

1999 ANNUAL REPORT



QUIÑENCO S.A.

QUIÑENCO S.A.

Quiñenco S.A. is one of the most dynamic and important conglomerates in the Southern Cone. The Quiñenco parent company in Chile heads a diverse group of businesses primarily active in the financial and industrial sectors.



One of Chile's oldest and most prestigious banks. Ranked fifth in lending among private banks.



A leading company in the beer, soft drink and wine markets in Chile and also well-positioned in Argentina.



Manufacturers of non-ferrous metal products and flexible packaging with operations in the Southern Cone and Brazil.



The largest local telephony company in southern Chile.



Producers of pasta and cooking oils with a strong presence in the Chilean, Peruvian and Argentine markets.



HotelCarrera

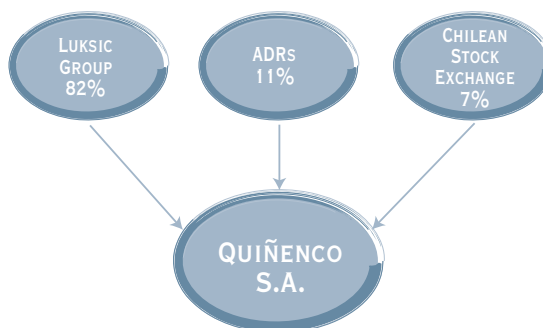
A chain of five hotels located throughout Chile.



HABITARIA

Real estate development company targeting middle class families.

Quiñenco is the Luksic Group's main channel for investments in the industrial and financial sectors. In addition to its majority shareholders, Quiñenco has a broad base of publicly traded shares through ADRs on the NYSE and local shares on the Chilean Stock Exchange.



LETTER FROM THE CHAIRMAN OF THE BOARD



DEAR SHAREHOLDERS: For Quiñenco, 1999 was a year of intense activity and noteworthy achievements. Despite the economic difficulties experienced by Chile and the region, the past year was one of the most profitable in our company's history.

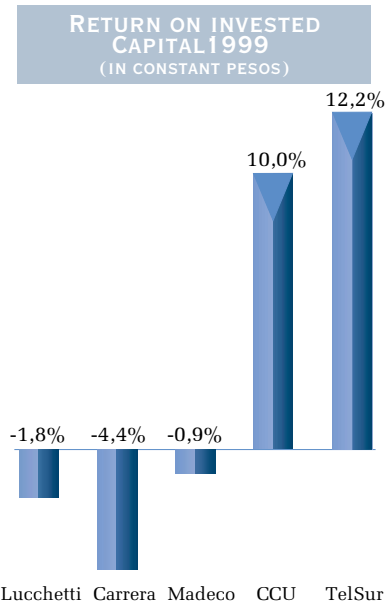
Quiñenco's new organizational structure, established during 1999, will contribute significantly to the company's future success and to its goal of increasing shareholder value. We finished out the year in an especially strong position, thanks to the addition of several distinguished executives to our management team.

Quiñenco's future actions will continue to be guided by its fundamental business philosophy: viewing the creation of value as both the company's main objective and the principal measure of its success. With its formal adoption of this philosophy, Quiñenco is setting itself a significant challenge and providing concrete evidence of its commitment to its shareholders.

Quiñenco is in an excellent position to meet the challenge of creating value, by multiplying its holdings in a wide range of activities, enhancing its returns and taking optimum advantage of market opportunities. Our corporation has a long history of managing diverse lines of business and conducting favorable transactions at opportune moments. Our current goal is to systematize these functions according to the highest professional standards and to make Quiñenco an effective business hub which –in addition to fulfilling the usual functions of a parent company – takes maximum advantage of its three chief assets. These are: its subsidiary and affiliated companies; its proven ability to carry out advantageous transactions; and, last but not least, the experience and skills of its senior managers. Our achievements in 1999 show that a new dynamic is already at work in these three areas.

Our main goal for our subsidiaries and affiliated companies is to improve the return on invested capital exhibited by each of them. A company-wide program to objectively measure this variable was instituted this year; the results will be reported quarterly. Our management has expended special efforts on those subsidiaries showing returns below capital expenses. Thus, Madeco underwent a comprehensive restructuring this year, including management changes, the simplification of its business focus and the sale of non-core business assets. Several strategic alternatives are being analyzed at Lucchetti to correct structural weaknesses. The Hoteles Carrera operation has been reoriented giving priority to the administration of certain hotel establishments over their ownership.

In 1999, Quiñenco was especially successful in creating value through favorable transactions, one of its main corporate goals. The volume of these transactions surpassed 1.6 billion dollars, close to the net value of the conglomerate's total assets as of December 31, 1999. Among the most significant transactions were the sales of Quiñenco's holdings in the OHCH consortium and VTR Hiper cable. The resources obtained from these sales were used to acquire Banco de A. Edwards, to invest in Entel and Banco de Chile, two well-managed companies with attractive future prospects, and to assume full ownership of VTR S.A.. These transactions completely restructured Quiñenco's portfolio in the banking and telecommunications sectors. The advantageous nature of these changes can be seen in the fact that Quiñenco closed the year with a higher stake in these markets while employing less capital and participating to a larger extent in these businesses' cash flows.



1999 also saw innovations designed to help create value by strengthening the professional capacity of Quiñenco's senior management. The company put together effective teams for each of its main areas and established guidelines to allow the most successful and highly-qualified personnel to advance professionally across all the conglomerate's companies. A compensation system linked to share prices and personal performance will be implemented during 2000. The plan is to subsequently extend this system to all of our companies.

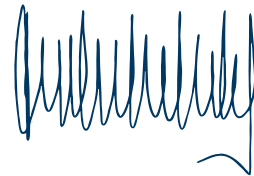
The recession had a severe impact on operating results in all of our subsidiaries. Although Quiñenco ended the year with record earnings of 302.4 million dollars, this achievement was due mainly to the successful transactions carried out during the year, since income from operating companies decreased in comparison with 1998. With net profits of 77.7 million dollars, CCU exhibited a drop in overall sales volume during the year but enjoyed a significant increase in wine exports. The investment in Banco de A. Edwards generated a loss of 3.6 million dollars for Quiñenco, reflecting the measures taken to responsibly face the deterioration of the bank's loan portfolio due to the severe economic contraction. These precautions, however, will enable the bank to take full advantage of the economic recovery that is already underway. Telsur finished the year with earnings of 19.5 million dollars and is planning to enter the telecommunications market in the Eighth Region of Chile with a multiservice voice and data platform. During its first year of operations, Habitaria posted a loss of 200 thousand dollars, due to its early developmental stage.

Among companies with significant losses, Madeco's net loss of 98.2 million dollars was attributable to the regional economic contraction and the need to make provisions, detected during the company's restructuring process. The 23 million dollar loss registered by Lucchetti was mainly due to depressed pasta prices in Peru throughout the year. Finally, the loss of 1.8 million dollars by Hoteles Carrera resulted from the abnormally low occupancy rates experienced during the recession. Measures have been taken to improve the performance of Madeco, Lucchetti and Hoteles Carrera.

Quiñenco strengthened its equity holdings in 1999 through its strategic refocusing and the favorable transactions conducted during the year. The net value of these assets outperformed the IPSA (Chilean Stock Exchange composite), thus vindicating the company's stock market investments after several disappointing years.

There is still much to be done at Quiñenco. Looking beyond last year's favorable results, the primary challenges for the year 2000 will be to improve the yields of companies showing unsatisfactory performance, to promote further growth among companies with favorable results and potential, and to demonstrate to the market the lack of justification for the significant discount in Quiñenco's share price during the year.

As we present the 1999 annual report and financial statements to our shareholders, the Board of Directors would like to express its gratitude to all of our personnel for their contributions to the success of Quiñenco's businesses. Our people, with their hard work and imagination, their commitment and integrity, are the greatest asset of a company such as ours. Quiñenco has assembled an exceptional team of professionals, and the energetic and optimistic spirit that inspired their work during the year bolsters our confidence in the company's future.



GUILLERMO LUKSIC CRAIG
CHAIRMAN

OUR GOALS

QUIÑENCO'S PRIMARY OBJECTIVE IS TO STRENGTHEN SHAREHOLDER VALUE, GENERATING WEALTH VIA THREE PRIMARY CHANNELS:

- I IMPROVING THE PERFORMANCE OF INDIVIDUAL COMPANIES WITHIN THE HOLDING CORPORATION
- II TAKING ADVANTAGE OF MARKET OPPORTUNITIES
- III SETTING GOALS FOR PROFESSIONAL EXCELLENCE IN PERSONNEL DEVELOPMENT

BOARD OF DIRECTORS

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Director of Companies

VICE CHAIRMAN

Andrónico Luksic C.
Director of Companies

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Master in Adm. and Economics
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M.A. in Economics
University of Chicago

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London School of Economics

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University of Chile

Vladimir Radic P.
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Catholic University of Chile

Carlos Vicuña F.
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D.P.A. Business
Administration, Adolfo Ibañez
University



FROM LEFT TO RIGHT: JUAN ANDRÉS FONTAINE T., JOAQUÍN ERRÁZURIZ H., ANDRÓNICO LUKSIC C., GUILLERMO LUKSIC C., JEAN-PAUL LUKSIC F., HERNÁN BÜCHI B., GONZALO MENÉNDEZ D., VLADIMIR RADIC P.

DUE TO INTERNATIONAL COMMITMENTS, PHILIP ADEANE DOES NOT APPEAR IN THIS PHOTOGRAPH.

ORGANIZATION

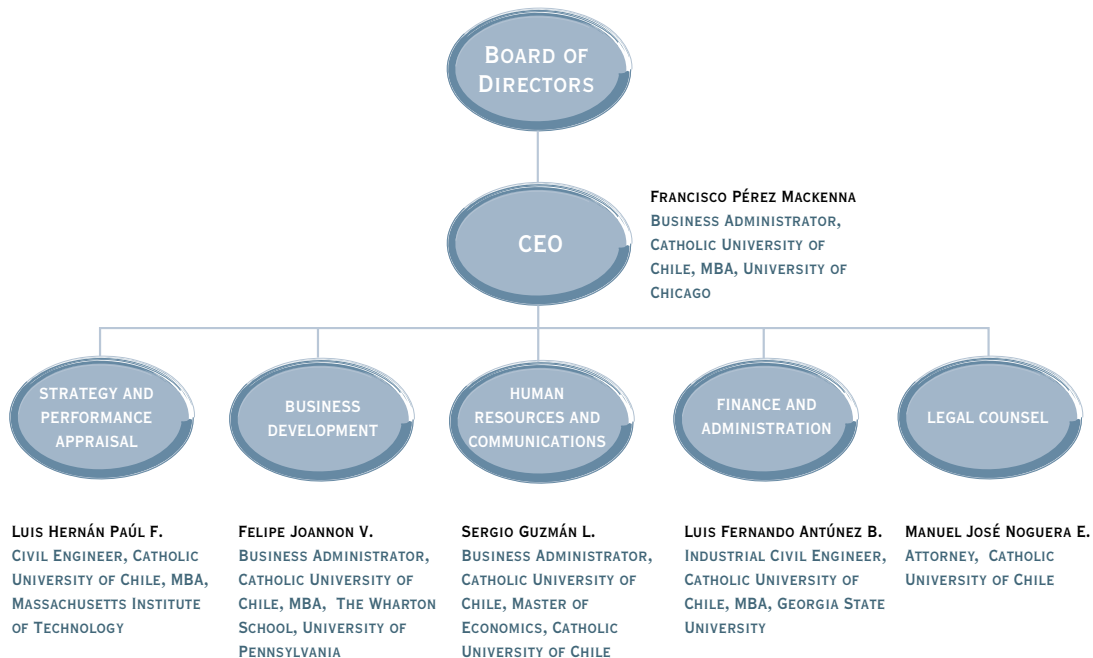
In keeping with its goal of creating value, in 1999 Quiñenco fortified its organizational structure and became a true business hub, with a strong managerial capacity in order to support the performance of its companies, improve returns on investments and take better advantage of business opportunities.



FROM LEFT TO RIGHT: LUIS FERNANDO ANTÚNEZ B., LUIS HERNÁN PAÚL F., MANUEL JOSÉ NOGUERA E., FRANCISCO PÉREZ MACKENNA, FELIPE JOANNON V. AND SERGIO GUZMÁN L.

Quiñenco's transformation included adding three new management divisions to the already existing Finance and Administration and Legal areas. The new divisions are Strategy and Performance Appraisal, Business Development, and Human Resources and Communications. Quiñenco hired three executives from outside the group with extensive and distinguished careers to head these areas.

The managers of Quiñenco's five divisions (Strategy and Performance Appraisal, Business Development, Human Resources and Communications, Finance and Administration and Legal), together with the Chief Executive Officer and the Chairman of the Board form the Executive Committee, which is responsible for managing Quiñenco.



HISTORY

Quiñenco is formed as a eucalyptus logging firm and manufacturer of rafters for coal mines.



1957 1960s

Quiñenco acquires Hoteles Carrera S.A.



1970s

Quiñenco achieves a majority stake in Madeco S.A.



1981 1983

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



1986

Quiñenco begins to acquire shares in Endesa S.A., eventually reaching a 9.2% ownership of the company.



1987 1988 1990 1993



Quiñenco acquires Forestal Colcura S.A., owner of 20,000 hectares of eucalyptus.

Quiñenco acquires Empresas Lucchetti S.A.



Quiñenco acquires Banco O'Higgins.



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



Quiñenco initiates purchase of Banco de Santiago shares.

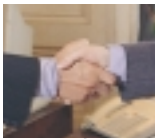


Quiñenco forms a joint venture with Banco Central Hispanoamericano to create OHCH.

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

Quiñenco attains control of Banco de Santiago.

Quiñenco and SBC Communications, Inc. embark on their strategic alliance to develop VTR S.A.



1995

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, industrial, food and beverage and telecommunications sectors in Quiñenco. Its mining and railroad assets remain in Antofagasta Holdings PLC.

1996



Quiñenco's partnership with Banco Central Hispanoamericano is expanded with the goal of jointly developing financial services throughout the Southern Cone.

VTR Larga Distancia S.A., a long-distance telephone company, is sold for US\$ 50 million.

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



1997

1998



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

VTR S.A.'s share in Startel S.A., a long-distance telephone company, is sold for US\$ 425 million.

Quiñenco strengthens its senior management divisions by hiring highly qualified outside executives.

Quiñenco sells its stake in OHCH, a company controlling several banks in the Southern Cone, to the BSCH consortium for US\$ 600 million.

Quiñenco sells 66% of its indirect stake in VTR Hiper cable to UIH Latin America for US\$ 259 million.

Quiñenco extends its investments in the telecommunications sector by acquiring a 14.3% stake in Entel, a company providing PCS and long-distance telephone services.

