

QUIÑENCO S.A.

CONSOLIDATED FINANCIAL STATEMENTS

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



CONTENTS

MANAGEMENT'S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS
REPORT OF INDEPENDENT ACCOUNTANTS
CONSOLIDATED BALANCE SHEETS
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** 

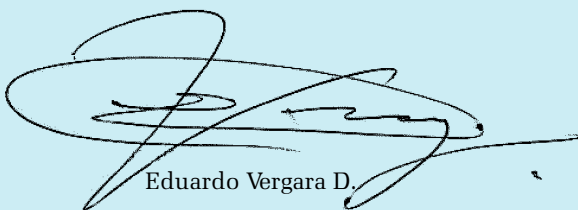
Santiago, February 25, 2000

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 THCH\$	1998 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	1998
	THCH\$	THCH\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of accounts receivable	478,827,634	658,582,601
Interest income received	20,395,440	22,944,533
Dividends received	10,093,617	15,739,267
Other income received	5,356,797	1,834,157
Payments to suppliers and employees	(424,043,790)	(567,989,195)
Interest paid	(39,634,680)	(41,711,169)
Income taxes paid	(4,616,945)	(27,433,469)
Other operating expenses	(4,998,352)	(3,844,672)
VAT and other taxes paid	(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

