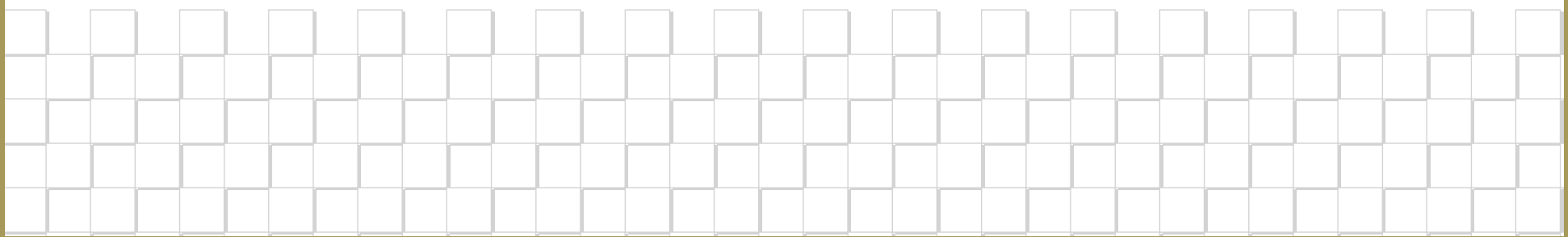


2002 ANNUAL REPORT



AGUAS
andinas

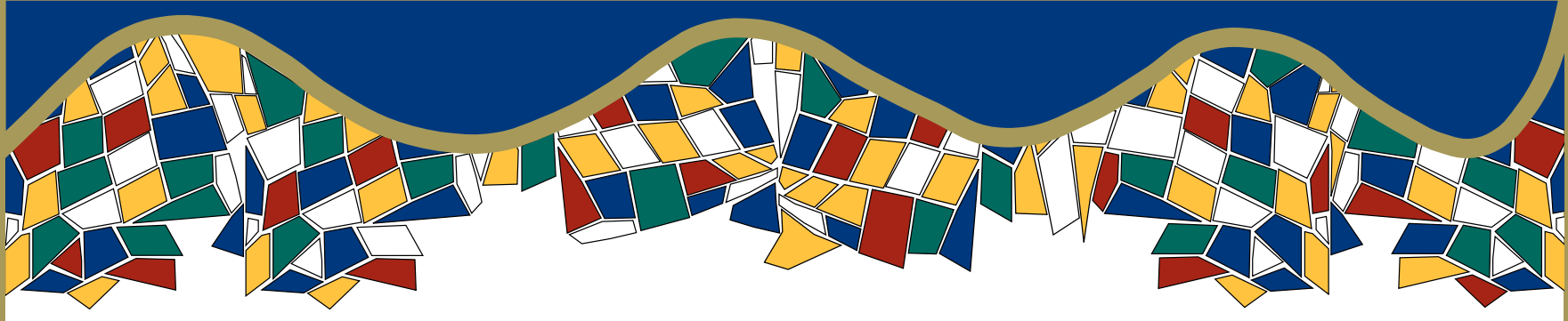






*"Nothing is art if it does not come from nature, as from
nature come the most beautiful and extraordinary shapes"*
-Gaudi-





Aguas Andinas' mission is to provide "a full of life to the inhabitants and environment of the Santiago Basin", by supplying water, the essence of life for people and nature.

Many of the values our mission is based on are also present in Antoni Gaudí's works. Thus, as in his works, our daily actions are guided by our respect of and commitment to nature, environment and life and, like him, we make use of state-of-the-art technology to serve people.

For this reason, in its 150th anniversary, Aguas Andinas rendered homage to the brilliant Catalan Architect, by creating a permanent space full of color and life, which we have named "Rambla de Gaudí".



Dragon in "Rambla Gaudí"



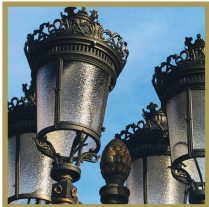


TABLE OF CONTENTS



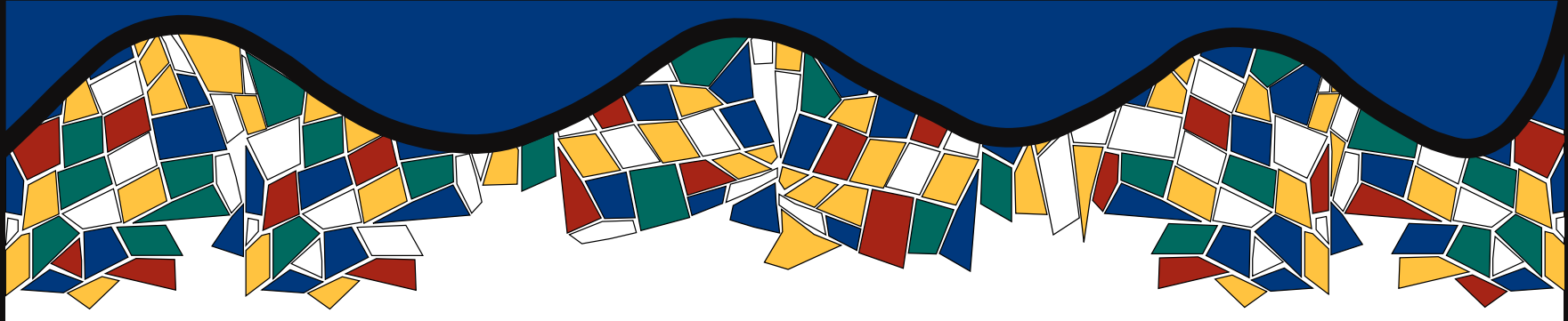
History	7
Letter from the Chairman	9
Board of Directors	12
Company Ownership	13
Organizational Chart and Management	16
Subsidiaries	18
Coverage Maps	19

2002
21 Service
31 Environment
41 Technology
49 Infrastructure
59 Evolution
71 Financial Management
77 Relevant Events
80 Board of Directors and Management
84 Main Customers and Suppliers
85 Statement of Responsibility
86 Company Identification
87 Consolidated Financial Statements
143 Parent Company's Financial Statements
191 Subsidiaries' Financial Statements





Corporate Building



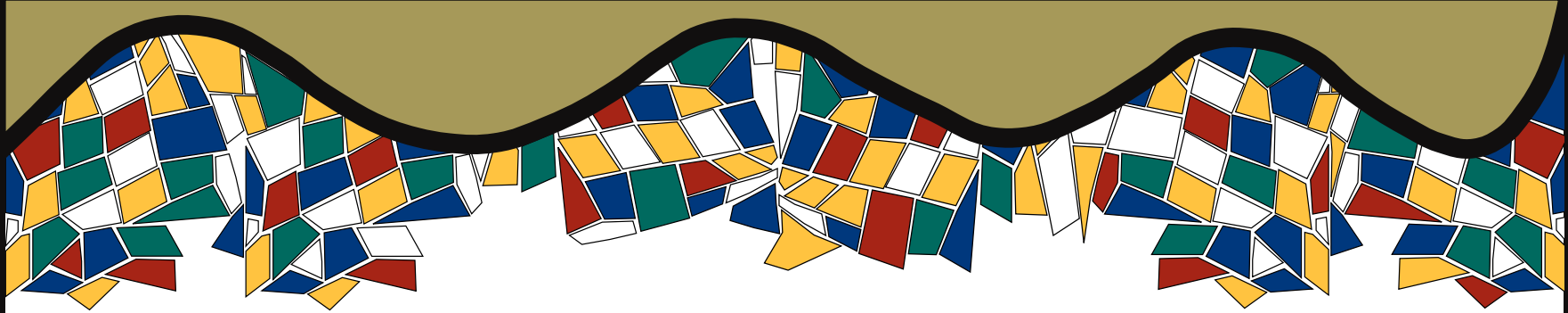
HISTORY

- | | |
|---|--|
| <p>1861 Creation of Empresa de Agua Potable de Santiago and study to improve the catchment capacity of Quebrada San Ramón.</p> <p>1865 Construction of first water storage tanks.</p> <p>1894 Commencement of works program (construction of the Vitacura drains to obtain filtered water from the Mapocho river and a 20 thousand cubic meter tank on Antonio Varas street, which is still in operation.</p> <p>1903 Enactment of the Santiago Sewerage and Pavement Bill, which boosted the creation of potable water and sewer networks.</p> <p>1909 Installation of 1,112 home connections and first hydrants.</p> <p>1917 Commissioning of the 87 km. Laguna Negra Aqueduct which still carries water from the Andes Mountains.</p> <p>1953 Las Vizcachas Potable Water Plant begins operations.</p> <p>1969 Inauguration of Las Vizcachitas Plant alongside the Paralelo Aqueduct.</p> <p>1977 Creation of Empresa Metropolitana de Obras Sanitarias.</p> <p>1984 Inauguration of Ingeniero Antonio Tagle Potable Water Production Plant.</p> <p>1989 EMOS becomes a stock corporation and a subsidiary of CORFO.</p> <p>1990 Start-up of construction of the region's first hydric improvement projects (Zanjón Collector Interceptor, Canal A-H tubing.</p> | <p>1993 Inauguration of Eastern Santiago Sewage Treatment Plant.</p> <p>1997 Inauguration of EMOS Corporate Building (Parque de los Reyes, Santiago).</p> <p>1999 Inauguration of La Florida Potable Water Plant. Sociedad Inversiones Aguas Metropolitanas Ltda., owned by Aguas de Barcelona (50%) and Suez Lyonnaise des Eaux (50%), acquire 51.2% of EMOS for US\$ 1,125 million.</p> <p>2000 Start-up of construction of El Trebal Treatment Plant. EMOS acquires 100% of Aguas Cordillera S.A., and 50% of Aguas Manquehue S.A.. Plan Vita, intended to guide the organization towards excellence in customer service, is started. It improves product efficiency and quality.</p> <p>2001 Commissioning of El Trebal Sewage treatment Plant. The construction of La Farfana Sewerage Treatment Plant starts. On October 25, EMOS' name is changed to Aguas Andinas S.A.. The subsidiaries ANAM S.A., Ecoriles S.A. and Gestión y Servicios S.A. are formed.</p> <p>2002 Inauguration of the most modern Operational Control System in Latin America. Acquisition of the remaining 50% of Aguas Manquehue S.A.. Construction of the "Rambla Gaudi", at the entrance to the Corporate Building. Commencement of the Eureka Plan, intended to consolidate a network organization. The new San José de Maipo and Paine Sewage Treatment Plants are inaugurated.</p> |
|---|--|



El Yeso Dam





LETTER FROM THE CHAIRMAN *Roque Gistau*

Dear shareholders, I have the honor to submit to you the Company's Annual Report and Financial Statements for 2002. It has been nearly three years since Inversiones Aguas Metropolitanas – owned equally by Agbar and Suez – assumed control of Aguas Andinas, and, during this period, the initial projects have been implemented which we deemed necessary to comply with our commitments with the three poles that shape the Company's action: customers, employees and shareholders.

I will refer firstly to the most relevant events in the period:

In the management area, we implemented the Eureka Plan to build a networked company made up of our customers, authorities, suppliers, contractors, employees and shareholders, sharing information and speeding up decision making. It is further intended that all of the members of the network share the objectives of sustainability, development and value added.

Zones have been consolidated as basic business units in order to bring operations and



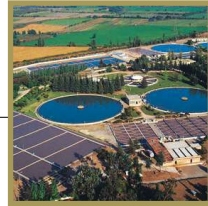
commercial action closer to our customers. Thus the ISO 9000 certification process has been started, in the customer service area, as a tool to guarantee the quality of this service.

As for the supply area, coverage has increased with the integration of the Cerro La Virgen in Peñaflor and Western Melipilla sectors and the immediate incorporation of Rinconada de Maipú and Santa Laura in

Santiago.

As far as the clean-up activity is concerned, outstanding objectives have been reached in sewage treatment. Thus, in March the San José de Maipo plant was inaugurated, in April the works at La Farfana plant began, and in May the sewage treatment plant in the Paine area was inaugurated. Worthy of mention is La Farfana, which, with an 8.8m³/sec treatment capacity, is the world's largest plant under construction. With an 18-month build-out term, and together with El Trebal plant, which has been operating for more than a year, it will treat 75% of the sewage of the Santiago Basin before the end of 2003.





As for incorporation of technology, the contribution of technological knowledge by the strategic partners in all areas has continued. In August, the Operational Control System started to operate. This system reports, in real time, the data required from production, transportation, regulation and distribution units of all the system, allowing for an efficient and safe operation. In addition, it allows the feeding of models, telecontrol and telecommand. The Operational Control System is operated from the control center located in the corporate building, and is staffed at all times.

Data transmission is carried through our own communications system based on trunking technology, which also supports voice communication from work units. The units corresponding to the new clean-up infrastructures will gradually be added to this system. The fast introduction of new technologies has demanded a parallel training effort in order to prepare the Company's personnel.

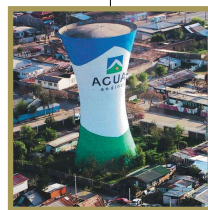
Ongoing formation and training are also a commitment that, in addition to improving staff qualifications, increases their efficiency.

Aguas Andinas stands out among the companies dedicating more hours

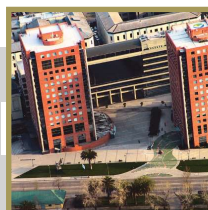
and resources to staff development in all areas.

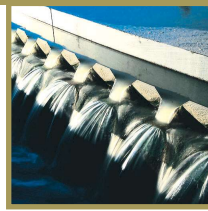
The Company dedicates very special attention to the social and environmental education areas. We have supported, in a structured and constant fashion, education and environment-related programs, since we provide a public service of the highest social interest. Water is a natural resource and its rational use is closely linked to the social responsibility towards our customers, the citizens. With this objective in mind, we have implemented the "water adventure" program, directed toward school students, we organize visits to treatment and production plants, promote and finance plumbing workshops for housewives, actively participate in the Arteduca program, and set up the water mitozoo at the Mirador Interactive Museum which, with an educational and recreational approach, is visited by many school students. Aguas Andinas is constantly and fruitfully related to our customers, to all levels of the public administration and, especially, to municipalities and environmental authorities. This spirit of cooperation has resulted in agreements entered into with the National

Environmental Commission (CONAMA) for the design of integral hydric management and decontamination plans for the Maipo and Mapocho basins.

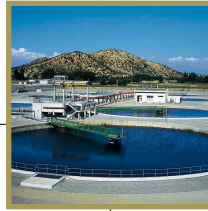


We implemented the Eureka Plan in order to build a networked company comprised of our customers, authorities, suppliers, contractors, workers and shareholders.





*We are proud of contributing to such an ambitious plan as
that of achieving the clean-up of 100% of the sewage in
the Santiago Basin*



Further, with this social conviction the company sponsors cultural event. In 2002, worthy of mention is the participation of Aguas Andinas in activities organized in Santiago commemorating the 150th birthday of the renowned Catalan architect Antoni Gaudí and the construction, with Gaudinian elements and symbols, of the new entrance to our corporate building, as a distinguishing contribution to this section of the avenue, which we have called Rambla Gaudí. In addition, we cooperated with and supported the exhibition of selected works included in the 25th Sao Paulo Biennial 2002, at Santiago's Museum of Contemporary Art. A large part of this Annual Report is devoted to the Financial Statements. This year, Aguas Andinas' revenues amounted to Ch\$ 54,112 million. Operating income increased by Ch\$ 8,265 million compared to 2001, as a result of the increase in the activities after the full commissioning of El Trebal plant, the acquisition of 100% of Aguas Manquehue, and improvements in operational efficiency. As a result, the return on shareholders' equity reached 11.33%, compared to 10.39% the previous year.

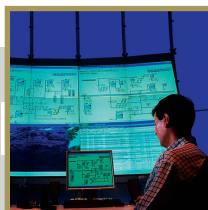
In the financial ambit, it is worth singling out the successful placement

of UF 4 million (US\$93 million) bonds that was made in December. This placement took place on the Santiago Stock Exchange, at an average rate of 5.18%, and was rated AA+ by the prestigious risk rating entity Feller Rate and Humphreys Ltda., which shows the excellent financial position and confidence that the market has in the business and its management. These resources will be fully directed to financing the Company's planned investments.

To end, I wish to express my gratitude to the Board of Directors, the Management, shareholders and employees, for their commitment and dedication. I extend this acknowledgment to former Chairman and General Manager until last September, Mr. Adolfo Ramiro and Mr. Angel Simón. We all have undertaken the commitments and objectives of this Company. We all feel proud of contributing to such ambitious a project as to achieve 100% clean-up of Santiago basin's sewage over a 10-year period. However, we must all assume the responsibility and, with that, I call on you to make Aguas Andinas the leading company in the sector, a model of efficiency and compliance with customer service quality standards and social responsibility.

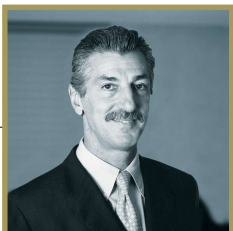



Roque Gistau
CHAIRMAN

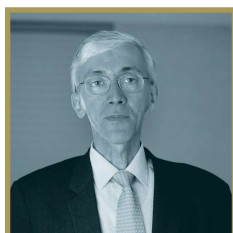




Juan Carlos Fontana



Alfredo Noman Serrano



Charles Chaumin



Carlos Mladinic Alonso



Bernardo Espinosa Bancalari



Gibrán Harcha Sarras

BOARD OF DIRECTORS

DIRECTORS

CHAIRMAN

Roque Gistau
Road, Canal and Port Engineer

VICE-CHAIRMAN

Juan Carlos Fontana
Accountant

DIRECTORS

Alfredo Noman Serrano
Industrial Engineer

Charles Chaumin
Civil Engineer

Carlos Mladinic Alonso
Business Administrator

Bernardo Espinosa Bancalari
Attorney at Law

Gibrán Harcha Sarras
Business Administrator

ALTERNATE DIRECTORS

José Vila Bassas
Industrial Engineer

Alain Chaigneau
Economist

Angel Simón Grimaldos
Road, Canal and Port Engineer

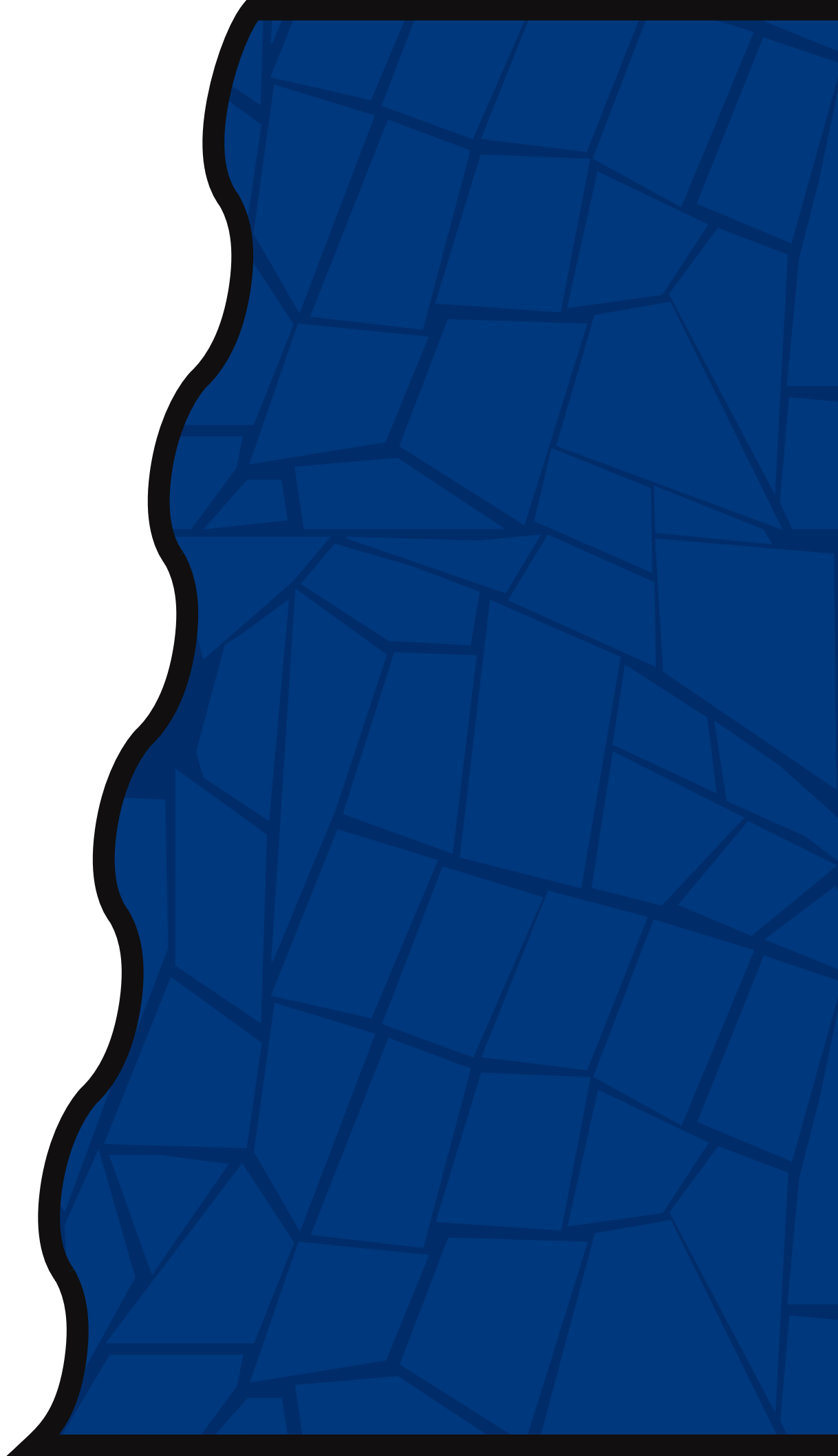
Manlio Alessi Remedi
Economist

Daniel Albarrán Ruiz-Clavijo
Civil Industrial Engineer

Roberto Hempel Holzapfel
Business Administrator

Gonzalo Rivas Gómez
Business Administrator





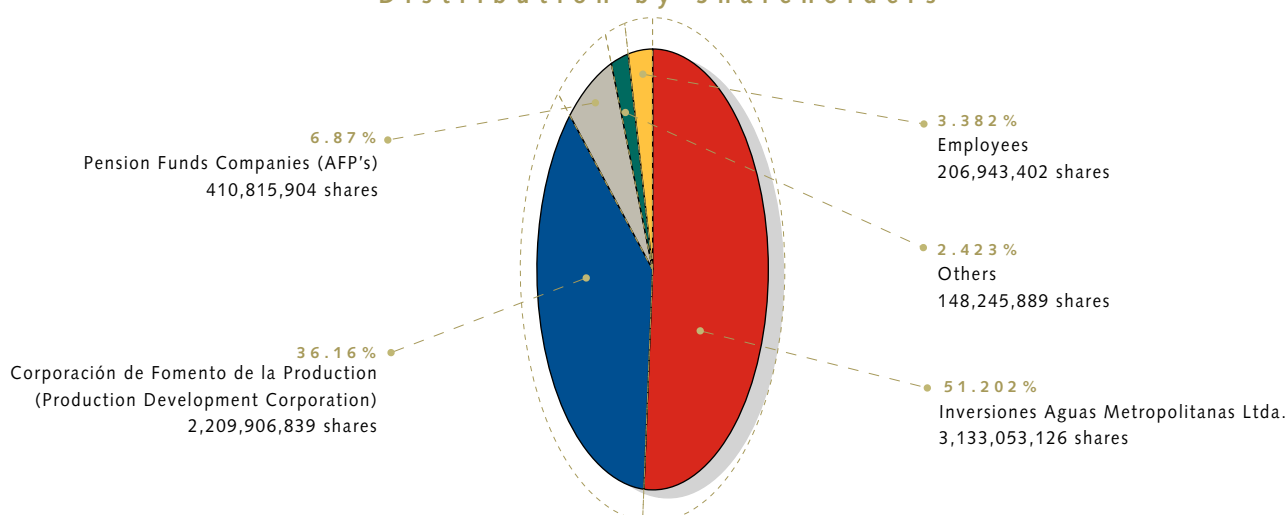


COMPANY OWNERSHIP

Ownership Structure

The Company's capital, at December 31, 2002, is represented by 6,118,965,160 shares, distributed between 1,801 shareholders.