1999



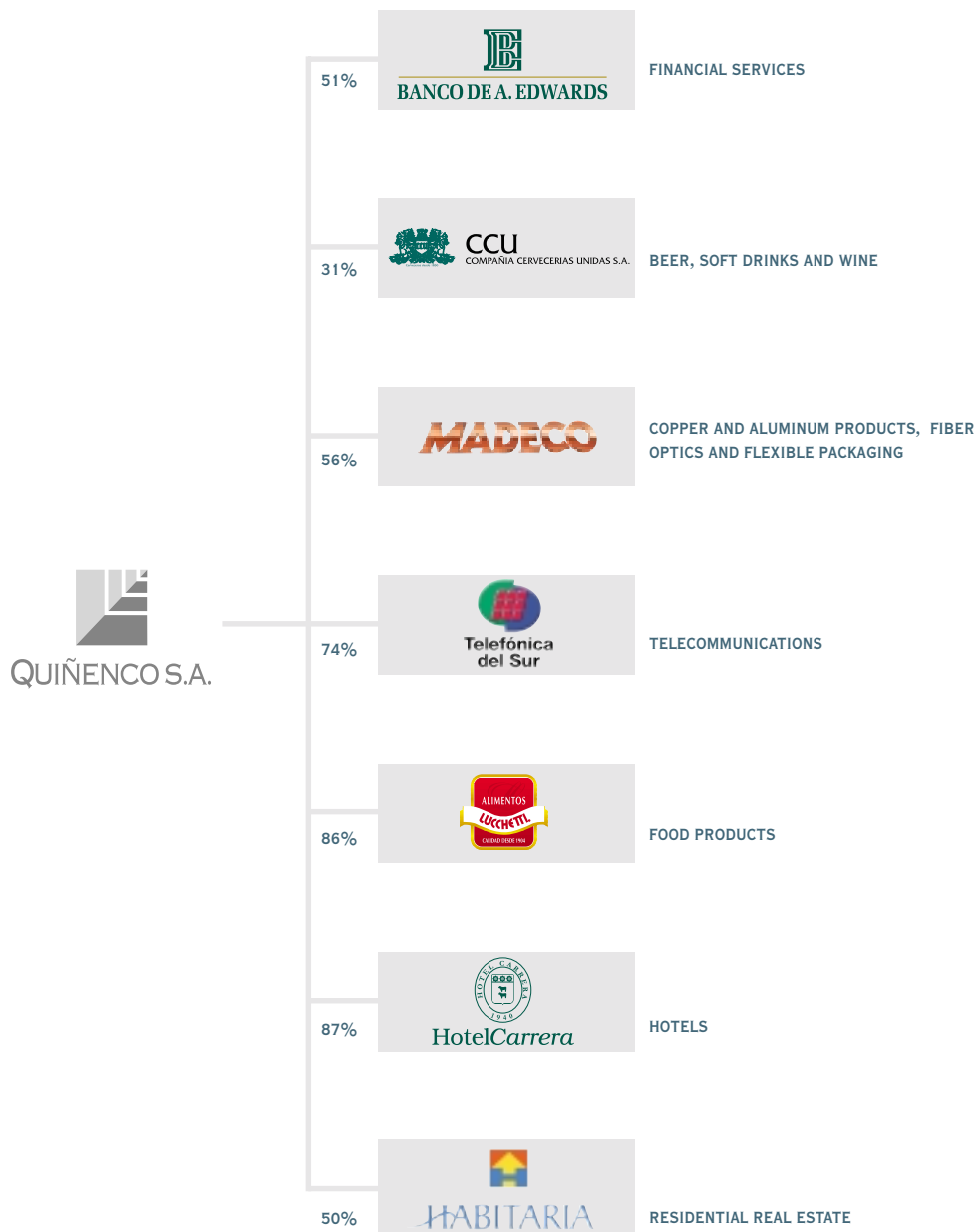
Quiñenco returns to the financial sector by acquiring 51.2% of Banco de A. Edwards.

Quiñenco's stake in VTR S.A. reaches 100% when it purchases SBC's 44.1% share in the company for US\$ 129 million and the 9.6% held by Madeco for US\$ 32 million.

Quiñenco acquires 8.3% of Banco de Chile's shares. In January 2000, Quiñenco increases its stake to 11.2%.

QUIÑENCO S.A. PROFILE AND MANAGEMENT

Quiñenco S.A. is a Chilean corporation that controls a wide array of companies mainly in the financial and industrial sectors. Quiñenco's companies are leaders in their markets and, as a conglomerate, Quiñenco is one of the Southern Cone's most active and important groups.

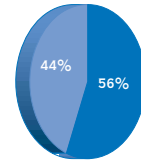


Although Quiñenco bases its operations in the Chilean economy, the corporation has also expanded some of its activities to other countries. These endeavors began in 1990 with the expansion of certain businesses to neighboring countries, particularly the Mercosur nations. Today, around 24% of Quiñenco's consolidated assets are located outside of Chile. This internationalization is slated to continue as the region embraces economic expansion.

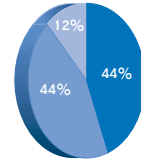
Quiñenco's companies are open to the participation of world-class strategic partners, especially when they operate in areas where alliance and cooperation mechanisms are efficient means of incorporating experience, technology or knowledge of other markets. Combining Quiñenco's dominance of the local market with the experience of world-renowned companies has proven to be a successful formula for undertaking complex business endeavors. A good example of such a relationship is the partnership between CCU and Anheuser-Busch for beer production in Argentina. In addition to this kind of partnership, Quiñenco offers, via its structure as a listed corporation, the possibility for many investors to take part in its achievements and projects.



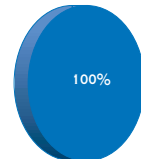
BANCO DE A. EDWARDS



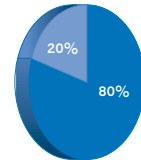
CCU



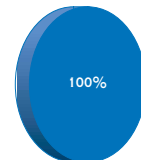
MADECO



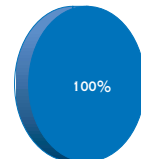
TELEFÓNICA DEL SUR



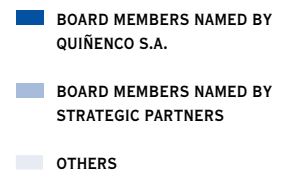
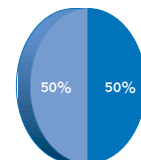
LUCCHETTI



HOTELES CARRERA



HABITARIA



CORPORATE STRATEGY

VISION

Quiñenco's goal is to become the foremost Chilean business group and one of the most important conglomerates in Latin America in terms of the returns it generates for its shareholders and the quality of its senior management. Quiñenco aims to be much more than just a group of companies. In addition to the value of its assets, in each of its activities the parent company provides the guarantee of efficient management and acumen for identifying attractive deals in timely transactions.

Quiñenco pursues the goal of creating shareholder value through activities and initiatives that improve its companies' net capital returns, opportune and profitable transactions and by strengthening the organization's human and professional capital.



FROM LEFT TO RIGHT: PEDRO MARÍN L., LUIS HERNÁN PAUL F. AND JUAN EDUARDO CORREA G.

INVESTMENT PHILOSOPHY

Quiñenco first identifies potentially profitable activities the company can effectively lead or to which it can add value, based on its experience and stability. The starting point may be a project to incorporate a new firm or the acquisition of an existing organization at an attractive price. In either case, Quiñenco's challenge is to maximize these companies' strengths and make them leaders in their fields. Quiñenco then decides whether it should continue with the project or, if it is not a natural owner in the field, if it is more advantageous to transfer the assets in order to best utilize the resources generated for other purposes.



Quiñenco has a long history of successful experiences in this respect. When Quiñenco acquired Banco O'Higgins in 1981 the bank was ranked ninth in lending among Chilean banks. Under Quiñenco's leadership, this investment grew to 50% of OHCH, a financial holding group in the Southern Cone with a majority share in Banco Santiago, Chile's largest bank. When Quiñenco withdrew from OHCH in 1999, its stake had reached a value of 600 million dollars.

Quiñenco entered the cellular telephone industry in 1991 with a six-million-dollar investment and, in just five years, through a merger with CTC's cellular division, it attained a 45% share of Startel, Chile's most important mobile phone company. Quiñenco withdrew from the business in 1997 after selling its stake to CTC for 425 million dollars.

THE YEAR IN REVIEW

Despite the year's difficult economic conditions, 1999 was a decisive period for Quiñenco due to the depth of the company's restructuring and the magnitude of its achievements.

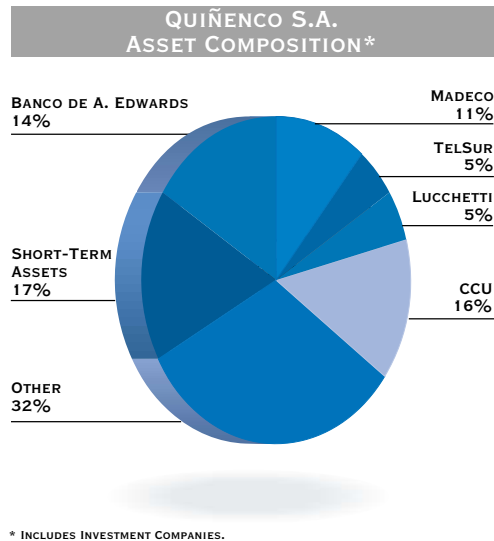
Of equal or greater importance than the critical tasks carried out during the year, Quiñenco faced the challenge of institutionalizing its philosophy of creating shareholder value, which is the starting point from which the company will operate in the future.

In corporate terms, 1999 was the year during which Quiñenco established its new senior management team and put into effect the operating policies designed for each area. The experience was a good opportunity for Quiñenco to boost the spirit of corporate identity and facilitate bonding among its management teams.

The year's adverse economic conditions had a negative effect on the results of all of Quiñenco's operating companies. This reality was another motive for Quiñenco's hard work in improving its companies' performances.



FROM LEFT TO RIGHT: FERNANDO MORELLI B., LUIS FERNANDO ANTÚNEZ B., OSCAR HENRÍQUEZ V. AND PATRICIO LEÓN D.



Measures to improve performance were a priority in companies with unsatisfactory returns. A new management team is heading Madeco and is working to restructure the company and



ALESSANDRO BIZZARRI C. (LEFT)
AND MANUEL JOSÉ NOGUERA E.

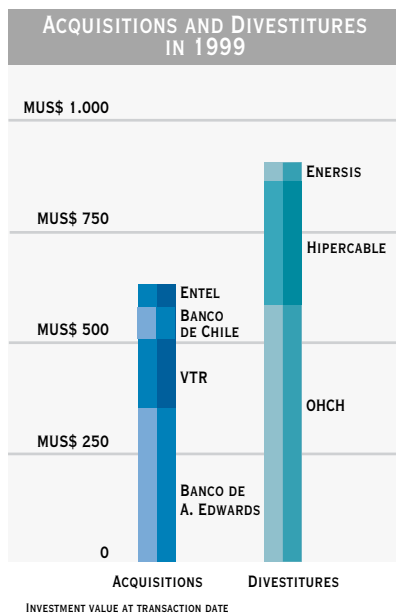
simplify its business scheme. Several strategic alternatives are being studied at Lucchetti to boost the company's competitiveness. There is also a general agreement that Hoteles Carrera's true competitive advantage lies in the administration rather than in the ownership of hotels.

During the year Quiñenco also undertook a variety of initiatives in favor of its top performing companies, that is the companies whose capital returns exceeded their cost of capital. CCU, through Viña San Pedro, the second-largest exporter of Chilean wines, has begun a project to export wine from Argentina as well. In December 1999, CCU also entered the Chilean juice market. TelSur will compete in the greater Concepción telephony market and will provide its clients with a multiservice platform especially beneficial for Internet connections. Banco de A. Edwards underwent a heavy capital increase and is carrying out an ambitious expansion plan. Habitaria, a real estate development company emphasizing superior customer



FROM LEFT TO RIGHT: JORGE TAGLE O., FELIPE JOANNON V.
AND MARTÍN RODRÍGUEZ G.

service, is preparing to extend its operations to Chile's Regions. All told, Quiñenco enters the year 2000 with a wide array of new projects.



Quiñenco counteracted the drop in subsidiary company operating income by making profitable, large-scale transactions during the year. These trades, worth over 1.6 billion dollars, resulted in a structural overhaul to Quiñenco's portfolio in the financial and telecommunications sectors. Today, in addition to having a greater participation in these companies' cash flows, Quiñenco is utilizing less capital to control a greater portion of the financial and telecommunications markets.

KEY INDICATORS OF SUBSIDIARIES AND AFFILIATE COMPANIES

(in Millions of Ch\$)

COMPANY	QUIÑENCO'S OWNERSHIP ^(*) (%)	SALES	NET INCOME	ASSETS	EQUITY
BANCO DE A. EDWARDS	51.2	291,545 ^(**)	(6,601)	2,425,687	210,942
CCU	30.8	290,405	41,182	594,188	379,190
MADECO	56.5	251,251	(52,041)	404,369	150,753
TELSUR	73.6	41,349	10,359	106,586	48,955
LUCCHETTI	86.2	90,804	(12,190)	142,512	43,468
HOTELES CARRERA	87.2	6,261	(937)	23,210	13,972
HABITARIA	50.0	3,572	(96)	24,683	9,037

(*) CORRESPONDS TO ECONOMIC INTEREST.

(**) CORRESPONDS TO TOTAL REVENUES.

HUMAN RESOURCES

Because Quiñenco's greatest comparative advantage lies in its employees, the company's senior management offers attractive working conditions and makes it possible for executives to continue their careers at Quiñenco's companies. These possibilities, together with an exceptional system of additional compensations based on Quiñenco and subsidiary stock performance and prices, are important factors in stimulating individual initiative and motivating Quiñenco's teams of professionals.



SERGIO GUZMÁN LAGOS

EMPLOYEES AS OF DECEMBER 31, 1999

COMPANY	EXECUTIVES	PROFESSIONALS AND TECHNICIANS	OTHER EMPLOYEES	TOTAL
QUIÑENCO	15	6	16	37
BANCO DE A. EDWARDS	139	1,253	879	2,271
MADECO	67	399	4,087	4,553
TELSUR	25	302	218	545
LUCCHETTI	32	197	947	1,176
HOTELES CARRERA	12	63	274	349
OTHER SUBSIDIARIES	10	65	55	130
TOTAL	300	2,285	6,476	9,061

Additionally, as of December 31, 1999, the affiliate company CCU had 5,353 employees and Habitaria had a staff of 21 people.

BUSINESS ACTIVITIES

BANCO DE A. EDWARDS



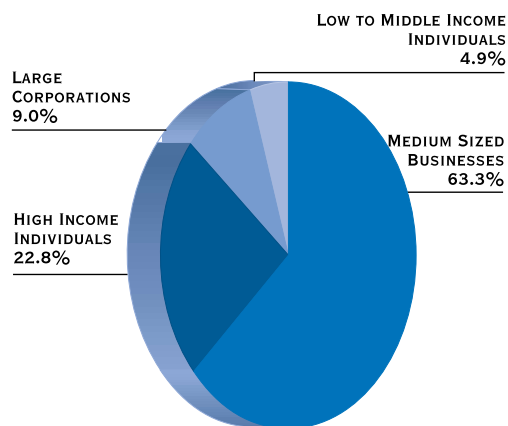
BANCO DE A. EDWARDS, one of Chile's oldest and most prestigious financial institutions, is ranked fifth among private Chilean banks, with a 7.5% market share in lending and a 6.9% share in deposits as of December 1999.

Banco de A. Edwards focuses heavily on individuals in upper income brackets and medium-sized businesses, and has a network of 75 branches concentrated in Santiago and the main cities of Chile.

The bank became a part of Quiñenco's portfolio in 1999, following the sale of its participation in the OHCH consortium. The operation to take control of 51.2% of Banco de A. Edwards took place between the months of August and October 1999 and marked the return of Quiñenco to the financial sector, where it has vast experience and considerable know-how.

A YEAR OF NEW HORIZONS

LOAN PORTFOLIO AT 12/31/99*



* NET OF INTERBANK CREDITS

Towards the end of the year, the bank issued new stock in order to strengthen the institution and to ensure a sound foundation for future growth. The new shares were successfully issued both locally and abroad, and this produced a capital and reserves increase of roughly 130 million dollars. This increase places Banco de A. Edwards fourth among private Chilean banks in terms of capital and reserves.

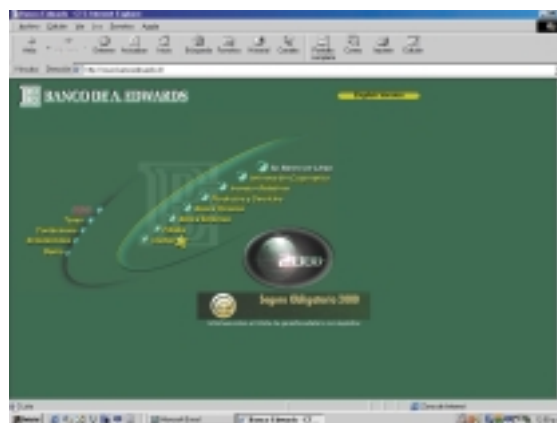
As was the case for all financial institutions in Chile, the past year presented significant challenges for Banco de A. Edwards. In order to defend the stability of the bank's accounts from the economic contraction, Banco de A. Edwards' management made a meticulous review of its portfolio that culminated with accumulated provisions of 137.5 million dollars, a bad debt hedge of 133%.

During the year, Banco de A. Edwards recorded significant increases in the number of clients in practically all of its



target markets. The client portfolio for high-income individuals increased by 9% and medium-sized businesses increased by 4%. In terms of liabilities, the number of checking accounts increased by 8% and savings accounts increased by 41%.

