66	15,769.92

g) Time deposits

Time deposits are presented at cost plus monetary correction (indexation) and accrued interest, as applicable.

h) Marketable securities

Marketable securities include investments in mutual funds, which are stated at their redemption value as of the balance sheet date, and shares, which are valued at the lower of price-level restated cost or market value.

i) Inventories

Finished products, by-products and work in process are valued at restated cost, which includes direct and indirect manufacturing expenses. Inventories of merchandise, raw materials, materials in warehouse or in transit are valued at their price-level restated cost. Inventories do not exceed their estimated net realizable value or their respective replacement cost. Installation of telephone cables in progress is accounted for using the percentage-of-completion method.

A provision has been made related to discontinued products and products with low turnover.

j) Allowance for doubtful accounts

The Company and its subsidiaries establish provisions for estimated uncollectible accounts based on the aging of the corresponding balances. Such allowances are presented net of Accounts receivable, Notes receivable and Other accounts receivable on the balance sheet.

k) Other current assets

This caption principally includes time deposits and guarantee notes issued to third parties, disposable assets held for sale and reverse repurchase agreements.

l) Reverse repurchase agreements

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

m) Property, plant and equipment

Property, plant and equipment are valued at price-level restated cost plus technical appraisals made on December 31, 1979, which were authorized by the SVS.

n) Depreciation of property, plant and equipment

Depreciation has been determined using the straight-line method over the estimated useful lives of the assets and where applicable as a function of the production units for certain plants.

o) Leased property, plant and equipment

Property plant and equipment under leasing arrangements which qualify as capital leases are accounted for as acquisitions, recording the total amount of the lease obligation and corresponding interest on an accrual basis.

p) Intangible assets

Included under this caption are the recorded trademarks, software licenses and other costs, which are amortized using the straight-line method considering the nature and characteristics of each asset and foreseeable return on investments period, not to exceed 40 years.

q) Investments in related companies

Investments in related companies are included in Other assets using the equity method. This valuation method recognizes in income the Company's equity participation in the net income or loss of each investee on an accrual basis, after eliminating unrealized income on intercompany transactions. Changes in shareholders' equity that do not affect the income of related companies are recorded as charges to Retained earnings, Other reserves or Accumulated deficit in development stage, as is applicable.

Investments in foreign affiliates are recorded in accordance with Technical Bulletin N°64 of the Chilean Association of Accountants.

As explained in Note 2 d), the SVS has authorized the subsidiary Empresas Lucchetti S.A. to not consolidate the balance sheet of its Argentine subsidiary as of December 31, 2000, since it was considered to be an investment held for sale as of that date.

r) Goodwill and negative goodwill

Goodwill and negative goodwill results from differences between the book equity value of the investment and the acquisition cost at the purchase date and is presented under Other assets, net of the related amortization in accordance to Circular 368 of the SVS. Amortization is determined using the straight-line method, considering the nature and characteristic of each investment during the foreseeable life of the business and return on investment period, not to exceed 20 years.

s) Financial derivative contracts

As of December 31, 2001, the Company has forward contracts to hedge instruments that have been valued at the Unidad de Fomento and the exchange rate stated in the Compendium on International Exchange Regulations of the Chilean Central Bank in force as of December 31, 2001. Forward contracts are recorded according to Technical Bulletin 57 of the Chilean Association of Accountants. The net effect is presented in Other current liabilities and Other long-term liabilities.

t) Bonds payable

Bonds payable issued by the Company and its subsidiaries Madeco S.A., CNT and Compañía de Teléfonos de Coyhaique S.A. are recorded at the face value of the bonds. The difference between the face value and the placement value, equal to the premium or discount, is deferred and amortized over the term of the bonds. Accrued interest is included as a current liability.

u) Income tax and deferred income taxes

As of December 31, 2001 and 2000, the Company and its subsidiaries recorded current tax expense according to the enacted tax laws and regulations within each country. The liability is presented net of recoverable taxes.

The Company and its Subsidiaries record deferred income taxes in accordance with Technical Bulletin Nº 60 of the Chilean Association of Accountants and with Circular N° 1,466 issued by the SVS, using the liability method to recognize the deferred taxation effects of temporary differences between the financial and tax values of assets and liabilities. As part of the transitional provisions under this rule, a contra asset or liability has been established to offset the effects of deferred tax assets and liabilities not recorded prior to January 1, 2000. Such contra asset or liability must be amortized to income over the estimated average reversal periods corresponding to the underlying temporary differences to which the deferred tax asset and liability relates calculated using the estimated tax rates in effect at the time of reversal.

v) Severance indemnities

The severance indemnities that the Company and its subsidiaries are obliged to pay to its employees under collective bargaining agreements is stated at present value under the accrued benefit method, discounted at a rate of 6% per annum.

w) Operating revenues

The Company does not carry out direct transactions; therefore, it has no operating income. Industrial and commercial transactions are carried out through its subsidiaries, and income is recorded on the basis of sales effectively invoiced and dispatched at each year-end.

The subsidiary CNT records as operating income traffic invoiced for the period and an estimation of unbilled services rendered at the closing date of the accounting period.

x) Computer software
Computer software included in Other property, has been purchased from third parties and is treated in accordance to Circular 981 issued by the SVS.

y) Cash Flows
The Company and its subsidiaries have considered as cash and cash equivalents all readily-realizable investments made as part of normal cash surplus 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 the cash flows from operations including collection from clients and payment to suppliers, payroll, taxes, interest paid and financial income and all cash flows not otherwise defined as originated by financing or investing activities. This concept is broader than the Operating Income used in the consolidated statements of income.

z) Sales with leaseback
The subsidiaries that carry out sales with leaseback operations have recorded assets received from these transactions as assets under leasing arrangements indicated in Note 2 o).

These transactions do not have significant effects on the statements of income of the Company.

aa) Employees vacations
In accordance with Technical Bulletin 47 issued by Chilean Association of Accountants, employee vacation expenses are recorded on an accrual basis.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND ESTIMATIONS

During the year ended December 31, 2001 there were no accounting changes in relation to the previous year that could significantly affect the interpretation of these summarized financial statements.

NOTE 4 – BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a) Notes and accounts receivable from related companies:

	Current		Long-Term	
Company	2001 ThCh$	2000 ThCh$	2001 ThCh$	2000 ThCh$
Ferrocarril Antofagasta Bolivia S.A.	-	1,862	-	-
Inversiones y Rentas S.A. (1)	3,201,132	3,305,664	-	-
Viña San Pedro S.A.	7,194	5,562	-	-
Banco Edwards	23,182	78,208	-	-
Telefónica del Sur Net S.A. (2)	4,332,243	1,501,245	-	-
Colada Continua S.A.	-	7,213	-	-
Minera Los Pelambres S.A.	1,396	81,070	-	-
Minera Michilla S.A.	-	761	-	-
Antofagasta Minerals S.A.	9,013	7,780	-	-
Embotelladoras Chilenas Unidas S.A.	108,863	75,691	-	-
Compañía Cervecerías Unidas S.A.	17,356	59	-	-
Promosol S.A. (3)	35,845	623,516	39,244	39,244
Cía. de Telecomun. Llanquihue S.A.	28,969	-	-	-
Alte S.A.	78,637	-	-	-
Cobrecón S.A.	229,366	27,705	-	-
Other	72,360	8,153	-	-
Empresa Aerea El Litoral S.A.	-	6,467	-	-
Italpasta S.A. (3)	-	194,830	-	-
Compañía Minera El Tesoro	-	6,695	-	-
Lucchetti Argentina S.A. (3)	-	111,139	-	-
Alupack S.A.	-	9,788	-	-
Entel Chile S.A.	1,851	-	-	-
Inversiones Consolidadas Ltda.	1,746	-	-	-
Compañía Telefónica Coyhaique S.A.	3,476	-	-	-
Telefónica del Sur Seguridad S.A.	935,781	-	-	-
Telsur Call Center S.A.	44,990	-	-	-
Banco de Chile	10,403	-	-	-
Total notes and accounts receivable from related companies	9,143,803	6,053,408	39,244	39,244

(1) The accounts receivable from Inversiones y Rentas S.A. for ThCh$ 3,201,132 corresponds to the dividend receivable from Compañía Cervecerías Unidas S.A.
(2) Loans granted to the subsidiary in the development stage Telefónica del Sur Net S.A. come due on May 15, 2002 and carry a 180-day TAB rate plus 1.1%.
(3) Related to the Company's line of business.

b) Notes and accounts payable to related companies:

Company	Current 2001 ThCh$	Current 2000 ThCh$	Long-Term 2001 ThCh$	Long-Term 2000 ThCh$
Cobrecón S.A.	-	25,424	-	-
Embotelladoras Chilenas Unidas S.A.	12,645	9,190	-	-
Minera Michilla S.A.	64,197	31,403	-	-
Viña San Pedro S.A.	-	1,517	-	-
Colada Continua Chilena S.A. (1)	326,013	234,412	-	-
Cervecera Santiago Ltda.	-	4,095	-	-
Empresa Agromercantil Ltda.	-	14,631	-	-
Corning International Corporation	18,538	-	-	-
Others	357	151,130	-	-
Total notes and accounts payable to related companies	421,750	471,802	-	-

(1) Related to the Company's line of business

The amounts indicated as transactions with related parties correspond to transactions carried out under prevailing market conditions, insofar as they relate to price and terms of payment.

In addition, certain short-term balances with the unconsolidated subsidiaries Banco Edwards and Banco de Chile are shown under Time deposits, Other current assets and Current bank obligations.

c) Transactions:

Company	Relationship	Type of operation	2001 Amount ThCh$	2001 Effect on Income (charge) credit ThCh$	2000 Amount ThCh$	2000 EEffect on Income (charge) credit ThCh$
Compañía Cervecerías Unidas S.A.	Related company	Services and purchases	27,954	7,724	44,995	19,657
Banco de Chile	Unconsolidated subsidiary	Investments and time deposits	61,000	61,000	4,734	4,734
Ferrocarril Antofagasta Bolivia S.A.	Majority shareholder	Services	31,875	27,013	14,180	12,017
Inversiones La Haya S.A.	Director in common	Advisory services	90,953	(90,953)	79,940	(79,940)
Minera Michilla S.A.	Shareholders in common	Purchase of materials	399,640	-	378,612	-
		Invoicing	70,186	59,480	-	-
Antofagasta Minerals S.A.	Shareholders in common	Services	47,392	40,162	43,110	36,533
Colada Continua Chilena S.A.	Related company	Services	1,306,227	-	1,090,566	-
Promosol S.A.	Related company	Purchase of raw materials (3)	3,216,189	(3,216,189)	2,276,450	(2,276,450)
Minera Los Pelambres S.A.	Shareholders in common	Invoicing	163,834	138,842	88,344	74,867
Banco Edwards	Unconsolidated subsidiary	Investments, deposits and services	530,210	530,210	220,861	220,861
Promosol S.A.	Related company	Services (3)	1,535,181	1,534,997	860,143	860,143
Telefónica del Sur Seguridad S.A.	Subsidiary in development stage	Services and supplies	712,656	-	31,859	-
Cía. Telecom. Llanquihue S.A.	Related company	Services	34,283	34,283	-	-
		Services	112,195	112,195	-	-
Telefónica del Sur Net S.A.	Subsidiary in development stage	Sale of supplies	310,108	-	6,363	-
		Services	2,714,781	(2,625,792)	-	-
		Services and others	2,418,104	1,454,572	422,981	422,981
Banedwards Corredores de Bolsa S.A.	Unconsolidated subsidiary	Purchase of US dollars	3,267,327	-	-	-
Banedwards S.A. Asesorías Financieras	Unconsolidated subsidiary	Purchase of US dollars	359,311	-	-	-
Embotelladoras Chilenas Unidas S.A.	Related company	Services and purchase of merchandise	33,030	(27,992)	18,408	(15,600)
Alte S.A.	Related company	Invoicing	161,450	136,822	-	-
Cobrecón S.A.	Related company	Invoicing	26,270	17,780	-	-
		Services	1,131,146	1,131,146	-	-
		Loan granted	203,381	25,248	-	-

NOTE 5 – INVENTORIES

The composition of inventories is as follows:

	2001 ThCh$	2000 ThCh$
Raw materials	26,863,091	25,090,926
Finished goods	23,848,809	21,968,354
Semi-finished products	12,663,085	17,309,297
Materials for consumption	8,619,751	9,836,527
Merchandise and imports in transit	2,633,479	4,798,171
Merchandise	2,147,784	2,601,269
Materials and containers	1,757,905	1,711,436
Supplies and others	135,327	180,355
Construction-in-progress held for sale	3,331	3,302,485
Total inventories, net	78,672,562	86,798,820

Inventories are presented net of the following provisions:

	2001 ThCh$	2000 ThCh$
Obsolescence	3,075,616	2,874,441
Inventories without turnover in one year	143,386	586,498

NOTE 6 – INCOME TAXES AND DEFERRED TAXES

a) Income taxes

As of December 31, 2001, the Company had taxable earnings of ThCh$698,718, resulting in income taxes of ThCh$104,808.

These taxes will be fully covered by tax credits related to donations of ThCh$119,458.

The provision for First category income tax as of December 31, 2001 is ThCh$7,794.

At the end of the year 2000, the Company registered a provision for First category income tax of ThCh$24,200, which is presented net of monthly provisional income tax installment payments of ThCh$453,107, under the caption "Recoverable taxes".

b) Undistributed retained earnings subject to dividend tax credits as of December 31, 2001:

Year earnings	% Credit	ThCh$
1998	15	36,308,047
1998	10	101,059
1998	-	9,580,157
1999	15	53,135,184
1999	-	3,575,124
2000	15	54,251,313
2000	-	1,815
Exempt earnings	N/A	4,511,172
Non-taxable earnings	N/A	136,801,534

c) Tax Obligations

The detail of recoverable taxes registered by the Company and its subsidiaries as of December 31, 2001 is as follows:

	ThCh$
First category income tax	(2,924,835)
Article 21 Tax	(35,905)
Monthly income tax installment payments	2,639,371
Other credits against taxes	5,775,785
Other recoverable taxes	3,415,259
Recoverable taxes, net	8,869,675

d) Composition of deferred income taxes:

	2001				2000			
	Deferred tax asset		Deferred tax liability		Deferred tax asset		Deferred tax liability	
Concepts	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Temporary Differences	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Allowance for doubtful accounts	1,264,924	-	-	-	1,137,754	-	-	-
Unearned income	1,249	-	-	-	-	-	-	-
Accrued vacation expense	410,211	-	-	-	309,436	-	-	-
Amortization of intangible assets	-	173,976	-	-	-	-	-	-
Leased assets	-	23,686	145,628	2,347,057	-	-	120,046	2,180,213
Manufacturing expenses	-	-	187,298	58,262	-	-	535,047	-
Depreciation of property, plant and equipment	-	-	-	15,223,460	-	2,970	-	13,215,698
Severance indemnities	8,581	-	4,165	569,294	-	-	3,966	670,909
Other events	522,557	1,161,907	30,169	337,638	-	-	-	-
Unearned income, inventories	2,222	-	-	-	-	-	-	-
Deferred taxes on tax loss carryforwards	4,867,427	34,073,606	-	-	2,649,431	24,321,223	-	-
Provision for obsolescence	387,723	90,531	-	-	282,638	125,964	-	-
Provision for disposable property, plant and equipment	140,046	241,443	-	-	-	-	-	-
Difference in bond issuance	-	-	-	491,181	-	-	-	-
Other provisions	181,095	-	-	-	1,405,244	1,290,692	22,669	700,168
Complementary accounts, net of amortization	(680,927)	(19,370,014)	(12,293)	(13,687,056)	(2,500,522)	(18,152,437)	(95,077)	(13,257,570)
Valuation allowance	(214,518)	(3,280,503)	-	-	-	-	-	-
Total deferred income taxes	6,890,590	13,114,632	354,967	5,339,836	3,283,981	7,588,412	586,651	3,509,418

e) Composition of tax benefit:

Description	2001 ThCh$	2000 ThCh$
Current tax expense (tax provision)	(2,960,740)	(2,181,737)
Tax expense adjustment (prior period)	170,222	(34,786)
Deferred income taxes	(2,277,679)	4,760,326
Tax benefit for tax loss carryforwards	12,781,330	3,095,777
Amortization of complementary accounts	729,215	1,401,247
Deferred tax assets and liabilities arising from changes in the valuation allowance	(3,495,021)	-
Other	(197,288)	280,761
Total net tax benefit	4,750,039	7,321,588

NOTE 7 – OTHER CURRENT ASSETS

The balance as of December 31, 2001 and 2000 is composed of:

	2001 ThCh$	2000 ThCh$
Repurchase agreements	30,485,680	128,424,696
Disposable assets	10,498,266	9,524,721
Time deposits in guarantee	3,639,877	-
Other	1,321,543	1,724,481
Total other current assets	45,945,366	139,673,898

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT, NET

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

	2001 ThCh$	2000 ThCh$
Accumulated depreciation:		
Buildings and infrastructure	58,889,288	50,787,365
Machinery and equipment	184,373,905	159,712,322
Revaluation from technical appraisals	4,268,726	6,897,652
Other property, plant and equipment	21,312,500	18,367,580
Total	268,844,419	235,764,919
Depreciation for the year:		
Operating expenses	27,573,903	26,952,107
Administration and sales expenses	3,194,459	4,141,558
Total	30,768,362	31,093,665
Other property, plant and equipment:		
Leased assets	26,779,249	21,005,090
Construction in progress	15,164,650	8,382,076
Furniture and fixtures	9,218,873	9,703,904
Office equipment	4,021,717	6,269,985
Tools and others	2,617,264	2,597,627
Computer software	1,654,239	1,598,777
Computers	2,414,380	1,269,572
Materials and replacement parts	1,404,825	1,432,166
Other property, plant and equipment	8,232,019	7,976,814
Total	71,507,216	60,236,011
Revaluation from technical appraisals:		
Land	5,730,705	5,553,491
Buildings and infrastructure	16,919,554	19,204,623
Machinery and equipment	2,008,563	2,061,802
Total	24,658,822	26,819,916
Accumulated depreciation from technical appraisals	3,817,209	6,442,123
Depreciation expense for the year	451,624	455,529
Total	4,268,833	6,897,652

During the month of January 2002, the production activities of the Quilmes, Barracas, San Luis and Llavallol properties of Madeco S.A.'s subsidiary Decker Indelqui S.A. were suspended. Property, plant and equipment involved in the temporary shutdown have a net carrying value of approximately ThCh$25,180,000.

As a consequence of these decisions, Madeco S.A.'s Argentine subsidiary will not engage in production activities during 2002. Instead the subsidiary will act as a sales agent, selling products imported from related companies.

