

annual report 2004







In white lands of thirst

Gabriela Mistral, fragment

...They clamor , water!, they syllable

water! asleep or awake.

They rave it lying down

or standing, with substance and limbs.

And water that they will give to

the three passing beings

with throat that burns us

and dried out flanks.

We cross, we pass, white

of puna and loose dust,

from Gea's hard breathing

and a white sun of blind eye

and the three of us repeat

quiet, deep from our hearts;

Water of God, just a tangle

from a cloud, a fresh thin thread.

Water in sips or threads,

sounding its syllabication,

at the mercy of the water thin thread,

grace of stream,

better than gold and silver

and love given and returned...

A tribute to Gabriela Mistral,

Commemorating the 60th anniversary

of her Nobel Price.

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HISTORY

After half a century of work, we have developed a clear orientation towards our clients, guaranteeing a safe and quality supply, provided with the best service.

1861. Our story begins with the creation of Empresa de Agua Potable de Santiago and the preparation of the first study for improving water collection in the Quebrada de Ramón.

1865. We build the first tanks for water storage .

1894. We start a construction plan with the building of the Vitacura plant for obtaining filtered waters from the Mapocho River and of a 20 thousand cubic meter tank in Antonio Varas Street.

1903. The Santiago Sewerage and Paving Law is enacted, thus promoting the building of drinking water and sewage networks for the city.

1909. We install 1,112 residential connections and the first taps in the city.

1917. We inaugurate the 87-kilometer Laguna Negra aqueduct which carries water from the mountains.

1946. We open the Las Vizcachas plant in order to produce drinking water for Santiago.

1969. We inaugurate the Las Vizcachitas plant together with the Parallel Aqueduct.

1977. Our company becomes Empresa Metropolitana de Obras Sanitarias (EMOS).

1984. We open the Engineer Antonio Tagle Drinking Water Production Plant.

1989. EMOS becomes incorporated and subsidiary of Corporación de Fomento de la Producción (CORFO).

1990. We begin the construction of the first water clearing projects in the region, like the Zanjón interceptor collector and the piping of the Canal A-H.

1993. We inaugurate the West Santiago Sewage Treatment Plant.

1997. We inaugurate our corporate headquarters at Parque de los Reyes in Santiago.

1999. Under a privatization plan, 51.2% of our company is acquired by Sociedad de Inversiones Aguas Metropolitanas Ltda., controlled by the Agbar Group (50%) and Suez (50%). We inaugurate the La Florida Drinking Water Plant.

2000. We begin construction of the El Trebal Sewage Treatment Plant. Our company acquires 100% of Aguas Cordillera and 50% of Aguas Manquehue. We start to apply the Plan Vita for orienting the organization toward a service of excellence to customers and improving efficiency and product quality.

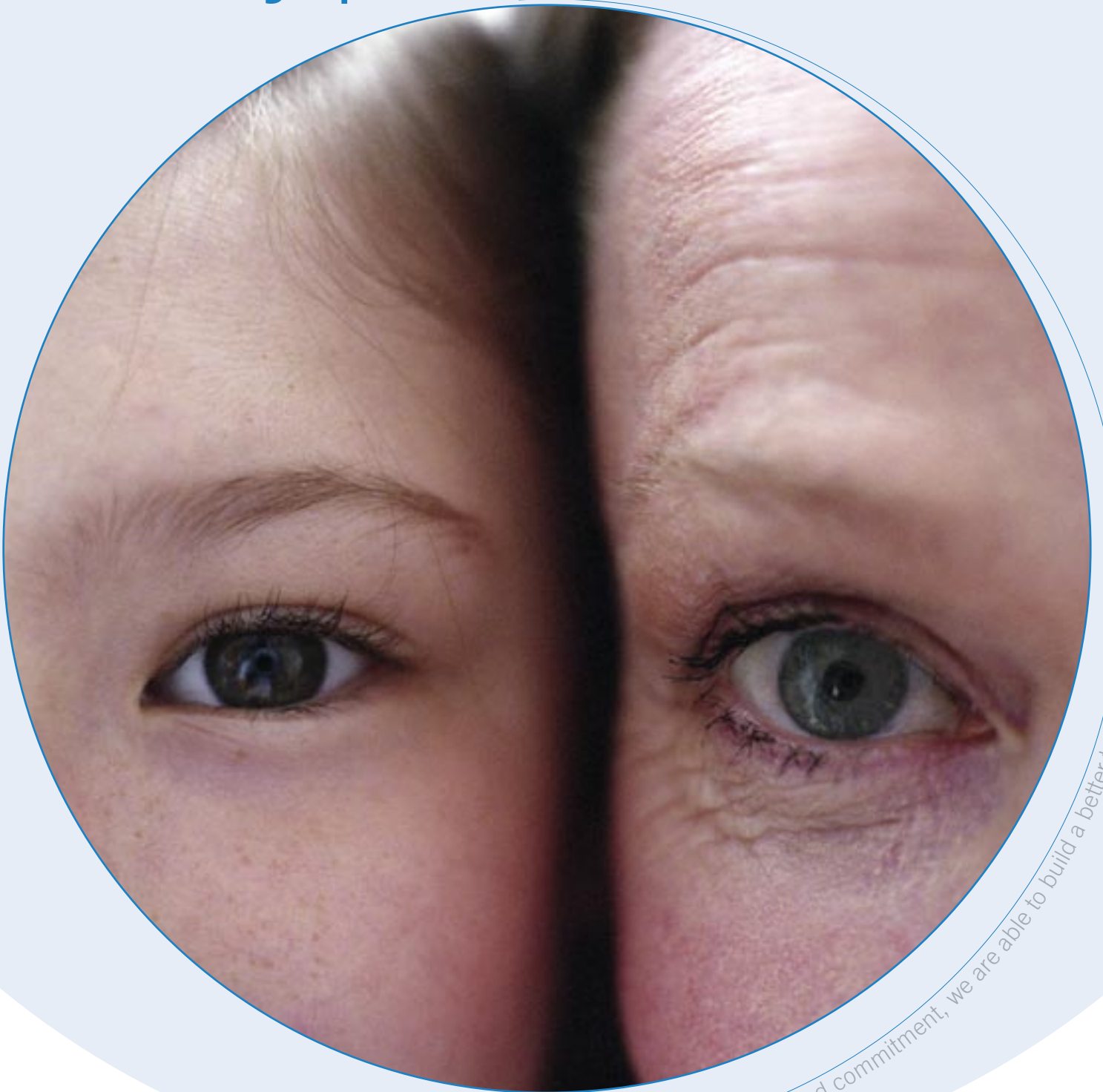
2001. Name change: the company becomes Aguas Andinas S.A. We start the operation of the El Trebal Sewage Plant and begin the construction works on La Farfana Sewage Treatment Plant. Our subsidiaries ANAM, Ecoriles and Gestión y Servicios are formed.

2002. We inaugurate the most advanced operating control system in Latin America. We acquire the remaining 50% of Aguas Manquehue. We start the Eureka Plan to consolidate an on-line organization. We also inaugurate the new San José de Maipo and Paine Sewage Treatment Plants.

2003. We begin operating the La Farfana Sewage Treatment Plant, the largest of its kind in Latin America. We obtain the ISO 9,000 certification for customer service.

2004. The outlying districts sewage treatment plants Valdivia de Paine and El Monte start operating, and a new organizational model for platform SAP is introduced.

a history path of service



Thanks to dedication and commitment, we are able to build a better tomorrow.



Continuous improvement is part of our philosophy.

water: the reflection of life



2004 has been a year to deepen our commitment to service, establishing a new form of carrying out our work, and continuing with the investing plan in order to guarantee the supply and quality of our product to the Santiago Basin inhabitants.

As Chairman of Aguas Andinas, I am honored to submit to your consideration the Annual Report and Financial Statements of the Company for 2004.

During this period we have continued to follow the path we drew five years ago when we accepted the commitment of turning Aguas Andinas into an organization dedicated to service. And we have achieved great progress. Our company is not the same sanitation company as it was a couple years ago. Thanks to investment in human resources and technology, today we deliver a service with world-class standards of public attention, safety and quality.

2004 reflects all of this. It was characterized by the end of the Eureka Strategic Plan, which made it possible for us to organize ourselves as an on-line company, and was the engine of each of our projects and activities throughout the year. In the area of service, the customer service parameters were remarkably improved, obtaining the ISO 9000 and ISO 14000 integral classification for our sewage treatment plants. With this certification Aguas Andinas has become the first sanitation company to obtain this environmental validation.

As for water-cycle management, we created the Operational Control Center and widened its coverage and capacity. We also started an important planning process in order to foresee our medium- and long-term future necessities.

Regarding water treatment, during the year, the sanitary plants of Valdivia de Paine and El Monte in outlying districts, were inaugurated. While on the subject, I cannot omit the La Farfana Sewage Treatment Plant occurrence, and to emphasize that the company reacted diligently in order to find a solution, using all available resources and keeping a close working relationship with the sanitation and environmental authorities. La Farfana Plant continued working normally, granting service with high fixed standards, which meet international criteria. We are working out a permanent solution to please everybody.

The financial year 2004 was also characterized by the development of the fourth tariff fixation process, which defined the value of the Aguas Andinas' sanitation services for the period 2005-2010. This key process for the company was carried out rigorously and demanded hard work from most of our company.

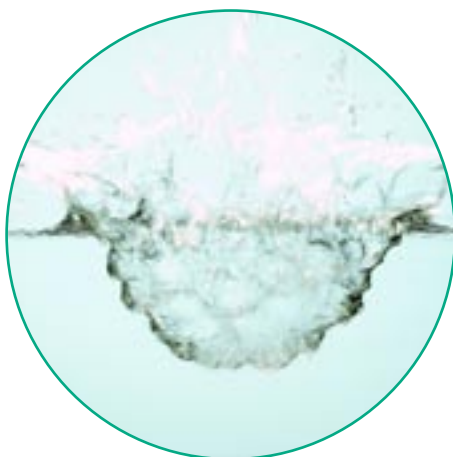
**The net income reached Ch\$62,503 million,
reporting an increase of 2.2%
compared to the previous period.**

All of these measures are part of a continuous management improvement process that optimizes our efficiency, and which have directly influenced the Company's Financial Statements for the year 2004, which I address below:

During this period, investments reached Ch\$33,372 million, 35% of which was destined to sewage treatment, 26% to sewage collection, 20% to drinking water distribution, 9% to drinking water production, and the remaining 10% to other activities.

The company's operational result reached Ch\$83,604 million, reporting an increase of 8.8% compared to the previous period. This increase is mainly due to a whole year of operation of La Farfana plant, which started up in September 2003; the tariff indexation during the year, and the increase of the business figures of the non-sanitary subsidiaries.

Likewise, the net income was Ch\$62,503 millions, which means a 2.2% increase over 2003 profits due to the abovementioned operational performance, which compensated the higher financial expenses involved in financing the investment plan.



These figures reflect not only the stability of our business, but also management committed to attaining and maintaining the highest operational efficiency standards. This situation is acknowledged by the risk rating agencies which kept the AA+ rate for Aguas Andinas, the highest of any Chilean private company.

To conclude, I would like to thank each and every person that makes up Aguas Andinas. They have done a good job, demonstrated in the auspicious scenario we have ahead of us, which reflects good management due to excellent preparation of our people, the resources

invested, the experience contributed by our controller group, and the mission that leads our actions and decision making.

Through this taken path, we will firmly follow the way of technology and customer service in order to guarantee a drinking water supply with the highest quality and the best service, improving as well as our commitment with the community and the environment. It is everybody's duty; I invite you to join in on this challenge with passion, because water is the reflection of life.

Alfredo Noman
Chairman

general outlines



Chairman
Alfredo Noman
Industrial Engineer

BOARD OF DIRECTORS



Director
Bernardo Espinosa Bancalari
Lawyer



Vice Chairman
Charles Chaumin
Engineer



Director
Daniel Albarrán Ruiz-Clavijo
Industrial Civil Engineer



Director
Manlio Alessi Remedi
Economist



Director
Carlos Mladinic Alonso
BA in Business Administration



Director
Roque Gistau Gistau
Engineer in Roads, Canals and Ports

Alternate Directors

José Vila Basas
Industrial Engineer

Ángel Simón Grimaldos
Engineer in Roads, Canals and Ports

Roberto Hempel Holzapfel
BA in Business Administration

Jorge Bande Bruck
Economist

Jean Jacques Duhart
Industrial Civil Engineer

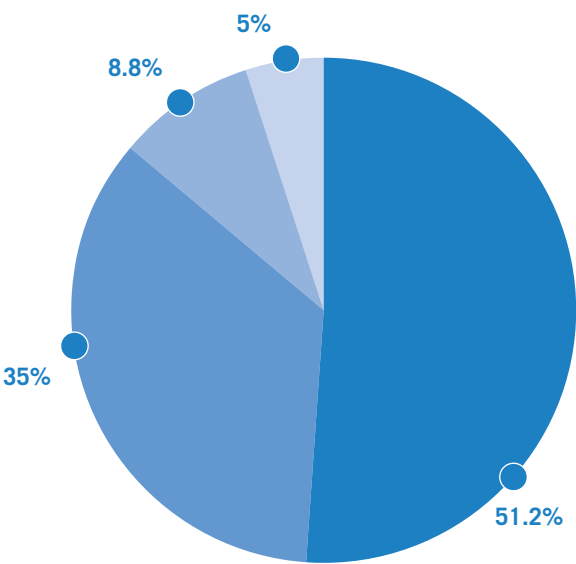
Eric De Muynck
Engineer

Alain Chaigneau
Master in Economic







COMPANY OWNERSHIP

As of December 31st, 2004, the capital of Aguas Andinas is divided into 6,118,965,160 shares, distributed among 1,803 shareholders.



Distribution by type of shareholder

	Inversiones Aguas Metropolitana Ltda.	3,133,053,126	51.2%
	Corporación de Fomento de la Producción	2,140,488,475	35.0%
	Pension Fund Managers	539,872,077	8.8%
	Others	305,551,482	5.0%
	Total	6,118,965,160	100.0%

sowing to grow



I contribute toward a better future.

Our company is backed up by the vast experience and track record of its strategic partners: Agbar and Suez.

Majority shareholders

Our company's majority shareholders, according to the shareholders register as of December 31st, 2004, are:

Name	Tax Payer ID	Shares Series A	Shares Series B	Total Shares	Percentage
Inversiones Aguas Metropolitanas Limitada	77.274.820-5	3,133,053,126	0	3,133,053,126	51.2%
Corporación de Fomento de La Producción	60.706.000-2	0	2,140,488,475	2,140,488,475	35.0%
AFP Provida S.A.	98.000.400-7	257,479,477	0	257,479,477	4.2%
AFP Cuprum S.A.	98.001.000-7	90,722,639	0	90,722,639	1.5%
AFP Habitat S.A.	98.000.100-8	68,493,315	0	68,493,315	1.1%
AFP Santa Maria S.A.	98.000.000-1	56,107,863	0	56,107,863	0.9%
AFP Sumabansander S.A.	98.000.600-k	47,722,363	0	47,722,363	0.8%
AFP Planvital S.A.	98.000.900-9	19,346,420	0	19,346,420	0.3%
Celfin Gardew S.A. Corredores de Bolsa	84.177.300-4	14,295,905	0	14,295,905	0.2%
Banchile S.A. Corredores de Bolsa	96.571.220-8	8,036,137	0	8,036,137	0.1%
Comercial Inmobiliaria Acropolis y Cia. Ltda.	79.759.290-0	3,000,000	0	3,000,000	0.1%
Scotia Sud Americano Codrredores de Bolsa	96.568.550-2	2,944,914	0	2,944,914	0.1%
Other 1,791 Shareholders		274,128,093	3,146,433	277,274,526	4.5%
TOTALS		3,975,330,252	2,143,634,908	6,118,965,160	100.00%



Agbar - Barcelona



Suez - Paris

Strategic Partners

Through Inversiones Aguas Metropolitanas Ltda., Aguas Andinas' controller corporation, our company is backed up by the vast experience and track record of its strategic partners: Agbar (80.1%) and Suez (19.9%). Both European companies have wide experience in sanitary management and in providing services for meeting people's basic needs. Agbar is Aguas Andinas's operator.

Agbar

Agbar is the main private company in the supply of drinking water in Spain. With a 133-year history of residential supply, it currently serves over 15 million people in approximately 900 villages and cities with populations ranging from 1,000 to 3 million people.

Agbar is also the head of the Agbar group, a holding formed by 160 companies that has become the absolute leader of the private drinking water market in Spain, and committed in businesses such as the complete water-cycle operation, health insurance, construction and facilities, services related to the automobile industry, etc.

Internationally, Agbar is present in 8 countries, serving over 20 million people.

Suez

Suez is one of the main service groups in the World. In its 183-year history, it has been involved in two main businesses: environment, becoming a worldwide leader; and energy, boasting a strategic position in Europe.



Chief Executive Officer

Felipe Larraín Aspillaga

Civil Engineer

a committed team

ORGANIZATION AND ADMINISTRATION



**Corporate officer,
Customer Service**

Víctor de la Barra Fuenzalida
Civil Engineer



Corporate Officer, Operations

Ignacio Escudero García
Telecommunications Engineer



Corporate Officer, Sanitation

Enrique Donoso Moscoso
Civil Engineer



**Corporate officer,
Planning and Development**

Joaquim Martí Marqués
Engineer in Roads, Canals and Ports



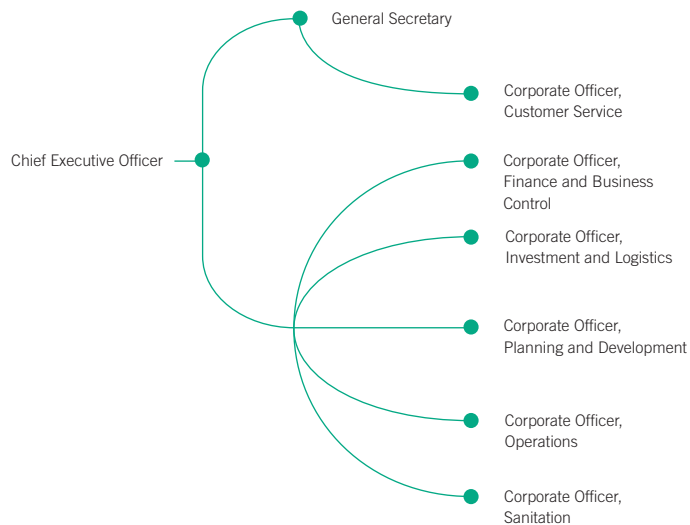
General secretary

Joaquín Villarino Herrera
Lawyer



**Corporate officer, Finance
and Business Control**

José Luis Murillo Collado
Economist





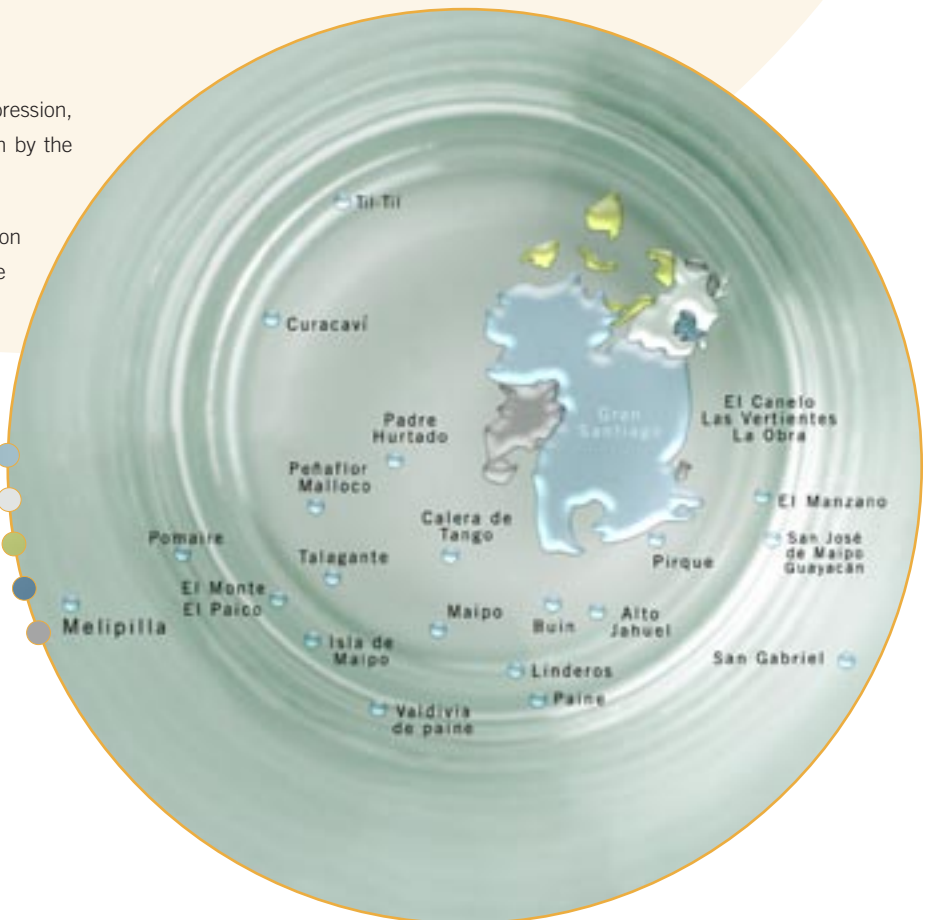
Together and as a team we have achieved high goals.

in the Santiago basin

The Santiago basin is located in central Chile's intermediate depression, bordered to the north by the Chacabuco basin and to the south by the Angostura de Paine.

With an area of over 70 thousand hectares, covered by our concession zone, we daily serve approximately 6 million people, between the Santiago metropolitan area and the outlying districts, which makes us one of the major sanitation companies in Latin America.

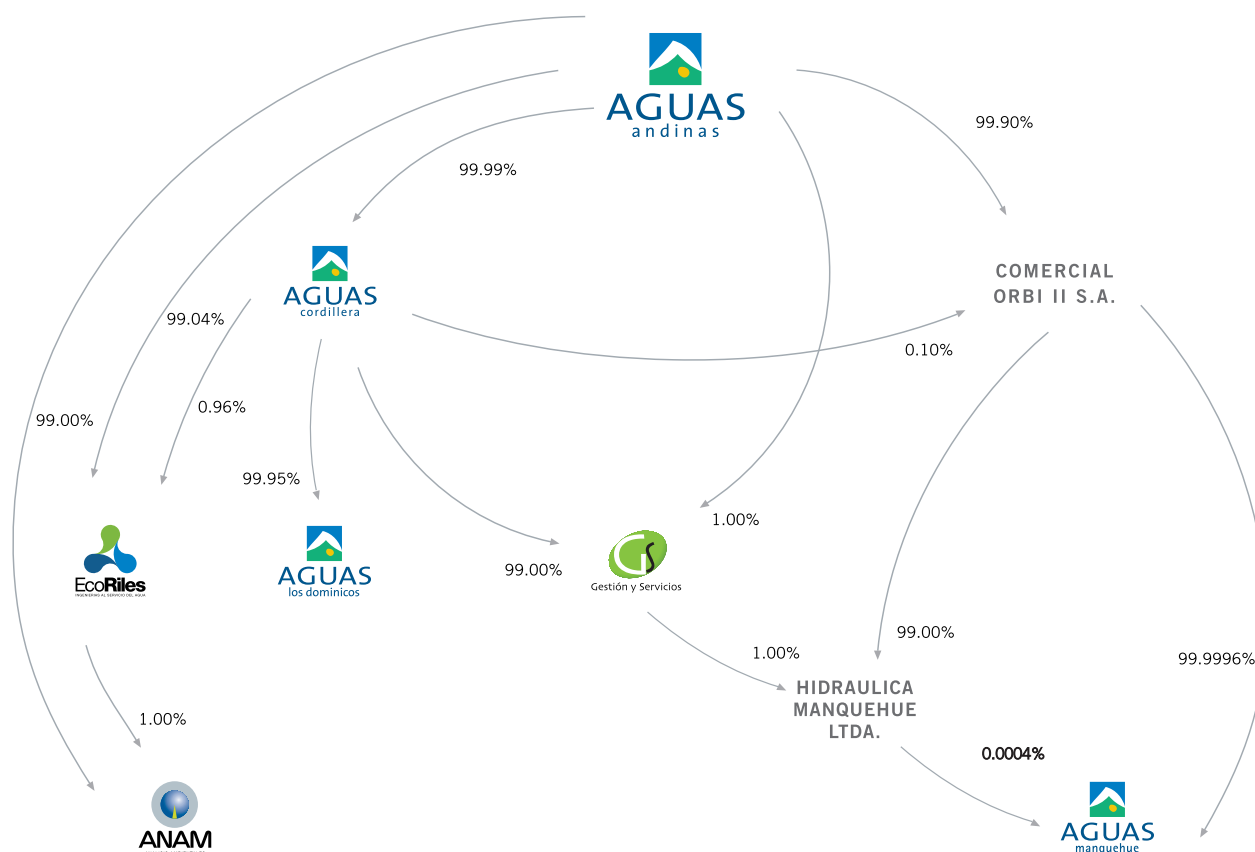
- Aguas Andinas
- Aguas Cordillera
- Aguas Manquehue
- Aguas Los Dominicos
- Sewage Disposal Concession only





Aguas Andinas is part of the Aguas Group, a solid group of related companies that provide an integral service, applying state of the art technology. Through these companies we provide diverse services like sewage treatment, equipment commercialization and technical analysis.

The Anam Laboratory performs environmental analysis studies efficiently and timely, meeting international standards of quality. Likewise, Ecoriles develops its operations in all the engineering areas that serve water, in order to provide all the industrialists in the country with a complete consultancy in one or all the production stages that involve the generation of sewage, and the environmental problems related to liquid industrial waste (Riles). Gestión y Servicios provides the sanitation companies with integral solutions and materials for the development of drinking water, sewage systems, and related sewage treatment projects.





To serve the Santiago Basin.

any time,
any place



We are a service-oriented company, dedicated to our customers. We work in order to provide a quality product, guaranteeing 24-hour, year round supply to thousands of homes in the Santiago Basin.

100% supply of drinking water in our concession zone.

98% coverage in sewage.

Over **70% of sewage treatment**.

Ch\$ 336,000 million invested in the period 2000-2004.

A total of **1,394,571 drinking water customers** in 2004.

Another year. A period of committed work in which we show professionalism and seriousness when providing our service, managing the complete water cycle with efficiency and respect for the environment.

A year characterized by the end of the Eureka Plan, which allowed us to establish tighter links with customers, shareholders, suppliers, contractors, public organisms, and the community as a whole, and that made up the engine of all the projects carried out during the year.

A year that sets challenges for the future, because we want to deepen our customer-service orientation, providing, as usual, a quality supply with a service of excellency.



we are working for you

Technology is the cornerstone of our service. Thanks to state-of-the-art tools we can provide a quality product, give fast solutions to requirements, and always be available to meet the needs of our customers.

Aguas Andinas is a service-oriented company. This orientation makes us work constantly to take care of our customers.