The year was also positive in terms of initiatives aimed at diversifying the bank's distribution channels. By the end of 1999, more than 14% of the bank's clients were conducting transactions via Internet, a volume equivalent to the average operations of more than four branches. The goal for the year 2000 is to double this volume and to provide increasingly specialized services via Internet that are tailored to fit customer needs.



FIFTH-LARGEST
PRIVATE BANK
IN CHILE
(7.5% SHARE
OF LENDING
MARKET)

In another area, during 1999 the bank increased the number of its automatic teller machines by 25%, bringing its number of ATMs up to 149 within the Redbanc network.

14% OF CLIENTS

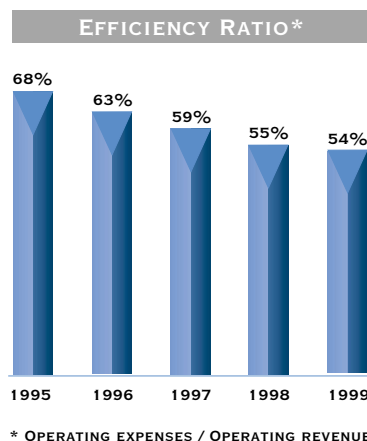
BANK VIA INTERNET

With regard to new products, the E-Card, for making secure purchases via Internet, the Savings Plus account and the Corporate Credit Card for businesses reflected the bank's capacity for detecting opportunities and responding to its clients' aspirations and demands.

FINANCIAL RESULTS

The slow-down in the Chilean economy had a negative impact on many companies' results across a wide range of economic sectors. In light of this situation, during the last quarter of 1999 Banco de A. Edwards made additional provisions that signified an increase of 134% in comparison with 1998. This risk prevention measure in the portfolio had a strong impact on the bottom line, resulting in a loss of 6,601 million pesos.

Despite this scenario, operating income increased by 3.6% in real terms from 1998, while operating costs rose by only 1.1%. Thus, Banco de A. Edwards posted an efficiency ratio of 54%, second best among the ten-largest Chilean banks. 1999 was the fifth consecutive year that the bank showed an improvement in its efficiency ratio. Similarly, the bank's net interest margin of 4.9% was one of the highest among its competitors.



COMPAÑÍA CERVECERÍAS UNIDAS



With a 150-year tradition in Chile, **COMPAÑÍA CERVECERÍAS UNIDAS S.A.** (CCU) is the nation's leading beer producer and is second in the production of soft drinks. CCU also heads the mineral water market and, through Viña San Pedro, it ranks second in wine exports and third in the local wine market. CCU has become an important beer producer in Argentina, where it began operations in 1995 and currently has a 13% market share.

CCU is present in all segments of the Chilean beer market. Its most popular brand is Cristal, and it also commercializes several others brands –proprietary and licensed - that together contribute to a market share of 90%.

Through a partnership with Anheuser-Busch, CCU manages exclusive rights to the Budweiser franchise in Argentina. CCU is one of the few companies in the world authorized to manufacture Budweiser locally. CCU has also been successful in the Argentine market with its regional brands, which are also leaders in their respective markets.

CCU holds a 63% market share in the mineral water market through its Cachantun and Porvenir brands. In the soft drink market, CCU operates the bottling licenses for Pepsi Co. and Cadbury Schweppes, in addition to its proprietary brands Bilz, Pap and Kem.

CCU joined the booming Chilean wine industry through Viña San Pedro, with positive results in terms of quality, diversification and the presence in new markets. Viña San Pedro's exports exhibited strong growth in 1999, with impressive increases in both volume (20.1%) and values (30.2%).

CCU, THROUGH
VIÑA SAN PEDRO,
IS CHILE'S
SECOND-LEADING
WINE EXPORTER

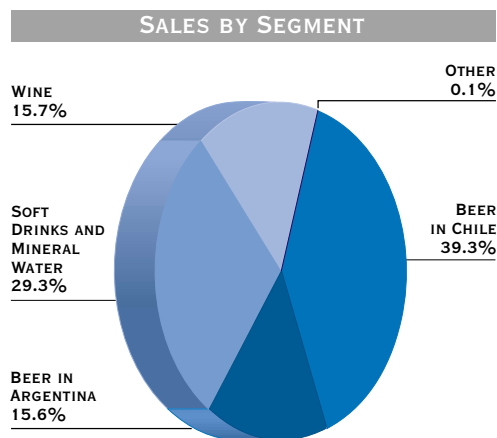
THE YEAR'S ACHIEVEMENTS

As expected, after a competitor purchased BAESA, CCU successfully initiated its own distribution channels in Buenos Aires in October, in a move to vertically integrate



management of the business. Also worthy of note was the purchase in November of BAESA's stake in ECUSA, with which CCU became the sole owner of ECUSA's soft drink business in Chile.

Production began towards the end of the year at CCU's brewery in Temuco, which replaced the Concepción plant and has an initial monthly production capacity of 120,000 hectoliters. CCU also became active in the Peruvian beer market through the acquisition of a 6.5% stake in Unión de Cervercerías Peruanas Backus y Johnston S.A.A., the main player in the market with a 80% market share.



In December, CCU launched under license, a new line of Watt's brand juices, one of the most prestigious brands of fruit-derived products in Chile. CCU has detected great potential in this area and the idea is to stimulate per capita consumption to levels approaching those in other Latin American countries.



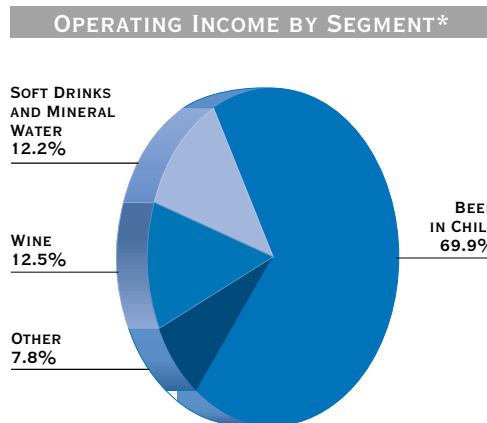
THE NEW LINE OF
WATT'S JUICES
JOINED THE CCU
FAMILY OF
PRODUCTS

CCU's operating outlook is promising. The company will expand its activities in Argentina and in September 2000, its Santa Fe

brewery will begin production on a new canning line. Other goals for the year are to win a greater share of the juice market in Chile, closely follow opportunities in the Peruvian beer market and to begin wine exports from Argentina. This operation will be aided with the acquisition of 200 hectares in San Carlos (near Mendoza, Argentina), 144 of which are already being utilized for production.

FINANCIAL RESULTS

CCU's consolidated sales in 1999 increased by 1.0% with respect to 1998, reaching 290,405 million pesos. This result was due to a 2.5% increase in average prices, which in turn was partially offset by a 1.3% decrease in volume sales. Net consolidated profits for the year totaled 41,182 million pesos, a 2.1% increase over 1998.



* DURING 1999 THE BEER SEGMENT IN ARGENTINA EXPERIENCED OPERATING LOSSES.

MADECO



MADECO S.A. is a leading Latin American company in the manufacture and sale of non-ferrous metal products, fiber optic cable and flexible packaging for mass consumer goods. The company operates throughout the Southern Cone and has manufacturing facilities in Chile, Brazil, Argentina and Peru.

Madeco's main activity is the manufacture of copper and aluminum cable and wire for telephony, electricity distribution and transmission, mining, industry and construction use. Madeco also manufactures and sells fiber optic cable to telephone companies in Brazil through Ficap.

Madeco is an important player at the regional level in the production of aluminum profiles and copper products and alloys for the construction industry. Through its packaging division, Madeco supplies important businesses that produce mass consumer goods or that require metallic sheets or foil for the protection of food or other products.

Madeco went through a comprehensive restructuring process in 1999 dictated by the need to reorient the company towards the goals of efficiency and the creation of shareholder value. Madeco's new CEO Albert Cussen Mackenna, an executive with vast corporate experience in both the mining and services sectors, took over the company's management in June and immediately began to form a new senior management team.

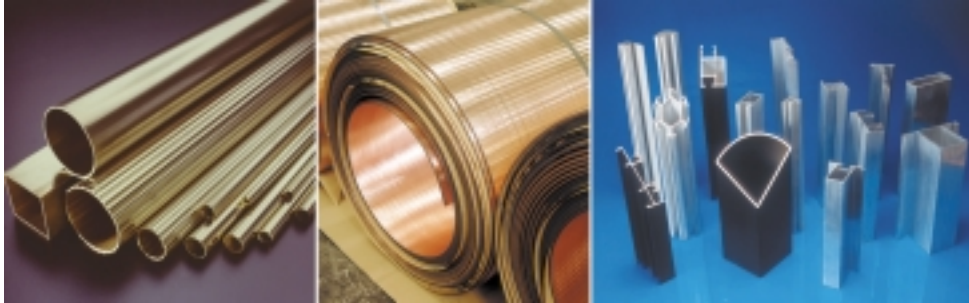
The restructuring process had a clear effect on business units and was designed to simplify the Company's operating structures, take full advantage of synergies, rationalize controls on product manufacture and sale and open possibilities for cooperation with other market players via alliances or strategic partnerships in situations calling for such measures.



**MADECO'S MAIN
ACTIVITY IS THE
MANUFACTURING
OF COPPER AND
ALUMINUM WIRE
AND CABLE.**



The strategy of concentrating on its core businesses included the sale of non-core business assets for approximately 32 million dollars. These assets consisted primarily of the stake Madeco held in VTR S.A. The resources



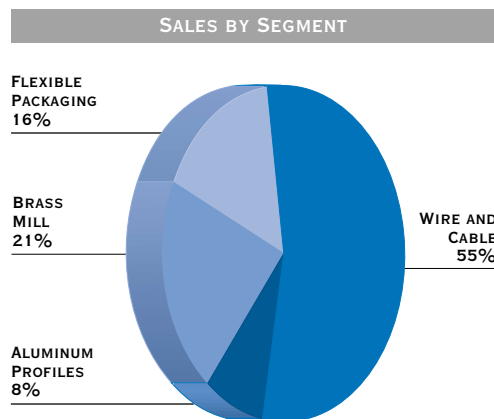
IMPORTANT
MANUFACTURER OF
ALUMINUM PROFILES
AND COPPER
CONSTRUCTION
PRODUCTS

generated from this sale were utilized for the payment of debt, and this transaction was the first step in Madeco's financial reorganization which will continue this year with the restructuring of short term debt into long-term facilities. Towards this end, Madeco has taken the steps necessary to issue bonds in UF equivalent to approximately 70 million dollars during the first half of 2000.

Madeco's goal is to generate value, measured as capital returns greater than the cost of the financial resources involved, in each of its core businesses.

FINANCIAL RESULTS

The net loss of 52,041 million pesos in 1999 was mostly due to non-operating charges, particularly losses posted by subsidiaries. Madeco reported operating losses of 12,643 million pesos, compared to 34,954 million pesos of operating income in 1998. This difference was attributable to the pronounced decline in economic activity in the region during the year, which entailed a decline in copper and aluminum tonnage sales of 23%, as well as non-recurring costs.



Madeco and its subsidiaries' new business focus required adjustments that resulted in extraordinary charges of 41,795 million pesos during the year. This new focus has produced an acceleration of projects utilizing industrial synergies in diverse business segments and also places emphasis on Madeco's four core business areas.



MANUFACTURING
FACILITIES IN CHILE,
ARGENTINA, BRAZIL
AND PERU

TELEFÓNICA DEL SUR



TELEFÓNICA DEL SUR S.A. is a telecommunications company with operations based in southern Chile. It maintains approximately 150,000 service lines and is the leading telephone company in Chile's X and XI Regions, which include the cities of Puerto Montt, Valdivia, Osorno and Coyhaique. Starting in 1997, Telefónica del Sur successfully expanded its operations to Region IX, whose capital, Temuco, is one of the fastest-growing cities in Chile.

Telefónica del Sur has a 100% digital network enabling it to provide clients with services of greater added value. These services include basic telephony, centrex, Internet, data and ISDN as well as a comprehensive network of public telephones. The company also owns the Telefónica del Sur Carrier, which provides users throughout the country with domestic and international long-distance telephone service.

Telefónica del Sur is controlled by VTR S.A., a company through which Quiñenco participated in a joint venture with SBC Communications. Together, the two companies operated a landline and long distance telephone service and cable television business. After selling its share in the long-distance telephone business in 1998, and its stake in the cable television operation in mid-1999, Quiñenco bought SBC's share of VTR S.A.

THE YEAR'S INITIATIVES AND ENTERPRISES

Despite the prevailing adverse economic conditions in 1999, the company's inservice telephone lines increased by 5.7%. In order to better face delays in customer payments caused by the recession and to improve client retention figures, Telefónica del Sur developed an innovative service in which it offers landline telephone service using a system of pre-paid telephone cards. Telefónica del Sur also launched a new service targeting upper-middle and upper class clients that integrates telephone and Internet services and that has been well-received by its target client base. Other new products included a series of value-added Internet-related services, such as intraserver services and web hosting.

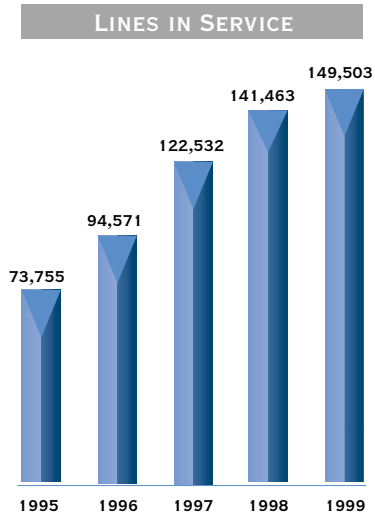


WITH ITS DIGITAL
NETWORK AND
MULTISERVICE
PLATFORM,
TELESUR IS
THE LEADING
TELEPHONY IN
THE SOUTH
OF CHILE



Looking towards the year 2000, Telefónica del Sur has already begun to prepare for the effects of the new tariff structure that will take effect in the sector. In terms of local calling rates, fixed charges and intercompany access charges, the pressure for efficiency has increased and Telefónica del Sur must continue to reduce overhead.

While grappling with this challenge, Telefónica del Sur will extend its area of operations to include Concepción, one of Chile's most important urban centers. Towards this end, the company is developing a highly differentiated



penetration strategy utilizing a multiservic platform to be implemented in Concepción and the rest of its operating area. The platform will permit the company to offer broadband datatrans mission services such as high speed Internet access, voice over IP (VoIP), private local area network connections, and video conferencing based on fiber optic trunk and xDSL technology.



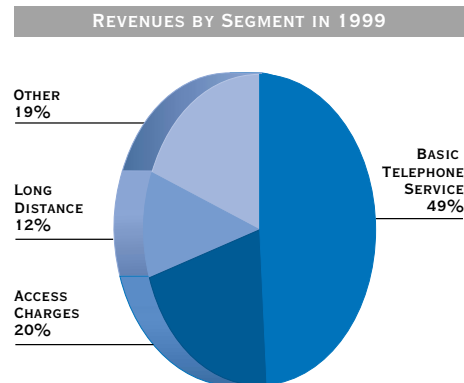
ONE HUNDRED AND FIFTY THOUSAND LINES IN SERVICE (103% GROWTH OVER THE LAST FIVE YEARS)

FINANCIAL RESULTS

In 1999, Telefónica del Sur experienced a decrease in its operating income, mainly due to a one-time increase in depreciation expense related to a change in the estimated useful life of the main components of the company's fixed assets. The reduced income generated by long distance services, a consequence of the country's economic situation, was another factor that contributed to a reduction in operating income.

Non-operating results, in turn, were significantly greater than in 1998 due, among other factors, to the resources generated by the sale of VTR Hipercable S.A. shares and lower financial costs associated with a lighter debtload.

Net profit for 1999 was 10,359 million pesos, an 11.7% increase over 1998.



LUCCHETTI



EMPRESAS LUCCHETTI S.A. is a regional food company and leader in the production of brand-name pasta, cooking oils and soups. In Chile, Lucchetti is among the top two producers of pasta and cooking oils.

Lucchetti entered the Argentine market in 1994, and in October 1997, inaugurated an industrial facility in the greater Buenos Aires area. The plant is considered a model of its kind due to its functional design and advanced technology. Among brand names, Lucchetti leads the pasta market in Argentina and its full line of food products places Lucchetti among the top three producers in Argentina.