Due to the economic situation in Argentina, an extraordinary provision of ThCh$12,460,412 has been recorded. This amount is presented as a direct reduction in Property, plant and equipment and Other long-term assets, with the charge to income being included in non-operating expenses (Note 17).

Notwithstanding the above, at the date of the present consolidated financial statements, due to the unstable political situation in Argentina and the uncertainty of exchange rates, it is not possible to determine the final effects that the situation in Argentina could have on future financial statements.

NOTE 9 - INVESTMENTS IN RELATED COMPANIES

The detail of investments in related companies as of December 31, 2001 is as follows:

Company	Participation %	Shareholders' Equity ThCh$	Net Income ThCh$	Accrued Net Income ThCh$	Equity Method ThCh$	Unrealized Income ThCh$	Book value ThCh$
SM Chile S.A. Series B (A)	46.1900	310,128,487	23,339,605	11,289,367	143,248,348	-	143,248,348
Inversiones y Rentas S.A.	50.0000	253,592,818	23,532,007	11,766,003	126,796,409	-	126,796,409
Banco Edwards (A)	51.1700	239,393,634	10,103,194	5,170,289	122,497,723	-	122,497,723
Entel S.A. (E)	5.6850	501,879,666	34,203,963	3,081,299	28,531,859	-	28,531,859
Banco de Chile (A)	4.2700	397,900,398	86,967,978	3,710,101	16,990,347	-	16,990,347
SM Chile S.A. Series A (A)	3.0000	285,687,338	-	-	8,570,620	-	8,570,620
Habitaria S.A. (F)	50.0000	16,028,350	417,308	208,654	8,014,175	-	8,014,175
SM Chile S.A. Series D (A)	1.7800	310,075,914	23,339,605	434,117	5,519,351	-	5,519,351
Peruplast S.A.	25.0000	16,906,944	(99,471)	(24,868)	4,226,736	-	4,226,736
Tech Pack S.A.	25.6079	13,142,616	(22,708)	(5,815)	3,365,548	-	3,365,548
Banedwards Compañia de Seguros S.A.(C)	99.9000	1,874,430	47,415	47,364	1,872,556	-	1,872,556
Colada Continua Chilena S.A.	41.0000	3,310,900	1,922	788	1,357,469	-	1,357,469
SM Chile S.A. Series E (A)	0.3800	310,255,343	23,339,605	93,358	1,178,970	-	1,178,970
Cobrecón S.A.	33.3330	2,261,384	(58,932)	(19,644)	753,787	-	753,787
Inm. El Norte y El Rosal S.A.	50.0000	1,270,288	(154,128)	(77,064)	635,144	-	635,144
Cia. Telecomunicaciones Llanquihue S.A.	49.0000	982,201	20,815	10,200	481,278	-	481,278
Telefónica del Sur Seguridad S.A.	100.0000	163,402	-	-	163,402	-	163,402
Empresa Aérea El Litoral S.A.	50.0000	305,214	(16,722)	(8,361)	152,607	-	152,607
Promarket S.A.	50.0000	282,284	(14,947)	(7,473)	141,142	-	141,142
Agromercantil Limitada	45.0000	249,545	583	262	112,295	-	112,295
Promosol S.A.	50.0000	172,961	790,993	395,497	86,481	-	86,481
Telefónica del Sur Net S.A. (H)	100.0000	56,914	-	-	56,914	-	56,914
Promarket S.A.	-	-	376,672	188,336	-	-	-
Total investments in related companies					474,753,161	-	474,753,161

The detail of investments in related companies as of December 31, 2000 is as follows:

Company	Participation %	Shareholders' Equity ThCh$	Net Income ThCh$	Accrued Net Income ThCh$	Equity Method ThCh$	Unrealized Income ThCh$	Book value ThCh$
SM Chile S.A. Series B	8.8800	307,346,738	23,066,242	2,000,063	27,297,501	-	27,297,501
Inversiones y Rentas S.A.	50.0000	255,373,157	16,283,143	8,141,572	127,686,579	-	127,686,579
Banco Edwards	51.1800	230,947,395	3,274,400	1,675,702	118,189,266	-	118,189,266
Entel S.A.	13.6800	474,406,415	28,223,788	3,943,559	64,917,731	-	64,917,731
Banco de Chile	1.0000	394,333,272	84,498,183	588,221	3,950,116	-	3,950,116
SM Chile S.A. Series A	2.1400	284,280,495	-	-	6,092,570	-	6,092,570
Habitaria S.A.	50.0000	13,807,497	(823,399)	(411,700)	6,903,749	-	6,903,749
SM Chile S.A. Series D	0.8800	307,346,738	23,066,242	199,067	2,716,923	-	2,716,923
Peruplast S.A.	25.0000	15,413,409	(13,518)	(3,380)	3,853,352	-	3,853,352
Tech Pack S.A.	25.0000	12,218,993	328,155	82,039	3,054,748	-	3,054,748
Banedwards Compañia de Seguros S.A. (C)	99.9000	1,724,506	(140,546)	(140,451)	1,722,782	-	1,722,782
Colada Continua Chilena S.A.	41.0000	4,070,229	1,035	425	1,668,794	-	1,668,794
SM Chile S.A. Series E	-	-	-	45,929	-	-	-
Cobrecón S.A.	33.3300	2,095,787	111,439	37,111	698,594	-	698,594
Empresa Aerea El Litoral S.A.	50.0000	321,937	(18,688)	(9,344)	160,969	-	160,969
Promarket S.A.	50.0000	1,557,701	131,650	65,825	778,850	-	778,850
Agromercantil Limitada	45.0000	248,963	(23,533)	(10,589)	112,033	-	112,033
Promosol S.A.	50.0000	(618,032)	(755,385)	(377,692)	-	-	-
Plava Laguna d.d. (G)	39.4200	41,515,846	1,393,814	549,441	16,365,547	-	16,365,547
Lucchetti Argentina S.A. (D)	100.0000	25,800,391	-	-	25,800,391	(7,323,494)	18,476,897
Movement of Unrealized Earnings	-	-	-	905,264	-	-	-
Total investments in related companies					411,970,495	(7,323,494)	404,647,001

During the year 2001, the following changes in investments in related companies have taken place:

A) Investment in Banco de Chile and SM Chile S.A.

a) Purchase of stock

By way of a public tender offer on March 6, 2001, the following shares were acquired for a total price of ThCh$36,212,201:

	Shares
SM Chile Series A:	28,385,585
SM Chile Series B:	549,999,388
SM Chile Series D:	21,470,478
SM Chile Series E:	29,245,894

On March 27, 2001 the following shares were acquired from Empresas Penta and other companies for a total price of ThCh$304,127,162:

	Shares
Banco de Chile:	1,466,752,189
SM Chile Series A:	79,490,585
SM Chile Series B:	4,144,103,808
SM Chile Series D:	90,669,413
SM Chile Series E:	18,621,091

b) Exemption from Consolidation of Banking Companies

These financial statements do not include the consolidation of de Banco Edwards, Banco de Chile or SM Chile S.A. because these companies apply different accounting policies to those applied by normal open stock companies in Chile ("Sociedades Anónimas"). This exemption was granted by the SVS in its Official Letter Nº 00492 dated January 21, 2002.

The consolidated financial statements of LQ Inversiones Financieras S.A. are presented in Note 26, including the subsidiaries Banco Edwards, Banco de Chile and SM Chile S.A., in accordance with the accounting principles established by the Chilean Superintendency of Banks and Financial Institutions ("SBIF").

c) Shareholder participation

LQ Inversiones Financieras S.A has a 51.35% participation in SM Chile S.A. and a 4.27% participation in Banco de Chile, as indicated below:

	Shares issued	Shares owned by LQIF	Participation in SM Chile S.A.
SM Chile Series A	567,712,826	377,528,973	3.00%
SM Chile Series B	11,000,000,000	5,811,598,701	46.19%
SM Chile Series D	429,418,369	223,364,308	1.78%
SM Chile Series E	584,921,232	47,866,985	0.38%
Total	12,582,052,427	6,460,358,967	51.35%

	Shares issued		Participation in Banco de Chile
Banco de Chile	44,932,657,180	1,916,851,594	4.27%

d) Voting rights of Banco de Chile

The voting rights of 41,179 million shares of Banco de Chile belonging to SM Chile S.A. and to SAOS S.A. are exercised by the shareholders of SM Chile S.A. who attend the bank's shareholders' meetings. The rights corresponding to the shares owned by SM Chile S.A. are exercised by all of the series' shareholders, (i.e. Series A, B, D, and E). Those rights corresponding to the shares owned by Sociedad Administradora de la Obligación Subordinada SAOS S.A. ("SAOS S.A.") are exercised by Series A, B and D shareholders.

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

Shares	Number of votes in Banco de Chile (MCh$)	Participation of LQIF in each series	Number of votes for LQIF	LQIF Voting rights
Owned by SM Chile and SAOS				
SM Chile Series A	1,921	66.50%	1,277	2.84%
SM Chile Series B	37,217	52.83%	19,662	43.76%
SM Chile Series D	1,453	52.02%	756	1.68%
SM Chile Series E	585	8.18%	48	0.11%
Sub Total	41,176	-	21,743	48.39%
Banco de Chile	-	-	-	4.27%
Total voting rights in Banco de Chile S.A.				52.66%

e) Dividend rights of Banco de Chile

The modification of the subordinated loan obligation set forth in Law N° 18,818 on November 10, 1989, suspended the dividend rights of the Series A shares of Sociedad Matriz del Banco de Chile S.A. ("SM Chile S.A."; formerly Banco de Chile) for the period of time during which the subordinated obligation with the Chilean Central Bank has not been extinguished.

In accordance with the above, the surpluses generated by SM Chile S.A. after provision of the annual installment of the subordinated obligation of its SAOS S.A., can only be distributed as dividends to shareholders of Series B, D and E.

SM Chile S.A. accrued net income for the year in its financial statements based on its percentage of participation in shares with rights to dividends.

Shares of SM Chile S.A. Series A have no right to receive dividends while the subordinated debt obligation is outstanding, as a result the equity value of these shares is calculated as the shareholders' equity of SM Chile S.A. excluding income.

The participation that LQ Inversiones Financieras S.A. has in Banco de Chile's dividend distribution is 17.8%, according to the following:

Series	Dividend Rights %	LQIF Dividend Participation %
A	-	-
B	24.40	12.93
D	1.00	0.49
E	1.30	0.11
SAOS	64.90	-
Chile	8.40	4.27
Total	100.00	17.80

B) Merger of Banco de Chile and Banco Edwards

Extraordinary Shareholders' Meetings were held at Banco de Chile and Banco Edwards on December 6, 2001 and December 18, 2001, respectively. A merger was agreed upon which would involve the absorption of Banco Edwards by Banco de Chile. On December 21, 2001, the SBIF approved this merger along with the subsequent dissolution of Banco Edwards. The merger of the two banks became effective as of January 1, 2002, with 100% of Banco Edwards' assets and liabilities being assumed by Banco de Chile and Banco de Chile becoming Banco Edwards' successor for all legal matters. As a result of this, the participation of LQ Inversiones Financieras S.A. in Banco de Chile after its absorption of Banco Edwards is structured in the following manner:

a) Stock participation:

After the merger, LQ Inversiones Financieras S.A owns 51.35% of the shares with voting rights in SM Chile S.A. and 20.22% of the shares of Banco de Chile as follows:

	Shares issued	Shares owned by LQIF	Participation in SM Chile S.A.
SM Chile Series A	567,712,826	377,528,973	3.00%
SM Chile Series B	11,000,000,000	5,811,598,701	46.19%
SM Chile Series D	429,418,369	223,364,308	1.78%
SM Chile Series E	584,921,232	47,866,985	0.38%
Total	12,582,052,427	6,460,358,967	51.35%

	Shares issued	Shares owned by LQIF	Participation in Banco de Chile
Single Series	44,932,657,180	1,916,851,594	2.82%
Series F	23,147,126,425	11,845,494,384	17.40%
Total	68,079,783,605	13,762,345,978	20.22%

b) Voting rights in Banco de Chile:

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

Therefore, the voting rights of Banco de Chile, after the merger were distributed in the following manner:

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

c) Banco de Chile dividend rights:

The participation that LQ Inversiones Financieras S.A in future Banco de Chile’s dividend distributions after the merger are 29.15% of the total, detailed as follows:

Series	Dividend Rights %	LQIF Dividend Participation %
A	-	-
B	16.16	8.54
D	0.63	0.33
E	0.86	0.06
SAOS	43.32	-
Chile	39.03	20.22
Total	100.00	29.15

C) Banedwards Compañía de Seguros de Vida S.A.

The Company has not consolidated the financial statements of the subsidiary Banedwards Compañía de Seguros de Vida S.A. as this company applies different accounting policies that are specifically applicable to insurance companies, and are distinct from those applied by the Company. This exemption from consolidation was authorized by the SVS in its Official Letter N° 7203 dated November 2, 2000.

Presented below are the balance sheets and statements of income of Banedwards Compañía de Seguros de Vida S.A. as of December 31:

	As of December 31,	
	2001	2000
	ThCh$	ThCh$
Balance sheet		
Investments	3,137,368	11,938,863
Insurance premiums, receivable	270,489	79,246
Receivables from reinsurance	211,977	130,168
Other assets	210,410	260,175
Total Assets	3,830,244	2,408,452
Technical reserves	1,131,091	295,674
Insurance premiums, payable	355,007	193,403
Other liabilities	469,709	194,868
Shareholders' equity	1,874,437	1,724,507
Total Liabilities and Shareholders' Equity	3,830,244	2,408,452
Income Statement		
Operating revenue	3,195,231	1,249,775
Operating costs	(3,313,676)	(1,502,512)
	(118,445)	(252,737)
Income from investments	159,877	73,513
Other income	5,210	2,555
Financing costs	(3,078)	(2,653)
Adjustments of provisions and write-offs	(11,654)	(956)
Exchange rate translations	181	-
Price-level restatement	21,597	14,930
	172,133	87,389
Operating income	53,688	(165,348)
Income before taxes	53,688	(165,348)
Income taxes	(6,273)	24,802
Net income (loss)	47,415	(140,546)

D) Empresas Lucchetti and subsidiaries

On February 13, 2001, Empresas Lucchetti S.A. and its subsidiaries Lucchetti Chile S.A. and Lucchetti Overseas S.A. signed an agreement with Molinos Río de la Plata S.A., an Argentine company, to sell 100% of the shares of Lucchetti Argentina S.A.

As of December 2000, Empresas Lucchetti S.A. estimated a loss of ThCh$7,323,494, relating to the sale for which a provision was made in the December 31, 2000 financial statements, leaving the book value of the investment at ThCh$18,476,896. The loss indicated is presented in Other non-operating expenses in the Statement of Income.

On June 25, 2001, the sale of all of the shares of the subsidiary Lucchetti Argentina S.A. was finalized, using May 31, 2001 as the financial statement closing date.

The final net price of the sale was US$29.7 million. A US$1 million time deposit was placed in escrow to cover contingencies within a one-year period.

Management believes that the sale process and the guarantee left in place will not result in any other significant effects, other than those already recorded in Other non-operating expenses.

E) Sale of investment in Entel Chile S.A.

During the months of May and August 2001, the Company sold 18,920,948 shares in Entel Chile S.A., equivalent to a 7.99% participation, to third parties, with a gain on sale of ThCh$49,568,998.

F) Increase of capital of Habitaria S.A.

On April 26, 2001, the Company participated in the proportional capital increase of the related company Habitaria S.A., purchasing 2,090,300 shares in the amount of ThCh$950,648, maintaining its participation of 50% of Habitaria S.A.'s capital.

G) Sale of investment in Plava Laguna d.d.

On August 17, 2001, the subsidiary Excelsa Establishment sold 215,303 shares equivalents to 39.41% of the public Croatian company Plava Laguna d.d. to Sutivan Investments Establishment for ThUS$29,624.41.

H) Subsidiaries of CNT that are not consolidated because they are in the development stage

a) On February 8, 2000 Telefónica del Sur Net S.A., a privately held corporation, was formed. Its line of business is to provide telecommunications and information services. The company's capital amounts to ThCh$1,200,000 divided into 120,000 shares with no par value, distributed in the following manner:

CNT	119,880 shares
Compañía de Teléfonos de Coyhaique S.A.	120 shares

On September 29, 2001, Telefónica del Sur Net S.A. increased its capital by ThCh$2,000,000 equivalent to 200,000 shares, which were completely subscribed to by CNT.

b) On September 12, 2000, Telefónica del Sur Seguridad S.A., a privately held corporation, was formed. Its line of business is to provide security and televigilance services. The company's capital is ThCh$500,000, divided into 50,000 shares with no par value, distributed in the following manner:

CNT	49,990 shares
Compañía de Teléfonos de Coyhaique S.A.	10 shares

On September 29, 2001, Telefónica del Sur Seguridad S.A. increased its capital by ThCh$600,000 equivalent to 600,000 shares, which were completely subscribed to by CNT.

c) On March 26, 2001 CNT subscribed 456,739 shares of the capital increase carried out by Compañía de Telecomunicaciones Llanquihue S.A., which allowed it to reach a participation of 49%. This operation generated negative goodwill, which according to the nature and characteristics of the investment, will be amortized over a maximum of 3 years.

