





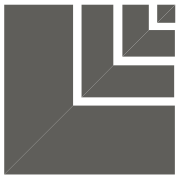
# SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2000 AND 1999  
(TRANSLATION FROM THE ORIGINAL IN SPANISH)

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    \$ - Chilean pesos  
ThCh\$ - Thousands of Chilean pesos  
MCh\$ - Millions of Chilean pesos  
    US\$ - Dollars USA  
ThUS\$ - Thousands of dollars USA  
    UF - Unidad de fomento (an official inflation-  
          indexed monetary unit)



## FINANCIAL STATEMENTS

PRICEWATERHOUSECOOPERS 

### REPORT OF INDEPENDENT ACCOUNTANTS

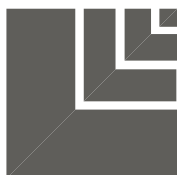
(Translation from the original in Spanish)

Santiago, February 28, 2001  
(March 14, 2001 for Note 23 d)

To the Shareholders and Directors  
Quiñenco S.A.

- 1 We have audited the consolidated balance sheets of Quiñenco S.A. and its subsidiaries as of December 31, 2000 and 1999 and the related consolidated statements of income and of cash-flows for the 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 Madeco S.A. as of December 31, 2000, which represent assets amounting to M\$ 438,808,635 and sales for the year of M\$ 302,902,628. 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 Madeco S.A., is based solely on the report of the other auditors.
- 2 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 misstatements. 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 statements presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.
- 3 In our opinion, based on our audits and the report of 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, 2000 and 1999 the results of their operations and their cash-flows for the years then ended, in conformity with accounting principles generally accepted in Chile.
- 4 As explained in Note 3, as from the year 2000, the Parent Company and subsidiaries have recorded the effects of deferred taxes in accordance with the regulations published on this matter.
- 5 The notes accompanying this report correspond to a summarized version of those included in the financial statements of the Company filed with the Superintendency of Securities and Insurance, on which we have issued our opinion on this same date, and which include additional information required by the Superintendency of Securities and Insurance, which, in the opinion of management, is not necessary for an adequate interpretation of these statements.

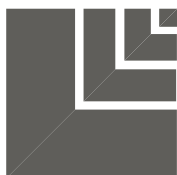
Eduardo Vergara D.



## CONSOLIDATED BALANCE SHEETS

	At December 31	
ASSETS	2000	1999
	ThCh\$	ThCh\$
<b>CURRENT ASSETS</b>		
Cash	4,851,582	5,622,568
Time deposits	14,564,176	137,027,192
Marketable securities	4,264,432	6,237,381
Accounts receivable (net)	85,516,686	81,655,688
Notes receivable (net)	13,024,011	9,962,597
Other accounts receivable	6,810,811	6,215,446
Notes and accounts receivable from related companies	5,903,467	4,021,435
Inventories (net)	83,541,283	84,648,171
Recoverable taxes	15,405,710	18,628,671
Prepaid expenses	3,113,386	2,722,342
Deferred taxes	3,185,238	-
Other current assets	135,337,847	45,407,138
<b>TOTAL CURRENT ASSETS</b>	<b>375,518,629</b>	<b>402,148,629</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Property	23,811,935	24,451,606
Buildings and installations	198,157,284	200,823,021
Machinery and equipment	331,699,001	349,524,940
Other fixed assets	58,424,841	49,730,937
Revaluation from technical appraisals	26,013,498	25,708,078
	638,106,559	650,238,582
LESS: ACCUMULATED DEPRECIATION	(228,675,964)	(209,306,267)
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>409,430,595</b>	<b>440,932,315</b>
<b>OTHER ASSETS</b>		
Investments in related companies	392,480,117	313,206,083
Other investments	2,905,594	46,760,350
Goodwill	156,557,179	131,137,009
Negative goodwill (less)	(20,343,064)	(21,784,518)
Long term accounts receivable	23,389,820	22,548,483
Notes and accounts receivable from related companies	38,064	38,064
Intangible assets	3,284,852	3,515,188
Amortization of intangible assets	(828,254)	(660,481)
Other non-current assets	25,386,277	21,429,806
<b>TOTAL OTHER ASSETS</b>	<b>582,870,585</b>	<b>516,189,984</b>
<b>TOTAL ASSETS</b>	<b>1,367,819,809</b>	<b>1,359,270,928</b>

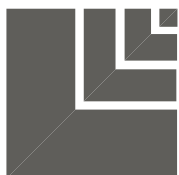
The accompanying Notes 1 to 23 form an integral part of these consolidated financial statements.



## CONSOLIDATED BALANCE SHEETS

	At December 31	
LIABILITIES AND SHAREHOLDERS' EQUITY	2000 ThCh\$	1999 ThCh\$
<b>CURRENT LIABILITIES</b>		
Short-term bank loans	155,201,341	94,096,190
Current portion of long-term bank loans	67,145,761	54,435,444
Current portion of bonds payable	3,846,356	4,398,918
Current portion of other long-term liabilities	2,072,632	3,561,495
Dividends payable	1,064,425	979,048
Accounts payable	32,232,921	27,123,089
Notes payable	30,904,575	22,535,311
Other liabilities	6,529,513	14,858,864
Notes and accounts payable to related companies	489,688	376,752
Provisions	22,230,949	27,915,180
Withholdings	4,497,726	4,346,040
Income taxes payable	94,872	12,516,791
Unearned income	463,020	3,073,055
Deferred taxes	569,011	-
Other current liabilities	667,033	38,028,481
<b>TOTAL CURRENT LIABILITIES</b>	<b>328,009,823</b>	<b>308,244,658</b>
<b>LONG TERM LIABILITIES</b>		
Long-term bank loans	199,783,921	137,629,000
Bonds payable	66,070,538	29,843,574
Notes payable	8,277,441	73,279,465
Sundry creditors	9,893,092	2,179,497
Provisions	12,238,280	10,783,337
Other long-term liabilities	4,210,271	736,201
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>300,473,543</b>	<b>254,451,074</b>
<b>MINORITY INTEREST</b>	<b>102,320,428</b>	<b>104,129,902</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common stock	428,224,335	428,224,335
Reserves	16,766,256	15,683,301
Accumulated deficit during development period of subsidiaries (less)	(948,892)	(236,272)
Retained earnings	198,622,412	80,929,189
(Loss) net income for the year	(5,648,096)	167,844,741
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>637,016,015</b>	<b>692,445,294</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,367,819,809</b>	<b>1,359,270,928</b>

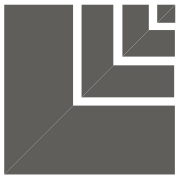
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## CONSOLIDATED STATEMENTS OF INCOME

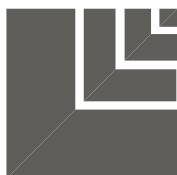
	For the year ended December 31	
	2000 ThCh\$	1999 ThCh\$
<b>OPERATING RESULTS</b>		
Net sales	451,796,019	425,787,618
Cost of Sales	(360,667,169)	(346,424,684)
Gross margin	91,128,850	79,362,934
Administrative and selling expenses	(75,454,161)	(100,382,640)
<b>OPERATING INCOME (LOSS)</b>	<b>15,674,689</b>	<b>(21,019,706)</b>
<b>NON-OPERATING RESULTS</b>		
Interest income	8,514,205	20,340,113
Proportional share of net income of equity-method investments	17,685,953	18,239,986
Other non-operating income	13,195,883	257,007,486
Proportional share of loss of equity-method investments	(8,027,789)	(2,971,398)
Amortization of goodwill	(11,712,086)	(9,087,901)
Interest	(36,953,630)	(41,838,824)
Other non-operating expenses	(14,291,879)	(41,201,798)
Price-level restatements	(5,973,502)	13,172,288
<b>NON-OPERATIONAL INCOME (LOSS)</b>	<b>(37,562,845)</b>	<b>213,659,952</b>
Income before income taxes	(21,888,156)	192,640,246
Income tax	7,101,443	(22,403,602)
Income before minority interest	(14,786,713)	170,236,644
Minority interest	6,755,258	(4,368,256)
Income before amortization of negative goodwill	(8,031,455)	165,868,388
Amortization of negative goodwill	2,383,359	1,976,353
<b>NET INCOME (LOSS) FOR THE YEAR</b>	<b>(5,648,096)</b>	<b>167,844,741</b>

The accompanying Notes 1 to 23 form an integral part of these consolidated financial statements



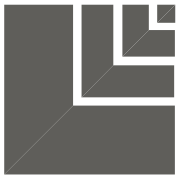
## CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31	
	2000 ThCh\$	1999 ThCh\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collection of accounts receivable	516,340,554	501,332,533
Interest income received	8,102,873	21,354,026
Dividends and other distributions received	10,869,571	10,568,017
Other income received	6,229,638	5,608,566
Payments to suppliers and employees (less)	(469,729,558)	(443,973,848)
Interest paid (less)	(38,620,590)	(41,497,510)
Income tax paid (less)	(13,027,853)	(4,833,941)
Other operating expenses (less)	(3,124,764)	(5,233,275)
VAT and other taxes paid (less)	(18,844,107)	(24,489,922)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(1,804,236)</b>	<b>18,834,646</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in capital	3,586,999	2,823,868
Borrowings	309,143,076	204,688,082
Bonds issued	36,714,327	-
Borrowings from related companies	660,380	-
Other borrowings	2,871,312	571,662
Dividends paid (less)	(51,032,851)	(20,879,954)
Return of capital to shareholders (less)	-	(21,801,288)
Payment of loans (less)	(265,570,024)	(227,873,924)
Payment of bonds (less)	(3,783,257)	(3,243,136)
Payment of other borrowings from related companies (less)	-	(3,255,968)
Payment of expenses related to shares issued (less)	(7,634)	-
Payment of expenses related to bonds issued (less)	(634,008)	-
Other financing activities (less)	(5,231,074)	(149,425)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>26,717,246</b>	<b>(69,120,083)</b>