Lucchetti also opened an industrial plant in Lima, Peru in December of 1998. The facility uses state-of-the-art technology and has situated Lucchetti among the two largest pasta producers in Peru.

CHALLENGES AND ACCOMPLISHMENTS IN 1999

During the year, Lucchetti faced difficult conditions throughout the region: a contraction in demand in Chile, a recession in Argentina and prices in Peru at as much as 50% below international levels. Despite these adversities, Lucchetti's operations during the year speak of important progress in business strategy.

In April, Lucchetti formalized the sale of its stake in Nieto S.A., a company that produces tomato sauce, for 6 million dollars. In September, Lucchetti completed, mainly through Quiñenco, a capital increase of 33 million dollars that was used towards reducing debt. During the same month, Lucchetti joined forces with Coprona in a project to produce cooking oils at very competitive production costs.

A COMMANDING

POSITION IN

COOKING OILS



PRODUCTION

FACILITIES

UTILIZING

STATE-OF-THE-ART

TECHNOLOGY



Apart from these initiatives, Lucchetti strengthened its competitive position in Argentina by increasing its market share from 10.6% to 12.3% and posting positive operating figures during the last four months of the year. Lucchetti also significantly increased Lucchetti Chile's market share, which expanded from 37.6% in 1998 to 39.6% in 1999.



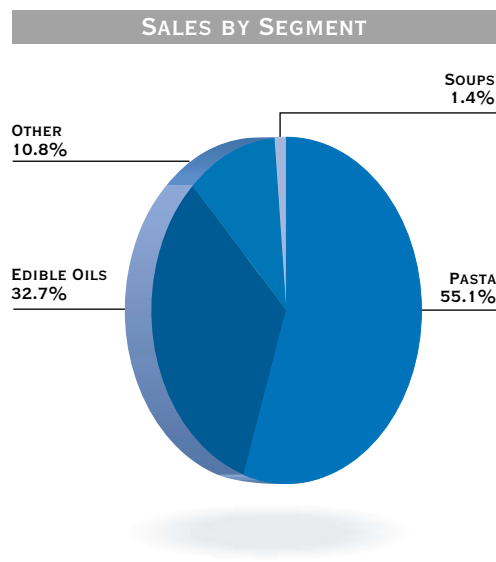
LUCCHETTI IS ONE OF THE PRINCIPAL PRODUCERS OF PASTA IN CHILE AND PERU

Lucchetti's challenges for the year 2000 focus on the price of pasta in Peru, which affects the company's results, and the need to overcome inefficiencies related to a limited number of products that can be sold to supermarkets.

FINANCIAL RESULTS

Revenues during 1999 increased by 13% in comparison with 1998 due to the consolidation of Lucchetti Perú S.A. and increased market shares in Argentina and Chile.

Nonetheless, the year's net result was a loss of 12,190 million pesos, 5,675 million pesos more than in 1998. This result was due primarily to the losses recorded by Lucchetti Peru attributable to low pasta prices. This stands in contrast to the improvement in results obtained by the Company in Argentina.



Notwithstanding the above, when comparing the consolidated proforma results for Lucchetti Peru for each year, an improvement of 1,765 million pesos is evident. This is mainly due to lower non-operating losses and, to a lesser extent, better results from operations.

HOTELES CARRERA



HOTELES CARRERA S.A. operates five hotels in Chile, including its flagship establishment, the five-star Hotel Carrera. Located in Santiago just steps from the presidential palace, the hotel symbolizes the best in Chilean hotel services. Hoteles Carrera also has a hotel in La Serena with an adjacent convention center, arguably the most modern such facility in Chile, with a capacity for one thousand people. The company also owns a hotel of long-standing tradition in Concepción and, in mid-1999, it began operating two new establishments in the cities of Iquique and Antofagasta.

Located in the heart of historic Santiago, the Hotel Carrera has received numerous heads of state and international dignitaries and is a select center of operations in Santiago for businessmen and top level executives. The hotel is a member of the “Leading Hotels of the World” chain.



QUALITY AND
SERVICE AT FIVE
FIRST-RATE
HOTELS

REFOCUSING ON MANAGEMENT

In following with its business strategy, during the year Hoteles Carrera clearly prioritized the efficient use of its capital and redefined itself as a company focusing on hotel management.



This focus enabled the company to orient the year's operations on hotel management rather than on the ownership of new establishments. Consequently, the two new hotels that joined the Carrera chain in Iquique and Antofagasta operate in buildings owned by independent investor groups that leave administration duties in the hands of Hoteles Carrera.



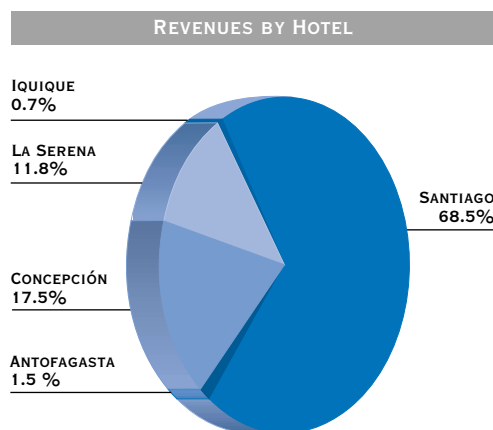
A similar arrangement exists in the case of the La Serena hotel and convention center, the latter of which was also inaugurated during 1999. This operating model has proven to be advantageous in terms of a sharper business focus and in the maximization of returns.

Among the year's initiatives, special mention should be made of the new centralized information system implemented to support administrative tasks and the successful opening of a self-service restaurant in the Hotel Carrera, an informal alternative of exceptional quality for business luncheons in downtown Santiago.

A BUSINESS
STRATEGY
TARGETING HOTEL
MANAGEMENT

FINANCIAL RESULTS

Revenues for the year ending December 31, 1999 totaled 6,261 million pesos, a 12% decrease from 1998. This was due to a lower average occupancy rate, reduced room fees and higher exchange rates. These factors had a negative impact on operating results, which fell by 793 million pesos from its 1998 level, producing a net loss of 937 million pesos.



HABITARIA



Through **HABITARIA S.A.**, Quiñenco plays an active role in the development of the Chilean real estate industry. The company, a joint venture with Ferrovial Inmobiliaria Chile Ltda., a subsidiary of Ferrovial Inmobiliaria S.A. (a leading company in the residential real estate industry in Spain and a member of the Ferrovial Group) began operations two months after its incorporation in June 1998. Habitaria focuses on the development of residential projects for middle income segments (the C1, C2 and C3 socioeconomic groups), which account for the majority of clients in the Chilean housing market.

Habitaria's objective is to transform the "real estate business" into a "real estate industry" by becoming a leading company in the sector. Key factors in this quest are design quality and roll-out of Habitaria's projects, a strong brand identity, superior customer service and economies of scale backed by the company's credibility and solvency.

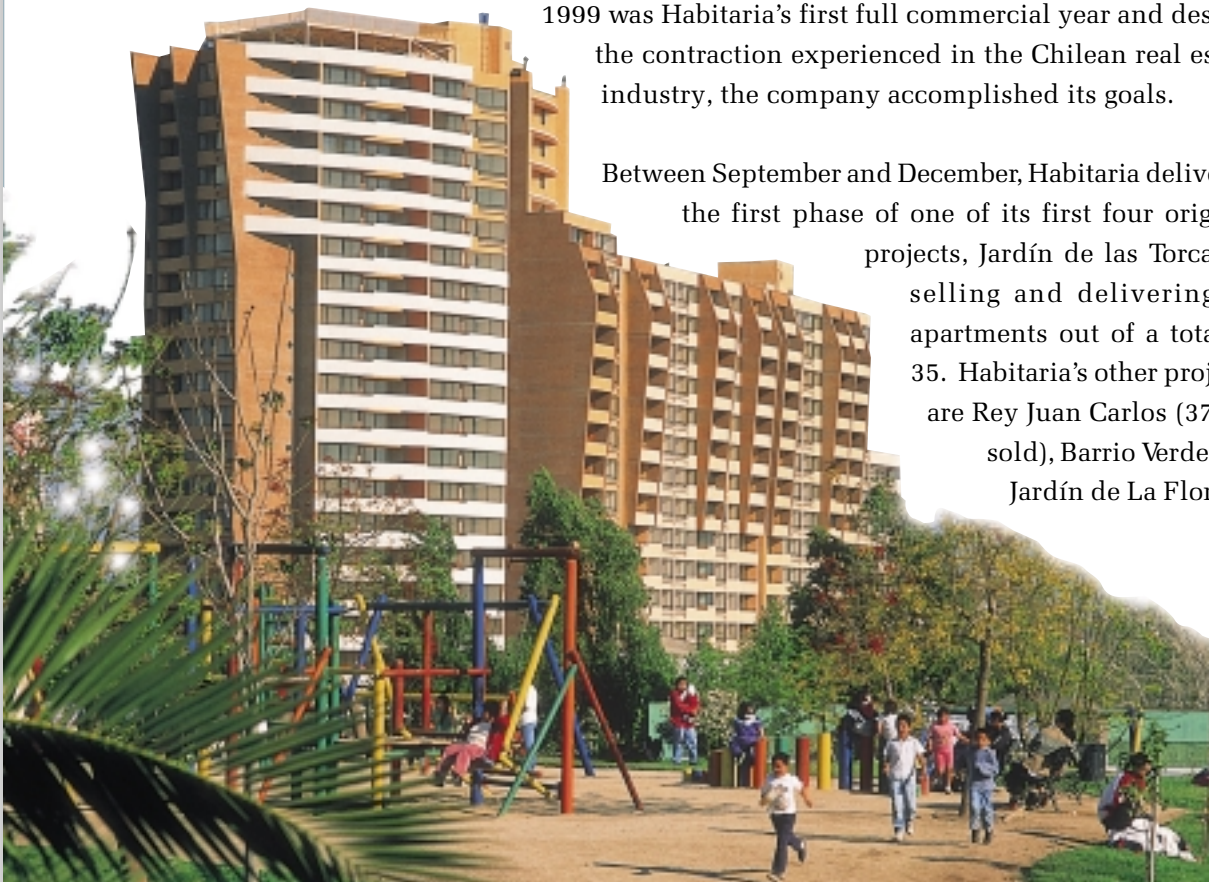
A PROMISING START

1999 was Habitaria's first full commercial year and despite the contraction experienced in the Chilean real estate industry, the company accomplished its goals.

Between September and December, Habitaria delivered the first phase of one of its first four original projects, Jardín de las Torcazas, selling and delivering 28 apartments out of a total of 35. Habitaria's other projects are Rey Juan Carlos (37.4% sold), Barrio Verde and Jardín de La Florida.



QUALITY IN THE
DESIGN AND
EXECUTION OF
PROJECTS,
BACKED BY
PROFESSIONALS



During the year, Habitaria became the first real estate company to obtain direct corporate financing instead of project-by-project funding, as is customary in the sector. Habitaria improved upon the normal system which implied more efficient asset management and reduced financial costs.

Habitaria also substantially increased its foundation for projects through the acquisition of new land. This was the case for Casa Kennedy and Parque Nueva Costanera (apartments) and María Luisa de Quilín, Rojas Magallanes and Casa Parque de la Viña (houses). Habitaria also put the second phase of the Jardín de las Torcazas and Jardín de La Florida projects on the market.

At the organizational level, Habitaria strengthened its management team and its operating systems. It is formulating a procedures manual that will serve as a basis for achieving ISO 9001 certification during the year 2000. The completion of this objective will transform Habitaria into a pioneering real estate company.

Habitaria's plans for the near future include a capital increase to reinforce its financial structure and facilitate the acquisition of new land.

Habitaria is uniquely poised to participate in the recovery of the Chilean real estate market by increasing its market presence and commercial projections.

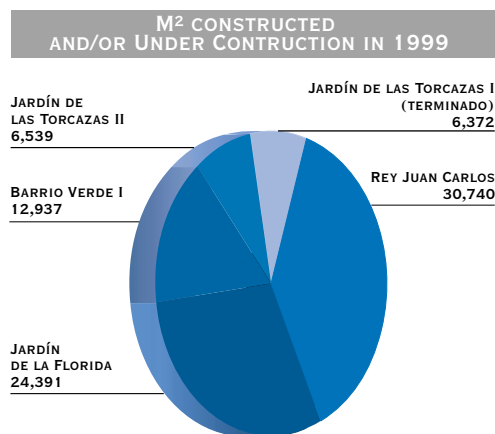


81,000 M² UNDER
CONSTRUCTION
AND/OR BUILT
IN 1999

FINANCIAL RESULTS

During 1999 Habitaria's sales amounted to 3,527 million pesos, with a gross profit of 579 million pesos and an operating loss of 253 million pesos. The net result for the year was a loss of 96 million pesos. It should be noted that the company recognizes revenue when the property is delivered and ownership is confirmed via public deed signed before a notary public. The value of open sales contracts (delivery of the property pending) at the close of the year came

to 3,847 million pesos (160 units). Said agreements have generated income flows for the company via advances paid down by clients and correspond to delivery sales (operating income) for the following year. These contracts are recorded as sales when the corresponding public deeds are signed.



CORPORATE AFFAIRS

MAJORITY SHAREHOLDERS

At the close of 1999 Quiñenco had 1,079,740,079 subscribed and paid shares. As of December 31, 1999, the twelve largest shareholders were as follows:

		NUMBER OF SHARES	% OF TOTAL
1	Antofagasta (Chili) and Bolivia Railway Co. PLC*	329,185,298	30.49
2	Ruana Copper A.G. Agencia Chile*	240,938,000	22.31
3	Sociedad Inmob. y de Inv. Río Claro Ltda.*	142,819,109	13.23
4	Inversiones Consolidadas Ltda.*	124,819,108	11.56
5	Citibank N.A.	119,594,820	11.08
6	Northern Mines Sociedad Contractual Minera*	33,571,898	3.11
7	Inversiones Salta S.A.*	18,000,000	1.67
8	Larraín Vial S.A. Corredores de Bolsa	5,507,476	0.51
9	Inversiones Totus S.A.	4,975,000	0.46
10	Sociedad de Rentas Rucahue Ltda.	3,853,000	0.36
11	The Five Arrows Chile Investment Trust	3,431,102	0.32
12	A.F.P. Cuprum para Fondo de Pensiones	2,731,818	0.25
	Total	1,029,426,629	95.34

*Companies controlled by the Luksic Group

INVESTMENT POLICY

Quiñenco actively invests in companies it controls, either directly or in conjunction with strategic partners. The company also looks for new business opportunities, either through acquisitions or by annexing related businesses in order to strengthen foundations for future growth.

Quiñenco uses its remaining assets for investments in businesses in which it may not necessarily control ownership or management but where attractive perspectives or possibilities for promising activities exist. This is the case of Quiñenco's current participation in Entel and Banco de Chile, where it currently holds stakes of 14.3% and 11.2%, respectively.

Quiñenco is attentive to opportunities that coincide with its strengths, that is, companies with strong brands that target consumer markets and industries in which Quiñenco can leverage its experience. Quiñenco's activities in banking

and telephony are examples of these kinds of operations. In the event it does not have direct experience, Quiñenco works with world-class strategic partners.

FINANCING POLICY

The financing for Quiñenco's investments comes from dividends and profit distributions paid by the companies in which it participates, as well as from resources generated through the sale of assets and the issue of debt and equity securities. Quiñenco prefers long term financing sources, whose maturity profiles help maximize cash flow and foster new investments.

RISK FACTORS

The primary risks affecting Quiñenco's activities and those of its subsidiaries and affiliate companies are those risks inherent to the markets and economies in which each business operates, both in Chile and abroad. These risks include the prices, costs and sales volumes for the products and services each company produces and markets.

Furthermore, Quiñenco and its subsidiaries and affiliate companies have historically required sizable amounts of capital for growth. As such, Quiñenco's future development depends largely upon its access to capital in order to expand its current businesses and enter new business areas.

In financial terms, the company has adequate solvency and profitability levels.

INSURANCE

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

DISTRIBUTION OF INCOME

The following proposal has been made by the Board of Directors with respect to the distribution of the year's income.