The company's capital amounts to ThCh$985,995, divided into 932,122 shares with no par value, distributed in the following manner:

CNT	456,739 shares
Cooperativa Rural y Eléctrica Llanquihue Ltda.	475,383 shares

d) On June 6, 2001, Telsur Call Center S.A. was formed as a privately held corporation. Its line of business is to provide telecommunications reception and broadcasts for third parties. The company's capital is ThCh$150,000, divided into 150,000 shares with no par value, distributed in the following manner:

CNT	148,500 shares
Telefónica del Sur Seguridad S.A.	1,500 shares

e) The summarized balances are as follows:

	Telefónica del Sur Net S.A. ThCh$	Telefónica del Sur Seguridad S.A. ThCh$	Telsur Call Center S.A. ThCh$
Current assets	851,689	406,055	8,057
Property, plant and equipment	5,213,483	1,042,372	-
Other assets	620,279	136,811	-
Total assets	6,685,451	1,585,238	8,057
Current liabilities	5,646,628	1,216,297	59,602
Long-term liabilities	981,909	205,539	-
Shareholders' equity	56,914	163,402	(51,545)
Total liabilities and shareholders' equity	6,685,451	1,585,238	8,057

NOTE 10 – GOODWILL AND NEGATIVE GOODWILL

Goodwill, net

	2001		2000	
Company	Amortization for the year ThCh$	Goodwill, net ThCh$	Amortization for the year ThCh$	Goodwill, net ThCh$
Madeco S.A.	2,884,103	35,468,579	2,576,830	41,495,623
Inversiones Río Grande S.A. and subsidiaries (1)	7,386,139	257,451	3,552,594	9,585,499
Banco Edwards	4,198,210	74,168,370	4,516,855	78,366,580
Banco de Chile	2,497,668	47,574,396	271,627	6,075,468
SM Chile S.A. Series B	10,069,810	191,954,488	974,375	23,317,170
SM Chile S.A. Series D	306,645	5,782,293	91,330	2,093,127
SM Chile S.A. Series E	33,649	644,375	59,394	-
CNT	32,156	444,829	32,156	476,985
Total goodwill	27,408,380	356,294,781	12,075,161	161,410,452

Negative goodwill, net

	2001		2000	
Company	Amortization for the year ThCh$	Negative Goodwill ThCh$	Amortization for the year ThCh$	Negative Goodwill ThCh$
VTR S.A. and subsidiary	918,474	4,949,728	642,927	5,411,309
Agricola El Peñón S.A.	373,938	1,015,378	63,064	863,714
Inversiones Río Grande S.A. and subsidiary (2)	7,581,585	3,214,171	1,714,499	14,304,217
SM Chile S.A. Series A	25,368	471,017	17,768	197,677
Madeco S.A	20,163	183,868	18,649	190,399
Other	336	6,048	336	6,383
Total negative goodwill	8,919,864	9,840,210	2,457,243	20,973,699

(1) The goodwill of Inversiones Río Grande S.A. and subsidiaries includes ThCh$843,504 (ThCh$6,980,411 in 2000) corresponding to Entel S.A., of which ThCh$3,892,040 (historical value) was amortized extraordinarily during the year 2001 due to the divestment of 18,920,948 shares of stock of this company.

(2) The negative goodwill of Inversiones Río Grande S.A. and subsidiaries includes ThCh$1,632,433 corresponding to Entel S.A. (ThCh$13,625,588 in 2000), of which ThCh$7,570,369 (historical value) was amortized extraordinarily during the year 2001 due to the divestment of 18,920,948 shares of stock of this company.

NOTE 11 –CURRENT LIABILITIES WITH BANKS:

The detail of current obligations with banks is as follows:

	2001 ThCh$	2000 ThCh$
Current bank obligations		
Payable in:		
US dollars	80,518,318	66,679,287
Euros	637,610	-
Other foreign currencies	3,729,839	4,140,691
Unidades de Fomento (UF)	17,472,684	86,457,783
Non-indexed Chilean pesos	19,451,447	2,734,822
Total current bank obligations	121,809,898	160,012,583
Current portion of long-term obligations		
Payable in:		
US dollars	7,708,493	51,227,772
Other foreign currencies	487,764	306,363
Unidades de Fomento (UF)	41,333,035	17,693,145
Total current portion of long-term obligations	49,529,292	69,227,280

NOTE 12 – LONG-TERM OBLIGATIONS WITH BANKS:

The detail of maturities of obligations with banks as of December 31, 2001, is as follows:

	2001 ThCh$
Years to maturity:	
More than 1 up to 2 years	100,445,221
More than 2 up to 3 years	47,885,699
More than 3 up to 5 years	45,896,675
More than 5 up to 10 years	26,318,052
More than 10 years	51,670
Total	220,597,317

NOTE 13 –CURRENT AND LONG-TERM LIABILITIES WITH THE PUBLIC (BONDS)

a) Current portion

Registration or identification number of instrument	Series	Nominal amount of current liability	Readjustment unit	Interest Rate	Maturity date	Payment period		Par value		Domestic or foreign issuance
								2001	2000	
Current portion of Long-term bond						Payment of interest	Payment of amortization	ThCh$	ThCh$	
229	A	2,000,000	UF	6.20%	04-30-21	Semi-annually	Semi-annually	347,253	-	DOMESTIC
229	B	4,500,000	UF	6.20%	04-30-08	Semi-annually	Semi-annually	781,304	-	DOMESTIC
148	B	186,798	UF	6.00%	08-01-03	Semi-annually	Semi-annually	3,112,676	1,390,870	DOMESTIC
222	A1	-	UF	7.25%	04-12-11	Semi-annually	Semi-annually	48,267	108,138	DOMESTIC
222	A2	-	UF	7.25%	04-12-11	Semi-annually	Semi-annually	72,401	127,268	DOMESTIC
178	A	17,626	UF	6.25%	09-01-04	Semi-annually	Semi-annually	304,798	294,026	DOMESTIC
184	C	45,685	UF	5.80%	02-10-08	Semi-annually	Semi-annually	762,179	724,512	DOMESTIC
184	D	12,395	UF	5.80%	02-10-17	Semi-annually	Semi-annually	220,815	210,592	DOMESTIC
198	E	47,744	UF	5.80%	02-10-11	Semi-annually	Semi-annually	943,202	917,787	DOMESTIC
198	F	9,760	UF	5.80%	02-10-20	Semi-annually	Semi-annually	351,167	192,400	DOMESTIC
251	G	-	UF	6.00%	12-01-05	Semi-annually	Semi-annually	30,983	-	DOMESTIC
251	H	-	UF	6.00%	12-01-21	Semi-annually	Semi-annually	46,475	-	DOMESTIC
258	C1	-	UF	6.20%	05-01-04	Semi-annually	Semi-annually	82,759	-	DOMESTIC
258	C2	-	UF	6.20%	05-01-04	Semi-annually	Semi-annually	165,520	-	DOMESTIC
Total current portion								7,269,799	3,965,593	

b) Long-term portion

Registration or identification number of instrument	Series	Nominal amount of current liabilities	Readjustment unit	Interest Rate	Maturity date	Payment period		Par value		Domestic or foreign issuance
								2001	2000	
Long-term:						Payment of interest	Payment of amortization	ThCh$	ThCh$	
229	A	2,000,000	UF	6.20%	04-30-21	Semi-annually	Semi-annually	32,525,320	-	DOMESTIC
229	B	4,500,000	UF	6.20%	04-30-08	Semi-annually	Semi-annually	73,181,970	-	DOMESTIC
148	B	-	UF	6.00%	08-01-03	Semi-annually	Semi-annually	-	3,037,113	DOMESTIC
222	A1	1,000,000	UF	7.25%	04-12-11	Semi-annually	Semi-annually	16,262,659	16,258,788	DOMESTIC
222	A2	1,500,000	UF	7.25%	04-12-11	Semi-annually	Semi-annually	24,393,990	24,388,179	DOMESTIC
178	A	38,627	UF	6.25%	09-01-04	Semi-annually	Semi-annually	628,172	914,607	DOMESTIC
184	C	210,820	UF	5.80%	02-10-08	Semi-annually	Semi-annually	3,428,499	4,170,469	DOMESTIC
184	D	244,458	UF	5.80%	02-10-17	Semi-annually	Semi-annually	3,975,542	4,176,120	DOMESTIC
198	E	385,502	UF	5.80%	02-10-11	Semi-annually	Semi-annually	6,269,282	7,044,054	DOMESTIC
198	F	490,240	UF	5.80%	02-10-20	Semi-annually	Semi-annually	7,972,609	8,129,395	DOMESTIC
251	G	400,000	UF	6.00%	12-01-05	Semi-annually	Semi-annually	6,505,064	-	DOMESTIC
251	H	600,000	UF	6.00%	12-01-21	Semi-annually	Semi-annually	9,757,596	-	DOMESTIC
258	C1	500,000	UF	6.20%	05-01-04	Semi-annually	Semi-annually	8,131,330	-	DOMESTIC
258	C2	1,000,000	UF	6.20%	05-01-04	Semi-annually	Semi-annually	16,262,660	-	DOMESTIC
Total long-term portion								209,294,693	68,118,725	

NOTE 14 - PROVISIONS AND WRITE-OFFS

At the end of each year, the accruals made correspond to the following concepts and amounts:

	2001 ThCh$	2000 ThCh$
Current liabilities		
Accrued vacation expense	3,270,347	3,757,248
Purchase price accruals	3,719,647	3,550,300
Restructuring expenses	1,156,726	1,783,033
Property, municipal and other taxes	878,087	1,540,232
Provision for work in progress	135,719	1,521,463
Remuneration and consulting services	3,408,318	1,793,179
Suppliers	1,721,859	1,367,497
Severance indemnities	681,716	842,088
Commercial expenses	759,243	920,309
Export and import costs	49,990	636,279
Telephone connection and long distance costs	678,396	505,236
Basic consumption	519,724	416,947
Distributor and freight fees	425,021	405,823
Employee benefits	332,770	332,442
Advertising, promotion and corporate image	69,363	151,372
Provision for probable losses	720,000	-
Installation cost of products sold	-	79,818
Other	1,408,140	3,984,599
Total current liabilities	19,935,066	23,587,865
Long-term liabilities		
Provision for probable losses	6,245,678	5,610,405
Severance indemnities	2,003,524	2,215,347
Lawsuits pending	3,179,220	3,615,784
Restructuring of Aluflex S.A.	1,500,000	-
Other	935,477	1,176,131
Total long term liabilities	13,863,899	12,617,667

	2001 ThCh$	2000 ThCh$
Allowances against assets		
Current assets:		
Accounts receivable	10,271,061	3,301,110
Notes receivable	3,347,686	657,708
Other accounts receivable	690,750	61,657
Inventory (Obsolescence)	3,075,616	2,874,441
Other current assets	74,546	108,092
Property, plant and equipment held for sale	7,594,920	5,322,620
Recoverable taxes (Argentina and Uruguay)	1,106,059	1,070,549
Long-term assets:		
Obsolete property, plant and equipment	467,593	65,778
Inventories without turnover in one year	143,386	586,498
Adjustment of property, plant and equipment to realizable value	357,086	502,331
Provision for valuation of property, plant and equipment (Argentina)	11,101,045	-
Provision for valuation of other assets (Argentina)	1,359,367	-
Long-term receivables	741,408	741,408
Write-offs made:		
Bad debts	2,024,319	1,778,766
Inventory	145,303	30,878

NOTE 15 – MINORITY INTEREST

At the end of each year, minority interest is composed of the following:

			Minority Interest			
	Percentage minority interest		Balance sheet values		Income statement	
Company	2001 %	2000 %	2001 ThCh$	2000 ThCh$	2001 ThCh$	2000 ThCh$
Madeco S.A.	43.89	43.89	54,134,700	70,308,952	21,986,912	7,577,231
CNT	26.44	26.44	14,540,848	14,202,717	(2,242,385)	(2,026,690)
Alusa S.A.	24.04	24.04	8,566,662	9,122,552	1,027,946	109,603
Empresas Lucchetti S.A.	6.75	13.03	3,182,033	4,820,441	672,259	1,341,579
Indeco S.A. (Peru)	7.74	8.35	1,736,570	1,659,788	(91,974)	(14,435)
Ficap (Optel) S.A.	50.00	25.00	4,207,209	2,038,671	297,747	(228,885)
Hoteles Carrera S.A.	6.50	9.22	978,975	1,286,032	98,202	105,200
Agrícola el Peñón S.A.	3.80	3.95	602,091	717,452	91,826	98,121
Compañía de Teléfonos de Coyhaique S.A.	11.29	11.29	745,430	694,084	(160,437)	(123,226)
Inversiones O'Higgins Pta Arenas Ltda. CPA	24.44	24.44	245,693	291,777	46,084	19,605
Indalum S.A.	0.84	0.84	146,264	185,514	39,250	18,095
Comatel S.A.	14.96	15.02	104,325	101,500	(3,203)	(3,508)
Inversiones Vita S.A.	33.70	33.70	619,600	-	21,601	83,224
Inversiones Pal S.A.	30.00	30.00	34,425	35,421	997	10,013
Other	-	-	24,620	34,176	9,468	(1,256)
Total minority interest			89,869,445	105,499,077	21,794,293	6,964,671

NOTE 16 – SHAREHOLDERS' EQUITY:

a) Changes in shareholders' equity for the years ended December 31, 2000 and 2001 are as follows:

	Paid-in capital ThCh$	Other reserves ThCh$	Retained earnings ThCh$	Accumulated deficit during development stage ThCh$	Net Income (loss) ThCh$	Total ThCh$
Balances as of 01-01-2000	409,001,275	14,979,275	77,296,265	(225,666)	160,310,163	661,361,312
Transfer of 1999 net income	-	-	160,084,497	225,666	(160,310,163)	-
Dividends paid	-	-	(48,093,048)	-	-	(48,093,048)
Deficit during development stage	-	-	-	(948,892)	-	(948,892)
Proportional share of equity changes in subsidiaries	-	1,082,955	(427,498)	-	-	655,457
Price-level restatement	19,223,060	704,026	9,762,196	-	-	29,689,282
Net loss for the year	-	-	-	-	(5,648,096)	(5,648,096)
Balance as of 12-31-2000	428,224,335	16,766,256	198,622,412	(948,892)	(5,648,096)	637,016,015
Balance as of 12-31-2000 restated for comparison purposes	441,499,289	17,286,010	204,779,707	(978,308)	(5,823,187)	657,763,511
Balances as of 01-01-2001	428,224,335	16,766,256	198,622,412	(948,892)	(5,648,096)	637,016,015
Transfer of 2000 net loss	-	-	(5,648,096)	-	5,648,096	-
Deficit during development stage	-	-	-	(2,153,073)	-	(2,153,073)
Proportional share of equity changes in subsidiaries	-	7,332,495	(71,691)	-	-	7,260,804
Price-level restatement	13,274,954	519,754	5,982,204	(29,416)	-	19,747,496
Net income for the year	-	-	-	-	15,509,382	15,509,382
Balance as of 12-31-2001	441,499,289	24,618,505	198,884,829	(3,131,381)	15,509,382	677,380,624

b) Accumulated deficit for subsidiaries in the development stage:

	Amount		
Company	For the year ThCh$	Accumulated ThCh$	Observations
VTR S.A.	1,826,381	2,769,578	Originated by subsidiary
Inversiones y Rentas S.A.	306,498	341,609	Originated by subsidiary
Inversiones Río Grande S.A.	19,977	19,977	Originated by subsidiary
Agrícola El Peñón S.A.	212	212	Originated by subsidiary
Entel Chile S.A.	5	5	Originated by subsidiary
Total accumulated deficit for subsidiaries in the development stage	2,153,073	3,131,381	

NOTE 17 - NON-OPERATING INCOME AND EXPENSES:

The detail of non-operating income and expenses in each year is as follows:

	2001 ThCh$	2000 ThCh$
Other non-operating income		
Gain on sale of investments	55,596,520	9,327,804
Rental income	146,555	260,666
Reversal of excess provisions	128,786	447,947
Expense reimbursements and recoveries	14,552	2,078,539
Other	1,741,615	1,489,999
Total other non-operating income	57,628,028	13,604,955
Other non-operating expenses		
Allowance for doubtful accounts (Argentina)	12,460,412	-
Extraordinary consulting costs	4,367,401	755,226
Restructuring expenses and severance payments	5,401,444	1,849,507
Labor lawsuits	3,809,813	187,683
Adjustment of inactive assets to realizable value	2,629,546	515,500
Adjustment for investment in foreign subsidiaries (Uruguay)	2,185,459	-
Legal expenses for defense of Lucchetti Perú S.A.	2,316,850	-
Amortization of deferred charges	1,313,546	232,794
Valuation adjustment of subsidiaries' assets	1,085,311	-
Loss on construction contracts	871,254	1,282,227
Loss on sale of investments	693,624	445,168
Allowance for doubtful accounts	659,564	3,304,002
Financial consulting and other expenses (Argentina)	524,138	-
Directors' fees and profit sharing	428,751	141,240
Write-offs and obsolescence	268,172	816,470
Adjustment of stock portfolio prices	101,026	1,127,141
Loss on sale of investment (Argentina)	-	7,323,494
Allowance for long-term receivables	-	741,408
Loss on sale of property, plant and equipment and other	-	955,017
Tax fractionating (Peru)	402,613	272,942
Bank commissions and costs	148,386	149,503
Other	2,573,165	1,959,099
Total other non-operating expenses	42,240,475	22,058,421

NOTE 18 – PRICE-LEVEL RESTATEMENT

	Readjustment index	2001 ThCh$	2000 ThCh$
Assets (charges)/credits			
Inventory	CPI and replacement cost	(2,751,484)	1,966,740
Property, plant and equipment	CPI	8,378,643	12,615,040
Investments in related companies	CPI	18,806,008	20,249,244
Goodwill and negative goodwill	CPI	10,764,454	6,439,800
Financial investments	CPI	1,056,769	789,000
Accounts receivable from related companies	UF	1,020,490	-
Other assets	UF	1,651,629	2,322,468
Other non-monetary assets	CPI	396,415	794,708
Restatement of expense amounts	CPI	3,945,276	3,453,535
Total credits		43,268,200	48,630,535
Liabilities (charges)/credits			
Shareholders' Equity	CPI	(19,747,496)	(30,609,650)
Bank obligations	CPI	(23,268)	-
Bank obligations	UF	(5,553,008)	(8,360,260)
Bonds payable	UF	(5,611.950)	(2,912,932)
Other liabilities	UF	(6,074,753)	(2,156,378)
Accounts payable from related companies	UF	-	(304,496)
Other non-monetary liabilities	CPI	(6,000,143)	(4,996,921)
Restatement of income amounts	CPI	(4,040,032)	(3,906,729)
Total charges		(47,050,650)	(53,247,366)
Net loss from price-level restatement		(3,782,450)	(4,616,831)

NOTE 19 – FOREIGN EXCHANGE LOSSES

	Currency	2001 ThCh$	2000 ThCh$
Assets (charges)/credits			
Cash and financial investments	US Dollar	3,614,909	(207,359)
Accounts receivables from related companies	US Dollar	2,561,371	1,362,195
Notes and accounts receivable	US Dollar	1,134,967	969,827
Other assets	US Dollar	3,150,047	588,616
Other assets	Euros	73,241	-
Income from derivative instruments	US Dollar	305,450	-
Income from hedge operations (Brazil)	Reals	1,927,472	205,228
Translation adjustments	US Dollar	1,452,441	1,774,897
Total credits		14,219,898	4,693,404
Liabilities (charges)/credits			
Bank obligations	US Dollar	(8,481,927)	(2,533,312)
Bank obligations	Euros	(169,620)	-
Notes and accounts receivable	US Dollar	(5,230,190)	(1,245,108)
Other liabilities	US Dollar	(316,301)	657,501
Translation adjustment (Peru)	Nuevos Soles	(268,458)	-
Translation adjustment (Brazil)	Reals	(4,972,137)	(2,666,850)
Translation adjustment (foreign companies)	US Dollar	(969,005)	(447,485)
Translation adjustment (Argentina)	Arg.Peso	(661,650)	-
Total charges		(21,069,288)	(6,235,254)
Net loss from foreign exchange losses		(6,849,390)	(1,541,850)

NOTE 20 – SUPPLEMENTAL CASH FLOW DISCLOSURE

Cash equivalents are defined as financial investments with maturities not exceeding 90 days, including instruments acquired under repurchase agreements and non-stock mutual funds. The detail of cash and cash equivalents is as follows:

	2001 ThCh$	2000 ThCh$
Cash	4,197,948	5,001,981
Mutual funds	917,171	3,319,721
Time deposits	17,312,399	15,015,665
Repurchase agreements	30,485,680	112,097,769
Total cash and cash equivalents	52,913,198	135,435,136

Financing and investing activities that will generate future cash flows:

Financing activities

The subsidiary, Empresas Lucchetti S.A., had a ThCh$ 21,000,000 capital increase that was approved by its shareholders at the General Extraordinary Shareholders' meeting on April 26, 2001. As of December 31,2001, ThCh$18,294,052 was paid, and the remaining ThCh$2,705,948 was subsequently paid by shareholders during January 2002.