Distribution by Shareholders

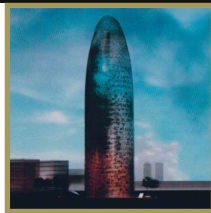


Majority Shareholders

The largest twelve shareholders in the company, based on the number of shares held at December 31, 2002, are as follows:

Shareholder's Name	Taxpayer Number	Series A Shares	Series B Shares	Total Shares	Percentage
Inversiones Aguas Metropolitanas Ltda.	77.274.820-5	3,133,053,126	-	3,133,053,126	51.202 %
Corporación de Fomento de la Producción	60.706.000-2	-	2,209,906,839	2,209,906,839	36.116 %
A.F.P. Provida S.A.	98.000.400-7	217,675,216	-	217,675,216	3.557 %
A.F.P. Cuprum S.A.	98.001.000-7	81,623,222	-	81,623,222	1.334 %
Celfin Gardeweg S.A.	84.177.300-4	49,027,782	-	49,027,782	0.801 %
A.F.P. Summa Bansander S.A.	98.000.600-k	41,196,539	-	41,196,539	0.673 %
A.F.P. Santa María S.A.	98.000.000-1	25,095,254	-	25,095,254	0.410 %
The Chile Fund Inc.	59.028.400-9	20,000,000	-	20,000,000	0.327 %
A.F.P. Planvital S.A.	98.000.900-9	12,000,881	-	12,000,881	0.196 %
A.F.P. Magister S.A.	98.001.200-k	6,600,000	-	6,600,000	0.108 %
Banchile Corredores de Bolsa AS.A.	96.571.220-8	6,307,802	-	6,307,802	0.103 %
Inversiones Caburga S.A.	96.854.480-2	5,000,000	-	5,000,000	0.082 %
Other 1,789 Shareholders	-	307,978,705	3,499,794	311,478,499	5.090 %
Total		3,905,558,527	2,213,406,633	6,118,965,160	100.000 %





STRATEGIC PARTNERS

The strategic partners in Aguas Andinas, through its controller Inversiones Aguas Metropolitanas Ltda., are Sociedad General de Aguas de Barcelona (Agbar) y Suez;

companies with a vast experience in providing services for meeting people's basic. Agbar is the operating partner of Aguas Andinas.

Agbar

For over 131 years, Agbar has been the leading private company in the domestic potable water distribution sector in Spain, serving Barcelona and other 22 surrounding localities. Currently, it provides services to more than 2.6 million people. In addition, Agbar is currently the head of Agbar Group, comprised of 162 companies. It is the absolute leader in the private potable water market in Spain (with a 54% stake) and one of the leading operators in such activities as integral water cycle, solid

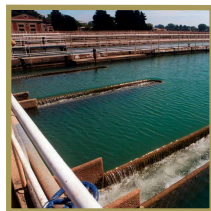
residues, maintenance, information technology services and e-commerce, engineering, construction, health services and automobile industry related services. During 2002, Agbar Group had revenues of Eu 2,673.5 million. The Group currently employs 45,565 persons. It is also present in seven Latin American countries and serves more than 23 million people.

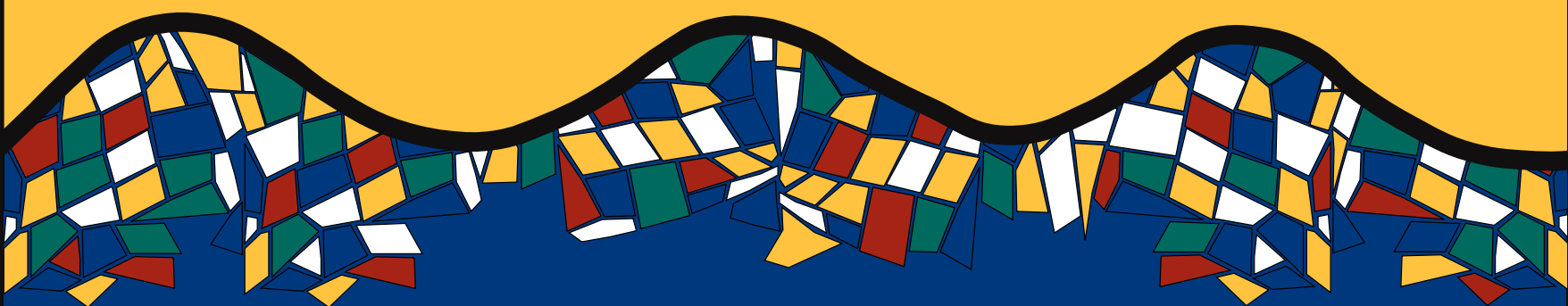
Suez

Suez is one of the largest service groups worldwide. Created as a French-Belgium joint venture, Suez has been in operation for over 140 years and is present in two major areas: environment, where it is the world leader, and energy, with a strategic position in Europe. Suez had revenues of Eu 40,218 million in 2002, while its EBITDA was Eu 7,254 million. The Group employs over 190,000 people around the world. Its securities

are quoted on such stock exchanges as Euronext Paris, Euronext Brussels, as well as in Luxembourg, Zurich and New York.

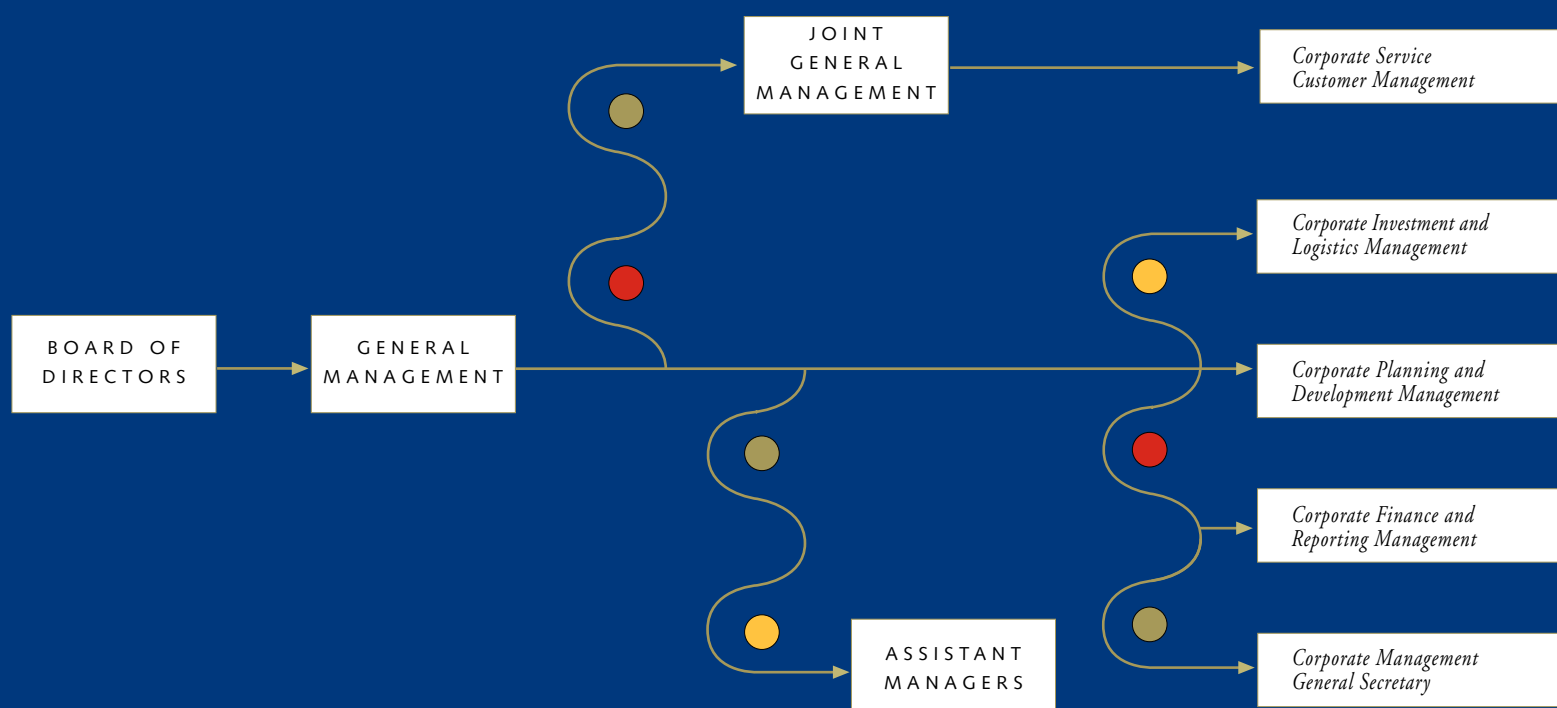
With a presence in 130 countries, with a strong position in Europe and an increasing presence in American markets, Suez provides water and clean-up services to over 115 million people around the world.





ORGANIZATION

Josep Bagué Prats / General Manager



M a n a g e m e n t

GENERAL MANAGER

Josep Bagué Prats
Economist

JOINT GENERAL MANAGER

Laurent Brunet
Civil Engineer

GENERAL ASSISTANT MANAGER

Paulina Lobos Valdés
Civil Industrial Engineer

CORPORATE CUSTOMER SERVICE MANAGER

Dominique Demessence
Telecommunications Engineer

CORPORATE INVESTMENT AND LOGISTICS MANAGER

Felipe Larrain Aspillaga
Civil Engineer

CORPORATE PLANNING AND DEVELOPMENT MANAGER

Joaquim Martí Marqués
Road, Canal and Port Engineer

CORPORATE FINANCE AND REPORTING MANAGER

José Luis Murillo Collado
Economist

CORPORATE MANAGER GENERAL SECRETARY

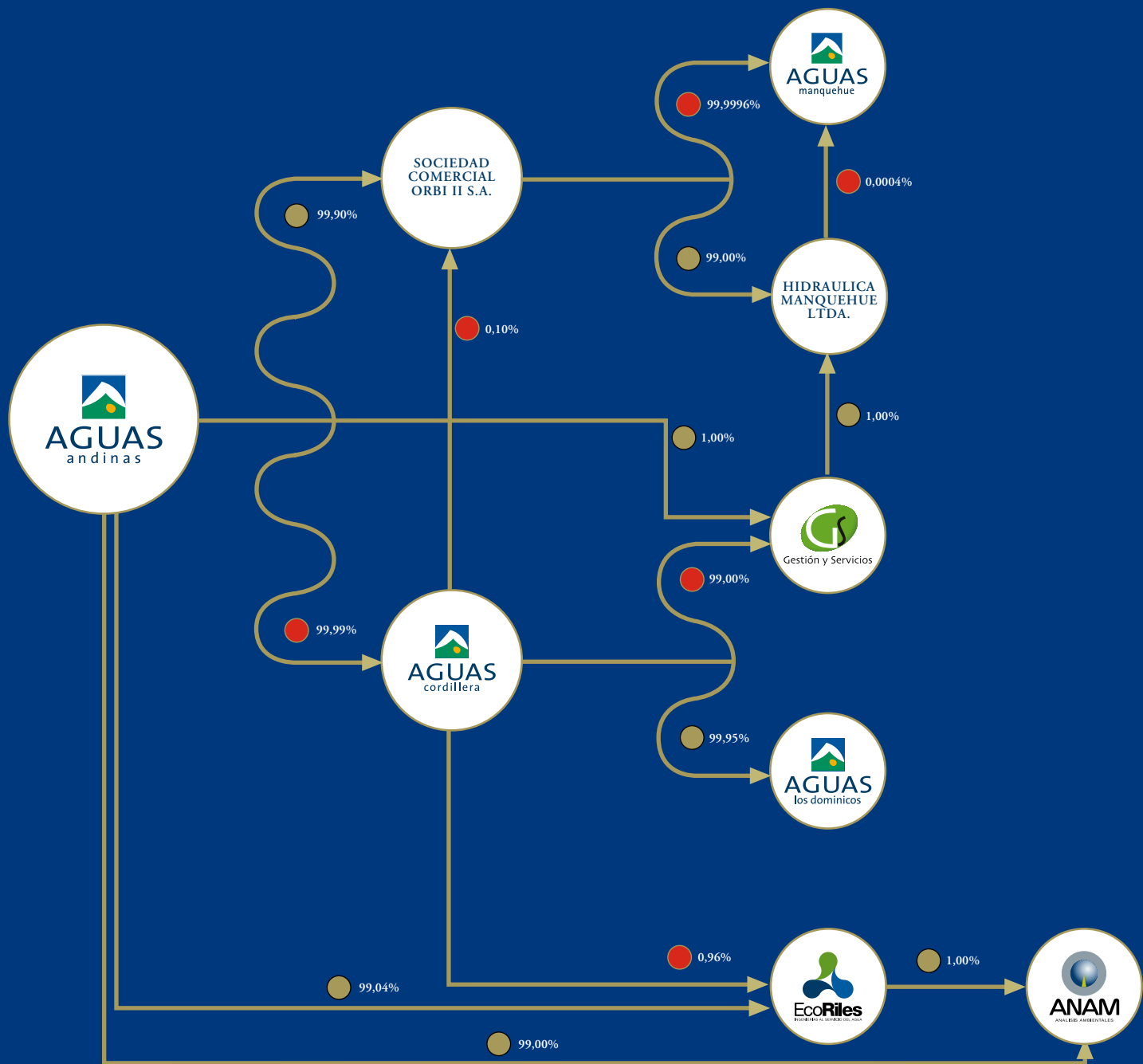
Joaquín Villarino Herrera
Attorney at Law



S U B S I D I A R I E S

During 2002, Aguas Andinas acquired the remaining 50% of. Aguas Manquehue S.A.. By so doing, we consolidated ourselves as the leading

sanitary services company for the Santiago Basin, heading the group of companies that make up Grupo Aguas.

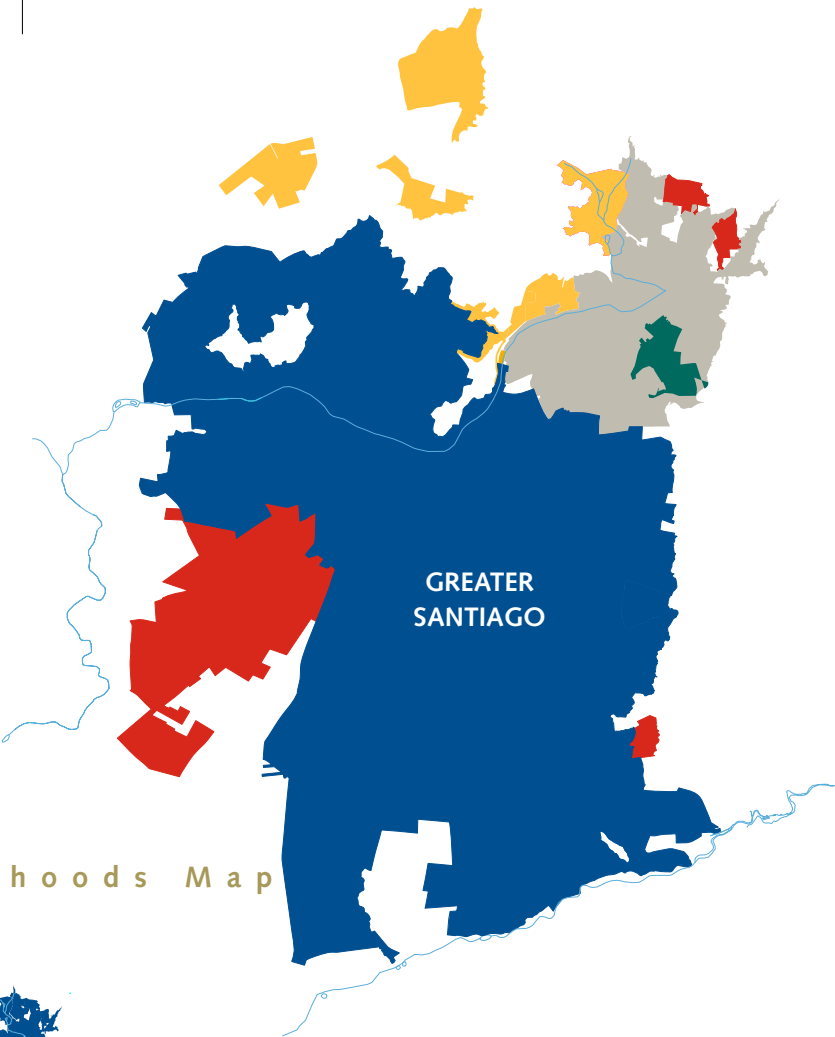


General Service Coverage Maps - Aguas Andinas and Subsidiaries

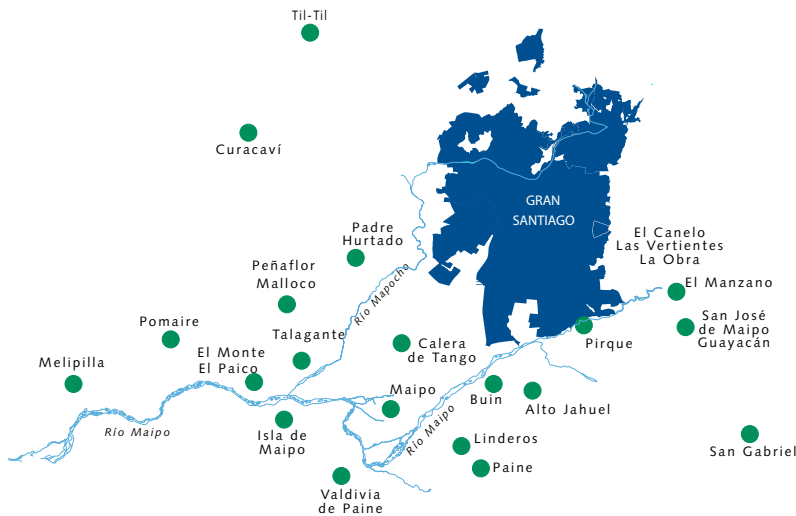
Aguas Andinas performs activities in the Santiago Basin, located in Central Chile's Intermediate Depression. It is closed in the north at Chacabuco Decline and at Angostura de Paine in the south. In this area it serves a

population of about six million people, distributed between Greater Santiago and surroundings.

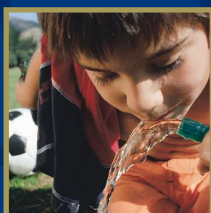
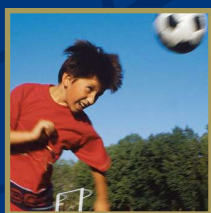
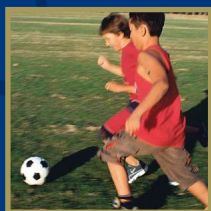
-  Aguas Andinas
-  Aguas Cordillera
-  Aguas Manquehue
-  Aguas Los Dominicos
-  Concession of soiled water disposal exclusively



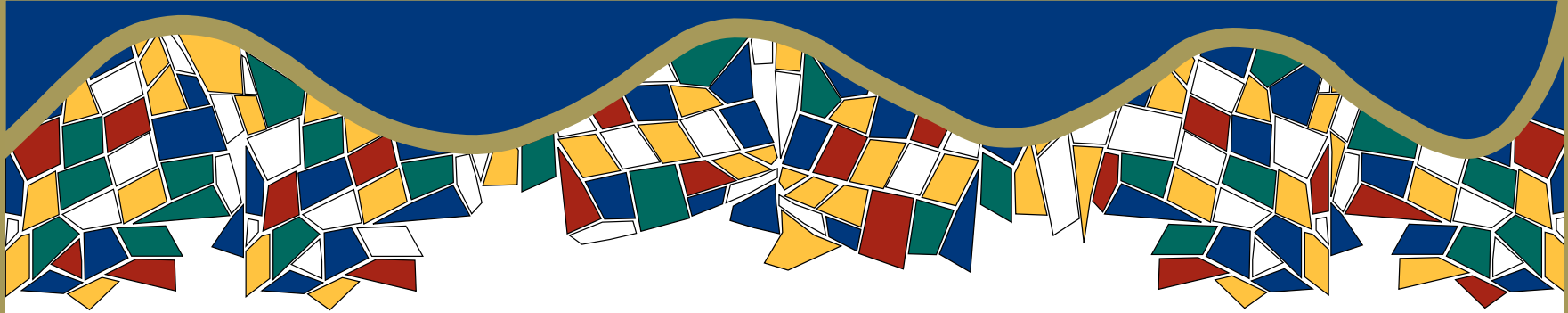
Neighborhoods Map











S E R V I N G F U L L L I F E D E V E L O P M E N T

The geniality expressed in Gaudí's work goes beyond esthetic innovation, shapes and colors. Inspired by nature, it seeks functionality for full life development. In a similar fashion, Aguas Andinas incorporates the highest service standards into its daily activities. Each project that is developed is exclusively intended to improve our customers' quality of life.





INTEGRAL CUSTOMER SERVICE

In line with its commitment to provide all of its customers in the Santiago Basin with high quality service, in 2002, Aguas Andinas successfully consolidated the division of its service coverage area into operational zones.

Zoning and the development of new technological tools, such as the Service Complaint System (SAR in Spanish), the Geographical Information System (SIG in Spanish), the Service Phone and the Operational Control center, have allowed for a reduction in complaint response time. Currently, 80% of calls related to potable water and sewage services are solved within 24 hours.

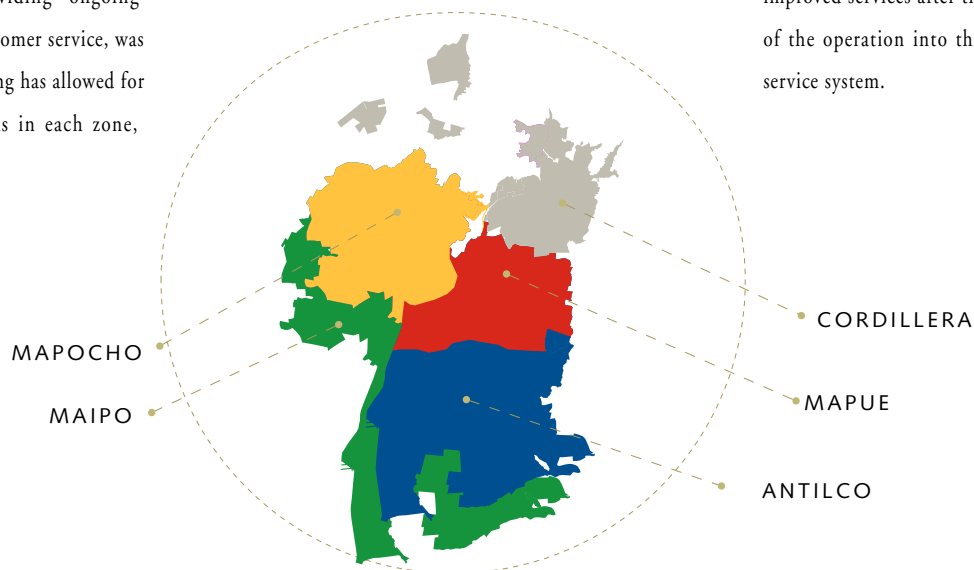
In the zones, as these are the units responsible for controlling quality standards and the area's operational performance, progress was made on customer service processes at operational and commercial levels. In this respect, a quality management system, providing ongoing assurance and improvement to customer service, was implemented. This way of operating has allowed for an awareness of customers' needs in each zone,

developing a differentiated management, for example, with respect to specialties and meter reading service contracts, into which quality and efficiency criteria were incorporated to provide a better service.