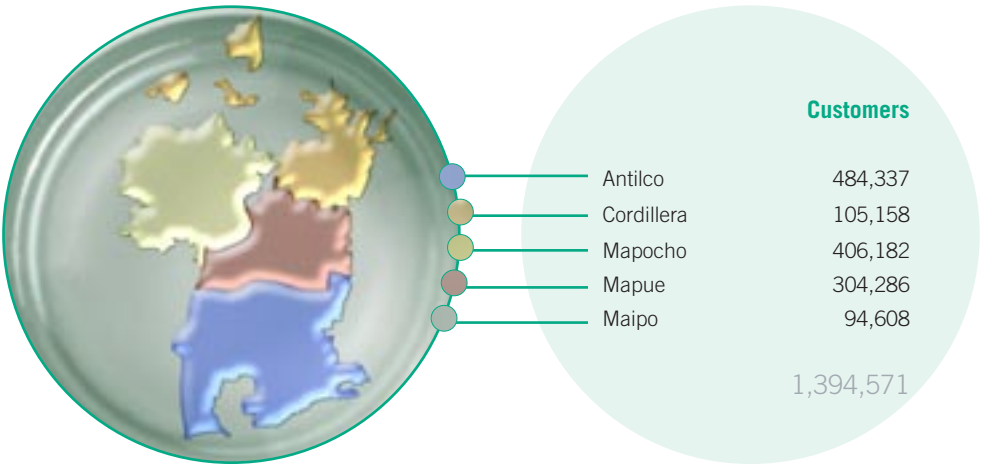
This is why we have incorporated modern technological tools that allow us to improve our customer service daily, together with quality and continuity of our work.

Technology has also helped us be in touch with clients. Nowadays we have more information channels, more choices for the water bill payment, and we have given the commercial agencies the systems needed to allow a diligent and fast service.



With respect and affection I take care of the people I love the most.

Zonal division



A fast and efficient service

Aguas Andinas operations has a zonal division structure. This distribution has allowed us to work with an integral service to clients, which has resulted in an optimization of the service providing a closer, more efficient and reliable service.

The incorporation of technology has facilitated service improvement, providing more possibilities of contact with the clients, an easier access to the company, information-channel diversity, master solutions, and more comfort. The consolidation of tools such as the Requirements' Attention Center (SAR), the Geographic Information Center (SIG), the Phone service, and the Operative Control Center, have played a key role.

During 2004, phone service improved the solution timing of customers' demands. Thus, 82% of the calls are solved in the first contact, while 80% of the urgent calls are solved within 6 hours.

Likewise, a new collection system was installed at our commercial agencies' cash registers, which speeds up payment reception, integrating it to the billing system. As a result, the current average waiting time is under 3 minutes, with 100% service before 5 minutes.

In the customer-service modules, the average waiting time is less than 5 minutes, with a 95% service in less than 20 minutes. Besides, ten new electronic numeration systems were installed in 2004, and brochures were made available for customer information.

In 2004 we improved, even more, our service. This is how 82% of the telephone requirements was solved in the first contact.

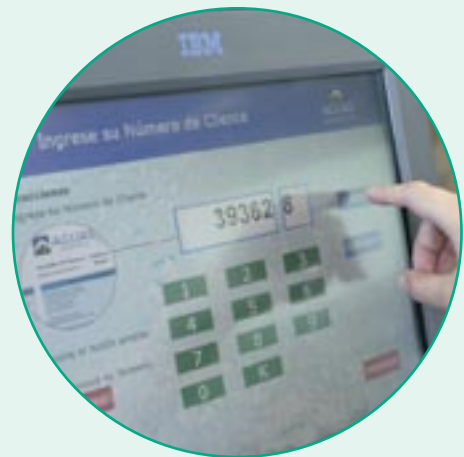


ISO 9000 Certification

Consistent with our commitment to permanent improvement, in June 2004 we obtained the ISO 9000 certification for the Billing and Collection areas; the Project Management for Drinking water production measurement area; and the Operation of Sewage Depuration Plants area. These certificates are added to those obtained in 2003 for customer service.

The Integrated System for Quality and Environment Management implemented by Aguas Andinas is based on two principles: customer satisfaction and economic efficiency. We know that quality strongly serves economic efficiency, since it helps to achieve goals from the beginning, and besides, it contributes to team-work appreciation.

The Management System includes the organization, procedures, indicators, continuous improvement system, and workers' training, in order to fill the requisites of the ISO 9000 International Classification. Through the achievement of this standard we have accomplished a goal thanks to the support of the different areas and their personnel, which definitely allows us to provide a better service to all our clients in the Santiago basin.



Aguas Andinas is the main sanitation company in the country, covering 36% of all customers throughout the country.



Our customers

On December 31st, 2004, the number of Aguas Andinas customers for drinking water reached a total of 1,289,413, showing a 2.04% growth compared to the previous year. As for the sewage system, the number of customers was 1,257,699, which means a 2.18% growth over 2003.

At the group level –considering Aguas Andinas, Aguas Cordillera, Aguas Los Dominicos and Aguas Manquehue-, the number of customers for drinking water reached a total of 1,394,571, and for sewage services, 1,359,610.

Consolidated Number of Customers

	2001	2002	2003	2004
Drinking Water	1,303,880	1,331,851	1,363,760	1,394,571
Sewage System	1,268,457	1,296,004	1,327,824	1,359,610

Number of Customers (2004)

	Aguas Andinas	Aguas Cordillera (*)	Aguas Manquehue	Total
Drinking Water	1,289,413	100,501	4,657	1,394,571
Sewage System	1,257,699	97,608	4,303	1,359,610

(*) Includes Aguas Los Dominicos



Consolidated Average Consumption (cubic meters per month / client)

	2001	2002	2003	2004
Drinking Water		29.8	29.2	28.0
Sewage System		30.2	29.6	28.4

Average Consumption 2004 (cubic meters per month)

	Aguas Andinas	Aguas Cordillera (*)	Aguas Manquehue	Total
Drinking Water	25.9	51.6	124.8	28.0
Sewage System	26.4	51.2	115.8	28.4

(*) Includes Aguas Los Dominicos



Management of new concessions

The population of the Santiago basin is constantly growing, with an increasing need for drinking water and sewerage services. This is why our company obtained two concession expansions in 2004.

The first is located in Padre Hurtado municipality (on the way to Valparaíso) with an area of 1.5 hectares and 85 new services. The second one is located in Costa Rica, Peñaflor municipality, with an area of 2 hectares and 48 new services.

Aguas Cordillera presented the development plan for the expansion of the concession in the Road to Farel-lones sector –Lot A–Yerba Loca Property, Las Condes municipality, with an area of 4.1 hectares and 42 new services, which is being revised by the Superintendency of Sanitary Services.

Likewise, Aguas Manquehue approved the request for the expansion of the Los Trapenses concession Lots C2 and C3, with a total area of 10.7 hectares and 48 new services. Besides, the development plan for the application of the expansion of the Valle Grande Concession in the Lampa municipality was presented, which covers an area of 480 hectares and 15,000 customers.

Our concession zone covers an area of over 70 thousand hectares, inhabited by a constantly growing population.

Rural Drinking Water

Our commitment is not limited to the urban zones. Part of our responsibility is to cooperate actively in the development of the Rural Drinking Water Plan, becoming part of a project that shows great benefits for the inhabitants of such rural areas.

Aguas Andinas trains and acts as consultant for the maintenance and execution of works in remote areas, where there are no distribution or collection nets. Thus, our company acts as Technical Unit, carrying out the studies and projects in accordance with the agreements signed with the hydraulic works department of the Ministry of Public Works and the Metropolitan Region Government.

This program benefits 36,873 houses with an estimated population of 221,238 inhabitants, reaching coverage of nearly 100% of the concentrated rural localities. In 2004, over Ch\$935 million was invested, mainly destined to service-improvement works.

Service improvement works

M\$911,828

Designs

M\$23,233



Sanitary Regulation

The sanitary service companies are subject to the supervision and regulation of the Superintendency of Sanitary Services (SISS), in accordance with the current legislation on these matters. The SISS is a decentralized public service with its own legal status and equity, and subject to the supervision of the President of the Republic through the Ministry of Public Works.

Sanitary service companies like Aguas Andinas are subject to the provisions of a combination of laws and regulations governing the functioning of the sector. The main legal bodies are:

- The General Sanitary Services Law (DFL MOP 382, 1988). Contains the main provisions governing the system of concessions and the business of sanitation service providers.
- Regulation of the General Sanitary Services Law (DS MOP 121, 1991). Contains the regulations that allow the application of the General Sanitary Services Law.
- Sanitary Services Tariffs Law (DFL MOP 70, 1988). Contains the principal provisions governing the setting of tariffs for drinking water and sewage, and financing reimbursable contributions.
- Regulation of the Sanitary Services Tariffs Law (DS MINECON 453, 1990). Contains the regulations that permit the application of the Sanitary Services Tariffs Law, including the method for calculating tariffs and the administrative procedures.
- Law creating the Superintendency of Sanitary Services (Law 18.902, 1990). Establishes the functions of the Superintendency of Sanitary Services.
- Law of Subsidy to the payment of consumption of drinking water and sewerage services (Law 18.778, 1989). Establishes a subsidy to the payment of the consumption of drinking water and sewerage services.
- Regulation of the Law of Subsidy (DS HACIENDA 195, 1998). Contains the regulations for applying the Law of Subsidies.

The tariffs allow us to provide a quality service, to ensure the supply, and to make the necessary infrastructure and technology investments in order to satisfy our customers' growing demand.

Tariffs

Aguas Andinas tariffs for 2004 were in force for a period of five years, valid between March the 1st 2000 and February 2005, in accordance to the MINECON Decree No. 76.

Average 2004 tariff (without VAT in Ch\$ per m3)

	Aguas Andinas	Aguas Cordillera (*)	Aguas Manquehue
Drinking water	196.50	248.43	330.98
Sewerage	149.95	144.02	145.47

(*) Includes Aguas Los Dominicos

Throughout the past year, Aguas Andinas' fourth tariff process took place between October 2003 and January 2005. Our company and the Superintendency of Sanitary Services participated in this process, setting the tariffs according to objective and independent technical analysis. Therefore, the new tariffs will be in force between March 2005 and February 2010.



Day by day I make an effort to reach excellence.

Present in each stage...



water cycle

Catchment
of basic water

Production
of drinking water

Consumption
of drinking water

Sewage
collection

Sewage
treatment

Restitution
to environment

Aguas Andinas manages the integral water cycle, ensuring the supply of drinking water to the inhabitants of the Santiago Basin, while fully respecting the environment.

Water cannot be lacking. Life and development of society are inconceivable without it. This is why Aguas Andinas has the necessary infrastructure to guarantee the service to all our customers. Always, in times of drought or storm, summer or winter, day or night.

At every stage of the integral water cycle –catchment, production, distribution, collection and treatment- we have high safety standards, which guarantee the quality of our service. Likewise, we are supported by important works and state-of-the-art technology. Facilities such as El Yeso reservoir and Laguna Negra aqueduct, together with advanced instruments such as the Operative Control Center, allow us to face the supply and demand variations at every time of the year, and to always have crystal clear water in our taps.

Operative Control Center

The safety and efficiency of the operation is our commitment as a company. This is why we are constantly investing in technology to guarantee a reliable and available product. Our Operative Control Center (CCO), opened in 2002, allows us to operate from our facilities with an overall vision of the company's functioning.

This tool controls all the processes, especially those involved in the Water Cycle Management. In this way we can monitor and operate, in real time, the drinking water catchment and production facilities, distribution and collection networks, and sewage treatment works.

The CCO operates around a central tool: the Telecontrol, which allows the distant supervision and control of over 2,500 variables of geographically distributed facilities. Other instruments, like the Requirement Attention System (SAR), the Geographical Information System (SIG) and the Technical Knowledge System (SCT), work together in order to strengthen the Telecontrol.



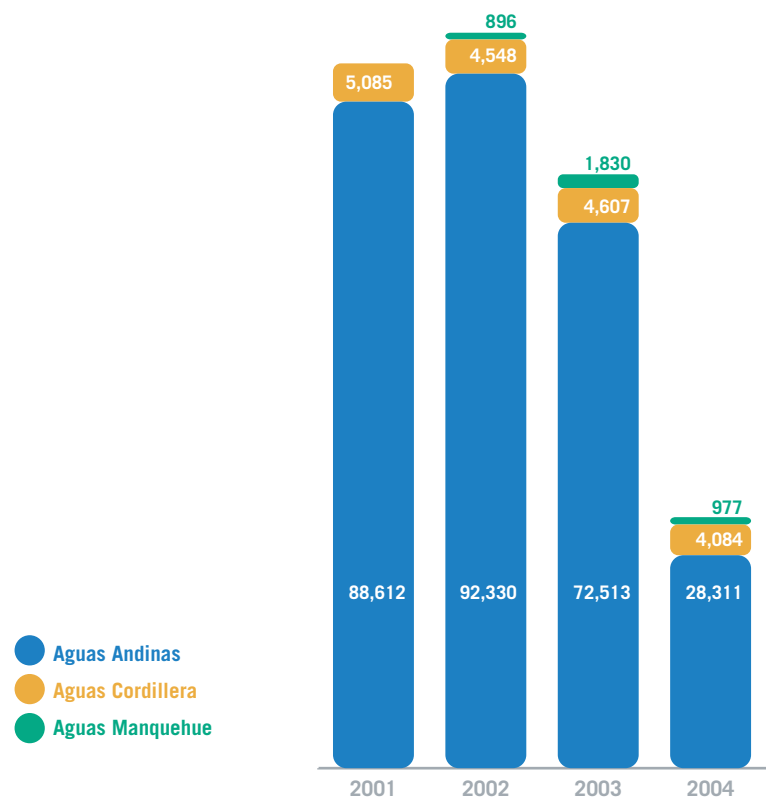
We project the future today by planning our investments and actions for the next 15 years. This is what we understand by a serious, reliable and efficient operation.

Planning the future

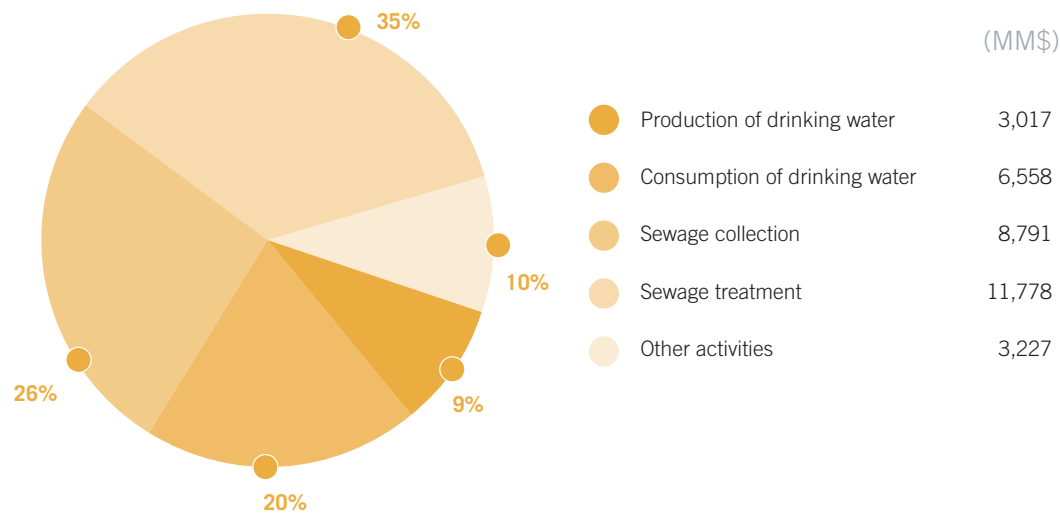
In 2004 we started an important technical planning process looking toward the next 15 years, called **Aguas Andinas General Plans**. It aims at analyzing and foreseeing our company's possible structural and functional deficiencies –current and future- and to propose the necessary investments and actions in order to plan the solutions to the detected problems. Following the water cycle, we developed three plans: the General Production Plan, the General Transport Plan, and the General Network Plan.

Likewise, in 2004 we drew up the **Telecontrol System's Director Plan**, in order to analyze different infrastructure works. This document describes the company's facilities from a telecontrol angle, analyzing its deficiencies, detecting the shortages produced by the technological progress, and providing integral solutions on a 10-year basis.

Investments (MM\$)



Investment per concession, year 2004



New Investment

In 2004 we continued our strong investment plan, investing Ch\$33,372 million during the year of which Ch\$ 28,311 million corresponded to Aguas Andinas, Ch\$4,084 million to Aguas Cordillera and Los Dominicos, and Ch\$977 million to Aguas Manquehue.

Most of these investments were used for sewage collection and disposition, reaching Ch\$20,570 million, of which Ch\$11,778 million was used for sanitary facilities. Notable among these were the construction works of the Talagante Sewage Treatment Plant, which will be finished by June 2005, totaling an investment of approximately Ch\$11,200 million. Besides, the Padre Hurtado – Talagante Collector Interceptor works were finished, involving over Ch\$3,700 million. In November started the construction works for the Curarcaví Sewage Treatment Plant, with an estimated investment of Ch\$1,900 million, and a start-up for December 2005. Likewise, three stretches of the future Mapocho Sewage Interceptor entered the

final construction stage, carried out at the same time as the Costanera Norte Highway works. This interceptor will collect the sewage of Santiago's east, north, and northwest zones, currently received by the Mapocho river, in order to carry them to the future Los Nogales Sewage Treatment Plant. The estimated investment for this facility is Ch\$1,360 million.

As for drinking water, investments raised up to Ch\$ 9,575 million, of which 68.5% related to distribution. Most of the investment was destined to the network installation and repairs, the construction of the Discharge and Feeder of the Huechún-Huilco Drinking Water System in Melipilla, the construction of a 1,500 cubic meters capacity semi-buried container in El Arrayán, and the reconditioning of 7.2 kilometers of the Padre Hurtado-Los Dominicos pumping line, with a 600 mm diameter.

In the drinking water production area, the most important projects were the Telecontrol and Telemetering works of the Production Plants; the acquisition of the Maipo river's water rights, the improvement of Las Perdices Canal; the optimization of the productive facilities and the construction of exploration and exploitation wells in El Maitén, in the locality of Melipilla.

Other investment projects concentrated the remaining 9.7%, equivalent to Ch\$ 3,227 million, among which the Computing Development Project stands out. Finally, from the total amount of our investments, 65.9% was related to expansion investments and rose to Ch\$21,978 million.



We share and experience the same feelings.

Sources, reserves and plants

Our main sources for basic water are the Maipo and Mapocho rivers. From their flow we catch the necessary hydric resources for the production process. The natural underground aquifers that run within our concession are secondary sources.

To ensure its provision, Aguas Andinas has important water reserves, which contribute to the necessary hydric resources when the catchment sources are not enough. Our three major water reserves are: El Yeso Reservoir, with a 260 million cubic meters capacity; Laguna Negra, with 600 million cubic meters; and Laguna Lo Encañado, with 50 million cubic meters.

The basic water caught goes to the production plants, where its potabilization takes place. Our main plants are Las Vizcachas Complex and La Florida Plant. The first one has a maximum production capacity of 15 cubic meters/s, which constitutes over 50% of our total production. La Florida Plant cleans 4 cubic meters/s, near 14% of the production. We have 12 smaller drinking water plants, among which the Padre Hurtado, Lo Gallo, San Enrique and El Sendero plants stand out.

Telecontrol y Telemeasuring

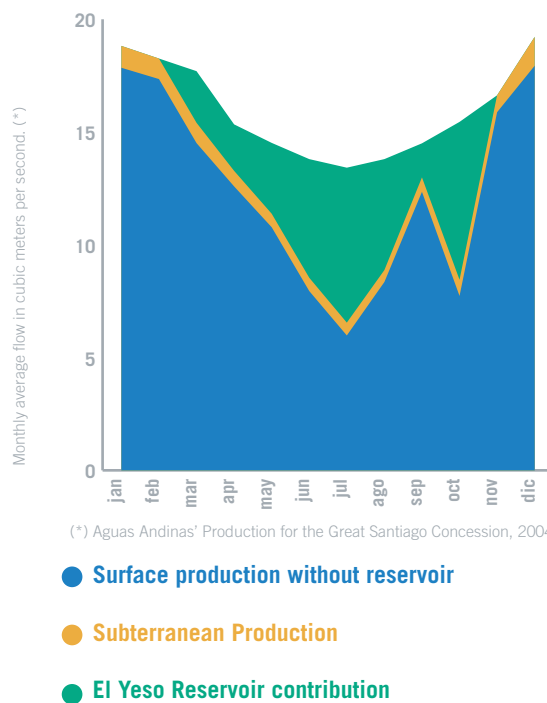
In 2004 we widened the coverage and capacity of our telemeasuring and telecontrol tool, incorporating to the Operative Control Center (CCO) the flow and water quality measurement data, at the intake and outflow of the following production plants: Aguas Andinas' Vizcachas and La Florida Complex; Aguas Cordillera's Lo Gallo, Vitacura, San Enrique, La Dehesa and El Arrayán; and Aguas Los Dominicos' El Sendero and Montecasino.

Likewise, we integrated the CCO's supervision with a total autonomy modality to some production plants: Aguas Andinas' Quebrada de Ramón and El Canelo; Aguas Cordillera's Padre Hurtado; and Aguas Manquehue's Punta de Águilas.



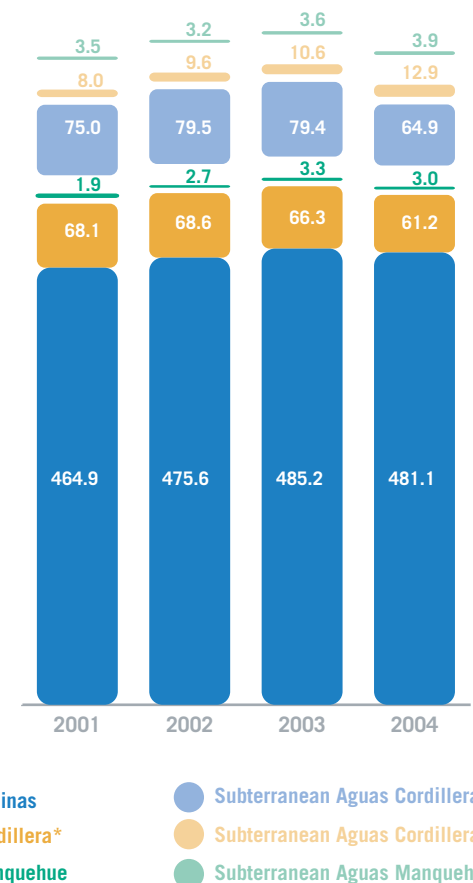
catchment and production

El Yeso reservoir contribution to the Great Santiago production



In 2004, our total drinking water production, measured at the plants outfall, was 627.0 million cubic meters, from which 545.3 million cubic meters corresponded to surface waters, and 81.7 million cubic meters to subterranean waters.

Production per type of source
(Millions of cubic meters)



A secure project: El Yeso reservoir

With a 260 million cubic meters capacity, the El Yeso reservoir plays a key role in the regulation of the contribution coming from the surface sources, guaranteeing the supply of our service even in times of draught. This is why the company makes periodic investments to maintain its capacity and working life.

Likewise, we have a climate station, whose connection to the CCO allows us to foresee the climatic changes, and thus, to have an advanced and planned reaction to the problems that could arise.

(*) includes Aguas Los Dominicos

Our wide piping network supplies drinking water continuously and with quality to all our customers.

Nature is essential in our lives; taking care of it is my concern.

Drinking water travels through our subterranean piping network to our clients' homes. This wide distribution network –that reaches over 12,000 kms.- plays this key role with safety and quality, supplying drinking water continuously and with the right pressure to more than 6 million inhabitants in the Santiago basin.

In 2004, the length of Aguas Andinas' distribution network grew in 137 kms., according to our clients' demands. At a consolidated level, the network reaches a total length of 12,083 kilometers.

The drinking water network is constantly monitored by the Operative Control Center through long-distant instructions. Besides, in order to ensure its functioning, we have a Preventive Maintenance Program, which renovates the infrastructure and replaces ducts for high-density polyethylene pipes. In 2004, 35 kms of pipes were replaced.

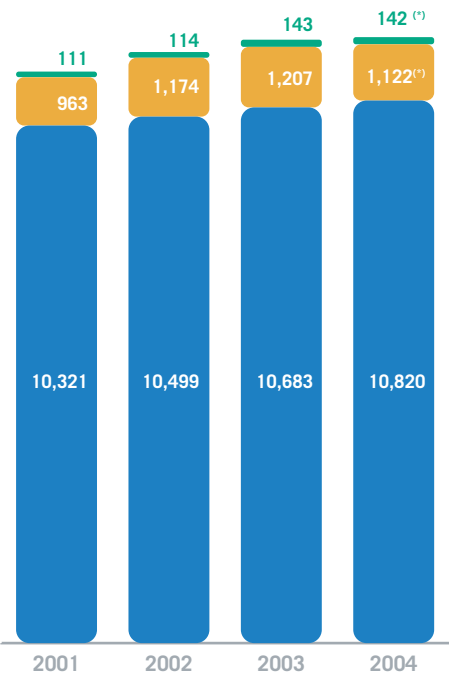




distribution



Length of distribution network (kms.)



- Aguas Andinas
- Aguas Cordillera (**)
- Aguas Manquehue

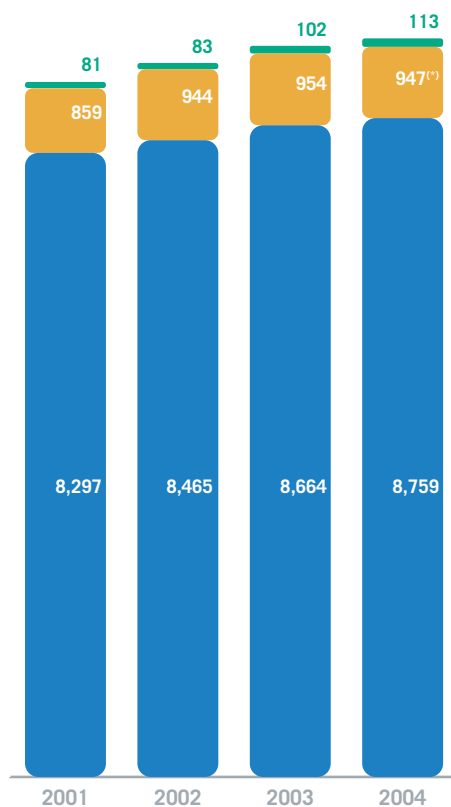
(*) The variation observed in 2004 is mainly explained by the reclassification to production's carrier nets, as required by the regulatory agency.

(**) Incluye Aguas Los Dominicos



Waste water removal, avoiding direct contact with people, is a vital tool for the health of the inhabitants of the Santiago Basin.

Length of Sewer Network (kms.)



- Aguas Andinas
- Aguas Cordillera (**)
- Aguas Manquehue

(*) The variation observed in 2004 is mainly explained by the reclassification to disposal nets, as required by the regulatory agency.

(**) Includes Aguas Los Dominicos

The subterranean sewer system collects the sewage and brings it into the treatment plants, eliminating any direct contact with people. In this way, efficient waste water removal constitutes an important safety measure to avoid the spreading of infections, enteric diseases, and environmental pollution.

In 2004, Aguas Andinas increased its sewage collection network in 95 kms. As a whole, Aguas Cordillera and Los Dominicos, Aguas Manquehue and Aguas Andinas' network has a total length of 9,819 kilometers.

In order to maintain the proper functioning of the sewage network, we perform periodic revisions and maintenance that guarantees a continuous service with no risks for the Metropolitan Region inhabitants.

As part of the Sewage Network Improvement Project, in 2004 we thus renewed 13,4 kilometers in different parts of the system. We also continued with the Preventive Maintenance Program, clearing 631 kilometers of collectors, and inspecting 23 kilometers of residential collectors and junctions with high-technology equipment.