Investing activities

The subsidiary, Lucchetti Perú S.A. committed to a sale leaseback transaction as outlined in its leasing contract with Banco de Crédito de Perú. These future lease payments equal ThUS$14,994.1 (net of value-added tax), payable in 8 semi-annual installments between January 1, 2002 and July 1, 2005.

NOTE 21 - DERIVATIVE CONTRACTS

As of December 31, 2001, the Company and its subsidiaries held the following derivative contracts:

Description of contract									Derivative instruments effect			
						Hedged item		Closing	Asset/Liability		Effect on income	
Type of Derivative	Type of Contract1	Nominal amount	Date of Maturity	Specific item	Purchase/ Sale	Description	Initial amount ThCh$	amount ThCh$	Name	Amount ThCh$	Realized ThCh$	Deferred ThCh$
Forward	CCPE	1,000,000	1st quarter 2002	Exchange rate	S	-	-	-	Other current liabilities	61,120	61,120	-
Forward	CCPE	2,000,000	1st quarter 2002	Exchange rate	S	-	-	-	Other current liabilities	138,720	138,720	-
Forward	CCPE	2,000,000	1st quarter 2002	Exchange rate	S	-	-	-	Other current liabilities	129,972	129,972	-
Forward	CCPE	7,000,000	1st quarter 2002	Exchange rate	P	-	-	-	Other current liabilities	453,769	(453,769)	-
Forward	CCPE	21,000,000	1st quarter 2004	Exchange rate	S	-	-	-	Other long-term assets	650,652	650,652	-
Swap	CCPE	7,867,470	1st quarter 2002	US Dollar/Brazilian Real	P	US$ Loan	6,856,808	7,087,252	Current assets and liabilities	811,757	(811,757)	-
Swap	CCPE	3,796,417	1st quarter 2002	US Dollar/Brazilian Real	P	US$ Loan	3,268,997	3,530,513	Current assets and liabilities	223,380	(223,380)	-
Swap	CCPE	7,121,581	3rd quarter 2002	US Dollar/Brazilian Real	P	US$ Loan	6,644,476	6,454,808	Current assets and liabilities	945,963	(945,963)	-
Swap	CCPE	2,080,849	4th quarter 2002	US Dollar/Brazilian Real	P	US$ Loan	1,871,838	1,975,471	Current assets and liabilities	45,335	(45,335)	-
Swap	CCPE	1,094,060	1st quarter 2003	US Dollar/Brazilian Real	P	US$ Loan	1,018,380	982,185	Current assets and liabilities	103,138	(103,138)	-
Swap	CCPE	2,676,353	2nd quarter 2003	US Dollar/Brazilian Real	P	US$ Loan	2,493,617	2,578,386	Current assets and liabilities	50,276	(50,276)	-
Forward	CCPE	3,273,950	1st quarter 2002	US Dollar	P	Position in US dollars	4,588,639	4,588,639	Other current liabilities	3,719,647	-	102,050

The effect in income corresponds to variations in the fair value of the forward contracts, in accordance with Circular 1501 of the SVS.

1 CCPE corresponds to "Contratos de cobertura de partidas existentes," or Hedges of existing positions.

NOTE 22 – COMMITMENTS AND CONTINGENCIES

A) The Company has the following commitments and contingencies:

Indirect guarantees include joint and several liability guarantees for debts with certain financial institutions of the subsidiaries: Agrícola El Peñón S.A., VTR S.A., Inversiones y Bosques S.A., Inversiones Ranquil S.A., Inversiones Punta Brava S.A., Inmobiliaria e Inversiones Hidroindustriales S.A. and LQ Inversiones Financieras S.A. These debts include clauses regarding the use of proceeds and normal financial covenants for these types of debt agreements.

Quiñenco S.A. signed option contracts with the aforementioned companies, to be exercised between February 28, 2003 and February 28, 2006, which state:

1) Quiñenco S.A. may require that the aforementioned companies sell their shares of LQ Inversiones Financieras S.A. to it at a price to be determined based on the purchase price of these shares, plus the cost of the debt, and an additional 2.0% of these amounts.

2) The aforementioned companies may require Quiñenco S.A. to purchase the shares of LQ Inversiones Financieras S.A. at a price to be determined based on the purchase price of these shares, plus the cost of the debt, and an additional 0.5% of these amounts.

3) In the purchase contract for the shares of VTR S.A. from SBC International Inc. dated June 16, 1999, certain obligations were agreed upon that were assumed reciprocally by the parties and that could result in adjustments to the purchase price.

4) The Company became the guarantor and co-signer of LQ Inversiones Financieras S.A. for each and all of the liabilities acquired by that company, including the contracts LQ Inversiones Financieras S.A. incurred when acquiring the shares of Banco de Chile and SM Chile S.A. from Empresas Penta S.A. and others. Specifically, the Company has guaranteed LQ Inversiones Financieras S.A.'s payment of the purchase price and other liabilities related to the purchase of these shares. The liabilities guaranteed and assumed by Quiñenco S.A. are detailed in the public deed dated March 27, 2001 signed before notary Mr. Andrés Rubio Flores.

5) The Company is also subject to restrictions contained in the bond issuance agreement with Banco Bice in public deed dated May 9, 2000 before notary public Mr. Félix Jara Cadot and associated documents.

B) Subsidiary Agrícola El Peñón S.A. and its subsidiary Hoteles Carrera S.A. have the following commitments and contingencies:

Loans granted to Agrícola El Peñón S.A. by Banco del Estado de Chile include clauses regarding their use and normal financial covenants for this type of agreement.

The subsidiary Hoteles Carrera S.A. has the following commitments:

1) On July 7, 2000, subsidiary Hoteles Carrera S.A. signed a rental and administration contract for Hotel La Serena Club Resort with Santander Administradora de Fondos de Inversión, which begins July 1, 2000 and has a duration of 4 years. Hoteles Carrera S.A. will operate or manage the hotel, and will pay an annual rental calculated using the greater of a fixed and/or variable rent. The fixed rental is equivalent to UF 22,922.89 in 2001, UF 25,539.86 in 2002 and 2003, and UF 10,963.95 in 2004. Additionally Hoteles Carrera S.A. has the option to acquire certain properties as long as certain specific conditions stipulated in the contract are met.

2) On July 29, 1999, Hoteles Carrera S.A. signed a rental and administration contract for the Carrera Club Hotel Antofagasta and Carrera Club Hotel de Iquique with Hotelera Norte Sur S.A. for 5 years, ending on August 1, 2004. Hoteles Carrera S.A. will operate or manage the hotels, and will pay an annual rent calculated using a minimum guaranteed rent and a variable rent. The fixed rent is equivalent to UF 15,000 annually for both hotels.

To fulfill this contract, Hoteles Carrera S.A. transferred a renewable insurance policy, which has a policy period of 5 years and has a value equivalent to six months of fixed rent.

On June 4, 2001, Hoteles Carrera S.A. obtained a time deposit amounting to UF 7,500 which it assigned to Hotelera Norte Sur S.A.

C) Subsidiary Empresas Lucchetti S.A. has the following commitments:

Lucchetti Chile S.A. has guarantees to a number of banks in accordance with a syndicated loan agreement for UF 2,369,359 signed on December 10, 2001. Those guarantees include liens on machinery, equipment, land and buildings of the plants located at the following addresses:

- Av. Vicuña Mackenna 2,600, Macul, Santiago
- Juan Mitjans 135, Macul
- Esquina Blanca 1,117, Maipú, Santiago
- Av. Presidente Jorge Alessandri, San Bernardo, Santiago
- Longitudinal Sur 630, Talca

In order to secure the aforementioned Syndicated loan agreement, Empresas Lucchetti S.A. pledged shares of Lucchetti Chile S.A. equivalent to a 50.1% ownership, and pledged the rights of the collateral brands Lucchetti, Talliani, Miraflores, Oro Vegetal and Naturezza.

The Syndicated loan agreement states that the following financials ratios must be maintained:

-Consolidated financial statements of Lucchetti Chile S.A. excluding Lucchetti Perú S.A.

	Annually	Semi-annually
Liquidity ratio equal to or greater than	1.0	1.0
Debt to equity ratio equal to or less than	1.0	1.2

- Consolidated financial statements of Empresas Lucchetti S.A.:

	Annually	Semi-annually
Liquidity ratio equal to or greater than	1.3	1.3
Debt to equity ratio equal to or less than	1.5	1.6

Empresas Lucchetti S.A. must maintain an interest coverage ratio equal to or greater to 1.8 for 2002 and equal to or greater than 2.0 in successive years. This indicator will be calculated by adding the consolidated Operating Income before depreciation of Lucchetti Chile S.A. excluding Lucchetti Perú S.A. to the unconsolidated Operating Income before depreciation of Empresas Lucchetti S.A.. This total will be divided by the sum of the consolidated financial expenses of Lucchetti Chile S.A. excluding Lucchetti Perú S.A. and the unconsolidated financial expenses of Empresas Lucchetti S.A.

D) Lucchetti Perú S.A. has the following contingencies:

1) In August 2001, the Metropolitan Council of the Municipality of Lima mandated the preservation of the ecological area where Lucchetti Perú S.A's production plant is located. The government has advised the company that it plans to expropriate the plant's land, revoke the plant's operating license, and close the plant indefinitely, allowing the Company one year to relocate the plant.

The Management of Lucchetti Perú S.A. and their legal counsel estimates that the Municipality of Lima does not have the power to execute these mandates.

Therefore, on October 3, 2001, under the protection of the Treaty for Promotion and Protection of Investments signed by Chile and Peru (hereinafter the Treaty), Lucchetti Perú S.A. filed an arbitration proceeding to appeal such acts and request indemnities for the damages that may have been caused. The Treaty establishes that controversies between investors and contracting States will be subject to arbitration tribunals or to the international arbitration of the International Center for Solution of Differences Relating to Investments (CIADI). As of December 31, 2001 these proceedings are still in the process of designating the arbitrators.

2) Lucchetti Perú S.A. is civilly liable for the claims filed against certain of its executives and shareholders. As of December 31, 2001, the case is still pending.

Lucchetti Perú S.A.'s management and its legal counsel believe, in the event that the case is resolved unfavorably, that the resulting liability will not have a significant effect on the financial statements taken as a whole.

E) CNT

1) Indirect commitments

As of December 31, 2001 and 2000, CNT has service contracts with long-distance traffic carriers in which CNT commits, among other things, to carry out collections on behalf of those carriers. However, CNT does not have any responsibility for these long-distance services.

2) Lawsuits

As of December 31, 2001, CNT has the following lawsuits pending:

Case No. 2525-200 in the Second Civil Court of Valdivia, with Ms. Regina Barra Arias for damages of ThCh$626,000. The notification that would bring the case to trial is pending. CNT has not recorded a provision because it believes that the case will not result in any significant damages.

Case No. 1874-2001 in the First Civil Court of Valdivia with Mr. Andrés González Lara for damages of ThCh$756,000. This case is being brought to trial. CNT has not recorded a provision because it believes that the case will not result in any significant damages.

Case No. 4399-2001 in the 25th Civil Court of Santiago with Ms. Elisa Artigas Silva for damages of ThCh$700,000. The Company is currently responding to the complaint. CNT has not recorded a provision because it believes that the case will not result in any significant damages.

3) Other Contingencies

CNT is in compliance with all telecommunications regulations.

Compañía de Teléfonos de Coyhaique S.A.

1) Indirect commitments

As of December 31, 2001 and 2000 Compañía de Teléfonos de Coyhaique S.A. has service contracts with long-distance carriers, in which it commits, among other things, to collect on behalf of those carriers. However Compañía de Teléfonos de Coyhaique S.A. does not have any responsibility for these long-distance services.

2) Other Contingencies

Compañía de Teléfonos de Coyhaique S.A. is in compliance with all telecommunications regulations.

F) Madeco S.A.

Deposits and amount received in guarantee, and other guarantees are ThCh$11,496,558 and ThCh$3,260,945 as of December 31, 2001 and 2000, respectively.

1) Lawsuits

As of December 31, 2001, Madeco S.A. and its subsidiaries have pending lawsuits related to their operations, which both Madeco S.A.'s and its legal counsel believe will not result in any significant damages.

2) Restrictions

As of December 31, 2001 Madeco S.A. must fulfill certain commitments, which primarily consist of the following:
- Maintain a current ratio equal to or greater than 1.
- Maintain shareholders' equity plus minority interest as of December 31, 2001 equal to or greater than UF 7,000,000 (Madeco Bonds, Series A and B).
- Consolidated earnings before interest, depreciation, amortization and taxes (EBITDA) must be greater than 2.05 times the financial expenses (Bank Boston).
- Long-term bank liabilities must be less than 55% of shareholders' equity plus minority interest and long-term bank liabilities ("Long-term bank liability ratio") with Bank Boston.
- The debt to equity ratio must be maintained at less than 1.8 (Madeco Bonds, Series A, B).
- The ratio of debt with third parties must be maintained at less than 1.6 (Banco Citibank).
- Unencumbered assets must be at least 1.2 times unguaranteed assets (Madeco Bonds, Series A and B.).
- The ratio of total liabilities to equity must be less than 1.75.
- The ratio of unencumbered assets on an individual and a consolidated basis must be at least 1.3 times unguaranteed liabilities.

In order to guarantee the loans granted to Alusa S.A. and its subsidiaries Alusa Overseas S.A. and Aluflex S.A. by Rabobank Curaçao N.V., ABN AMRO Bank and Citibank, Alusa S.A. cosigned and acts as co-debtor for its subsidiaries. Additionally, Alusa S.A. must meet certain financial covenants with the banking institutions, which are primarily as follows:

- Maintain a maximum debt ratio of 2 on a consolidated basis.
- Maintain net minimum shareholders' equity of UF 1,400,000.

- Maintain on a consolidated basis coverage of financial expenses of at least 1.34 times.
- Maintain a minimum 50% financial leverage coverage.

As of December 31, 2001 Madeco S.A. did not meet the interest coverage ratio or long-term bank liability ratio with Bank Boston. As of the date of issuance of these financial statements a waiver from these covenants had been obtained.

Additionally on an unconsolidated basis Madeco S.A., is not in compliance with the debt ratio or the ratio of unencumbered assets specified in the Series B bond agreement. Madeco S.A. is in the process of obtaining the necessary waiver.

G) Contingencies in Argentina for Madeco S.A. and Compañía Cervecerías Unidas S.A.

Argentina is immersed in a difficult economic situation; including a large amount of foreign debt, high interest rates, a significant decrease in deposit levels, a new foreign exchange regime, restrictions to circulation of cash and transfer of currency abroad, a country risk index that has exceeded the normal averages, and an economic recession that has lasted for over 3 years. This situation has generated a significant decline in the demand for products and services and a significant increase in the unemployment level. Additionally, the Argentine government's capacity to meet its debt service obligations and obtain access to lines of credit from banks has been severally hindered by these circumstances.