Within this context, we started an ISO 9000 certification process in all issues related to customer service, for which an ISO 9000 training program was designed, directed specially toward personnel in the customer service area, .

Simultaneously, the zones have concentrated efforts on the renovation and reconditioning of supply networks and especially on the management and implementation of new potable water and sewage facilities, meeting the requirements of the inhabitants of the Santiago Basin.

Z o n i n g



Aguas Manquehue's customers, were provided with improved services after the complete incorporation of the operation into the Grupo Aguas' customer service system.

Ongoing Communication with Customers

During 2002, Aguas Andinas developed a communication campaign intended to inform customers on the services provided by the Company and the benefits coming from its investments.

In this context, it is worth mentioning the improvement of the communication channels

with customers and the incorporation of new payment alternatives, both in person and via Internet portals. In addition, the new enquiry mechanisms using telephone services at commercial offices and Aguas Andinas' website (www.aguasandinas.cl) were well received.

Number of Customers

At December 31, 2002, the number of Aguas Andinas' customers receiving potable water supply was 1,234,246, and those being provided with sewage service, was 1,201,693, showing a 2.19% and 2.21% increase, respectively, over the prior

year. At Group level, considering Aguas Andinas, Aguas Cordillera, Aguas Los Dominicos and Aguas Manquehue, the number of customers with potable water supply was 1,331,851, and those with sewage service was 1,296,004.

NUMBER OF CLIENTS (2002, consolidated)				
	1999	2000	2001	2002
Potable Water	1,152,000	1,180,400	1,303,880	1,331,851
Sewage Service	1,120,600	1,149,600	1,268,457	1,296,004

NUMBER OF CLIENTS (2002)				
Number of Customers	Aguas Andinas	Aguas Cordillera(*)	Aguas Manquehue	Total
Potable Water	1,234,246	93,988	3,617	1,331,851
Sewage Service	1,201,693	91,052	3,259	1,296,004

(*) Includes Aguas Los Dominicos



Average Monthly Consumption by Customer

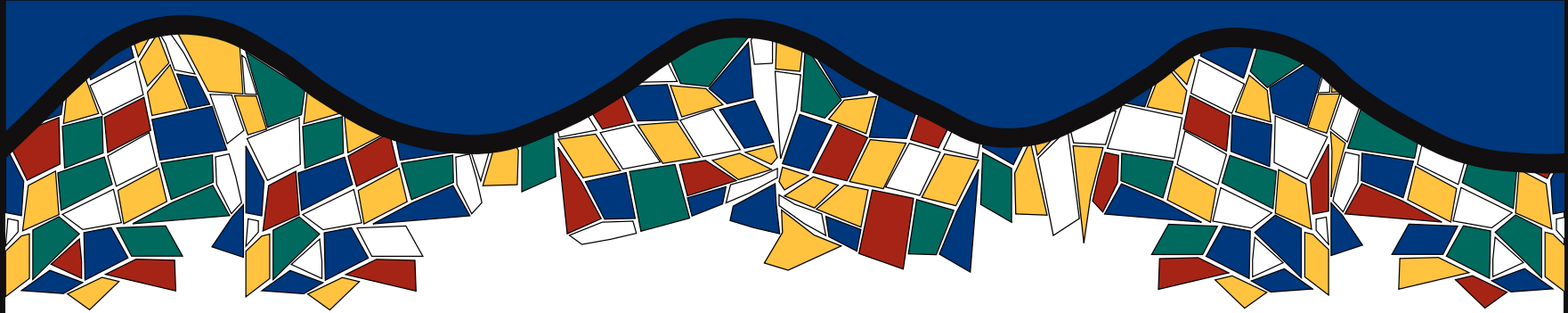
AVERAGE CONSUMPTION, CONSOLIDATED (m ³ , month)				
	1999	2000	2001	2002
Potable Water	27.7	28.5	30.1	29.8
Sewage Service	29.1	29.3	30.5	30.2

AVERAGE CONSUMPTION IN 2002				
	Aguas Andinas	Aguas Cordillera (*)	Aguas Manquehue	Total
Potable Water	27.6	54.6	133.5	29.8
Sewage Service	28.1	53.7	121.5	30.2

(*) Includes Aguas Los Dominicos







Amount of Standard Invoice (Ch\$ / December, VAT included)

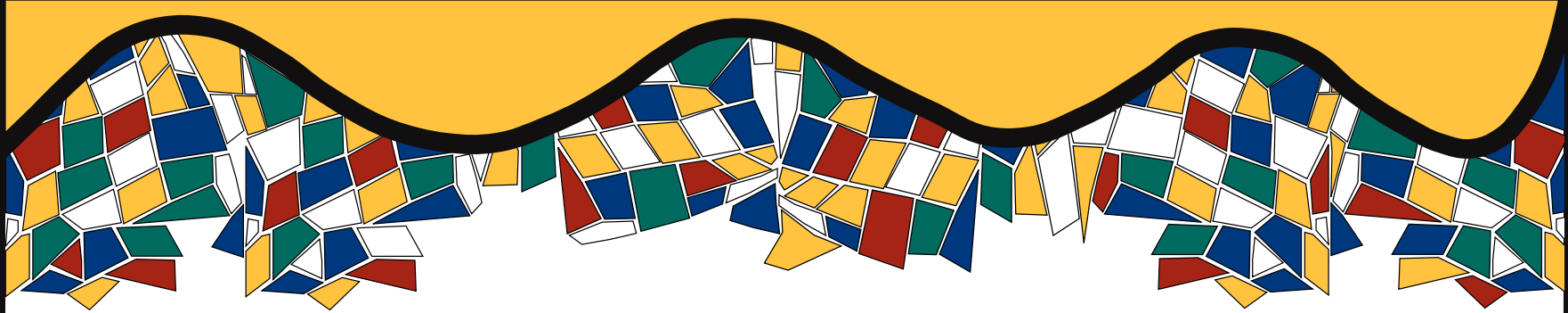
AGUAS ANDINAS			
	10m ³	20m ³	30m ³
Potable Water	2,538	4,616	6,693
Sewage Service	876	1,751	2,627
Wastewater Treatment	375	751	1,125
Total	3,789	7,118	10,445

AGUAS LOS DOMINICOS			
	10m ³	20m ³	30m ³
Potable Water	3,228	5,827	8,427
Sewage Service	943	1,885	2,829
Wastewater Treatment	357	714	1,070
Total	4,528	8,426	12,326

AGUAS CORDILLERA			
	10m ³	20m ³	30m ³
Potable Water	3,127	5,668	8,209
Sewage Service	801	1,602	2,403
Wastewater Treatment	357	714	1,070
Total	4,285	7,984	11,682

AGUAS MANQUEHUE			
	10m ³	20m ³	30m ³
Potable Water	4,431	7,752	11,074
Sewage Service	991	1,982	2,974
Wastewater Treatment	357	714	1,070
Total	5,779	10,448	15,118





Prices

Current Aguas Andinas' prices have been in effect since March, 2000, as was established by MINECOM Decree N° 76, and remain in force for five-years.

During 2002, Aguas Andinas' average rate, before VAT, was Ch\$ 194.0 / m³ for potable water, and Ch\$100.4 / m³ for sewage service. At Aguas Cordillera and subsidiaries, rates were Ch\$238.0 / m³ for potable water and Ch\$94.18 / m³ for sewage service; and at Aguas Manquehue, rates were Ch\$320.7 / m³ for potable water and Ch\$125.53 / m³

for sewage service.

With the commissioning of the sewage treatment plants in the neighborhoods of San José de Maipo and Paine, as of May 15, the corresponding price authorized by SISS (Superintendency of Sanitary Services) started to be applied. This meant a Ch\$ 5.55 / m³ increase (before VAT) on the sewage service. Since this is a Basin-related price, the charge affects Aguas Andinas' Group 2(*) customers.

()Group 2 Zone A: comprises the systems of Calera de Tango, El Monte-El Paico-Lo Chacón, San Gabriel, Malloco-Peñaflor, Talagante Sub-system, Pomaire, El Canelo-Las Vertientes-La Obra, Buin-Paine-Alto Jahuel-Linderos-Maipo, Melipilla, San José de Maipo-Guayacán and Isla de Maipo Systems. Zone B: comprises the Valdivia de Paine, Tiltil, Curacaví, Talagante (Santa Ana Sub-system) and Padre Hurtado-Santa Rosa de Chena Systems.*

New Concessions Management

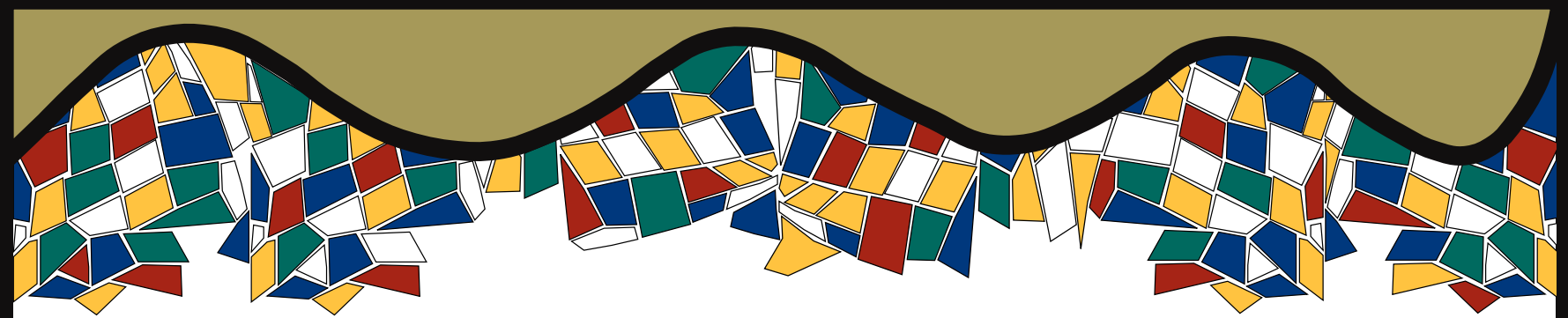
In order to meet the needs of the Santiago Basin inhabitants, and as a result of the city's natural growth, during 2002, the Company obtained approval to expand the La Virgen de Peñaflor Hill and Western Melipilla concession, by 40 hectares and 3,200 new connections. At the same time the Company applied for a new expansion of the concession in Villa Colonial, Melipilla, comprising 6 hectares and 400 new connections. Three applications for the expansion of the Santiago concession are also in process, namely Lomas de Maipú, Rinconada de Maipú and Santa Laura de Quilicura, which cover a total area of 149

hectares and 8,870 new connections.

During the year, the concession of Quebrada de Macul, Las Pircas I and Las Pircas II sectors, which comprise a total area of 357 hectares and 2,600 connections, was assigned by Quebrada de Macul S.A. to Aguas Andinas. For its part, Aguas Manquehue was awarded two applications to expand the concessions referred to as El Chamisero and Valle Grande III, located in the boroughs of Colina and Lampa, with a total area of 1,318 hectares and 6,300 connections.







Rural Potable Water Management

Pursuant to of the Mandate Agreement signed with the Ministry of Public Works' Hydraulic Works Department, Aguas Andinas acts as a technical unit performing studies, projects and works in the development of the Rural Potable Water Plan.

During 2002, Ch\$ 1,600 million have been invested, with these these resources being directed towards service improvement designs and works. The breakdown of this investment is as follows:

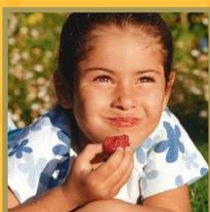
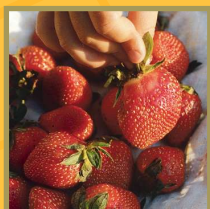
Activities	ThCh\$
Service improvement Works	1,571,435
Designs	29,254

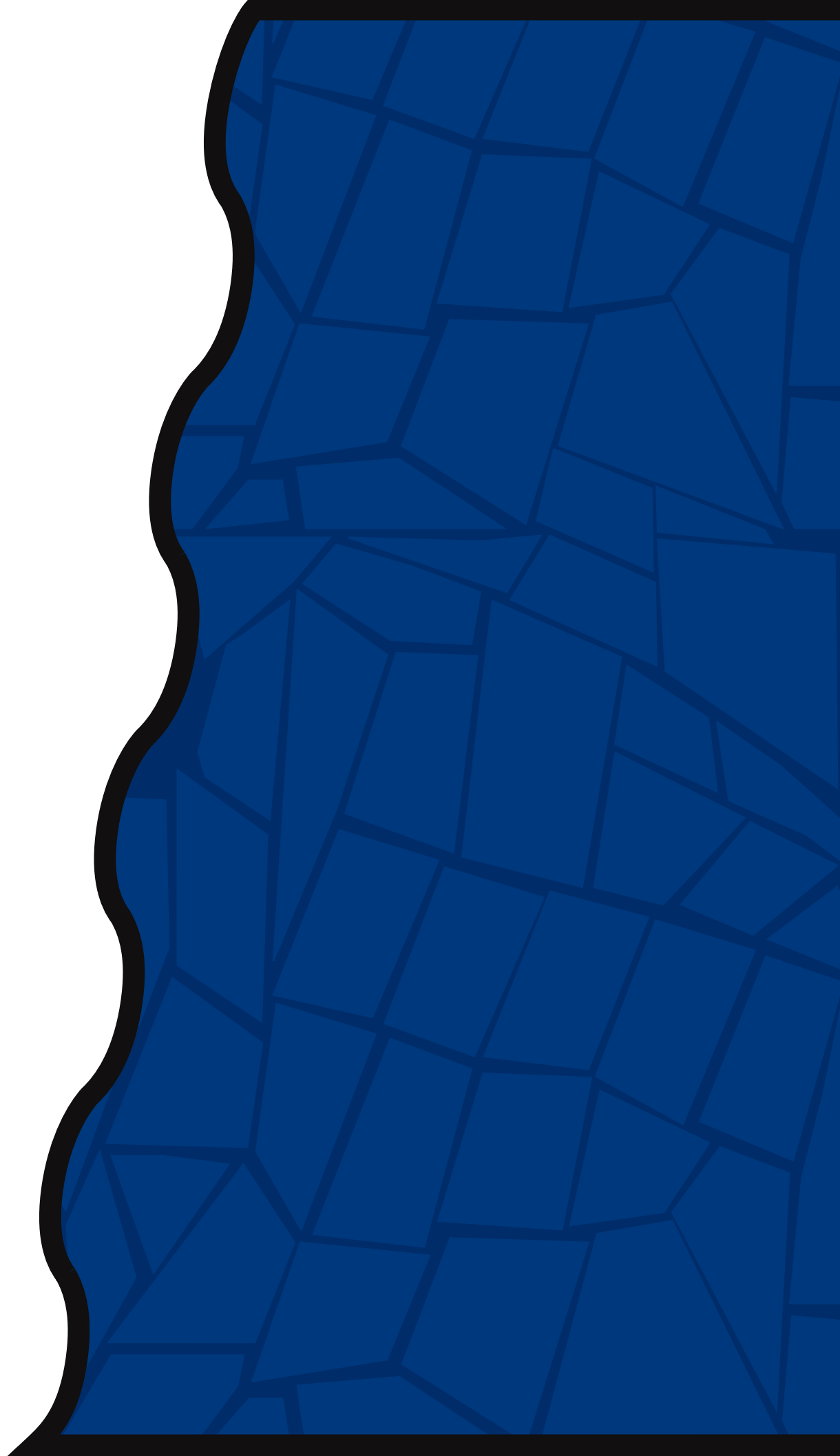
The Rural Potable Water Program currently benefits 34,914 households, with roughly 209,484 persons covering 100% of what is considered as concentrated rural localities. In April, 2002, the potable water service for Colonia Kennedy, located in Paine and with 500 households, was inaugurated. With this ceremony and in the presence of

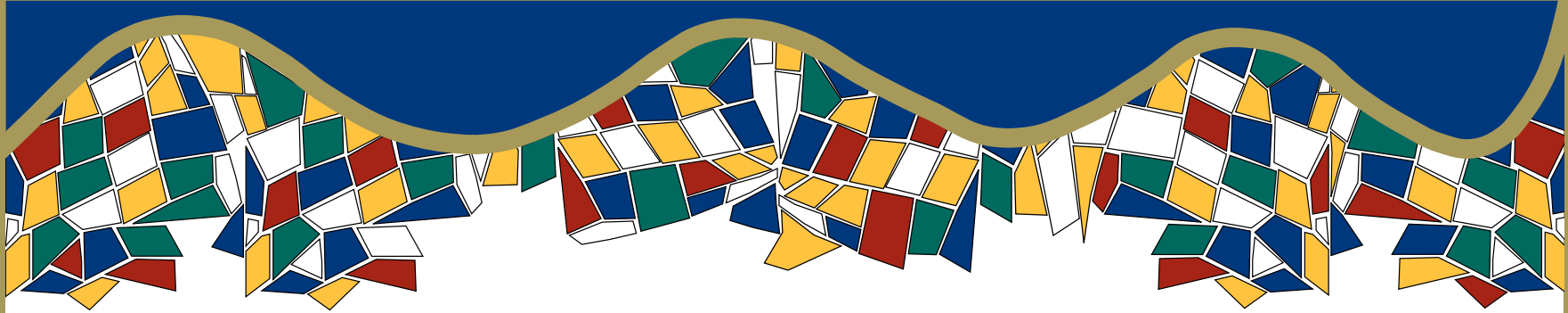
government authorities, the Rural Potable Water Program, as defined by the Ministry of Public Works, Transport and Telecommunications (MOPTT), and developed by Aguas Andinas, was completed.











INSPIRED BY RESPECT FOR THE ENVIRONMENT

Gaudí's works always showed his respect for nature, taking care that his buildings and constructions might stand in communication with it. In addition, he used such techniques as mosaics, made entirely from discarded materials. Likewise, Aguas Andinas is a lead player in protecting the environment, taking care of the waters of the Santiago Basin, delivering them fully purified for consumption and, once used, purifying them to return them clean and pristine to natural water catchments. This allows for the sustainable development of life.







ENVIRONMENTAL POLICY

Aguas Andinas's environmental policy is based on the commitment to respect and preserve the environment in each of the Company's activities and through a research and cooperation-oriented business culture in close contact with society in a model for ongoing improvements and sustainable development.

Through its development strategy, the Company harmonizes the increasing needs of potable water supply of a growing community, with environmental and ecological

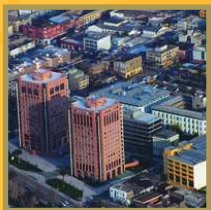
protection concerns in mind.

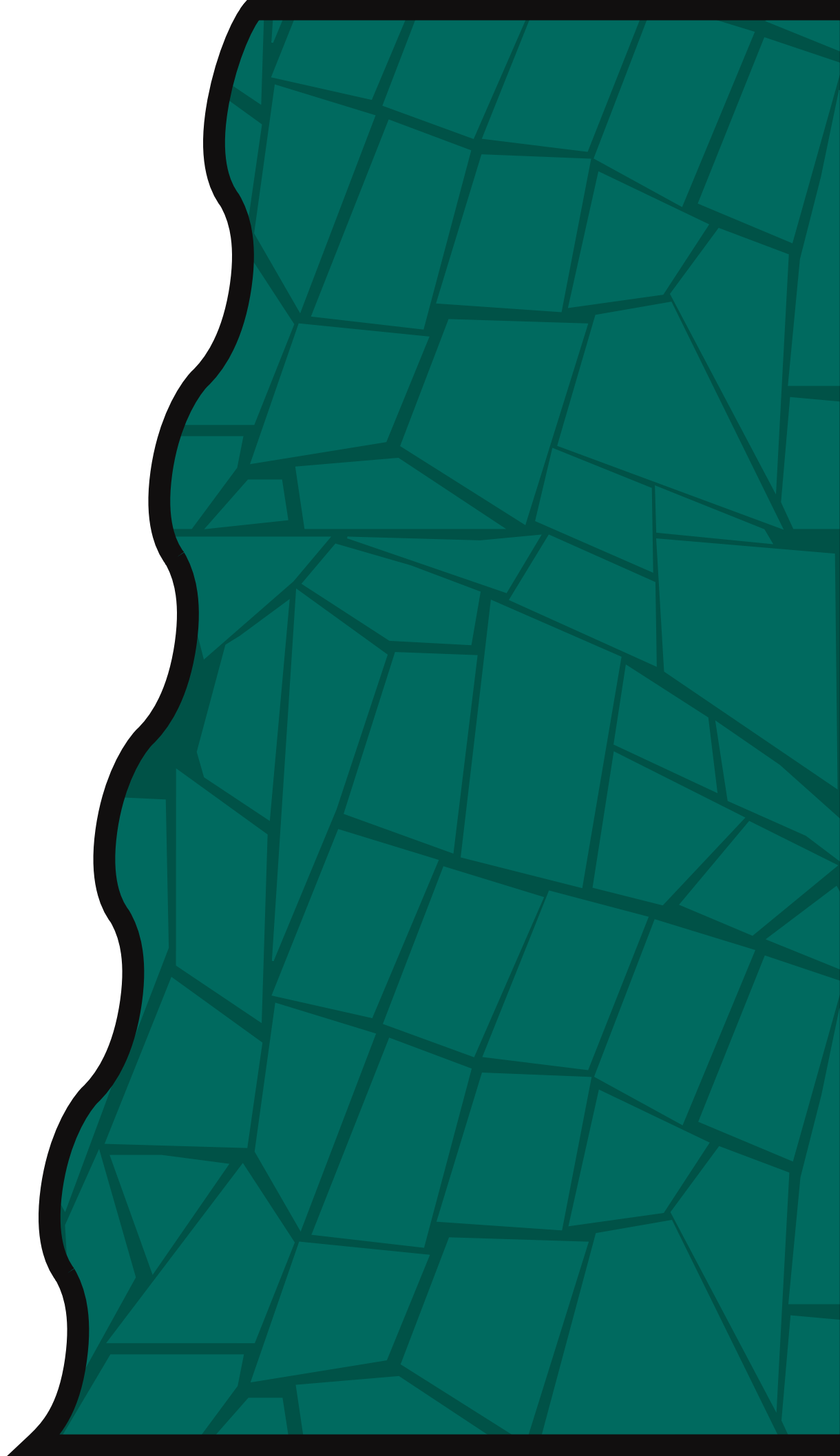
Also, an important part of our activities is directly related to environment decontamination.