Net income for 1999 totaled 160,310 million pesos, for which the Board of Directors proposes the following distribution:

- a) Absorption of the accumulated deficit from the development period of pesos 225,667 thousand.
- b) Payment of a minimum obligatory dividend of 44.47862 pesos per share, which equates to a total payment of 48,025 million pesos.
- c) Payment of an additional dividend of 0.06270 pesos per share, which equates to a total payment of pesos 67,700 thousand.
- d) Allocation of the balance of 111,991 million pesos to retained earnings.

CAPITAL AND RESERVES

Assuming that the above distribution of profits is accepted and that the 1999 Financial Statements are approved, the Company's Shareholder Equity would be as follows:

	Millions of Ch\$
Subscribed and paid-in capital (divided into 1,079,740,079 shares with no par value)	409,001
Other reserves	14,979
Retained earnings	189,288
Total	613,268

DIVIDEND POLICY

At the Annual Shareholders' Meeting, to be held on April 28, 2000, the Board of Directors will report its intent to maintain its dividend policy of distributing at least 30% of annual net profits.

DIVIDEND NUMBER	DATE	DIVIDEND PER SHARE (CH\$)	TOTAL DIVIDEND (MILLIONS OF CH\$)
7	5/26/95	2,500.00000	1,178
8	5/28/96	11,000.00000	5,184
9	5/30/97	9.26825	8,568
10	5/11/98	29.67527	32,042
11	5/12/99	7.31819	7,902

These figures represent the historical dividends paid by Quiñenco S.A. to shareholders. They do not include retroactively the dividends paid by other related companies involved in the September 30, 1996 merger.

BOARD COMPENSATION

In following with the agreements approved at the Annual Shareholders' Meeting, compensation paid to the Members of the Board of Directors in 1999 was as indicated below:

16,771 thousand pesos to Mr. Guillermo Luksic C.; 14,791 thousand pesos to Mr. Andrónico Luksic C.; 15,054 thousand pesos to Mr. Jean-Paul Luksic F.; 14,792 thousand pesos to Mr. Vladimir Radic P.; 13,341 thousand pesos to Mr. Philip Adeane; 15,055 thousand pesos to Mr. Hernán Büchi B.; 15,187 thousand pesos to Mr. Joaquín Errázuriz H.; 15,320 thousand pesos to Mr. Juan Andrés Fontaine T. and 15,319 thousand pesos to Mr. Gonzalo Menéndez D.

The following Quiñenco S.A. Board Members received compensation for their services as Board Members of subsidiary companies as indicated below:

- In Banco de A. Edwards, 6,024 thousand pesos to Mr. Guillermo Luksic C.; 9,036 thousand pesos to Mr. Andrónico Luksic C. and 6,024 thousand pesos to Mr. Gonzalo Menéndez D.
- In Madeco S.A., 65,477 thousand pesos to Mr. Guillermo Luksic C.; 63,805 thousand pesos to Mr. Andrónico Luksic C.; 54,021 thousand pesos to Mr. Jean-Paul Luksic F. and 65,645 thousand pesos to Mr. Hernán Büchi B.
- In Telefónica del Sur S.A., 43,603 thousand pesos to Mr. Guillermo Luksic C. and 1,972 thousand pesos to Mr. Jean-Paul Luksic F.
- In Empresas Lucchetti S.A., 13,604 thousand pesos to Mr. Guillermo Luksic C.; 13,074 thousand pesos to Mr. Andrónico Luksic C. and 6,330 thousand pesos to Mr. Hernán Büchi B.
- In Hoteles Carrera S.A., 1,583 thousand pesos to Mr. Joaquín Errázuriz H.
- In VTR S.A., 2,560 thousand pesos to Mr. Jean-Paul Luksic F. and 2,560 thousand pesos to Mr. Hernán Büchi B.

QUIÑENCO S.A.

CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 1999 and 1998 (Translation from the original in Spanish)



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CONSOLIDATED STATEMENTS OF INCOME
CONSOLIDATED STATEMENTS OF CASH FLOWS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CH\$	-	CHILEAN PESOS
THCH\$	-	THOUSANDS OF CHILEAN PESOS
MCH\$	-	MILLIONS OF CHILEAN PESOS
UF	-	INFLATION INDEX-LINKED UNITS
THUS\$	-	THOUSANDS OF UNITED STATES DOLLARS

MANAGEMENT'S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 1999

INCOME STATEMENTS

Quiñenco reported net income for the year of Ch\$ 160,310 million, a significant increase compared to the Ch\$ 27,024 million reported in 1998. This increase is explained primarily by the profit generated by the sale of its stake in OHCH and, to a lesser extent, the sale of VTR's stake in VTR Hiper cable. Both transactions occurred during the second quarter of 1999.

Quiñenco reported a net loss for the fourth quarter of 1999 of Ch\$ 8,704 million, as compared to a net profit of Ch\$ 11,528 million in the same period in 1998. This decrease is mainly due to lower results from the operating companies, particularly Madeco and, to a lesser extent, VTR. The variance in VTR's net income is attributable to the extraordinary profit generated by the sale of VTR Larga Distancia in October 1998, as well as to provisions made during the fourth quarter of 1999. The decrease in consolidated net income can also be explained by Quiñenco's share in the loss of Banco de A. Edwards which amounted to Ch\$ 2,320 million, mainly attributable to provisions made by the bank during the fourth quarter of 1999. The composition of Quiñenco's net income is broken out in Table 1 as follows:

Table 1: Composition of Net Income (in millions of constant Ch\$)

	1999	1998
Operating income	(20,076)	46,201
Non-Operating income and others (1)	180,386	(19,177)
Net Income for the Year	160,310	27,024

(1) NON-OPERATING INCOME AND OTHERS: INCLUDES NON-OPERATING INCOME (EXPENSES), INCOME TAXES, MINORITY INTEREST AND AMORTIZATION OF NEGATIVE GOODWILL.

OPERATING RESULTS

In 1999, Quiñenco reported an operating loss of Ch\$ 20,076 million, compared to an operating profit of Ch\$ 46,201 million in the same period in 1998. Table 2 shows the composition of consolidated operating income:

Table 2: Composition of Operating Income (in millions of constant Ch\$)

	1999	1998
Madeco	(12,643)	34,954
Lucchetti	(1,760)	2,559
VTR	4,702	13,649
Carrera	(222)	571
Quiñenco and others (1)	(10,152)	(5,532)
Operating Income	(20,076)	46,201

(1) INCLUDES QUIÑENCO S.A. UNCONSOLIDATED, INVESTMENT COMPANIES AND ELIMINATIONS.

As shown in Table 2, all consolidating companies experienced a reduction in their operating income, the most relevant being Madeco and VTR. In the case of Madeco, the economic recession affected its principal markets, signifying a lower sales level and reduced margins, especially in the telecommunications cable segment. Madeco's results were also impacted by extraordinary charges in the fourth quarter of the year.

The decrease in VTR's operating income was primarily related to a one-time charge to depreciation expense to reflect a change in the estimated useful lives of Telsur's main assets.

Lucchetti's operating loss was mainly due to the consolidation of Lucchetti Peru, (subsidiary in the development stage during 1998), whose results were affected by unfavorable market conditions in which extremely low pasta prices prevailed throughout the year.

In 1999, consolidated sales amounted to Ch\$ 406,674 million, a 26.5% decrease from 1998. The reduction in the consolidated sales level is mostly explained by lower sales levels in Madeco and VTR. Madeco's sales experienced a 28.5% decrease, caused primarily by the depressed economic environment in its main markets, which in turn negatively affected both volume demand and put downward price pressure on its main products, particularly cables for the telecom segment. The 51.3% reduction in VTR's sales corresponds to the divestiture of its cable television business during the second quarter of 1999 and to a lesser extent, to the sale of its long-distance service in the fourth quarter of 1998. The reduced sales in Madeco and VTR are partially offset by an increase in Lucchetti's sales whose sales were positively impacted by its consolidation with Lucchetti Peru as well as an increase in its market share in pastas in Argentina. A comparative overview of consolidated sales is presented in Table 3:

Table 3: Breakdown of Consolidated Sales (in millions of constant Ch\$)

	1999	1998
Madeco	251,251	351,405
Lucchetti	90,804	80,358
VTR	54,980	112,914
Carrera	6,261	7,114
Quiñenco and others (1)	3,377	1,197
Consolidated Sales	406,674	552,987

(1) INCLUDES QUIÑENCO S.A. UNCONSOLIDATED, INVESTMENT COMPANIES AND ELIMINATIONS.

Consolidated cost of sales in 1999 shows a 17% decrease in comparison to 1998. This was due to reduced costs in Madeco and VTR, partially offset by higher costs in Lucchetti, due mainly to its consolidation with Lucchetti Peru.

The reduction in Selling, General and Administrative (SG&A) expenses of 11.5% in 1999 corresponds to the overall reduction in consolidated sales, primarily related to Madeco and VTR. VTR's reduction in SG&A expense is directly related to its aforementioned divestiture in its cable television and long-distance operations. This decrease is partially offset by an increase in SG&A expenses in Lucchetti due primarily to its consolidation with Lucchetti Peru and higher expenses at the corporate level incurred in connection with the Company's new administrative structure and also to a lesser extent, non-recurring expenses associated with asset transactions during 1999.

NON-OPERATING INCOME AND OTHER ITEMS

Non-operating income in 1999 totaled Ch\$ 180,386 million, representing an increase of Ch\$ 199,563 million over the non-operating loss of Ch\$ 19,177 million reported in 1998. This change is principally due to an increase in other income and price-level restatement gains, offset partially by higher taxes. The composition of consolidated non-operating income and other items is presented in Table 4 as follows:

Table 4: Breakdown of Non-Operating Income and Other Items (in millions of constant Ch\$)

	1999	1998
Interest income	19,427	19,290
Proportional share of net income of equity method investments	14,583	16,973
Amortization of goodwill	(6,792)	(3,404)
Other non-operating income (expense)	206,118	20,805
Interest expense	(39,961)	(47,060)
Price-level restatement	12,581	(7,502)
Income tax	(21,398)	(6,876)
Minority interest	(4,172)	(11,403)
Non-operating Income and Other Items	180,386	(19,177)

The increase of Ch\$ 185,313 million in Other (net) non-operating income is the result of an increase of Ch\$216,950 million in Other income, partially offset by Ch\$31,637 million in Other expenses. Other income includes the sale of OHCH, and to a much lesser extent, VTR's sale of VTR Hipercable, both of which occurred during the second quarter of 1999. Other non-operating expenses include extraordinary charges made by Madeco and provisions taken at VTR and at the corporate level.

Price-level restatement gains reported during 1999 correspond to the impact of exchange rate variations during 1999 on financial investments at the holding level and in VTR as a result of their positions in US dollars related to the two aforementioned transactions carried out during the year.

COMPOSITION OF NET INCOME

Table 5 provides a comparison of 1998 and 1999 net income corresponding to Quiñenco's main subsidiaries:

Table 5: Breakdown of Net Income (in millions of constant Ch\$)

COMPANY	NOTES	NET INCOME 1999	NET INCOME 1998	OWNERSHIP 1999 (%)	OWNERSHIP 1998 (%)	PROP. SHARE 1999	PROP. SHARE 1998
Madeco		(52,041)	12,488	56.50%	56.50%	(29,403)	7,054
Lucchetti		(12,190)	(6,515)	86.97%	71.37%	(9,922)	(4,726)
VTR	(1)	69,520	18,324	100.00%	46.27%	34,184	8,478
Carrera		(937)	(192)	90.78%	90.78%	(850)	(171)
OHCH		(1,409)	6,685	50.00%	50.00%	(705)	3,342
CCU		41,182	40,338	30.79%	31.24%	12,746	12,646
Habitaria		(96)	(325)	50.00%	50.00%	(48)	(162)
Edwards		(6,601)	-	51.18%		(1,900)	
Subtotal oper. Companies						4,102	26,462
Quiñenco + Inv. Companies						156,208	562
Total Net Income for the Year						160,310	27,024

(1) DOES NOT INCLUDE THE 9.63% OWNED BY MADECO AND PURCHASED BY QUIÑENCO DURING THE FOURTH QUARTER OF 1999.

The operating companies' net income decreased by 84.5% in 1999. This decrease is the result of Madeco's extraordinary charges, which represent 80% of the loss as well as the lower consolidated sales level. In addition, the decrease is explained by higher losses in Lucchetti due to the consolidation of Lucchetti Perú, losses in Banco de A. Edwards as a result of provisions made during the year, and the divestiture of OHCH which contributed Ch\$ 3,342 million in 1998. All of the above was partially offset by an increase in VTR's net income, explained mainly by the sale of its Cable TV operations during the year.

The net profit of Quiñenco and its investment companies benefitted from the profits recognized from the sale of their stake in OHCH, in addition to gains on the investment in Entel, which totaled Ch\$2,562 million.

BALANCE SHEET

ASSETS

As of December 31, 1999, Quiñenco had consolidated assets totaling Ch\$ 1,298,190 million, representing a decrease of 1.3% from 1998. The decrease is explained by a reduction of 15.3% in consolidated fixed assets and a 5.6% decrease in current assets, partially offset by a 20% increase in other assets. This change in the consolidated asset composition is directly related to the transactions carried out during the year. At year end 1999, current assets represent 29.6% of total consolidated assets as compared to 30.9% in 1998. Table 6 presents the composition of consolidated assets at the end of each year:

Table 6: Composition of Consolidated Assets (in millions of constant Ch\$)

	1999	1998
Madeco	404,369	466,571
Lucchetti	142,512	119,714
VTR	267,706	365,588
Carrera	23,210	23,023
Quiñenco and others (1)	460,392	339,941
Consolidated Assets	1,298,190	1,314,838

(1) INCLUDES QUIÑENCO S.A. UNCONSOLIDATED, INVESTMENT COMPANIES AND ELIMINATIONS.

LIABILITIES

Table 7 compares Quiñenco's consolidated Liabilities and Shareholders' equity at the close of each year:

Table 7: Composition of Consolidated Liabilities and Shareholders' Equity (in millions of constant Ch\$)

	1999	1998
Short-term liabilities	294,344	257,577
Long-term liabilities	243,029	338,448
Total liabilities	537,373	596,025
Minority interest	99,455	211,829
Shareholders' equity	661,361	506,983
Total Liabilities & Shareholders' Equity	1,298,190	1,314,838

At December 31, 1999, consolidated liabilities totaled Ch\$537,373 million representing a decrease of 9.8% from 1998. This decrease is explained primarily by the reduction in VTR's liabilities resulting from the sale of its cable TV operations. At the corporate level, liabilities increased by 104.5% owing to an increase in liabilities associated with securities held under repurchase agreements. Lucchetti's liabilities increased by 20.9% due to the consolidation of Lucchetti Peru. The following table presents a comparative breakdown by subsidiary of total liabilities at each year-end:

Table 8: Breakdown of Consolidated Liabilities (in millions of constant Ch\$)

	1999	1998
Madeco	241,477	255,990
Lucchetti	99,044	81,922
VTR	78,102	196,448
Carrera	9,238	8,115
Quiñenco and others (1)	109,512	53,552
Consolidated Liabilities	537,373	596,025

(1) INCLUDES QUIÑENCO S.A. UNCONSOLIDATED, INVESTMENT COMPANIES AND ELIMINATIONS.

At December 31, 1999, current liabilities represented 54.8% of total liabilities, in comparison to 43.2% in 1998.

At December 31, 1999, minority interest amounted to Ch\$ 99,455 million, representing a 53.0% decrease compared to the same period in 1998. This change is due primarily to the decrease of the minority interest in VTR as a result of Quiñenco's purchase of SBC's 44.10% stake in VTR during the second quarter of 1999. In addition, the change is also explained by the decrease in minority interest in VTR Hipercable as a consequence of its sale in the second quarter of 1999. Furthermore, the minority interest in Madeco and Lucchetti decreased due to the losses registered by these companies in 1999.

SHAREHOLDERS' EQUITY

At December 31, 1999, Shareholders' equity totaled Ch\$ 661,361 million, representing a 30.5% increase from 1998, mainly due to the higher profits obtained during the second quarter of 1999. The book value of Quíenco's shares at year-end 1999 reached Ch\$ 612.52 per share. Earnings per share totaled Ch\$ 148.47.