As a result of the conditions described above, it is not possible to predict the future changes that will occur in the Argentine national economy, or the consequences on the economic and financial positions of the Company's subsidiaries in that country. Therefore, these consolidated financial statements do not include any adjustments that could result from these adverse conditions, and should therefore be read taking these circumstances into consideration.

a) Direct guarantees:

	Guarantor		Assets committed		Balances pending payment as of December 31,		Guarantees Released					
Guarantee	Name	Relationship	Type	Book Value ThCh$	2001 ThCh$	2000 ThCh$	2002 ThCh$	Assets ThCh$	2003 ThCh$	Assets ThCh$	2004 ThCh$	Assets ThCh$
Banco del Estado de Chile	Hoteles Carrera S.A.	Subsidiary	Building and Parking Hotel Araucano	4,145,740	4,865,276	6,548,600	-	-	-	-	-	-
Banco del Estado de Chile	Hoteles Carrera S.A.	Subsidiary	Hotel Carrera Building	8,100,241	4,865,276	6,548,600	-	-	-	-	-	-
Santander Adm.De Fondos de Inversión	Hoteles Carrera S.A.	Subsidiary	None	-	-	97,586	-	-	-	-	-	-
Banco Santiago	LQ Inversiones Financieras S.A.	Subsidiary	Shares of stock	30,251,191	28,261,529	28,254,003	-	-	-	-	-	-
Empresas Penta and Others	LQ Inversiones Financieras S.A.	Subsidiary	Shares of stock	119,651,256	75,424,335	-	-	-	-	-	-	-
Banco del Estado de Chile	Inversiones y Bosques S.A.	Subsidiary	Shares of stock	8,742,672	4,433,952	5,597,005	-	-	-	-	-	-
Banco Santiago	Alufoil S.A.	Subsidiary	Industrial Plant	403,973	253,411	266,060	13,502	8,464	14,292	8,971	15,182	9,528
Banco Security	Alufoil S.A.	Subsidiary	Machinery	3,865,989	2,639,627	3,102,797	599,897	3,865,98	599,897	3,865,989	599,897	3,865,989
ABN AMRO Bank	Alusa S.A.	Subsidiary	-	-	877,460	792,558	-	-	-	-	-	-
BBVA-Bhif	LQ Inversiones Financieras	Subsidiary	Shares of stock	18,622,518	26,670,762	26,670,762	-	-	-	-	-	-
CTC Chile S.A.	VTR S.A.	Subsidiary	Shares of stock	8,580,932	8,580,932	12,622,482	4,301,439	Shares of stock	4,279,493	Shares of stock	-	-
Sonda S.A.	Empresas Lucchetti S.A.	Subsidiary	Machinery	1,672,573	-	1,051,080	-	-	-	-	-	-

b) Indirect guarantees:

Guarantee	Guarantor		Type of guarantee	Assets committed		Balances pending payment as of December 31,		Guarantees Released					
	Name	Relationship		Type	Book Value ThCh$	2001 ThCh$	2000 ThCh$	2002 ThCh$	Assets ThCh$	2003 ThCh$	Assets ThCh$	2004 ThCh$	Assets ThCh$
Banco del Estado de Chile	Inversiones Ranquil S.A.	Subsidiary	Pledge	Shares of stock	7,597,351	4,732,666	5,914,424	-	-	-	-	-	-
	Inversiones y Bosques S.A.	Subsidiary	Pledge	Shares of stock	8,183,562	431,415	4,391,403	-	-	-	-	-	-
	Inmobiliaria e Inversiones	Subsidiary	Pledge	Shares of stock	7,805,806	3,965,503	4,956,875	-	-	-	-	-	-
	Hidroindustriales S.A.	Subsidiary	Pledge	Shares of stock	31,069,726	16,132,559	16,169,958	-	-	-	-	-	-
	Inversiones Punta Brava S.A.	Subsidiary	Pledge	General	-	-	-	-	-	-	-	-	-
	Agrícola el Peñón S.A.	Subsidiary	Pledge	General	-	-	-	-	-	-	-	-	-
	VTR S.A.	Subsidiary	Pledge	General	-	-	-	-	-	-	-	-	-
Banco Santiago	LQ Inversiones Financieras S.A.	Subsidiary	Pledge and Surety	Shares of stock	19,446,001	18,013,086	-	-	-	-	-	-	-
Banco del Estado de Chile	Agrícola el Peñón S.A.	Subsidiary	Pledge and Surety	Shares of stock	12,728,292	11,709,115	-	-	-	-	-	-	-
	Inversiones Ranquil S.A.	Subsidiary	Pledge and Surety	Shares of stock	12,852,039	15,980,631	-	-	-	-	-	-	-
	Inmob. e Inv . Hidroindustriales VTR S.A.	Subsidiary	Pledge and Surety	Shares of stock	13,258,637	12,281,649	-	-	-	-	-	-	-
Banco del Estado de Chile	Inversiones y Bosques S.A.	Subsidiary	Pledge and Surety	Shares of stock	6,095,609	11,383,862	-	-	-	-	-	-	-
ABN Amro Bank	Alusa	Subsidiary	Guarantor	-	-	2,226,286	4,494,892	-	-	-	-	-	-
	Overseas S.A.	Subsidiary	Guarantor	-	-	3,849,818	3,974,073	-	-	-	-	-	-
Citibank	Aluflex Argentina												
Banco Santiago	Lucchetti Chile S.A.	Subsidiary	Pledge	Land and Machinery	9,130,828	-	4,213,047	-	-	-	-	-	-
Banco de Chile	Lucchetti Chile S.A.	Subsidiary	Pledge	Land and Machinery	5,353,565	-	690,998	-	-	-	-	-	-
Banco de Chile	Lucchetti Chile S.A.	Subsidiary	Mortgage	Property, plant and equipment, brand name, shares of stock	7,854,904	3,993,325	-	-	-	-	-	7,854,904	Property, plant and equipment, brand name
Banco Edwards	Lucchetti Chile S.A.	Subsidiary	Mortgage	Property, plant and equipment, brand name, shares of stock	9,370,709	4,763,966	-	-	-	-	-	9,370,709	Property, plant and equipment, brand name
Corpbanca	Lucchetti Chile S.A.	Subsidiary	Mortgage	Property, plant and equipment, brand name	13,780,187	7,005,833	-	-	-	-	-	13,780,187	Property, plant and equipment, brand name
Banco de Crédito e Inversiones	Lucchetti Chile S.A.	Subsidiary	Mortgage	Property, plant and equipment, brand name	13,780,187	7,005,833	-	-	-	-	-	13,780,187	Property, plant and equipment, brand name
Banco del Estado de Chile	Lucchetti Chile S.A.	Subsidiary	Pledge	Property, plant and equipment, brand name, shares of stock	14,469,121	7,356,125	-	-	-	-	-	14,469,121	Property, plant and equipment, brand name
Banco Del Desarrollo	Lucchetti Chile S.A.	Subsidiary	Mortgage	Property, plant and equipment, brand name, shares of stock	5,512,226	2,802,333	-	-	-	-	-	5,512,226	Property, plant and equipment, brand name
Dresdner Banque	Lucchetti Chile S.A.	Subsidiary	Mortgage	Property, plant and equipment, brand name, shares of stock	4,134,359	2,101,750	-	-	-	-	-	4,134,359	Property, plant and equipment, brand name
Banco Scotiabank Sudamericano	Lucchetti Chile S.A.	Subsidiary	Mortgage	Property, plant and equipment, brand name, shares of stock	6,888,578	3,502,916	-	-	-	-	-	6,888,578	Property, plant and equipment, brand name
Banco Crédito del Perú	Lucchetti Perú S.A.	Subsidiary	Mortgage	Machinery. Milling equipment	11,458,471	8,031,654		-	-	-	-	11,458,471	Machinery and Equipment
ABN AMRO Bank N.Y.	Lucchetti Overseas S.A.	Subsidiary	Pledge	Shares Lucchetti Chile S.A.	16,569,165	-	-	-	-	-	-	-	-
Credit Suisse	Lucchetti Overseas S.A.	Subsidiary	Pledge	Shares Lucchetti Chile S.A.	12,887,037	-	-	-	-	-	-	-	-

NOTE 23 – GUARANTEES OBTAINED FROM THIRD PARTIES

On December 23, 1999, J. Ergas Inversiones y Rentas Ltda. pledged as collateral in the event of default 414,018,557 shares in Banco Edwards to the Company.

NOTE 24 - SANCTIONS

During 2001 and 2000, neither the Company nor its Directors or Managers received sanctions from the SVS or any other regulatory authority.

NOTE 25 – SUBSEQUENT EVENTS

On January 22, 2002, Quiñenco S.A. increased its interest in LQ Inversiones Financieras S.A. by purchasing 273,768,064 shares for a purchase price of ThCh$265,007,486. As a result of this purchase, the Company increased its participation from 50.51 96% to 82.7135%.

On March 13, 2002, the Company informed the SVS of the following:

" Quiñenco, as a holding company, is exposed to the continuing economic crisis and currency devaluation in Argentina through its 56.1%-owned subsidiary, Madeco S.A. (Madeco) and its 30.8%-owned investment in Compañía Cervecerias Unidas S.A. (CCU).

In the case of Madeco, the Company has reported that it expects losses in connection with its business in Argentina of MCh$17,780, to be included in results for the twelve months ended December 31, 2001. The loss corresponding to Quiñenco's participation in Madeco of 56.1% is approximately MCh$9,975.

CCU reported in its consolidated financial statements for the same period losses amounting to MCh$1,806 in relation to its operations in Argentina. The loss corresponding to Quiñenco's participation in CCU of 30.8% is approximately MCh$ 556.

Quiñenco, in its capacity as holding company and reporting entity for its investments in Madeco and CCU, will include the aforementioned losses in its financial statements for the period ended December 31, 2001. Owing to the severity and prolongation of the Argentine crisis, further effects on the financial results of subsidiaries with operations in that country cannot be ruled out¨.

NOTE 26 – CONSOLIDATED FINANCIAL STATEMENTS OF FINANCIAL INVESTMENTS AND BANKING SUBSIDIARIES

As indicated in Note 2 d), investments in Edwards and Banco de Chile are recorded using the equity method.

For an adequate interpretation of these financial statements, presented below are the consolidated financial statements of LQ Inversiones Financieras S.A. and its bank subsidiaries, prepared in accordance with standards for the presentation of financial information issued by the Superintendency of Banks and Financial Institutions:

SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	As of December 31,
LQIF AND SUBSIDIARIES	2001
CONSOLIDATED BALANCE SHEET	ThCh$
ASSETS	
CASH	771,809,005
LOANS, net	
Commercial loans	2,710,027,001
Foreign trade loans	520,533,915
Consumer loans	387,524,972
Letters of credit	1,265,758,572
Leasing contracts	248,014,342
Contingent loans	371,283,392
Other outstanding loans	424,715,208
Past due loans	120,680,436
Total loans	6,048,537,838
Allowance for loan losses	(188,187,990)
Total loans, net	5,860,349,848
OTHER CREDIT OPERATIONS	
Interbank loans	28,789,738
Investments purchased under agreements to resell	52,255,315
Total other credit operations	81,045,053
INVESTMENTS	
Government securities	1,112,370,897
Other financial investments resell	624,943,974
Investment under agreements to resell	221,571,843
Assets for leasing	7,500,978
Assets received in lieu of payment	32,854,471
Other non-financial investments	1,956
Total investments	1,999,244,119
OTHER ASSETS	
Other assets	163,043,407
Total Other assets	163,043,407
PROPERTY, PLANT AND EQUIPMENT	
Property plant, and equipment, net	144,538,611
Investments in other companies	5,205,593
Negative goodwill, net	(471,017)
Goodwill, net	320,123,922
Total property, plant and equipment	469,397,109
TOTAL ASSETS	9,344,888,541

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

LQIF AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET	As of December 31, 2001 ThCh$
LIABILITIES AND SHAREHOLDERS'EQUITY	
DEPOSITS AND OTHER OBLIGATIONS	
Current accounts	910,952,598
Bankers drafts and other deposits	4,114,214,400
Other current time deposit obligations	821,027,600
Obligations of investments purchased under agreement to repurchase	247,840,332
Letters of credit	1,354,296,046
Contingent obligations	370,925,445
Total deposits and other obligations	7,819,256,421
BOND OBLIGATIONS	
Bonds	7,932,828
Subordinated Bonds	263,618,852
Total Bonds	271,551,680
BORROWINGS FROM DOMESTIC FINANCIAL INSTITUTIONS	
Central Bank credit lines for renegotiation of loans	4,389,120
Other Central Bank borrowings	72,577,267
Borrowings from domestic financial institutions	99,862,201
Foreign borrowings	326,325,457
Other obligations	71,592,203
Total borrowings from domestic financial institutions	574,746,248
OTHER LIABILITIES	
Provision for subordinated Central Bank debt	56,442,450
Other liabilities	158,060,500
Total other liabilities	214,502,950
Total liabilities	8,880,057,299
VOLUNTARY PROVISIONS	37,779,897
MINORITY INTEREST	283,695,962
SHAREHOLDERS' EQUITY	
Capital and reserves	154,900,933
Net loss for the year	(11,545,550)
Total shareholders' equity	143,355,383
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,344,888,541

SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

LQIF AND SUBSIDIARIES CONSOLIDATED INCOME STATEMENT	For the year ended December 31, 2001 ThCh$
OPERATING RESULTS	
Interest revenue	792,908,932
Gains from trading activities	22,846,380
Income from fees and other services	87,505,630
Gains from foreign currency translation	3,900,913
Other operating income	5,208,833
Total operating income	912,370,688
Interest expense	(474,087,834)
Losses from trading activities	(10,342,219)
Commissions expenses	(12,887,727)
Other operating expenses	(3,903,403)
Gross Margin	411,149,505
Personnel salaries and expenses	(129,295,008)
Administrative and other expenses	(98,995,262)
Depreciation and amortization	(18,455,442)
Net Margin	164,403,793
Allowance for loan losses	(92,559,242)
Restatement of previously charged-off loans	15,604,104
Operating income	87,448,655
NON-OPERATING RESULTS	
Non-operating income	14,264,923
Non-operating expenses	(9,678,641)
Equity participation in net income of other companies	2,516
Amortization of negative goodwill	25,368
Amortization of goodwill	(17,105,982)
Price-level restatement, net	(8,977,656)
INCOME BEFORE TAXES	65,979,183
Allowance for income taxes	2,049,489
INCOME AFTER INCOME TAXES	68,028,672
Voluntary provisions	(3,113,581)
Provision for payment of subordinated debt	(56,442,450)
Minority interest	(20,018,191)
NET LOSS	(11,545,550)

LQIF AND SUBSIDIARIES CONSOLIDATED STATEMENT OF CASH FLOWS	For the year ended December 31, 2001 ThCh$
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	(11,545,550)
Items that do not represent cash flows	-
Depreciation and amortization	17,911,287
Allowance for loan losses	92,559,238
Voluntary provisions	3,113,581
Provision for adjustment of investments to market value	(9,670,943)
Loss on investments in other companies	17,078,070
Net revenue from sale of assets received in lieu of payment	(2,820,294)
Revenue from sale of property, plant and equipment	(226,448)
Minority interest	20,018,191
Write-off of assets received in lieu of payment	2,820,143
Price-level restatement, net	8,977,683
Other charges (credits) that do not represent cash flows	1,165,341
Net variation in interest, readjustments and commissions accrued from assets and liabilities	3,974,594
Provision for subordinated debt obligation	56,442,450
Net cash provided by operating activities	199,797,343
CASH FLOWS FROM INVESTING ACTIVITIES	
Net increase in loans	(47,787,940)
Net increase in other credit operations	(527,518)
Net increase in investments	(391,623,797)
Purchases of property, plant and equipment	(16,199,769)
Sale of property, plant and equipment	1,304,504
Investments in other companies	(149,541,718)
Dividends received from investments in other companies	314,526
Sale of assets received in lieu of payment	7,792,023
Net variation in other assets and liabilities	(8,617,113)
Net cash used in investing activities	(604,886,802)

SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

LQIF AND SUBSIDIARIES CONSOLIDATED STATEMENT OF CASH FLOWS	For the year ended December 31, 2001 ThCh$
CASH FROM FINANCING ACTIVITIES	
Increase in current accounts	73,614,817
Increase in bankers drafts and other deposits	236,540,182
Decrease in other deposits	(23,973,274)
Increase of obligations for investments purchased under agreement to resell	22,636,808
Decrease in short-term foreign loans	(10,467,053)
Issuance of letters of credit	236,012,393
Proceeds from letters of credit	(142,443,599)
Increase in other short-term liabilities	44,234,657
Long term Central Bank borrowings	42,223,237
Payment of long-term Central Bank borrowings	(3,182,083)
Bond issuance	100,399,440
Proceeds from bond issuance	(3,754,122)
Other long-term foreign borrowings	275,986,611
Payment of long-term foreign borrowings	(342,999,309)
Payment of borrowings from financial institutions	(28,668,194)
Other long-term borrowings	5,466,313
Payment of other long-term borrowings	(10,845,133)
Stock issuance	81,772,725
Dividends paid	(19,693,515)
Payment of subordinated debt	(53,190,420)
Net cash provided in financing activities	479,670,481
NET CASH FLOW FOR THE YEAR	74,581,022
Effect of inflation on cash and cash equivalents	(23,743,605)
Net increase in cash and cash equivalents	50,837,417
Cash and cash equivalents at beginning of period	723,324,875
CASH AND CASH EQUIVALENTS AT END OF PERIOD	774,162,292

NOTE 26.1 – SIGNIFICANT ACCOUNTING PRINCIPLES

a) Information provided
The consolidated financial statement information included in Note 26 has been 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 banking regulations of the United States of America, as applicable, and Law N° 19,396, which modifies the terms of payment of the subordinated debt obligation with the Chilean Central Bank.

b) Basis of consolidation
The consolidated financial statement information included in Note 26 includes consolidated assets, liabilities and income of the subsidiaries detailed below:

	Direct & indirect participation %
Banco Edwards and subsidiaries	51.17
Sociedad Matriz del Banco de Chile and subsidiaries	51.35

The financial statements of Banco Edwards and subsidiaries include the consolidation of the following direct and indirect subsidiaries: Banedwards S.A. Corredores de Bolsa, Banedwards S.A. Asesoría Financiera, Banedwards S.A. Administradora de Fondos Mutuos, Banedwards S.A. Administradora de Fondos de Inversión, Banedwards Corredora de Seguros Ltda., Banedwards S.A. Factoring and Banedwards S.A. Securitizadora.

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, SAOS S.A., Banchile Corredores de Bolsa S.A., Banchile Asesoría Financiera S.A., Administradora Banchile de Fondos Mutuos S.A., Banchile Corredora de Seguros Ltda., Banchile Factoring S.A., Banco de Chile New York Branch and Banco de Chile Miami Agency.

For purposes of consolidation, the financial statements of subsidiaries Banco de Chile New York Branch and Banco de Chile Miami Agency have been converted to Chilean pesos at the exchange rate of Ch$ 656.20 per US$ 1, in accordance with Technical Bulletin 64 of the Chilean Association of Accountants related to valuation of foreign investments in countries with stable economies. Exchange rate differences not realized by these investments are shown in shareholders' equity in the "Cumulative Foreign currency translation" account in "Other reserves".

c) Interest and adjustments
Loans, investments and obligations are shown with interest and accrued adjustments as of year-end.

However, in the case of overdue and current loans with high risk of unrecoverability, the prudent criteria of suspending accrual of interest and adjustments have been followed.

d) Price-level restatement
The consolidated financial statement information included in Note 26 has been restated to reflect the effects of changes in the purchasing power of the local currency during each year. According to current regulations, all non-monetary assets and liabilities, all equity accounts and income statement accounts, except for subsidiaries supervised by the SBIF, have been restated from the date they were acquired to year end with an effect in income, according to changes in the CPI, which amounted to 3.1% for the year 2001 (4.7% for 2000).

The application of this mechanism resulted in a net charge to income of ThCh$ 8,977,656.

e) Basis of conversion:
Assets and liabilities in Unidades de Fomento (UF) have been valued at Ch$16,262.66 per UF 1.

f) Foreign currency
Assets and liabilities in foreign currency of subsidiaries supervised by the SBIF are shown at their equivalent value in Chilean pesos, calculated at the closing exchange rate of Ch$ 656.20 per US$ 1 as of December 31, 2001, which does not differ significantly from the exchange rate applied by subsidiaries supervised by the SVS.

The balance of ThCh$3,900,913 corresponding to a net gain on foreign currency translation in the statement of income includes income obtained in exchange transactions and recognition of the effect of the variation of the exchange rate on assets and liabilities in foreign currency.

g) Financial investments
Investments in financial instruments in secondary markets are presented adjusted to their market value, as instructed by the SBIF. These instructions specify that the adjustments must be recognized against income for the year, except when they are made in relation to a permanent portfolio, in which case, subject to certain limits, it is permitted to record these adjustments directly against the shareholders' equity account "Fluctuation in financial investment values".

The application of the adjustment to market value resulted in a net credit to income in the amount of ThCh$3,365,098, which is included in Operating income in the account "Revenue from repurchase agreements". The adjustment to the permanent portfolio resulted in a net credit against Other reserves in the amount of ThCh$1,824,674.