By doing this, we give priority to the most critical zones of our network, in order to avoid blockages and other eventualities that could affect our customers' and the community's quality of life. This is why we use teleinspection robots that locate the problems, followed by jet trucks that vacuum the waste material stuck and clean the sewer system.



collection

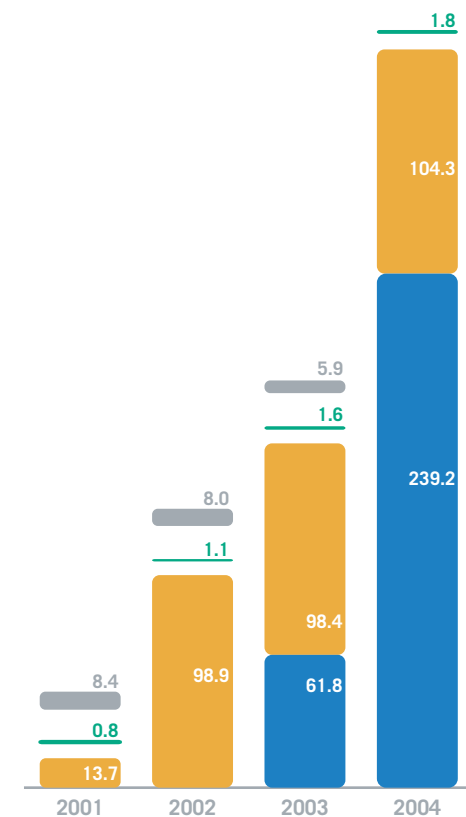
I am confident that my family grows up in a healthy and clean environment.





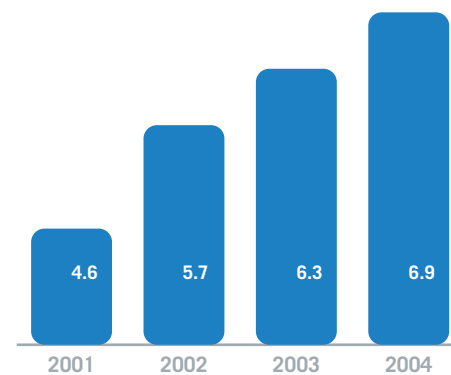
In Santiago, two important sewage treatment plants are already in operation, decontaminating over 70% of the sewage.

Sewage treatment in the Great Santiago (millions of cubic meters)



- La Farfana
- El Trebal
- Aguas Manquehue' plants
- West Santiago (until sept. 2003)

Sewage Treatment in Outlying Districts (millions of cubic meters)



- Outlying Districts

treatment

Sewage treatment is the last stage of the Water Cycle. This process, which requires state-of-the-art technology, cleans the waste waters produced by humans and industry, and returns them decontaminated to rivers and river beds, thus restoring nature's balance. This is where its importance for life and environmental preservation lies.

Thanks to human and economic resources, the contaminated waters' treatment is a fact in the Metropolitan Region. In the Great Santiago, two important treatment plants are already operating, El Trebal and La Farfana, which combined, currently decontaminate over 70% of the sewage generated by the capital's inhabitants.

La Farfana Sewage Treatment Plant, operating since September 2003, is capable of treating a medium flow of 8.8 cubic meters/s, which means 50% of the Metropolitan Region's sewage, corresponding to an estimated population of 3.3 million people. Meanwhile, the El Trebal Sewage Treatment Plant, operating since October 2001, has a treatment capacity of 4.4 cubic meters/s, corresponding to approximately 1.7 million inhabitants of the south and south-west zones of Santiago.

In 2004, the total volume of sewage treated in Santiago reached 345 million cubic meters.

Likewise, in outlying districts there are already 8 operating sewage treatment plants with a combined treatment capacity of a medium flow of 282.5 liters per second. In 2004, we inaugurated two new treatment plants: Valdivia de Paine and El Monte in outlying districts, which joined the six existing ones, e.g. San José de Maipo, Paine, Cexas-Melipilla, Esmeralda, Pomaire and Til-Til (Los Olivos).

During 2004, the volume of sewage treated in outlying districts was 6.9 million cubic meters.

Two new plants, Talagante and Curacaví, are currently under construction.

Now we can eat vegetables with no worries.





we care about the future

Evolution is part of our essence as a company. In doing so, we act and make decisions today, choosing a better future for everybody.

We seek evolution and growth as a company, always based on sustainable progress, that is, in harmony with the environment that shelters us, with the people that form our organization, and the community towards which we are oriented.

This is why the well-being of our workers is a priority duty for the company, reflected in the concern for safe spaces with a high-quality working environment, with personal and professional growth expectations. Likewise, we have a permanent commitment with the community, which motivates us to work in concrete actions that contribute to both the young generations' education and the country's progress. Consistently, we have stated our respect of the environment preservation, expressed in our sewage decontamination works in Santiago Metropolitan Region, which already provides great benefits for the community.

We know progress is achieved as we provide with high standards a service that is essential for the life and development of people and society. We work today -using our experience, professionalism and energy- seeking a better future for tomorrow.

My children's future is the most important thing. I want to see them grow and develop.





with our people

Thinking about the future implies worrying about our employees' well-being. This means giving them a safe environment with high working standards, comfortable working spaces, and team-work relationships characterized by collaboration and cooperation. We encourage their abilities, skills and knowledge through constant Training and Development Programs.

Likewise, seeking well-being means watching over their professional and integral development, providing the necessary opportunities for their progress, entertainment and education. It also means meeting their requirements fast and efficiently, with a service directed at the company's members, Aguas Andinas' most valuable asset.



Dedication, professionalism, and spirit of improvement are the characteristics of Aguas Andinas' personnel. They represent our company's culture and service orientation.

Safety and occupational health

Aguas Andinas knows risks can be avoided and prevented. This is why we are concerned with establishing the necessary conditions in order to provide our workers, contractors and visitors a safe and secure environment in the company's facilities and premises.

In this line, the enforcement of the Occupational Health and Safety Policy is crucial, since it directly benefits workers and customers, providing a series of actions in order to control operational risks in a process of constant improvement integrated into the daily work.

In 2004 we developed activities oriented toward fostering a culture of prevention and safety inside Aguas Andinas. Within this context, we organized various communication and diffusion campaigns at the zonal divisions, with the

assistance of the Chilean Safety Association (ACHS) aimed at providing on-sight training and recognizing outstanding workers and zones.

In this way, in 2004 we achieved once again the Risk Prevention's goals and indicators, considerably reducing its accident and damage rates, which constitutes an achievement for the company as a whole.



For the development of our workers

For our company, our workers' training and development is a priority, since they generate a renovation of knowledge, updating skills and incorporating new technologies and trends in the different areas. Likewise, the company's human capital is composed by people with a spirit of self-improvement and learning, seeking professional growth.

In 2004, the training focused on the Curriculum Project start-up, implementing risk-prevention related courses. We also emphasized specific technical trainings, among which the Customer Service and Sales Techniques Programs, oriented towards the Customer Service Management, stand out.

In this way, the training oriented hours rose 9% compared to 2003, totaling 70,651 hours, with an average of 49 hours per worker.

As part of the modernizing effort that our company is undergoing, 460 executives and unit chiefs were part of the performance evaluation developed by Aguas

Andinas. This year the process focused on prioritizing the competences that our company requires, in order to prepare a professional development plan that allows them to work on the improvable areas and make the most of their strengths. Likewise, the crucial importance of defining the goals of results and processes was strengthened.

Continuing with our service orientation, in July the People Service Area was created, aiming at improving the quality of life of our company's members. This area is in charge of providing every service and benefit to our collaborators and their families, in a clear optimization of the work done in this area.

The renovation of knowledge and competences is crucial since it allows us to provide a high-quality service. In 2004, over 70,500 training hours were done.

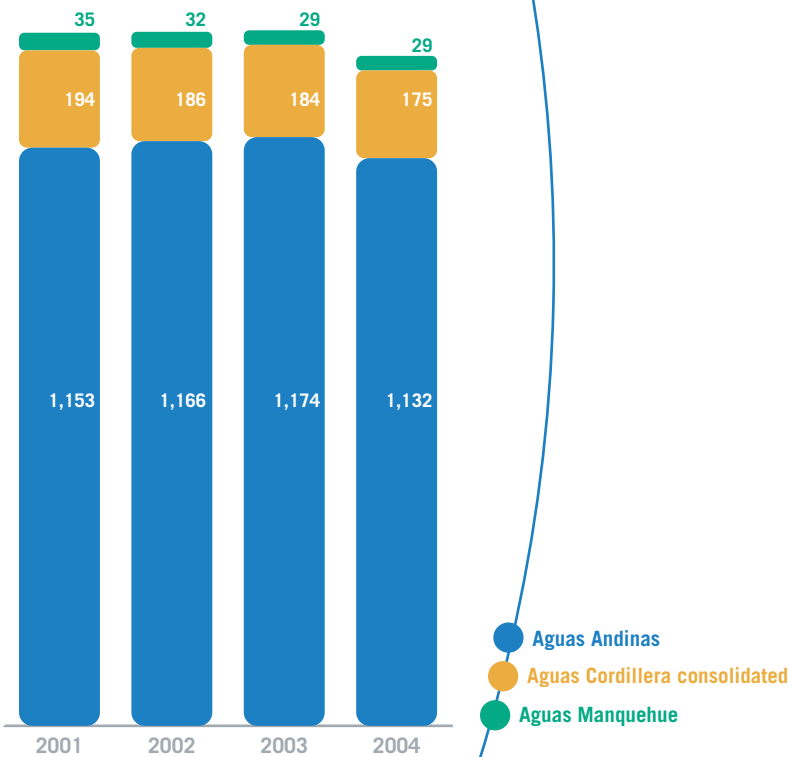




Each of our 1,450 collaborators has internalized Aguas Andinas’ commitment to customer-service orientation.

Personnel

As of December, 2004, Aguas Andinas’ personnel totaled 1,132 employees, while the consolidated figure reached 1,450 collaborators.



Total personnel

	Aguas Andinas	Aguas Cordillera (*)	Aguas Manquehue	Otras (**)	Group
Managers & Senior Executives	43	7	1	2	53
Professionals & Technicians	471	60	4	41	576
Workers	618	108	24	71	821
TOTAL	1.132	175	29	114	1.450

(*) Includes Aguas Los Dominicos

(**) Others correspond to Anam, Ecoriles and Gestión y Servicios

In 2004, La Aventura del Agua (The adventure of Water), a puppet show that educates children on the importance of water, was seen by over **28 thousand children**. Since its creation, **61,055 students** have seen the play.



A total of **6,286** school and university students **visited our production and treatment plants** in 2004, learning on-sight the complex processes of water potabilization and decontamination.

The “**Agua en el Hogar**” (Water at Home) workshop benefited **13,176** people from different municipalities of the Metropolitan Region, promoting a responsible management of water and sewerage.



towards community

For Aguas Andinas, social responsibility is based on actions that generate value and progress for the country, contributing to the development of society.

Being a socially-oriented organization implies a new business vision, incorporating into its daily operations a concern for community, its workers and environment. It is a strategic attitude expressed in its ability to listen, understand and meet the legitimate interests of the society forms part of.

Consistently, social responsibility is a key commitment for our company, present in its daily operations and related to our goal of providing an essential service for people's lives.

Plazas del Agua project

One of Aguas Andinas' efforts to improve the Santiago Basin inhabitants' quality of life was an important project called Plazas del Agua, consisting in recovering spaces and turning them into green areas for the safe use and recreation of the neediest groups in the Metropolitan Region.

In 2004 two Plazas del Agua were created, one in El Bosque Municipality and the other in the Pedro Aguirre Cerda Municipality, generating family recreation spaces. These parks are equipped with water spouts, green areas, and bike circuits.

Community Programs

In order to promote behavior and values that help to improve our customers' quality of life, Aguas Andinas develops several programs especially created and oriented toward community. In 2004, these actions were divided into two groups according to the different segments they were oriented to. This is how the Acua-ciclo and Acuayuda programs were born.

The first one, **Acuaciclo**, is designed for students in the Metropolitan Region. With an educational purpose, the idea is to teach and appreciate water resources and to understand the importance of the environment in our lives. Among the main programs are the "La Aventura del Agua" puppet show, the guided visits to the production and treatment plants, and the creation and school distribution of the Integral Water Cycle in the Santiago Basin educative CD.

Meanwhile, **Acuayuda** is oriented toward our customers, organized in community assemblies. It aims at approaching community, educating people on the Water Cycle, and having a direct communication channel with them. Some of its main activities in 2004 were the plumbing workshops, the "Agua en el Hogar" Program, and the visit of the community assemblies to our plants.





respecting the environment


The environment and preservation of nature are essential for life. Taking care of and respecting them is a present and everlasting challenge as a company.

Sanitation Plan and its benefits

Aguas Andinas is carrying out the Santiago Basin Hydric Sanitation Plan, an important project that turns our capital into a city with pollution-free water resources, treating 100% of the Metropolitan Region sewage.

This plan currently shows important progresses. In fact, due to two operating treatment plants in Santiago and eight in outlying districts, we have started to recover the environment and the environmental balance for our community.

This plan has many benefits, and most of them are already being enjoyed by the Santiago Basin inhabitants.



Thanks to sewage treatment, thousands of hectares of farm land have been recovered in the Santiago Metropolitan Area, and are currently watered with decontaminated waters.

Benefits

- Environmental decontamination and improvement of people's quality of life.
- Recovering over 130 thousand hectares for farming, which are currently irrigated with decontaminated water.
- A notable decrease of enteric diseases, such as typhus, hepatitis and cholera.
- New green areas for families to enjoy.
- Better access to demanding foreign markets thanks to the environmental standards reached.
- Improvement of the country's competitiveness when signing new trade agreements.
- Santiago's place among the world's most important capitals.



La Farfana Environmental Lake

In the Maipú Municipality, current location of La Farfana Sewage Treatment Plant, there was a series of small lakes inhabited by hundreds of aquatic birds. When the Plant was built, it became necessary to preserve the natural environment of these species through a project that was materialized in 2004 called La Farfana Environmental Lake.

The project consists of 15 hectares of land, with a 6-hectare and 1.5-meter maximum deep artificial lake, beaches and green areas. It also has two viewpoints for the plant's visitors to observe the zone's flora and fauna.

Nowadays, thirteen bird species already inhabit the lake and reproduce naturally. However, ecosystems are formed in the course of time, with continuous work, so the birds' behavior is still being studied. A monthly vegetation control and specimen counting are performed in order to verify their reproduction, as well as a water quality control, which comes from the treated water by the Plant.

ISO 14000

In June 2004, Aguas Andinas received the ISO 14000 Certification for nine sewage treatment plants, becoming the first sanitary company in the country to receive this validation: El Trebal, Cexas, Esmeralda, Pomaire, Paine, San José de Maipo, Til Til (Los Olivos), Trapenses and Chicureo.

This fact, together with the obtaining of the ISO 9000, allowed us to implement a Quality and Environment Integrated Management System that has made possible the systematization of environmental impact control methods of the purifying plant's activities, and proving the enforcement of the current environmental normative, together with guaranteeing our permanent commitment to customers in order to provide a quality service.



Drinking water I feel fresh and healthy.



an efficient and responsible job

Thanks to solid and sound financial management, together with a proactive risk management, we have been able to consolidate Aguas Andinas' financial position.

Optimizing our resources

Our management in 2004 was mainly characterized by the consolidation of our financial position after a three-year period of strong investment. Our financial operations' optimization, the development of risk-monitoring tools, and the financing of over Ch\$33,000 million in investment stand out among the activities developed.

During 2004 we continued with a proactive policy of monitoring and management of the Company's operational and financial risks. This, together with the industry's characteristics, explains why Aguas Andinas boasts one of the best risk rates granted to a Chilean private company.

Risk Factors

Our company shows a favorable situation in regard to risks, which is mainly due to the special characteristics of the sanitation sector, as well as to a proactive policy of risk management in which we have used the wide experience of our controller Group.

Operating Aspects

Regulatory framework. Our company works within a stable regulation that allows the development of our activities and operations with a long-term perspective. This regulation also includes the setting of our service tariffs for a 5-year period. The current tariffs are set by the MINECON decree 76 in effect until March 1st, 2005.

Customers. We currently serve 1,394,571 clients, which are within our concession area and have Aguas Andinas and its subsidiaries as their main supplier. Our main 100 customers represented only 7.40% of our total sales for 2004.

Weather Conditions. Our main water reserves –e.g. El Yeso, Laguna Negra and Lo Encañado Reservoirs–, besides the contingency plans that we have developed, allow us to reduce the potential negative impacts of adverse weather conditions on our operations.

Financial Aspects

Currency Risk. Our revenue is greatly connected to the evolution of local currency. This is why our debt is mainly issued in this same currency and we only keep minor operations in foreign currency.

Interest rate. Regarding interest rate risk, 77% of Aguas Andinas debt has a fixed rate, 74% of which is medium-and long-term bond emissions, and 3% refundable financial contributions. The remaining 23% of debt has a variable rate and corresponds to credit with national banks.

The overall favorable conditions have meant that the risk agency have granted us an AA+ risk. As for shares, Féller Rate granted us a first-class level 3 qualification, while Humphreys gave us first class level 2.



Investment and financing policy

The investments carried out by Aguas Andinas correspond to the replacement of the existing operational assets, the implementation of technological development that allow an increase in the efficiency of the current infrastructure and, mainly, the expansion investment, that is, the carrying out of our long-term development plan.

During 2004, new sewage treatment plants were built, e.g. Valdivia de Paine and El Monte in outlying districts.

Regarding drinking water, our investments were concentrated on the installation and repairing of nets, the centralized control, and the improvement of the systems.

Financing

Throughout the financial year, we obtained financing through refundable financial contributions for MM\$13,953, issued at a fixed rate.

In May 2004, we contracted debts with the national bank system amounting to MM\$15,500. Such debt was accorded in local currency, with a variable rate, and due in 2010.

Distributable earnings

	M\$
Net income for financial year 2004 (*)	62,503,455
Reserve for future dividends	605,545
Interim dividends against 2004 net income	0
Remaining distributable income	63,109,000
% dividends distributed against distributable income	0%

(*) Corresponds to the net income for the period adjusted for the higher value of investments of M\$ 65

Dividend policy

In the 14th Shareholders Meeting, the Board of Directors agreed on a dividend policy consisting of distributing 100% of the net income: 30% of the financial year's net income as mandatory dividend and the remaining 70% as additional dividend.

This policy will remain valid as long as it is compatible with the investment and financing policies defined for each financial year.

Dividends paid per share

Paid Dividends	2001	2002	2003	2004
Book Value	75.34	78.50	57.14	61.97
Net income	6.90	8.8433	9.75	10.21
Paid Dividends	6.7938 ¹	7.7802 ²	9.18021 ³	6.63892 ⁴

(Figures expressed in currency at date of payment)

(1) Includes a dividend of Ch\$ 4.0138 per share equivalent to the distribution of the total amount of the year 2000 earnings: Ch\$ 3.9726 plus Ch\$ 0.0412 for distribution of reserves for future dividends paid on May 18th 2001; plus an interim dividend of Ch\$ 2.78 per share on account for the 2001 profits, paid on September 28th 2001.

(2) Includes two items: a dividend of Ch\$ 4.9802 per share –corresponding to the 2001 earnings distribution paid on May the 3rd 2002- , and an interim dividend of Ch\$ 2.80 per share, on account for the 2002 profits paid on December 20th 2002.

(3) Includes two items: a dividend of Ch\$ 6.0599 per share - corresponding to the 2002 earnings distribution paid on May the 7th 2003-, and an interim dividend of Ch\$ 3.12031 per share, on account for the 2003 profits paid on December 10th 2003.

(4) Includes a dividend of Ch\$ 6.63892 per share - corresponding to the 2003 earnings distribution paid on May 15th 2004.



Stock situation

Aguas Andinas' capital consists of 6,118,965,160 shares with no nominal value. As of December 31, 2004, 51.2% is held by Inversiones Aguas Metropolitanas Ltda., 35.0% by CORFO, 8.8% by Pension Funds, and 5.0% by minority shareholders.

Share transactions

In 2004, CORFO, the second major shareholder of the company, carried out transactions of "B" Series shares. These transactions correspond to 3,273 shares of the "B" Series, which is 0.0001% of the total subscribed and paid shares.

Quarterly Statistics Aguas-B 2004 ⁽¹⁾

Month	Average Price (Ch\$)	Units	Total (Ch\$)
March 30	15.89	1,804	28,666
July 30	15.89	1,469	23,342
Year 2004		3,273	52,008

(1) In 2004, CORFO carried out minor transactions that amounted to M\$ 52 at a price of \$15.89.

Quarterly Statistics Aguas-B 2003 ⁽²⁾

Month	Average Price (Ch\$)	Units	Total (Ch\$)
August 19	140.00	69,403,157	9,716,441,980
Year 2003		69,403,157	9,716,441,980

(2) Throughout the financial year 2003 two other CORFO minor transactions were carried out; the total amount of these operations reached M\$190 and a price of \$15.89.

Quarterly Statistics Aguas-B 2002

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

Transactions in secondary market

Santiago Stock Exchange
Quarterly Statistics Aguas-A

2001	Average Price (Ch\$)	Units	Total (Ch\$)
Total 1st quarter	\$121.99	3,329,350	406,160,860
Total 2nd quarter	\$157.09	2,529,980	397,422,988
Total 3rd quarter	\$200.22	1,816,504	363,706,384
Total 4th quarter	\$193.63	1,451,249	281,004,523
YEAR 2001	\$158,68	9,127,083	1,448,294,755
2002	Average Price Ch(\$)	Units	Total Ch(\$)
Total 1st quarter	\$189.31	1,551,290	293,669,516
Total 2nd quarter	\$179.37	1,520,125	272,668,864
Total 3rd quarter	\$171.62	887,613	152,256,980
Total 4th quarter	\$140.02	506,558,582	70,928,159,211
YEAR 2002	\$140.34	510,517,610	71,646,754,571
2003	Average price (Ch\$)	Units	Total (Ch\$)
Total 1st quarter	\$130.14	24,857,214	3,235,039,325
Total 2nd quarter	\$145.92	36,517,117	5,328,573,648
Total 3rd quarter	\$144.83	118,463,042	17,157,566.996
Total 4th quarter	\$181.98	81,211,953	14,779,098,271
YEAR 2003	\$155.14	261,049,326	40,500,278,240
2004	Average Price (Ch\$)	Units	Total (\$)
Total 1st quarter	\$157.16	20,467,844	3,216,695,749
Total 2nd quarter	\$153.79	31,535,071	4,849,627,156
Total 3rd quarter	\$164.57	23,260,462	3,828,073,732
Total 4th quarter	\$168.51	24,616,616	4,148,203,544
YEAR 2004	\$160.62	99,879,993	16,042,600,181

Brokers Exchange - Securities Exchange
Quarterly Statistics Aguas-A

2001	Average price (Ch\$)	Units	Total(Ch\$)
Total 1st quarter	\$120.41	115,999	13,967,225
Total 2nd quarter	\$144.87	142,637	20,663,675
Total 3rd quarter	\$204.94	82,801	16,968,852
Total 4th quarter	\$188.20	205,323	38,641,304
YEAR 2001	\$165.05	546,760	90,241,056
2002	Average Price (Ch\$)	Units	Total (Ch\$)
Total 1st quarter	\$191.92	162,664	31,218,508
Total 2nd quarter	\$180.42	55,625	10,035,675
Total 3rd quarter	\$170.77	164,225	28,045,321
Total 4th quarter	\$145.53	124,809	18,163,379
YEAR 2002	\$172.40	507,323	87,462,883
2003	Average Price (Ch\$)	Units	Total (Ch\$)
Total 1st quarter	\$136.13	43,184	5,878,755
Total 2nd quarter	\$147.00	24,578	3,612,966
Total 3rd quarter	\$140.54	83,750	11,769,868
Total 4th quarter	\$181.18	771,354	139,755,095
YEAR 2003	\$174.47	922,866	161,016,684
2004	Average price (Ch\$)	Units	Total (Ch\$)
Total 1st quarter	\$178.52	3,194,688	570,316,952
Total 2nd quarter	\$148.57	119,145	17,701,892
Total 3rd quarter	\$163.19	88,088	14,375,047
Total 4th quarter	\$171.73	277,491	47,652,929
YEAR 2004	\$176.67	3,679,412	650,046,820



Chilean Electronic Stock Exchange - Securities Exchange
Quarterly Statistics Aguas-A

2001	Average Price Ch(\$)	Units	Total (Ch\$)
Total 1st quarter	\$123.79	80,805	10,002,888
Total 2nd quarter	\$162.42	106,145	17,240,104
Total 3rd quarter	\$187.17	106,807	19,991,306
Total 4th quarter	\$187.28	115,265	21,586,428
YEAR 2001	\$168.26	409,022	68,820,726

2002	Average Price (Ch\$)	Units	Total(Ch\$)
Total 1st quarter	\$190.29	82,500	15,698,750
Total 2nd quarter	\$183.00	5,400	988,200
Total 3rd quarter	\$179.74	15,009	2,697,790
Total 4th quarter	\$142.66	1,964,904	280,306,133
YEAR 2002	\$144.93	2,067,813	299,690,873

2003	Average Price (Ch\$)	Units	Total(Ch\$)
Total 1st quarter	\$134.56	8,376,459	1,127,169,909
Total 2nd quarter	\$155.26	6,587,444	1,022,773,336
Total 3rd quarter	\$150.80	943,008	142,204,404
Total 4th quarter	\$185.43	757,143	140,393,389
YEAR 2003	\$145.98	16,664,054	2,432,541,038

2004	Average Price (Ch\$)	Units	Total (Ch\$)
Total 1st quarter	\$167.04	240,137	40,111,415
Total 2nd quarter	\$155.44	2,688,111	417,828,628
Total 3rd quarter	\$164.01	52,529	8,615,521
Total 4th quarter	\$165.51	5,033,038	833,011,250
YEAR 2004	\$162.17	8,013,815	1,299,566,814



RELEVANT FACTS

The company's Board of Directors reported that in the Board meeting held on September 13th, 2004 in Barcelona, Spain, Mr. Roque Gistau Gistau resigned as Chairman of the Company, but kept his position as Director.

Likewise, the Board of Directors unanimously agreed to elect Mr. Alfredo Noman Serrano as Aguas Andinas S.A.'s new Chairman.

The company's Board of Directors reported that in the Board Meeting held on November 16th, 2004, Mr. Josep Bagué Prats resigned as the company's chief executive officer.

Likewise, in the abovementioned meeting the Board of Directors unanimously agreed to elect Mr. Felipe Larraín Aspillaga as Aguas Andinas S.A.'s new chief executive officer.



With high technology and professionalism, I protect life and its evolution.

it happened in 2004...

board of directors and managerial staff

Board of Directors' Remunerations

In accordance with Law N°18.046, the Ordinary Shareholder General Meeting held on April 15th, 2004 agreed on the remuneration of the Board of Directors, the committee of Directors, and their expense budget for the financial year 2004.

In accordance with Law 18.046, the Ordinary Shareholders' meeting held on April 15, 2004 agreed on the Directors and Board of Directors' remuneration and their expense budget for 2004.

The remuneration is divided into two kinds: a fixed monthly fee of UF50 for directors and alternate directors, UF100 for the chairman and UF75 for the vice-chairman; and a variable fee, payable for attendance to meetings, of UF80 for the Chairman and Vice-Chairman, UF60 for Directors, and UF40 for alternate directors.