## CONSOLIDATED STATEMENTS OF CASH FLOWS (continuation)

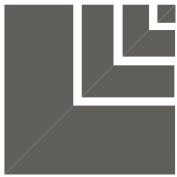
	For the year ended December 31	
	2000	1999
	ThCh\$	ThCh\$
CASH-FLOWS FROM INVESTING ACTIVITIES		
Proceeds of sale of property, plant and equipment	7,446,292	3,530,252
Sales of permanent investments	13,130,439	454,988,871
Sales of other investments	45,872,274	6,010,639
Collection of other borrowings from related companies	-	9,813,714
Other income from investments	667,341	17,046,854
Additions to property, plant and equipment (less)	(32,637,042)	(57,202,112)
Payments of interest (less)	(328,809)	(1,206,344)
Other investments (less)	(52,801,783)	(374,933,289)
Other investing activities (less)	-	(41,408,766)
Documented loans to related companies (less)	(24,489)	-
Other loans to related companies (less)	(50,310)	-
Other disbursements relating to investments (less)	(864,191)	(12,716,394)
NET CASH FROM INVESTMENT ACTIVITIES	(19,590,278)	3,923,425
NET CASH FLOW FOR THE YEAR	5,322,732	(46,362,012)
PRICE-LEVEL RESTATEMENT OF CASH AND CASH EQUIVALENTS	(1,713,415)	17,782,091
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,609,317	(28,579,921)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	127,753,570	156,333,491
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	131,362,887	127,753,570



## RECONCILIATION BETWEEN NET CASH FROM OPERATING ACTIVITIES AND NET INCOME

	For the year ended December 31	
	2000 ThCh\$	1999 ThCh\$
(LOSS) NET INCOME FOR THE YEAR	(5,648,096)	167,844,741
Income from sales of assets:		
Loss (gain) on sales of property, plant & equipment	727,828	(263,820)
Gain on sales of investments	(9,046,114)	(247,331,782)
Loss on sale of investments	454,522	39,847
Loss on sales of other assets	37,441	1,645,062
Add (deduct) charges (credits) which do not represent movement of funds:		
Depreciation	30,361,100	38,463,354
Amortization of intangible assets	623,533	1,318,042
Write-offs and provisions	8,954,573	41,898,388
Proportional share of net income of equity-method investments	(17,685,953)	(18,239,986)
Proportional share of loss of equity-method investments	8,027,789	2,971,398
Amortization of goodwill	11,712,086	9,087,901
Amortization of negative goodwill	(2,383,359)	(1,976,353)
Price-level restatements	5,973,502	(13,172,288)
Other non-cash credits	(8,876,751)	(6,387,120)
Other non-cash charges	7,832,605	16,468,597
Changes in assets affecting cash flows:		
(Increase) decrease in accounts receivable	(12,719,466)	7,748,048
(Increase) decrease in inventories	(6,264,768)	7,462,676
Decrease in other assets	(23,802,223)	(5,532,963)
Changes in liabilities affecting cash flows:		
Increase (decrease) in accounts payable related to operating income	6,744,321	(10,638,987)
Increase in interest payable	18,111,646	11,602,900
Net (decrease) increase in income taxes payable	(13,145,115)	2,290,443
Increase in other accounts payable related to Non-operating income	3,745,023	6,275,725
Net increase in VAT and other taxes		
Minority interest share of income (loss)	1,216,898	2,892,567
	(6,755,258)	4,368,256
NET CASH FLOW FROM OPERATING ACTIVITIES	(1,804,236)	18,834,646

The accompanying Notes 1 to 23 form an integral part of these consolidated financial statements



# SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2000 AND 1999  
(Translation from the original in Spanish)

These summarized notes, in the opinion of management, provide sufficient but less detailed information than that contained in the financial statements filed with the Superintendency of Securities and Insurance, where they are available to the public in general.

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

The main amendments considered are as follows:

- A) Notes excluded:
  - β Time deposits
  - β Marketable securities
  - β Other current liabilities
  - β Severance indemnities
  - β Directors' remuneration
  - β Ownership Structure of the Parent Company
  - β Sanctions
  - β Research and development costs
  - β Guarantees and collateral received from third parties
  
- B) Information contained in the following notes is summarized:
  - β Inventories
  - β Other current assets
  - β Investments in related companies
  - β Property, plant and equipment
  - β Short and long term liabilities
  - β Minority interest
  - β Balances and main transactions with related companies

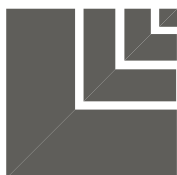
## NOTE 1- THE COMPANY

The Parent company is registered with the Securities Registry under N°0597 and is subject to the regulatory authority of the Superintendency of Securities and Insurance.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Bases of presentation and principles of consolidation

The consolidated financial statements at December 31, 2000 and 1999 have been prepared in accordance with accounting principles generally accepted in Chile and the specific standards and instructions of the Superintendency of Securities and Insurance, and include the assets, liabilities and results of the Parent company and the following subsidiaries:



# SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2000 AND 1999  
(Translation from the original in Spanish)

	Percentage of Direct or Indirect Holding	
	2000 %	1999 %
Excelsa Establishment	100.00	-
IQ Inversiones Financieras S.A.	100.00	-
Inversiones Río Bravo Ltda. and subsidiaries	-	100.00
Inversiones Río Grande S.A. and subsidiaries	100.00	100.00
V.T.R. S.A. y filiales	100.00	100.00
Comatel S.A.	85.00	83.85
Agrícola El Peñón S.A. and subsidiary	96.05	96.05
O'Higgins Punta Arenas Ltda. C.P.A. and subsidiary	75.56	75.56
Madeco S.A. and subsidiaries	56.11	56.50

The effects of significant transactions with subsidiary companies have been eliminated and the participation of minority investors is 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 Consultorias y Asesorías Financieras S.A..

The consolidated financial statements of Agrícola El Peñón S.A. and subsidiary include the consolidation 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 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., Peru, Madeco Overseas S.A., Cayman Islands, Metal Overseas S.A. and subsidiaries, Cayman Islands, and Metalúrgica e Industrial SA. and subsidiaries, Argentina.

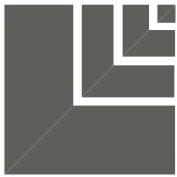
The consolidated financial statements of V.T.R. S.A. and subsidiaries include the consolidation of the following direct and indirect subsidiaries: Compañía Nacional de Teléfonos, Telefónica del Sur S.A. and subsidiaries and VTR Comercial S.A.

The Parent company has not consolidated the financial statements of the subsidiaries Banco de A. Edwards and Banedwards Compañía de Seguros de Vida S.A. as these companies apply different accounting policies to those applied by the Parent company. This exemption from consolidation was authorized by the Superintendency of Securities and Insurance.

The Company has made some minor reclassifications to facilitate comparisons of the financial statements.

## b) Price-level restatements

The consolidated financial statements have been restated to reflect the effects of variations in the purchasing power of the local currency during each year. According to current regulations, non-monetary assets and liabilities at the year-ends and initial net worth and its changes have been restated in line with changes in the official cost of living index, which amounted to 4.7% for the year 2000 (2.6% for 1999). Monthly balances of income and expense accounts were also restated to express them at year-end values. The amounts for 1999 have been restated by 4.7% for comparison purposes.



## SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2000 AND 1999  
(Translation from the original in Spanish)

c) Assets and liabilities in foreign currency

Assets and liabilities in foreign currency (US dollars) at December 31, 2000 have been translated into Chilean pesos at the closing exchange rate of \$573.65 per US\$1 (\$ 530.07 per US\$1 in 1999).

Assets and liabilities in UFs are shown at December 31, 2000 at the year-end value of \$15,769.92 per UF 1 (\$15,066.96 per UF 1 in 1999).

d) Time deposits

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

e) Marketable securities

At December 31, 2000 and 1999, investments in quoted shares are shown at the lower of restated cost at the consolidated level and the market value of the portfolio at each year-end. Investments in mutual funds are shown at the closing value of the unit at each year-end.

f) 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 costs. Installation projects of telephone cables in in progress are accounted for by the percentage of completion method.

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

g) 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.

h) Prepaid expenses

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

i) Other current assets

This heading includes securities purchased under reverse repurchase agreements and are valued at their year-end at their restated cost plus accrued interest. Also included are time deposits and guarantee notes issued to third parties.

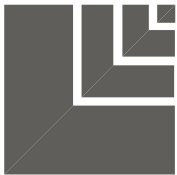
j) Property, plant and equipment

Property, plant and equipment are shown at restated cost and net of corresponding 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.

k) Investments in related companies

Investments in related companies are shown in Other assets, valued according to the equity method based on the corresponding financial statements of the investee.



## SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2000 AND 1999  
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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.

l) Goodwill and negative goodwill

These balances show the difference between the amount paid and the equity value of an investment at the time of acquisition. These amounts are being amortized over a maximum term of 20 years from the acquisition date.

m) Other investments

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 restated cost and market value.

n) Intangible assets

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

o) Bonds payable

This shows the liability for bonds issued by the subsidiaries 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 arising 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.

p) Staff severance indemnities

The subsidiary companies which have agreements to pay severance indemnities calculate this liability based on the present value (accrued cost of the benefit method), assuming an 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.

q) Income taxes and deferred taxes

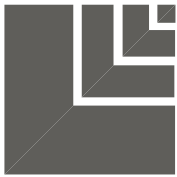
The Parent company and its subsidiaries calculate their current income tax liabilities in accordance with current tax legislation. Subsidiaries with taxable losses have not provided for current income taxes.

Should monthly tax prepayments be greater than the provision for Income tax, such balance is included under Recoverable taxes.

As from the year 2000, the effects of deferred taxes originating from differences between tax and financial balances are shown for all timing differences in accordance with Technical Bulletin N°60 of the Chilean Institute of Accountants. The effects of deferred taxes existing at January 1, 2000 and not previously recorded, are deferred and recognized in income as and when the timing differences are reversed.

r) Staff vacations

The annual cost of vacations is recognized on an accrual basis.



## SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### s) Operating revenues

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

### t) Accumulated deficit during development period

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

### u) Consolidated statement of cash flows

Cash and cash equivalents are made up of all readily-realizable investments made as part of its normal cash management, including cash, time deposits and other current assets (reverse repurchase agreements with maturities not exceeding 90 days and a minimum price risk.

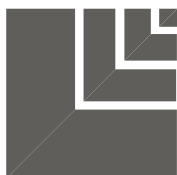
"Cash flow from operating activities" includes the cash flows related to the businesses of the Parent company and its subsidiaries, interest paid, financial income and all cash flows not otherwise defined as originated by financing and investing activities. This concept is broader than that for Operating 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 Parent company and of subsidiary companies to minority shareholders.

### NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

According to the provisions of Technical Bulletin No.60, as from January 1, 2000, the Parent company and its subsidiaries have recorded the effects of deferred taxes determined for all timing differences, which resulted in an increase in income of ThCh\$7,045,376.

There have been no other significant accounting changes during the year ended December 31, 2000 that could affect the interpretation of these consolidated financial statements.



# SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE 4 – PRICE LEVEL RESTATEMENTS

The application of the price level restatement method described in Note 2 b) generated a net charge to income of ThCh\$ 5,556,040 (credit ThCh\$16,461,490 in 1999) according to the following detail:

	2000			1999		
	Local Currency ThCh\$	Foreign Currency ThCh\$	Total ThCh	Local Currency ThCh\$	Foreign Currency ThCh\$	Total ThCh\$
Financial investments	1,691,005	-	1,691,005	2,408,061	31,637,126	34,045,187
Investments in related companies	16,140,674	-	16,140,674	7,118,988	-	7,118,988
Balances with related parties	(292,440)	1,930,714	1,638,274	961,768	180,839	1,142,607
Other assets	23,850,067	1,856,516	25,706,583	18,010,543	12,649,612	30,660,155
Bank loans	(5,560,107)	(2,392,158)	(7,952,265)	(4,249,296)	(8,205,802)	(12,455,098)
Bonds payable	(1,595,721)	-	(1,595,721)	(152,334)	-	(152,334)
Accumulated translation adjustment	-	(1,624,528)	(1,624,528)	-	2,970,930	2,970,930
Other current liabilities and minority interest	(6,440,764)	(3,430,016)	(9,870,780)	(12,593,496)	(21,006,907)	(33,600,403)
Shareholders' Equity	(29,689,282)	-	(29,689,282)	(13,268,542)	-	(13,268,542)
(CHARGE) CREDIT TO INCOME	(1,896,568)	(3,659,472)	(5,556,040)	(1,764,308)	18,225,798	16,461,490
Restatement of income and expense accounts			(417,462)			(3,289,202)
PRICE LEVEL RESTATEMENTS			(5,973,502)			13,172,288

## NOTE 5 - INVENTORIES

At the close of each year, Inventories, valued according to the criteria described in Note 2 f), are as follows:

	2000 ThCh\$	1999 ThCh\$
Finished goods and semi-finished products	45,721,589	41,635,727
Raw materials and supplies	29,314,930	33,417,363
Work-in-process	3,203,186	4,012,995
Other	5,301,578	5,582,086
	83,541,283	84,648,171

Inventories are shown net of allowances for obsolescence and write-offs.

## NOTE 6 – OTHER CURRENT ASSETS

The composition of Other current assets, valued as described in Note 2 i), is as follows:

	2000 ThCh\$	1999 ThCh\$
Reversed repurchase agreements	124,563,236	41,135,815
Disposable assets	9,238,333	-
Other	1,536,278	4,271,323
	135,337,847	45,407,138



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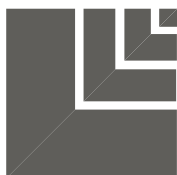
### NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, valued as described in Note 2 j), is summarized as follows.

	2000 ThCh\$	1999 ThCh\$
PROPERTY	23,811,935	24,451,606
Buildings and installations		
Industrial and commercial construction	127,046,365	135,281,730
Other	4,303,066	7,404,065
	131,349,431	142,685,795
Machinery and Equipment		
Industrial Machinery and Equipment	301,834,780	316,686,221
Other	15,272,615	18,464,042
	317,107,395	335,150,263
Equipment and telephone plants		
Subscribers' Telephones and Equipment	12,245,948	10,827,644
External networks	56,670,061	54,266,588
	68,916,009	65,094,232
Other property, plant & equipment		
Leased property, plant & equipment and others	30,738,483	24,223,379
Other	20,873,896	21,057,145
	51,612,379	45,280,524
Revaluation from technical appraisals	26,013,498	25,708,078
Works in progress	19,295,912	11,868,084
Accrued depreciation	(228,675,964)	(209,306,267)
TOTAL PROPERTY, PLANT & EQUIPMENT	409,430,595	440,932,315

The depreciation charge for the year amounts to ThCh\$30,361,100 (ThCh\$ 38,463,354 in 1999) and includes depreciation of the Revaluation from technical appraisals of ThCh\$ 446,193 (ThCh\$ 705,828 in 1999).

During 1999 the subsidiary Madeco S.A. reclassified inactive assets of ThCh\$ 9,701,453 to the Other assets. These are shown at their realizable value of ThCh\$ 4,214,134, resulting in a charge to income for the year of ThCh\$ 5,487,319 which appears in Other non-operating expenses.



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## NOTE 8 – INVESTMENTS IN RELATED COMPANIES

a) The following are shown under Investments in related companies in Other assets, valued as described in Note 2 k):

Company	Holding %	Equity of Investee ThCh\$	Holding ThCh\$	Proportional Equity Value ThCh\$	Results for the year ThCh\$	Proportion of Results ThCh\$
As of December 31, 2000						
Lucchetti Argentina S.A. (1)	100.00	24,999,102	17,921,336	17,921,336	52,366	(7,103,292)
Banedwards Cia. Seguros de Vida S.A. (2)	99.90	1,672,654	1,670,982	1,670,982	(136,320)	(136,228)
Banco de A. Edwards (2)	51.18	224,003,293	114,635,564	114,635,564	3,175,946	1,625,317
Inversiones y Rentas S.A.	50.00	247,694,624	123,847,312	123,847,312	15,793,543	7,896,772
Habitaria S.A.	50.00	13,392,335	6,696,168	6,696,168	(798,641)	(399,321)
Plava Laguna d.d. (Croacia)	39.42	40,267,552	15,873,469	15,873,469	1,351,905	532,921
Peruplast S.A. (Perú)	25.00	14,949,960	3,737,490	3,737,490	(13,112)	(3,278)
Tech Pack S.A. (Argentina)	25.00	11,851,594	2,962,898	2,962,898	318,288	79,572
Entel Chile S.A.	13.68	460,142,013	62,965,791	62,965,791	27,375,158	3,824,984
SM Chile series "A", "B" y "D"	11.90	298,105,468	35,021,332	35,021,332	22,372,689	2,133,006
Banco de Chile	1.00	382,476,500	3,831,344	3,831,344	81,957,500	615,083
Movement of unrealized income	-	-	-	-	-	878,045
Other	-	-	-	3,316,431	-	(285,417)
				392,480,117		9,658,164

(1) The financial statements of Lucchetti Argentina S.A. are not consolidated following an authorization by the SVS, since in February, 2001 agreements were signed for the sale of this subsidiary, producing an estimated consolidated loss of ThCh\$7,103,292 that has been recorded in the financial statements as of December 31, 2000. The investment is shown at realization value.

(2) The financial statements of the subsidiaries Banco de A. Edwards and Banedwards Compañía Seguros de Vida S.A. have not been consolidated as banks and insurance companies apply different accounting policies to the Parent company. This exemption was authorized by the Superintendency of Securities and Insurance.

Company	Holding %	Equity of Investee ThCh\$	Holding ThCh\$	Proportional Equity Value ThCh\$	Results for the year ThCh\$	Proportion of Results ThCh\$
As of December 31, 1999						
Banco de A. Edwards (1)	51.18	220,855,860	113,024,839	113,024,839	(6,911,405)	(1,989,137)
Inversiones y Rentas S.A.	50.00	244,589,343	122,294,672	122,294,672	30,071,926	15,035,963
Habitaria S.A.	50.00	9,461,682	4,730,841	4,730,841	(100,752)	(50,375)
Peruplast S.A. (Perú)	25.00	14,487,652	3,621,913	3,621,913	504,813	126,203
Tech Pack S.A. (Argentina)	25.00	11,205,099	2,801,275	2,801,275	848,702	212,176
Entel Chile S.A.	14.31	441,700,935	63,196,640	63,196,640	29,252,107	2,682,176
O'Higgins Central Hispanoamericano S.A. (2)	-	-	-	-	-	(737,702)
Other	-	-	-	3,535,903	-	(10,716)
				313,206,083		15,268,588

(1) The financial statements of the subsidiary Banco de A. Edwards are not consolidated as banks apply different accounting policies to those of the Parent company. This exemption was authorized by the Superintendency of Securities and Insurance, by Resolution 6350 dated November 5, 1999.

(2) According to public deed dated May 3, 1999, the Parent company sold its investment in O'Higgins Central Hispanoamericano S.A. (OHCH) for US\$ 600,000,000, generating a pre-tax gain of ThCh\$150,105,138.



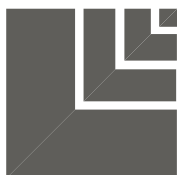
## SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### i) BANCO DE A. EDWARDS AND SUBSIDIARIES

Non-consolidated subsidiary due to the application of different accounting policies.

BALANCE SHEET	2000 MCh\$	1999 MCh\$
ASSETS		
Cash and due from banks	193,753	164,657
Loans	2,263,430	2,069,347
Allowance for loan losses	(77,553)	(75,944)
Other interest-bearing operations	40,724	41,526
Investments	286,361	260,107
Other assets	57,565	30,729
Premises & equipment	63,046	48,787
<b>TOTAL ASSETS</b>	<b>2,827,326</b>	<b>2,539,209</b>
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits	2,368,122	2,115,053
Bonds payable	62,796	68,310
Loans from financial institutions	116,994	116,110
Other liabilities	55,411	15,191
Minority interest	-	3,731
Net equity	224,003	220,814
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,827,326</b>	<b>2,539,209</b>
STATEMENT OF INCOME		
Operating revenue	329,312	305,190
Operating costs	(198,438)	(176,950)
Personnel salaries and expenses	(84,764)	(69,203)
Provisions, write-offs and recoveries	(32,076)	(67,347)
<b>OPERATING INCOME (LOSS)</b>	<b>14,034</b>	<b>(8,310)</b>
Non-operating income	2,207	1,574
Non-operating expenses	(6,727)	(58)
Income from investment in companies	4	75
Price-level restatements	(6,983)	(2,450)
Income tax	995	2,777
Minority interest	(354)	(518)
<b>NET INCOME (LOSS) FOR THE YEAR</b>	<b>3,176</b>	<b>(6,910)</b>



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ii) Non-consolidated subsidiary due to the application of different accounting policies according to the standards of the Superintendency of Banks and Financial Institutions.