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

h) Property, plant and equipment
Property, plant and equipment is valued at price-level restated cost, net of depreciation, calculated using the straight-line method on the basis of the useful life of the respective assets.

i) Investments in other companies
Shares of stock or rights in companies where there is an ownership equal to or greater than 10% and participation in the Santiago Stock Exchange and Bolsa de Valores de Chile S.A. are recorded in assets using the equity method. This valuation method recognizes in income the Company's equity participation in the net income or loss of each investee on accrual basis, after eliminating unrealized income. Changes in shareholders' equity that do not affect the income of related companies are recorded as charges to retained earnings, Other reserves or accumulated deficit in development stage, as applicable.

Those investments that represent a participation of less than 10% are valued at price-level restated purchase cost.

j) Allowance for loan losses and other assets
Allowances required to cover the respective banks' risk of loan losses and losses on Other assets have been made in accordance with the regulations of the SBIF. Loans are presented as being reduced by such allowances, and Other assets are presented net of such allowances.

k) Voluntary provisions
In accordance with the General Banking Law, a financial institution can make special provisions called "Voluntary Provisions" which must be accounted for as shareholders' equity for compliance with various regulations contained in the law. The amount maintained as of each year-end and its effect on income is shown in the balance sheet and in the statement of income.

l) Income taxes and deferred income taxes
The income tax provision has been determined in conformity with current legal regulations and Circular 41 and Official Letter 1,874 issued by the Chilean Internal Revenue Service in the case of SM Chile S.A.

The effects of deferred income taxes have been recorded in accordance with Technical Bulletin Nº 60 and subsequent complementary technical bulletins issued by the Chilean Association of Accountants.

m) Employees vacations
In accordance with Technical Bulletin 47 issued by Chilean Association of Accountants, employee vacation expenses are recorded on an accrual basis.

n) Severance indemnities
The subsidiary Banco de Chile has agreements with a portion of its employees for the payment of severance indemnities for those employees that have been with the company for over 30 years in case they leave the company. At year-end, the proportional portion accrued for employees that will have access to this benefit and who still have not acquired it has been incorporated into this obligation.

As of December 31, 2001, a provision has been made for this obligation on the basis of its current value, discounting at a real annual rate of 7%.

o) Subordinated Debt Obligation with the Chilean Central Bank
In accordance with Law N° 19,396 and the standards set forth by the SBIF, the subordinated debt obligation is not recorded as a demand liability and is only recorded in off-balance sheet (memorandum) accounts. Notwithstanding, the annual installment that must be paid on April 30 of next year has been recorded as a liability, which based upon estimates is accrued as of December 31 of each year (Note 26-3).

p) Derivative contracts
Bank subsidiaries value their foreign currency futures contracts in accordance with the daily observed exchange rate and the resulting gains or losses and these are recorded in income on an accrual basis. According to the standards set forth by the SBIF, the initial differences originated by this type of transaction are recorded as deferred assets and liabilities and are amortized over the duration of the contract that generated them. Bank subsidiaries value interest rate swap contracts at each month-end, in accordance with accrual of the contracted interest rates, recording the difference in favor or against with a credit or charge to income, respectively.

q) Cash and cash equivalents
In conformity with the specific dispositions applicable to financial institutions, only the balance in cash shown in the balance sheet has been considered as cash and cash equivalents. The statement of cash flows has been prepared using the indirect method.

The Company LQ Inversiones Financieras S.A. considers only those short-term investments made as part of the normal management of cash surpluses and whose maturity does not exceed 90 days from the date of investment, including instruments purchased under agreements to resell and mutual fund units, as cash and cash equivalents.

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

At the Extraordinary Shareholders´ meeting on July 18, 1996, pursuant to Law N° 19,396, the 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 Central Bank subordinated debt obligation. SM Chile S.A. then created a second wholly owned subsidiary, SAOS S.A. that, pursuant to a prior agreement with the Central Bank, assumed a new repayment obligation in favor of the Central Bank that replaced the Central Bank subordinated debt obligation in its entirety.

In exchange for assuming the Central Bank indebtedness and relieving Banco de Chile of this obligation, SAOS S.A. received 28,593,701,789 Banco de Chile shares representing a 63.64% ownership share from SM-Chile, which served as collateral for this indebtedness. Dividends received from Banco de Chile are the sole source of SAOS's revenue, which it must apply to repay this indebtedness as long as the subordinated debt is owed to the Chilean Central Bank. Once the subordinated debt is extinguished, SAOS's Banco de Chile shares will be awarded to the shareholders.

SM Chile S.A. is governed by Law N° 19,396 and is subject to regulation by the SBIF.

NOTE 26.3 – PROVISION FOR PAYMENT OF THE BANCO DE CHILE SUBORDINATED DEBT

The provision for payment of the sixth annual installment (of the 40 total installments of UF 3,187,363.9765 each) of the subordinated debt obligation with the Chilean Central Bank as of December 31, 2001 was ThCh$56,442,450 (equivalent to UF 3,470,677.61). According to the contract Banco de Chile maintains with the Chilean Bank, the obligation must be paid to the Central Bank in April of 2002, provided that Banco de Chile distributes dividends corresponding to its 2001 net income. The amount of the installment of the subordinated debt obligation shall be fixed once Banco de Chile's Shareholders have ratified the 2001 net income figure and approved the dividend distribution of earnings for the year.

NOTE 26.4 – ACCOUNTING CHANGES

In accordance with the standards issued by the SBIF, the subsidiary Banco de Chile began applying the criteria of deferring certain income from services in accordance with the period covered by the service for the year ended December 31, 2001. Previously this income was recognized as received. This change resulted in ThCh$2,114,221 less in income as of December 31, 2001 than would have been otherwise recognized.

NOTE 26.5 – SUBSEQUENT EVENTS

1. Banco Edwards and subsidiaries:

On January 1, 2002, the merger between Banco de Chile and Banco Edwards became effective. Banco de Chile assumed 100% of the assets and liabilities of Banco Edwards. Therefore, as of that date Banco Edwards is dissolved and Banco de Chile is its legal successor. In this manner, on January 1, 2002 the following subsidiaries merged:

- Banedwards S.A. Corredores de Bolsa
- Banedwards Factoring S.A.
- Banedwards S.A. Asesorías Financieras
- Banedwards S.A. Corredores de Seguros Limitada

In Management's opinion, there are no other significant subsequent events that could affect the Bank or its subsidiaries' financial situations between December 31, 2001 and the issuing date of the consolidated financial statement information included in Note 26.

2. Sociedad Matriz Banco de Chile S.A. and subsidiaries:

On January 1, 2002 the merger between Banco de Chile and Banco Edwards became effective, as agreed upon at the respective Extraordinary Shareholders' Meetings held on December 6 and 18, 2001. This merger created a proportional decrease in SM Chile's participation in the Bank's shareholders' equity from 28.00% and 63.64% to 18.48% and 42.00% of the merged Bank's shareholders' equity, respectively. This decrease was as a result of the issuance of 23,147,126,425 shares of stock without par value issued to the shareholders of Banco Edwards.

Through Resolution No. 147 dated December 21, 2001, the SBIF approved the above-mentioned merger.

At the Ordinary Board of Directors meeting held on January 24, 2002, Mr. Francisco Pérez Mackenna resigned as President of the Company. Subsequently, in the same meeting the Board of Directors proceeded to designate as his replacement Mr. Andrónico Luksic Craig.

In the same Board of Directors meeting, Guillermo Luksic Craig resigned as Vice President of the Board. Thus, the Board of Directors proceeded to choose a new board, approving Mr. Segismundo Schulin-Zeuthen Serrano as Chairman of the Board of Directors and designating Mr. Andrónico Luksic Craig as Vice President.

27 – SIGNIFICANT INFORMATION

a) On January 31, 2001, the subsidiary LQ Inversiones Financieras S.A. agreed to purchase 3.27% and 34.68% of the outstanding shares of Banco de Chile and SM Chile S.A., respectively.
Quiñenco S.A. guaranteed the purchase price of UF 12,437,783 plus annual interest of 8.5%. The purchase agreement includes penalties for past-due payment and compensation clauses, whose maximum amounts are UF 10,000 and UF 3,945,415, respectively.

b) In February 2001, the Company paid UF 5,036,115 to purchase 79,076,822 additional shares of LQ Inversiones Financieras S.A., in accordance with the agreement reached at the subsidiary's Board of Directors' January 3, 2001 meeting.

c) On March 27, 2001, Quiñenco S.A. reported the following significant events to the SVS:

"Consistent with the significant events reported on December 14, 2000 and February 1, 2001, we inform you that on March 27, 2001, the purchase agreement for shares of SM Chile S.A. and Banco de Chile was signed.

Consequently, our subsidiary LQ Inversiones Financieras S.A. acquired 1,466,752,189 shares in Banco de Chile, 79,490,585 Series A shares in SM Chile S.A., 4,144,103,808 Series B shares in SM Chile S.A., 90,669,413 Series D shares in SM Chile S.A. and 18,621,691 Series E shares in SM Chile S.A.

The purchase price was UF19,225,192.41, with the peso equivalent of UF6,801,409.41 paid at the time of purchase, and the peso equivalent of UF12,423,783 to be paid within a 24-month period after March 27, 2001.

After the acquisition, Quiñenco S.A., reached a participation of 52.7% of the voting rights of Banco de Chile, through its subsidiary LQ Inversiones Financieras S.A."

d) On May 18, 2001, the Company reported the following significant event:

"Our subsidiary Hidrosur Ltda. sold 9,460,000 shares of stock in Empresa Nacional de Telecomunicaciones S.A. (Entel) at an auction in the Santiago Stock Exchange for a price of Ch$4,500 per share.

This resulted in the recognition of income of approximately ThCh$25,000,000."

e) On June 8, 2001, the Company reported the following significant event:

"Quiñenco S.A. has filed a claim in arbitration court against companies in the Schorghuber Group related to a transaction that could effect the Company's subsidiary CCU unfavorably.

The Company is seeking to prevent the Schorghuber Group which is currently a related party to CCU, from directly or indirectly selling to Heineken a participation in CCU because Heineken is CCU 's main competitor in Chile and Argentina."

f) On August 1, 2001, the Company reported the following significant event:

"Our subsidiary Hidrosur Ltda. sold 9,460,948 shares of stock in Empresa Nacional de Telecomunicaciones S.A. (Entel) at an auction in the Santiago Stock Exchange for a price of Ch$4,800 per share.

This resulted in the recognition of income of approximately ThCh$28,000,000 during the year."

g) On August 20, 2001 the Company reported the following significant event:

"Our subsidiary Excelsa Establishment sold 215,303 shares it held in the Croatian company Plava Laguna d.d. equivalent to 39.41% of the company's capital stock. Quiñenco will use the proceeds of US$29,624,413.69 from the sale towards the advance payment of liabilities.

Additionally, an option to purchase 50% of Sutivan Investments Establishment was granted to Quiñenco, with an exercise period between August 20 and November 18, 2004. The exercise price will be determined in the future based on the acquisition cost paid by Sutivan Investments Establishment, expressed in US dollars, including the cost of capital for the maintenance of the investment, and adjusted for future expenses incurred or capital increases prior to the exercise of the option."

h) On December 18, 2001, the Company reported the following significant event:

"The Arbitration Court of the International Chamber of Commerce has ruled that Bayerische BrauHolding A.G., (BBH), part of the Schorghuber Group, cannot currently sell its ownership in Brau Holding International (BHI) to Heineken while BHI remains the owner of Finance Holding International B.V. (FHI), until such time as the arbitration court has given its final arbitration award.

In addition, the arbitration court ordered Quiñenco to declare that it will be responsible for any damages to BBH if the legal claim is eventually rejected. Quiñenco has made this declaration.

FHI is a related company to CCU. BHI has an ownership interest in FHI, a company which owns 50% ownership interest in the investment company Inversiones y Rentas S.A. (IRSA), which owns approximately 60% of CCU."

INCOME STATEMENT

Quiñenco reported net income of Ch$15,509 million in 2001, compared to a net loss of Ch$5,823 million recorded in the previous year. The difference is primarily explained by an improvement in operating and non-operating results for the year.

A summarized composition of income for 2000 and 2001 is provided in Table N°1 below:

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

	In millions of Ch$ as of December 31, 2001	
	2001	2000
Operating income	17,515	16,161
Non-operating loss	(37,470)	(38,727)
Other non-operating results (1)	35,464	16,744
Net income (loss) for the year	15,509	(5,823)

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

OPERATING INCOME

In 2001, Quiñenco reported operating income of Ch$17,515 million, up by Ch$1,354 million from the Ch$16,161 million reported in the previous year. Table N°2 shows the composition of consolidated operating income in 2000 and 2001:

TABLE N°2: Composition of consolidated operating income

	In millions of Ch$ as of December 31, 2001	
	2001	2000
Madeco	10,666	10,298
Lucchetti	2,647	3,532
Telsur	13,441	12,278
Carrera	(540)	(453)
Quiñenco and others (1)	(8,698)	(9,494)
Total operating income	17,515	16,161

(1) Includes Quiñenco, intermediate holding companies and eliminations

Consolidated operating income increased by 8.4% compared to the same period in 2000, primarily due to Telsur and Madeco, partially offset by a reduction in Lucchetti's operating results.

Madeco's operating income rose by 3.6%, reaching Ch$10,666 million in 2001, mainly attributable to the strong demand for wire and cable products in Brazil by the telecom sector during the first semester of the year. Nonetheless, the operating margin as a percentage of sales fell to 3.2% due to higher SG&A expenses associated with restructuring costs incurred in the Brazilian and Argentine subsidiaries.

Telsur's operating income rose by 9.5% to Ch$13,441 million in 2001 as a result of the company's geographic expansion, development of new products and services and efficient management of costs. Telsur's operating margin as a percentage of sales increased from 28.6% in 2000 to 29.6% in 2001.

Lucchetti experienced a significative drop in its operating income which fell by 25.1% to Ch$2,647 million. The decline in operating income was mainly related to the divestment of Lucchetti's Argentine operations in May of 2001. In addition, Lucchetti's Peruvian operations were affected by the continuing weak economic conditions in that country, which resulted in low-priced product substitution and a sharp drop in its market share in connection with negative ad campaigns carried out by local politicians against the company for alleged environmental violations.

NET SALES

During 2001, consolidated sales amounted to Ch$474,037 million, an increase of 1.8% compared to 2000. This increase is explained by higher sales at Madeco, and to a lesser extent Telsur, partially offset by lower sales at Lucchetti. The composition of consolidated sales is presented in Table N˚3:

TABLE N˙ 3: Composition of consolidated sales

	In millions of Ch$ as of December 31, 2001	
	2001	2000
Madeco	331,912	312,293
Lucchetti	86,255	99,356
Telsur	45,341	42,878
Carrera	7,359	7,452
Quiñenco and others (1)	3,171	3,792
Total sales	474,037	465,770

(1) Includes Quiñenco, intermediate holding companies and eliminations

Madeco's sales increased by 6.3% in 2001. Sales growth was led by the Wire and Cable business unit in Brazil and to a lesser extent, the Aluminum Profiles business unit. The increase in sales was partially offset by slight reductions in sales corresponding to the Brass Mills and Flexible Packaging business units. It should be pointed out that the accumulated growth in sales was mostly attributable to the first semester of 2001, owing to heavy demand from the telecom sector in Brazil in that period.

Lucchetti´s sales decreased by 13.2%, mainly as result of the divestment of the Argentine operations earlier in the year. Isolating the effects of the divestment, sales for the year would have decreased by 3.7%. This decline in sales corresponds to a 3% increase in sales in the Chilean operations and an 18% decrease in the Peruvian operations. Sales in Peru were affected by the aforementioned continuing weak economic conditions which favored low-priced product substitution and a significant drop in market share.

Telsur's sales increased by 5.7% to Ch$45,341 million, reflecting the company's successful expansion in the 8th region of Chile and further development of non-regulated services.

COST OF SALES

Consolidated cost of goods sold increased by 1.3% to Ch$376,604 million in 2001, less than the 1.8% increase in sales. The increase is mainly explained by an increase in the cost of goods sold at Madeco, in connection the higher activity it experienced in the first half of 2001. This increase was partially offset by lower cost of goods sold at Lucchetti, mainly related to the divestment of its Argentine operations, and to a lesser extent, greater operational efficiencies in Chile. The composition of consolidated cost of goods sold is presented in Table N˚4:

TABLE N˚4: Composition of consolidated cost of goods sold

In millions of Ch$ as of December 31, 2001	2001	2000
Madeco	(286,888)	(272,878)
Lucchetti	(60,477)	(68,274)
Telsur	(18,375)	(18,787)
Carrera	(6,162)	(6,225)
Quiñenco and others (1)	(4,702)	(5,684)
Total cost of good sold	(376,604)	(371,848)

(1) Includes Quiñenco, intermediate holding companies and eliminations

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Consolidated SG&A expenses increased by 2.8% in 2001, mainly attributable to Madeco’s and Telsur’s increased sales activity, partially offset by a reduction in SG&A expenses at Lucchetti. SG&A expense as a percentage of sales was 16.9%, up slightly from the 16.7% reported in 2000.

NON OPERATING RESULTS

Consolidated non-operating results and other items amounted to a loss of Ch$2,006 million loss in 2001, comparing favorably to the loss of Ch$21,984 million loss reported in 2000. The improvement in non-operating results is mainly due to an increase in the proportionate share of net income from Banco de Chile, Banco Edwards and CCU, which reached Ch$36,252 million and other non-operating income, which included the sale of 8% of Entel’s shares and the divestment of Plava Laguna and generated gains on sale of Ch$50,849 million. The sale of Entel also triggered an early recognition of negative goodwill associated with the original share purchases of Ch$7,582 million.

Non-operating results were impacted by an increase in interest expense and goodwill amortization expense, both related to the Banco de Chile acquisition in March of 2001, and an increase in other non-operating expenses related to Madeco´s restructurings in Brazil and Argentina. Quiñenco reported an add-back to income of Ch$21,987 million in connection with minority shareholders’ proportionate share of Madeco’s loss in 2001.

Table N˚5 shows the composition of non-operating results and other items in 2000 and 2001:

TABLE N˚5: Breakdown of non-operating results and other items.