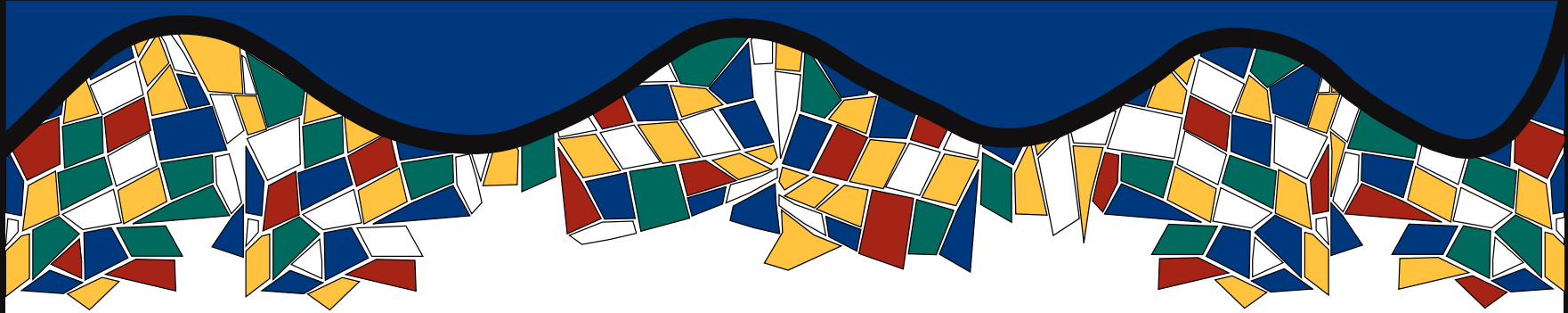
The purpose of the Hydric Clean-up Plan for the Santiago Basin, fostered by Aguas Andinas, is to decontaminate the sewage water and return it pollution free to the natural water catchments that cross the city.











Hydric Clean-up Plan for the Santiago Basin

Our mission is to “give fulfillment of life to the inhabitants and the environment of the Santiago Basin”. We are now working to recover natural rivers and beds, decontaminating sewage and returning it, pollution free, to the environment.

One of the major landmarks in 2002 relates to the continuity of the Sewage Treatment Plan started in 2000, which contemplates the construction and commissioning of 16 sewage treatment plants in the Santiago Basin.

In this context, worthy of mention is the construction of three large plants in Santiago: El Trebal, operating since October, 2001; La Farfana, under construction, and Los Nogales project.

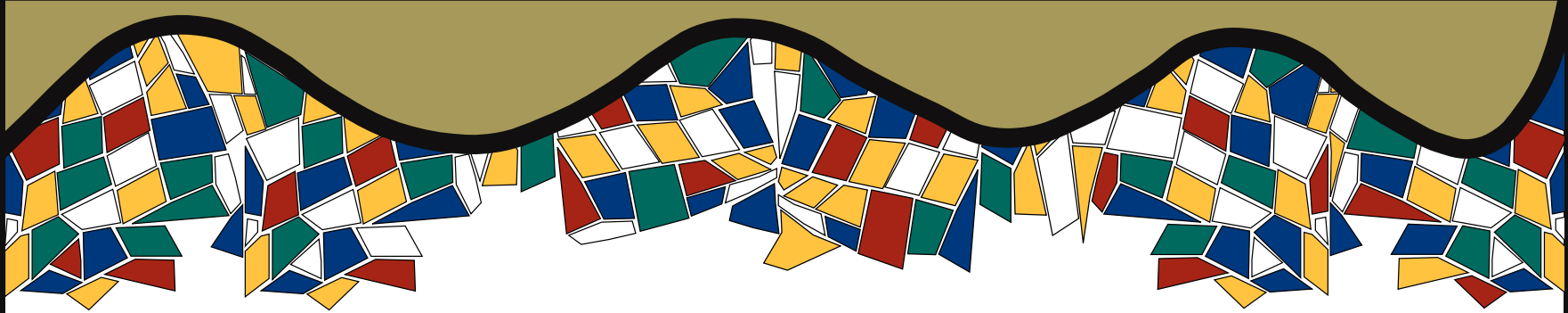
The remaining 13 treatment plants will decontaminate of the sewage coming from the neighborhoods in the outskirts of the Santiago Basin.

In October, 2002, a cooperation agreement was signed with the National Environmental Commission (CONAMA) for formulating comprehensive hydric management and decontamination plans for the Maipo and Mapocho Basin.

Treating Santiago Basin's sewerage will allow:

- To irrigate 130,000 hectares used for agriculture with decontaminated and disinfected water.
- To decontaminate the environment and improve people's quality of life.
- Social and economic savings by improving people's health and related matters.
- Lower risk of sewage-transmitted diseases and epidemics.
- To create over 10,000 direct and indirect jobs as a result of the works involved in the Hydric Clean-up Plan for the Santiago Basin, with the construction of 16 sewage treatment plants.
- Access to new export markets, as a result of achieving international standards with regard to environmental requirements applied in industrialized countries.
- Place the City of Santiago on a par with major world capitals in the field of sewage treatment.





One Year on From the Operation of El Trebal

By mid October 2001, Aguas Andinas S.A. started to operate El Trebal, the largest and one of the most modern sewage treatment plants in Latin America. In October, 2002, El Trebal completed a year of operation, more than fully complying with the quality standards established in current regulations and always staying within projected results. Located by the banks of the Mapocho river, in Padre Hurtado, El Trebal plant has been equipped with state of the art technology allowing it to decontaminate 4.4m³/sec. Its construction was completed in a record 18-month period, from the laying of the foundation stone to its commissioning.

El Trebal decontaminates domestic sewage from 1,700,000 inhabitants, approximately, or 25% of all the sewage produced by the inhabitants of the Santiago Basin, covering

the capital's Southern zone, a perimeter that comprises the boroughs of Puente Alto, San Bernardo, La Pintana, El Bosque, Maipú and Cerrillos, among others.

El Trebal plant has recovered about 60,000 hectares destined to agriculture that were irrigated with sewage water.

During 2002, the first year of operation, it received and treated an average annual flow of 3.08 m³/sec of sewage, and produced a monthly average of biosolids of nearly 1,400 tons.

In order to operate and maintain the equipment and facilities of the process, and for the internal control thereof, El Trebal plant is manned 42 persons, 36 of which were hired during 2002.



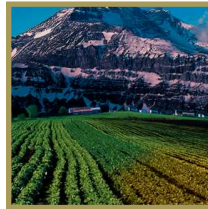


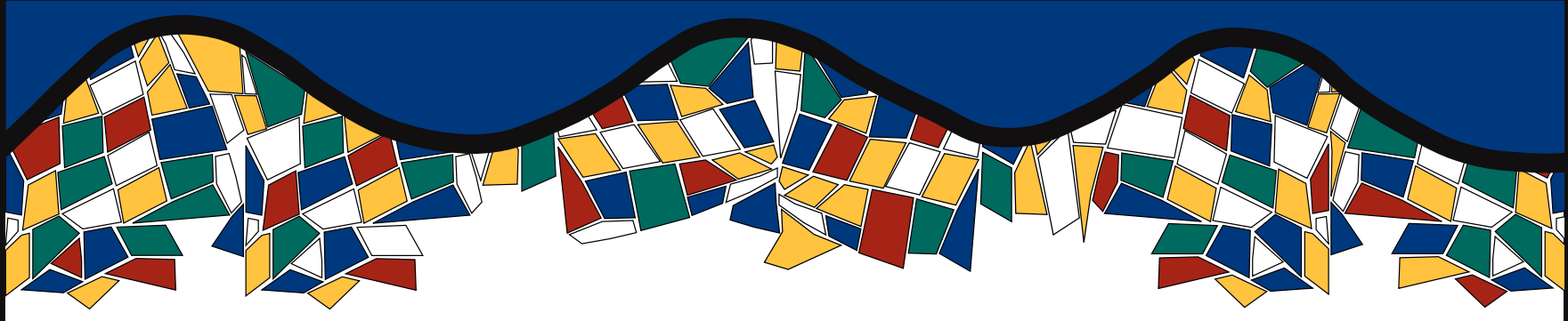
Construction of La Farfana Plant

La Farfana Sewage Treatment Plant, one of the largest of its kind worldwide, is currently under construction. This plant will treat 8.8m³/sec of sewage by means of conventional activated slurry technology, with anaerobic slurry digestion, similar to the one used at El Trebal plant. Treatment capacity, which can reach 15 m³/sec at peak hours, means that the facilities will meet the projected needs of the population it serves until 2027, approximately. La Farfana will be commissioned by the end of 2003 and, together with El Trebal Sewage Treatment Plant, will decontaminate 75% of all sewage produced by the inhabitants of the Santiago Basin.

The construction of La Farfana, which has created over 2.300 jobs, will cover 60 hectares, plus an additional 24 hectares where a pond and other green areas will be designed for preserving the flora and fauna of the area.

During the construction of the new plant, differing mitigating measures have been taken, especially with levels of sound emission and particle control. In this regard, the Chilean Building Chamber (CCHC in Spanish) presented Aguas Andinas with the “2002 Environment Protection” award for its efficient management of particle matter at La Farfana construction site.





Neighborhood Plants

During 2002, and within the scope of the Hydric Clean-up Plan for the Santiago Basin, the San José de Maipo and Paine Sewage Treatment Plants started to operate, which, together, decontaminate the sewage produced by some 40,000 inhabitants of San José de Maipo, Paine, Linderos, Alto Jahuel and Eastern Buin localities. San José and Paine sewage treatment plants are the first out of 13 clean-up stations that are to decontaminate the sewage of 23 geographical neighborhoods inhabited by some 600,000 people.

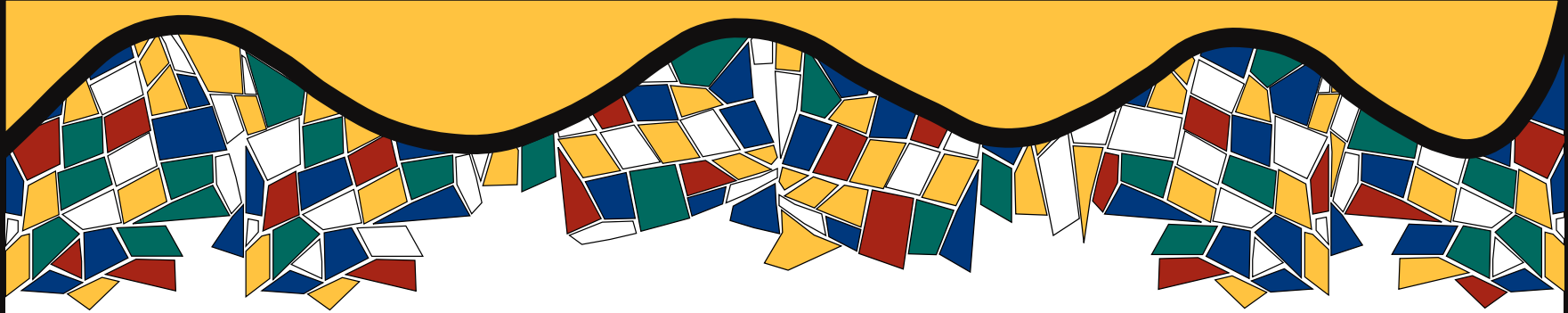
With the start up of the San José de Maipo Sewage Treatment Plant, there was no further

discharge of domestic sewage into the Maipo river, which brings - from that perspective - a pollution-free natural water flow.

On the other hand, Paine Treatment Plant treats sewage from the Paine creek, which, after a long journey, discharges into Angostura creek and then into the Maipo river. Paine plant decontaminates a natural water catchment that irrigates a zone with approximately 10,000 arable hectares.

The San José de Maipo treatment plant and of the Paine treatment plant were completed in 12 months and, each project created over 100 jobs per month.





B i o s o l i d s M a n a g e m e n t

The sewage treatment process consists of isolating the solids and contaminants in the water in order to return them to the environment. At the same time, the removal of solids and contaminants requires a degrading process that is completed when elements referred to as biosolids are obtained.

In order to make efficient use of the biosolids, Aguas Andinas continued the two research projects started in 2001, whose conclusions demonstrate the convenience of reintroducing them to the environment.

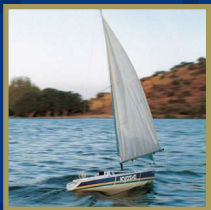
The purpose of the first study, carried out in conjunction with the Ministry of Agriculture's

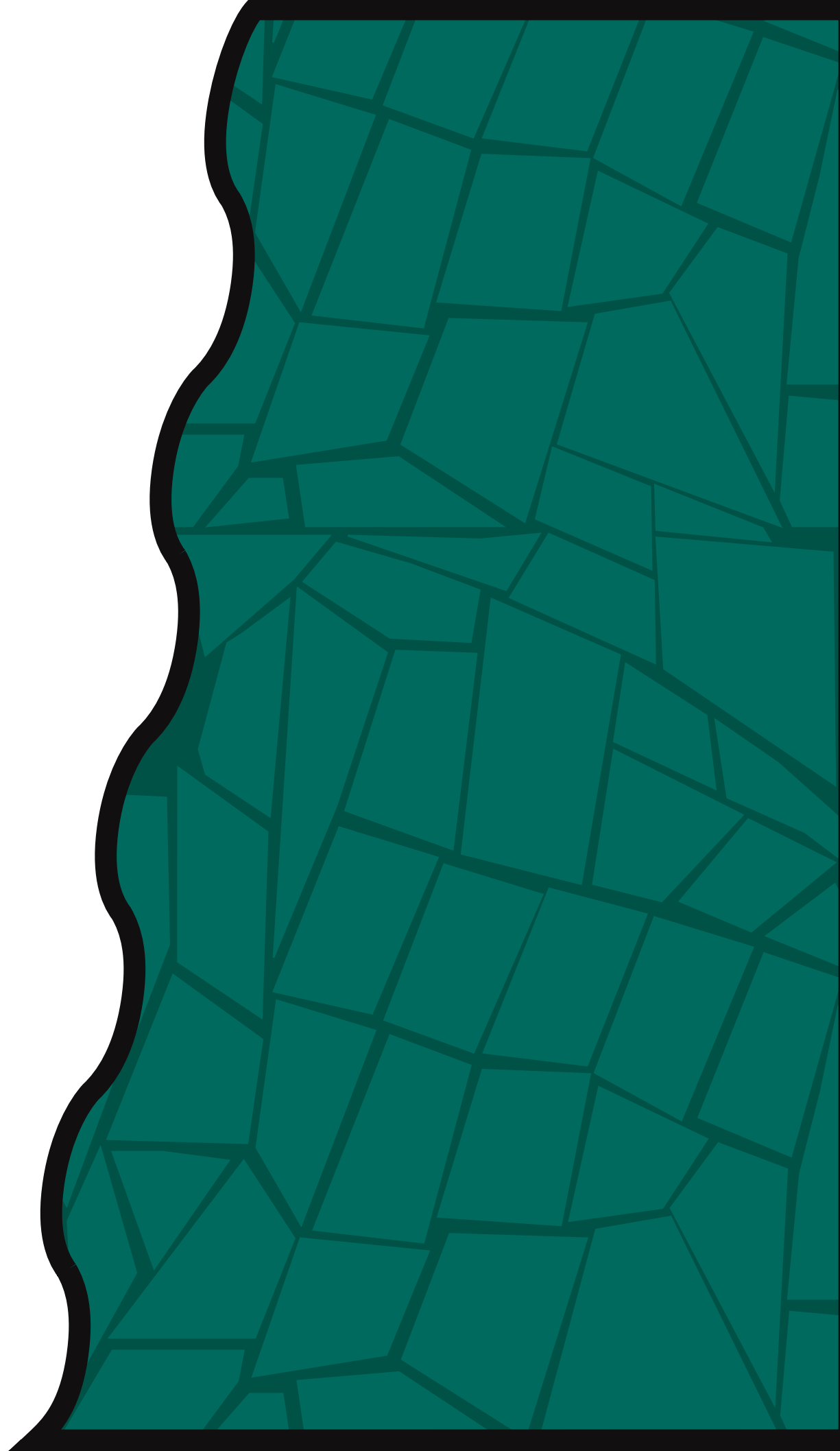
Institute of Agropecuary Research (INIA), is to evaluate the possibility of using biosolids as an optional agricultural fertilizer on lands within the Santiago Basin. This property of biosolids has been verified at international level, its usage feasibility even being confirmed when considering the soil and climatic conditions similar to those in the Basin.

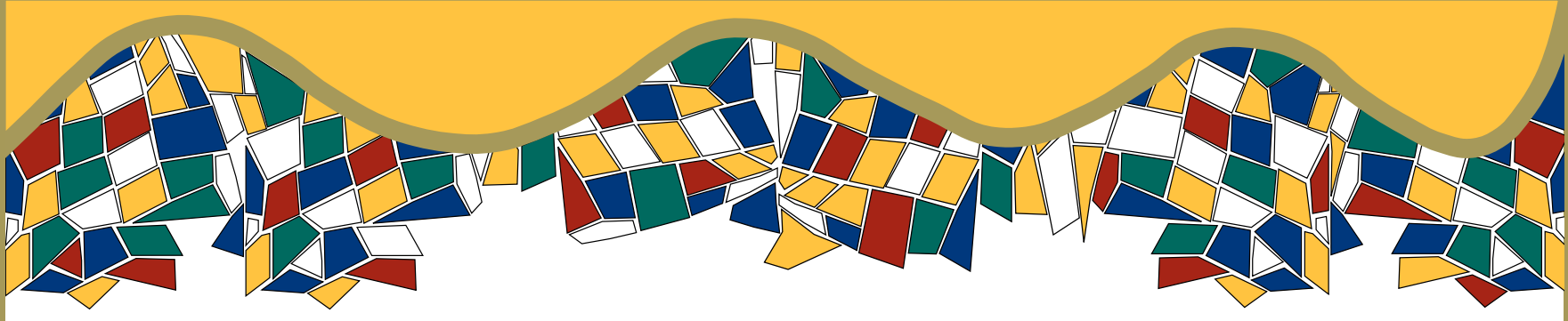
The second study has been carried out in conjunction with the Servicio Agrícola y Ganadero (SAG) and its purpose is to recover degraded soils. Based on preliminary conclusions, biosolids have a high organic component that, when in contact with soils, improve their physical characteristics remarkably.







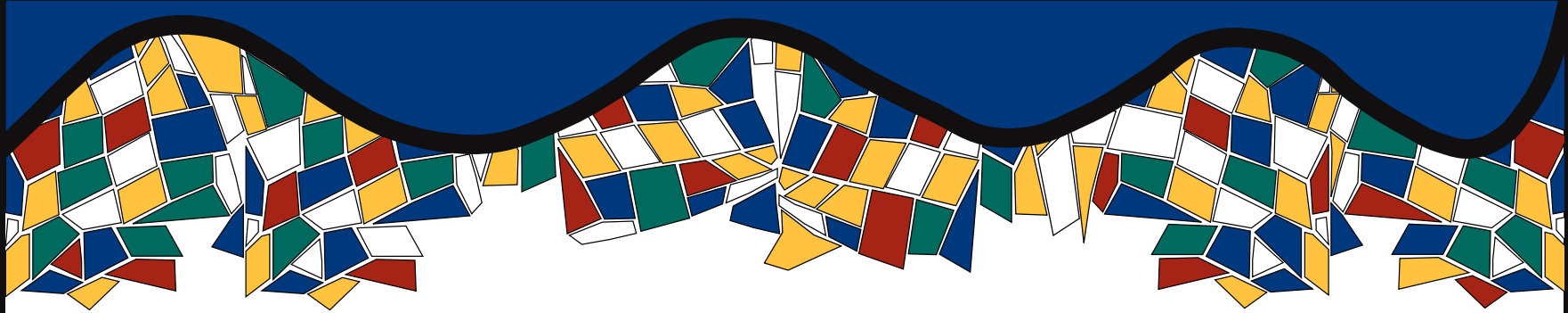




TECHNOLOGY FOR INNOVATION AND IMPROVEMENT

“Visionary” is the best way to describe Gaudí’s use of technology to serve art. The originality of his methods of designing and building were supported by modern technologies at the time so that each of his works of art would challenge logic and the human eye. As Gaudí did, Aguas Andinas incorporates state of the art technology into its different processes, thus improving its efficiency and providing its customers, each day, with a better service.





STATE - OF - THE - ART TECHNOLOGY

Technological development was one of the pillars of Aguas Andinas' operations during 2002. Its information systems were strengthened, integrated and homogenized, providing the Company's operations with an integrated fast-response network, and comprised of

the different players related to Aguas Andinas' activity.

In this context, and with the support of its strategic partners - Agbar and Suez - Aguas Andinas S.A. has carried out major projects that incorporate advanced world class technology.

Operational Control Center

Last August, Aguas Andinas started to operate the most modern Operational Control System in Latin America, in the field of integral water management.

The Operational Control System is a part of the Aguas Andinas operational facility improvement plan, an initiative that for the 2001-2005 period, represents a total investment of approximately Ch\$ 8,500 million.

The most relevant element in the new Operational Control System is the Operational Control Center (CCO), which allows the operation and monitoring, from a single location and in real time, of the facilities related to potable water production and sewage

treatment, in addition to the distribution and collection networks, thus centralizing decision making and optimizing the management of all operational resources, in perfect coordination with customers' needs.

With the commissioning of this modern system, the Company provides an increasingly improved service to its customers, since it not only has better information in order to perform a more efficient and specified operation, but also follows up on requests made by users.





Over 230 remote stations had to be interconnected in order to operate the Operational Control Center, an effort that involved linking more than 5,000 sensors at 60 regulating stations, 12 sewage pumping stations and 163 potable water and tank pumping stations, in addition to handling some 2,000 variables and 100,000 daily measurements.

Regarded as Aguas Andinas' nerve center, the Operational Control Center incorporates into its design the conceptual merger of the Company's operation with the brand identity objectives, a condition that shapes it, from an architectural viewpoint, as one of the most innovative projects ever carried out in the country.

OPERATIONAL CONTROL CENTER

Surface area: 450 m²

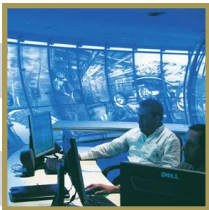
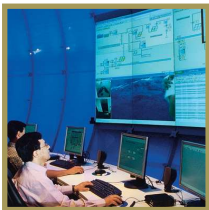
Retro projection Panel: 10 m²

Comprised of 12 interconnected

1,024 x 768 resolution monitors.