The Committee's remuneration is a fixed monthly fee of UF25, and a variable fee payable for attendance of each meetings of UF20. Also an expense budget of UF5,400 was agreed upon.

The amounts paid are detailed in the following chart:

Board of Directors' Remunerations (In thousands of Chilean pesos)

Directors	Position	Remuneration	Sesión	Directors' Comité			
		2004	2003	2004	2003	2004	2003
Alfredo Noman Serrano	Chairman	18,147	10,412	15,223	4,867	1,555	0
Roque Gistau Gistau	Director	12,960	20,823	11,761	18,066	7,778	9,027
Manlio Alessi Remedi	Director	10,369	10,411	6,228	1,390	0	0
Bernardo Espinoza Bancalari	Director	10,369	10,412	8,995	9,033	0	0
Carlos Mladinic Alonso	Director	10,369	10,412	8,995	9,033	9,334	9,027
Daniel Albarrán Ruiz-Clavijo	Director	10,369	10,412	8,301	6,258	9,333	5,911
Julio Gibrán Harcha Sarraz	Director	0	3,456	0	2,079	0	2,768
Roberto Hempel Holzapfel	Alternate Director	10,369	10,411	0	0	0	0
Jean Duhart Saurel	Alternate Director	10,369	6,955	0	696	0	0
Jorge Bande Bruck	Alternate Director	10,369	6,955	0	0	0	0
Carlos Rivas Gómez	Alternate Director	0	1,736	0	0	0	0
Juan Carlos Fontana	Vice chairman	0	15,617	0	12,507	0	0
TOTALS		103,690	118,012	59,503	63,929	28,000	26,733

Nota: Los gastos del directorio del período ascendieron a \$17,48 millones.



Report of Committee of Directors

On December 31st, 2004, Aguas Andinas S.A.'s Committee of Directors was composed by the following members:

- Carlos Mladinic Alonso.
- Daniel Albarrán Ruiz Clavijo.
- Alfredo Noman Serrano.

The Directors Mr. Mladinic Alonso and Mr. Albarrán Ruiz Clavijo are independent of the controller group and its related people, while Director Mr. Noman Serrano is connected to the controller Group and the Board of Directors' Chairman.

The Committee holds monthly ordinary sessions in order to treat the subjects assigned by article 50 bis in Law 18.046. The main activities developed by this Committee during the Financial Year that expired on December 31st 2004 were the following:

1. Assessment of the Company's main managers and senior executives on the remuneration systems and compensation plans; remuneration and description of positions studies' revision, and assessment of the remuneration systems and compensation package for those managers and senior executives not considered in such report.
2. Assessment of the records and report to the Directory about the offer to buy the Américo Vespucio N° 1460 property, in San Ramón, Santiago, presented by APPLUS CHILE S.A., related to the controller group through ACSA AGBAR Construcciones.
3. Assessment of the external auditors' reports, balances, and other Aguas Andinas S.A.'s financial statements corresponding to the financial year expired on December 31st, 2003, presented by the corporation's administrators to its shareholders,

and declaration thereof, previous to its presentation to the shareholders for approval.

4. Proposal to the Board of Directors for the appointment of external auditors that were suggested to the ordinary shareholders meeting in March 2004.
5. Proposal to the Board of Directors for the appointment of risk agencies that were suggested to the ordinary shareholders meeting in March 2004.
6. Assessment of the Annual Report 2003, about the incorporation of management and operation advanced systems, held between Aguas Andinas S.A. and Inversiones Aguas Metropolitanas Limitada.
7. Assessment of the records and reports regarding the conciliation proposal for the arbitrage between Aguas Andinas S.A. and Constructora El Dial S.A., about the contract held for the stretches A and B of La Farfana's outfall, signed on February 28, 2002, and report to the Board of Directors.
8. Assessment of the information on the bidding for Aguas Andinas S.A. infrastructure works in which related companies have participated, and report to the Board of Directors.
9. Assessment of the proposal for contract modification with Degremont Agencia en Chile S.A., for the engineering, equipment supply, civil works, and other services for the sewage treatment plant La Farfana, and report to the Board of Directors on the matter.
10. Assessment of the systems and procedures of management and operation contract's progress, held between Aguas Andinas S.A. and Inversiones Aguas Metropolitanas Limitada, in the period between January and September 2004.
11. Assessment of the proposal for holding leasing contracts with Aguas Andinas S.A.'s subsidiary companies, and report to the Board of Directors.

In the financial year 2004, the expenses undertaken by this committee raised to UF 693, corresponding to fees of the legal advisor and the Committee's Secretary.



Officers and Senior Executives

As of December 2004, the officers and senior executives' roll included 43 professionals. The total remuneration they received throughout the year rose to Ch\$3,371 million. Severance packages received by the leading managers and executives rose to Ch\$108 millions in 2004. The incentive policy for executives is based on the achievement of general goals of the Company, and individual goals due to performance.



Name	TAX PAYER ID	Position	Degree
Larraín Aspillaga, Felipe	6.922.002-9	CEO	Civil Engineer
De la Barra Fuenzalida, Víctor	4.778.218-K	Corporate Officer	Civil Engineer
Donoso Moscoso, Enrique	7.082.548-1	Corporate Officer	Civil Engineer
Escudero García, Ignacio	21.282.285-k	Corporate Officer	Telecommunications Engineer
Martí Marques, Joaquín	21.176.172-4	Corporate Officer	Roads, channels and ports Engineer
Murillo Collado, José Luis	21.133.842-3	Corporate Officer	Economist
Villarino Herrera, Joaquín	9.669.100-9	Corporate Officer	Lawyer
Figueroa Ramírez, Sergio Martín	6.449.688-3	Manager	Construction Engineer
Fuentes Contreras, Luis	6.190.810-2	Manager	Civil Engineer
Larraín Sánchez, Camilo	10.436.775-5	Manager	Lawyer
Lesty, Yves	14.709.240-7	Manager	Sanitation Engineer
Ocariz Martín, Hernán Alfonso	6.613.091-6	Manager	Civil Engineer
Ribera Nebot, Joan	21.256.409-5	Manager	BS in Physics
Romero Arriaza, Alejandro	4.432.604-3	Manager	Civil Engineer
Scholem, Renee	14.728.449-7	Manager	Psychologist

BOARD OF DIRECTORS AND MANAGERIAL STAFF



Name	TAX PAYER ID	Position	Degree
Soto Perretta, Pedro Andrés	7.117.991-5	Manager	Civil Engineer
Villarino Krumm, Salvador	10.331.997-8	Manager	Civil Engineer
Yarur Sairafi, Iván	8.534.007-7	Manager	Industrial Civil Engineer
Acevedo Torre, Jorge Fernando.	6.084.916-1	Vice Officer	Mechanical Engineer
Acevedo Walker, Sebastián	6.639.714-9	Vice Officer	Civil Engineer
Alvano Contador, Paola	8.824.728-0	Vice Officer	BA in Business Administration
Auger Hernández, Mario Alejandro	7.746.808-0	Vice Officer	Civil Engineer
Concha Mathiesen, Mariana	10.835.135-7	Vice Officer	Civil Engineer
Cruzat Torres Enrique Alberto	8.548.720-5	Vice Officer	Civil Engineer
Estay Caballero, Ricardo	6.027.966-7	Vice Officer	Civil Engineer
Faúndez Pérez, Luis	8.043.598-3	Vice Officer	Civil Engineer
Fredes Echeverría, Santiago A.	12.462.702-8	Vice Officer	Industrial Civil Engineer
Garcés Arancibia, Fernando	5.893.213-2	Vice Officer	Industrial Civil Engineer
Garcés Durán, Christian Raúl	8.153.554-k	Vice Officer	BA in Business Administration
García Sanhueza, Rodrigo	8.992.522-3	Vice Officer	Hydraulic Civil Engineer
Gil Pla, Ramón	14.762.089-6	Vice Officer	Degree in Business Administration.
Grau Mascayaso, Francisco	5.868.028-1	Vice Officer	Civil Engineer
Kent Geell, Natalia	8.668.841-6	Vice Officer	Industrial Civil Engineer
Koning Besa, Hernán Vicente	9.656.371-k	Vice Officer	Civil Engineer
Lartundo Pavez, Rafael	10.912.542-3	Vice Officer	Public Administrator
Lopez Del Campo, Verónica	7.061.767-6	Vice Officer	Civil Engineer
Muñoz Anrique, Julio Raúl	6.364.977-5	Vice Officer	Industrial Civil Engineer
Pinaud Wehrli Jorge Bernardo	10.373.349-k	Vice Officer	Industrial Civil Engineer
Riquelme Hernández, Alejandro	10.200.262-8	Vice Officer	Accountant
Salazar Muñoz, Cristián Andrés	10.753.300-1	Vice Officer	Industrial Civil Engineer
Sanhueza Navarrete, Juan Carlos	8.641.413-9	Vice Officer	Civil Engineer
Tapia Donoso, Juan Luis	6.669.733-9	Vice Officer	Civil Engineer
Witto Arentsen, Reinaldo Javier	8.796.191-5	Vice Officer	Computing Engineer

value chain

**Cooperation, commitment and respect:
these are the axis of our relationship with
clients and suppliers.**

Drinking water and Sewerage System Customers

Agrícola Industrial Lo Valledor AASA S.A.
Cervecería CCU Chile Ltda
Embotelladoras Chilenas Unidas S.A.
Gendarmería de Chile
Ilustre Municipalidad de Santiago
Ilustre Municipalidad El Bosque
Pontificia Universidad Católica de Chile
Soprole S.A.
Universidad de Chile
Universidad de Santiago de Chile

Suppliers

Degremont S.A. Agencia Chile (*)
Chilectra S.A.
Inversiones Aguas Metropolitanas Ltda. (**)
Ingeniería y Construcción Oyarzun Moreno Ltda.
Claro, Vicuña, Valenzuela
Copergo Ltda.
Cadagua Agencia en Chile
Ingeniería y Construcción M.S.T.S.A.
Cía. Americana de Multiservicios
Acsa Agbar Const. S.A. Agencia Chile (*)

(*) These companies are indirectly related through one of their main shareholders.

(**) Controller group.

Real estate, equipment and insurance

The main real estate and equipment used to render services of production and distribution of drinking water and sewage collection and treatment, are owned by the Company and are in good operating condition.

Our company keeps up-to-date coverage for all its assets –infrastructure, buildings and contents-, like its drinking water production and distribution facilities, sewerage collection and treatment, offices and warehouses. These insurance policies principally cover fires and events of force majeure.

STATEMENT OF RESPONSIBILITY



AGUAS ANDINAS S.A.'s Directors and Chief Executive Officer, undersigners of this statement, take responsibility under oath for the accuracy of the information given in the present Annual report, in accordance with General Rule N°30 of the Superintendency of Securities and Insurances.

Alfredo Noman Serrano
Tax Payer ID: 21.663.123-4
Chairman

Bernardo Espinosa Bancalari
Tax Payer ID: 7.396.732-5
Regular Director

Daniel Albarrán Ruiz Clavijo
Tax Payer ID: 6.022.851-5
Regular Director

Carlos Mladinic Alonso
Tax Payer ID: 6.100.558-7
Regular Director

Manlio Alessi Remedi
Tax Payer ID: 14.746.419-3
Regular Director

Felipe Larrain Aspillaga
Tax Payer ID: 6.922.002-9
Chief Executive Officer

aguas andinas

Name: Aguas Andinas S.A.

Legal Address: Avenida Presidente Balmaceda N° 1398, Santiago, Chile

Tax Payer ID: 61.808.000-5

Phone: (56-2) 688 10 00

Fax: (56-2) 694 27 77

E-mail: comunicaciones@aguasandinas.cl

Management PO Box: 1537 Santiago

Line of Business: Intake, Purification and Distribution of drinking water, and Collection and Disposal of Sewage.

Phone Service: (56-2) 731 24 82

Register in the Department of Securities: N° 0346.

Website: www.aguasandinas.cl

Stock Market Information

Stock Market Codes

A Series: "Aguas-A"

B Series: "Aguas-B"

Contacts for Shareholders and Investors' Information

Contacts for Shareholders and Investors' Information.

Central Deposit of Securities

Address: Huérfanos 770, floor 22

Phone Number: (56-2) 3939003

Fax: (56-2) 3939101

Contact with Investors

Address: Avda. Presidente Balmaceda N° 1398, floor 14

Phone Numbers: (56-2) 4962306 - (56-2) 4962648

Fax: (56-2) 4962309

e-mail: inversionistas@aguasandinas.cl

Company's Legal Constitution

Aguas Andinas S.A. was created as a public corporation by legal instrument on May 31st, 1989 in Santiago, before public notary Mr. Raúl Undurraga Laso. An abstract of the statutes was published in the official newspaper dated June 10th 1989, and registered in the Commerce Register pgs. 13.981, N°7.040 in the Commerce Register year 1989, of the Registrar of Land and Industrial Property of Santiago.

Legal Aspects

The Company is registered in the Department of Securities of the Superintendency of Securities and Insurances under the number 0346 in accordance with law N°18.777. As a sanitation company, it is fiscalized by the Superintendency of Sanitary Services, in accordance with Law N° 18.902, Statutory Decrees in Laws No. 382 and N°70, both from year 1988.



consolidated financial statements

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To the Shareholders and Members of the Board of Directors

Aguas Andinas S.A.

We have audited the accompanying balance sheets of Aguas Andinas S.A. as of December 31, 2004 and 2003 and the related statements of income and cash flows for the years then ended. Preparation of these consolidated financial statements (including the related notes) is the responsibility of the management of Aguas Andinas S.A.. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

These financial statements have been prepared to reflect the stand-alone financial position of Aguas Andinas S.A., on the basis of the criteria described in Note 2 to the financial statements before consolidating the financial statements of the subsidiaries detailed in Note 10. Consequently, for an adequate interpretation, these stand-alone financial statements have to be read and analyzed along with the consolidated financial statements of Aguas Andinas S.A. and subsidiaries, which are required by accounting principles generally accepted in Chile.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Aguas Andinas S.A. at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in conformity with the criteria described in Note 2 to the financial statements

January 21, 2005

A handwritten signature in black ink, appearing to read "E. Roubik P.", written over a horizontal line.

Eduardo Roubik P.

CONSOLIDATED BALANCE SHEETS

As of december 31, 2004 and 2003

ASSETS

CURRENT ASSETS

	2004 ThCh\$	2003 ThCh\$
Cash & banks	108,949	703,182
Time deposits	36,287,036	-
Marketable securities	1,661,338	-
Trade accounts receivable (net)	30,435,204	34,092,325
Notes receivable (net)	1,337,112	1,338,048
Sundry debtors (net)	847,197	1,278,043
Notes & accounts receivable from related companies	45,154	64,241
Inventories (net)	1,588,572	1,537,137
Taxes recoverable	2,241,131	733,698
Prepaid expenses	309,095	352,564
Deferred taxes	388,837	313,736
Other current assets	1,018,556	7,168,962
Total current assets	76,268,181	47,581,936

FIXED ASSETS

Land	31,986,046	29,563,980
Buildings & infrastructure	916,538,725	903,005,731
Machinery & equipment	104,551,693	98,146,067
Other fixed assets	17,814,413	16,230,935
Revaluation of fixed assets	4,697,498	4,704,790
Accumulated depreciation	(500,661,978)	(476,573,492)
Total fixed assets	574,926,397	575,078,011

OTHER ASSETS

Goodwill	59,832,190	63,663,047
Negative goodwill	(1,106)	(1,172)
Long-term debtors	10,249,450	10,765,041
Intangible assets	40,044,030	39,680,088
Accumulated amortization	(5,179,910)	(4,185,773)
Others	11,679,192	13,605,873
Total other assets	116,623,846	123,527,104

TOTAL ASSETS

767,818,424	746,187,051
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The accompanying notes form 1 to 32 an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEETS

As of december 31, 2004 and 2003

	2004 ThCh\$	2003 ThCh\$
LIABILITIES		
CURRENT LIABILITIES		
Long term borrowings from banks & financial institutions - short-term portion	585,952	699,572
Bonds payable - short-term portion	33,169,547	3,977,386
Accounts payable	15,210,292	12,235,509
Notes payable	4,802,890	282,160
Sundry creditors	1,254,640	1,023,237
Noted & accounts payable to related companies	9,598,879	20,966,513
Accruals	14,794,381	17,415,021
Withholdings	5,343,539	6,114,244
Income tax	-	559,914
Unearned income	958,512	1,486,256
Other current liabilities	-	5,690
Total current liabilities	85,718,632	64,765,502
LONG TERM		
Borrowings from banks & financial institutions	68,299,795	54,515,285
Bonds payable	199,504,617	230,961,702
Notes payable	22,791,252	22,038,099
Sundry creditors	2,030,997	3,107,936
Accruals	6,267,637	7,928,413
Deferred taxes	2,842,588	2,775,677
Other long-term liabilities	1,147,381	1,698,111
Total long-term liabilities	302,884,267	323,025,223
Minority interest	3,222	7,952
SHAREHOLDERS' EQUITY		
Paid-in capital	125,747,919	125,747,919
Share premium	190,355,384	190,355,384
Reserve for future dividends	605,545	646,147
Net income for the year	62,503,455	61,150,634
Interim dividends	-	(19,511,710)
Total shareholders' equity	379,212,303	358,388,374
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	767.818.424	746.187.051

The accompanying notes form 1 to 32 an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

As of december 31, 2004 and 2003

	2004 ThCh\$	2003 ThCh\$
OPERATING RESULT		
Sales	188,641,487	172,607,626
Cost of sales	(79,454,577)	(61,340,898)
Operating margin	109,186,910	111,266,728
Administrative & selling expenses	(25,582,987)	(34,457,405)
Operating income	83,603,923	76,809,323
NON-OPERATING RESULT		
Financial income	4,665,351	6,591,890
Other non-operating income	6,939,797	5,540,836
Amortization of goodwill	(3,830,862)	(3,830,862)
Financial expenses	(16,574,653)	(7,938,767)
Other non-operating expenses	(637,884)	(775,990)
Price-level restatement	1,549,108	(788,360)
Exchange differences	(779)	3,158
Non-operating expense, net	(7,889,922)	(1,198,095)
INCOME BEFORE INCOME TAX	75,714,001	75,611,228
Income Tax	(13,210,205)	(14,459,546)
Income Before Minority Interest	62,503,796	61,151,682
MINORITY INTEREST	(406)	(1,113)
Available Income	62,503,390	61,150,569
Amortization Of Negative Goodwill	65	65
NET INCOME FOR THE YEAR	62,503,455	61,150,634

The accompanying notes form 1 to 32 an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

As of december 31, 2004 and 2003

	2004 ThCh\$	2003 ThCh\$
NET CASH FLOW FROM OPERATING ACTIVITIES		
Collection of trade account receivables	234,784,177	203,636,564
Financial income received	645,371	2,604,014
Other income received	4,825,743	2,312,874
Payments to suppliers & personnel	(94,789,569)	(71,407,673)
Interest paid	(12,752,236)	(5,834,343)
Income tax paid	(15,209,151)	(12,603,676)
Other expenses paid	(1,197,140)	(1,889,018)
VAT & similar payments	(23,136,568)	(7,216,311)
Total net cash flow from operating activities	93,170,627	109,602,431
NET CASH FLOW FROM FINANCING ACTIVITIES		
Loans obtained	15,857,148	56,338,082
Bonds issued	-	98,778,120
Loans from other sources	17,311,785	12,583,188
Payment of dividends	(41,461,837)	(57,344,812)
Capital reduction	-	(143,500,000)
Loan repayments	(571,461)	(2,979,320)
Bonds paid	(1,869,802)	(1,739,179)
Payment of bond issuance & placement costs	-	(2,867,754)
Other financing disbursements	(10,368,494)	(6,747,585)
Total net cash flow from financing activities	(21,102,661)	(47,479,260)
NET CASH FLOW FROM INVESTING ACTIVITIES		
Sales of fixed assets	1,903,423	1,424,265
Other income from investments	-	12
Acquisition of fixed assets	(41,251,674)	(100,975,932)
Payment of capitalized interest	(421,738)	(4,269,004)
Other investment disbursements	(473,571)	(1,281,340)
Total net cash flow from investing activities	(40,243,560)	(105,101,999)
TOTAL NET CASH FLOW FOR THE YEAR	31,824,406	(42,978,828)
EFFECT OF INFLATION ON CASH & CASH EQUIVALENT	(627,722)	235,647
NET CHANGE IN CASH & CASH EQUIVALENT	31,196,684	(42,743,181)
OPENING BALANCE OF CASH & CASH EQUIVALENT	7,861,426	50,604,607
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	39,058,110	7,861,426

The accompanying notes form 1 to 32 an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
As of december 31, 2004 and 2003

	2004 ThCh\$	2003 ThCh\$
RECONCILIATION OF NET RESULT FOR THE YEAR WITH OPERATING CASH FLOW		
NET INCOME FOR THE YEAR	62,503,455	61,150,634
Result of assets sales	(812,237)	(1,202,708)
Gain on sale of fixed assets	(812,237)	(1,202,708)
Charges (credits) to income not representing cash flows	37,544,330	35,589,690
Depreciation for the year	32,286,993	26,834,677
Amortization of intangible assets	1,006,477	981,223
Write-offs & provisions	3,238,601	3,734,885
Amortization- goodwill	3,830,862	3,830,862
Amortization- negative goodwill	(65)	(65)
Net price-level restatement	(1,549,108)	788,360
Net exchange differences	779	(3,158)
Other credits to income statement not representing cash flows	(2,951,322)	(2,378,068)
Other charges to income statement not representing cash flows	1,681,113	1,800,974
Changes in assets affecting operating cash flows (increase) decrease	3,019,597	(6,892,391)
Trade accounts receivable	1,330,269	(9,840,323)
Inventories	1,051,411	1,044,749
Other assets	637,917	1,903,183
Changes in liabilities affecting operating cash flows increase (decrease)	(9,084,924)	20,956,093
Accounts payable related to operating income	(6,811,589)	314,293
Interest payable	1,670,169	311,924
Income tax payable	(2,580,288)	518,910
Other accounts payable related to the non-operating result	(3,098,733)	1,504,016
VAT & similar payables (net)	1,735,517	18,306,950
Income from minority interest	406	1,113
NET CASH FLOW FROM OPERATING ACTIVITIES	93,170,627	109,602,431

The accompanying notes form 1 to 32 an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

1. Registration in the securities register

Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Los Dominicos S.A. and Aguas Manquehue S.A. are registered under Numbers 0346, 0369, 0389 and 0402 respectively, in the Securities Register of the Superintendency of Securities and Insurance. Consequently, these Companies are subject to the regulatory authority of that Superintendency.

2. Accounting principles applied

a) Accounting period

These financial statements correspond to the years ended, 2004 and 2003, respectively.

b) Preparation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Chile, as published by the Chilean Institute of Accountants, and the instructions of the Superintendency of Securities and Insurance.

In the event of differences between the two bases, the instructions of the Superintendency of Securities and Insurance shall prevail.

c) Presentation

For comparison purposes, the financial statements at December 31, 2003 and their respective notes are shown restated off-the-books by 2.5%, corresponding to the variation in the Consumer Price Index during calendar 2004, with a one-month time lag.

For the purposes of comparison, some items in the 2003 Statement of Income have been reclassified.

d) Bases of consolidation

The consolidated financial statements comprise the assets, liabilities, results and cash flows of the Parent Company and its subsidiaries. The transactions between the consolidated Companies have been eliminated and the participation of the minority investors has been recognized as Minority Interest.

e) Price-level restatement

The consolidated financial statements have been restated for monetary correction in accordance with generally accepted accounting principles, in order to reflect changes in the purchasing power of the currency between January 1 and December 31, 2004 and 2003, which were 2.5% and 1.0% respectively, with a one-month time lag.

Furthermore, the balances of the income statement accounts were also restated to express them at year-end values.

f) Currency translation

Assets and liabilities in Unidades de Fomento and/or foreign currencies are shown at their respective values and/or exchange rates at each year end, at the following rates:

	2004 ThCh\$	2003 ThCh\$
Dólar Estadounidense	557,40	593,80
Unidad de Fomento	17.317,05	16.920,00
Euro	760,13	744,95

g) Time deposits

Time deposits are shown at their investment amount plus indexation adjustments and interest accrued as at the close of the financial statements.

h) Marketable securities

Marketable securities reflect the investments made by the Company in mutual fund units. These are presented at their redemption value as at the closing date of these financial statements.

i) Inventories

Materials are shown at their restated cost which does not exceed their respective replacement costs at each year-end.

There is an allowance for obsolescence of dispensable materials whose permanence in stock without movement exceeds one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

j) Estimate of doubtful accounts

The estimate of doubtful accounts depends on the age of the debts and their recovery history, as follows:

A 100% provision is established for customers with debts past-due for over 8 months.

For Aguas Andinas S.A. a provision of 20% of the consumer debts changed into repayment plans is established for cases classified as "non social cases". For cases classified as "social cases", a provision of 40% of the agreed total is established. In the case of the subsidiaries, a provision of 20% of the agreed balance is established.

A provision is established for 100% of past-due notes receivable.

k) Fixed assets

For the Parent Company, the fixed assets transferred by the predecessor entity are shown at their appraisal values determined by independent consultants in accordance with a technical study made in 1977 and restated for inflation. Acquisitions after 1977, are shown at their restated cost.

The subsidiary Aguas Cordillera S.A. shows its specific accounts at cost, plus the incremental value of a technical appraisal, both restated.

The other subsidiaries show their fixed assets at their restated cost.

The fixed assets include the principal renovations and improvements but not maintenance costs or minor repair expenses which are charged to income in the year in which they are incurred.

Work in progress includes financing costs incurred until the assets are in a condition to be used, in accordance with Technical Bulletin No.31 of the Chilean Institute of Accountants.

Furthermore, direct remuneration, consultancy costs and other inherent and identifiable expenses are included in the costs of some works.

l) Depreciation of fixed assets

Depreciation is calculated using the straight-line method on the restated book values and over the remaining useful lives of the respective assets.

m) Leased assets

Leasing contracts classified as financial leasing are recorded in accordance with Technical Bulletin No.22 of the Chilean Institute of Accountants.

Leased assets are valued and depreciated in the same way as other fixed assets.

The assets acquired this way are not legally owned by the Company until it has exercised its purchase option. Furthermore, the Company may not freely dispose of them.

n) Intangible assets

Water rights, rights of way and other rights are shown at their restated cost of acquisition, net of amortization, in accordance with Technical Bulletin No.55 of the Chilean Institute of Accountants.

Intangible assets are being amortized over a period of 40 years from the date of acquisition or as from 1998 as it is believed that they will provide benefits during those periods.

o) Goodwill

Positive goodwill represents the excess paid over the proportional equity value on the purchase of shares in Aguas Cordillera S.A. and Comercial Orbi II S.A. Negative goodwill represents the lower price paid in relation to the proportional equity value on the purchase of shares in Hidráulica Manquehue Ltda. The negative and positive goodwills are amortized over a period of 20 years from the date of acquisition because it is estimated that the investment is recovered during this term.

p) Operations under resale agreements

The purchase of securities under resale agreements is valued as a fixed rate investment and is shown in Other Current Assets, in accordance with Circular 768 of the Superintendency of Securities and Insurance.

q) Bonds payable

Se presenta en este rubro la obligación por la colocación de bonos emitidos por las Sociedades en el mercado nacional a su valor nominal vigente más reajustes e intereses devengados al cierre del ejercicio. El menor valor producido en la colocación de las emisiones de bonos, se difiere en el plazo de emisión de cada uno de ellos, de acuerdo con la Circular N°1.370 de la Superintendencia de Valores y Seguros.

r) Impuesto a la renta e impuestos diferidos

La Sociedad ha constituido provisión por impuesto a la renta sobre la base de la renta líquida imponible determinada según las normas establecidas en la ley de impuesto a la renta. De acuerdo a lo establecido en

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

s) Severance indemnities

In Aguas Andinas S.A. a provision was established for severance indemnities at their current value up until August, 2002 for each of the existing collective contracts. This provision shall remain fixed as at that date and will only be restated quarterly, in accordance with the variation in the Consumer Price Index due to the fact that as from August 2002, the new collective contracts came into effect and these establish that the severance indemnities will be those indicated in the Labor Code.