### BANEDWARDS COMPAÑÍA DE SEGUROS DE VIDA S.A.

	2000 ThCh\$
Balance Sheet	
ASSETS	
Financial investments	1,880,565
Other assets	455,470
<b>TOTAL ASSETS</b>	<b>2,336,035</b>
Liabilities and Shareholders' Equity	
Technical reserve	286,784
Other liabilities	376,596
Net equity	1,672,655
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,336,035</b>
Statement of Income	
Contribution margin	485,329
Administrative expenses	(730,467)
Operating result	(245,138)
Non-operating income	84,762
Income tax	24,056
<b>LOSS FOR THE YEAR</b>	<b>(136,320)</b>

iii) Subsidiary not consolidated by Empresas Lucchetti S.A., see Note 23

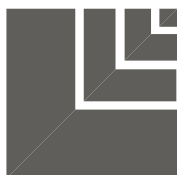
### LUCCHETTI ARGENTINA S.A.

	2000 ThCh\$
Balance Sheet	
ASSETS	
Current assets	10,930,489
Property, plant & equipment	23,109,641
Other assets	1,473,578
<b>TOTAL ASSETS</b>	<b>35,513,708</b>
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	9,826,549
Long-term liabilities	688,057
Capital and reserve	24,946,736
Net income for the year	52,366
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>35,513,708</b>

### b) negative Goodwill

	Negative Goodwill		Amortization	
	2000 ThCh\$	1999 ThCh\$	2000 ThCh\$	1999 ThCh\$
VTR S.A. and subsidiaries	5,248,602	5,872,198	623,596	614,163
Agrícola El Peñón S.A.	837,744	898,912	61,168	63,316
Inversiones Río Grande S.A. and subs. (1)	13,874,119	14,815,109	1,662,948	633,425
SM Chile serie "A"	191,733	-	17,234	-
Madeco S.A. and subsidiaries	184,674	198,299	18,088	663,592
Micellaneous	6,192	-	325	1,857
	20,343,064	21,784,518	2,383,359	1,976,353

(1) The Negative goodwill of Inversiones Río Grande and subsidiaries includes ThCh\$ 13,215,895 which corresponds to Entel S.A.



## SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### c) Goodwill

	Goodwill		Amortization	
	2000 ThCh\$	1999 ThCh\$	2000 ThCh\$	1999 ThCh\$
Madeco S.A. and subsidiaries	40,247,937	41,316,867	2,499,350	6,066,980
O'Higgins Central hispanoamericano S.A.	-	-	-	621,202
Inversiones Río Grande S.A. and subs. (I)	9,297,283	8,853,472	3,445,775	249,940
Banco de Chile & SM Chile series "B" y "D"	30,539,054	-	1,354,729	-
Banco de A. Edwards	76,010,262	80,472,838	4,381,043	962,771
VTR S.A. and subsidiaries	462,643	493,832	31,189	1,187,008
	156,557,179	131,137,009	11,712,086	9,087,901

(I) The Goodwill of Inversiones Río Grande S.A. and subsidiaries includes ThCh\$ 6,770,526, which corresponds to Entel S.A.

### NOTE 9 – OTHER INVESTMENTS

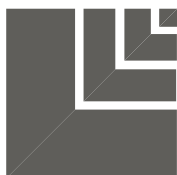
The balance of other investments is as follows:

	2000 ThCh\$	1999 ThCh\$
Banco de Chile and Sociedad Matriz Banco de Chile S.A.	-	40,751,228
Other smaller investments	2,905,594	6,009,122
	2,905,594	46,760,350

### NOTE 10 – OTHER ASSETS – OTHER NON-CURRENT ASSETS

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

	2000 ThCh\$	1999 ThCh\$
Bond issue expenses	3,571,010	1,467,500
Disposable property, plant & equipment (net)	603,059	4,566,078
Tax incentives recoverable (Argentina and Brazil)	7,755,681	8,231,401
Judicial deposits	1,945,224	1,529,301
Guarantee deposits	1,476,593	1,399,030
Deferred taxes	7,360,246	-
State industrial-promotion grant (Argentina)	1,203,865	1,330,425
Inventories with rotation over 1 year (net)	141,951	870,021
Others	1,328,648	2,036,050
	25,386,277	21,429,806



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### NOTE 11 – LONG-TERM RECEIVABLES

The balance of ThCh\$ 23,389,820 (ThCh\$ 22,548,483 in 1999) mainly corresponds to the sale of 414,018,557 shares in Banco de A. Edwards by the Parent company to J. Ergas Inversiones y Rentas Limitada for 1,238,290.4425 Unidades de Fomento, with no effect on the results. This balance is payable on March 31, 2003 and accrues interest at 8.98% pa..

On December 23, 1999, J.Ergas Inversiones y Rentas Ltda. pledged the 414,018,557 shares in Banco de A. Edwards to the Parent company.

### NOTE 12 – SHORT AND LONG TERM LIABILITIES

#### a) Short-term bank loans

	2000 ThCh\$	1999 ThCh\$
Payable in:		
US Dollars	68,690,569	52,683,680
Unidades de Fomento (UF)	83,858,180	37,902,059
Non-indexed Chilean pesos	2,652,592	3,510,451
<b>TOTAL</b>	<b>155,201,341</b>	<b>94,096,190</b>

#### b) Short-term liabilities

	2000 ThCh\$	1999 ThCh\$
Payable in:		
Other foreign currencies	59,650,457	66,314,660
Unidades de Fomento (UF)	11,399,694	9,985,480
Non-indexed Chilean pesos	34,612,570	83,412,884
<b>TOTAL</b>	<b>105,662,721</b>	<b>159,713,024</b>

#### c) Long-term liabilities

		2000 ThCh\$	1999 ThCh\$
Bonds payable (I)	UF	66,070,538	29,843,574
Notes payable	UF	8,206,640	11,980,739
	US\$	70,801	61,298,726
Sundry creditors	UF	2,535,273	1,211,186
	US\$	7,356,128	920,264
	\$	1,691	48,047
Provisions	US\$	4,614,831	3,905,414
	\$	5,449,889	4,794,065
	Other	2,173,560	2,083,858
Other long term liabilities	US\$	723,550	19,233
	\$	3,457,335	-
	Other	29,386	716,968
<b>TOTAL</b>		<b>100,689,622</b>	<b>116,822,074</b>



## SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### (l) Bonds payable:

ISSUER	Original Issue amount UF	Balances at December 31	
		2000 ThCh\$	1999 ThCh\$
Compañía Nacional de Teléfonos, Telefónica del Sur S.A.	2,800,000	25,968,925	27,112,600
Compañía de Teléfonos de Coyhaique S.A.	130,000	-	1,424,519
Madeco S.A.	3,193,000	43,947,969	5,705,373
Sub total		69,916,894	34,242,492
Less current portion		(3,846,356)	(4,398,918)
<b>TOTAL LONG TERM</b>		<b>66,070,538</b>	<b>29,843,574</b>

The long term liabilities as of December 31, 2000 are payable as follows:

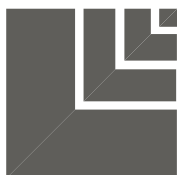
YEAR	ThCh\$
2002	22,223,220
2003	13,648,560
2004	8,147,132
2005 onward	56,670,710
	100,689,622

### d) Long term bank loans

	2000 ThCh\$	1999 ThCh\$
Payable in:		
Unidades de Fomento (UF)	166,380,599	81,573,721
US Dollars	100,549,083	110,490,723
	266,929,682	192,064,444

Long-term bank loans are payable as follows:

YEAR	ThCh\$
2002	97,133,383
2003	42,853,950
2004	31,250,727
2005 onward	28,545,861
	199,783,921
Current portion	67,145,761
<b>TOTAL LONG-TERM BANK LOAN</b>	<b>266,929,682</b>



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### NOTE 13 – PROVISIONS

At the close of each year, the provisions correspond to the following:

	2000 ThCh\$	1999 ThCh\$
A) CURRENT LIABILITIES		
Staff vacations	3,644,275	3,714,214
Purchase price accruals	3,443,550	3,333,155
Restructuring expenses	1,729,421	2,498,429
Property, municipal and other taxes	1,493,920	888,109
Provision for construction in progress	1,475,716	2,217,155
Remuneration and consultancy services	1,452,437	1,406,530
Project expenses, suppliers and others	965,526	1,241,733
Staff severance indemnities	816,768	1,583,986
Commercial expenses	752,613	943,441
Export and import costs	617,147	294,762
Connection cost	490,045	475,236
Provision basic consumption	404,410	227,505
Distributor and freight commissions	393,621	485,988
Employees benefits	251,146	482,781
Advertising, promotion and corporate image	146,821	625,207
General expenses, balance sheets, annual reports and other publications	140,024	1,030,643
Installation cost of sold products	77,418	1,078,130
Profit sharing	71,300	2,167,845
Other	3,864,791	3,220,331
TOTAL	22,230,949	27,915,180
B) LONG TERM LIABILITIES		
Provision for probable losses	5,441,712	5,265,959
Staff severance indemnities	2,148,736	2,681,564
Lawsuits pending	3,507,065	2,835,814
Other	1,140,767	-
TOTAL	12,238,280	10,783,337

The allowance for doubtful accounts is shown deducted from accounts receivable. Provisions and write-offs of obsolete inventories are shown deducted from inventories and other assets. Likewise, inactive assets are shown at their net realizable value.



# SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE - 14 INCOME TAXES

### a) Current income tax

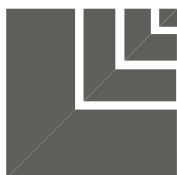
The detail of Recoverable taxes and Income taxes of the Parent company and its subsidiaries is as follows:

	2000 ThCh\$	1999 ThCh\$
<b>RECOVERABLE TAXES</b>		
Other credits against tax	12,772,854	14,523,706
Other recoverable taxes	2,632,856	4,104,965
	15,405,710	18,628,671
<b>INCOME TAX</b>		
First category tax	1,136,938	20,666,792
Sole tax Article N° 21	33,547	25,726
Monthly tax prepayments	(1,075,613)	(8,175,727)
	94,872	12,516,791

### b) Deferred taxes

The accumulated deferred taxes of the Parent company and consolidated subsidiaries which have been accounted for at 31/12/00 under current regulations, are summarized as follows:

CONCEPTS TIMING DIFFERENCES	Deferred Tax Assets		Deferred Tax Liabilities	
	Short-term ThCh\$	Long-term ThCh\$	Short-term ThCh\$	Long-term ThCh\$
Provision for vacations	300,132	-	-	-
Allowance for doubtful accounts	1,103,544	-	-	-
Unearned income	-	-	-	-
Provision for obsolescence	274,140	122,177	-	-
Leased assets	-	-	116,436	2,114,659
Manufacturing costs	-	-	518,959	-
Depreciation of property, plant & equipment	-	2,881	-	12,818,330
Staff severance indemnities	-	-	3,847	650,736
Tax losses	2,569,768	23,589,935	-	-
Deferred expenses	-	-	-	-
Sundry provisions	1,362,991	1,251,884	21,987	679,115
Complementary accounts	(2,425,337)	(17,606,631)	(92,218)	(12,858,943)
	3,185,238	7,360,246	569,011	3,403,897



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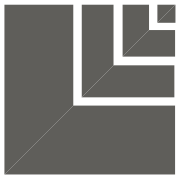
## C) Effect on results

	2000 ThCh\$	1999 ThCh\$
Provision for income tax	(2,116,137)	(22,460,310)
Sole tax Article N° 21	(33,615)	(25,773)
Recoverable income tax (Argentina & Peru)	1,933,625	(1,416,649)
Effect of deferred taxes for year	5,698,536	-
Amortization complementary accounts	1,346,840	-
Income tax recovered	305,934	1,459,505
Other	(33,740)	39,625
	7,101,443	(22,403,602)

## NOTE 15 – SHAREHOLDERS' EQUITY

a) The movement of the Shareholders' Equity accounts is as follows:

	Common Stock ThCh\$	OTHER RESERVES			Accum. Deficit Subsidiary ThCh\$	Net Income retained Earnings ThCh\$	Net Income (loss) For the year ThCh\$	Total ThCh\$
		Other Equity changes subsidiaries ThCh\$	Accrued adjustment difference ThCh\$	Incentive plan for executives ThCh\$				
Balances as of January 1, 1999	398,636,720	10,804,734	1,477,930	-	(5,696,614)	62,573,605	26,339,138	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)
Restatement of equity	10,364,555	313,180	13,301	-	-	1,981,879	-	12,672,915
Translation adjustments	-	-	3,767,205	-	-	-	-	3,767,205
Proportional share of equity changes in subsidiaries	-	220,748	-	-	(225,666)	-	-	(4,918)
Reversal on sale of stock investment	-	1,019,904	(2,637,727)	-	-	-	-	(1,617,823)
Net income for the year	-	-	-	-	-	-	160,310,163	160,310,163
<b>BALANCES AS OF DECEMBER 31, 1999</b>	<b>409,001,275</b>	<b>12,358,566</b>	<b>2,620,709</b>	<b>-</b>	<b>(225,666)</b>	<b>77,296,265</b>	<b>160,310,163</b>	<b>661,361,312</b>
<b>BALANCES AS OF DECEMBER 31, 1999 RESTATED FOR COMPARISON PURPOSES</b>	<b>428,224,335</b>	<b>12,939,419</b>	<b>2,743,882</b>	<b>-</b>	<b>(236,273)</b>	<b>80,929,190</b>	<b>167,844,740</b>	<b>692,445,293</b>
Balances as of January 1, 2000	409,001,275	12,358,566	2,620,709	-	(225,666)	77,296,265	160,310,163	661,361,312
Allocation of 1999 loss	-	-	-	-	225,666	160,084,497	(160,310,163)	-
Payment of dividends	-	-	-	-	-	(48,093,048)	-	(48,093,048)
Restatement of equity	19,223,060	580,853	123,173	-	-	9,762,196	-	29,689,282
Translation adjustments	-	-	5,806,606	-	-	-	-	5,806,606
Proportional share of equity changes in subsidiaries	-	(64,086)	-	-	(948,892)	(427,498)	-	(1,440,476)
Incentive plan for executives	-	-	-	-	-	-	-	(4,659,565)
Loss for the year	-	-	-	-	-	-	(5,648,096)	(5,648,096)
<b>BALANCES AS OF DECEMBER 31, 2000</b>	<b>428,224,335</b>	<b>12,875,333</b>	<b>8,550,488</b>	<b>(4,659,565)</b>	<b>(948,892)</b>	<b>198,622,412</b>	<b>(5,648,096)</b>	<b>637,016,015</b>



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b) The board meeting held on April 5, 2000 agreed to propose to the ordinary shareholders meeting, in accordance with the Company's dividend policy, the distribution of a final dividend amounting to \$48,093,048,376 made up of the minimum obligatory dividend of \$48,025,348,673, corresponding to 30% of the net income for 1999 after deducting the accumulated deficit during development period, and an additional dividend of \$67,699,703 corresponding to 0.042% of the net income for 1999 after deducting the accumulated deficit during development period of subsidiaries.

This proposal meant the distribution of \$44.54132 per share as a final dividend to a total of 1,079,740,079 shares.

c) As of December 31, 2000 and 1999 the Accumulated translation adjustment included the exchange differences resulting from the application of Technical Bulletin N° 64 of the Chilean Institute of Accountants.

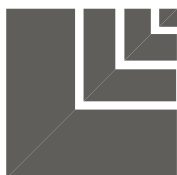
d) The Accumulated translation differences adjustment account includes the proportion of equity changes in the companies Agrícola El Peñón S.A., Inversiones Río Grande S.A., Madeco S.A., Inversiones y Rentas S.A., Inversiones Río Bravo Ltda. and Inversiones Hidrosur Ltda. (Inversiones Nacionales Ltda., Inversiones y Rentas S.A., Agrícola el Peñón S.A., Madeco S.A. and Inversiones Río Grande S.A. in 1999).

e) As of December 31, 2000, the Accumulated deficit during development stage of subsidiaries includes the recognition of the proportional share of equity adjustments recorded by VTR S.A. (Madeco S.A. in 1999).

f) At the close of 2000, Other reserves include the proportional recognition of equity changes in L.Q. Inversiones Financieras S.A.

g) A long-term incentive plan was implemented for Company executives in March 2000. A loan amounting to ThCh\$ 4,659,565 was granted to purchase shares in the Company and its subsidiaries at market value. The loan denominated in U.F. is payable in annual installments and the acquired shares are pledged and may be used in payment. The plan is covered by rules approved by the board of directors on March 8, 2000.

h) The Company's capital as of December 31, 2000 and 1999 is divided into 1,079,740,079 shares of no par value.



# SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE 16 – MINORITY INTEREST

At the close of each year, the minority interest is as follows:

	Minority Interest			
	Amount in Balance Sheet		Statement of Income	
	2000 ThCh\$	1999 ThCh\$	2000 ThCh\$	1999 ThCh\$
Madeco S.A.	68,194,910	68,638,990	7,349,400	23,699,603
C.N.T. Telefónica del Sur S.A.	13,775,671	13,552,155	(1,965,752)	(2,867,684)
Alusa S.A.	8,848,256	8,854,525	106,307	1,301,773
Empresas Lucchetti S.A.	4,675,500	5,929,029	1,301,241	2,374,806
Indeco S.A. (Perú)	1,609,881	1,898,304	(14,001)	20,720
Ficap Optel Limitada	1,977,372	1,723,483	(222,003)	(271,917)
V.T.R. S.A.	-	-	-	(30,054,248)
Hoteles Carrera S.A.	1,247,364	1,349,401	102,037	90,445
Others	1,991,474	2,184,015	98,029	1,338,246
	102,320,428	104,129,902	6,755,258	(4,368,256)

## NOTE 17 – BALANCES AND MAIN TRANSACTIONS WITH RELATED COMPANIES

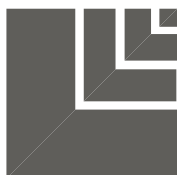
### a) Short-term notes and accounts receivable from related companies

Company	Relationship	Total	
		2000 ThCh\$	1999 ThCh\$
Inversiones y Rentas S.A.	Coligada	3,206,269	2,675,528
Telefónica del Sur Net S.A.	Filial en etapa de desarrollo	1,456,106	-
Comercial Systral (Perú) S.A.	Filial en etapa de desarrollo	-	205,472
Minera Los Pelambres S.A.	Accionistas comunes	78,632	243,808
Promosol S.A.	Coligada	604,768	654,753
Other		557,692	241,874
		5,903,467	4,021,435

### B) Short-term notes and accounts payable to related companies

Company	Relationship	Total	
		2000 ThCh\$	1999 ThCh\$
Alupack S.A.	Indirect	-	84,935
Cobrecom S.A. (Perú)	Associate	24,660	-
Minera Michilla S.A.	Shareholders in common	30,459	-
Colada Continua Chilena S.A.	Associate	227,364	268,049
Other		207,205	23,768
		489,688	376,752

Balances maintained with Banco de A. Edwards and the associate company Banco de Chile are shown in the corresponding accounts, Cash and Time deposits.



# SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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c) The main transactions with related parties affecting the income accounts are as follows:

Company	Relationship	Amount of the Transaction		Effect on Results (Charge) credit		Type of operation
		2000 ThCh\$	1999 ThCh\$	2000 ThCh\$	1999 ThCh\$	
Habitaria S.A.	Associate	3,057,992	-	53,076	-	Current account
Banco Santiago	Associate (until May 1999)	-	12,860,038	-	(413,671)	Loan obtained
Alupack S.A.	Indirect	298,683	-	(298,683)	-	Services
Banco de A. Edwards	Subsidiary	244,690	-	240,042	-	Investment and services
Banco de A. Edwards	Subsidiary	89,292	-	-	-	Financial expenses, interests
Inversiones y Rentas S.A.	Associate	-	20,379	-	20,379	Adjustment current account and services
Inversiones La Haya S.A.	Director in common	77,536	76,559	(77,536)	(76,559)	Advisory services
Viña San Pedro S.A.	Associate	57,895	19,663	49,063	19,663	Services
Cia. Minera Carolina de Michilla S.A.	Main shareholders in common	88,504	38,822	75,556	32,900	Services rendered
Embotelladoras Chilenas Unidas S.A.	Associate	556,004	330,349	471,190	279,957	Sale of Products
Minera Los Pelambres S.A.	Indirect	247,616	1,690,357	209,844	1,432,506	Services rendered
Promosol S.A.	Indirect	834,280	1,104,973	834,280	1,104,973	Services
Promosol S.A.	Indirect	2,208,002	4,312,763	(2,208,002)	(4,312,763)	Purchase of products and services
Italpasta S.A.	Associate	-	494,410	-	418,992	Invoicing
Incentive plan for executives	Executives	4,659,565	-	130,113	-	Purchase of shares Quiñenco and other
Other minor		82,919	244,117	15,507	214,883	

The balances maintained with the subsidiary Banco de A. Edwards and associate company Banco de Chile are shown in the corresponding accounts, Cash and Time deposits.

