



## CORPORATE AFFAIRS

### CORPORATE HEADQUARTERS

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

### INVESTMENT POLICY

Most of Quiñenco's resources are dedicated to companies under its control, either directly or in conjunction with strategic partners. Resources may also be used to invest in industries or companies that will add value to Quiñenco's overall investment portfolio.

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

### FINANCING POLICY

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

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

### RISK FACTORS

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

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

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

Historically, Quiñenco and its group companies have required significant amounts of capital to finance their operations and expand their businesses. As such, future growth is directly related to the Company's access to capital. In the past, Quiñenco and its group companies have satisfied their

capital needs with internally generated cash flow and with issues of debt and equity. Nonetheless, there is no assurance that funds will be readily available to finance the future capital needs and expansion plans of the Company. The inability to raise capital could severely impede Quiñenco from growing in the future, either in its existing businesses or in new businesses, thereby producing an adverse effect on the Company's financial position and its results from operations.

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

Another risk factor the Company faces is associated with interest rates. A portion of Quiñenco's debt is subject to variable interest rates, which could have an impact on the company in periods in which the variable rate rises. A risk also exists with respect to exchange rate fluctuations on debt instruments maintained in foreign currencies.

Many of Quiñenco's businesses are publicly traded entities whose equity value may vary depending on market value fluctuations. The equity value of Quiñenco's investments could be affected by downturns in the Chilean securities markets and other securities markets, such as the New York Stock Exchange.

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

### INSURANCE

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

### DIVIDEND POLICY

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

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

\*Historic Figures

### DISTRIBUTION OF INCOME

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

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

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

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

#### BOARD COMPENSATION

As agreed upon at the Annual Shareholders' Meeting held in 2001, compensation paid to members of the Board of Directors during the year was as indicated below (per diem and profit sharing, respectively):

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

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

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

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

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

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

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

and ThCh\$12,977 in 2000) and Hernán Büchi Buc, ThCh\$7,412 and ThCh\$0 (ThCh\$7,243 and ThCh\$0 in 2000).

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

#### MANAGEMENT COMPENSATION

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

#### INCENTIVE PLAN

In March 2000, a long-term incentive plan was established for Quiñenco executives. A loan in the amount of ThCh\$4,772,715 was granted to acquire shares of Quiñenco and its subsidiaries at market price. The loan, expressed in UF, repayable in annual installments, and the shares acquired, are delivered in guarantee and may be delivered in payment. The plan was made in accordance with the directives of the Board of Directors on March 8, 2000.

#### AUDIT COMMITTEE

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

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

a) An examination of and subsequent report on the type of operations referred to in Articles 44 and 89 of the Corporations Law. The Committee reviewed in detail the information relative to the sale of Quiñenco's interest in Plava Laguna to a company related to Quiñenco's controlling shareholders, concluding that the transaction was conducted within the parameters established by the law.

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

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

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

**BOARD OF DIRECTOR EXTERNAL CONSULTING EXPENSES**

In 2001, the Board of Directors did not incur any expenses with respect to external consultants.

**EMPLOYEE SEVERANCE PAYMENTS**

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

**SHARE TRANSACTIONS IN 2001 BY CONTROLLING SHAREHOLDERS**

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

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

**SHARE TRANSACTIONS IN 2001 BY OFFICERS AND EXECUTIVES OF THE COMPANY**

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

\* Historic figures

\*\* Average price

### STOCK SHARE PRICE AND VOLUME TRADED

The following table sets forth on a quarterly basis, the average share price and volume traded on the Santiago Stock Exchange during the last three years:

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

\*Historic figures

### CONTROVERSY IN AFFILIATE COMPANY INVERSIONES Y RENTAS

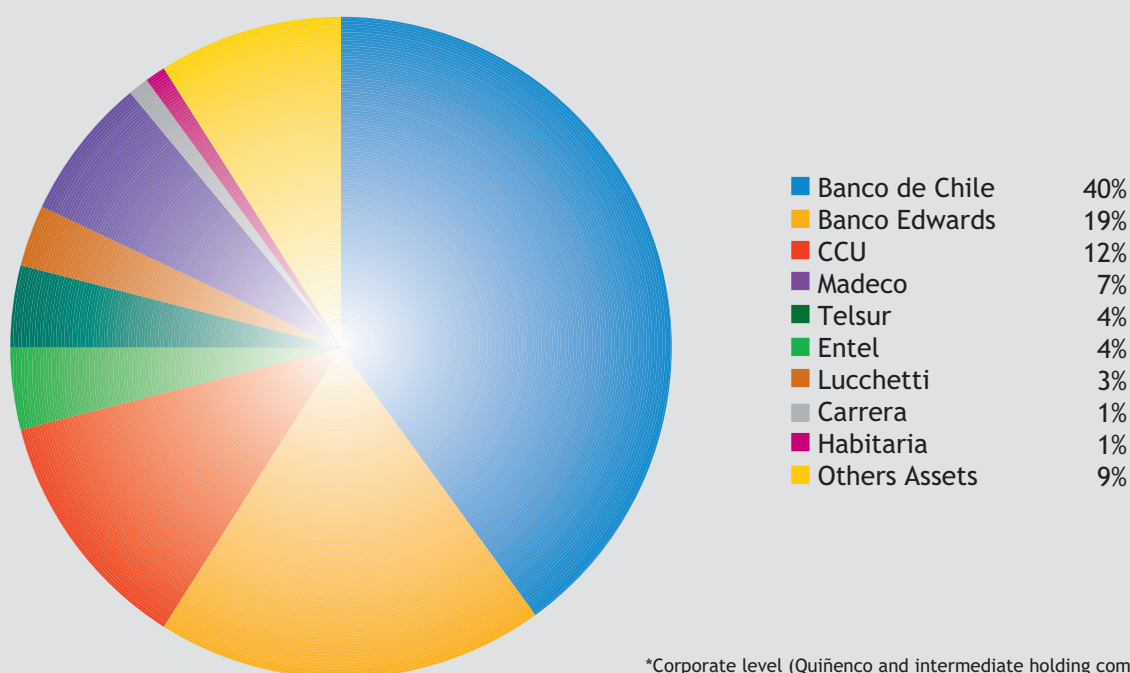
The Company is currently involved in arbitration proceedings under the jurisdiction of the International Chamber of Commerce against its partner Bayerische Brau Holding A.G. (Paulaner) of Germany and its subsidiary, FHI Finance Holding International B.V. of Holland. The Company alleges that the shareholders'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

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

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

## COMPOSITION OF ASSETS

As of December 31, 2001



\*Corporate level (Quiñenco and intermediate holding companies)