CONSOLIDATED FINANCIAL INDICATORS

INDICATORS	UNIT	12.31.99	09.30.99	12.31.98
Current ratio		1.30	1.85	1.58
Acid test		1.02	1.53	1.24
Debt/equity ratio		0.81	0.78	1.18
Short-term liabilities	(%)	0.5477	0.5343	0.4322
Long-term liabilities	(%)	0.4523	0.4657	0.5678
Total Assets	MCh\$	1,298,190	1,307,220	1,314,838
Sales	MCh\$	406,674	303,068	552,987
Cost of Sales	MCh\$	(330,874)	(237,627)	(398,480)
Operating income	MCh\$	(20,076)	(7,292)	46,201
Interest expense	MCh\$	(39,961)	(31,100)	(47,060)
Non-operating income (expense)	MCh\$	204,069	220,863	(2,579)
Net income for the year	MCh\$	160,310	169,014	27,024

DIFFERENCE BETWEEN BOOK VALUE AND FAIR VALUE OF PRINCIPAL ASSETS

Asset valuation includes adjustments for price-level restatement and provisions to record certain assets at their fair market value.

Since principal assets correspond to investments in related companies (direct and indirect) and are valued in accordance with the equity method, differences between the book value and market value may arise.

Francisco Pérez Mackenna
Chief Executive Officer

REPORT OF INDEPENDENT ACCOUNTANTS

(Translation from the original in Spanish)

Price Waterhouse

Firma miembro de **PRICEWATERHOUSECOOPERS** 

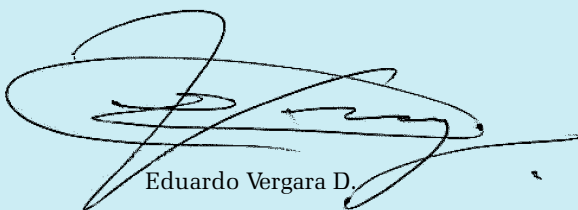
Santiago, February 25, 2000

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

We have audited the consolidated balance sheets of Quiñenco S.A. and its subsidiaries as of December 31, 1999 and 1998 and the related consolidated statements of income and of cash flows for years then ended. These financial statements (including the related notes thereto) are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of O'Higgins Central Hispanoamericano S.A. for which investment the Company recognized a proportional profit amounting to ThCh\$ 3,342,389 for the year ended December 31, 1998. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for O'Higgins Central Hispanoamericano S.A., is based solely on the report of the other auditors.

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

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



Eduardo Vergara D.



Price Waterhouse

QUIÑENCO S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Translation from the original in Spanish)

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

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

QUINENCO S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Translation from the original in Spanish)

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

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

QUIÑENCO S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Translation from the original in Spanish)

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

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

QUIÑENCO S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Translation from the original in Spanish)

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

RECONCILIATION BETWEEN NET CASH FROM OPERATING ACTIVITIES AND NET INCOME

(Translation from the original in Spanish)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 1999 and 1998
(Translation from the original in Spanish)

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

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

NOTE 1

THE COMPANY

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

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

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

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

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

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

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

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

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

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

The consolidated financial statements of VTR. S.A. and subsidiaries include the consolidation of the following direct and indirect subsidiaries: Compañía Nacional de Teléfonos, Telefónica del Sur S.A. and subsidiaries and VTR Comercial S.A. On April 28, 1999, VTR S.A. sold its total investment in VTR Hipercable S.A.

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

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

B) PRICE-LEVEL RESTATEMENTS

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

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

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

C) ASSETS AND LIABILITIES IN FOREIGN CURRENCY

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

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

D) TIME DEPOSITS

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

E) MARKETABLE SECURITIES

Marketable securities are valued as follows:

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

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

F) ACCOUNTS RECEIVABLE

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

G) INVENTORIES

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

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

H) PREPAID EXPENSES

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

I) OTHER CURRENT ASSETS

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

J) RECOVERABLE TAXES

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

K) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

L) INVESTMENTS IN RELATED COMPANIES

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

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

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

M) GOODWILL AND NEGATIVE GOODWILL

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

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

N) OTHER INVESTMENTS

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

O) INTANGIBLE ASSETS

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

P) BONDS PAYABLE

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

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

Q) STAFF SEVERANCE INDEMNITIES

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

R) CURRENT INCOME TAXES AND DEFERRED INCOME TAXES

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

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

S) STAFF VACATIONS

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

T) OPERATING REVENUES

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

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

U) ACCUMULATED DEFICIT DURING DEVELOPMENT PERIOD

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

v) CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

NOTE 3

CHANGES IN ACCOUNTING PRINCIPLES

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

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

NOTE 4

PRICE-LEVEL RESTATEMENTS

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

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

NOTE 5

TIME DEPOSITS

These investments are summarized as follows:

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

NOTE 6

MARKETABLE SECURITIES

Marketable securities are summarized as follows:

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

NOTE 7

INVENTORIES

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

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

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

NOTE 8

OTHER CURRENT ASSETS

Other current assets are summarized as follows:

	AT DECEMBER 31,	
	1999 THCH\$	1998 THCH\$
Reverse repurchase agreements	39,289,222	101,140,961
Other	4,079,582	1,242,418
Total	43,368,804	102,383,379

NOTE 9

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

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

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

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

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

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

	HOTELES CARRERA S.A. THCH\$	INMOBILIARIA DEL NORTE S.A. THCH\$	MADECO S.A. THCH\$	TOTAL THCH\$
Property	2,296,500	-	2,798,272	5,094,772
Buildings and infrastructure	8,657,072	129,097	8,771,340	17,557,509
Machinery and equipment	-	-	1,901,757	1,901,757
Total	10,953,572	129,097	13,471,369	24,554,038

NOTE 10 INVESTMENTS IN RELATED COMPANIES

A) THE FOLLOWING INVESTMENTS, VALUED AS DESCRIBED IN NOTE 2 L), ARE SHOWN IN THE BALANCE SHEET UNDER OTHER ASSETS:

At December 31, 1999:

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

(1) INDIRECT SUBSIDIARIES OF MADECO S.A. IN THE DEVELOPMENT STAGE.

(2) THE FINANCIAL STATEMENTS OF BANCO A. EDWARDS HAVE NOT BEEN CONSOLIDATED AS THIS SUBSIDIARY APPLIES DIFFERENT ACCOUNTING POLICIES TO THOSE APPLIED BY QUIÑENCO. THE EXEMPTION NOT TO CONSOLIDATE THE ACCOUNTS OF BANCO A. EDWARDS WAS AUTHORIZED BY THE SUPERINTENDENCY OF INSURANCE AND SECURITIES ON NOVEMBER 5, 1999.

(3) PER PUBLIC DEED DATED MAY 3, 1999, THE COMPANY SOLD ITS INVESTMENT IN O'HIGGINS CENTRAL HISPANOAMERICANO S.A. (OHCH) FOR US\$ 600 MILLION, GENERATING A PRE-TAX PROFIT OF THCH\$150,105,138.

(4) INVESTMENT SOLD IN MAY 1999.

(5) INVESTMENT ACQUIRED ON DECEMBER 27, 1999.

At December 31, 1998

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

(1) INDIRECT SUBSIDIARIES OF MADECO S.A. IN THE DEVELOPMENT STAGE.

(2) FOREIGN SUBSIDIARY OF EMPRESAS LUCCHETTI S.A. IN THE DEVELOPMENT STAGE.

(3) THIS COMPANY WAS MERGED IN DECEMBER 1998.

GENERAL INFORMATION OF DEVELOPMENT STAGE SUBSIDIARIES

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

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

(1) THESE COMPANIES WERE CONSOLIDATED IN 1999.

SUBSIDIARY NOT CONSOLIDATED SINCE IT APPLIES DIFFERENT ACCOUNTING POLICIES, IN ACCORDANCE WITH THE NORMS OF THE SUPERINTENDENCY OF BANKS AND FINANCIAL INSTITUTIONS.

BANCO DE A. EDWARDS

CONSOLIDATED CONDENSED BALANCE SHEETS	1999 MCH\$	1998 MCH\$
ASSETS		
Cash and due from banks	157,296	231,173
Loans	1,976,832	1,959,649
Allowance for loan losses	(72,549)	(33,159)
Other interest bearing operations	39,670	10,075
Investments	248,478	114,199
Other assets	29,355	43,760
Bank premises and equipment	46,606	46,104
Total assets	2,425,687	2,371,800
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	2,020,494	1,947,795
Bonds payable	65,256	69,486
Loans from financial institutions	110,919	179,263
Other liabilities	14,512	15,672
Minority interest	3,564	3,271
Shareholders' equity	217,543	137,518
Net (loss) income for the year	(6,601)	18,796
Total liabilities & Shareholders' equity	2,425,687	2,371,800
CONSOLIDATED CONDENSED STATEMENTS OF INCOME		
OPERATING RESULTS		
Operating revenue	291,545	342,016
Operating costs	(169,039)	(224,244)
Personnel salaries and expenses	(66,109)	(65,215)
Provisions, write-offs and recoveries	(64,335)	(26,350)
Operating (loss) income	(7,939)	26,207
NON-OPERATING RESULTS		
Non-operating income	1,504	1,257
Net income from investments	72	(7)
Non-operating expenses	(56)	(82)
Price-level restatements	(2,340)	(3,909)
Voluntary allowances for loan losses	-	333
Income before income taxes	(8,759)	23,799
Income tax	2,653	(4,335)
Minority Interest	(495)	(669)
Net (loss) income for the year	(6,601)	18,796

B) NEGATIVE GOODWILL

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

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

(1) THE NEGATIVE GOODWILL OF THIS SUBSIDIARY INCLUDES AN AMOUNT OF THCH \$14,144,860, WHICH CORRESPONDS TO ENTEL S.A.

C) GOODWILL

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

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

(1) THE GOODWILL OF THIS SUBSIDIARY INCLUDES AN AMOUNT OF THCH\$ 5,871,048, WHICH CORRESPONDS TO ENTEL S.A.

NOTE 11 OTHER INVESTMENTS

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

NOTE 12 OTHER ASSETS - OTHER NON-CURRENT ASSETS

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

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

NOTE 13 LONG-TERM ACCOUNTS RECEIVABLE

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

NOTE 14 SHORT-TERM BANK LOANS

A) SHORT-TERM BANK LOANS ARE SUMMARIZED AS FOLLOWS:

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

B) SHORT-TERM LIABILITIES

Short-term liabilities are summarized as follows:

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

c) LONG-TERM LIABILITIES:

Long-term liabilities are summarized as follows:

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

(1) SEE RESTRICTIONS IN NOTE 22

(2) BONDS PAYABLE ARE SUMMARIZED AS FOLLOWS:

COMPANY	ORIGINAL VALUE AT ISSUANCE UF	1999 THCH\$	1998 THCH\$
Compañía Nacional de Teléfonos, Teléfonica del Sur S.A.	2,800,000	25,895,511	27,651,945
Compañía de Teléfonos de Coyhaique S.A.	130,000	1,360,572	1,586,274
Madeco S.A.	693,000	5,449,258	6,624,511
Subtotal		32,705,341	35,862,730
Less: Current portion		(4,201,450)	(3,738,389)
Total long term		28,503,891	32,124,341

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

YEAR	THCH\$
2001	11,984,231
2002	7,923,827
2003	12,623,845
2004 and thereafter	79,046,009
Total	111,577,912

d) LONG-TERM BANK LOANS

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

Long-term bank loans are payable as follows:

PRINCIPAL PAYMENTS WITHIN	AT DECEMBER 31, 1999 THCH\$
1 to 2 years	66,384,343
2 to 3 years	33,963,545
3 to 4 years	20,415,524
4 to 5 years	6,251,451
5 to 6 years	4,247,069
more than 6 years	188,880
	131,450,812
Current portion	51,991,828
Total long-term bank loans	183,442,640

NOTE 15 PROVISIONS AND WRITE-OFFS

The following are the provisions at each year end:

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

	1999 ThCh\$	1998 ThCh\$
Long-term liabilities:		
VTR Galaxy Chile S.A. - negative equity	-	1,246,920
Contingencies	5,029,569	-
Staff severance indemnities	2,561,188	2,539,954
Pending legal disputes	2,708,514	1,984,061
Others	-	89,940
Total	10,299,271	5,860,875

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

NOTE 16 OTHER CURRENT LIABILITIES

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

NOTE 17 INCOME TAX

A) CURRENT INCOME TAX

Current income taxes are summarized as follows:

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

B) DEFERRED INCOME TAXES:

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

	1999 THCH\$
ASSETS	
Allowance for doubtful accounts	2,435,824
Allowance for obsolescence	1,636,604
Staff vacations	247,511
Unearned income - inventories	943,096
Provisions	43,196
Valuation allowance	(20,581,106)
Sales commissions	114,474
Tax loss carry forward	27,865,999
Others	757,302
	13,462,900
LIABILITIES	
Accelerated depreciation	6,468,706
Staff severance indemnities	309,606
Fixed assets under leasing	2,400,939
Fabrication expenses	395,943
Others	80,603
	9,655,797

NOTE 18 STAFF SEVERANCE INDEMNITIES

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

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

NOTE 19 SHAREHOLDERS' EQUITY

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

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

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

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

c) As of December 31, 1999 and 1998, the account Cumulative translation adjustment included the exchange differences resulting from the application of Technical Bulletin N°64 of the Institute of Chilean Accountants.

d) As of December 31, 1998, the account Accumulated deficit during development stage of subsidiaries included the recognition of the proportional share of equity adjustments recorded by the subsidiaries Agrícola El Peñon S.A, Inversiones Río Grande S.A., Madeco S.A., VTR S.A. and Inversiones Nacionales Ltda.

e) As of December 31, 1999, the account Accumulated deficit during development stage of subsidiaries included the recognition of the proportional share of equity adjustments recorded by Madeco S.A.

f) The capital of the Company at December 31, 1999 is represented by 1,079,740,079 no par value shares.

NOTE 20

BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

A) CURRENT ASSETS

Notes and accounts receivable from related parties:

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

B) LONG-TERM ASSETS

Notes and accounts receivable from related parties:

COMPANY	NATURE OF RELATIONSHIP	AT DECEMBER 31,	
		1999 THCH\$	1998 THCH\$
Comercial Sur S.A.	Indirect	-	135,145
O'Higgins Central Hispanoamericano S.A.	Investment (equity method) -	-	4,818
Promosol S.A.	Indirect	36,355	36,354
Total		36,355	176,317

c) CURRENT LIABILITIES

Notes and accounts payable to related parties:

COMPANY	NATURE OF RELATIONSHIP	AT DECEMBER 31,	
		1999 THCH\$	1998 THCH\$
Polimer S.A	Indirect	81,122	-
Nieto S.A.	Indirect	-	1,386,895
Cervecersa Santiago Ltda	Indirect	3,928	-
Embotelladora Chilenas Unidas S.A	Indirect	3,232	-
Viña San Pedro	Indirect	2,886	-
SBC International INC	Indirect	-	21,079,729
Colada Continua Chilena S.A	Indirect	256,016	-
Others		12,656	297,210
Total		359,840	22,763,834

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

d) TRANSACTIONS

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

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

NOTE 21 MINORITY INTEREST

Minority interest is summarized as follows:

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

NOTE 22 GUARANTEES, ENCUMBRANCES, CONTINGENCIES AND COMMITMENTS

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

IN FAVOR OF	TYPE	ASSETS PLEDGED	BALANCE OF SECURED LOANS		MATURITY DATE
			1999	1998	
			THCH\$	THCH\$	
Siemens					
Beteiligung A.G.	Pledge	8,000,000 Madeco shares	10,646,143	9,726,797	June 5, 2000

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

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

NUMBER OF SHARES	COMPANY	BENEFICIARY	BALANCE OF SECURED LOANS	
			1999	1998
			THCH\$	THCH\$
73,500,000	Madeco S.A.	Banco del Estado de Chile	26,461,779	31,306,669
58,127,677	Madeco S.A.	BCH (Grand Cayman)	16,294,140	-
28,542,032	OHCH	BCH (Grand Cayman)	-	22,325,478
106,372,098	CNT	CTC	15,298,607	14,967,904
			58,054,526	68,600,051

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

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

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

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

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

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

INVERSIONES RÍO GRANDE LIMITADA AND SUBSIDIARIES

a) Direct commitments

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

b) Indirect commitments

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

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

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

AGRÍCOLA EL PEÑÓN S.A. AND SUBSIDIARY

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

MADECO S.A. AND SUBSIDIARIES

Direct commitments

	AMOUNT OF GUARANTEE	
	1999 THCH\$	1998 THCH\$
Mortgage over assets	412,937	133,776
Pledge over machinery	3,623,299	2,336,950
Pledge over raw materials and semi-finished products	2,650,350	-