In Aguas Cordillera S.A. a provision was established for severance indemnities at their current value up until November and December 2002 for each of the existing collective contracts. This provision shall remain fixed as at those dates and will only be restated for inflation on a quarterly basis in accordance with the variation in the Consumer Price Index. This is due to the fact that as from December 2002 and January 2003, the new collective contracts came into effect and these establish that the severance indemnities will be those indicated in the Labor Code.

The new collective agreements signed with the employees of Aguas Andinas S.A. and Aguas Cordillera S.A. establish that the employees that retire from the company within a term of 120 days from reaching the legal retirement age, will continue to accrue the benefit of a severance indemnity beyond August, November and December 2002, whichever the case.

The Company's obligation on the estimated additional indemnity that is estimated in the case of employees that retire from the Company will receive, is provided for at present value, calculated in accordance with the accrued cost of the benefit method with a discount rate of 6.5% per annum.

In addition, both in Aguas Andinas S.A. and Aguas Cordillera S.A., there are individual contracts that are recorded at the current value in accordance with the stipulations in these contracts.

Advances paid to personnel against these funds are shown as long-term debtors in Aguas Andinas S.A. and Aguas Cordillera S.A.. They will be imputed against the final settlement after an indexation adjustment, as stipulated in the agreements mentioned.

t) Sales

The Company's business-related sales are recorded on the basis of meter readings and billed to each customer, divided into groups for monthly invoicing, using the tariffs which are set by the Superintendency of Sanitation Services (SISS) for a period of five years.

Unbilled meter readings are also recorded, valued at the average price of each invoicing group.

u) Computer software

The software was acquired by the Company as computer packages and these are shown in Other Fixed Assets, in accordance with Circular 981 of the Superintendency of Securities and Insurance.

v) Research and development expenses

Expenses incurred in studies, research and development of projects which do not come to fruition are charged directly to income for the year. Otherwise, they form part of the costs of the corresponding project.

w) Statement of cash flows

The Company considers as cash and cash equivalent, its balances in cash, in unrestricted bank checking accounts, time deposits, marketable securities and repurchase/sale agreements whose redemption will take place within 90 days from the date the investment was made and that have no risk of significant loss at the time of redemption.

Cash flows from operating activities include the Company's business revenues and expenses and all other income and expenses that are treated as non-operating in the Statement of Income.

x) Expenses from issuance and placement of debt instruments

Expenses from bond placements made in the local market by the Subsidiary Aguas Cordillera S.A. in 1991, 1992, 1993, 1994 and 1995 were debited to income in the respective years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of december 31, 2004 and 2003

Companies included in the Consolidation

Percentage participation

TAX I.D. N°	Name	12/31/04		12/31/03	
		Direct	Indirect	Total	Total
80311300-9	Aguas Cordillera S.A.	99,9999	0,0000	99,9999	99,9999
96945210-3	Ecoriles S.A.	99,0385	0,9615	100,000	100,000
96828120-8	Gestión y Servicios S.A.	1,0000	99,0000	100,000	100,000
96568220-1	Aguas Los Dominicos S.A.	0,0000	99,9497	99,9497	99,9497
96967550-1	Análisis Ambientales S.A.	99,0000	1,0000	100,000	100,000
96809310-K	Comercial Orbi II S.A.	99,9000	0,1000	100,000	100,000
89221000-4	Aguas Manquehue S.A.	0,0000	100,0000	100,000	100,000
87538200-4	Hidráulica Manquehue Limitada	0,0000	100,0000	100,000	100,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

3. Accounting changes

The accounting principles and criteria described in Note 2 were applied consistently during 2004 and 2003.

4. Short and long term debtors

Trade accounts receivable relate to the billings for consumption of drinking water, sewage services, sewage treatment and other associated services, with balances classified as short and long term.

The balance of trade accounts receivable includes a provision for revenue accrued as at December 31, 2004 and 2003 of ThCh\$12,033,762 and ThCh\$11,589,436 respectively, on unbilled meter readings at the end of each year.

The balance of debtors as at December 31, 2004 is broken down as follows:

For Aguas Andinas S.A.: Residential 78.93%, Commercial 17.64% and Industrial and Others 3.43%, while at December 2003 the breakdown was: Residential 78.54%, Commercial 17.83% and Industrial and Others 3.63%.

For Aguas Cordillera S.A.: Residential 82.30%, Commercial 17.44% and Industrial and Others 0.26%, while at December 2003 the breakdown was: Residential 82.66%, Commercial 16.98% and Industrial and Others 0.36%.

For Aguas Los Dominicos S.A.: Residential 89.27%, Commercial 10.69% and Industrial and Others 0.04%, while at December 2003 the breakdown was: Residential 90.02%, Commercial 9.94% and Industrial and Others 0.04%.

For Aguas Manquehue S.A.: Residential 69.92%, Commercial 29.95% and Industrial and Others 0.13%, while at December 2003 the breakdown was: Residential 66.69%, Commercial 31.98% and Industrial and Others 1.33%.

A provision has been established for doubtful debtors as explained in Note 2 j).

Of the amount of the provisions at December 31, 2004 and 2003, ThCh\$790,951 and ThCh\$2,176,987, respectively, were charged to the results for the corresponding period.

Of this provision at December 31, 2004 and 2003, debts amounting to ThCh\$7,209 and ThCh\$1,199,199, respectively, have been written off.

Provisions on repayment agreements correspond to agreements on the repayment of debts signed with customers by which they may have a right to a commercial discount in the event that they comply with 100% of their agreement. The amount of this concept is ThCh\$1,816,000 and the charge to the Income Statement as at December 31, 2004 was ThCh\$2,085,930.

The principal component of long-term debtors is advances against indemnities, as indicated in Note 2 s).

Notes receivable is comprised mainly of promissory notes accepted by clients as a result of agreements with property developers.

The balance of short term sundry debtors corresponds principally to a provision of funds to meet the maturity of bonds and in the long term, to agreements signed with property developers and to advances against indemnities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Account	Current								Long term
	Up to 90 days		90 days to 1 year		Subtotal	Total current (net)			
	2004	2003	2004	2003		2004	2003		
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	
Trade accounts receivable	39,523,751	43,137,288	1,973,358	1,672,463	41,497,109	30,435,204	34,092,325	1,829,933	1,043,326
Estimate of doubtful accounts	-	-	-	-	11,061,905	-	-	-	-
Notes receivable	884,216	869,427	580,757	564,632	1,464,973	1,337,112	1,338,048	183,069	202,564
Estimate of doubtful accounts	-	-	-	-	127,861	-	-	-	-
Sundry debtors	398,899	1,291,850	501,109	21,608	900,008	847,197	1,278,043	8,236,448	9,519,151
Estimate of doubtful accounts	-	-	-	-	52,811	-	-	-	-
Total long-term debtors								10,249,450	10,765,041

5. Balances & transactions with related companies

Transactions with the Parent Company

- Notes and accounts receivable

There is a service contract entered into in 2001 and expressed in UFs, with Inversiones Aguas Metropolitanas Ltda., which has a 5-year term with monthly invoicing in accordance with the services rendered.

Transactions with indirectly related companies

- Notes and accounts receivable

The account receivable from Constructora ACSA Ltda. corresponds to the sale of materials at a term of 30 days with no interest.

There is also an account receivable from Aguas Décima S.A. for laboratory services and sales of materials at a term of 30 days with no interest.

The debts pertaining to Aguas Argentinas, Ondeo Puerto Rico and Aguas de Saltillo relate to the reimbursement of expenses.

The account receivable from Degremont Agencia en Chile S.A corresponds to contracts for laboratory services at a term of 30 days with no interest.

The transactions with Brisaguas S.A., correspond to the sale of materials at a payment term of 70 days with no interest.

Notes and accounts payable

The contract for the construction of the La Farfana sewage treatment plant and its operation until July 2005 was awarded under a public tender to Degremont S.A. Agency in Chile. This is a turnkey construction contract with a performance guarantee and the payments under this contract are expressed in Unidades de Fomento. The construction was concluded in September 2003 and as from October of the same year, the Company is charging for operating the plant. There is another contract for the construction and improvements of the Los Trapenses Sewage Treatment Plant.

The debt with Aguas de Levante S.A. relates to the purchase of materials at a term of 30 days, interest free.

The debt with Acsa Agbar Construcción S.A. relates to a contract for the renewal and installation of sewage piping and to a contract for the construction of works.

The debt with Clavegueram de Barcelona S.A. corresponds to the reimbursement of expenses.

The debt with Constructora Acsa Ltda. corresponds to the sale of materials at a payment term of 60 days with no interest.

The debt with Brisaguas S.A. corresponds to collections paid in accordance with the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Notes and accounts receivable

TAX I.D. No	Company	Short Term		Long Term	
		2004	2003	2004	2003
		ThCh\$	ThCh\$	ThCh\$	ThCh\$
77.030.800-3	Constructora Acsa Ltda.	637	27,853	-	-
1-9	Aguas Argentinas	14,075	15,499	-	-
96.703.230-1	Aguas Decima S.A.	3,443	8,807	-	-
1-9	Aguas de Saltillo	5,883	6,029	-	-
59.066.560-6	Degrémont Agencia en Chile S.A.	20,156	3,076	-	-
96.864.190-5	Brisaguas S.A.	960	-	-	-
1-9	Ondeo Puerto Rico	-	2,977	-	-
	TOTAL	45,154	64,241	0	0

Notes and accounts payable

TAX I.D. No	Company	Short Term		Long Term	
		2004	2003	2004	2003
		ThCh\$	ThCh\$	ThCh\$	ThCh\$
59.066.560-6	Degrémont Agencia en Chile S.A.	7,961,645	18,963,834	-	-
77.274.820-5	Inversiones Aguas Metropolitanas Ltda.	1,396,460	1,486,856	-	-
59.094.680-K	Aguas de Levante S.A.	159,306	354,545	-	-
59.096.940-0	Acsa Agbar Construcción S.A.	65,100	161,278	-	-
77.030.800-3	Constructora Acsa Ltda.	1,351	-	-	-
96.864.190-5	Brisaguas S.A.	11,198	-	-	-
1-9	Clavegueram de Barcelona S.A.	3,819	-	-	-
	TOTAL	9,598,879	20,966,513	0	0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Balances and transactions with related companies

Company	TAX I.D. No	Relationship	Description of transaction	2004		2003	
				Amount	Effect on results (charge) credit	Amount	Effect on results (charge) credit
				ThCh\$	ThCh\$	ThCh\$	ThCh\$
Inversiones Aguas Metropolitanas Ltda.	77.274.820-5	Parent	Consultancy	5,155,171	(5,155,171)	5,400,248	(5,400,248)
Degrémont S.A. Agencia en Chile	59.066.560-6	Related	Construction of treatment plant	8,349,036	-	75,105,264	-
Aguas Levante S.A.	59.094.680-K	Related	Purchase of material	1,022,712	(702,702)	1,212,415	(1,033,492)
Acsa Agbar Construcción S.A.	59.096.940-0	Related	Contract renewal of piping	1,396,942	-	1,199,023	(5,725)
		Related	Construction of work	994	-	621,922	-
Constructora Acsa Ltda.	77.030.800-3	Related	Sale of materials	71,308	71,308	89,715	89,715
Inversiones Aguas Metropolitanas Ltda.	77.274.820-5	Parent	Dividends paid	20,800,089	-	29,481,073	-
Degrémont S.A. Agencia en Chile	59.066.560-6	Related	Operation of plant	6,301,674	(6,301,674)	3,881,917	(3,881,917)
Inversiones Aguas Metropolitanas Ltda.	77.274.820-5	Parent	Payment of capital reduction	-	-	73,475,432	-

6. Deferred taxes and income tax

		2004	2003
		ThCh\$	ThCh\$
At December 31, 2004 and 2003, taxable income and other concepts for Aguas Andinas S.A. and its subsidiaries were as follows:	a) Taxable income	76,431,203	79,858,595
	b) Balance tax profits	73,721,184	49,709,346
	c) 15% credit for shareholders	379,488	630,906
	16% credit for shareholders	342,365	341,683
	16.5% credit for shareholders	767,539	6,341,370
	17% credit for shareholders	10,987,067	0
	d) Tax loss*	3,476	3,763

* The tax loss corresponds to the subsidiaries Hidráulica Manquehue Ltda. and Comercial Orbi II S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Details of timing differences are as follows:

Account	2004				2003			
	Deferred taxes assets		Deferred taxes liabilities		Deferred taxes assets		Deferred taxes liabilities	
	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Provision doubtful accounts	90,776	1,907,097	-	-	69,202	1,829,295	-	-
Unearned income	157,226	121,694	-	-	80,902	172,455	-	-
Provision for vacations	148,399	98,963	-	-	132,077	92,002	-	-
Leased assets	-	-	81,115	-	-	-	48,880	-
Depreciation of fixed assets	-	-	-	4,107,552	-	-	-	3,527,769
Severance indemnities	38,081	-	-	-	43,567	-	-	-
Other events	-	100,392	-	-	8,021	-	-	-
Accruals on participations	1,655	-	21	-	-	-	22	-
Obsolete materials	-	-	-	-	37,276	118,400	-	-
Costs of investments in related companies	-	-	-	96,857	-	-	-	105,662
Software	-	-	-	149,996	-	-	-	82,124
Bond placement discount	-	-	-	1,662,603	-	-	-	1,991,218
Tax losses	-	591	-	-	-	640	-	-
Litigation	4,586	158,682	-	-	3,905	168,373	-	-
Obsolescence fixed assets	-	9,977	-	-	-	54,508	-	-
Deferred expenses	-	-	10,134	85,294	-	-	15,403	95,403
Water rights	-	35,916	-	-	-	35,916	-	-
Reimbursable financial contributions KW/H	3,016	-	-	-	3,091	-	-	-
Accruals on real estate	36,368	-	-	-	-	-	-	-
Provision on repayment agreements	-	308,720	-	-	-	-	-	-
Complementary accounts - net of amortization	-	-	-	(518,273)	-	-	-	(555,550)
Valuation allowance	-	(591)	-	-	-	(640)	-	-
TOTAL	480,107	2,741,441	91,270	5,584,029	378,041	2,470,949	64,305	5,246,626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Income Tax

	2004 ThCh\$	2003 ThCh\$
Current tax charge (tax provision)	(12,993,304)	(13,176,668)
Adjustment tax charge (previous year)	(195,135)	(78,931)
Effect of deferred tax for year on assets or liabilities	45,418	(1,134,873)
Effect of amortization on complementary accounts	(37,277)	(37,277)
Effect of deferred tax on assets or liabilities from change in the valuation allowance	49	499
Other charges or credits to the account	(29,956)	(32,296)
TOTAL	(13,210,205)	(14,459,546)

7. Other current assets

The details of other current assets for each period are as follows:

	2004 ThCh\$	2003 ThCh\$
Instruments issued by the Central Bank of Chile	1,000,787	7,158,244
Agreements receivable	7,787	7,344
Guarantees for paving rights	0	2,219
Others	9,982	1,155
TOTAL	1,018,556	7,168,962

8. Information on operations involving commitments to purchase, commitments to sell, sales with repurchase agreements and purchases with resale agreements of instruments or marketable securities

Details of the agreements in Chilean Pesos signed at December 31, 2004 and which correspond to fixed rate instruments with a resale agreement are as follows:

Code	Dates		Counterpart	Currency	Value at sub- scription date	Rate	Final Value	Type of instrument	Market value
	From	To							
PRA	12/16/04	1/20/05	Banco Crédito e Inversiones	Chilean Pesos	600,000	3.00%	601,750	PRBC	600,750
PRA	12/30/04	1/11/05	Banco de Chile	Chilean Pesos	400,000	3.36%	400,448	PRBC	400,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

9. Fixed assets

These comprise the following:

	2004 ThCh\$	2003 ThCh
Land	31,986,046	29,563,980
Land	31,986,046	29,563,980
Buildings and infrastructure	467,546,839	468,255,561
Gross value	916,538,725	903,005,731
Accumulated depreciation	(448,991,886)	(434,750,170)
Machinery and equipment	68,163,750	69,704,731
Gross value	104,551,693	98,146,067
Accumulated depreciation	(36,387,943)	(28,441,336)
Other fixed assets	3,059,073	3,351,445
Gross value	17,814,413	16,230,935
Accumulated depreciation	(14,755,340)	(12,879,490)
Technical revaluation	4,170,689	4,202,294
Technical revaluation of land	5,216,229	5,224,036
Technical revaluation of distribution network	1,463,070	1,464,518
Accumulated depreciation	(1,458,743)	(1,386,664)
Technical revaluation of sewage collectors	(352,053)	(352,401)
Accumulated depreciation	225,063	211,937
Technical revaluation of civil works	(1,205,638)	(1,206,832)
Accumulated depreciation	356,662	335,875
Technical revaluation of machinery and equipment	(424,110)	(424,531)
Accumulated depreciation	350,209	336,356
TOTAL NET FIXED ASSETS	574,926,397	575,078,011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of december 31, 2004 and 2003



Depreciation for the year

As at December 31, 2004 and 2003, the charge to the Statement of Income for depreciation is

	2004	2003
	ThCh\$	ThCh\$
Charged to:		
Cost of sales	29,590,280	24,125,715
Administrative and selling expenses	2,696,713	2,708,962
TOTAL	32,286,993	26,834,677

Aguas Andinas S.A. has seventy five plots of land recorded on its books. These were transferred free of charge by the Chilean State and are booked at Ch\$ 1 each. There are also fixed assets with an expired accounting useful life. For this reason, they continue to be assigned Ch\$ 1 each,even though they are still in use. Furthermore, there are transfers that constitute contributions from third parties and these are governed under Decree Law No 70 of 1988 of the Ministry of Public Works and by the

provisions of Article No 36 of D.S. MINECON Regulation No 453 of 1989. These are explained in Note 32. In 1989 and in accordance with Transitory Article No 3 of Decree Law No 382 of 1988, the General Law on Sanitation Services, Aguas Cordillera S.A. removed from its accounts all assets financed by third parties and all Chilean State assets. As a result of the application of this regulation, the Company maintains a physical ex-account-

ing control over those assets and, consequently, the calculations of price-level restatement and depreciation of these assets do not affect its financial statements in any way. The reason for the ex-accounting control is that these assets form part of the sanitation infrastructure that the Company must operate and maintain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

10. Goodwill

As at December 31, 2004 and 2003, the balances of goodwill, representing the difference between the acquisition value and the equity value of the acquired company, are as follows:

Goodwill

Tax I.D. No	Company	2004		2003	
		Amortization for the year	Balance Positive Goodwill	Amortization for the year	Balance Positive Goodwill
		ThCh\$	ThCh\$	ThCh\$	ThCh\$
80.311.300-9	Aguas Cordillera S.A.	3,625,379	56,495,478	3,625,379	60,120,855
96.809.310-K	Comercial Orbi II S.A.	205,483	3,336,712	205,483	3,542,192
TOTAL		3,830,862	59,832,190	3,830,862	63,663,047

Negative goodwill

Tax I.D. No	Company	2004		2003	
		Amortization for the year	Balance Negative Goodwill	Amortization for the year	Balance Negative Goodwill
		ThCh\$	ThCh\$	ThCh\$	ThCh\$
87.538.200-4	Hidraulica Manquehue Ltda.	65	1,106	65	1,172
TOTAL		65	1,106	65	1,172

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

11. Intangible assets

The balances as at December 31, 2004 and 2003 of restated disbursements for the purchase of intangible assets (Note 2 n) are:

	2004 ThCh\$	2003 ThCh\$
Water rights	18,645,243	18,379,984
Leased water rights (1)	510,372	525,217
Rights of way	14,378,375	14,264,847
Other rights (2)	6,510,040	6,510,040
Subtotal	40,044,030	39,680,088
Accumulated amortization water rights	(2,799,715)	(2,327,133)
Accumulated amortization leasing (1)	(10,859)	(10,941)
Accumulated amortization rights of way	(1,964,875)	(1,605,988)
Amortization other rights (2)	(404,461)	(241,711)
Subtotal	(5,179,910)	(4,185,773)
NET TOTAL INTANGIBLE ASSETS	34,864,120	35,494,315
Amortization for the year:		
Water rights	471,846	453,379
Other rights	147,752	161,140
Rights of way	373,885	355,766
Leased water rights	12,994	10,938
TOTAL AMORTIZATION	1,006,477	981,223

(1) The rights to the use of water acquired under the leasing contract signed on March 14, 2003 for a period of 48 months were registered as Intangible Assets.

(2) The Other Rights correspond to the purchase of gratuitous rights to drinking water consumption from the Municipality of Santiago, which are being amortized over 40 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Aguas Andinas S.A. has water rights to various natural sources, including Laguna Negra, Laguna Lo Encañado and Quebrada de Ramón which were acquired gratuitously and have no value on the books.

Furthermore, the production of flows of an underground origin is supplied from various wells located in the

Metropolitan Region for which Aguas Andinas S.A. and its subsidiaries have the water rights concessions granted to it gratuitously by the Water Department of the Ministry of Public Works.

12. Other assets

The detail of these is as follows:

	2004 ThCh\$	2003 ThCh\$
Discount on placement of bonds and costs of issue	9,887,473	11,852,267
Advances on purchase of fixed and intangible assets	-	675,118
Pre-paid insurance	503,065	578,575
Reimbursable financial contributions KW/H	341,626	364,919
Others	947,028	134,994
TOTAL	11,679,192	13,605,873

13. Short term borrowings from banks and financial institutions

Included in this section are the loans that mature during the next twelve months and the provisions for accrued interest on bank borrowings classified as short term:

Tax I.D. No	Bank or Financial Institution	Indexed (UF)		Non Indexed Ch\$		Total	
		2004	2003	2004	2003	2004	2003
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
97.053.000-2	Banco Security	-	157,630	-	-	-	157,630
97.006.000-6	Banco Crédito Inversiones	399,659	400,328	-	-	399,659	400,328
97.004.000-5	Banco de Chile	-	-	29,820	31,419	29,820	31,419
97.036.000-k	Banco Santander - Santiago	-	-	52,111	27,473	52,111	27,473
97.032.000-8	Banco BBVA	-	-	104,362	82,722	104,362	82,722
	TOTAL	399,659	557,958	186,293	141,614	585,952	699,572
	Principal outstanding	399,591	556,277	-	-	399,591	556,277
	Average annual interest rate	4.08%	3.64%	4.17%	4.32%		

Percentage of bank borrowings in local currency: 100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

14. Long term borrowings from banks and financial institutions

Included in this section are the bank borrowings classified as long term.

Tax I.D. No	Bank or Financial Institution	Indexation unit	Años de Vencimiento				Date year end current period	Average	Date year end previous period
			1 to 2	2 to 3	3 to 5	5 to 10	Total long term as at close of financial statements	annual interest rate	Total long term as at close of financial statements
			years	years	years	years	ThCh\$		ThCh\$
97.006.000-6	Banco Crédito Inversiones	UF	199.795				199.795	4.08%	600.285
97.004.000-5	Banco de Chile	\$ no reajutable	1.900.000	1.900.000	3.800.000	3.800.000	11.400.000	4.28%	11.685.000
97.036.000-K	Banco Santander - Santiago	\$ no reajutable		4.080.000	8.160.000	8.160.000	20.400.000	4.18%	10.455.000
97.032.000-8	Banco BBVA	\$ no reajutable	4.033.333	8.066.667	16.133.333	8.066.667	36.300.000	4.14%	31.775.000
TOTALES			6.133.128	14.046.667	28.093.333	20.026.667	68.299.795		54.515.285

Percentage of bank borrowings in local currency: 100%

15. Bonds payable

Included in this section are the balances of bonds issued by Aguas Andinas S.A. and its subsidiary, Aguas Cordillera S.A., in the local market.

Aguas Andinas S.A.

Included are the balances of bonds issued by the Company in September 2001, December 2002 and May 2003 in the domestic market.

In September 2001, two series of bonds were issued: Series A for U.F.1.2 million repayable in the fifth year subsequent to their issue and Series B for U.F.1.8 million at 21 years term with repayments commencing in 2008.

On October 10, 2002, the Superintendency of Securities and Insurance certified the registration of bonds for up to U.F.10 million. Of this amount, Series C bonds were issued with a nominal value of

U.F.4.2 million and Series D with a nominal value of U.F.5.8 million.

In December 2002, Series C bonds for U.F.4.0 million were placed, with semi-annual repayments starting in June 2005 and through December 2010.

On May 7, 2003, the Company placed the Series D bonds on the domestic market and these were fully subscribed. This series will be repaid in semi-annual installments starting on June 1, 2005.

The respective accrued interest is shown in current liabilities.

Aguas Cordillera S.A.

Included here are the balances of bonds issued by the Company in the domestic market.

The respective interest accrued on these bonds as at the close of the period are shown in current liabilities.

The Bond issues made by the Parent Company and its subsidiaries do not carry special security except for the right to a general lien on the issuing Company's assets.