## NOTE 18 - GUARANTEES, ENCUMBRANCES, CONTINGENCIES AND COMMITMENTS

### a) Pledge over shares

The Company has pledged the following shares in related companies to cover its obligations:

Type of Guarantee	Number of Shares	Company	In favor of	Amount loan as of 31/12/2000 ThCh\$	Book value asset pledged ThCh\$
Shares pledged	1.985.308.702	Banco de A. Edwards	Banco del Estado	63,157,752	60,247,268
Guarantee, joint Debtor and pledge	131.098.905	Madeco S.A.	Banco del Estado	67,475,274	52,773,914
Guarantee and pledge	58.127.677	Madeco S.A.	Banco Central Hispanoamericano Grand Cayman	8,843,447	23,399,296
Shares pledged	1.012.500.000	Sociedad Matriz Chile S.A. serie "B"	Banco Santiago	27,404,464	23,989,074
Shares pledged	16.112.000	Lucchetti Argentina S.A.	ABN AMRO Bank y Credit Suisse	7,744,275	17,921,336
Pledge and negative pledge over shares	68.703.461	Compañía Nacional de Teléfonos, Telefónica Del Sur S.A.	Compañía de Telecomunicaciones De Chile S.A.	12,242,951	15,904,699



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On April 29, 1999, VTR S.A. and Compañía Nacional de Teléfonos Telefónica del Sur S.A. sold their investment in VTR Hiper cable S.A. to UIH Latin America Inc. As part of this sale, the parties signed an Indemnification Agreement in which Quiñenco undertakes to indemnify UIH for any losses not covered by VTR S.A. and its subsidiary for an amount in excess of US\$5,000,000 incurred by UIH and related parties as a result of:

- (i) Now compliance by VTR S.A. with the terms established in the Promise Agreement signed on October 15, 1998.
- (ii) Any inaccuracies in the seller's warranties and/or guarantees as set out in Section 5 of the Promise Agreement.  
This obligation is limited to 55.9% of the total of such losses.

The guarantees in section 5 of the Promise Agreement relate mainly to the legal constitution of VTR S.A., the accuracy of consolidated financial statements of VTR Hiper cable S.A. as of September 30, 1998 and the preferential right granted to UIH over CNT's shares should VTR S.A. decide to sell its investment in this company.

### b) Mortgages over assets and pledges on machinery, buildings and trademarks

The Company and its subsidiaries have granted mortgages over assets and pledges over machinery, buildings, materials and products in process with a book value of ThCh\$ 16,581,087.

### c) Other guarantees to third parties

In order to guarantee the loan requested by its subsidiary Alusa S.A., and its subsidiaries Alusa Overseas S.A. and Aluflex S.A., from Rabobank Curacao N.V., ABN AMRO Bank and Citibank, Madeco S.A. and Alusa S.A. have given their joint and several guarantee.

Empresas Lucchetti S.A. is joint and several guarantor for the obligations of its subsidiary Lucchetti Perú S.A. with UBS AG for a loan of ThUS\$ 12,600.

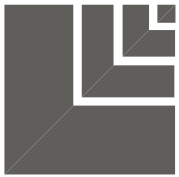
The above loans are subject to certain ratio conditions and covenants. The subsidiary Madeco S.A. is negotiating a waiver from these ratios and an amendment to the ratios set for the remaining quarters.

In connection with the sale of VTR Larga Distancia S.A. to CTC, on October 14, 1998, VTR S.A. and VTR Larga Distancia S.A. entered into a Liberation, Contingencies and Guarantees agreement. On December 27, 1999, VTR S.A. and Globus S.A. (previously known as VTR Larga Distancia S.A.) signed a new agreement modifying the previous agreement and establishing that VTR S.A. is solely responsible during a period of two years as from December 27, 1999 for any payments that Globus S.A. might have to make in relation to any situation or circumstance originating between January 1994 and the date of the agreement that do not correspond to the specific contingencies and issues identified in the agreement. The above-mentioned responsibility is limited to US\$ 13 million. In order to guarantee compliance with the agreement, VTR S.A. issued bank guarantees totaling UF 88,658 at December 31, 2000.

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.

### d) Lawsuits

The Company and its subsidiaries are involved in commercial and labor lawsuits that are usual in their businesses. Management believes that these lawsuits will not result in any material obligations not considered in these financial statements.



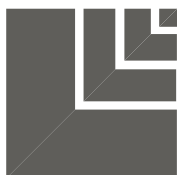
## SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 19 – ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Balances in foreign currency at the close of each year are as follows:

	2000	1999
	ThUS\$	ThUS\$
<b>ASSETS</b>		
Cash and time deposits	6,245	47,361
Accounts receivable	44,610	58,056
Accounts receivable from related companies	-	11,301
Other assets	420,295	463,501
<b>TOTAL ASSETS</b>	<b>471,150</b>	<b>580,219</b>
<b>LIABILITIES</b>		
Bank loans	286,427	328,442
Accounts and notes payable	65,951	54,780
Other accounts payable	-	20,084
Provisions	13,942	4,061
Other	12,586	132,146
<b>TOTAL LIABILITIES</b>	<b>378,906</b>	<b>539,513</b>
<b>NET ASSETS</b>	<b>92,244</b>	<b>40,706</b>



# SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE 20 – OTHER NON-OPERATING INCOME AND EXPENSES

At the close of each year, this heading includes:

	2000 ThCh\$	1999 ThCh\$
<b>A) OTHER NON-OPERATING INCOME</b>		
Gain on sale of investments	9,047,337	247,331,782
Taxes recovered	1,718,932	1,682,863
Reversal of excess provision	434,478	-
Rentals	252,828	-
Expense reimbursements and recoveries	297,110	-
Gain on sale of fixed asset	-	418,337
Dividends received	-	378,295
Realization of deferred profit	-	3,440,719
Indemnities received	-	657,746
Other	1,445,198	3,097,744
	<u>13,195,883</u>	<u>257,007,486</u>
<b>B) OTHER NON-OPERATING EXPENSES</b>		
Allowance for doubtful accounts (Argentina)	3,204,658	-
Restructuring expense and severance payments	1,793,896	8,437,626
Loss on construction contracts	1,243,673	1,010,398
Adjustment to stock market prices	1,093,250	1,193,010
Loss on sale of property, plant & equipment and other	926,302	107,275
Write-offs and obsolescence	791,920	1,578,160
Extraordinary fees & advisory services	732,518	4,960,835
Allowance for long-term debtors	719,115	-
Adjustment to realization value of inactive assets	500,000	5,487,319
Loss on sale of investments	431,783	2,231
Tax fractioning (Peru)	264,735	-
Amortization extraordinary disbursements	225,794	211,566
Labor lawsuits	182,040	604,546
Discount on bond issue	163,773	171,040
Bank commissions and costs	145,008	22,164
Directors' fees and profit sharing	136,993	778,139
Loss on forward contracts	87,407	1,834,214
Depreciation of leased assets	72,838	71,382
Provision for probable losses	-	5,265,957
Adjustment for investment in subsidiaries	-	2,209,670
Payments under contract	-	2,789,762
Transfer and closure expenses	-	759,535
Release for unrealized results	-	1,376,957
Other	1,576,176	2,330,012
	<u>14,291,879</u>	<u>41,201,798</u>



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### NOTE 21 – SHARE TRANSACTIONS

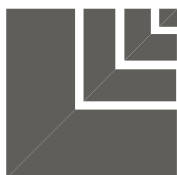
a) During 2000 and 1999 the following shares were traded by the controlling shareholders:

	2000		1999	
	Purchase	Sale	Purchase	Sale
Inversiones Consolidadas Ltda.	-	-	238,486	-
Sociedad Inmobiliaria y de Inversiones Río Claro Ltda.	-	-	238,483	-
Citibank N.A. (ADR depositary bank)	4,782,310	27,997,700	5,842,200	4,463,140

b) During 2000, the Chairman, directors and executive officers of the Company have purchased the following shares:

	Number of Shares
Francisco Pérez Mackenna (Chief Executive Officer)	329,017
Luis Fernando Antúnez Borjes (Administration and Finance Executive Officer)	91,344
Pedro Marín Loyola (Performance Control Executive Officer)	11,781
Juan Correa Garcia (Strategy Executive Officer)	13,788
Felipe Joannon Vergara (Development Executive Officer)	102,547
Martín Rodríguez Guiraldes (Acquisitions and Mergers Executive Officer)	56,011
Patricio León Délano (Treasury Executive Officer)	11,781
Sergio Cavagnaro Santa María (Advisor to the Chief Executive Officer)	36,622
Manuel José Noguera Eyzaguirre (Legal Executive Officer)	82,728
Luis Hernán Paul Fresno (Strategy and Performance Control Executive Officer))	102,547
Jorge Tagle Ovalle (New Projects Executive Officer)	20,248
Oscar Henríquez Vignes (General Accountant)	10,913

c) In addition, Company executives purchased 5,596,694 shares in Quiñenco S.A. under the executive incentive plan.



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### NOTE 22 – FOREIGN INVESTMENTS AND ASSOCIATED OBLIGATIONS

Effective 1998, the Company is applying Technical Bulletin No.64 of the Chilean Institute of Accountants which modified the method for valuing foreign investments and the treatment of exchange differences on obligations obtained as hedge instruments for foreign investments.

Quiñenco S.A. has no direct investments abroad so credits to the Accumulated translation adjustment account correspond to subsidiaries and associates.