In millions of Ch$ as of December 31, 2001	2001	2000
Interest Income	7,939	(8,778
(Net) Income from related companies	36,252	17,281
Goodwill amortization	(27,408)	(12,075)
Other non-operating income	57,628	13,605
Other non-operating expenses	(42,240)	(22,058)
Interest expense	(59,009)	(38,099)
Price-level restatement	(3,782)	(4,617)
Foreign exchange losses	(6,849)	(1,542)
Non-operating loss	(37,470)	(38,727)
Income taxes	4,750	7,322
Minority interest	21,794	6,965
Negative goodwill amortization	8,920	2,457
Total non-operating (loss) and other items	(2,006)	(21,984)

Composition of Net Income:

Table N°6 below shows Quiñenco's net income composition in 2000 and 2001, broken down by its main operating companies:

Table N°6: Net income contribution

Sector/Company		Net Income 2001	Net Income 2000	Ownership 2001	Ownership 2000	Quiñenco's Proportionate Share in 2001	Quiñenco's Proportionate Share in 2000
Financial Services							
Banco de Chile	(1)	86,968	84,498	52.7%	12.3%	15,527	2,833
Banco Edwards	(2)	10,103	3,274	51.2%	51.2%	5,170	1,676
Food & Beverage							
CCU	(3)	38,377	26,525	30.8%	30.8%	11,817	8,167
Lucchetti	(4)	(6,407)	(10,298)	93.3%	87.0%	(5,735)	(8,956)
Telecommunications							
Telsur	(5)	8,482	7,665	73.6%	73.6%	6,239	5,639
Entel	(6)	34,204	28,224	5.7%	13.7%	3,081	3,944
Manufacturing							
Madeco	(7)	(50,096)	(17,307)	56.1%	56.1%	(28,109)	(9,731)
Real Estate/ Hotel Admin.							
Carrera	(8)(9)	(1,140)	(1,140)	93.5%	90.8%	(1,042)	(1,035)
Habitaria		417	(823)	50.0%	50.0%	209	(412)
Total Operating Companies						7,157	2,125
Quiñenco & Others						8,352	(7,948)
NET INCOME (LOSS) FOR THE YEAR						15,509	(5,823)

Notes:
(1) Indirect ownership through LQ Inversiones Financieras S.A. and SM Chile S.A.
(2) Indirect ownership through LQ Inversiones Financieras S.A.
(3) Indirect ownership through Inversiones y Rentas S.A.
(4) Indirect ownership through Inversiones Río Bravo Ltda.
(5) Indirect ownership through VTR S.A.
(6) Indirect ownership through Hidrosur S.A. and VTR S.A.
(7) Direct and indirect ownership through Inversiones Río Grande S.A.
(8) Ownership shown corresponds to the percentage of control of the operating company. The economic participation in Carrera as of 12.31.2001 was 89.9%. The amount of Income corresponding to the Minority Interest appears incorporated in Quiñenco and Others.
(9) Indirect ownership through Agrícola El Peñón S.A.

Quiñenco's main operating companies contributed Ch$7,157 million to net income, a significant improvement over the Ch$2,125 million contributed in 2000. The increase in contribution from operating companies is mainly explained by the acquisition of a majority stake in Banco de Chile in 2001. Additionally, income related to Quiñenco's investments in CCU, Banco Edwards, Telsur, Lucchetti and Habitaria increased vis-à-vis the prior year. The improvement in contribution from operating companies was partially offset by the net loss corresponding to Quiñenco's interest in Madeco.

At the corporate level (line item Quiñenco and Others in Table N°6), net income contribution amounted to Ch$8,352 million in 2001, a marked improvement over the loss of Ch$7,948 million reported in 2000, mainly as a result of sales of shares of

Entel and Plava Laguna during the year, which produced significant gains on sales. The net income contribution at the corporate level was partially offset by higher interest expense and goodwill amortization expense related to the Banco de Chile acquisition in March of 2001.

BALANCE SHEET

ASSETS

Table N°7 shows a comparison of the composition of the consolidated assets at the closing of each year:

Table N°7: Composition of Consolidated Assets

	In millions of Ch$ as of December 31, 2001	
	2001	2000
Madeco	404,699	451,207
Lucchetti	119,230	138,764
Telsur	131,731	117,685
Carrera	23,499	24,288
Quiñenco and others (1)	882,084	674,624
Total assets	1,561,243	1,406,568

(1) Includes Quiñenco, intermediate holding companies and eliminations

Liabilities

Table N°8 shows the comparative structure of consolidated liabilities of Quiñenco at the closing of each year.

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

	In millions of Ch$ as of December 31, 2001	
	2001	2000
Current Liabilities	255,964	338,226
Long -term Liabilities	538,029	306,080
Total Liabilities	793,993	644,306
Minority Interest	89,869	105,499
Shareholders Equity	677,381	656,764
Total liabilities and shareholders' equity	1,561,243	1,406,568

As of December 31, 2001, consolidated liabilities amounted to Ch$793,993 million, representing a 23% increase compared to the same period in 2000. The increase is mainly explained by an increase in liabilities at the corporate level incurred in connection with the acquisition of Banco de Chile, and to a lesser extent, an increase in Telsur´s obligations.

Table N°9 shows the composition of consolidated liabilities at the close of 2000 and 2001:

Table N°9: Composition of consolidated liabilities

	In millions of Ch$ as of December 31, 2001	
	2001	2000
Madeco	266,675	277,967
Lucchetti	72,106	101,764
Telsur	75,989	63,272
Carrera	8,433	10,346
Quiñenco and others (1)	370,790	190,957
Total liabilities	793,993	644,306

(1) Includes Quiñenco, intermediate holding companies and eliminations

Consolidated leverage increased from 0.98 at the close of 2000 to 1.17 at the close of 2001, mainly explained by an increase in current liabilities incurred in connection with the Banco de Chile acquisition. Current liabilities made up 32.2% of total liabilities as of December 31, 2001. On the same date in 2000, current liabilities made up 52.2% of total liabilities.

SHAREHOLDERS EQUITY

At the close of 2001, shareholders' equity amounted to Ch$677,381 million, representing a 3% increase compared to the same period in 2000. The book value of Quiñenco's shares as of December 31, 2001 was Ch$627.36 per share and earnings per share in 2001 amounted to Ch$14.36.

MANAGEMENT´S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2001

FINANCIAL INDICATORS

		12.31.01	12.31.00
		In millions of Ch$ as of December 31, 2001	
LIQUIDITY			
Current ratio		1.0	1.1
Acid test ratio		0.2	0.5
INDEBTEDNESS			
Debt/equity ratio		1.2	1.0
Short-term debt/Total debt		32.24%	52.49%
Long-term debt/Total debt		67.76%	47.51%
Interest coverage ratio	Times	1.18	0.65
BALANCE SHEET			
Total assets	MCh$	1,561,243	1,406,568
Inventory rotation	Times	5	4
Inventory turnover/days		79	84
INCOME STATEMENT			
Sales	MCh$	474,037	465,770
Cost of goods sold	MCh$	(376,604)	(371,848)
Operating income	MCh$	17,515	16,161
Interest expense	MCh$	(59,009)	(38,099)
Non-operating income (loss)	MCh$	(37,470)	(38,727)
Net income (loss) for the year	MCh$	15,509	(5,823)
PROFITABILITY			
ROE		2.3%	-0.8%
ROA		1.0%	-0.4%
Return on operating assets (*)		2.4%	1.9%
Earnings per share	Ch$	14.36	(5.39)
Dividend return		0.0%	11.4%

(*) Excludes other consolidated assets

DIFFERENCE BETWEEN BOOK VALUE AND FAIR VALUE OF MAIN ASSETS

Assets valuation includes adjustments for price-level restatement and provisions 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, 2001, its investments in operating companies were concentrated in five sectors as shown in Table N°6 "Net income contribution".

Table N°10 shows a summary of consolidated cash flow for the twelve months ended December 31, 2000 and 2001:

Table N°10: Cash flow summary

	2001	2000
	In millions of Ch$ as of December 31, 2001	
Net cash flow provided (used) by operating activities	13,716	(1,860)
Net cash flow (used) provided by financing activities	(58,777)	27,545
Net cash flow provided (used) by investing activities	(36,533)	(20,197)
Total net cash flow for the year	(81,594)	5,488
Price-level restatement on cash and cash equivalents	(928)	(1,767)
Net increase (decrease) in cash and cash equivalents	(82,522)	3,721
Cash and cash equivalents at beginning of year	135,435	131,714
Cash and cash equivalents at the end of year	52,913	135,435

EXCHANGE RATE RISK AND INTEREST RATE RISK

Table N° 11 Foreign currency exchange rate risk exposure

In millions of Ch$ as of December 31, 2001

	US dollar	Euro	Argentine peso	Peruvian sol	Brazilian real	Other currencies
Assets	257,585	1,957	15,295	18,182	28,654	-
Liabilities	(157,046)	(676)	(7,841)	(1,118)	(11,258)	(1,980)
FX forwards	4,589	-	-	-	22,154	-
Net exposure in assets (liabilities)	105,128	1,281	7,454	17,063	(4,758)	(1,980)

With respect to interest rate risk, of Quiñenco’s interest bearing debt, 60% is fixed rate and amounts to Ch$428,567 million. The remaining 40% is variable, equivalent of Ch$290,631 million and is consequently, exposed to the risk of fluctuating interest rates. Such amount corresponds to 19% of total current assets at the close of 2001. Management considers this exposure as reasonable, consequently has not covered this risk.

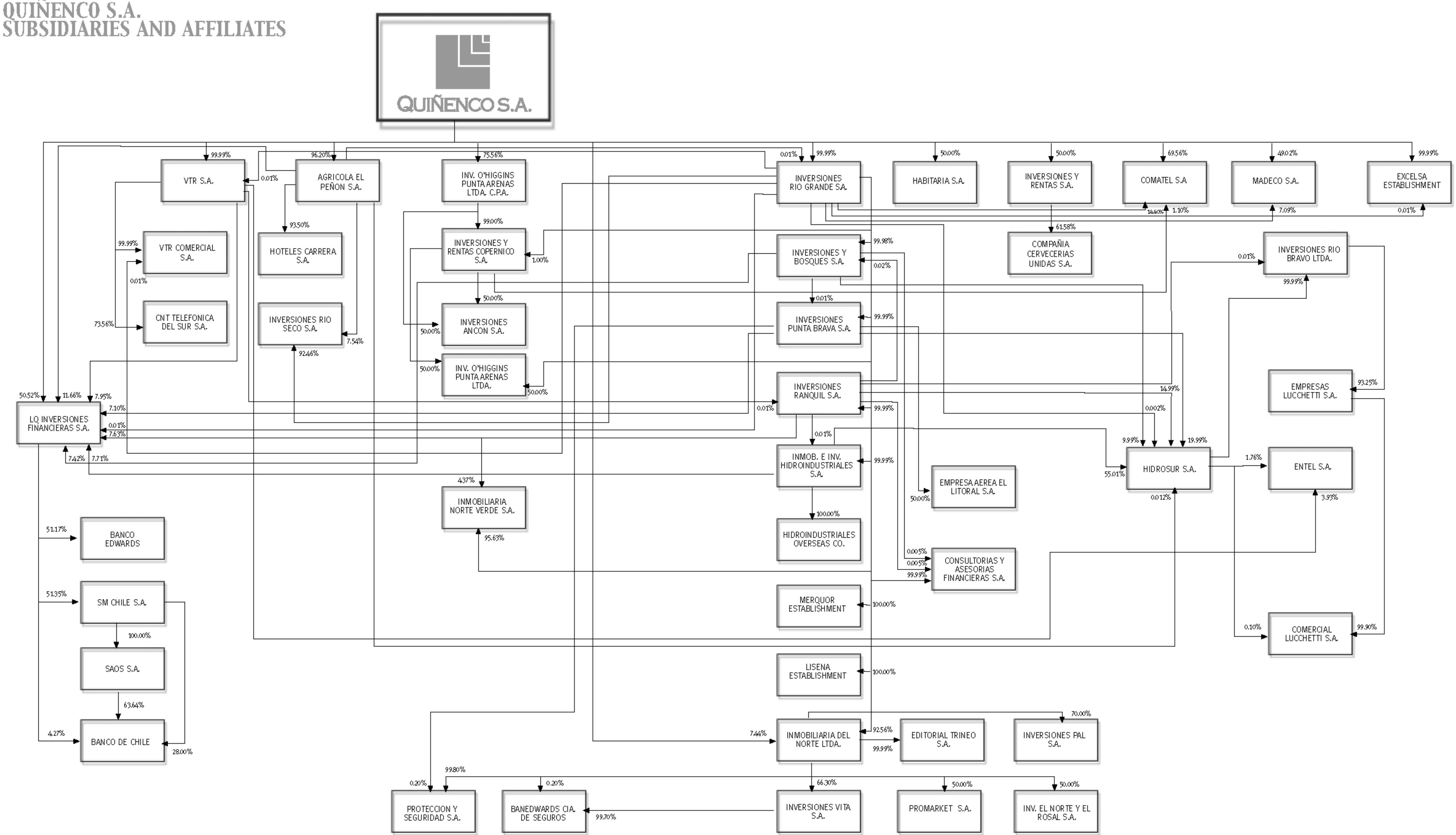
Francisco Pérez Mackenna
Chief Executive Officer