The summary of these bond issues as at the close of each period is as follows:

NOTAS A LOS ESTADOS FINANCIEROS CONSOLIDADOS

Al 31 de Diciembre de 2004 y 2003

The summary of these bond issues as at the close of each period is as follows:

Registration		Nominal	Indexation	Interest	Final	Periodicity		Par value		Placed
Number of		amount	unit	rate	maturity	Payment	Payment of			in Chile
instrument	Series	outstanding		%		of interest	amortization	2004	2003	or abroad
								ThCh\$	ThCh\$	
Long term bonds - short term portion										
266	BEMOS A1	-	UF	6.00%	01.09.2006	Semi-annual	at maturity	127,986	128,177	Locally
266	BEMOS A2	-	UF	6.00%	01.09.2006	Semi-annual	at maturity	281,569	281,991	Locally
266	BEMOS B1	-	UF	6.25%	01.09.2022	Semi-annual	2008 semi-ann.	248,713	249,085	Locally
266	BEMOS B2	-	UF	6.25%	01.09.2022	Semi-annual	2008 semi-ann.	390,835	391,421	Locally
305	BAGUA C1	166,667	UF	4.25%	01.12.2010	Semi-annual	2005 semi-ann.	2,946,870	60,785	Locally
305	BAGUA C2	500,000	UF	4.25%	01.12.2010	Semi-annual	2005 semi-ann.	8,840,606	182,353	Locally
305	BAGUA D1	344,827	UF	4.25%	01.06.2009	Semi-annual	2005 semi-ann.	6,092,777	121,569	Locally
305	BAGUA D2	655,172	UF	4.25%	01.06.2009	Semi-annual	2005 semi-ann.	11,576,289	230,980	Locally
141	SERIES A	21,849	UF	7.00%	01.10.2005	Semi-annual	Semi-annual	384,874	366,751	Locally
154	SERIES B	5,615	UF	7.00%	01.07.2006	Semi-annual	Semi-annual	104,169	101,086	Locally
163	SERIES C	41,003	UF	6.00%	01.01.2006	Semi-annual	Semi-annual	742,006	722,699	Locally
167	SERIES D	46,448	UF	6.00%	01.04.2007	Semi-annual	Semi-annual	835,415	802,301	Locally
187	SERIES E	15,000	UF	6.50%	01.01.2009	Annual	Annual	597,438	338,188	Locally
TOTAL SHORT TERM PORTION								33,169,547	3,977,386	
Long term bonds										
266	BEMOS A1	375,000	UF	6.00%	01.09.2006	Semi-annual	at maturity	6,493,894	6,503,625	Locally
266	BEMOS A2	825,000	UF	6.00%	01.09.2006	Semi-annual	at maturity	14,286,566	14,307,975	Locally
266	BEMOS B1	700,000	UF	6.25%	01.09.2022	Semi-annual	2008 semi-ann.	12,121,935	12,140,100	Locally
266	BEMOS B2	1,100,000	UF	6.25%	01.09.2022	Semi-annual	2008 semi-ann.	19,048,755	19,077,300	Locally
305	BAGUA C1	833,333	UF	4.25%	01.12.2010	Semi-annual	2005 semi-ann.	14,430,873	17,343,000	Locally
305	BAGUA C2	2,500,000	UF	4.25%	01.12.2010	Semi-annual	2005 semi-ann.	43,292,624	52,029,000	Locally
305	BAGUA D1	1,655,173	UF	4.25%	01.06.2009	Semi-annual	2005 semi-ann.	28,662,710	34,686,000	Locally
305	BAGUA D2	3,144,828	UF	4.25%	01.06.2009	Semi-annual	2005 semi-ann.	54,459,136	65,903,400	Locally
141	SERIES A	-	UF	7.00%	01.10.2005	Semi-annual	Semi-annual	-	378,931	Locally
154	SERIES B	6,009	UF	7.00%	01.07.2006	Semi-annual	Semi-annual	104,050	201,594	Locally
163	SERIES C	21,415	UF	6.00%	01.01.2006	Semi-annual	Semi-annual	370,837	1,082,509	Locally
167	SERIES D	74,949	UF	6.00%	01.04.2007	Semi-annual	Semi-annual	1,297,888	2,105,368	Locally
187	SERIES E	285,000	UF	6.50%	01.01.2009	Annual	Annual	4,935,349	5,202,900	Locally
TOTAL LONG TERM BONDS								199,504,617	230,961,702	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

16. Accruals and write-offs

The detail of the accruals as at December 31, 2004 and 2003 is as follows:

	Current Liabilities		Long term Liabilities	
	2004	2003	2004	2003
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Services	6,332,967	10,204,506	-	-
Bonuses (1) and profit sharing	3,026,634	2,942,979	-	-
Severance indemnities (Note 17)	2,606,015	1,471,234	6,213,516	7,894,072
Accrued vacations	1,455,072	1,318,116	-	-
Pending litigations	949,791	1,015,368	-	-
Other staff benefits	2,850	35,028	-	-
Intangible assets and others	213,922	219,270	-	-
Projects aborted	162,377	166,436	-	-
Others	44,753	42,084	54,121	34,341
TOTAL	14,794,381	17,415,021	6,267,637	7,928,413

(1) In Aguas Andinas S.A. these are shown net of advances made during the years ended December 31, 2004 and 2003 for ThCh\$194,165 and ThCh\$255,855 respectively.

The amounts for write-offs are shown in Note 4 (Short and long term debtors).

17. Severance indemnities

As at December 31, 2004 and 2003, the movements in the accruals for severance indemnities (including the short-term portion) are as follows:

	2004 ThCh\$	2003 ThCh\$
Opening balance	9.136.884	9.232.900
Increase in accrual	266.169	461.731
Payments in the year	(834.643)	(467.157)
Price-level restatement	251.121	137.832
TOTAL	8.819.531	9.365.306

The severance indemnity has been calculated as explained in Note 2 s).

The charges to results for these items as at December 31, 2004 and 2003 amount to ThCh\$777,966 and ThCh\$1,066,026, respectively.

18. Minority interest

The minority interest is analyzed as follows:

Name	Percentage of Minority Interest		Minority Interest in Shareholders' Equity		Minority Interest in Net income	
	2004 %	2003 %	2004 TThCh\$	2003 TThCh\$	2004 TThCh\$	2003 TThCh\$
Aguas Los Dominicos S.A.	0.0504	0.0504	3,218	2,882	(405)	(249)
Aguas Cordillera S.A.	0.0001	0.0001	4	5,070	(1)	(864)
TOTAL			3,222	7,952	(406)	(1,113)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

19. Movement in equity accounts

The extraordinary shareholders' meeting held on October 14, 2003 approved a reduction of ThCh\$140,000,000 in the Company's capital, while maintaining the same number of subscribed and paid shares.

During 2004 and 2003, the equity accounts showed the following movement:

	Paid-in capital ThCh\$	Share premium	for future dividends ThCh\$	Interim dividends ThCh\$	Net income for the year ThCh\$	Paid-in capital ThCh\$	Share premium	Reserve for future dividends ThCh\$	Interim dividends ThCh\$	Net income for the year ThCh\$
Opening balance	122,680,896	185,712,570	630,388	(19,035,815)	59,659,155	259,387,025	183,873,832	238,370	(17,270,167)	54,112,136
Distribution of previous year's result	-	-	40,623,340	19,035,815	(59,659,155)	-	-	36,841,969	17,270,167	(54,112,136)
Final dividend previous year	-	-	(40,623,320)	-	-	-	-	(37,080,317)	-	-
Capital reduction	-	-	-	-	-	(140,000,000)	-	-	-	-
Restatement of capital	3,067,023	4,642,814	(24,863)	-	-	3,293,871	1,838,738	630,366	57,279	-
Net income for year	-	-	-	-	62,503,455	-	-	-	-	59,659,155
Interim dividends	-	-	-	-	-	-	-	-	(19,093,094)	-
CLOSING BALANCE	125,747,919	190,355,384	605,545	-	62,503,455	122,680,896	185,712,570	630,388	(19,035,815)	59,659,155
Restated balances	-	-	-	-	-	125,747,919	190,355,384	646,147	(19,511,710)	61,150,634

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Number of shares

Series	N° of Shares Subscribed	N° of Shares Paid	N° of Shares with Voting Rights
A	3,975,330,252	3,975,330,252	3,975,330,252
B	2,143,634,908	2,143,634,908	2,143,634,908

Capital (Amount in ThCh\$)

Series	Capital subscribed	Capital paid
A	81,695,106	81,695,106
B	44.052.813	44.052.813

20. Other non-operating income and expenses

The detail of other non-operating income and expenses as at December 31, 2004 and 2003 is as follows:

	2004 ThCh\$	2003 ThCh\$
Other non-operating income		
Income from agreements and others (1)	2,664,817	1,698,482
Services to third parties(2)	1,936,844	1,310,991
Sale of fixed assets	812,237	1,202,708
Fines on suppliers & contractors	612,679	410,192
Services to customers	428,236	232,895
Real estate rental	254,809	220,708
Insurance refund	56,757	53,265
Income received from rights of way	6,005	117,915
Reimbursement social security contributions	68,777	130,218
Others	98,636	163,462
TOTAL OTHER INCOME	6,939,797	5,540,836

	2004 ThCh\$	2003 ThCh\$
Other non-operating expense		
Donations	101,730	357,477
Projects aborted	111,879	297,408
Asset write-off	138,460	94,251
Fines	5,953	24,867
Sale of materials	263,732	-
Others	16,130	1,987
TOTAL OTHER EXPENSES	637,884	775,990

(1) Mainly relate to agreements signed with real-estate developers under which Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A. are obliged to add certain areas to their concession zones and to provide the public sanitation services there indefinitely.

(2) Services for third parties relates to those services associated with the business, mainly engineering services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

21. Price-level restatement

The detail of price-level restatement, calculated as described in Note 2 e), is the following:

	Indexation Unit	2004 ThCh\$	2003 ThCh\$
Assets (charges) / credits			
Inventories	CPI	37,161	72,831
Fixed assets	CPI	14,197,776	5,611,015
Other non-monetary assets	CPI	448,172	171,129
Goodwill	CPI	1,868,604	758,542
Other monetary assets	CPI	454,994	132,922
Other monetary assets	UF	29,251	10,912
Intangibles	CPI	585,265	138,744
Other non-monetary assets	UF	46,166	(295,990)
Expense & cost accounts	CPI	1,427,616	(13,824)
Total (charges) credits		19,095,005	6,586,281
Liabilities (charges) / credits			
Shareholders' equity	CPI	(7,684,974)	(5,965,760)
Minority interest	CPI	(137)	(84)
Bonds payable	UF	(5,295,541)	(847,158)
Notes payable	UF	(410,638)	(146,321)
Borrowings from banks	UF	(20,201)	(17,643)
Monetary liabilities	UF	(234,316)	(45,035)
Non-monetary liabilities	UF	(161,441)	(73,943)
Monetary liabilities	CPI	(295,485)	(111,069)
Non-monetary liabilities	CPI	(95,316)	(53,339)
Income accounts	CPI	(3,347,848)	(114,289)
Total (charges) credits		(17,545,897)	(7,374,641)
GAIN (LOSS) FROM PRICE-LEVEL RESTATEMENT		1.549.108	(788.360)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

22. Exchange differences

The exchange differences during the years ended December 31, 2004 and 2003 were as follows:

	Currency	2004 ThCh\$	2003 ThCh\$
Assets (charges) / credits			
Cash and banks	US Dollar	396	(7,539)
Financial investments	US Dollar	-	207,856
Other assets	US Dollar	(348)	(23,016)
Other assets	Euro	144	(156)
Inventories	US Dollar	664	-
Inventories	Euro	(3,974)	4,830
Cash and banks	Euro	(441)	-
Total (charges) credits		(3,559)	181,975
Liabilities (charges) / credits			
Accounts payable	US Dollar	3,781	(203,490)
Accounts payable	Euro	(2,065)	(3,367)
Sundry creditors	US Dollar	(826)	20,344
Other liabilities	US Dollar	1,128	7,275
Other liabilities	Euro	762	421
Total credits (charges)		2,780	(178,817)
GAIN (LOSS) FROM EXCHANGE DIFFERENCE		(779)	3,158

23. Share and bond issue and placement costs

During September 2001, December 2002 and May 2003, the Company issued and placed bonds in the domestic market. In accordance with Circular 1,370 of the Superintendency of Securities and Insurance, the related costs that correspond to payments to the risk

rating agencies, stamp tax and other general expenses. These expenses are included in Other Assets and are broken down as follows:

Bonds	Gross pre-paid expenses		Amortization Period Years
	2004	2003	
	ThCh\$	ThCh\$	
Series A	342,194	342,194	5
Series B	513,291	513,291	21
Series C	1,214,607	1,214,607	8
Series D	2,510,032	2,510,032	6
TOTAL	4,580,124	4,580,124	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

24. Statement of cash flows

In the Statement of Cash Flows, cash equivalents consist of financial investments, including term deposits, marketable securities and purchase/sale agreements with

terms of less than 90 days. The detail of the balance of cash and cash equivalents is as follows:

	2004 ThCh\$	2003 ThCh\$
Cash and banks	108,949	703,182
Term deposits	36,287,036	-
Marketable securities (mutual funds)	1,661,338	-
Other current assets (purchases under resale agreements)	1,000,787	7,158,244
BALANCE OF CASH & CASH EQUIVALENTS	39,058,110	7,861,426

Other sources of finance:

These represent exclusively the collection of Reimbursable Financing Contributions made by the Company and its subsidiaries, according to current legislation (Decree Law No 70 of 1988).

Other financing disbursements:

These correspond to pre-payments of promissory notes issued against Reimbursable Financing Contributions at terms of over 10 years.

Investment activities that compromise future cash flows for Aguas Andinas S.A. and its Subsidiaries correspond to the accrual of works under construction which as at December 31, 2004 and 2003 amounted to ThCh\$17,519,571 and ThCh\$23,633,130, respectively.

25. Contingencies and restrictions

Parent Company

a. Direct guarantees

Performance bonds have been issued in favor of the Superintendency of Sanitation Services to guarantee the provision of services and development programs in the Company's concession areas and to other institutions for ThCh\$7,620,208 and ThCh\$7,088,778 as at December 31, 2004 and 2003, respectively.

b. Lawsuits pending

Based on the reports prepared by the lawyers responsible for the Company's defense, which state that it is highly unlikely that the final outcome of these lawsuits will be unfavorable, the Company has made no provision for these to date. The cases are as follows:

- Court: 15th Civil Court of Santiago;
Case file: 1337-1996

Aguas Andinas S.A. was sued by an individual for not having been able to exploit mining deposits on land that was expropriated by the Treasury for the construction of the El Yeso reservoir. At the time of the expropriation, Aguas Andinas S.A. was not the owner of the reservoir as this was transferred to it in 1990. The amount involved is US\$3,000,000. Judgment in the first instance ordered the Treasury to indemnify the plaintiff and the demand against Aguas Andinas S.A. was dismissed. The Treasury has appealed against this decision.

On the basis of this information, it is most improbable that a judgment in the second instance would order Aguas Andinas S.A. to pay any sum at all.

- Court: 11th Civil Court of Santiago;
Case file: 5716-1999

Aguas Andinas S.A. was sued severally by a gas company for damages to a gas pipe as a result of works carried out by a construction company. Aguas Andinas S.A. alleges that it has no responsibility in this incident as it has no relationship whatsoever with the cause of the damage and the works are not owned by it nor are they its responsibility. The amount payable in the event of an unfavorable result would be ThCh\$85,816, plus indexation and interest. Sentence has been passed at the first instance rejecting the suit against Aguas Andinas S.A. accepting only a part of the suit against the construction company for a far lower figure. The gas company appealed and asked that the suit be entirely accepted, also against Aguas Andinas S.A.

- Court: 4th Civil Court of Santiago;
Case file: 2235-2001

A company sued Aguas Andinas S.A. alleging that the it had occupied its property without authorization for the construction thereon of the El Trebal Treatment Plant. Aguas Andinas S.A. alleges having obtained the rights of way from third parties. The amount of the demand is not determined as no indemnity has been sought, only the return of the land. Judgment in favor of Aguas Andinas S.A. was given in the first instance, rejecting the demand in all its parts and with costs. The plaintiff has appealed.

- Court: 29th Civil Court of Santiago;
Case file: 1400-2001

An individual sued Aguas Andinas S.A. alleging having suffered severe loss on the sale of 8.1 hectares of land for the construction of part of the El Trebal Plant. Aguas Andinas S.A. claims to have paid a fair price. The amount sought is approximately ThCh\$120,000.

Judgment in the first instance rejected the demand in all its parts. The plaintiff has appealed.

- Court: 14th Civil Court of Santiago;
Case file: 169-2003

A company sued Aguas Andinas S.A. seeking the absolute nullity of Sociedad Gestión y Servicios S.A. in which Aguas Andinas S.A. has a 1% shareholding. The amount involved is undetermined. The parties have been summoned to hear the sentence in 2005.

- Court: 7th Labor Court of Santiago;
Case file: 94-2004

A worker from a construction company is suing Aguas Andinas S.A. severally for the payment of an indemnity for personal injury in an accident on site. The amount involved is ThCh\$780,000. In the first instance the suit has been contested and the initiation of the stage of submission of proof is pending.

- Court: 11th Civil Court of Santiago;
Case file: 3541-2004

Aguas Andinas S.A. is being sued for the payment of an indemnity for extra-contractual responsibility for environmental damage, an offense under Law No 19,300. It is claimed that the failure to arrive at a prompt and

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adequate solution to the emission of bad odors from the Santiago Poniente Plant and subsequently from the La Farfana Plant, caused the prolonged suffering or moral damage to the neighbors, in addition to significant financial loss as a result of the drop in the value of their properties. Amount involved: U.F. 506,594. Current status: First instance – discussion period. Exceptions were presented to invoke an adjournment to correct irregularities in the suit and in the procedure that led to the damages under Law 19,300. There is a high possibility of success in this case as the suit lacks solid founding. In any event, the result will depend on the proof of damages submitted. The process has not yet commenced.

- Court: 19th Civil Court of Santiago;
Case file: 2632-2004

An individual is requesting the reversal of the sale of some water rights to Aguas Andinas S.A. through a third party, sustaining that this has violated his rights. He is demanding the restitution of the water rights that were acquired for U.F. 5,525. According to information on hand, this demand should not prosper.

The Company is a party to other lawsuits of lesser amounts (in favor and against). Based on the reports of the Company's internal and external lawyers, who state that there is a high probability that the results will be favorable, or are covered by an insurance policy for responsibility, the Company has made no provisions for these cases.

c. Accrued lawsuits

The Company is a party to other lawsuits for which it has made provisions which as at December 31, 2004 amounted to ThCh\$933,425 (ThCh\$990,428 in 2003).

d. Bond issue covenants

The Company has the following restrictions and obligations arising from the issue of bonds on the domestic market:

1. Send to the representative of the Bond Holders a copy of the Company's quarterly and audited annual unconsolidated and consolidated financial statements and of the subsidiaries registered in the Superintendency of Securities and Insurance within the same time limits set by the Superintendency of Securities and Insurance together with all the public information reported to that Superintendency.
2. Record in its books any provisions for adverse contingencies that may arise and which, in the management's opinion, should be reflected in the financial statements except the cases involving contributions or transfers of essential assets to Subsidiaries.
3. Maintain insurance cover that reasonably protects its assets including its main offices, buildings, plants, inventories, office furniture and equipment and vehicles, in accordance with normal practices for similar businesses.
4. The Company promises to monitor that its transactions with its subsidiaries and other related parties are carried out in equitable conditions similar to those normally prevailing in the market.
5. Maintain a debt ratio not greater than 1.5:1, calculated on the figures in the consolidated and unconsolidated balance sheets, defined as the debt to equity ratio.
6. The Company may not sell, assign or transfer essential assets (public-utility concessions granted by the Superintendency of Sanitation Services for Greater Santiago).

e. Covenants for bank loans

The Company has the following obligations and restrictions contained in loan agreements with several local banks:

1. A debt ratio not greater than 1.5:1, calculated on the figures in the consolidated and unconsolidated balance sheets, defined as the debt to equity ratio.
2. Prohibition on the disposal or loss of title over essential assets except for contributions or transfers of essential assets to Subsidiaries.
3. Send to the different banks with which the Company has credit facilities, a copy of the Company's quarterly and audited annual unconsolidated and consolidated financial statements within a maximum term of five days from the time they were sent to the Superintendency of Securities and Insurance.
4. Record in its books any provisions for adverse contingencies that may arise and which, in the management's opinion, should be reflected in the financial statements of the Company.
5. Maintain insurance cover that reasonably protects its assets including its main offices, buildings, plants, inventories, office furniture and equipment and vehicles, in accordance with normal practices for similar businesses.
6. Send a Certificate issued by the General Manager of the Company confirming the compliance with the obligations assumed in the loan agreement.
7. Prohibition on the payment of dividends, except for the obligatory minimum, if there are past due or late payment of some loan installment.
8. Maintain a financial expenses coverage ratio of at least 3:1 calculated on the figures in the consolidated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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and unconsolidated balance sheets, defined as the ratio between operating income plus depreciation and amortization of intangibles for the year, divided by financial expenses.

9. Prohibition of the liquidation or dissolution of the Company, its operations or the business that constitutes its activity; or to participate in any action or contract with the purpose of creating a merger or a consolidation, except in the case of a merger with its current subsidiaries.

10. The Company promises to monitor that its transactions with its subsidiaries and other related parties are carried out in equitable conditions similar to those normally prevailing in the market.

Aguas Cordillera S.A.

Guarantees issued:

The Company has issued performance bonds in favor of the Municipalities of Las Condes, Vitacura and Lo Barnechea to guarantee the works carried out on public streets. At December 31, 2004 these amounted to ThCh\$ 42,460 (ThCh\$ 42,610 in 2003).

Performance bonds and guarantee policies have been issued in favor of the Superintendency of Sanitation Services for a total of ThCh\$ 1,438,007 at December 31, 2004 (ThCh\$ 1,439,386 at December 31, 2003) to guarantee the provision of services and development programs in the Company's concession areas.

At December 31, 2004 and 2003, the balances of other performance bonds issued in favor of third parties were ThCh\$ 1,039 and ThCh\$ 3,295, respectively.

Lawsuits pending:

Based on the reports prepared by the lawyers responsible for the Company's defense, which state that it is highly unlikely that the final outcome of these lawsuits will be unfavorable, the Company has made no provision for these to date. The cases are as follows:

- Court: 11th Civil Court of Santiago;
Case file: 4693-99

This is a lawsuit for alleged damages initiated by 79 neighbors of the Commune of Lo Barnechea due to problems in the supply that occurred in October and November 1996. The indemnity sought is for ThCh\$ 125,000 for material damages and ThCh\$ 1,170,000 for moral damage. The Court of Appeals has accepted the appeal by the Company and the plaintiffs have presented a new appeal.

There is a good chance that the Company will win this case.

- Court: 8th Civil Court of Santiago;
Case file: 1158-2002

This is a lawsuit for moral damages deriving from the unjustified dismissal of an ex-worker of the Company. This was declared unjustified by the Supreme Court. The indemnity sought is for ThCh\$ 140,000.

Current state: Sentence in favor of the Company.

The plaintiff has submitted an appeal.

The Company is a party to other lawsuits of lesser amounts on which there are good probabilities of a favorable outcome.

The Company has established provisions for those cases that have a low probability of a favorable outcome for the Company. These provisions as at December 31,

2004 and 2003 amount to ThCh\$ 16,366 and ThCh\$ 24,940, respectively.

Bond issue covenants:

Aguas Cordillera S.A. has the following restrictions and obligations arising from the issue of bonds on the domestic market:

(a) Send to the representative of the Bond Holders a copy of any important information that may be required by the Superintendency of Securities and Insurance.

(b) Notify the representative of the Bond Holders of the announcements of all Ordinary and Extraordinary General Meetings of Shareholders.

(c) Refrain from investing in instruments issued by related parties and from entering into any other operations with them outside the normal course of business, in conditions detrimental to the issuer.

(d) Notify the representative of the Bond Holders of any reduction by over 5% in its participation in the equity of its subsidiaries and any other reduction that would mean losing its control of the company.

(e) Maintain a debt ratio, defined as the ratio between short and long term liabilities and shareholders' equity not greater than 1.5:1. In the case of consolidated financial statements, minority interest shall be considered as shareholders' equity. The debt ratio will be measured and calculated quarterly on the unconsolidated and consolidated financial statements presented in the form and on the dates required by the Superintendency of Securities and Insurance.

(f) Maintain any assets that could be offered as security free from all liens for at least 1.2 times the unsecured short term debt.

(g) Maintain insurance cover to provide a reasonable

protection of the issuer's assets.

(h) Record in its books any provisions for adverse contingencies that may arise and which, in the opinion of management and/or the external auditors of the issuer, should be reflected in the financial statements of the issuer.

(i) Send to the representative of the Bond Holders a letter signed by an empowered representative of the Company confirming that the ratios mentioned are being met.

(j) Make use of the funds in accordance with the stipulations contained in Letter M of Clause 6 of the Contract on the Bond Issue.

(k) Refrain from selling, ceding or transferring operating assets that could significantly reduce the productive capacity of the Company, unless they are transferred to subsidiaries.

Aguas Los Dominicos S.A.

The Company has issued performance bonds in favor of the Superintendency of Sanitation Services for ThCh\$ 244,197 in 2004 (ThCh\$ 244,586 in 2003), to guarantee the provision of services and development programs in the Company's concession areas.

At December 31, 2004 and 2003, the Company had not granted any mortgages, encumbrances or prohibitions affecting the property titles over the tangible or intangible assets of the Company.

Aguas Manquehue S.A.

Performance bonds have been issued in favor of the Superintendency of Sanitation Services to guarantee the provision of services and development programs in the Company's concession areas for ThCh\$ 816,091 and ThCh\$ 782,268 at December 31, 2004 and 2003, respectively.

At December 31, 2004 and 2003, the Company had not granted any mortgages, encumbrances or prohibitions affecting the property titles over the tangible or intangible assets of the Company.

Análisis Ambientales S.A.

Performance bonds have been issued for Ch\$ 13,997 to guarantee its participation in the bidding process for services.

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Direct Guarantees

Beneficiary of Guarantee	Debtor Name	Type of Guarantee	Balances pending payment at the close of the Financial Statements	
			2004 ThCh\$	2003 ThCh\$
S.I.S.S.	Aguas Andinas S.A.	Performance bond	6,854,656	6,969,563
Empresa Ferrocarriles	Aguas Andinas S.A.	Performance bond	2,286	2,288
Energis S.A.	Aguas Andinas S.A.	Performance bond	8,658	8,672
Municipality of Providencia	Aguas Andinas S.A.	Performance bond	32,106	16,451
Municipality of Las Condes	Aguas Andinas S.A.	Performance bond	1,000	1,025
Municipality of Santiago	Aguas Andinas S.A.	Performance bond	16,097	16,129
Municipality of Peñaflo	Aguas Andinas S.A.	Performance bond	58	-
Serviu Metropolitano	Aguas Andinas S.A.	Performance bond	-	74,650
Dirección Regional Vialidad	Aguas Andinas S.A.	Performance bond	8,306	-
Municipality of Vitacura	Aguas Cordillera S.A.	Performance bond	34,631	34,686
Municipality of Lo Barnechea	Aguas Cordillera S.A.	Performance bond	4,329	4,336
Energis S.A.	Aguas Cordillera S.A.	Performance bond	1,039	1,040
S.I.S.S.	Aguas Cordillera S.A.	Performance bond	822,812	853,456
S.I.S.S.	Aguas Cordillera S.A.	Performance bond	615,195	585,930
Dirección Regional Vialidad	Aguas Cordillera S.A.	Performance bond	-	2,255
S.I.S.S.	Aguas Los Dominicos S.A.	Performance bond	244,197	244,586
Polpaico S.A.	Análisis Ambientales S.A.	Performance bond	1,200	-
Essat S.A.	Análisis Ambientales S.A.	Performance bond	1,000	-
Constructora Norte Sur S.A.	Aguas Andinas S.A.	Performance bond	692,041	-
Municipality of Las Condes	Aguas Cordillera S.A.	Performance bond	3,500	3,588
S.I.S.S.	Aguas Manquehue S.A.	Performance bond	358,446	782,268
S.I.S.S.	Aguas Manquehue S.A.	Performance bond	457,645	-
Esval S.A.	Análisis Ambientales S.A.	Performance bond	1,732	-
Conama	Análisis Ambientales S.A.	Performance bond	10,065	-
Direcc Obras Hidraulicas	Aguas Andinas S.A.	Performance bond	5,000	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

26. Guarantees received from third parties

Aguas Andinas S.A.:

At December 31, 2004 and 2003, the Company had received documents in guarantee for ThCh\$ 17,951,904 and ThCh\$ 18,672,232, respectively, arising principally from works contracts with construction companies to guarantee full compliance with the contract. There are also other guarantees to ensure the compliance of service contracts and, in the case of the acquisition of materials, to guarantee prompt delivery.