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

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

VTR S.A. AND SUBSIDIARIES

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

b) Tax proceedings

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

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

NOTE 23

GUARANTEES RECEIVED FROM THIRD PARTIES

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

NOTE 24 FOREIGN CURRENCY ASSETS AND LIABILITIES

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

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

NOTE 25 OTHER NON-OPERATING INCOME AND EXPENSES

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

a) Other non-operating income

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

b) Other non-operating expenses

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

NOTE 26 DIRECTORS' REMUNERATION

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

NOTE 27 SHARE TRANSACTIONS

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

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

NOTE 28 CONTROLLING SHAREHOLDERS

TYPE OF SHAREHOLDER	PERCENTAGE OF OWNERSHIP		NUMBER OF SHAREHOLDERS	
	1999 %	1998 %	1999	1998
Holding of 10% or more	88.67	89.58	5	5
Holding of less than 10% with investment of UF 200 or more	10.96	9.96	803	596
Holding of less than 10% with investment of less than UF 200	0.37	0.46	2,008	1,982
Total	100.00	100.00	2,816	2,583
Controlling shareholders	82.37	82.33	5	5

NOTE 29 SANCTIONS

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

NOTE 30 RESEARCH AND DEVELOPMENT EXPENSES

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

NOTE 31 FOREIGN INVESTMENTS AND ASSOCIATED OBLIGATIONS

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

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

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

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

NOTE 32 YEAR 2000 ISSUE

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

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

	1999 THCH\$	1998 THCH\$
Hardware	502,557	548,774
Software	595,070	698,243
Consulting and others	484,851	306,563
	1,582,478	1,553,580

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

NOTE 33 SUBSEQUENT EVENTS

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

Francisco Pérez Mackenna
General Manager

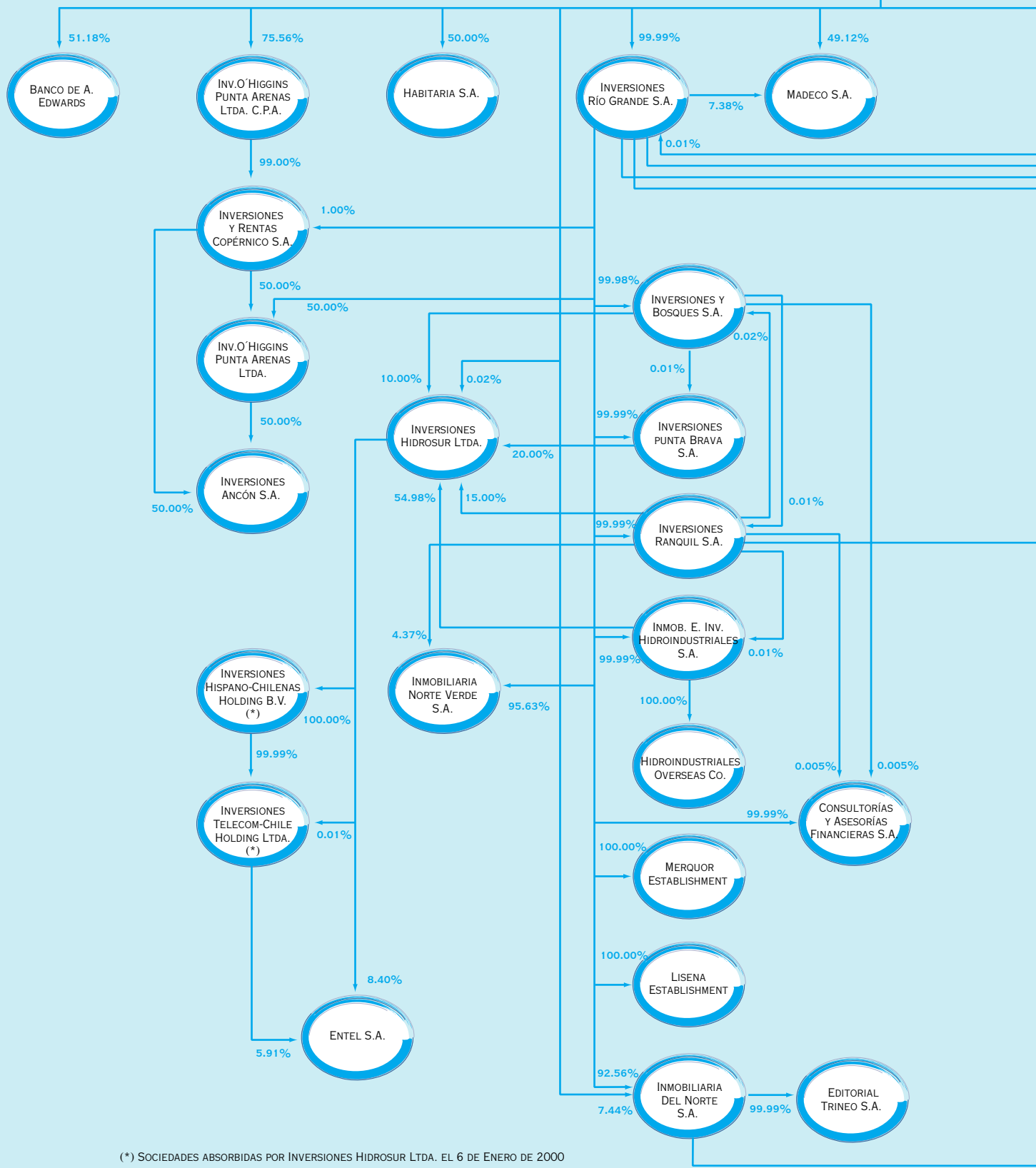
Oscar Henríquez Vignes
Chief Accountant

QUIÑENCO S.A. CORPORATE STRUCTURE

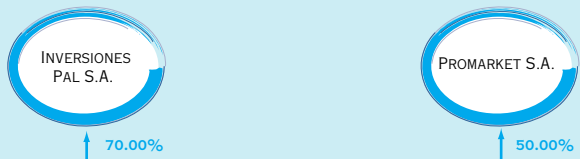
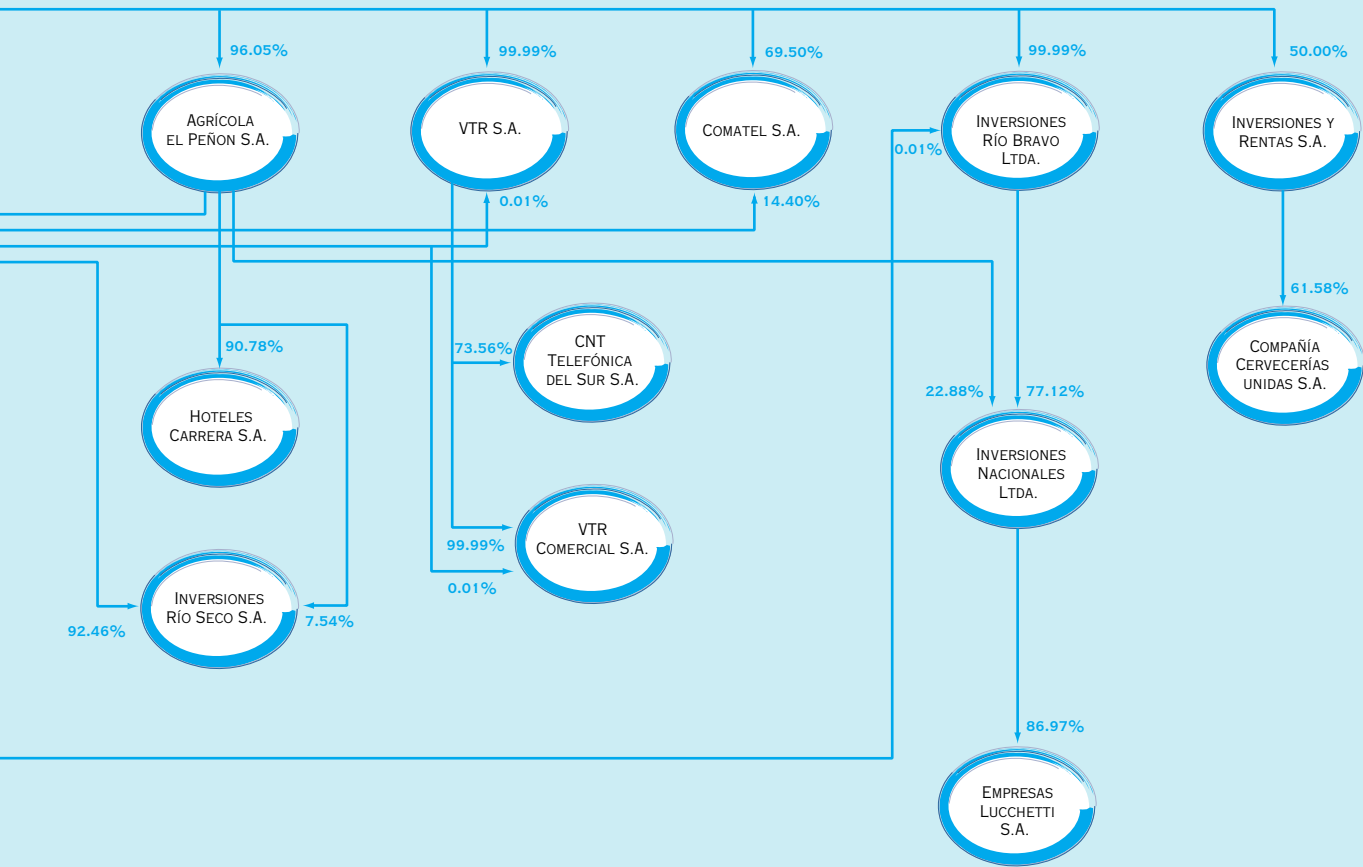


SUBSIDIARIES AND AFFILIATES

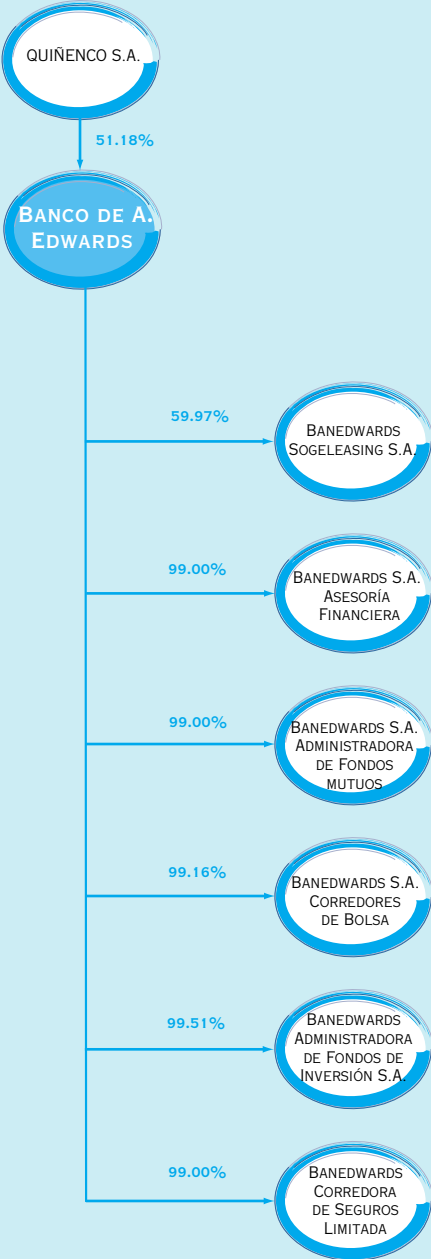
QUIÑENCO S.A. SUBSIDIARIES AND AFFILIATES