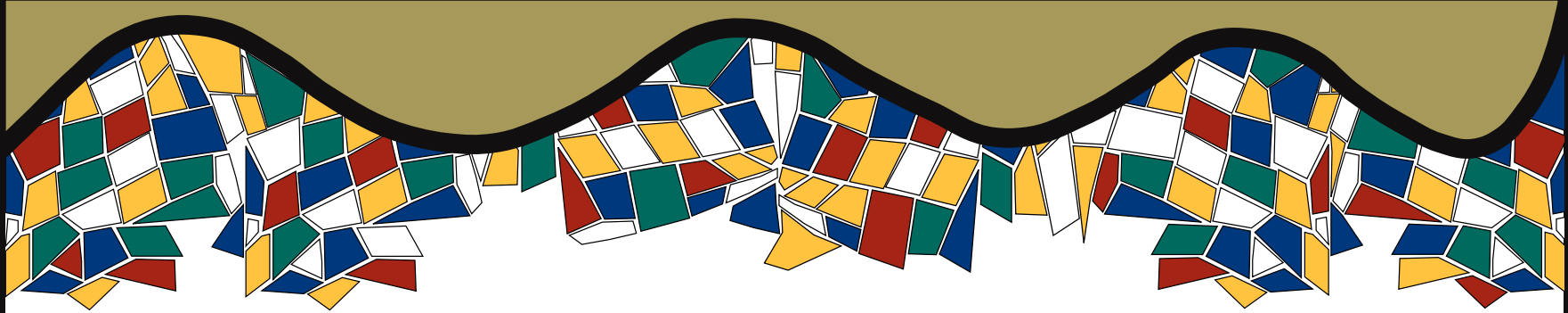
Sources: Information technology, video and DVD

Display: Customized



Operating Control Center





Radio - communications Network: Trunking

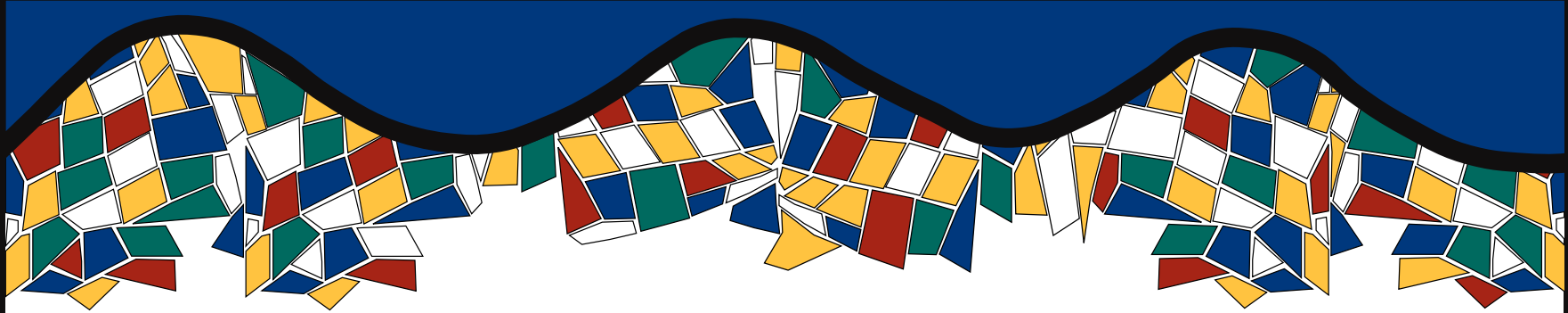
The Corporate Radio-communications System project started to operate fully in Aguas Andinas by late September.

This is a telecommunications system allowing the simultaneous cover of the voice and data communications needs of more than 300 users, distributed within Grupo Aguas' geographical coverage area.

The system comprises three Reception Sites guaranteeing coverage within the entire area of Greater Santiago, and a Control Node managing the communication between users.

This event highlights the commencement of a new phase in our telecommunications, since, with this development, all our operational and maintenance units, production facilities and vehicles, will be in communication as a result of the most advanced technology, thus facilitating our operation and improvement of customer service. As for the transmission of telemetry data, this system makes it possible to connect all remote telemetry and integrated tele-control stations with the Operational Control Center, totally on line, meeting stringent data communication quality and reliability standards.





E - P r o c u r e m e n t

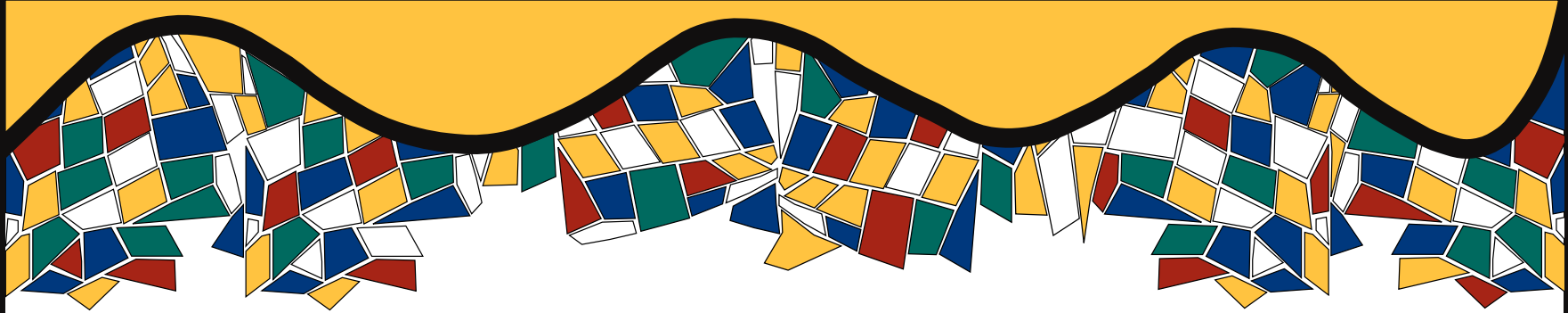
E-procurement has been incorporated into the purchase processes to meet the goal of having an on-line organization. This tool makes it possible to have an advanced and transparent relationship with suppliers. E-procurement is a new way of doing business in real time via Internet, offering the alternative of creating graphics of approval processes, carrying out efficient searches and follow-up on purchase orders and budgets, among other functionalities.

The implementation of e-procurement has made it possible to accelerate and optimize purchase processes. This technological tool grants access public bids for all classes of companies and suppliers, from all over the world, which brings with it a greater offer of goods and services, increasing their quality standards. This system allows the Company to purchase anything from IT solutions to elements with characteristics of Aguas Andinas' line of business.

N e w I n f o r m a t i o n S y s t e m s D e v e l o p m e n t s

The development of new information systems is an integral part of the goals achieved during 2002. In that respect, worthy of mention is the implementation of the Document Management System that integrates and centralizes all the Company's documentation in any electronic format at only one point. Likewise, the new services were incorporated into the Requirements Attention System (SAR in Spanish). This system is a tool that allows the recording, follow-up and control of customers

requirements from the moment they are entered until they have been solved. Also worthy of mention is the implementation of the Service Phone or telephone attention platform intended to handle customers' requirements, integrating call-center technology with 60 incoming circuits and 45 work stations, and a staff of 80 executives trained in customer service.



Geographic Information System (SIG in Spanish)

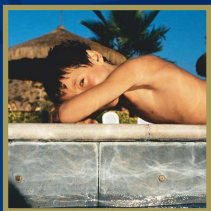
Although geographical information systems are continually being developed, 2002 may be regarded as the year of consolidation of the Corporate System implemented at Grupo Aguas. This technology, consisting of hardware, software and a procedure information platform, that makes it possible to provide the Company's different organizational levels with the geographic origin information, in a friendly, timely, consistent and up to date manner. The Corporate SIG implemented by Grupo Aguas is provided with geospacial state-of-the-art technology available at world level, allowing the interface with the user through the Internet browser.

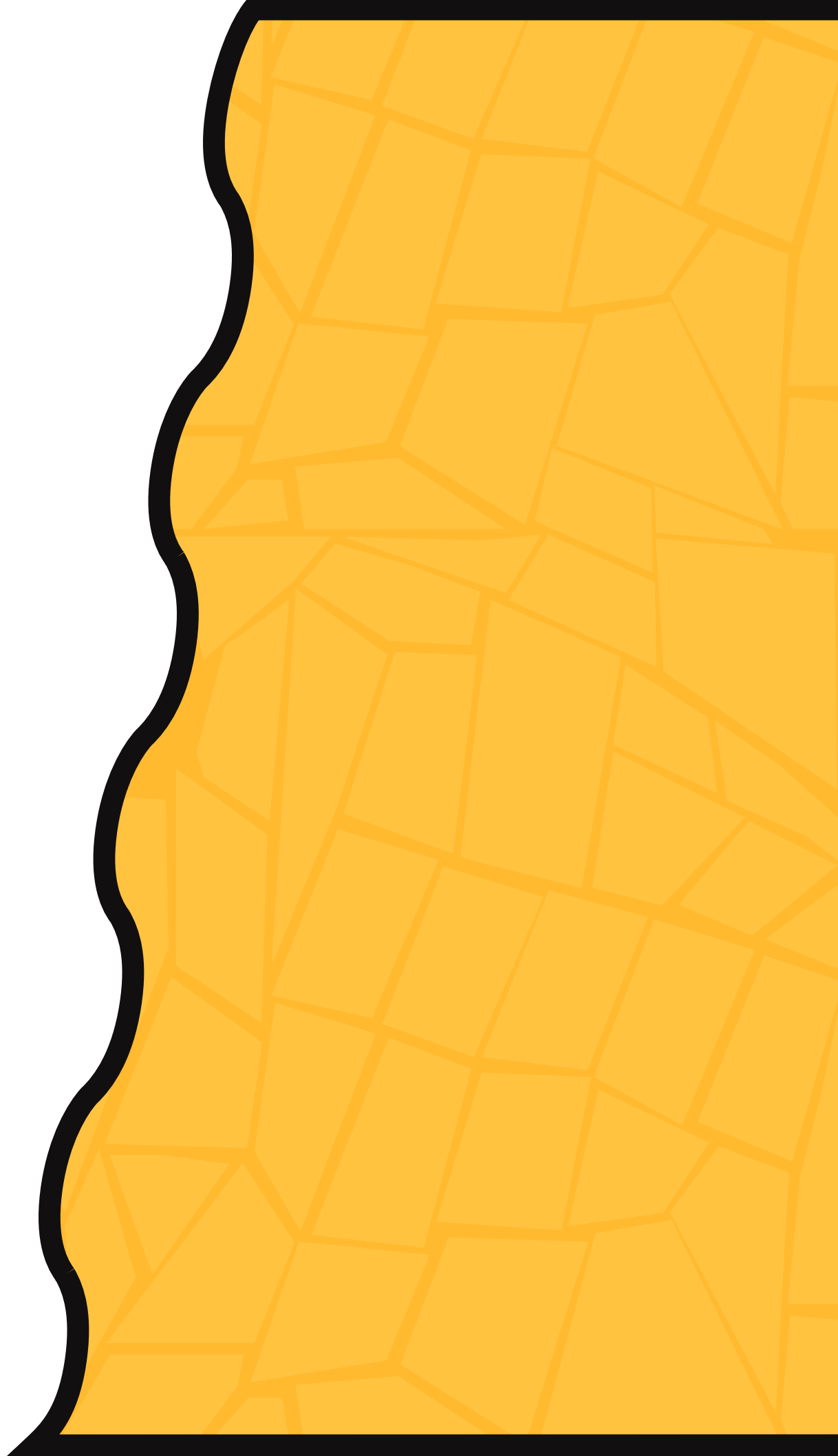
Counting with updated information on the Company's infrastructure and customers, as well as its management through specific applications, has made Corporate SIG an important tool for supporting management and the decision making processes. Among the applications developed, it is worth mentioning the "Suspension of Service

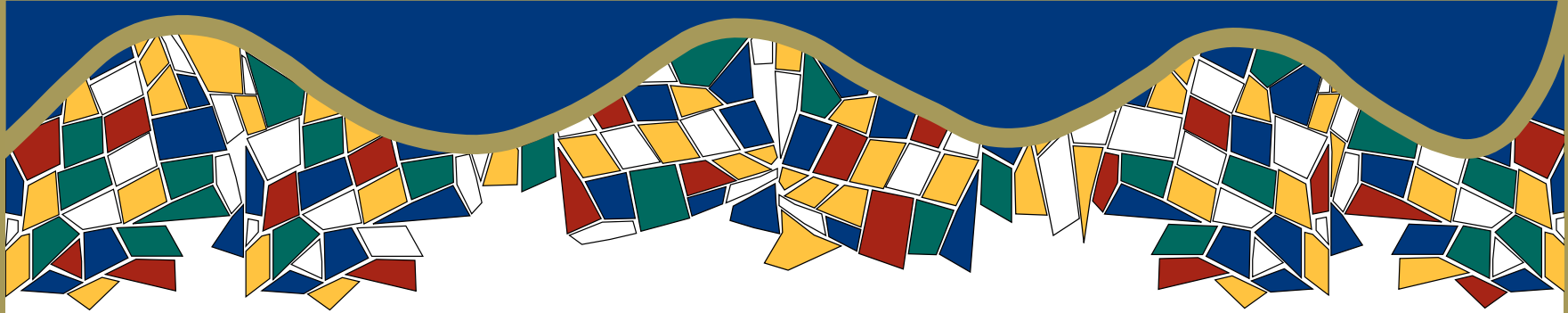
Headquarters", a system that allows the identification of the supply piping that will be submitted for cutting off water supply and, consequently, the customers affected by the supply suspension perimeter. In the case of sewage, the application of "Discharge Areas" has been developed, where by it is possible to identify customers who are discharging at a given point. The interface carried out through the Complaints Attention System (SAR in Spanish) is another key application, which makes it possible to identify the geographical location of customers' complaints, relate it to the cause and, as a result, make the corresponding analyses. The Corporate SIG contribution to the different operating processes, to the hydraulic modeling of both potable water and sewage networks, to maintenance work planning, among others, shows the enormous benefits of this technology.





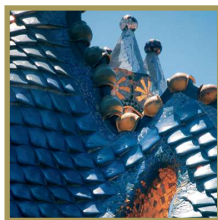


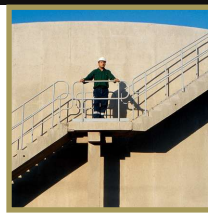




INFRASTRUCTURE IN HARMONY WITH NATURE

Gaudí expresses his deep love for the environment by building and deploying his works in harmony and balance with nature. Aguas Andinas, as it is continuously concerned with the environment, has incorporated into all its infrastructure projects, particularly in the sewage treatment plants, mitigating measures during both construction and operation, harmonizing large areas adjacent to the plants and improving their inhabitants' quality of life.

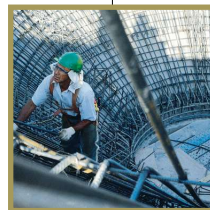




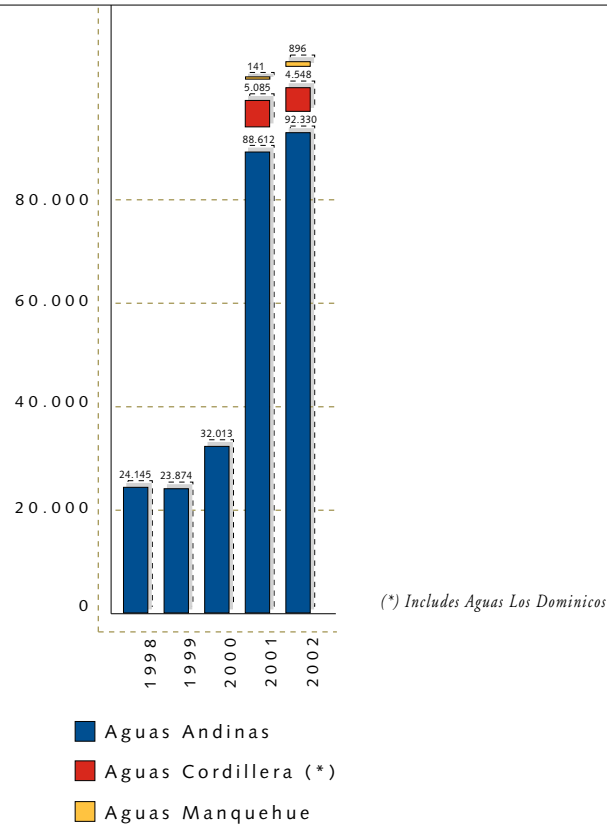
NEW INVESTMENTS

During 2002, Grupo Aguas invested Ch\$97,774 million, of which Ch\$92,330 million correspond to Aguas Andinas S.A., Ch\$ 4,548 million correspond to Aguas Cordilleras S.A. and Aguas Los Dominicos and Ch\$896 million to Aguas Manquehue S.A. Most investments were made in and sewage disposal works. Their value at Group level was Ch\$81,265 million, of which Ch\$76 million were accounted for by clean-up works, among which La Farfana sewerage treatment plant stands out. In the same area, investment was concentrated on the construction of new treatment plants such as San José de Maipo and Paine, and the improvement of existing plants such as Esmeralda and Cexas in Melipilla, and Los Trapenses in Aguas Manquehue. With regard to the Group's potable water works, Ch\$12,480 million were invested, of which 74% went to distribution works. Most works dealt with the installation

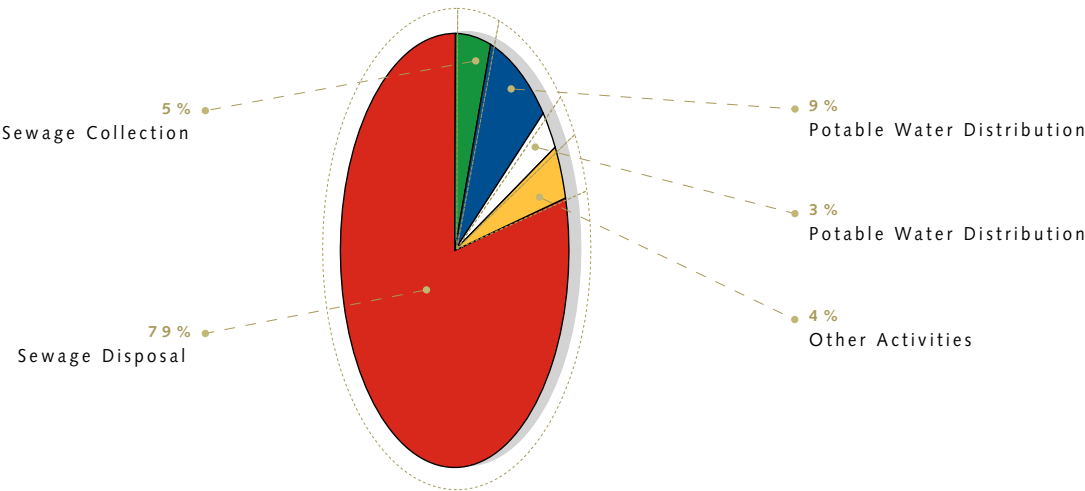
and repair of distribution networks, centralized control and improvement of the potable water systems of Peñalolén Alto, Bajo and Medio; Cerro Negro; Buin; Maipo; Pirque; Calera de Tango and Melipilla Poniente, among others. The above was carried out as a way of improving demand management due to higher densification and growth. With respect to the investment in potable water production, the most relevant projects in Aguas Andinas were the expansion of Cerro Negro System, the acquisition of water rights in the Maipo River and the Greater Santiago drillings. Other investment projects concentrated the remaining 4% (equivalent to Ch\$4,029 million), where the IT Development Projects stands out. Of the Group's total investments, 91% (equivalent to Ch\$88,094 million) were invested in expansion projects.



EVOLUTION OF ANNUAL INVESTMENT (in current MCh\$ without VAT)

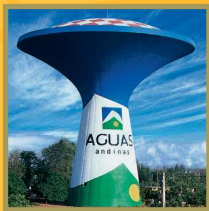
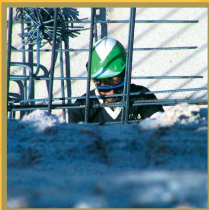


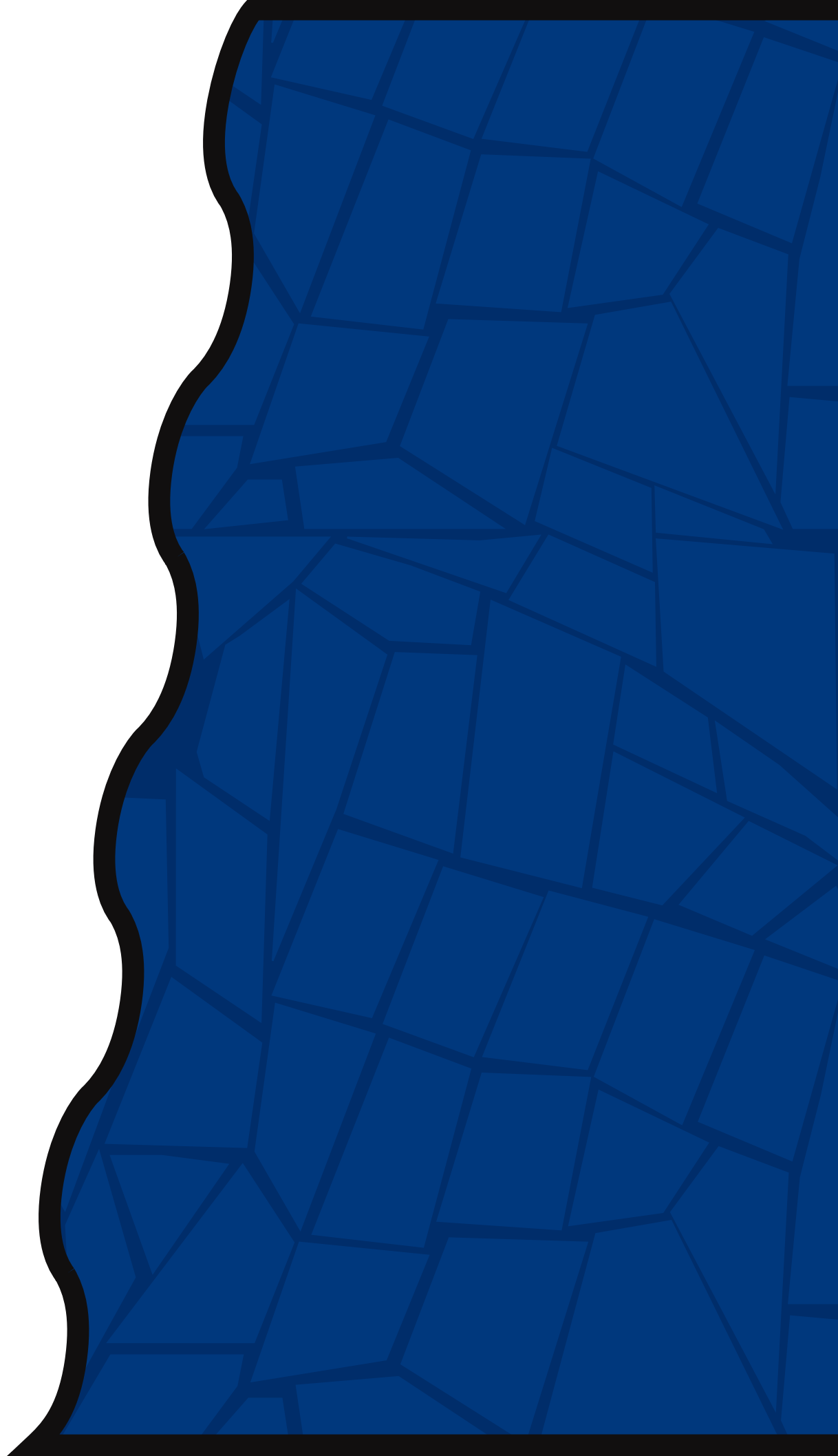
INVESTMENT BY CONCESSION (2002)

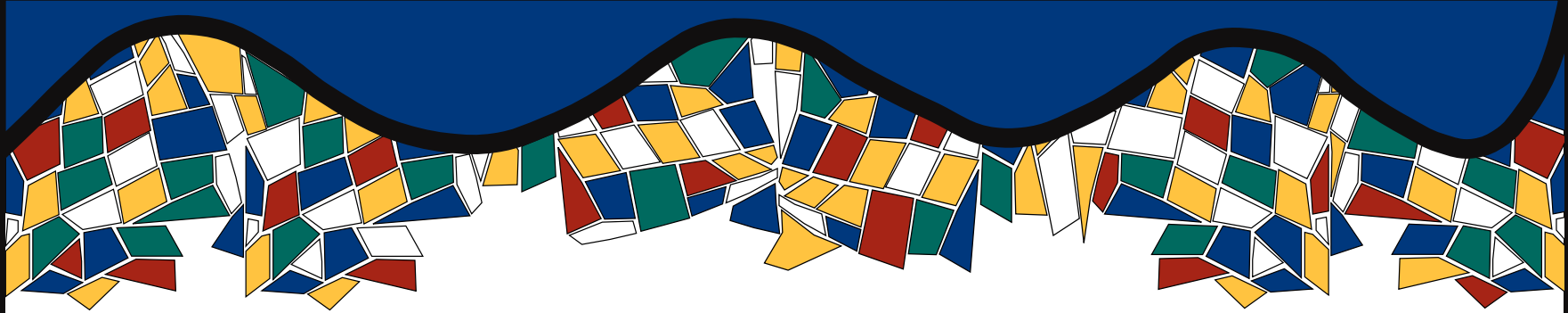


Constrtruction of The Farfana Sewage Treatment Plant







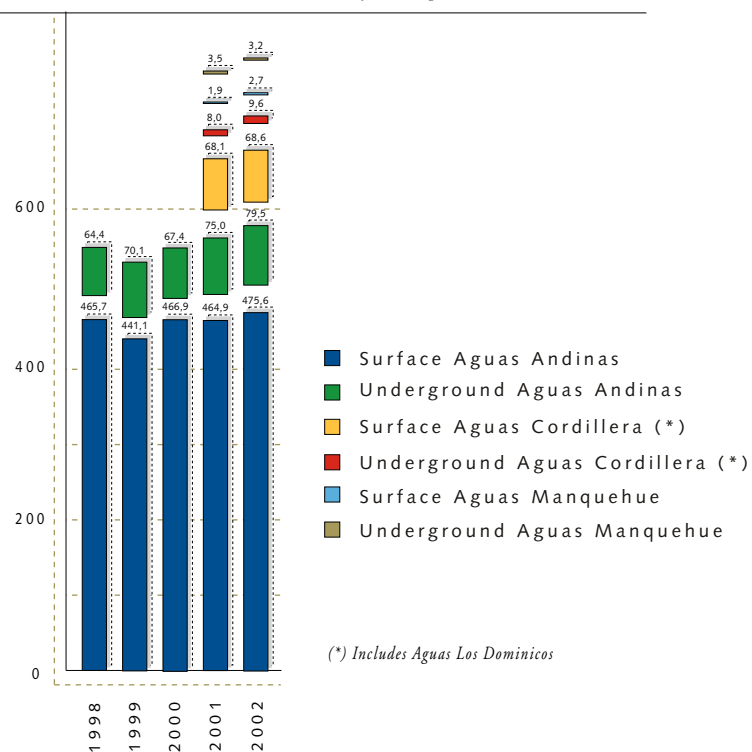


PRODUCTION AND DISTRIBUTION OF POTABLE WATER AND SEWAGE COLLECTION

Production

During 2002 the total amount of potable water production, measured at plant level, was 639.2 million m³, from which 546.9 million m³ correspond to surface waters and 92.3 million m³ to underground waters.