The liabilities assumed by the Company and nominated as exchange exposure hedging instruments for its indirect investments abroad, had the following capital balances as of January 1, 2000:

	US\$
Siemens Beteiligungen A.G.	20,000,000
B.C.H. Grand Cayman	30,006,010

The detail of the Accumulated translation adjustment account in 2000 is as follows:

	ThCh\$
Opening balance	2,620,709
Price-level restatement	123,173
Net credits from subsidiaries and associates	5,956,745
Charges from loans obtained as hedge instruments	(150,139)
CLOSING BALANCE	8,550,488

### NOTE 23 – SUBSEQUENT EVENTS

a) On January 31, 2001, IQ Inversiones Financieras S.A., signed an agreement entitled “Promise Agreement for the Purchase of Shares in Sociedad Matriz del Banco de Chile S.A. and in Banco de Chile including a joint and several guarantee and pledge” with Empresas Penta S.A. and others, thereby agreeing to purchase 3.27% and 34.68% respectively of the shares of Banco de Chile and Sociedad Matriz del Banco de Chile S.A..

Under this agreement, Quiñenco S.A. jointly and severally guarantees the obligations under the Promise Agreement, in particular to sign the contract and make payment, if necessary, under the penalty clauses for delays and/or compensatory damages, up to a limit of U.F.10,000 and U.F.3,945,415 respectively, together with corresponding costs. Quiñenco S.A. also undertook to jointly and severally guarantee the liabilities of IQ Inversiones Financieras S.A. under the agreement, including to pay the purchase price of U.F.12,437,783 plus annual interest of 8.5%.

b) Quiñenco S.A. and its subsidiaries subscribed and paid in February, 2001 a capital increase of U.F.5,036,115, the equivalent of 79,076,822 shares in IQ Inversiones Financieras S.A., as agreed by the board of directors at a meeting held on January 3, 2001.

c) On February 13, 2001, Empresas Lucchetti S.A. and its subsidiaries Lucchetti Chile S.A. and Lucchetti Overseas S.A. signed an agreement with the Argentine company Molino Río de la Plata S.A., to sell 100% of the common stock of Lucchetti Argentina S.A. The estimated loss generated by this transaction has been provided for in these financial statements. The sale will be completed once approved by the Argentine Antitrust Commission,



## SUMMARIZED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2000 AND 1999  
(Translation from the original in Spanish)

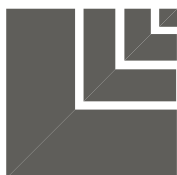
which is expected to be in April 2001. At that time the proceeds from the sale will be received. As a result of this transaction, the release of the existing pledge over these shares has been requested, to be replaced by a pledge over shares in another subsidiary. For this reason, the financial statements as of December 31, 2000 of Lucchetti Argentina S.A. have not been consolidated and the investment has been shown at fair market value under Investments in related companies.

d) On March 14, 2001, Madeco S.A. signed a waiver and amendment of financial ratios agreement as mentioned in Note 18 c).

Between December 31, 2000 and the date of issue of the Company's consolidated financial statements, there are no other events of an accounting, financial or other nature that might significantly affect an interpretation of them.

FRANCISCO PEREZ MACKENNA  
Chief Executive Officer

OSCAR HENRIQUEZ VIGNES  
General Accountant



# MANAGEMENT'S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2000

## INCOME STATEMENT

Quiñenco reported a net loss of Ch\$5,648 million in 2000, compared to a net profit of Ch\$167,845 million in 1999. The difference is primarily explained by the sale of the OHCH banking unit and the cable TV unit during 1999 which produced large extraordinary gains in that period.

A summarized composition of income for 1999 and 2000 is provided in Table 1 below:

Table N°1: Composition of Net Income

(In millions of Ch\$ as of December 31, 2000)

	2000	1999
Operating income	15,675	(21,020)
Non-operating income and others (1)	(21,323)	188,864
NET INCOME FOR THE YEAR	(5,648)	167,845

(1) Non Operating Income and Others includes non-operating results, income taxes, minority interest and amortization of negative goodwill.

## OPERATING INCOME

In 2000, Quiñenco reported operating income of Ch\$15,675 million, having reverted the operating loss of Ch\$21,020 million reported in the previous year. Table 2 shows the composition of consolidated operating income in 1999 and 2000:

Table N°2: Composition of Consolidated Operating Income

(in millions of Ch\$ as of December 31, 2000)

	2000	1999
Madeco	9,989	(13,237)
Lucchetti	3,426	(1,843)
VTR/Telsur (2)	11,909	4,923
Carrera	(439)	(233)
Quiñenco and other (1)	(9,209)	(10,629)
TOTAL OPERATING INCOME	15,675	(21,020)

(1) Includes Quiñenco, intermediate holding companies and eliminations.

(2) Figures correspond to VTR in 1999 and to Telsur, a 73.6% consolidated subsidiary of VTR, in 2000.



# MANAGEMENT'S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2000

Operating income for the twelve months ended December 31, 2000 was Ch\$15,675 million, showing an increase of Ch\$36,695 million over the operating loss of Ch\$21,020 million in 1999. The improvement in operating results was primarily due to Madeco and Lucchetti, both of which totally reverted 1999's operating losses. In addition, VTR/Telsur's operating income increased by over 142% in 2000. In 1999, Telsur's operating income included extraordinary depreciation charges related to the company's useful life estimates of certain fixed assets which mainly explains the changes between the two years.

At Madeco, operating losses incurred during 1999 were totally reverted in the course of 2000. Although all of Madeco's business units generated positive operating results in 2000, the main improvement came from the wire and cable segment which accounted for 30.6% of Madeco's operating income. Additionally, brass mills segment sales showed an important recovery in 2000, mainly owing to a significant increase in the volumes exported. The more favorable market conditions seen in 2000, combined with a reduction in costs allowed Madeco to substantially improve its operating performance during the period.

At the operating profit level, Lucchetti completely reverted the operating losses reported in 1999 owing to a higher gross margin related to production efficiencies and a reduction in the level of SG&A expenses in all three of Lucchetti's operations. In addition, average pasta prices per ton and distribution of third party products in Peru helped boost Lucchetti's operating income in 2000.

Telsur's operating income rose to Ch\$11,909 million in 2000, up 85% over 1999, due to a reduction in operating costs, mostly related to changes in the estimated useful lives of the company's main assets which served to decrease depreciation expense during the period by 31%.

## SALES REVENUES

Consolidated revenues in 2000 reached Ch\$451,796 million, 6.1% higher than the Ch\$425,788 million registered in 1999, mainly due to a recovery in Madeco's sales level during the year. With the exception of VTR/Telsur, all consolidating companies showed improvements in their sales level in 2000, having benefited from a more stable economic scenario than experienced in 1999.

The composition of the consolidated sales is presented in Table 3:

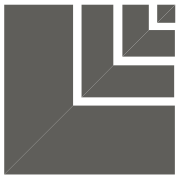
Table N°3: Composition of Consolidated Sales

(in millions of Ch\$ as of December 31, 2000)

	2000	1999
Madeco	302,903	263,060
Lucchetti	96,399	95,072
VTR/Telsur (2)	41,589	57,565
Carrera	7,228	6,555
Quiñenco and others (1)	3,678	3,536
<b>TOTAL CONSOLIDATED SALES</b>	<b>451,796</b>	<b>425,788</b>

(1) Includes Quiñenco, intermediate holding companies and eliminations.

(2) Figures correspond to VTR in 1999 and to Telsur, a 73.6% consolidated subsidiary of VTR, in 2000.



# MANAGEMENT'S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2000

Madeco's sales, which increased by 15% in 2000, benefited from strong demand in Brazil for cable products and increased exports of brassmill products to Europe, Latin America and the USA. Only Madeco's flexible packaging segment showed a reduction in its sales level, mainly explained by weak domestic sales in Chile.

In 2000, Lucchetti increased its sales by 1.4%. This increase is attributable to higher sales in Peru and, to a lesser extent, in Argentina, partially offset by a reduction in sales in Chile. The increase in sales at Lucchetti Peru was mainly due to higher average pasta prices and distribution of third party products.

VTR/Telsur reported a decrease in sales of 27.8% in 2000, however continuing operations only include Telsur after the sale of the cable TV operations in 1999, thus distorting the comparison year-over-year. Excluding the effect of the sale of the cable TV business unit, Telsur's sales decreased by 3.9% as a result of the new tariff structure implemented late last year, partially offset by an increase in other unregulated income.

Hoteles Carrera reported a sales increase of 10.3% compared to the previous year. The increase was attributable to the incorporation of the new hotels in the north of Chile, both of which were in full operation in 2000. Additionally, the Santiago Hotel Carrera showed higher revenues in connection with its food and beverage business.

## COST OF GOODS SOLD

Consolidated cost of goods sold increased by 4.1% compared to the previous year. This increase is mainly a product of an increase in the cost of goods sales at Madeco owing to the higher sales activity level as well as higher average copper prices. The increase in cost of goods sold at the consolidated level was partially offset by a reduction in cost of goods sold at VTR/Telsur, whose costs decreased following the divestiture of the cable TV business unit and a decrease in depreciation charges during the period.

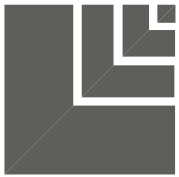
## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Consolidated SG&A expenses were reduced by 24.8% in 2000 compared to 1999, mainly due to a decrease in SG&A expenses at VTR/Telsur in connection with the divestiture of its cable TV business unit and a decrease in SG&A expenses at the corporate level. In addition, Madeco reported a reduction of 27.1% in its SG&A expenses compared to 1999, the period in which Madeco incurred significant non-recurring expenses associated with its restructuring plan.

## NON OPERATING RESULTS

Consolidated non-operating results amounted to a loss of Ch\$21,323 million loss in 2000, which compares negatively to the Ch\$188,864 million of non-operating income reported in 1999. This difference can be explained by the sale of the OHCH banking unit and the cable TV business unit in 1999 which generated significant gains on sale in that period. These divestitures also explain the variance reported in minority interest and taxes for the period.

In addition, Quiñenco reported price-level restatement losses of Ch\$5,974 million in 2000, compared to price-level restatement gains of Ch\$13,172 million in 1999. 1999 price-level restatement gains were the result of deposits made in US dollars composed of proceeds from the sale of the banking and cable TV business units which appreciated vis-a-vis the Chilean peso during that period.