The following is a detail of bank guarantees received as at December 31, 2004:

Contractor or Supplier	Amount ThCh\$	Maturity
Constructora Acsa Ltda,	88,700	30-05-2005
Constructora Aconcagua S.A.	93,512	26-03-2005
Navarrete y Díaz Cumsille Ing Civ S.A.	97,468	31-03-2005
Constructora Belfi-Brotes Ltda.	103,902	28-02-2005
Ing. y Const. Vial y Vives Ltda.	112,134	30-06-2006
Gtech Corporation Chile	117,756	02-11-2005
Cía. Americana de Multiservicios S.A.	136,964	01-06-2005
Cía. Americana de Multiservicios S.A.	173,170	03-05-2007
Rentaequipos Leasing S.A.	171,494	11-07-2005
Chilectra S.A.	173,170	01-08-2005
Constructora Con-Pax S.A.	190,488	02-07-2005
ITT Sanitaire	202,990	23-09-2005
Constructora Vespucio Norte S.A.	207,805	30-06-2006
Constructora Vespucio Norte S.A.	208,307	30-08-2006
ITT Sanitaire	224,542	30-10-2007
ITT Sanitaire	224,542	30-12-2005
Claro, Vicuña Valenzuela S.A.	233,424	15-02-2007
Claro, Vicuña Valenzuela S.A.	244,756	30-06-2006
Compañía de Petróleo de Chile S.A.	291,183	22-03-2005
Jara Gumucio S.A.	278,805	20-07-2006
Sacyr Chile S.A.	309,264	23-01-2006
Necso entrecanales C. Chile S.A.	309,264	23-01-2006
Cadagua S.A.	1,115,789	11-02-2007
Degrémont S.A. Agencia en Chile	6,768,385	15-11-2005
TOTAL	12,077,814	

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Aguas Cordillera S.A.:

At December 31, 2004 and 2003, the Company had received performance bonds for ThCh\$ 847,749 and ThCh\$ 567,205, respectively, from contractors and third parties in support of the contractual obligations on the contracts for the construction of works, provision of services and others.

The following is a detail of the more significant bank guarantees held at December 31, 2004:

Contractor or Supplier	Amount ThCh\$	Maturity
Acsa Agbar Construcción Ltda.	103,771	25-05-2006
Ingeniería y Const. Oyarzún y Moreno Ltda.	85,067	17-07-2006
Ingeniería y Construcción MST S.A.	66,652	31-01-2005
Inmobiliaria Manquehue Oriente S.A.	49,453	03-04-2006
Ingeniería y Const. Oyarzún y Moreno Ltda.	48,466	07-01-2005
Marcelino Carrasco Bahamondes y Cía.	43,288	03-05-2007
Inlac S.A.	39,508	01-04-2006
Inmobiliaria y Constructora Nva Pacífico Sur Ltda.	25,973	01-09-2005
Sondaje Ltda.	25,235	08-08-2005
Ernst Welzel Tautz	24,911	01-06-2006
TOTAL	512,324	

Aguas Manquehue S.A.:

At December 31, 2004 and 2003, the Company had received performance bonds for ThCh\$ 337,366 and ThCh\$ 233,065, respectively, mainly from contractors in support of the contractual obligations on the contracts for the construction of works and the provision of services.

The following is a detail of the more significant bank guarantees held at December 31, 2004:

Contractor or Supplier	Amount ThCh\$	Maturity
Consorcio Inmobiliaria Chicureo Ltda,	27,378	15-01-2005
Constructora Socovesa S.A.	60,604	18-01-2005
Sociedad Constructora Rupanco S.A.	33,945	30-03-2005
Ingeniería y Const. Oyarzún y Moreno Ltda.	18,438	03-05-2005
Sociedad Constructora Rupanco S.A.	13,203	31-05-2005
Inmobiliaria y Constructora Nva Pacífico Sur Ltda.	12,490	22-09-2005
Hacienda Chicureo Inmobiliaria S.A.	121,208	31-12-2005
Dalco Ingeniería Ltda.	18,235	04-04-2006
TOTAL	305,501	

Aguas Los Dominicos S.A.:

At December 31, 2004 and 2003, the Company had received performance bonds for ThCh\$ 0 and ThCh\$ 1,425, respectively, from contractors and third parties in support of the contractual obligations on the contracts for the construction of works, provision of services and others.

Ecoriles S.A.:

Al 31 de diciembre de 2004 y 2003, la sociedad ha recibido boletas de garantía, de contratistas y terceros por M\$20.178 y M\$2.203, respectivamente, que resguardan las obligaciones contractuales, en contratos de construcciones de obras, servicios y otros.

Contractor or Supplier	Amount ThCh\$	Maturity
Ondeo Degrémont Ltda.	20,178	17-07-2005
TOTAL	20,178	

Análisis Ambientales S.A.:

At December 31, 2004 and 2003, the Company had received performance bonds for ThCh\$ 2,701 and ThCh\$ 2,712, respectively, from contractors and third parties in support of the contractual obligations on the contracts for services rendered and others.

Contractor or Supplier	Amount ThCh\$	Maturity
Rentaequipos Leasing S.A.	2,701	10-02-2005
TOTAL	2,701	

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27. Local and foreign currencies

The Company has the following assets and liabilities in local and foreign currency at December 31, 2004 and 2003:

Assets	Currency	2004 ThCh\$	2003 ThCh\$
Current assets			
Cash & banks	Non indexed Ch\$	104,751	702,989
Cash & banks	US Dollar	4,198	193
Marketable securities	Non indexed Ch\$	1,303,304	-
Trade accounts receivable	Non indexed Ch\$	30,435,204	34,092,325
Notes receivable	Non indexed Ch\$	718,076	345,433
Notes receivable	Indexed Ch\$	619,036	992,615
Sundry debtors	Indexed Ch\$	68,472	37,107
Notes receivable			
from related companies	Non indexed Ch\$	45,154	64,241
Inventories	Indexed Ch\$	1,588,572	1,537,137
Taxes recoverable	Indexed Ch\$	2,241,131	733,698
Sundry debtors	Euro	2,219	3,420
Prepaid expenses	Indexed Ch\$	309,095	352,564
Deferred taxes	Indexed Ch\$	388,837	313,736
Other current assets	Non indexed Ch\$	1,018,556	7,168,962
Sundry debtors	US Dollar	2,044	3,267
Sundry debtors	Non indexed Ch\$	774,462	1,234,249
Term deposits	Non indexed Ch\$	36,287,036	-
Marketable securities	Indexed Ch\$	358,034	-
Fixed assets			
Fixed assets	Indexed Ch\$	574,926,397	575,078,011

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Assets	Currency	2004 ThCh\$	2003 ThCh\$
Other assets			
Goodwill	Indexed Ch\$	59,832,190	63,663,047
Negative goodwill	Indexed Ch\$	(1,106)	(1,172)
Long-term debtors	Non indexed Ch\$	2,084,083	451,766
Long-term debtors	Indexed Ch\$	8,165,367	10,313,275
Intangible assets (net)	Indexed Ch\$	34,864,120	35,494,315
Others	Indexed Ch\$	11,599,701	13,532,765
Others	Non indexed Ch\$	79,491	73,108
Total assets			
	Non indexed Ch\$	72,850,117	44,133,073
	US Dollar	6,242	3,460
	Indexed Ch\$	694,959,846	702,047,098
	Euro	2,219	3,420

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Current liabilities

Current liabilities			Up to 90 days			90 days to 1 year				
			31/12/2004		31/12/2003		31/12/2004		31/12/2003	
			Average annual		Average annual		Average annual		Average annual	
			Currency	Amount	interest rate	Amount	interest rate	Amount	Average annual interest rate	Amount
		ThCh\$	%	ThCh\$	%	ThCh\$	%	ThCh\$	%	
Bonds payable long term - short-term										
portion	Indexed Ch\$	2,083,074	4.70 - 6.50	2,476,703	5.50 - 6.50	31,086,473	4.25 - 6.50	1,500,683	6.50	
Borrowings from banks long term - short-										
term portion	Indexed Ch\$	-	-	221,339	4.32 - 6.50	-	-	-	-	
Accounts payable	Non Indexed Ch\$	14,797,367	-	11,740,961	-	-	-	-	-	
Accounts payable	Indexed Ch\$	175,923	-	344,007	-	-	-	-	-	
Accounts payable	Euro	58,237	-	56,216	-	-	-	-	-	
Accounts payable	US Dollars	178,765	-	94,325	-	-	-	-	-	
Notes payable	Indexed Ch\$	33,079	2.57 - 6.15 - 5.17	41,311	6.15 - 7.31	4,769,811	2.57 - 6.15 - 8.19 - 6.58	240,849	6.15 - 7.31	
Sundry creditors	Non Indexed Ch\$	71,705	-	17,501	-	-	-	-	-	
Sundry creditors	Indexed Ch\$	956,832	-	799,411	7.70	226,103	-	202,529	7.25	
Sundry creditors	Dollar	-	-	-	-	-	-	3,796	-	
Accruals	Non Indexed Ch\$	14,773,077	-	17,249,994	-	-	-	64,762	-	
Withholdings	Non Indexed Ch\$	5,343,539	-	6,114,244	-	-	-	-	-	
Income tax	Non Indexed Ch\$	-	-	559,914	-	-	-	-	-	
Notes & accounts payable to related										
companies	Non Indexed Ch\$	7,061,922	-	20,966,513	-	-	-	-	-	
Unearned income	Indexed Ch\$	359,872	-	563,566	-	230,622	-	337,415	-	
Unearned income	Indexed Ch\$	368,018	-	585,275	-	-	-	-	-	
Accruals	Indexed Ch\$	21,304	-	100,265	-	-	-	-	-	
Borrowings from banks long term - short-										
term portion	Non Indexed Ch\$	585,952	4.17 - 4.08	478,233	3.64	-	-	-	-	
Other liabilities	Non Indexed Ch\$	-	-	5,690	-	-	-	-	-	
Notes & accounts payable to related										
companies	Euro	3,962	-	-	-	-	-	-	-	
Notes & accounts payable to related										
companies	Indexed Ch\$	1,115,925	-	-	-	1,417,070	-	-	-	
TOTAL CURRENT LIABILITIES										
	Indexed Ch\$	4,746,009	-	4,546,602	-	37,730,079	-	2,281,476	-	
	Non Indexed Ch\$	43,001,580	-	57,718,325	-	0	-	64,762	-	
	Euro	62,199	-	56,216	-	0	-	0	-	
	Dollar	178,765	-	94,325	-	0	-	3,796	-	

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Long term liabilities current period 2004

Liabilities	Currency	1 to 3 years		3 a 5 years		5 a 10 years		Más de 10 years	
		Amount	Average	Amount	Average	Amount	Average	Amount	Average
			interest		interest		interest		interest
		ThCh\$	rate	ThCh\$	rate	ThCh\$	rate	ThCh\$	rate
			%		%		%		%
Borrowings from banks	Indexed Ch\$	20,179,795	4.17	28,093,333	4.17	20,026,667	4.18	-	-
Bonds payable	Indexed Ch\$	83,913,299	4.71-6.50	73,546,277	4.27-6.50	17,912,851	4.96	24,132,190	6.25
Notes payable	Indexed Ch\$	908,332	2.57-7.13-6.33-6.84	397,433	2.5-7.34-4.28-8.64	9,846,792	2.59-6.88-8.41-5.57	11,638,695	3.58-4.60-4.13-2.92
Sundry creditors	Indexed Ch\$	738,293	-	580,108	-	712,596	-	-	-
Accruals	Indexed Ch\$	212,030	-	212,030	-	530,079	-	5,313,498	--
Deferred taxes	Indexed Ch\$	345,832	-	345,832	-	862,424	-	1,288,500	-
Other liabilities	Indexed Ch\$	668,570	7.13-6.33	186,072	7.34-6.33	292,739	6.88-6.33	-	-
Accruals	Non indexed Ch\$								
LONG TERM LIABILITIES	Indexed Ch\$	106,966,151		103,361,085		50,184,148		42,372,883	

Long term liabilities previous period 2003

Liabilities	Currency	1 to 3 years		3 a 5 years		5 a 10 years		Más de 10 years	
		Amount	Average	Amount	Average	Amount	Average	Amount	Average
			interest		interest		interest		interest
		ThCh\$	rate	ThCh\$	rate	ThCh\$	rate	ThCh\$	rate
			%		%		%		%
Bonds payable	Indexed Ch\$	83,244,769	4.60-6.50	61,058,796	4.92-6.50	60,677,172	5.68-6.50	25,980,965	6.25
Notes payable	Indexed Ch\$	5,161,743	7.31-5.60	433,110	7.31-5.60	2,857,221	7.3-5.6-2.76	13,586,025	7.31-5.60-4.04
Sundry creditors	Indexed Ch\$	1,422,487	-	971,784	-	713,665	-	-	-
Accruals	Indexed Ch\$	210,361	-	210,361	-	525,898	-	6,947,453	-
Deferred taxes	Indexed Ch\$	254,299	-	334,061	-	835,152	-	1,352,165	-
Other liabilities	Indexed Ch\$	885,356	6.98	443,596	6.98	349,501	6.98	19,658	-
Borrowings from banks	Indexed Ch\$	17,177,951	4.32-3.95	22,199,222	4.32	15,138,112	4.32	-	-
Accruals	Non indexed Ch\$	4,971	-	4,971	-	24,398	-	-	-
TOTAL LONG-TERM LIABILITIES									
	Indexed Ch\$	108,356,966		85,650,930		81,096,721		47,886,266	
	Non indexed Ch\$	4,971		4,971		24,398		0	

28. Sanctions

Aguas Andinas S.A. and Subsidiaries

a) Superintendency of Securities and

Insurance:

Neither the Company, its subsidiaries nor its directors or executives were sanctioned during 2004 or 2003.

Aguas Andinas S.A.

b) Other administrative authorities

2004

i) The Superintendency of Sanitation Services (SISS) applied the following fines:

With Resolution No 415 dated February 9, 2004 the Superintendency of Sanitation Services fined the Company for not complying with written orders and instructions to remit, within an established term, information for the "Cover of the treatment of sewage" and "Production of drinking water" processes. A summary complaint judgment took place in the 29th Civil Court of Santiago (Case file: 1189-2004). In the first instance, the parties have been summoned to hear the sentence. The amount of the sanction is 30 Annual Taxation Units (UTA).

The Company was sanctioned when the SISS detected a failure to comply with the parameters established on fecal coliforms during a self-control made during the second quarter of 2003 in the Paine Sewage Treatment Plant. A summary complaint judgment took place in the 29th Civil Court of Santiago (Case file: 1434-2004). In

the second instance, the appeal against the sanction is pending. The amount of the sanction is 26 Annual Taxation Units (UTA).

With SISS Resolution No 2796 the Company was fined for not complying with written orders and instructions issued by the SISS in Official Memoranda Nos 1207 and 1456. A summary complaint judgment took place in the 29th Civil Court of Santiago (Case file: 11263-2004). The case has been presented but as at December 31, 2004 it had not been notified. The amount of the sanction is 100 Annual Taxation Units (UTA).

With SISS Resolution No 2858 the Company was fined for not complying with written orders and instructions issued by the SISS in Official Memorandum No 2774 and included in the Development Plan of Curacavi. A summary complaint judgment took place in the 29th Civil Court of Santiago (Case file: 11711-2004). The case was presented but as at December 31, 2004 it had not been notified. The amount of the sanction is 51 Annual Taxation Units (UTA).

On October 20, 2004 the SISS instructed Aguas Andina S.A. to suspend the charge for sewage treatment at the La Farfana Plant due to an alleged breach of compliance with the Environmental Rating Resolution for that plant and with SISS Ordinance No 690/04 on the handling of sludge. The impact of this suspension covered the period between October 20 and November 20, which implied a loss of revenues of Ch\$ 2,244 million.

ii) On October 19, 2004 SESMA, the National Environmental Authority, fined the Company with 2,000 Monthly Taxation Units (UTM) for a breach of Law No 144/61 issued by the Ministry of Health, which sets standards for avoiding atmospheric emanations or contaminants of any kind. It also orders the compliance with the regulations contained in Resolution No 4837/04 issued

by the same authority. A complaint has been submitted to SESMA and a reply is awaited.

iii) With Resolution No 177/2004, the Metropolitan Region Environmental Authority (COREMA) fined the Company with 1,000 Monthly Taxation Units (UTM) for the bad smells emanating from the La Farfana Plant. The fine was duly paid in order to commence a complaint through the law courts. On November 10, 2004 the case was received but has not yet been notified.

2003

i) The Superintendency of Sanitation Services applied a minor fine to Aguas Andinas S.A. with respect to measurements taken at the Paine Sewage Treatment Plant. A summary complaint judgment took place in the 29th Civil Court of Santiago (Case file: 1456-2003). The sentence in the first instance rejected the suit. This is now pending the outcome of the appeal.

ii) In December 2003, SESMA, the National Environmental Authority applied a fine of 1,000 Monthly Taxation Units (UTM) for a breach of Law 144/61 issued by the Ministry of Health which sets standards for avoiding atmospheric emanations or contaminants of any kind. A claim for reversal has been made in accordance with clause 50 of Law 19,880. The fine was duly paid in order to lodge a complaint through the law courts. A summary complaint judgment was submitted against the fine in the 29th Civil Court of Santiago (Case file: 2999-2004). The notification of the action is pending.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Aguas Cordillera S.A.

b) Other administrative authorities:

With Resolution No 425 dated February 9, 2004 the Superintendency of Sanitation Services fined the Company for not complying with written orders and instructions from that Superintendency to remit, within an established term, information on the "Cover of the treatment of sewage" and "Production of drinking water" processes.

This fine is being appealed by the Company in the 4th Civil Court of Santiago (Case File No 1195-2004). Current status: First instance, suit presented before tribunals.

The Superintendency of Sanitation Services fined the Company in Resolution No 2724 for not complying with written orders issued by that entity in Official Memorandum No 2774 and in the Development Plan.

This fine is being appealed by the Company in the 29th Civil Court of Santiago (Case File No 11,129). Current status: First instance, period for submitting evidence.

During the periods covered by the financial statements, no other sanctions have been applied on the Company, its Directors or Executives.

Aguas Manquehue S.A.

b) Other administrative authorities:

On May 19, 2003, the Superintendency of Sanitation Services fined the Company in Resolution No 1194 for failure to comply with Norm NCH No 1333 Of 78. The Company paid the fine and this case is under appeal in the 7th Civil Court of Santiago (Case file No 2829-2003). Current status: Appeal granted against the sentence that rejected the suit.

In Resolution No 424 dated February 9, 2004 the Superintendency of Sanitation Services fined the Company for not complying with written orders and instructions from that Superintendency to remit, within an established term, information on the "Cover of the treatment of sewage" and "Production of drinking water" processes.

This fine is being appealed by the Company in the 7th Civil Court of Santiago (Case File No 1134-2004). Current status: First instance, pending sentence.

During the periods covered by the financial statements, no other sanctions have been applied on the Company, its Directors or Executives.

Aguas Los Dominicos S.A.

b) Other administrative authorities:

In Resolution No 426 dated February 9, 2004 the Superintendency of Sanitation Services fined the Company for not complying with written orders and instructions from that Superintendency to remit, within an established term, information on the "Cover of the treatment of sewage" and "Production of drinking water" processes.

This fine is being appealed by the Company in the 19th Civil Court of Santiago (Case File No 1189-2004). Current status: First instance, pending sentence.

During the periods covered by the financial statements, no other sanctions have been applied on the Company, its Directors or Executives.

29. Subsequent events

At the date of issue of these financial statements, the Company's management is unaware of any subsequent events that significantly affect the financial situation and/or results of the Company as at December 31, 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

30. Environment

Aguas Andinas S.A. and Subsidiaries

The principal investments made by the Company in 2004 and 2003 to protect the environment have been the construction of the sewage treatment plants detailed below:

Name of the Project	2004 ThCh\$	2003 ThCh\$
La Farfana Treatment Plant	11,667,090	57,996,889
Los Nogales Treatment Plant	2,563,081	801,089
Talagante Treatment Plant	2,293,719	216,215
El Monte Treatment Plant	705,160	727,434
Punta de Aguilá Treatment Plant	173,399	272,536
Control of sludge at Treatment Plants	142,578	141,601
Curacaví Treatment Plant	117,566	26,787
Valdivia de Paine Treatment Plant	61,894	18,667
Esmeralda Melipilla Treatment Plant (Improvements)	58,933	53,899
El Trebal Treatment Plant	43,389	299,996
Prevention and neutralization of chlorine leaks at the Plants	35,432	-
Telemetry at Cexas and Esmeralda Treatment Plants	22,864	187,505
Buin Maipo Sewage Treatment Plant	1,647	59,615
Paine Treatment Plant	-	251,345
TOTAL	17,886,752	61,053,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

31. Long term notes payable

Article No 16 of Decree Law No 70 published in the Official Gazette on December 30, 1998 and Article No 42 of Supreme Decree No 453 set out the rules on the possibility of demanding reimbursable financial contributions for capacity and for the extension of the corresponding service to whoever asks to be incorporated as a customer or requires a service expansion.

Under these regulations, as of December 31, 2004 and 2003, works for a value of ThCh\$9,029,058 and ThCh\$9,029,058, respectively, have been received under reimbursable financing contribution contracts for extensions. These works are shown as Fixed Assets of the Company.

The debt on reimbursable contributions is registered in "Long term notes payable" for ThCh\$22,791,252 and M\$22,038,099 at December 31, 2004 and 2003, respectively.

32. Transfer of ownership of sanitation works

Under an agreement signed on June 30, 1998 between the Metropolitan Regional Government and Aguas Andinas S.A., ownership of the sanitary works constructed or acquired with resources of the National Regional Development Fund was transferred to the Company. The works transferred under this agreement, which constitute contributions from third parties, are governed by Decree Law No 70 issued by the Ministry of Public Works in 1988 and the stipulations contained in Article No 36 of the respective MINECON Law No 453 of 1989.

As at December 31, 1998, these works were incorporated into the Company's fixed assets at a nominal value of Ch\$1 each, as there is a prohibition on considering these assets transferred by the Regional Government as an investment for purposes of tariff setting, and therefore, on which the Company cannot earn a return and they do not represent any additional operating benefits for the Company in addition to those already obtained since they started functioning.

Furthermore, the income-cost correlation is not altered with respect to previous years as the Company made no disbursements.

The maximum tariff contemplated for this type of contribution is intended only to cover the operating and maintenance costs required.

According to the instructions of the Superintendency of Securities and Insurance, in its Resolution 01489 of March 22, 2000, the estimated technical value of these works was determined for information purposes. At that time, this amounted to ThCh\$1,545,106 and its depreciation, determined on the basis of its time in use, amounts to ThCh\$457,491.

The principal criteria used in the valuation of these works included: earth movement, supply pipes, drinking water and sewage chambers and the labor costs, all as of December 2004. The average useful life of these assets is 406 months and their remaining average useful life at December 2004 is 304 months

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Material information

Aguas Andinas S.A.

On September 13, 2004, the Company advised the Superintendency of Securities and Insurance that at the ordinary meeting of the Board of Directors held on that same date in Barcelona, Spain, Roque Gistau submitted his resignation as Chairman of the Company, though remaining as a Board Director. The Board unanimously elected Alfredo Noman as the new Chairman of Aguas Andinas S.A.

On November 16, 2004 the Company advised the Superintendency of Securities and Insurance that at the ordinary meeting of the Board of Directors held on that same date, Josep Bagué submitted his resignation as General Manager of the Company.

The Board unanimously elected Felipe Larraín as the new General Manager of Aguas Andinas S.A.

Aguas Cordillera S.A.

On December 14, 2004 the Company advised the Superintendency of Securities and Insurance that at an ordinary meeting of the Board of Directors held on that same date, Josep Bagué submitted his resignation as a Director and Chairman of the Company.

At the same time, Felipe Larraín submitted his resignation as General Manager.

With reference to the above and given that, as advised at the time to the same Superintendency, last July Mr. Brunet resigned his post as a Director of the Company, a position that remains vacant till this date, and considering the provision of Article 32 of Law No 18,046, the Board of Director agreed unanimously to appoint Felipe Larraín and José Luis Murillo as Directors of the Company. Subsequently, the board appointed Felipe Larraín as Chairman of the Company.

The Board unanimously appointed Victor de la Barra as General Manager of Aguas Cordillera S.A.

Aguas Los Dominicos S.A.

On December 14, 2004 the Company advised the Superintendency of Securities and Insurance that at an ordinary meeting of the Board of Directors held on that same date, Josep Bagué submitted his resignation as a Director and Chairman of the Company.

At the same time, Felipe Larraín submitted his resignation as General Manager.

With reference to the above and given that, as advised at the time to the same Superintendency, last July Mr. Brunet resigned his post as a Director of the Company, a position that remains vacant till this date, and considering the provision of Article 32 of Law No 18,046, the Board of Director agreed unanimously to appoint Felipe Larraín and Camilo Larraín Sánchez as Directors of the Company. Subsequently, the board appointed Felipe Larraín as Chairman of the Company.

The Board unanimously appointed Victor de la Barra as General Manager of Aguas Los Dominicos S.A.

Aguas Manquehue S.A.

On December 14, 2004 the Company advised the Superintendency of Securities and Insurance that at an ordinary meeting of the Board of Directors held on that same date, Josep Bagué submitted his resignation as a Director and Chairman of the Company.

At the same time, Felipe Larraín submitted his resignation as General Manager.

With reference to the above and given that, as advised at the time to the same Superintendency, last July Mr. Brunet resigned his post as a Director of the Company, a position that remains vacant till this date, and considering the provision of Article 32 of Law No 18,046, the Board of Director agreed unanimously to appoint Felipe Larraín and Joaquin Villarino Herrera as Directors of the Company. Subsequently, the board appointed Felipe Larraín as Chairman of the Company.

The Board unanimously appointed Victor de la Barra as General Manager of the Company.

1. Summary

Results

The net income of Aguas Andinas S.A. as at December 31, 2004 amounted to Ch\$ 62,503 million, an increase of 2.2% with respect to 2003. This increase is mainly due to an increase of 8.8% in the operating result, compensated by a fall in the non-operating result of 558.6%.

The Company's operating result rose by Ch\$ 6,793 million, an improvement of 8.8% over 2003. This increase is mainly due to the effect of a full year of operations of the La Farfana Plant that came on stream in September 2003, the indexation of tariffs during the period and the increase in the figures produced by the business of the non-sanitation subsidiaries.

The negative non-operating result increased by 558.6% in comparison with last year due principally to the increase of Ch\$ 8,637 million in financial costs in connection with the financing of the investment plan.

Tariff Process

The process of negotiations of Aguas Andinas S.A.'s tariffs for the 2005-2010 period commenced during the last quarter of 2003. As of this date, the following stages have been completed:

- Delivery by the Superintendency of Sanitation Services (SISS) on January 29, 2004 of the Conditions.
- Studies prepared by Aguas Andinas S.A. and the Superintendency of Sanitation Services were exchanged on October 1, 2004.
- On October 30, 2004 Aguas Andinas S.A. submitted its discrepancies with the study on tariffs to the Superintendency of Sanitation Services.
- After the expiry of the period for an agreement directly between the parties, on November 22, 2004 the Superintendency of Sanitation Services called in a commission of experts. This commission met for the first time on December 1, 2004.
- On January 17, 2005 the commission of experts delivered its final and unappealable report that resolved 126 discrepancies that exist between the parties.