PRODUCTION BY SOURCE (*M of m³ at plant level*)





The Company's main source of water resources is the Maipo River, characterized by the large seasonal variation in its flow.

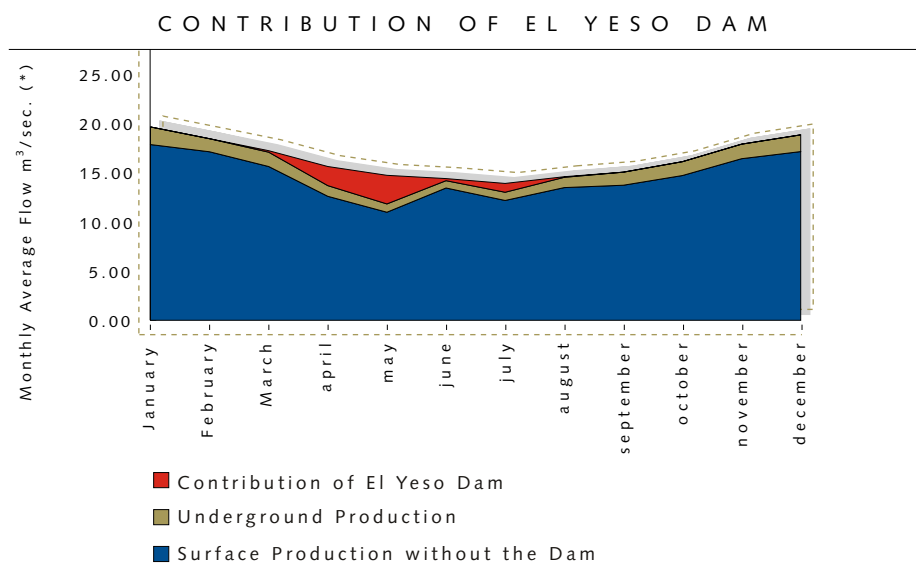
Aguas Andinas has available the El Yeso dam for regulating its hydrologic system and thereby satisfy normal potable water demand, by optimizing its use and guaranteeing the service during drought periods.

Aguas Andinas's potable water production in the Basin of Santiago is supported by the El Yeso

dam, which plays a key role in regulating the contribution of underground and surface waters.

Thus, El Yeso Dam's waters guarantee the water supply for all the Basin's inhabitants.

In 2002, the rainfalls in the Yeso and Maipo rivers basin considerably exceeded the historical annual average, which, in combined with the temperatures in those places, caused a slow melting process. This guaranteed the filling of the dam and the water supply for Santiago in 2003.



However, due to abundant rainfalls during May and June, the potable water production plants had serious problems because of the Maipo River's muddy waters and increased flow. In spite of that, the Company's management capacity maintained continuous potable water supply.

On the other hand, during 2002 the first phase of the Networks Environmental Vigilance of Grupo Agua's surface sources was carried out, in order to measure water parameters.

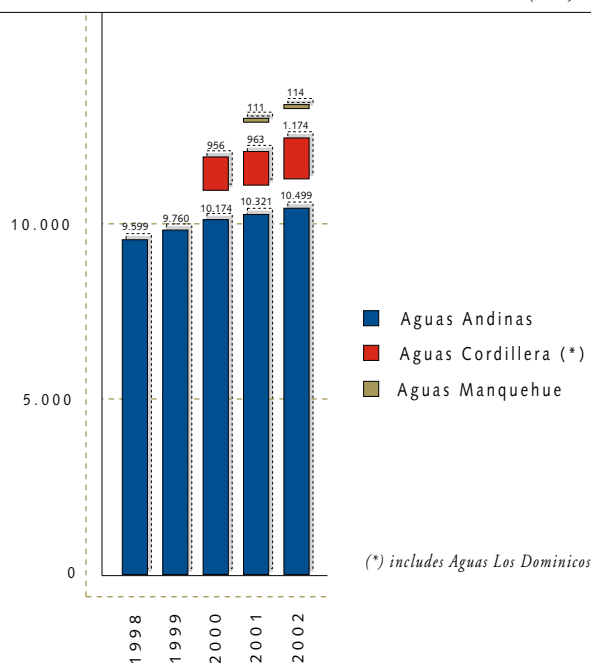


Distribution

During 2002 the length of the potable water network of Aguas Andinas increased by 178 km, which, added to Aguas Cordillera network and that

of Aguas Manquehue, make up a network with a total length of 11,787 km.

LENGTH OF DISTRIBUTION NETWORK (km)



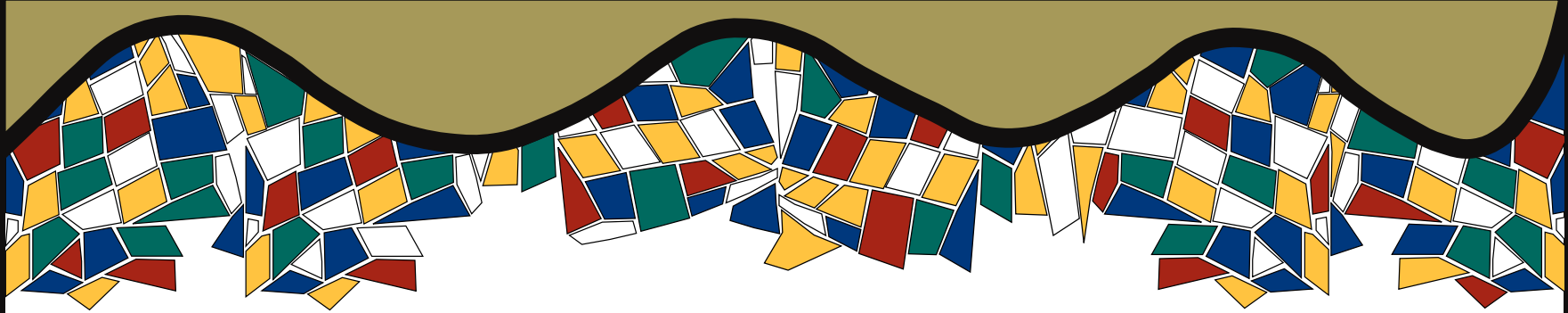
Optimization of potable water distribution

In accordance with the Minor Networks Preventive Maintenance Program, and within the plan of infrastructure renovation, 67.4 km of ducts were replaced by high density polyethylene pipes. The networks renewal program not only quadrupled the renewed layout with respect to the previous year, but it incorporated new mechanisms and technologies to develop the renewal of networks inconveniences to the community.

In that sense, the relining of the system with the cracking method stands out and which contemplates the installation of a new pipe through the inside of an existing duct. This task makes it possible to reduce the inconveniences to customers during the progress of the work, as the new pipe is installed underground.

The Trebal Sewage Treatment Plant



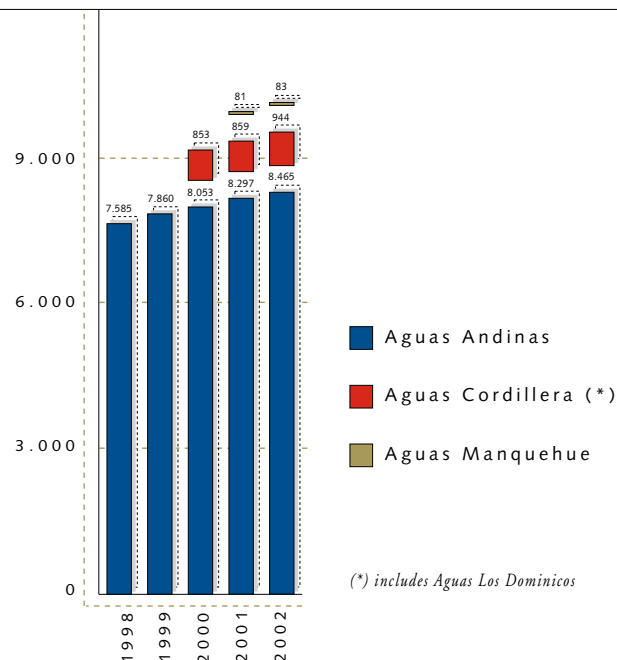


Collection

During 2002 Aguas Andinas' soiled waters collection network increased by 168 km, which together with the networks of Aguas Cordillera and Aguas Manquehue, reached a length of 9,492 km. As part of the Preventive Maintenance Program for the Sewerage System Network, during the year 24.7 km of network were

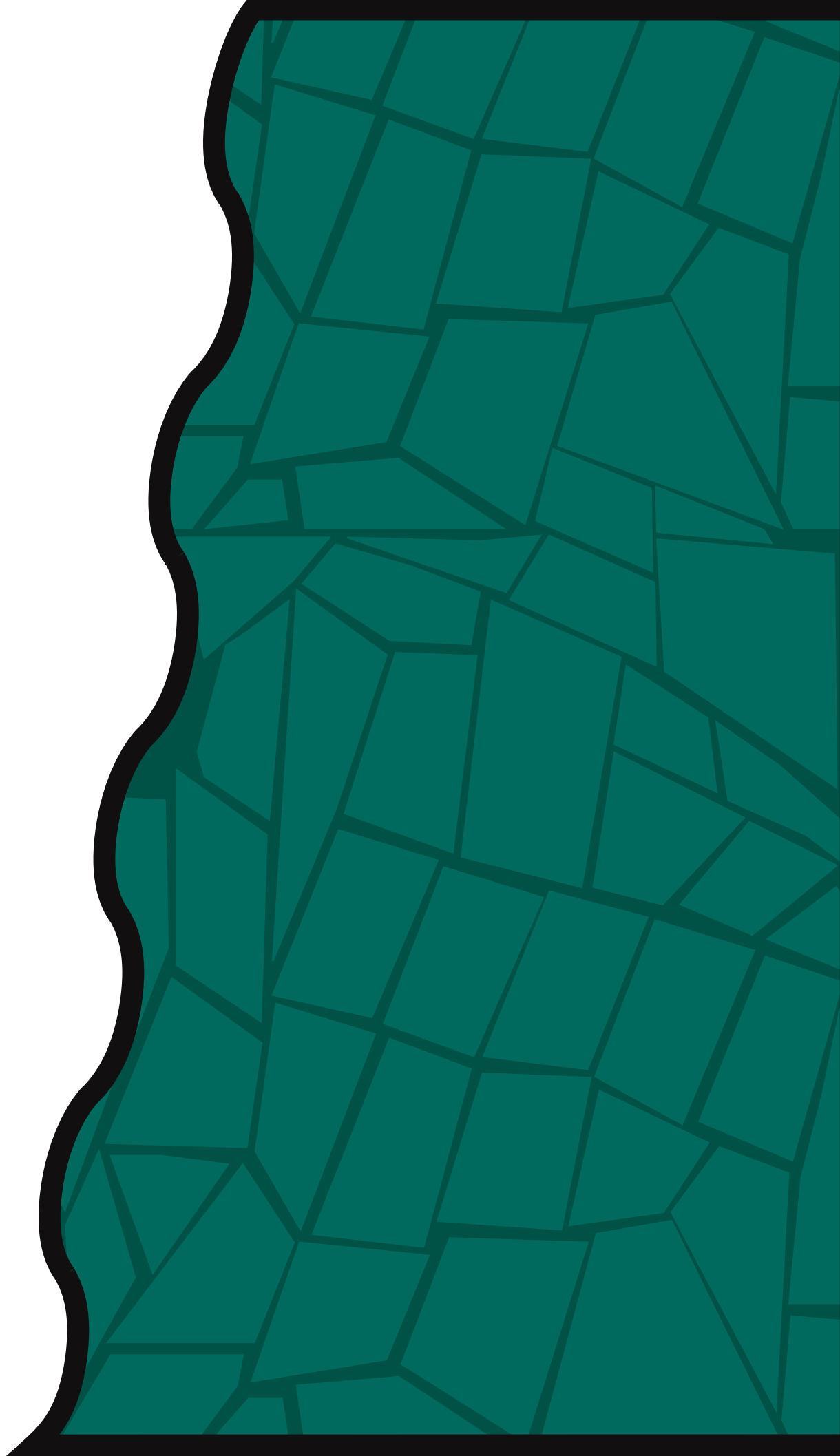
renewed in different sectors of the system and 251.4 km of collectors were claned out, in addition to the inspection of 43.3 km of collectors and residential connections with high technology equipment.

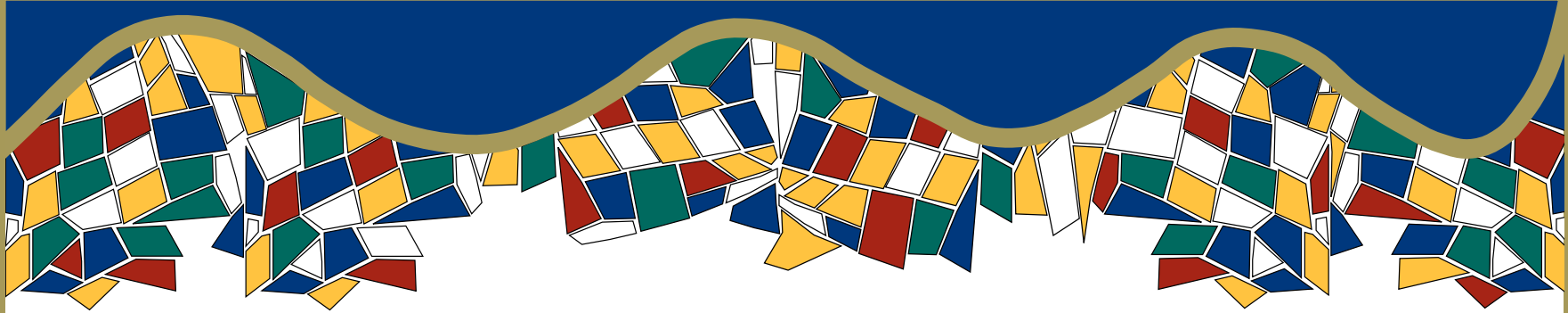
COLLECTION NETWORK LENGTH (km)





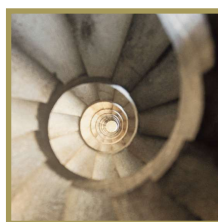


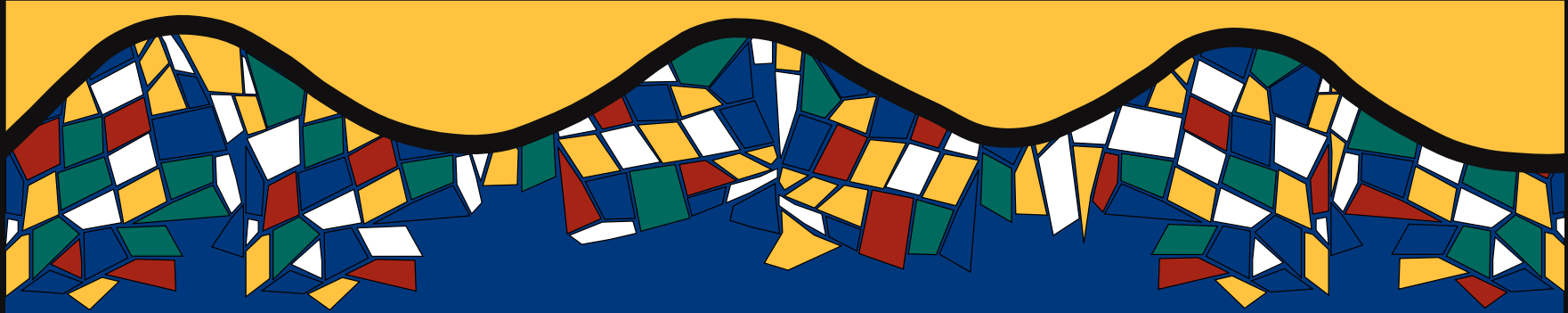




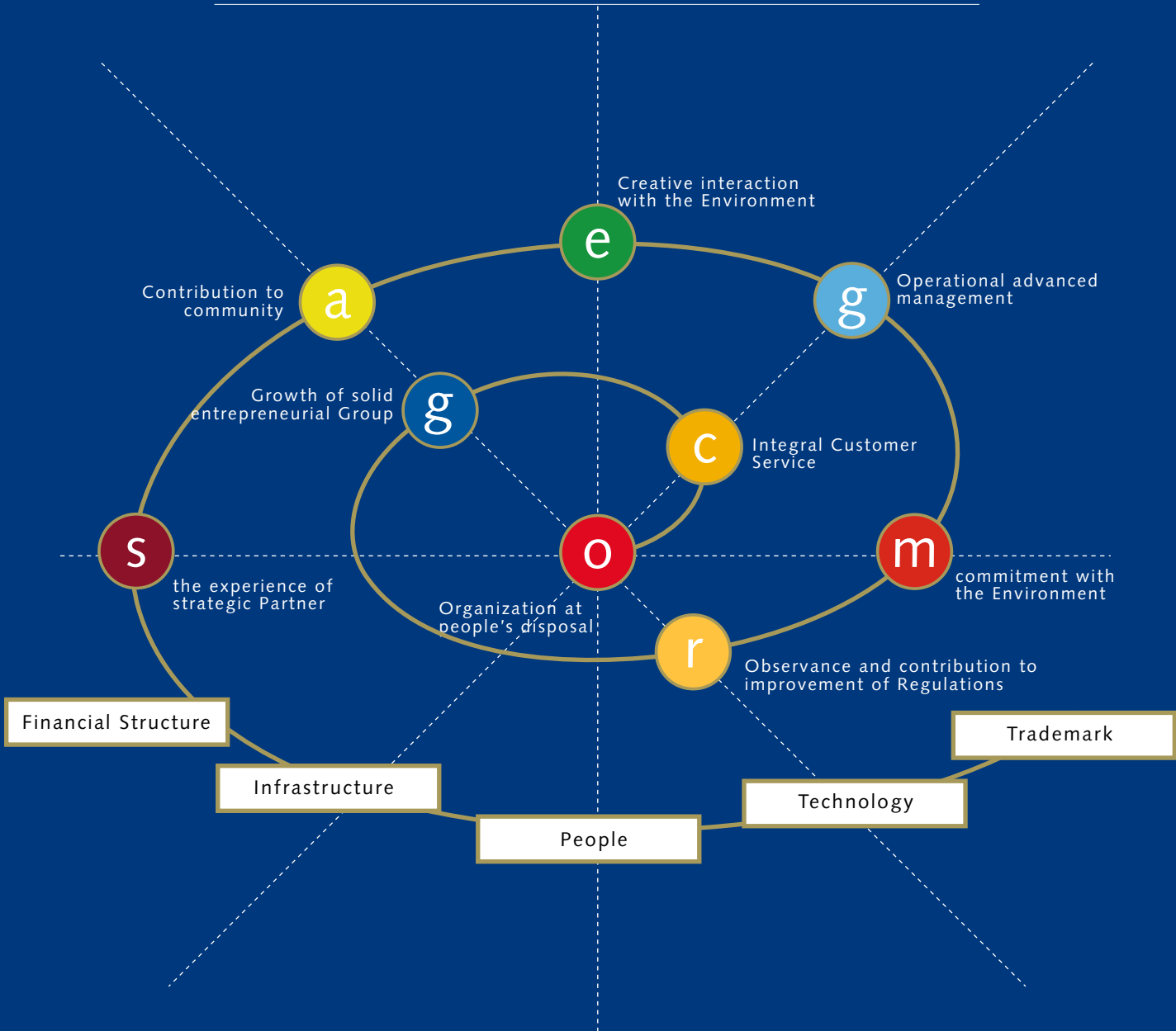
EVOLUTION AS OUR PURPOSE OF BEING

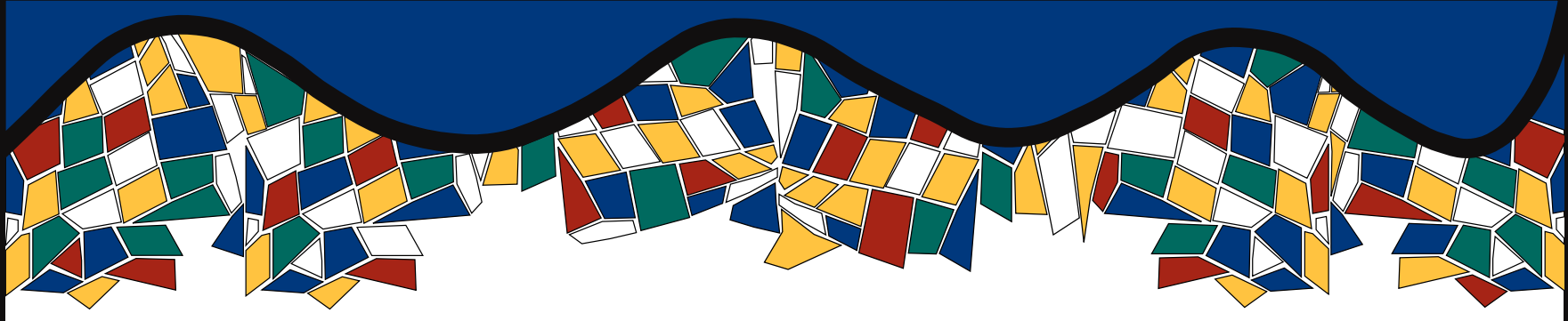
The capacity to surprise, to be a step ahead of one's time and exceeding the limits of imagination, are the pillars of Gaudi's work. In this respect, Aguas Andinas emulates him by innovating in its effort to perfect the water integral cycle and making its contribution to future generations through the development of educational, social and cultural projects.