# MANAGEMENT'S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

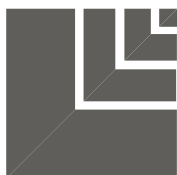
AT DECEMBER 31, 2000

Table 4 shows the comparative composition of Non-operating Income and Other Items:

Table N°4: Breakdown of Non-operating Income and Other Items

(in millions of Ch\$ as of December 31, 2000)

	2000	1999
Interest income	8,514	20,340
Proportionate share of income of equity investments	9,658	15,269
Goodwill/negative goodwill amortization	(9,329)	(7,112)
Other net income/expenses	(1,096)	215,806
Interest expense	(36,954)	(41,839)
Price-level restatement	(5,974)	13,172
Income tax	7,101	(22,404)
Minority interest	6,755	(4,368)
NON-OPERATING INCOME AND OTHER ITEMS	(21,323)	188,864



# MANAGEMENT'S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2000

## NET INCOME COMPOSITION

Table 5 below shows Quiñenco's net income composition in 1999 and 2000, broken down by its main investments:

Table N°5: Net Income Composition

(in millions of Ch\$ as of December 31, 2000)

Sector/Company		Net Income 2000	Net Income 1999	Ownership 2000 (%)	Ownership 1999 (%)	Quiñenco's Prop Share 2000	Quiñenco's Prop Share 1999
<b>Manufacturing</b>							
Madeco	(1)	(16,786)	(54,487)	56.11%	56.50%	(9,438)	(30,785)
<b>Telecommunications</b>							
VTR	(3)		72,787		100.00%	-	30,214
Telsur	(3)	7,435	10,846	73.56%	73.56%	5,469	5,576
Entel		27,375	29,252	13.68%	14.31%	3,825	2,682
<b>Food and Beverage</b>							
Lucchetti	(2)	(9,988)	(12,763)	86.97%	86.97%	(8,687)	(10,388)
CCU	(5)	25,727	43,117	30.79%	30.79%	7,922	13,345
<b>Financial Services</b>							
OHCH		-	(1,475)	-	-	-	(738)
Banco Edwards	(9)	3,176	(6,911)	51.18%	51.18%	1,625	(1,989)
Banco Chile	(6)	81,958	-	12.28%	-	2,748	-
<b>RE &amp; Hotel Admin</b>							
Carrera	(4) (7)	(1,106)	(981)	90.78%	90.78%	(1,004)	(890)
Habitaria		(799)	(101)	50.00%	50.00%	(399)	(50)
Total Operating Co.						2,061	6,977
Quiñenco & others	(7) (8)					(7,709)	160,868
Net income (loss)						(5,648)	167,845

(1) Owned directly and indirectly through Inversiones Río Grande S.A.

(2) Indirectly owned through Inversiones Hidrosur Ltda.

(3) Telsur is VTR's only operating company following the sale of other VTR S.A. assets in 1998 & 1999.

(4) Indirectly owned through Agrícola El Peñón S.A.

(5) Indirectly owned through Inversiones y Rentas S.A.

(6) Indirectly owned through IQ Inversiones Financieras S.A. and SM Chile S.A.

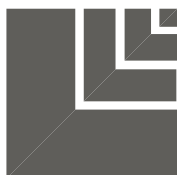
(7) Ownership % shown corresponds to the percentage of control over Carrera. The economic interest in Carrera is 87.2%. The amount of income corresponding to the minority interest is included in "Quiñenco and Others".

(8) The item "Quiñenco and Others" includes a profit of Ch\$533 million in connection with Quiñenco's proportionate share of Plava Laguna's (Croatia) income in 2000.

(9) Indirectly owned through IQ Inversiones Financieras S.A.

The net income contribution from operating companies fell by 70.5% in 2000 compared to 1999. This reduction is related to the divestiture of the cable TV business unit in 1999 which generated significant gains on sale for VTR, Telsur and Madeco, all of whom had direct participations. In 1999, VTR, Telsur and Madeco realized Ch\$36,412 million in extraordinary income related to the divestiture. Excluding the effect of the divestiture, the increase in net income contribution from operating companies would have been Ch\$31,496 million, explained by an increase in net income contribution from investments in the financial sector, partially offset by lower net income from CCU.

The item "Quiñenco and others" in Table N°5 shows a decrease of Ch\$168,577 million in 2000, compared to 1999. The difference is mainly explained by the extraordinary profit obtained in relation to the sale of its stake in OHCH in 1999.



# MANAGEMENT'S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2000

## BALANCE SHEET

### Assets

Table N°6 shows the composition of consolidated assets at the close of 1999 and 2000:

Table N°6: Composition of Consolidated Assets

(in millions of Ch\$ as of December 31, 2000)

	2000	1999
Madeco	438,809	423,374
Lucchetti	134,806	149,210
VTR/Telsur (2)	113,499	280,289
Carrera	23,557	24,301
Quiñenco and Other (1)	657,150	482,097
<b>TOTAL ASSETS</b>	<b>1,367,820</b>	<b>1,359,271</b>

(1) Includes Quiñenco, intermediate holding companies and eliminations.

(2) Figures correspond to VTR in 1999 and to Telsur, a 73.6% consolidated subsidiary of VTR, in 2000.

### LIABILITIES

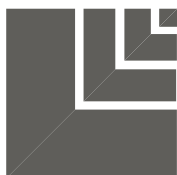
Table N°7 shows the composition of consolidated liabilities and shareholders' equity at the close of 1999 and 2000:

Table N°7: Composition of Consolidated Liabilities and shareholders' equity

(in millions of Ch\$ as of December 31, 2000)

	2000	1999
Current liabilities	328,010	308,245
Long term liabilities	300,474	254,451
Total liabilities	628,483	562,696
Minority interest	102,320	104,130
Shareholders' equity	637,016	692,445
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,367,820</b>	<b>1,359,271</b>

As of December 31, 2000, total liabilities amounted to Ch\$628,483 million, representing a 11.7% increase compared to the same period in 1999. This increase is mainly explained by an increase in liabilities at the corporate level incurred in connection with the purchase of shares of Banco de Chile.



# MANAGEMENT'S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2000

Table N°8 shows the composition of consolidated liabilities at the close of 1999 and 2000:

Table N°8: Composition of consolidated liabilities

(in millions of Ch\$ as of December 31, 2000)

	2000	1999
Madeco	270,777	252,826
Lucchetti	98,917	103,699
VTR/Telsur (2)	60,722	81,772
Carrera	10,035	9,672
Quiñenco and other (1)	188,032	114,726
<b>TOTAL LIABILITIES</b>	<b>628,483</b>	<b>562,696</b>

(1) Includes Quiñenco, intermediate holding companies and eliminations.

(2) Figures correspond to VTR in 1999 and to Telsur, a 73.6% consolidated subsidiary of VTR, in 2000.

Consolidated leverage increased from 0.8 at the close of 1999 to 1.0 at the close of 2000, explained by a 11.7% increase in current liabilities, incurred in connection with the purchase of Banco de Chile shares. Current liabilities made up 52.2% of total liabilities as of December 31, 2000. On the same date in 1999, current liabilities made up 54.8% of total liabilities.

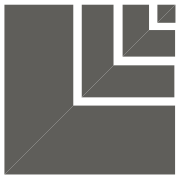
## Shareholders Equity

At the close of 2000, shareholders' equity amounted to Ch\$637,016 million, a decrease of 8% compared to the same period in 1999, mainly as a consequence of a sizeable dividend distribution during the second quarter of 2000. The book value of Quiñenco's shares as of December 31, 2000 was Ch\$589.97 per share and the loss per share in 2000 was Ch\$5.23.

## FINANCIAL INDICATORS

		12.31.00	12.31.99
<b>LIQUIDITY</b>			
Current ratio		1.1	1.3
Acid test ratio		0.5	0.6
<b>INDEBTEDNESS</b>			
Debt/equity ratio		1.0	0.8
Short-term debt/Total debt		52.19%	54.78%
Long-term debt/Total debt		47.81%	45.22%
Interest coverage ratio	Times	0.7	5.5
Total assets	MCh\$	1,367,820	1,359,271
Inventory rotation	Times	0.2	0.3
Inventory turnover/days	Days	84	90
<b>INCOME</b>			
Sales	MCh\$	451,796	425,788
Cost of goods sold	MCh\$	(360,667)	(346,425)
Operating income	MCh\$	15,675	(21,020)
Interest expense	MCh\$	(36,954)	(41,839)
Non-operating income (loss)	MCh\$	(37,563)	213,660
Net income (loss) for the year	MCh\$	(5,648)	167,845
<b>PROFITABILITY</b>			
ROE		- 0.8%	27.4%
ROA		- 0.4%	12.3%
Return on operating assets (*)		1.9%	- 2.3%
Earnings per share	Ch\$	(5.23)	155.45
Dividend return		10.8%	1.2%

(\*) Excludes other consolidated assets



# MANAGEMENT'S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2000

## DIFFERENCE BETWEEN BOOK VALUE AND FAIR MARKET VALUE OF PRINCIPAL ASSETS

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

The main assets correspond to investments in subsidiaries and related companies which are valued using the equity investment method. Therefore differences may arise between the book value and the fair market value of such investments.

Table N°9 shows a consolidated cash flow summary for the twelve months ended December 31, 1999 and 2000:

Table N°9: Cash Flow Summary

(in millions of Ch\$ as of December 31, 2000)

	2000	1999
Net cash flow provided (used) by operating activities	(1,804)	18,835
Net cash flow (used) provided by financing activities	26,717	(69,120)
Net cash flow provided (used) by investing activities	(19,590)	3,923
Total net cash flow for the year	5,323	(46,362)
Price-level restatement on cash and cash equivalents	(1,713)	17,782
Net increase (decrease) in cash and cash equivalents	3,609	(28,580)
Cash and cash equivalents at beginning of year	127,754	156,333
CASH AND CASH EQUIVALENTS AT END OF YEAR	131,363	127,754

## ANALYSIS OF EXCHANGE RATE RISK AND INTEREST RATE RISK

As of December 31, 2000, Quiñenco maintains a consolidated net asset exposure in US dollars of US\$92.2 million, equivalent to 3.9% of consolidated assets. Management considers this exposure reasonable and consequently has not covered this risk.

In terms of interest rate risk, 83% of total liabilities of Ch\$629,207 million correspond to interest-bearing debt. Of this amount, 55% was subject to variable rate interest, and as such represents a risk to the Company. This amount is equivalent to 21% of total current assets at the close of 2000. Management considers this exposure reasonable and consequently has not covered this risk.

Francisco Pérez Mackenna  
Chief Executive Officer