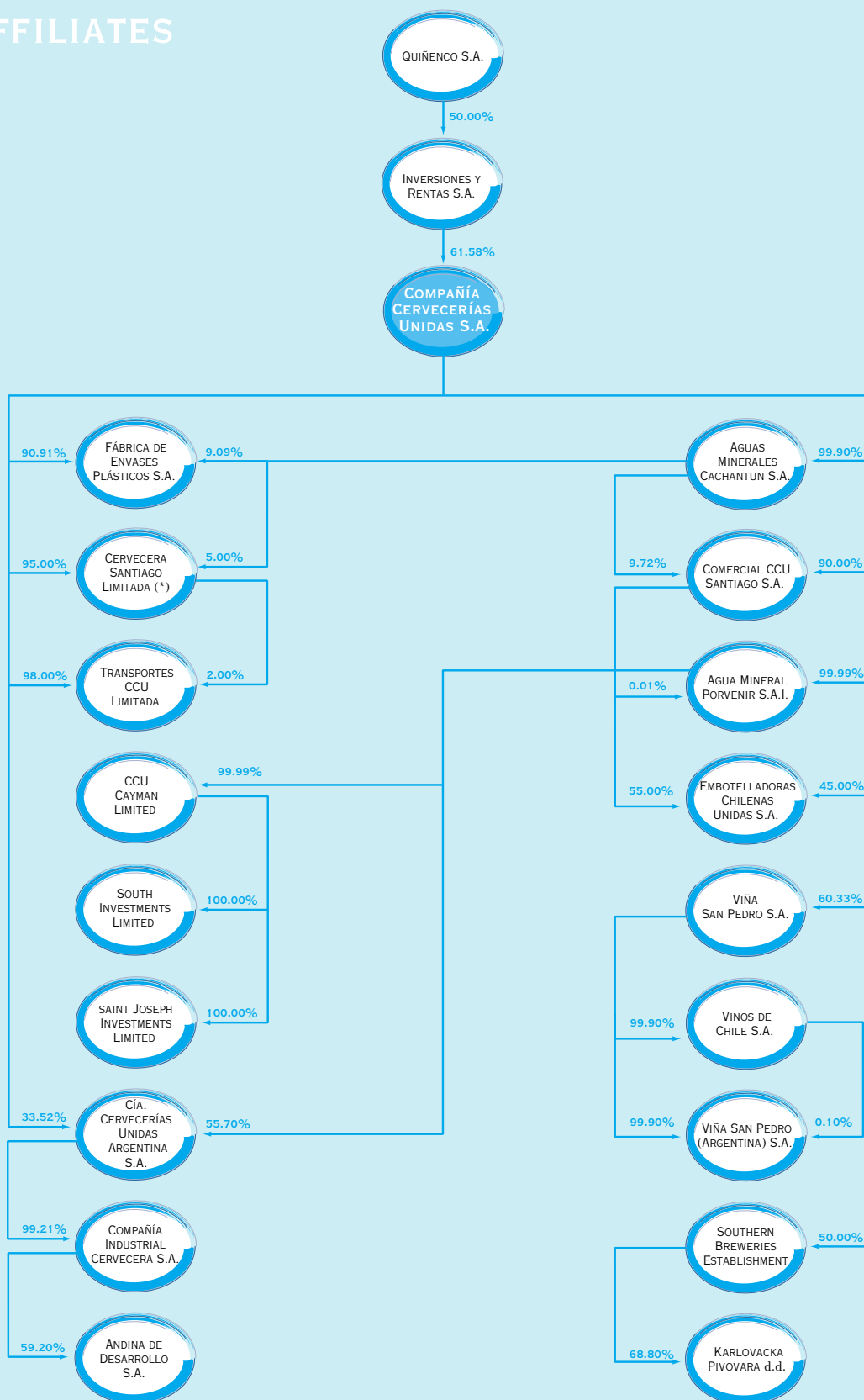
(*) SOCIEDADES ABSORVIDAS POR INVERSIONES HIDROSUR LTDA. EL 6 DE ENERO DE 2000



BANCO DE A. EDWARDS AND SUBSIDIARIES

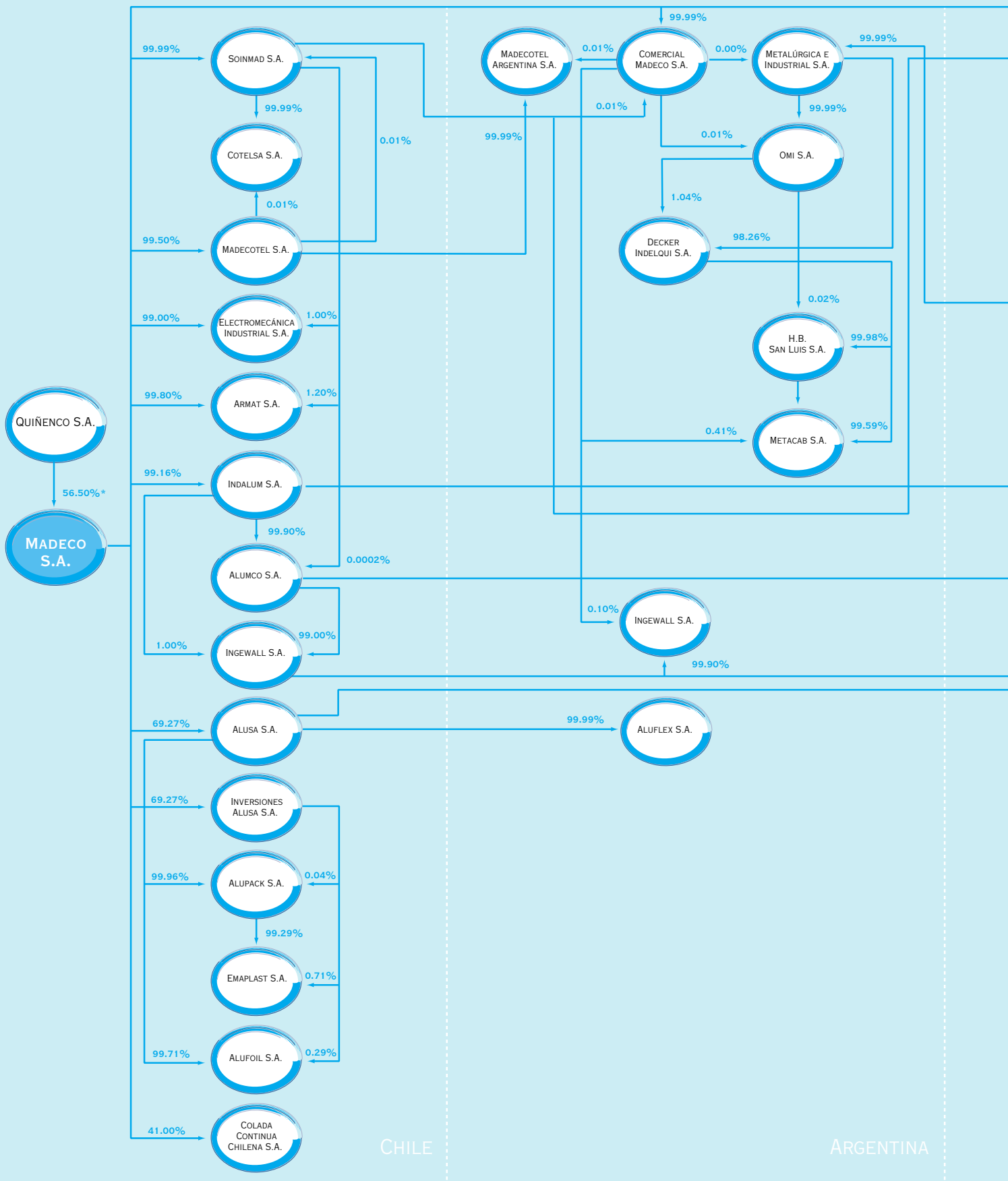


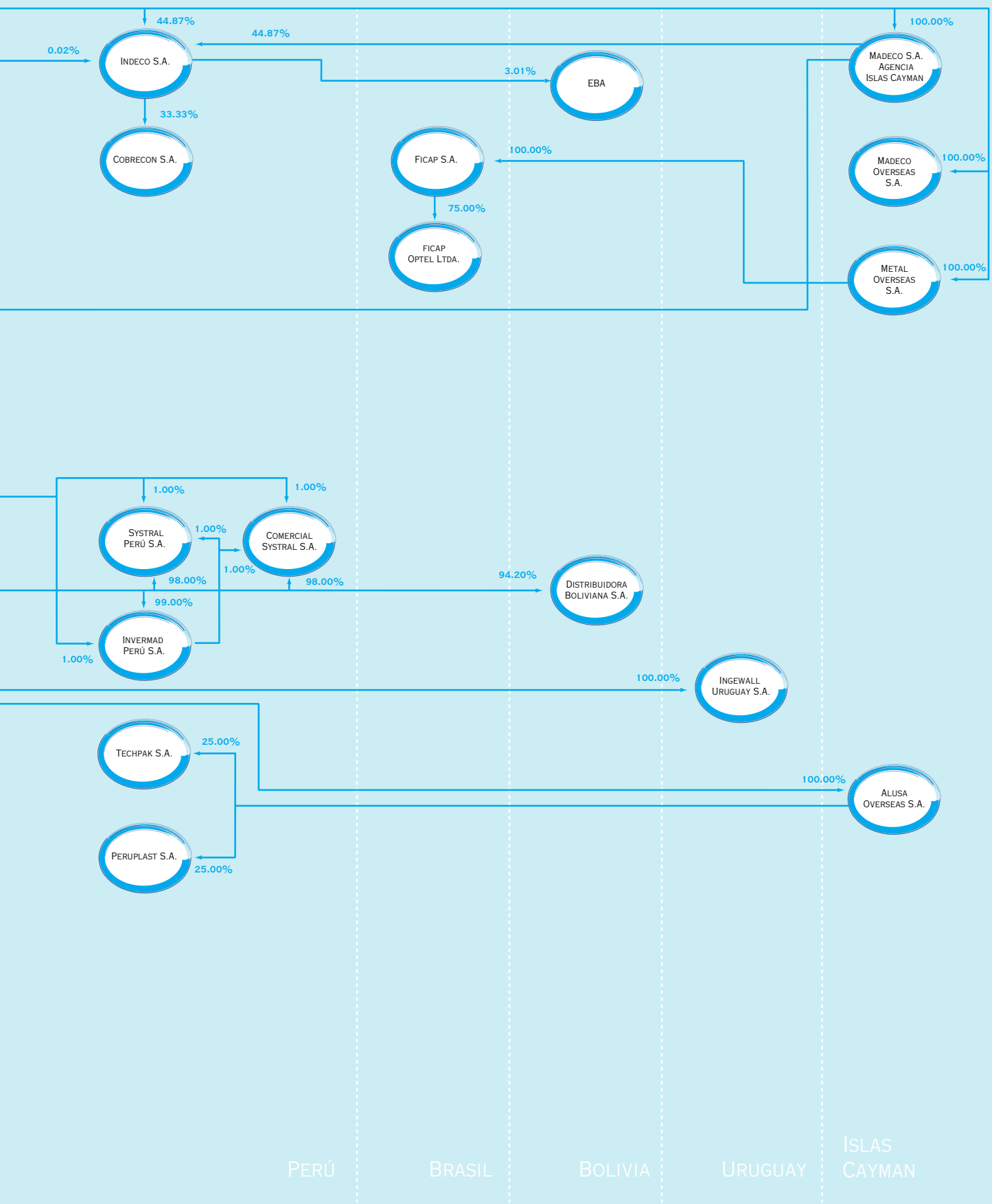
COMPAÑÍA CERVECERÍAS UNIDAS S.A. SUBSIDIARIES AND AFFILIATES



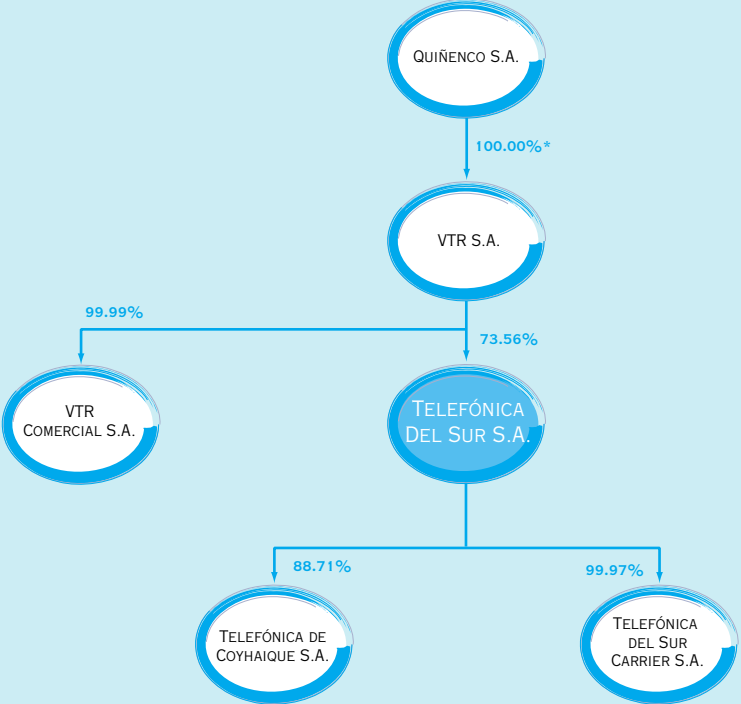
(*) AS OF JANUARY 1, 2000 THE NAME HAS BEEN CHANGED TO "CERVECERA CCU CHILE LIMITADA"

MADECO S.A. SUBSIDIARIES AND AFFILIATES

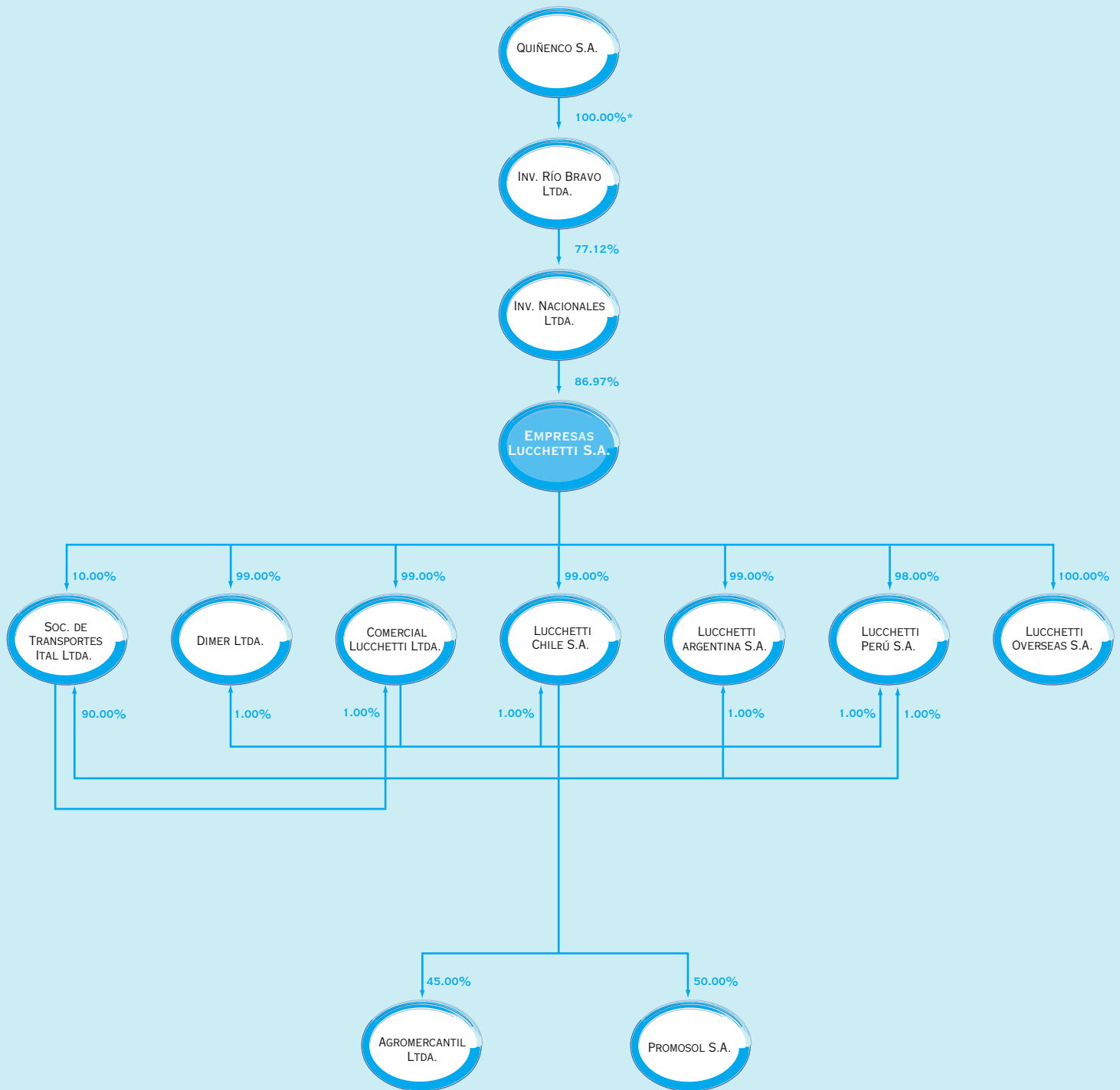




COMPAÑÍA NACIONAL DE TELÉFONOS, TELEFÓNICA DEL SUR S.A. AND SUBSIDIARIES



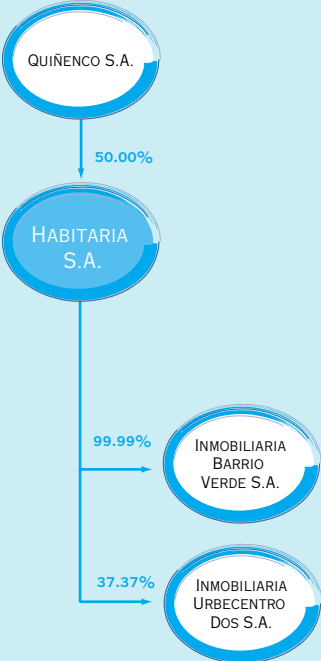
EMPRESAS LUCCHETTI S.A. SUBSIDIARIES AND AFFILIATES



AGRÍCOLA EL PEÑÓN S.A. AND SUBSIDIARY HOTELES CARRERA S.A.



HABITARIA S.A. SUBSIDIARIES AND AFFILIATES



CORPORATE INFORMATION

QUIÑENCO S.A.
ENRIQUE FOSTER SUR 20, PISO 14
LAS CONDES, SANTIAGO, CHILE
TELEPHONE: (56-2) 750 7100
FAX: (56-2) 750 7101
CHILEAN TAX ID (R.U.T.): 91.705.000-7

ANNUAL SHAREHOLDERS' MEETING

THE ANNUAL SHAREHOLDERS' MEETING WILL BE HELD ON FRIDAY, APRIL 28, 2000 AT 12:00 P.M. IN THE JOSÉ MIGUEL SALON OF THE HOTEL CARRERA (TEATINOS 180, SANTIAGO, CHILE).

INVESTOR RELATIONS

CALL (56-2) 750 7100
OR CONTACT OUR REPRESENTATIVE IN THE UNITED STATES:
CITIGATE DEWE ROGERSON
1440 BROADWAY
NEW YORK, NY 10018
TELEPHONE: (212) 688 6840

STOCK

TICKER SYMBOL: LQ (NYSE)
QUIÑENCO (CHILEAN STOCK EXCHANGES)
SHAREHOLDERS AS OF DECEMBER 31,
1999: 2,816
SHARES OUTSTANDING AS OF DECEMBER
31, 1999: 1,079,740,079

STOCK EXCHANGES:
NYSE IN NEW YORK
BOLSA DE COMERCIO DE SANTIAGO
BOLSA DE COMERCIO DE VALPARAÍSO
BOLSA DE VALORES DE CHILE

DIVIDENDS:
THE DIVIDEND PROPOSED BY THE BOARD OF DIRECTORS AT THE ANNUAL SHAREHOLDERS' MEETING REGARDING 1999 NET INCOME WILL BE PAYABLE AS OF MAY 10, 2000 TO SHAREHOLDERS OF RECORD AS OF MAY 6, 2000.

SHAREHOLDERS' DEPARTMENT:
ENRIQUE FOSTER SUR 20, PISO 14
LAS CONDES, SANTIAGO, CHILE
TELEPHONE: (56-2) 750 7100

AUDITORS

PRICE WATERHOUSE
HUÉRFANOS 863, PISO 4
SANTIAGO, CHILE
TELEPHONE: (56-2) 661 0000