EUREKA PLAN





NEW PLAN FOR A NEW STAGE

The advancement experienced by the Company during the development of the Vita Plan between 2000 and 2001 that once the proposed goals were reached, motivated the Eureka Plan for 2002, as a new motor for the company's performance. This Plan has established closer relationships with not only shareholders, customers and employees defined in the Vita Plan, but also with suppliers and contractors, with the Government and social entities, and with society in general, thus contributing in a determined, responsible and efficient way to the project to improve the country in which Aguas Andinas's activity is involved.

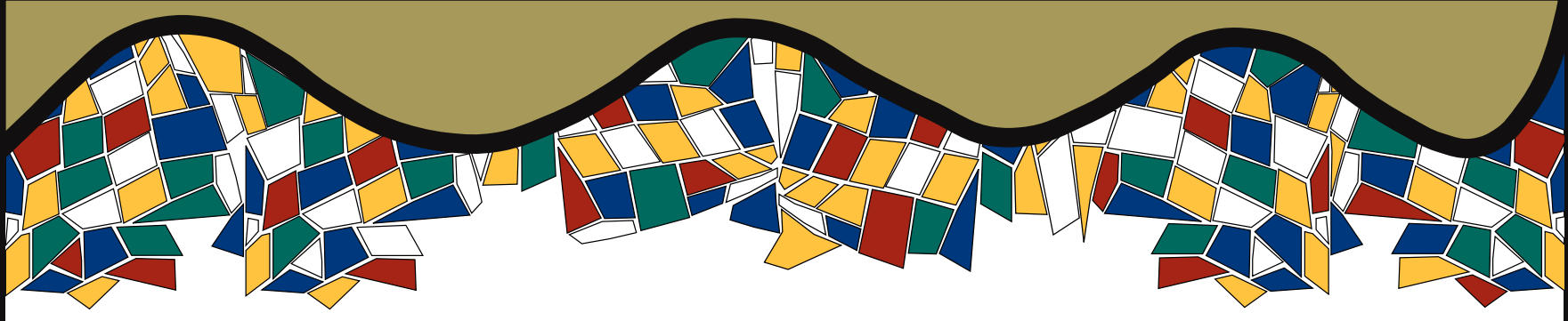
Eureka Plan is an integrated network, with immediate reaction capability with all the actors mentioned, providing and sharing with them our values of Sustainability,

Development and Creation of Value.

Eureka Plan's main initiatives emphatically incorporate that integration idea: the Operating Control Center that centralizes information with the integrated reaction capacity of our infrastructures perfectly coordinated with our customers' needs; the Radio Communications Project providing an independent network to accelerate and bring greater security to our communication needs; the La Farfana Plant that will improve the inhabitants' quality of life and environment of the Santiago Basin; and the implementation of Zaphyrus Project that integrates the concepts and computer tools of the Company's management.

Recreational Sprinklers





S O C I A L R E S P O N S I B I L I T Y

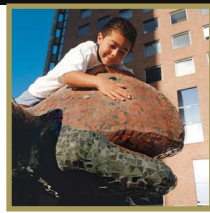
Aguas Andinas is committed with the community to provide an essential and first class service to its customers in the Santiago Basin. Through the support and financing of projects and programs associated with education and environment, the Company seeks to transcend and deepen its relationship with the community and its customers, as well as being a real help in the cultural development of future generations, which means contributing to improve the quality of life of the Santiago Basin's inhabitants. In each initiative developed by the Company, we provide the tools for the citizens to learn about the care and importance of the integral water cycle, and as a whole, to transmit values, attitudes and practices leading to sustainable social development. In this context, Aguas Andinas has given priority to its contributions in the area of environmental education, by financing social projects that involve environmental

care and also allowing the inhabitants to develop their creativity and share their experiences. We develop projects such as gas fitting workshops, we explain the water cycle with puppets, we organize workshops to teach how to properly use the sewage system, we offer programs for the development of children's expressive capacities. We also promote the value of water, we implement educational campaigns and finance environmental projects and which are some of the most important initiatives. The foregoing, keeping in mind that we continuously invest in improving the quality of service we provide to our customers; training our employees, contributing with projects that favor the balance of the environment and educating the future generations on the value of water.



Dragon in “Rambla Gaudí”



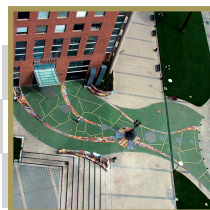


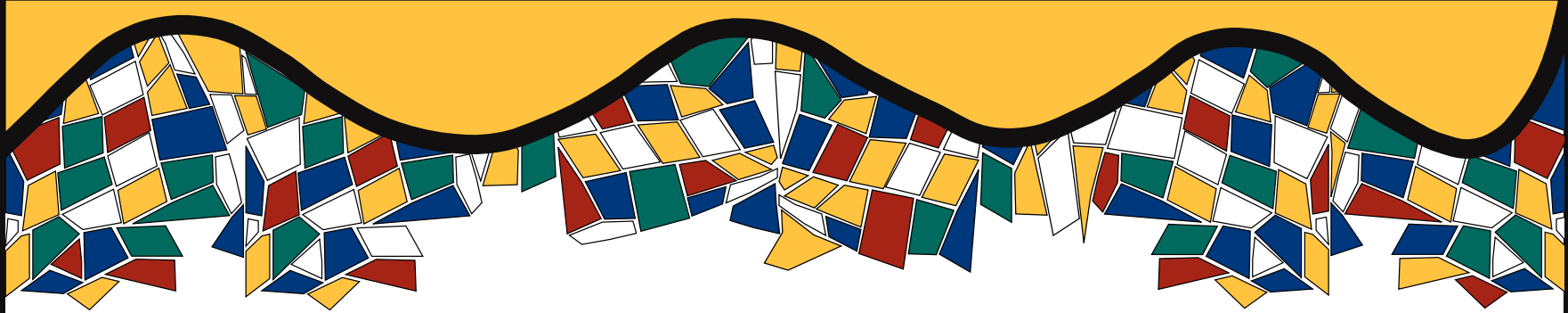
R A M B L A G A U D Í

Aguas Andinas shares many of the values that are present in the work of the brilliant catalan architect Antoni Gaudí. That brilliant creativity that puts his life at the service of art, with his love for nature and his ability for building and incorporating the newest technology available, are only some of the features that identify the artist and the Company.

For this reason, in 2002 and during the celebrations of Gaudí's International Year, Aguas Andinas inaugurated a two- module exhibit dedicated to the great artist. The first one showed his background, pictures and reproductions of some of his most important works in the architectural and ornamental field, such as Guell Park, The

Temple of the Sacred Family, among others, and objects like a reproduction of the Calvet seat. The second module contains a permanent work named Rambla Gaudí. It was built in the main entrance of the Corporate Building. The Rambla is a free interpretation that incorporates some symbols and elements used by the architect and developed by Chilean artists who applied the Gaudinean techniques to create color mosaics in pavements and public benches. At this module, canes designed by Gaudí himself were installed, which were brought directly from Barcelona. With this initiative, Aguas Andinas seeks to offer Santiago inhabitants a transcendent and lasting space, bringing color and life to the urban landscape.





HUMAN RESOURCES

The continuous evolution of the Company, both with respect to the incorporation of new technologies and its approach to the customer, has created the need to train the human resources so that they can manage and administer this change at all levels.

Consequently, during 2002 the training of Grupo Aguas' workers fundamentally aimed at improving their development and competences with the new technologies being implemented, increasing formation on quality of the service and the personal development of the Company's executive staff.

In that respect, it is worth mentioning the ISO 9000 training program specially oriented to the personnel in the areas of customer service and the Development of Management and Leadership Competence program, in which 200 outstanding executives and professionals of Grupo Aguas participated.

The time dedicated to training increased by 5% over 2001, to 60,293 hours in 2002 representing an average of 42 training hours per employee. This year, investment in

training reached Ch\$348.3 million, which is an increase of 80% over the previous year.

With regard to risk prevention, 1,307 people were trained for a total of 3,174 hours of training. The training was basically oriented to employees of operating and productive management offices, and in specific tasks defined as the most critical and which has helped to reduce the risk incidence.

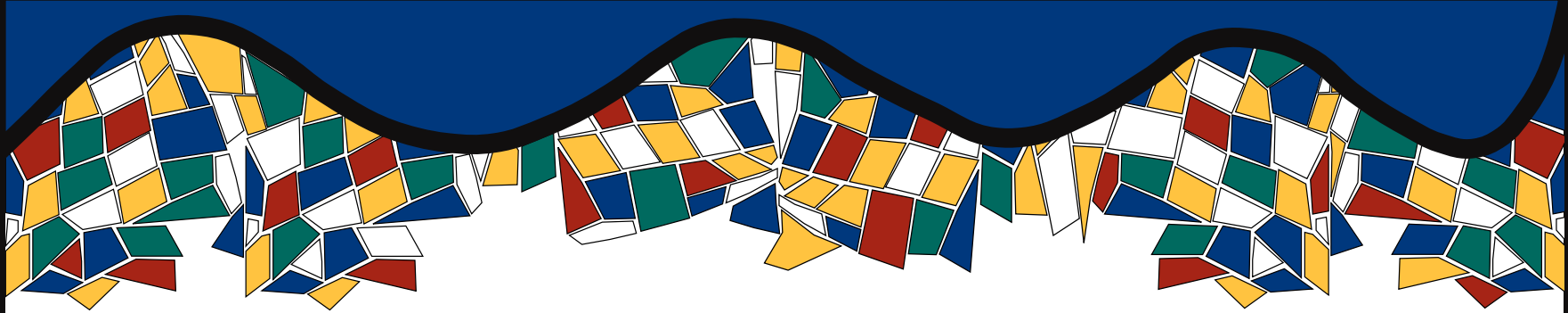
On the other hand, in April the SPRING 2002 program was launched, for the indirect acquisition of Suez stock, only for Grupo Aguas' employees. A total of 652 employees participated, representing an investment of 266,000 euros.

In 2002, collective bargaining processes with all the union organizations were successfully completed. These agreements have a four year duration and represent all of the Company's employees susceptible of negotiating.

This achievement reflects the good labor relationships that have been cultivated within the Company.







Personnel

The Grupo's personnel at December of 2002 was 1,444 individuals, of which 1,169 correspond to Aguas Andinas, 186 to Aguas Cordillera, 32

to Aguas Manquehue and 57 to other companies.

Category	Aguas Andinas(*)	Aguas Cordillera (**)	Aguas Manquehue	Others (***)	Consolidated
Managers and senior executives	47	7	2	3	59
Professionals and technicians	369	34	3	25	431
Workers	753	145	27	29	954
Total	1,169	186	32	57	1,444

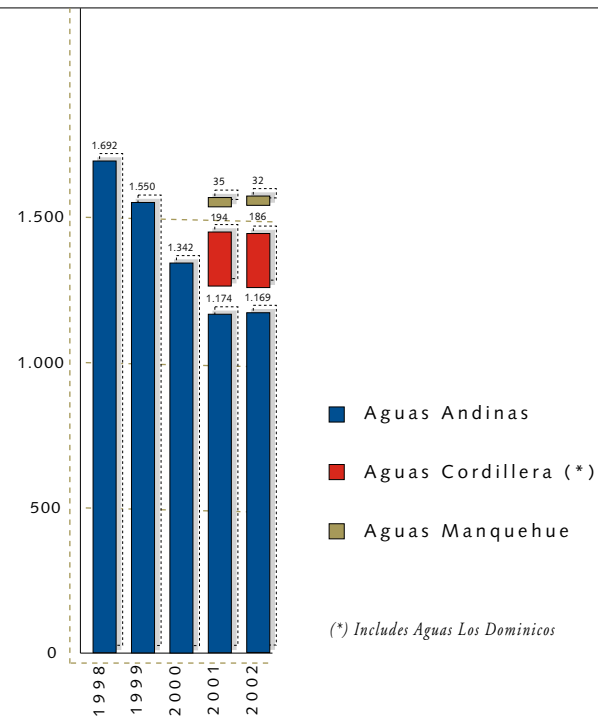
Note: (*) Includes 42 individuals of El Trebal plant

(**) Includes Aguas Los Dominicos

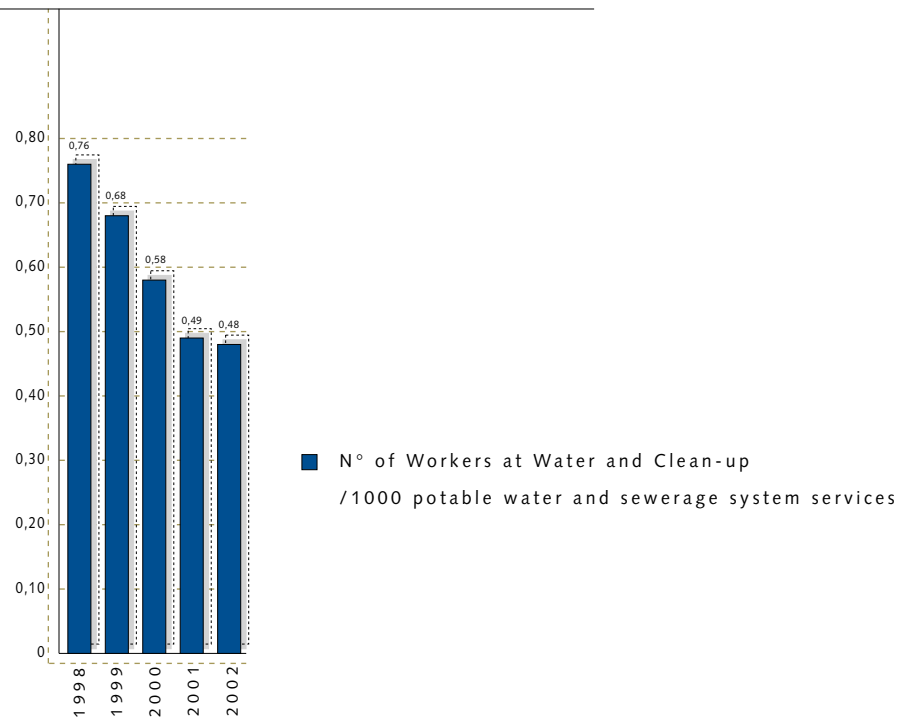
(***) Others correspond to Anam, Eco Riles and Management and Services.



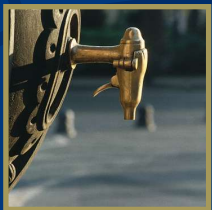
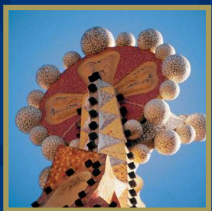
PERSONNEL OF THE GROUP'S SANITARY COMPANIES



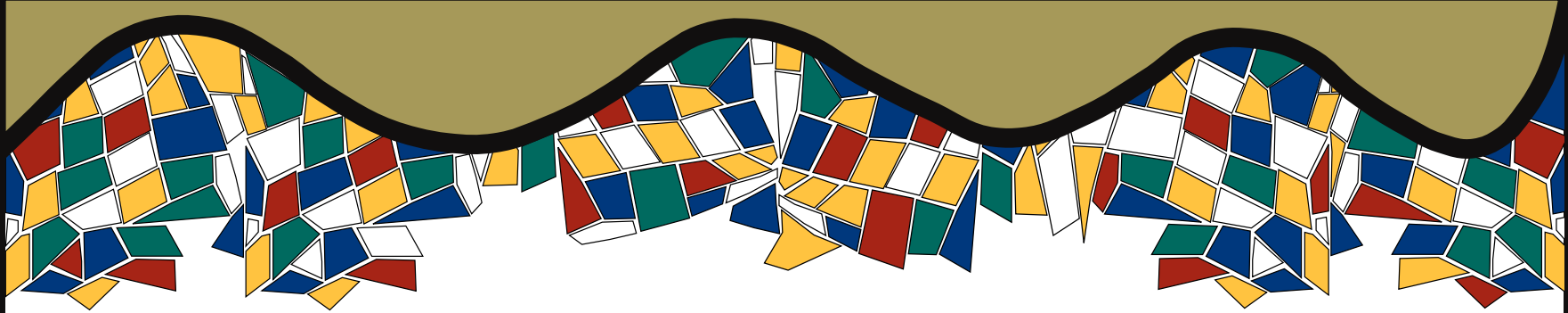
NUMBER OF WORKERS / 1000 POTABLE WATER AND SEWERAGE SYSTEM SERVICES











C O M P A N Y ' S F I N A N C I A L M A N A G E M E N T

R i s k F a c t o r s

Due to the nature of its operations, the Company is not exposed to significant operating risks. Also, because of the low indebtedness level, which is indexed to “unidades de fomento” and bears fixed rate interest, and as there are no significant obligations expressed in foreign currency, the financial risk is low.

The risk rating companies Feller Rate and Humphreys granted category AA+ to the long term debt and First Class Level 3 and Level 2, respectively, to the Company's Series A and Series B shares.

I n v e s t m e n t s a n d F i n a n c i n g P o l i c y

The 2002 surpluses were placed in the financial market in short term and fixed rate securities, mainly in pesos. The funds balance will be used, among others, to cover the investments of 2003. Because of the sanitary sector's characteristics and the investment program in progress, Aguas Andinas has chosen to finance itself with long term instruments, specifically with the issuance of bonds. Consequently, during 2002 it

made a second bond placement of UF 4,000,000 to partially cover investment needs. This issuance is obliged to maintain a debt/equity ratio lower than 1.5 calculated on liabilities and shareholders' equity, plus the minority interest, in both parent company and consolidated financial statements of Aguas Andinas S.A..





INCOME AVAILABLE FOR DISTRIBUTION

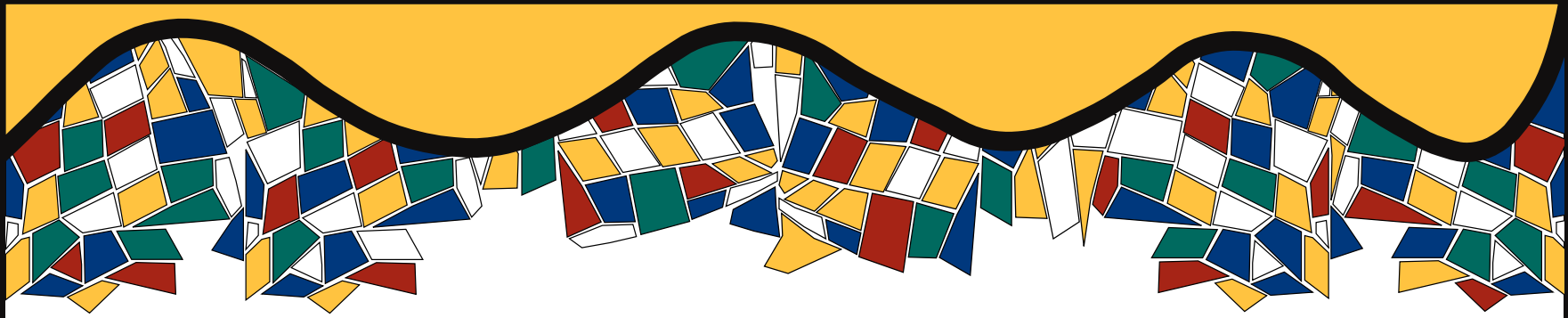
<i>(Aguas Andinas S.A., parent company)</i>	ThCh\$
2002 net income	54,112,136
Reserves for future dividends	238,370
Interim dividends declared from 2002 net income	(17,270,167)
Transfer of net income	37,080,339

31.8% of the amount available for distribution in 2002 was distributed

DIVIDENDS DECLARED PER SHARE

Ch\$ per Share	1999	2000	2001	2002
Book values	67.43	74.47	75.34	78.50
Income	2.1700	6.7527	6.8990	8.8433
Dividends Declared	15.91779 ¹	5.06200 ²	6.79380 ³	7.78020 ⁴

- (1) Includes a Ch\$11.2537 dividend per share, corresponding to 100% of the retained earnings and presented in the Reserve for Future Dividends, a Ch\$1.1159 dividend paid on May 28, 1999 and a Ch\$3.54819 dividend paid on September 3, 1999, both corresponding to 1998 income.
- (2) Includes a Ch\$2.282 dividend per share corresponding to the distribution of total income of 1999. The previous dividend was comprised of: Ch\$2.1667 corresponding to income of 1999, plus Ch\$0.1153 for distribution of Reserve for Future Dividends paid on May 17, 2000. Also, on December 20, 2000, a Ch\$2.78 interim dividend per share was paid on account of 2000 net income.
- (3) Includes a Ch\$4,0138 dividend per share corresponding to the distribution of total income for 2000: Ch\$3.9726 plus Ch\$0.0412 for distribution of Reserve for Future Dividends paid on 18 May, 2001; also a Ch\$2.78 interim dividend per share on account of 2001 income was paid on September 28, 2001.
- (4) Includes a Ch\$4.9802 dividend per share corresponding to the distribution of total income for 2001 paid on May 3, 2002. Also, a Ch\$2,80 interim dividend per share on account of 2002 net income paid on December 20 2002.



Dividend Policy

As agreed at the Regular Shareholders' Meeting, during 2002, the Company adopted a dividend distribution policy of 100% of net income of the period. The distribution in May 2002 amounting to Ch\$30,474 million (Ch\$4.9802 per share) is added to the

Ch\$2.78 interim dividend per share on account of 2001 net income. Also, an interim dividend was paid from 2002 income of Ch\$17,270 million.

Capital Stock Status

The company's capital is represented by 6,118,965,160 no-par value shares. At December 31, 2002, 51.202% is held by Inversiones Aguas Metropolitanas Ltda.,

36.116% by CORFO, 6.877% by Pension Funds and 5.805% by other minority shareholders.

Buildings, Equipment and Insurance

The principal real estate properties and equipment used to provide potable water and sewerage system services are property of the Company and are in good operating conditions.

The Company has insurance cover in effect for its potable water production and sewage treatment facilities, offices and warehouses that cover principally acts of God and fire risks.



