



LETTER FROM THE CHAIRMAN

Dear Shareholders:

It is a great pleasure to present the Annual Report and Financial Statements of Quiñenco S.A. for the year ended December 31, 2000.

Quiñenco's efficient organizational structure enabled us to meet the challenges this year that arose in a responsive and creative manner, taking advantage of all available resources to seek out the best business opportunities within our borders and beyond.

The best evidence of this capability was Quiñenco's incursion into Banco de Chile, an institution with a long history and an important local and international presence. This operation, clearly the most significant for our Company this year, charts the course of our future actions and demonstrates the commitment we are willing to make in order to be relevant participants in the local financial sector.

Quiñenco's investment in Banco de Chile, coupled with the investment it made in 1999 in Banco de A. Edwards, positions the Company as the most important player in the local banking sector, an area where we have a long history and recognized expertise.

Our investments in the banking sector will now account for more than 60% of our total investments. We are confident, that as in the past, we will be able to make a valuable contribution of the development of our banking investments in coming years.

Quiñenco is dedicated to improving the performance of its operating companies in order to create greater value for our shareholders, and we have taken the necessary steps to prepare our companies to deal with current and future challenges. This has resulted in the improvement of the Return On Capital Employed (ROCE) in each one of the Quiñenco's operating companies.

The restructurings that have taken place at the operating company level are an example of our continuous adaptation to new market scenarios. The goal is to optimize elements as well strengthen our human resources in order to reduce costs and increase efficiency and productivity, all of which tie in to greater value creation for our shareholders and personnel. We know the results of these measures are not instantaneous, and they will require time to bear fruit.



We are convinced, however, that we are on the right path to consolidate attractive long-term returns.

This has been especially evident in the case of Compañía Cervecerías Unidas (CCU) where, on the basis of a study by Booz-Allen & Hamilton, a cost-saving plan was implemented. Also, during the year, an important market study of per capita beer consumption was completed, and its conclusions will be fundamental in CCU's future growth plan.

At Madeco, a comprehensive restructuring initiated in 1999 was completed, and although the company continued to post net losses of Ch\$16,786 million in 2000 (a 69% decrease compared with the previous year), operating losses were completely reverted, and Madeco reported operating profits of Ch\$9,989 million for the year. We feel that the company is on its way to restored profitability and that time will bear this out.

Banco de A. Edwards has meticulously reviewed its portfolio and made allowances for loan losses as it deemed necessary. This had a negative impact on the bank's short-term results, but we believe that its fortified capital structure and current client portfolio position will enable it to become a much more competitive bank in the future. In 2000, Banco de A. Edwards reported a net profit of Ch\$3,176 million, a significant improvement over the loss seen in 1999.

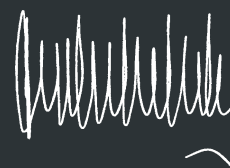
Empresas Lucchetti reported a net loss of Ch\$9,988 million (a 22% decrease compared to 1999). Nonetheless, operational losses were totally reverted and Lucchetti reported an operating profit of Ch\$3,426 million in 2000. The company has redefined its strategy for the future, consolidating its operations in countries where it will be able to best exploit its comparative advantages. As a consequence, it has decided to divest its Argentine operation. Lucchetti Argentina was sold for US\$44.7 million, to be concluded in 2001.

Telefónica del Sur has taken firm steps to assure its future growth, broadening its base of unregulated services. This has enabled Telsur to maintain its profitability levels despite the recently implemented tariff changes. It has also successfully continued its geographic expansion during 2000. All of these factors allowed the company to post net profits for the period of Ch\$7,435 million.

In the real estate and hotel administration sector, Quiñenco acquired a 39.4% stake in the Plava Laguna complex in Croatia this year, another example of its permanent quest for new and promising businesses. Habitaria and Hoteles Carrera reported net losses during the year of Ch\$799 million and Ch\$1,106 million, respectively, in an especially adverse scenario in the construction and hotel sectors.

We are aware of the enormous tasks that lie ahead. Nevertheless, we maintain our optimism and strength of spirit, which will enable us to persevere with the measures we have taken to revert negative situations. Our objectives for 2001 are to promote and support the companies which show promise, to help improve those whose performance has been lower than expected, to reduce our presence in non-strategic sectors, and to continue to seek new horizons and prospects.

In presenting the Annual Report and Financial Statements for the year 2000 to our shareholders, it is my desire as Chairman of the Board of Quiñenco to publicly thank shareholders for their trust, and to thank our entire team for their hard work during the year. The people who belong to the Quiñenco Group are our most valuable asset, and their support allows us to reaffirm our confidence in the future.



GUILLERMO LUKSIC CRAIG
Chairman