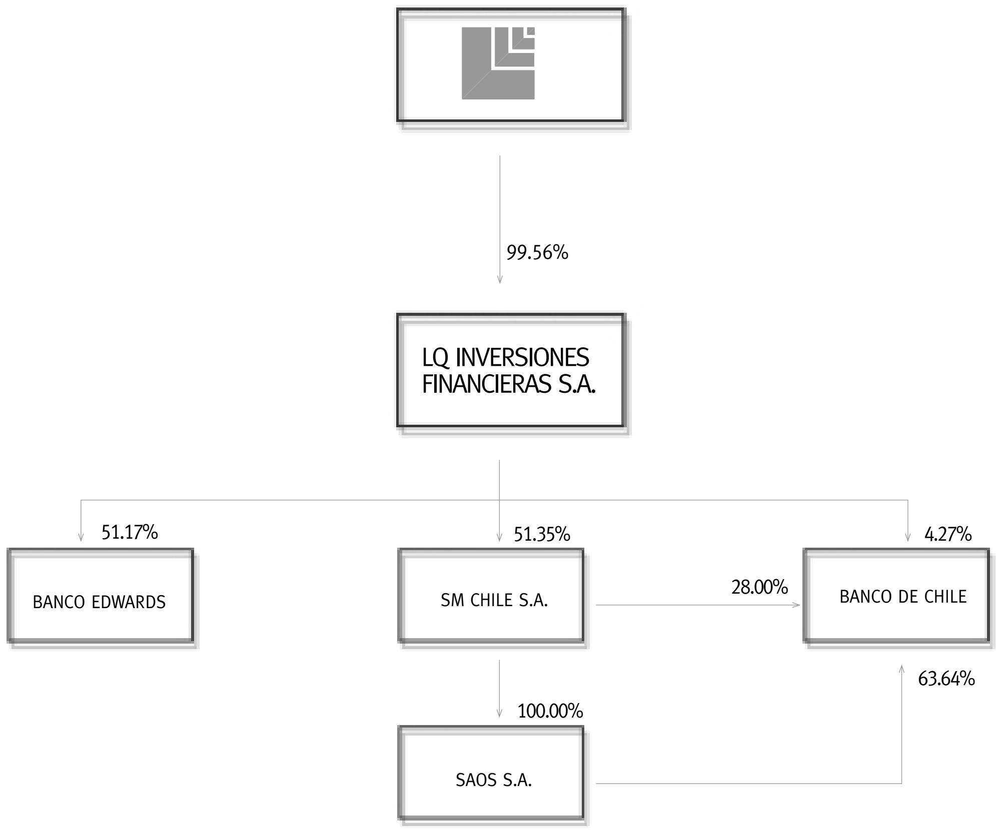
CORPORATE STRUCTURE

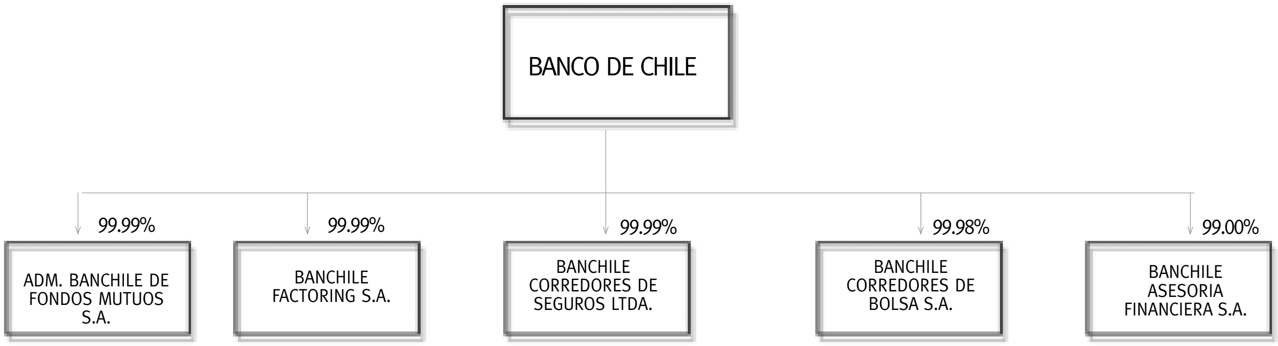
AT DECEMBER 31, 2001

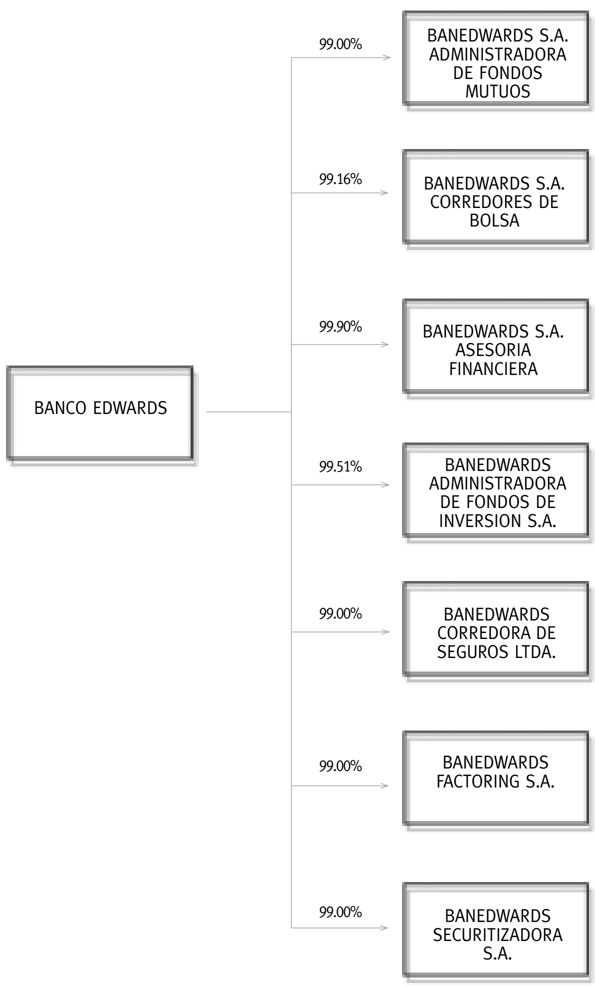
SUBSIDIARY AND AFFILIATE COMPANIES

QUIÑENCO S.A.
SUBSIDIARIES AND AFFILIATES

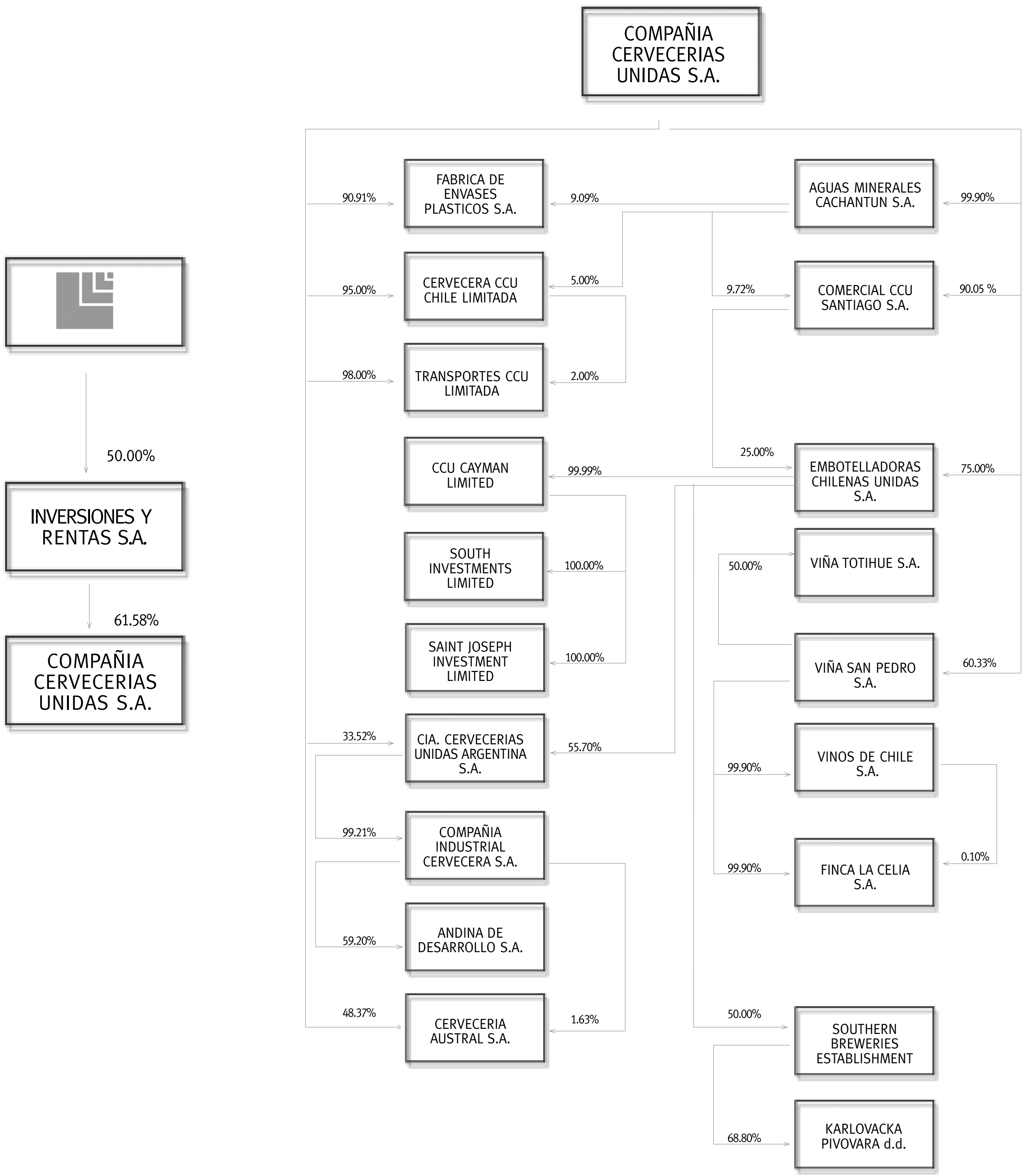



99.56%
LQ INVERSIONES FINANCIERAS S.A.
51.17%
51.35%
4.27%
BANCO EDWARDS
SM CHILE S.A.
28.00%
BANCO DE CHILE
63.64%
100.00%
SAOS S.A.

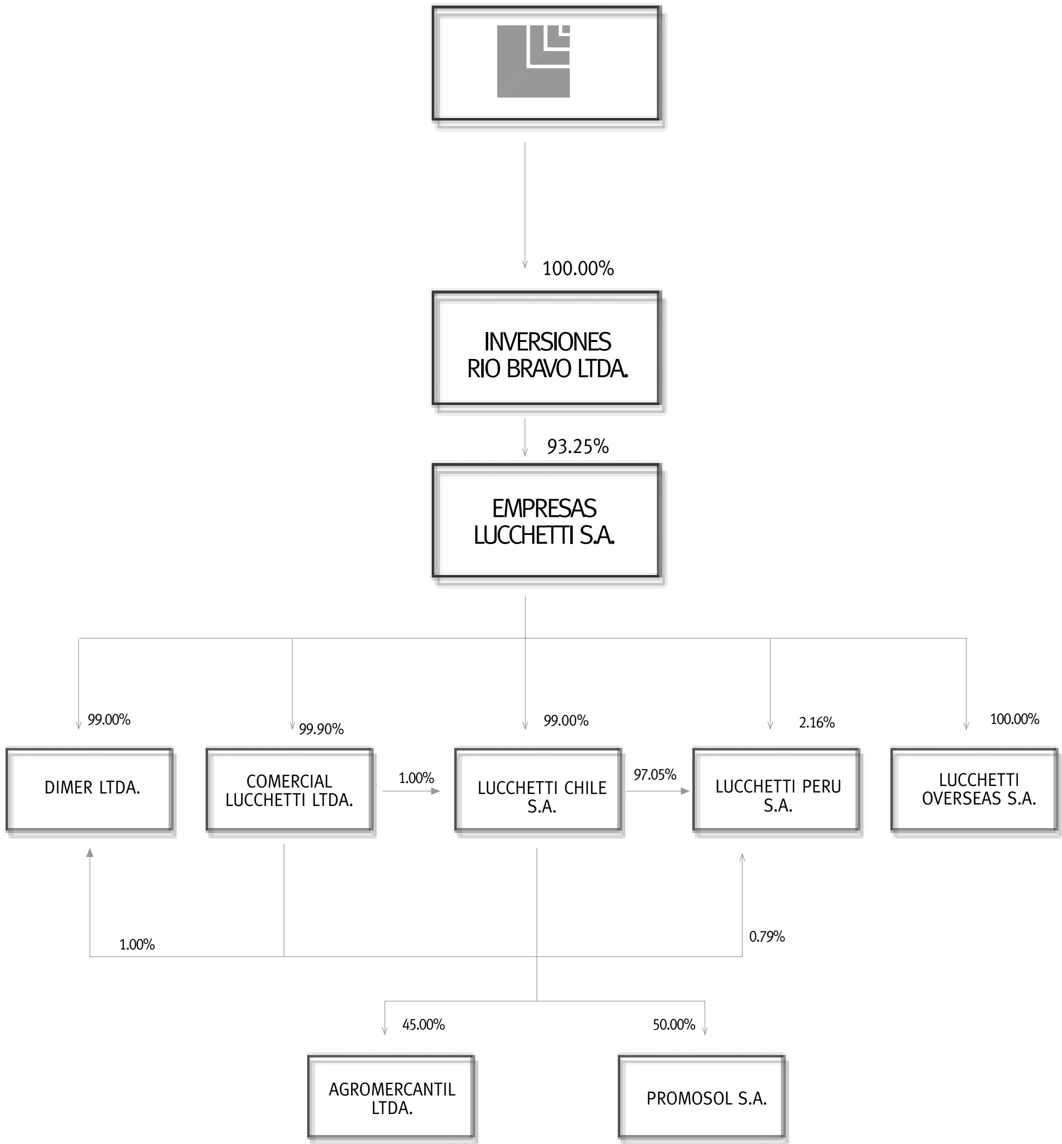

BANCO DE CHILE
99.99%
ADM. BANCHILE DE FONDOS MUTUOS S.A.
99.99%
BANCHILE FACTORING S.A.
99.99%
BANCHILE CORREDORES DE SEGUROS LTDA.
99.98%
BANCHILE CORREDORES DE BOLSA S.A.
99.00%
BANCHILE ASESORIA FINANCIERA S.A.

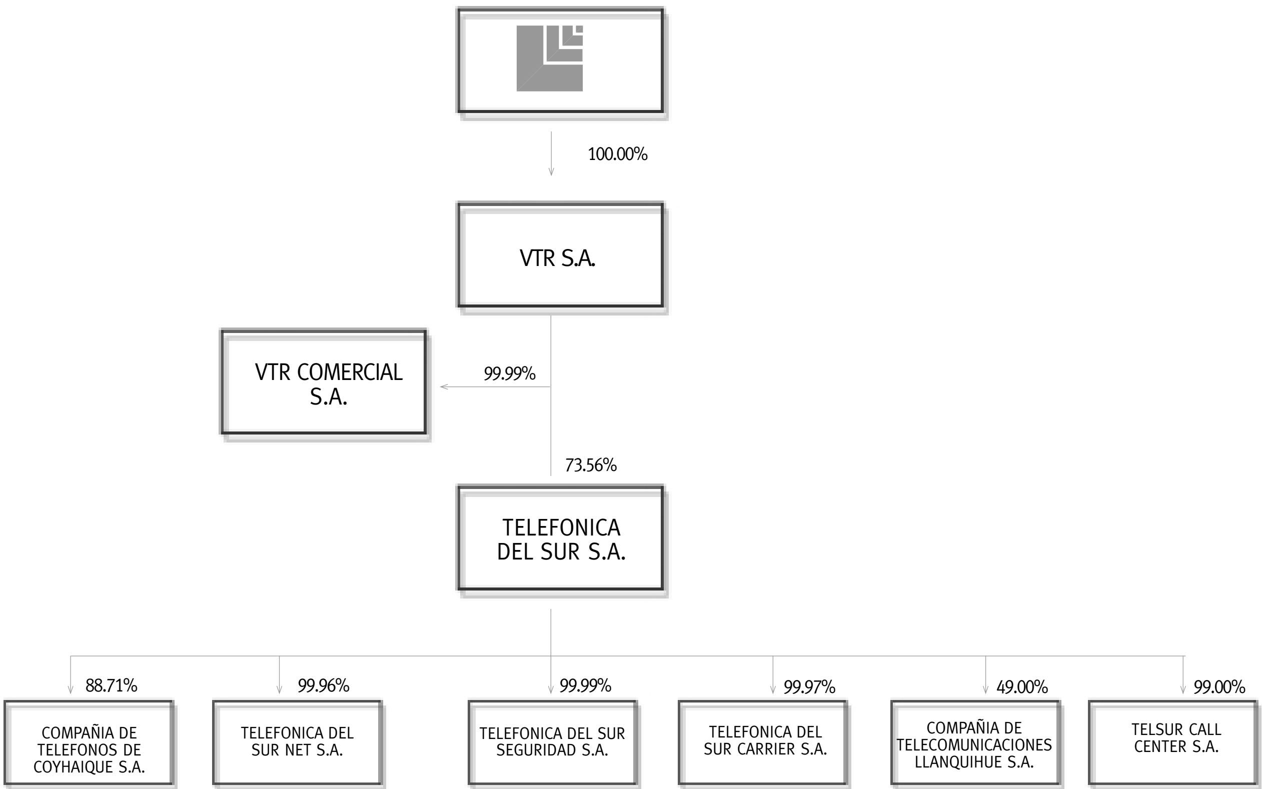

BANCO EDWARDS
99.00%
BANEDWARDS S.A. ADMINISTRADORA DE FONDOS MUTUOS
99.16%
BANEDWARDS S.A. CORREDORES DE BOLSA
99.90%
BANEDWARDS S.A. ASESORIA FINANCIERA
99.51%
BANEDWARDS ADMINISTRADORA DE FONDOS DE INVERSION S.A.
99.00%
BANEDWARDS CORREDORA DE SEGUROS LTDA.
99.00%
BANEDWARDS FACTORING S.A.
99.00%
BANEDWARDS SECURITIZADORA S.A.

COMPAÑIA CERVECERIAS UNIDAS S.A.
SUBSIDIARIES AND AFFILIATES



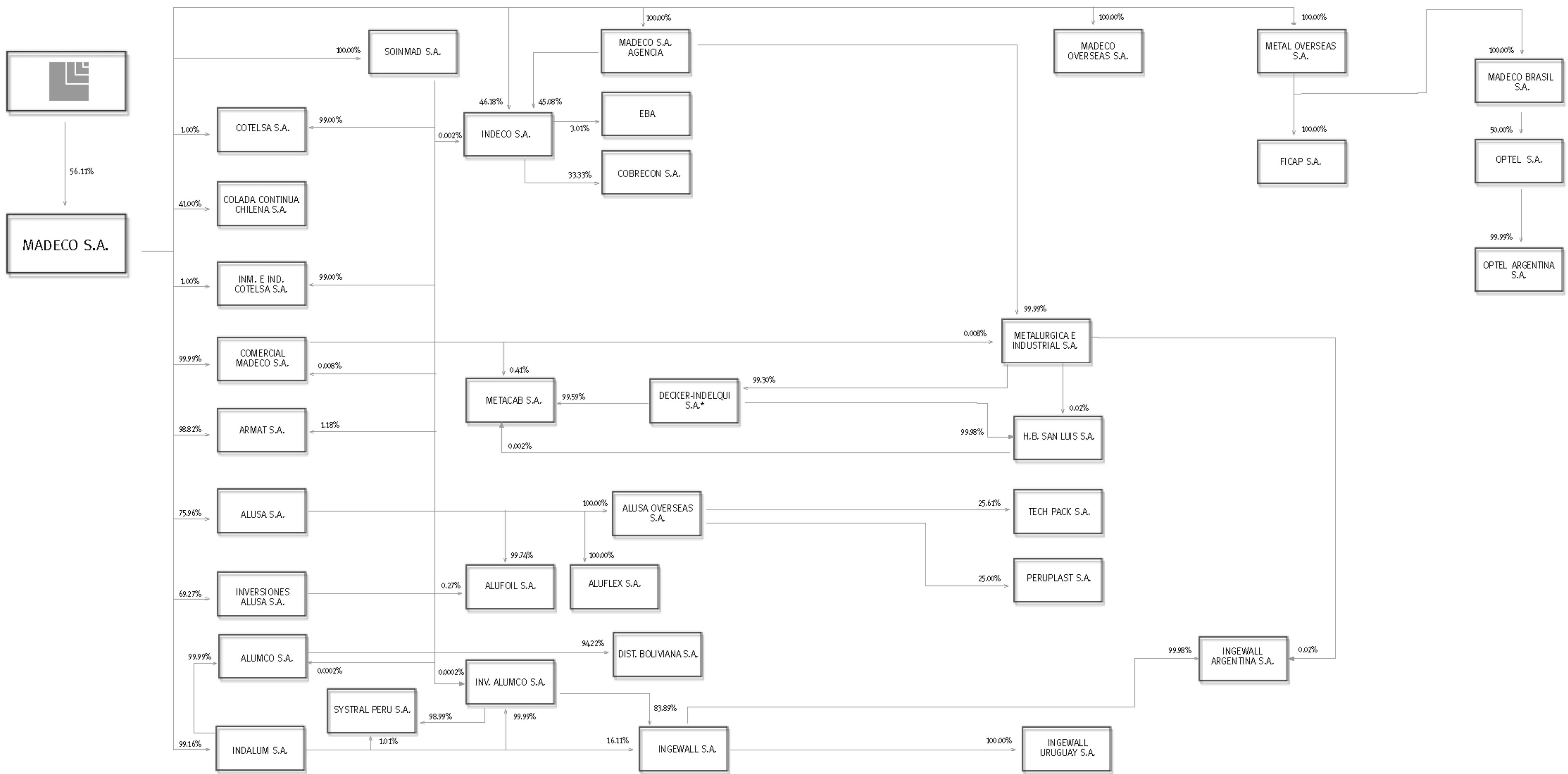
EMPRESAS LUCCHETTI S.A.
SUBSIDIARIES AND AFFILIATES



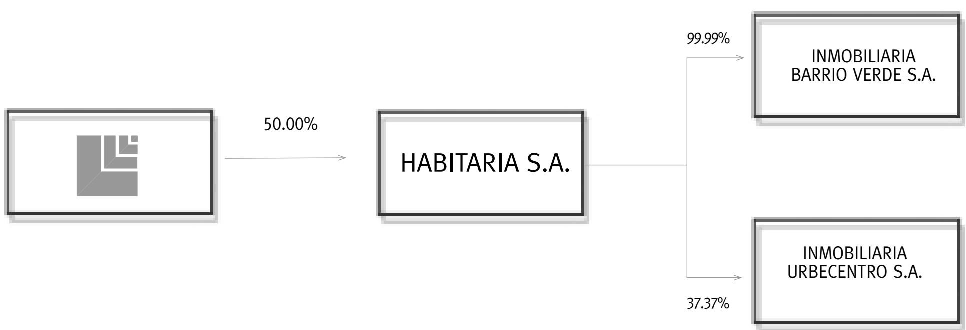

100.00%
VTR S.A.
VTR COMERCIAL S.A.
99.99%
73.56%
TELEFONICA DEL SUR S.A.
88.71%
COMPAÑIA DE TELEFONOS DE COYHAIQUE S.A.
99.96%
TELEFONICA DEL SUR NET S.A.
99.99%
TELEFONICA DEL SUR SEGURIDAD S.A.
99.97%
TELEFONICA DEL SUR CARRIER S.A.
49.00%
COMPAÑIA DE TELECOMUNICACIONES LLANQUIHUE S.A.
99.00%
TELSUR CALL CENTER S.A.


96.20%
AGRICOLA
EL PEÑON S.A.
93.50%
HOTELES
CARRERA S.A.

MADECO S.A.
SUBSIDIARIES AND AFFILIATES



* As of December 31. 2001 Madeco holds 0.034% of its own shares.


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

DESIGN AND PRODUCTION
V. Montt y Asociados
PRINTER
Editorial Trineo S.A.

Q-80