Stock Transactions

Stock transactions in 2002 by the major shareholders corresponded to sales made by CORFO through a public auction on the Santiago Stock Exchange. The transactions correspond to 492,768,962 Series B shares (8.05% of the total of subscribed and paid-

in shares), which were sold at a unit price of Ch\$140. The total of said transactions amounted to Ch\$68,987,654,680

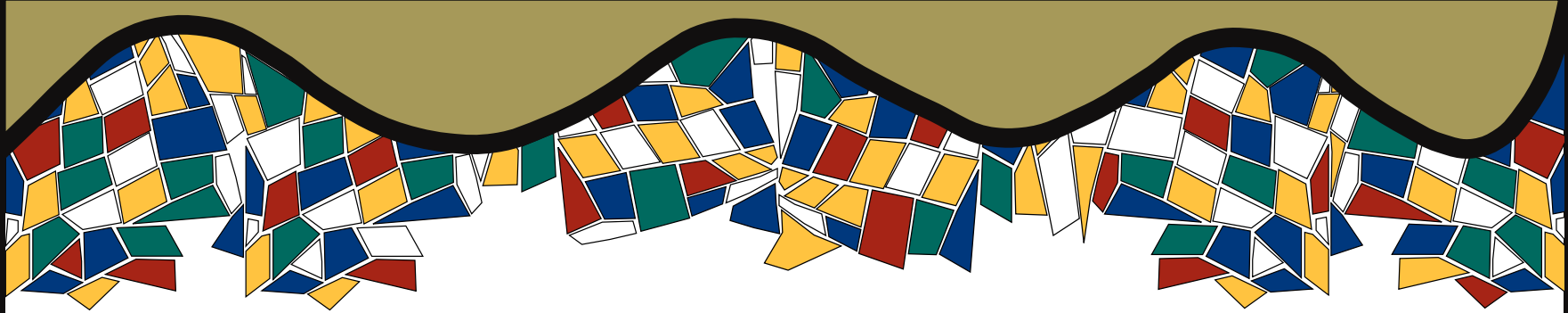
AGUAS - B STATISTICS - 1999			
Month	Average Price (Ch\$)	Number	Amount Ch\$
August	150,00	52,000,000	7,800,000,000
Total 1999	150,00	52,000,000	7,800,000,000

Note: Sole transaction recorded for Aguas-B, corresponds to CORFO bidding through BICE Corredores de Bolsa.

AGUAS - B STATISTICS - 2002			
Month	Average Price (Ch\$)	Number	Amount (Ch\$)
December 06	140,00	9,997,931	1,339,710,340
December 09	140,00	6,771,031	947,944,340
December 12	140,00	476,000,000	66,640,000,000
Total 2002	140,00	492,768,962	68,987,654,680

Note: The Aguas -B transactions recorded correspond to CORFO public bidding through CELFIN Corredores de Bolsa.





QUARTERLY STATISTICS AGUAS-A 1999

Month	Average Price (Ch\$)	Number	Amount (Ch\$)
Total 1st quarter	120,8285	1,476,358	178,386,102
Total 2nd quarter	140,4538	2,663,841	374,146,460
Total 3rd quarter	143,3047	1,644,143	235,613,389
Total 4th quarter	117,4057	1,241,272	145,732,408
Total 1999	132,9200	7,025,614	933,878,359

QUARTERLY STATISTICS AGUAS-A 2000

Month	Average Price (Ch\$)	Number	Amount (Ch\$)
Total 1st quarter	129,2012	1,889,093	244,073,155
Total 2nd quarter	105,4109	1,868,800	196,991,883
Total 3rd quarter	106,3252	717,012	76,236,410
Total 4th quarter	101,6304	890,197	90,471,121
Total 2000	113,2800	5,365,102	607,772,569

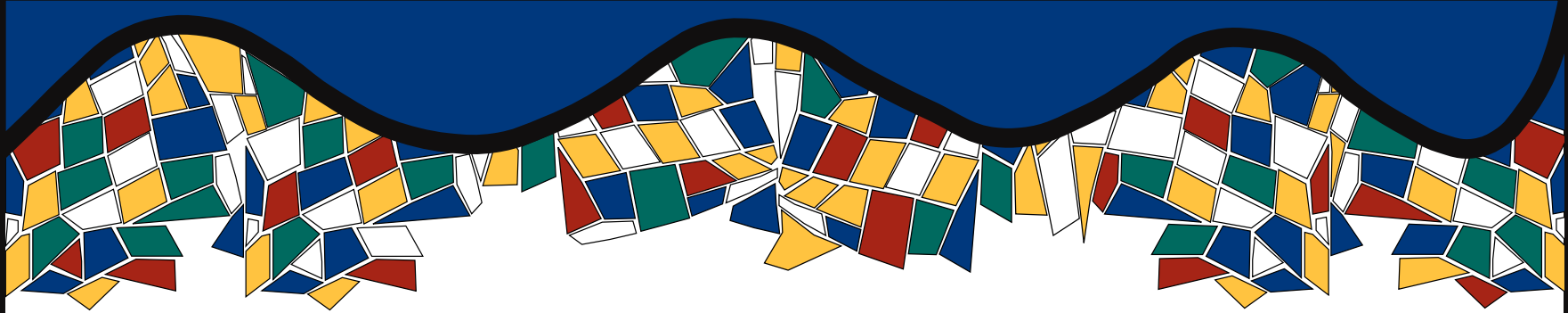
QUARTERLY STATISTICS AGUAS-A 2001

Month	Average Price (Ch\$)	Number	Amount (Ch\$)
Total 1st quarter	121,9940	3,329,250	406,160,860
Total 2nd quarter	157,0854	2,529,980	397,422,988
Total 3rd quarter	200,2233	1,816,504	368,706,384
Total 4th quarter	193,6294	1,451,249	281,004,523
Total 2001	158,6800	9,127,083	1,448,294,755

QUARTERLY STATISTICS AGUAS-A 2002

Month	Average Price (Ch\$)	Number	Amount (Ch\$)
Total 1st quarter	186,1187	4,271,300	794,968,796
Total 2nd quarter	181,8224	9,916,841	1,803,104,295
Total 3rd quarter	171,8928	5,147,853	884,878,797
Total 4th quarter	140,2047	469,829,750	65,872,332,474
Total 2002	141,7828	489,165,744	69,355,284,362





R E L E V A N T E V E N T S

At a Board meeting held on January 11, 2002, the following agreements were reached: Convene the Regular Shareholders' Meeting on April 15, 2002, at 4:30 p.m. in the Company's offices, to hear of, and submit an opinion on, relevant matters dealt with at the Regular Shareholders' Meeting.

Exercise a Purchase option on 499 shares of Comercial ORBI II S.A., a company that directly or indirectly controls 100% of Aguas Manquehue S.A.'s shares. Thus, upon purchase of the aforementioned shares, the ownership of Aguas Andinas S.A. in Aguas Manquehue S.A., will be 99,9% of that Company's subscribed capital, acquiring a control stake.

- At a Special Board Meeting held on April 11, 2002, the Board unanimously agreed

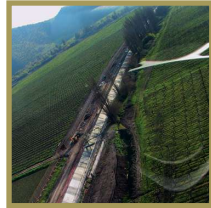
to grant the Contract of Electricity Supply for the operation of La Farfana Sewage Treatment Plant to Chilectra S.A. This action, involving a relevant amount, is one of those covered in article 44 of law 18,046, considering that the Company's Director, Mr. Pedro Buttazzoni Alvarez, is at the same time, a Director of Chilectra S.A. This operation was approved previously by the Company's Board of Directors.

- On April 15, 2002, Mr. Bernardo Espinosa Bancalari, a director of Aguas Andinas S.A submitted his resignation to the Company's Board. At the Regular Shareholders' Meeting held on the same date, pursuant to articles 31 and 32 of law 18,046, the Board was renewed for a new statutory period.

Therefore, the Board was made up as follows:

DIRECTORS	ALTERNATE DIRECTORS
Adolfo Ramiro Fernández	José Vila Bassas
Juan Carlos Fontana	Alain Chaigneau
Alfredo Noman Serrano	Juan Ras Sirera
Bruno Grison Thibautier	Manlio Alessi Remedi
Bernardo Espinosa Bancalari	Roberto Hempel Holzapfel
Gibrán Harcha Sarra	Carlos Gonzalo Rivas Gómez
Pedro Buttazzoni Alvarez	Oscar Santelices Altamirano





- At a Board Meeting held on April 16, 2002, the Board was convened and which unanimously agreed to reelect, as the Company's President and Vice-president, Mr. Adolfo Ramiro and Mr. Juan Carlos Fontana, respectively. Likewise, pursuant to provisions in Law 18,046 in article 50 bis, Messrs. Gibran Harcha Sarras, Bernardo Espinosa Bancalari and Alfredo Noman were appointed as members of the Company's Directors' Committee

- At a Regular Board Meeting held on June 4, 2002, Mr. Bruno Grison Thibautier, a Director of Aguas Andinas S.A. submitted his resignation to the Company's Board. At the same meeting, Mr. Manlio Alessi Remedi, who performed the duties of Alternate Director, took office as a Director.

- On June 13, 2002, the company's General Manager Mr. Angel Simón Grimaldos submitted his resignation to the Board, which became effective on July 4, 2002. Likewise, it was informed that the appointment of the new General Manager of Aguas Andinas S.A. will take place at a Special Board Meeting also convened for

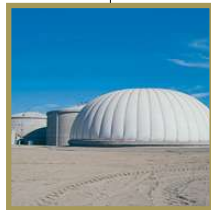
July 4 of 2002.

- At a Special Board Meeting held on July 4 of 2002, the Board appointed Mr. Josep Bagué Prats as the Company's General Manager.

- At a Special Board Meeting held on July 4 2002, the President of the Board, Mr. Adolfo Ramiro Fernández, informed the directors, that in September 2002, he would submit his resignation from the position of Director and President of the Company's Board.

- At a Regular Board Meeting held on September 3 of 2002, Mr. Adolfo Ramiro Fernández submitted his resignation from the position of Director and President of the Company.

Subsequently, the Alternate director, Mr. José Vila Bassas resigned from his position. Likewise, Mr. Manlio Alessi Remedi and Mr. Oscar Santelices Altamirano, submitted their resignations from the positions of Director and Alternate Director of the Company, respectively.





At said Meeting and pursuant to stipulations of Law 18,046 in article 32, the Board unanimously appointed Mr. Roque Gistau and Mr. Charles Chaumin as directors of the Company.

Lastly, at the same meeting, the Board unanimously elected Mr. Roque Gistau as

chairman of the Board of Aguas Andinas S.A.

At a Special Shareholders' Meeting held on October 22 of 2002, the Company's Board was revoked in full and a new Board was elected for a full statutory period.

As a result, the Board structure was as follows:

DIRECTORS	ALTERNATE DIRECTORS
Roque Gistau	José Vila Bassas
Juan Carlos Fontana	Alain Chaigneau
Alfredo Noman Serrano	Angel Simón Grimaldos
Charles Chaumin	Manlio Alessi Remedi
Bernardo Espinosa Bancalari	Roberto Hempel Holzapfel
Gibrán Harcha Sarra	Carlos Gonzalo Rivas Gómez
Carlos Mladinic Alonso	Daniel Albarrán Ruiz-Clavijo

- At a Board Meeting held on October 29, 2002, the Board was convened, which unanimously agreed to elect as President and Vice-President of the Company, Mr. Roque Gistau and Mr. Juan Carlos Fontana, respectively.

Likewise, pursuant to provisions in Law 18.046 in art. 50 bis, Messrs. Roque Gistau, Gibrán Harcha and Carlos Mladinic were appointed as members of the Company's Directors' Committee.



REMUNERATION OF THE BOARD AND MANAGEMENT

In accordance with Law 18.046, the Regular Shareholders' Meeting held on April 15, 2002 agree the remuneration for the Board of Directors for

the year 2002.

The following table shows the amounts paid:

Directors' Remuneration (ThCh\$)

NAME	POSITION	2001	2002	2001	2002
Adolfo Ramiro Fernández	Chairman	20.101	15.070	17.421	14.735
Roque Gistau	Chairman	-	5.023	-	4.019
Juan Carlos Fontana	Vice chairman	15.075	15.070	12.060	12.056
Alfredo Niman Serrano	Director	16.751	10.046	15.411	8.037
Pedro Butazzoni Alvarez	Director	10.050	8.372	8.710	7.367
Gibrán Harcha Sarra	Director	10.050	10.046	8.710	9.377
Bernardo Espinosa Bancalari	Director	10.050	10.046	8.710	9.377
Carlos Mladinic Alonso	Director	-	2.512	-	2.009
Manlio Alessi Remedi	Alternate director	-	10.046	-	4.688
Yves Jourdain	Alternate director	9.213	-	670	-
Roberto Hempel Hoizapfel	Alternate director	-	-	-	6.698
Agustín Insulza Salinas	Alternate director	10.050	1.674	-	-
Oscar Santelices Altamirano	Alternate director	10.050	7.535	-	-
Carlos Rivas Gómez	Alternate director	-	10.046	-	-
Daniel Albarrán Ruiz-Clavijo	Alternate director	-	2.512	-	-
Esteban Valenzuela Van Treek	Alternate director	8.375	-	-	-
Total		119.765	114.696	71.692	71.665



Committee (ThCh\$)

NAME	POSITION	REMUNERATION 2001	REMUNERATION 2001
Alfredo Norman Serrano	Director	3,099	8,205
Julio Gibrán Harchas Sarras	Director	5,611	9,376
Bernardo Espinosa Bancalari	Director	5,611	7,870
Roque Gistau	Director		1,507
Carlos Mladinic Alonso	Director		1,507
Total		14,321	28,465

The activities carried out by this committee correspond to those stipulated in law and the expenses incurred for advisory services amounted to Ch\$ 18.36 million.

Board of Aguas Andinas

NAME	POSITION	TAXPAYER ID or PASSPORT
Roque Gistau	Chairman	21.174.818-4
Juan Carlos Fontana	Vice-Chairman	7.611.967
Alfredo Noman Serrano	Director	14.862.820-3
Charles Chaumin	Director	86HAO3757
Bernardo Espinosa Bancalari	Director	7.396.732-5
Gibrán Harcha Sarras	Director	6.814.033-1
Carlos Mladinic Alonso	Director	6.100.558-7
José Vila Bassas	Alternate director	37245794
Alain Chaigneau	Alternate director	99LY56552
Angel Simón Grimaldos	Alternate director	14.707.727-2
Manilo Alessi Remedi	Alternate director	14.746.419-3
Roberto Hempel Holzapfel	Alternate director	3.731.437-4
Gonzalo Rivas Gómez	Alternate director	9.189.458-0
Daniel Albarrán Ruiz-Clavijo	Alternate director	6.022.851-5



Senior Managers and Executives

The total of senior managers and executives at December 2002 was 47. Total remuneration paid to senior managers and executives in 2002 amounted to Ch\$ 4,420 million. The severance payment received by senior managers and

executives amounted to Ch\$ 96.75 million in 2002. The Company's incentive policy is based on the general goals of the Company as well as on individual performance.

NAME	TAXPAYER ID OR PASSPORT	POSITION	PROFESSION
Bagué Prats, Josep	14,709,344-9	General Manager	Economist
Brunet, Laurent	14,709,457-4	Joint General Manager	Engineer
Lobos Valdés, Paulina	5,483,234-2	General Assistant Manager	Civil Industrial Engineer
Demonthsence, Dominique	14,709,839-1	Corporate Manager	Telecommunication Engineer
Larraín Aspillaga, Felipe	6,922,002-9	Corporate Manager	Civil Engineer
Marti Márquez, Joaquín	21,176,172-4	Corporate Manager	Ports, Canals and Port Engineer
Murillo Collado, José Luis	21,133,842-3	Corporate Manager	Economist
Villarino Herrera, Joaquín	9,669,100-9	Corporate Manager	Attorney at Law
Boulanger, Gilles	14,710,963-6	Manager	Industrial Engineer
Bravo Puldaín, Marcela	6,634,243-3	Manager	Business Administrator
De la Barra Fuenzalida, Victor	4,778,218-k	Manager	Civil Engineer
Donoso Moscoso, Enrique	7,082,548-1	Manager	Civil Engineer
Ferrando Gómez, Fernando	14,709,786-5	Manager	Systems Engineer
Ferrer Embodas, Ramón	14,726,542-5	Manager	Industrial Engineer
Figuroa Ramírez, Sergio Martín	6,449,688-3	Manager	Construction Engineer
Fuentes Contreras, Luis	6,190,810-2	Manager	Civil Engineer

NAME	TAXPAYER ID OR PASSPORT	POSITION	PROFESSION
Hernández Rodríguez, Guillermo	6.726.555-6	Manager	Civil Engineer
Hernando Pérez, Santiago	14.629.483-9	Manager	Chemical Engineer
Lagarde, Jean Luis	14.710.634-3	Manager	Economist
Larraín Sánchez, Camilo	10.436.775-5	Manager	Attornez at law
Lesty, Yves	14.709.240-7	Manager	Sanitary Engineer
Llagostera Pujol, Joaquim	48.070.438-k	Manager	Ports, Canals and Port Engineer
Martín Sancho, Miguel Angel	14.730.671-7	Manager	Industrial Engineer, Sp. Electric.-Electronics
Martínez León, Antonio	14.726.464-k	Manager	Ports, Canals and Port Engineer
Mena Ramírez, Hernán	9.187.996-4	Manager	Business Administrator
Núñez Sandoval, Amparo	6.130.670-6	Manager	Business Administrator
Romero Arriaza, Alejandro	4.432.604-3	Manager	Civil Engineer
Villarino Krumm, Salvador	10.331.997-8	Manager	Civil Engineer
Yarur Sairafi, Iván	8.534.007-7	Manager	Civil Industrial Engineer
Acevedo Walker, Sebastián	6.639.714-9	Assistant Manager	Civil Engineer
Auger Hernández, Mario Alejandro	7.746.808-0	Assistant Manager	Civil Engineer
Dupré Silva, Victor	6.816.920-8	Assistant Manager	Civil Engineer
Estay Caballero, Ricardo	6.027.966-7	Assistant Manager	Civil Engineer
Faúndez Pérez, Luis	8.043.598-3	Assistant Manager	Civil Engineer
Garcés Arancibia, Fernando	5.893.213-2	Assistant Manager	Civil Industrial Engineer
Garcés Durán, Christián Raúl	8.153.554-k	Assistant Manager	Business Administrator
Gil Plá, Ramón	14.762.089-6	Assistant Manager	Bachelor in Adm. and Business Management
Grau Mascayano, Francisco	5.868.028-1	Assistant Manager	Civil Engineer
Kent Geell, Natalia	8.668.841-6	Assistant Manager	Civil Industrial Engineer
Maturana Vaughan, Renato	8.794.452-4	Assistant Manager	Civil Engineer
Muñoz Anrique, Julio Raúl	6.364.977-5	Assistant Manager	Civil Industrial Engineer
Ocaríz Martín, Hernán Alfonso	6.613.091-6	Assistant Manager	Civil Engineer
Sanhueza Navarrete, Juan Carlos	8.641.413-9	Assistant Manager	Civil Engineer
Soto Perretta, Pedro Andrés	7.117.991-5	Assistant Manager	Civil Engineer
Tapia Donoso, Juan Luis	6.669.733-9	Assistant Manager	Civil Engineer
Witto Arentsen, Reinaldo Javier	8.796.191-5	Assistant Manager	IT Engineer
Yuras Maltés, Evans Patricio	10.110.605-5	Assistant Manager	Business Adm. technician



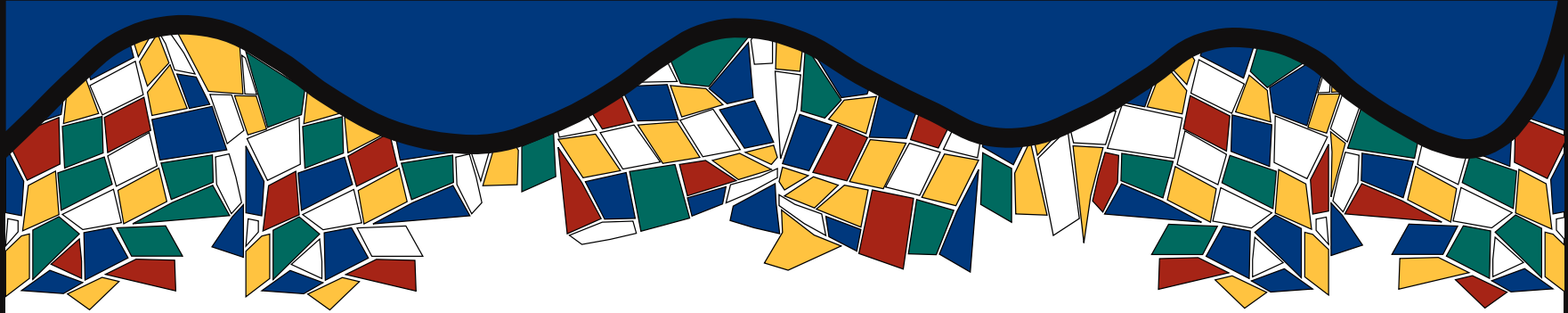
MAJOR CUSTOMERS AND SUPPLIERS

Customers of Potable Water and Sewage System

- Ejército de Chile
- Gendarmería de Chile
- Carabineros de Chile
- Universidad de Chile
- Cervecera CCU Chile Ltda.
- Comudéf
- Pontificia Univ. Católica de Chile
- Soprole S.A.
- Agrícola Industrial
- USACH

Suppliers

- Compañía Chilena de Medición S.A.
- Chilectra S.A.
- Compañía Americana Multiservicios S.A.
- Occidental Chemical Chile
- Comercializadora Surquímica Ltda.
- Duratec Vinilit S.A.
- Interexport Ltda.
- Aguas de Levante S.A. Chile.
- Enrique Leiva Olmedo and Compañía Ltda.
- Soprocal Calerías e Industrias S.A.



STATEMENT OF RESPONSIBILITY

The Directors of Aguas Andinas S.A. and the General Manager who sign this statement, undertake the responsibility under oath, regarding the veracity of the information provided in this Annual

Report, in conformity with the stipulations in General Regulation N° 30 of the Superintendency of Securities and Insurance.

CHAIRMAN

Roque Gistau
Taxpayer N°: 21.174.818-4

DIRECTOR

Carlos Mladinic Alonso
Taxpayer N°: 6.100.558-7

VICE-CHAIRMAN

Juan Carlos Fontana
Passport : 761.19.67

DIRECTOR

Bernardo Espinosa Bancalari
Taxpayer N° : 7.396.732-5

DIRECTOR

Charles Chaumin
Passport : 86HA03757

DIRECTOR

Gibrán Harcha Sarras
Taxpayer N°: 6.814.003-1

GENERAL MANAGER

Josep Bagué Prats
Taxpayer N°: 14.709.334-9





COMPANY IDENTIFICATION

Corporate Name	Aguas Andinas S.A.
Legal Address	Avenida Presidente Balmaceda N°1398, Santiago, Chile
Fax	(56-2) 6942777
Telephone	(56-2) 6881000
P.O. Box	1537 Santiago
Taxpayer ID	61.808.000-5
Website	www.aguasandinas.cl

LEGALES ASPECTS

The Company is registered at the Superintendency of Securities and Insurance with N°0346, by law N°18.777.

As a sanitary company, it is governed by the Superintendency of Sanitary Services, (SISS), in accordance with law N°18.902, D.F.L. N°382/88 and D.F.L. N°70/88.

INCORPORATION

Aguas Andinas S.A. was incorporated by means of a public deed dated May 31, 1989 in Santiago, before the Notary public Mr. Raúl Undurraga Laso. An abstract thereof was published in the Official Gazette of June 10, 1989, and was recorded at the Registry of Commerce on page 13.981, N° 7.040 of 1989, of the Santiago Real Estate Registrar.