COMPARATIVE ANALYSIS AND EXPLANATIONS ON VARIATIONS

As of december 31, 2004 and 2003

2. Balance sheet

The principal assets and liabilities as at December 31, 2004 and 2003 are the following:

ASSETS	2004 MCh\$	2003 MCh\$	Variation %
Current assets	76,268	47,582	60.28
Fixed assets	574,926	575,078	(0.03)
Other assets	116,624	123,527	(5.59)
TOTAL ASSETS	767,818	746,187	

Current assets increased by Ch\$28,686 million in relation to the previous period explained to a large extent by the increase of Ch\$36,287 million in time deposits, compensated by reductions of Ch\$6,150 million in other current assets and Ch\$3,657 million in trade debtors, amongst others.

The Company's fixed assets show an increase of 2.28% or Ch\$23,937 million in gross terms in relation to last year, from Ch\$1,051,651 million to Ch\$1,075,588 million. The most important increases are reflected in Buildings and Infrastructure Works of Ch\$13,532million and in Machinery and Equipment of Ch\$6,405 million

due to the investments made in operating assets. Furthermore, land and other fixed assets increased by Ch\$4,005 million compared to December 2003.

Depreciation as at December 2004 amounted to Ch\$32,287million, a rise of 20.3% on the 2003 figure of Ch\$26,835 million. This increase is principally due to the fact that this year the Farfana Treatment Plant is in operation (it only operated during the last quarter in 2003). Furthermore, and due to the works that have come on stream during the year, accumulated depreciation has increased by Ch\$24.089 million (5.1% over last year).

When considering all the above effects, in net terms, fixed assets fell by Ch\$152 million compared to December 2003.

There is a slight reduction of Ch\$6,903 million in other assets, explained by a reduction of Ch\$3,831 million in positive goodwill and Ch\$630 million in others, compensated by a rise of Ch\$1,927 million in investments in related companies.

COMPARATIVE ANALYSIS AND EXPLANATIONS ON VARIATIONS

Al 31 de Diciembre de 2004 y 2003

LIABILITIES	2004 MCh\$	2003 MCh\$	Variation %
Current liabilities	85,719	64,766	32.35
Long-term liabilities	302,884	323,025	(6.25)
Minority interest	3	8	(62.50)
Shareholders' Equity	379,212	358,388	5.81
TOTAL LIABILITIES	767,818	746,187	

Current assets increased by Ch\$20,953 million. The principal increases during the period correspond to bonds with an increase of Ch\$29,193 million (transfer of installment from long term) and accounts payable of Ch\$2,974 million. This increase was compensated by reductions in notes and accounts payable to related companies of Ch\$11,368 million and Provisions, Withholdings and Unearned Income of Ch\$3,919 million.

Long term liabilities decreased by Ch\$20,141 million when compared to 2003. The main variations correspond to the transfer to short term of installments payable on bonds Series C and D for Ch\$31,457 million and long-term provisions of Ch\$ 1,660 million. These were

compensated by an increase of Ch\$13,784 million in bank borrowings and Ch\$753 million in notes payable.

Shareholder's equity increased by Ch\$ 20,824 million, explained mainly to interim dividends that rose by Ch\$19,512 million as, during 2004, no interim dividends were paid. Furthermore, net income for the year was Ch\$ 1,353 greater than that of 2003.

COMPARATIVE ANALYSIS AND EXPLANATIONS ON VARIATIONS

As of december 31, 2004 and 2003

3. Financial ratios

Financial Ratios	Unit	2004	2003	Variation %
Liquity				
Current ratio	(times)	0.89	0.73	21.92
Quick ratio	(times)	0.46	0.12	283.33
Debt				
Debt ratio	(%)	102.48	108.2	(5.29)
Short-term debt	(%)	22.06	16.7	32.10
Long-term debt	(%)	77.94	83.3	(6.43)
Financial costs coverage	(times)	5.57	10.52	(47.05)
Activity				
Rotation of inventory	(times)	50.84	32.9	54.53
Permanence of inventory	(days)	7.1	10.9	(34.86)
Return				
Return on equity (average)	(%)	16.95	14.29	18.61
Return on assets (average)	(%)	8.26	8.25	0.12
Income per share	(Ch\$)	10.21	9.99	2.20
Return on dividends	(%)	4.00	5.00	(20.00)
Return on operating assets (average)	(%)	13.7	13.13	4.34

The Company's liquidity rose by 21.92% due to the noticeable increase in current assets, principally in financial investments.

Debt decreased by 5.29%, as the shareholders' equity increased in a greater proportion than the liabilities.

In order to calculate the return on operating assets we have divided the operating result by the sum of fixed assets (average) and net intangible assets (average). This reflected an increase of 4.34% in the ratio as a consequence of the decrease in operating assets and the increase in net income for the year increased in 2004.

The return on equity (average) shows an increase of 18.61% principally as a consequence of the increase in equity due to the fact that no interim dividends were paid during 2004.

COMPARATIVE ANALYSIS AND EXPLANATIONS ON VARIATIONS

As of december 31, 2004 and 2003

4. Analysis of the statement of income

The principal items on the Statement of Income as at December 31, 2004 and 2003 are the following:

Statement of Income

	2004 MCh\$	2003 MCh\$	Variations %
Sales	188,641	172,608	9.29
Cost of sales	(79,454)	(61,341)	(29.53)
Administrative & selling expenses	(25,583)	(34,457)	25.75
Operating result	83,604	76,810	8.84
Non operating result	(7,890)	(1,198)	558.60
EBITDA	125,582	111,365	12.77
Financial costs	(16,575)	(7,938)	108.81
NET INCOME FOR THE YEAR	62,503	61,151	

Aguas Andinas S.A.'s net income as at December 31, 2004 amounted to Ch\$ 62,503 million, which reflects an increase of 2.2% with respect to 2003. This increase is mainly due to an increase of 8.8% in the operating result that compensated for the decrease of 558.6% in the non-operating result.

The Company's operating result increased by 8.8% or Ch\$ 6,793 million with respect to 2003. This increase is mainly due to the effect of a full year of operations of the La Farfana Plant that came on stream in September 2003, the indexation of tariffs during the period and the increase in the figures produced by the business of the non-sanitation subsidiaries.

The negative non-operating result increased by 558,6% in comparison with last year due principally to the increase of Ch\$ 8,637 million in financial costs in connection with the financing of the investment plan.

5. Differences between book value and market value of the principal assets

Fixed assets are shown valued in accordance with generally accepted accounting practice and instructions issued by the Superintendency of Securities and Insurance. Thus, we estimate that there should not be any significant differences between the financial or market value and the book value of the assets, bearing in mind, furthermore, the matters in Note 2 k) of the financial statements as at December 31, 2004.

Notwithstanding the above, Aguas Andinas S.A. has seventy-five plots of land recorded on its books. These were transferred free of charge by the Chilean State and they are recorded at a value of Ch\$1 each. There are also fixed assets with an expired accounting useful life. For this reason, they are carried at Ch\$1 even though they are still in operation.

Furthermore, there are transfers that constitute contributions from third parties and these are governed under Decree Law N°70 of 1988 of the Ministry of Public Works and by the provisions of Article N°36 of D.S. MINECON Regulation No 453 of 1989. These are explained in Note 28.

The Company has water rights to various natural sources, including Laguna Negra, Laguna Lo Encañado and Quebrada de Ramón which were acquired gratuitously and have no value on the books.

In addition, the production of flows of an underground origin is supplied from various wells located in the

Metropolitan Region for which Aguas Andinas S.A. has the water rights concessions granted to it gratuitously by the Water Department of the Ministry of Public Works.

In addition, the production of flows of an underground origin is supplied from various wells located in the Metropolitan Region for which Aguas Andinas S.A. has the water rights concessions granted to it gratuitously by the Water Department of the Ministry of Public Works.

In 1989 and in accordance with Transitory Article No 3 of Decree Law N°382 of 1988, the General Law on Sanitation Services, Aguas Cordillera S.A. removed from its accounts all assets financed by third parties and all Chilean State assets.

As a result of the application of this regulation, the Company maintains a physical ex-accounts control over those assets and, consequently, the calculations of price-level restatement and depreciation of these assets do not affect its financial statements in any way. The reason for the ex-accounting control is that these assets form part of the sanitation infrastructure that the Company must operate and maintain.

The Company holds the water rights from various underground springs that supply different wells in its concession zone. For the operation, the Company has the concession for water rights granted by the Water

Board. These rights were obtained gratuitously and are booked at no value.

Aguas Manquehue S.A. holds the water rights from various underground springs that supply different wells in its concession zone. For the operation, the Company has the concession for water rights granted gratuitously by the Water Board.

To summarize, and as indicated previously, Aguas Andinas S.A. has no significant differences between the financial or market values and the book values of its fixed assets with the exception of those mentioned in previous paragraphs. The principal assets of the Company correspond to sanitation infrastructure works that have an exclusive activity and are recorded in accordance with Generally Accepted Accounting Practices in Chile.

Hidráulica Manquehue Ltda., Orbi II S.A., Ecoriles S.A., Anam S.A. and Gestión y Servicios S.A.

These companies are of recent creation or operation and do not present differences between the financial or market values and the book values of their fixed assets as these are booked at their restated costs.

COMPARATIVE ANALYSIS AND EXPLANATIONS ON VARIATIONS

As of december 31, 2004 and 2003

6. Analysis of the market

The Company is not subject to variations in its market as, due to the nature of its services and the current legal norms, there is no competition in its concession zone.

Aguas Andinas S.A. currently holds 100% coverage of drinking water supply, 99.9% of sewage services and over 70% of sewage treatment.

Aguas Andinas S.A. currently holds 100% coverage of drinking water supply, 99.9% of sewage services and over 70% of sewage treatment.

Aguas Cordillera S.A. currently has 100% coverage of drinking water supply and 98.1% of sewage services.

Aguas Manquehue S.A. currently has 100% coverage of drinking water supply and 99.1% of sewage services.

Los Dominicos S.A. currently has 99.90% coverage of drinking water supply and 96.5% of sewage services.

	Physical Sales (In Cub. Mtrs.) (*)		Clients N° (**)	
	2004	2003	2004	2003
Total Consolidated Sales				
Total drinking water	462.325	471.502	1.394.571	1.363.760
Sewage	457.369	465.403	1.359.610	1.327.824
Aguas Andinas S.A.				
Total drinking water	395.121	402.741	1.289.413	1.263.578
Sewage	393.513	400.420	1.257.699	1.230.902
Aguas Cordillera S.A.				
Total drinking water	60.701	62.430	100.501	96.162
Sewage	58.303	59.692	97.608	93.250
Aguas Manquehue S.A.				
Total drinking water	6.503	6.331	4.657	4.020
Sewage	5.553	5.291	4.303	3.672

(*) Figures for physical sales correspond to the total cubic meters invoiced during the period from January to December, 2004 and from January to December, 2003.

(**) This corresponds to the number of existing clients as at December 31, 2004 and 2003.

COMPARATIVE ANALYSIS AND EXPLANATIONS ON VARIATIONS

As of december 31, 2004 and 2003

7. Analysis of the statements of cash flows

Statement of Cash Flows	2004 MCh\$	2003 MCh\$	Variation %
Operating activities	93,171	109,602	(14.99)
Financing activities	(21,103)	(47,479)	55.55
Investment activities	(40,244)	(105,102)	61.71
Net cash flow for the period	31,824	(42,979)	174.05
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	39,058	7,861	

As at December, 2004 there is a decrease in the operating cash flows of Ch\$ 16,431 million compared to 2003 due to the increases in: payments to suppliers and personnel of Ch\$23,381 million, VAT tax payments of Ch\$15,920 million, interest paid of Ch\$6,918 million and income tax of Ch\$1,959, compensated by an increase of Ch\$31,148 million in the collection from trade debtors.

The cash flows from financing activities increased by Ch\$26,376 million due to the fact that in the previous period there was a capital reduction of Ch\$ 143,500 million and an increase of Ch\$ 15,883 million in dividend payments and a reduction in liabilities in 2004, namely, in the securing of loans for Ch\$ 40,481 million and in bonds payable for Ch\$ 98,778 million. On the other hand, other sources of financing grew by Ch\$ 4,729 million with respect to 2003.

Cash flows from investments rose by Ch\$ 64,858 million in comparison with the previous period. During 2003 the construction of the La Farfana Treatment Plant was concluded and therefore the acquisitions of fixed assets in 2004 fell by Ch\$ 59,724 million.

8. Analysis of the market risk

Our Company enjoys a favorable situation with respect to risk due to the particular characteristics of the sanitation sector together with a pro-active policy on risk control.

Operational Aspects

Regulatory framework. Our Company operates within stable regulations that allow us to carry out our activities and operations with a long-term perspective. Furthermore, these regulations contemplate the setting of tariffs for our services for periods of 5 years. The current tariffs are governed by the MINECON No 76 Law and will be in force until March 1, 2005.

Clients

We currently attend 1,394,571 clients resident in our area under concession and who have Aguas Andinas S.A. as their principal supplier.

Climatic conditions

Our important reserves of water, such as the El Yeso Reservoir, Laguna Negra and Lo Encañado, in addition to the contingency plans we have drawn up, allow us to reduce the possible negative impact generated by adverse climatic conditions for our operations.

Financial aspects

Exchange rate risk: Our revenues are linked to a large extent to the evolution of the local currency. For this reason, our debt is taken principally in the same currency and we do not have significant debts in foreign currency.

With regard to the interest rate risk, in Aguas Andinas S.A., we maintain 79% of our debt at fixed rates, (71% in medium to long-term bonds and 8% in reimbursable financial contributions). The remaining 21% is at a variable rate and corresponds to credits from local banks as at December 31, 2004, whereas as at December 31, 2003, 82% of our debt was at a fixed rate; (75% was in bonds at a medium to long term and 7% in reimbursable financial contributions). On the other hand, the remaining 18% of the debts was at a variable rate and corresponded to borrowings from local banks.

The Company has a policy of monitoring and controlling the interest rate with the object of optimizing financial costs. Thus, it is permanently evaluating hedging instruments available on the financial market.

This entire favorable situation has meant that the risk rating agencies have assigned us an AA+ rating on our long-term debt. In the case of our shares, Feller Rate has assigned us a rating of First Class Level 3, whilst Humphreys rated us with a First Class Level 2.



FINANCIAL STATEMENTS

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individual financial statements





To the Shareholders and Members of the Board of Directors

Aguas Andinas S.A.

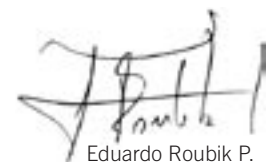
We have audited the accompanying balance sheets of Aguas Andinas S.A. as of December 31, 2004 and 2003 and the related statements of income and cash flows for the years then ended. Preparation of these consolidated financial statements (including the related notes) is the responsibility of the management of Aguas Andinas S.A.. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

These financial statements have been prepared to reflect the stand-alone financial position of Aguas Andinas S.A., on the basis of the criteria described in Note 2 to the financial statements before consolidating the financial statements of the subsidiaries detailed in Note 10. Consequently, for an adequate interpretation, these stand-alone financial statements have to be read and analyzed along with the consolidated financial statements of Aguas Andinas S.A. and subsidiaries, which are required by accounting principles generally accepted in Chile.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Aguas Andinas S.A. at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in conformity with the criteria described in Note 2 to the financial statements.

January 21, 2005

A handwritten signature in black ink, appearing to read "E. Roubik P.", positioned above the printed name.

Eduardo Roubik P.

BALANCE SHEETS
As of december 31, 2004 and 2003

	2004 ThCh\$	2003 ThCh\$
ASSETS		
CURRENT ASSETS		
Cash & banks	62,771	354,858
Time deposits	31,785,997	-
Marketable securities (net)	673,654	-
Trade accounts receivable (net)	24,161,318	26,785,696
Notes receivable (net)	159,206	510,418
Sundry debtors (net)	333,659	400,317
Notes & accounts receivable - related companies	2,335,888	3,154,181
Inventories (net)	608,343	930,029
Taxes recoverable	1,943,114	148,281
Prepaid expenses	121,924	184,228
Deferred taxes	180,178	115,292
Other current assets	9,953	3,238,019
Total current assets	62,376,005	35,821,319
FIXED ASSETS		
Land	26,161,477	23,891,354
Buildings & infrastructure	839,823,193	829,608,818
Machinery & equipment	96,325,077	90,711,717
Other fixed assets	16,509,561	15,124,173
Accumulated depreciation	(475,263,221)	(454,617,320)
Total fixed assets	503,556,087	504,718,742
OTHER ASSETS		
Investments in related companies	65,915,239	62,373,675
Goodwill	59,828,387	63,659,026
Long-term debtors	7,869,499	7,586,697
Long-term deferred taxes	619,037	21,133
Intangible assets	16,023,154	15,888,647
Amortization	(1,697,956)	(1,297,539)
Others	11,097,780	12,989,648
Total other assets	159,655,140	161,221,287
TOTAL ASSETS	725,587,232	701,761,348

The accompanying notes 1 - 29 form an integral part of these stand-alone financial statements

BALANCE SHEETS
As of december 31, 2004 and 2003

	2004 ThCh\$	2003 ThCh\$
LIABILITIES		
CURRENT LIABILITIES		
Long term borrowings from banks & financial institutions - short-term portion	186,293	141,614
Bonds payable - short-term portion	30,505,645	1,646,361
Accounts payable	12,301,424	9,873,119
Notes payable	7,753	-
Sundry creditors	71,704	160,419
Noted & accounts payable to related companies	9,573,952	20,833,499
Accruals	13,013,763	14,717,349
Withholdings	4,346,245	5,052,831
Income tax	-	322,637
Unearned income	387,644	810,141
Total current liabilities	70,394,423	53,557,970
LONG TERM		
Borrowings from banks & financial institutions	68,100,000	53,915,000
Bonds payable	192,796,493	221,990,400
Notes payable	9,648,007	6,171,806
Sundry creditors	-	448,841
Accruals	5,259,373	6,947,451
Other long-term liabilities	176,633	341,506
Total long-term liabilities	275,980,506	289,815,004
SHAREHOLDERS' EQUITY		
Paid-in capital	125,747,919	125,747,919
Share premium	190,355,384	190,355,384
Reserve for future dividends	605,545	646,147
Net income for the year	62,503,455	61,150,634
Interim dividends	-	(19,511,710)
Total shareholders' equity	379,212,303	358,388,374
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	725,587,232	701,761,348

The accompanying notes 1 - 29 form an integral part of these stand-alone financial statements

STATEMENTS OF INCOME
As of december 31, 2004 and 2003

	2004 ThCh\$	2003 ThCh\$
OPERATING INCOME		
Sales	158,871,290	145,906,305
Cost of sales	(66,289,075)	(49,862,064)
Operating margin	92,582,215	96,044,241
Administrative & selling expenses	(23,539,549)	(31,072,195)
Operating income	69,042,666	64,972,046
NON-OPERATING RESULT		
Financial income	3,751,173	5,400,595
Equity in income of related companies	13,440,784	10,357,592
Other non-operating income	4,257,847	3,637,444
Amortization of goodwill	(3,830,639)	(3,830,639)
Financial expenses	(14,755,972)	(6,063,288)
Other non-operating expenses	(352,455)	(583,010)
Price-level restatement	1,544,623	(716,727)
Exchange differences	2,612	(5,607)
Non-operating income	4,057,973	8,196,360
Income before income tax	73,100,639	73,168,406
Income tax	(10,597,184)	(12,017,772)
NET INCOME FOR THE YEAR	62,503,455	61,150,634

The accompanying notes 1 - 29 form an integral part of these stand-alone financial statements

STATEMENTS OF CASH FLOWS

As of december 31, 2004 and 2003

	2004 ThCh\$	2003 ThCh\$
NET CASH FLOW FROM OPERATING ACTIVITIES		
Collection of trade account receivables	195,663,577	171,381,178
Financial income received	376,943	2,393,379
Dividends & other distributions received	9,838,511	8,848,461
Other income received	546,974	612,454
Payments to suppliers & personnel	(74,797,857)	(58,026,858)
Interest paid	(12,259,159)	(4,972,800)
Income tax paid	(12,996,585)	(10,739,412)
Other expenses paid	(1,134,363)	(1,799,566)
VAT & similar payments	(19,620,199)	(4,427,589)
Total net cash flow from operating activities	85,617,842	103,269,247
NET CASH FLOW FROM FINANCING ACTIVITIES		
Loans obtained	15,857,148	56,338,082
Bonds issued	-	98,778,120
Loans from other sources	13,952,664	9,194,946
Payment of dividends	(41,461,762)	(57,344,757)
Capital reduction	-	(143,500,000)
Loan repayments	(16,148)	(2,423,082)
Payment of bond issuance & placement costs	-	(2,867,754)
Other financing disbursements	(8,249,501)	(4,387,525)
Total net cash flow from financing activities	(19,917,599)	(46,211,970)
NET CASH FLOW FROM INVESTING ACTIVITIES		
Sales of fixed assets	1,903,423	1,335,375
Collection of other loans to related companies	2,465,649	2,391,989
Acquisition of fixed assets	(37,596,744)	(96,470,361)
Payment of capitalized interest	(421,738)	(4,269,004)
Other loans to related companies	(2,232,718)	(2,040,102)
Other investment disbursements	(411,649)	(104,524)
Total net cash flow from investing activities	(36,293,777)	(99,156,627)
TOTAL NET CASH FLOW FOR THE YEAR	29,406,466	(42,099,350)
Effect of inflation on cash & cash equivalent	(466,614)	302,390
NET CHANGE IN CASH & CASH EQUIVALENT	28,939,852	(41,796,960)
Opening balance of cash & cash equivalent	3,582,570	45,379,530
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	32,522,422	3,582,570

The accompanying notes 1 - 29 form an integral part of these stand-alone financial statements

STATEMENTS OF CASH FLOWS

As of december 31, 2004 and 2003

	2004 ThCh\$	2003 ThCh\$
RECONCILIATION OF NET RESULT FOR THE YEAR WITH OPERATING CASH FLOW		
NET INCOME FOR THE YEAR	62,503,455	61,150,634
RESULT OF ASSET SALES	(815,320)	(1,198,565)
Gain on sale of fixed assets	(815,320)	(1,198,565)
CHARGES (CREDITS) TO INCOME NOT REPRESENTING CASH FLOWS	19,493,721	20,706,932
Depreciation for the year	28,661,158	23,525,081
Amortization of intangible assets	400,416	393,273
Write-offs & provisions	2,542,895	2,755,505
Equity in income of related companies	(13,440,784)	(10,357,592)
Amortization of goodwill	3,830,639	3,830,639
Net price-level restatement	(1,544,623)	716,727
Net exchange differences	(2,612)	5,607
Other credits to income statement not representing cash flows	(2,537,611)	(1,700,352)
Other charges to income statement not representing cash flows	1,584,243	1,538,044
CHANGES IN ASSETS AFFECTING OPERATING CASH FLOWS (INCREASE) DECREASE	9,088,844	3,719,467
Trade accounts receivable	(1,681,117)	(6,482,351)
Inventories	755,868	990,971
Other assets	10,014,093	9,210,847
CHANGES IN LIABILITIES AFFECTING OPERATING CASH FLOWS INCREASE (DECREASE)	(4,652,858)	18,890,779
Accounts payable related to operating income	(1,567,003)	(1,178,874)
Interest payable	333,828	(191,776)
Income tax payable (net)	(2,399,399)	681,736
Other accounts payable related to the non-operating result	(3,083,583)	1,512,974
VAT & similar payable (net)	2,063,299	18,066,719
NET CASH FLOW FROM OPERATING ACTIVITIES	85,617,842	103,269,247

The accompanying notes 1 - 29 form an integral part of these stand-alone financial statements

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

1. Registration in the securities register

The Company is registered under N° 0346 in the Securities Register of the Superintendency of Securities and Insurance and is subject to the regulatory authority of that Superintendency.

2. Accounting principles applied

a) Accounting period

These financial statements cover the years ended December 31, 2004 and 2003.

b) Preparation

These financial statements have been prepared by the Company in accordance with accounting principles generally accepted in Chile, as published by the Chilean Institute of Accountants, and the instructions of the Superintendency of Securities and Insurance, except for investments in subsidiaries which are shown on one single line in the balance sheet at their proportional equity value and have not therefore been consolidated line by line. This treatment does not modify net income for the year or shareholders' equity.

Should there be differences between the two, the instructions of the Superintendency of Securities and Insurance shall prevail.

These financial statements have been issued for the purpose of carrying out a stand-alone analysis of the Company and thus should be read together with the consolidated financial statements which are required by accounting principles generally accepted in Chile.

c) Presentation

For comparison purposes, the financial statements at December 31, 2003 and their respective notes are shown restated off-the-books by 2.5%, corresponding to the variation in the consumer price index during calendar 2004, with a one-month time lag.

d) Price-level restatements

The financial statements have been restated for monetary correction in accordance with generally accepted accounting principles, in order to reflect changes in the purchasing power of the currency during 2004 and 2003, which were 2.5% and 1.0% respectively, with a one-month time lag.

Furthermore, the balances of the income statement accounts were also restated to express them at year-end values.

e) Currency translation

Assets and liabilities in Unidades de Fomento and/or foreign currencies are shown at their respective values and/or exchange rates at the end of each year, at the following rates:

	2004	2003
	Ch\$	Ch\$
US Dollar	557.40	593.80
Unidad de Fomento	17,317.05	16,920.00
Euro	760.13	744.95

f) Time deposits

Time deposits are shown at their investment amount plus indexation adjustments and interest accrued through December 31, 2004.

g) Marketable securities

Marketable securities reflect the investments made by the Company in mutual fund units. These are presented at their redemption value as at the closing date of these financial statements.

h) Inventories

Materials are shown at their restated cost which does not exceed their respective replacement costs at each year-end.

There is an allowance for obsolescence of dispensable materials whose permanence in stock without movement exceeds one year.

i) Estimate of doubtful debts

The estimate of doubtful accounts depends on the age of the debts and their recovery history, as follows:

- A 100% provision is established for customers with debts past-due for over 8 months.

- A provision of 20% of the agreed balance is established on consumer debts changed into repayment plans classified as "non social cases". For cases classified as "social cases", a provision of 40% of the agreed total is established.

- A provision is established for 100% of past-due notes receivable.

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

j) Fixed assets

- Fixed assets transferred by the predecessor entity are shown at their appraisal value calculated by independent consultants in accordance with a technical study made in 1977, duly restated. The acquisitions made after 1977 are shown at their restated cost.

The fixed assets include the principal renovations and improvements but not maintenance costs or minor repair expenses which are charged to income in the year in which they are incurred. Work in progress includes financing costs incurred until the assets are in a condition to be used, in accordance with Technical Bulletin No.31 of the Chilean Institute of Accountants.

Furthermore, direct remuneration, consultancy costs and other expenses inherent and identifiable are included in the costs of some works.

k) Depreciation of fixed assets

Depreciation is calculated using the straight-line method on the restated book values and over the remaining useful lives of the assets.

l) Leased assets

Leasing contracts classified as financial leasing are recorded in accordance with Technical Bulletin No.22 of the Chilean Institute of Accountants.

Leased assets are valued and depreciated in the same way as other fixed assets.

The assets acquired this way are not legally owned by the Company until it has exercised its purchase option. Furthermore, the Company may not freely dispose of them.

m) Intangible assets

Water rights, rights of way and other rights are shown at their restated cost of acquisition, net of amortization, in accordance with Technical Bulletin No.55 of the Chilean Institute of Accountants.

Intangible assets are being amortized over a period of 40 years from the date of acquisition or as from 1998 as it is believed that they will provide benefits during those periods.

n) Investments in related companies

Investments in related Chilean companies in which the Company is able to exercise a significant influence over the investee, are presented under the equity method of accounting on the basis of their respective financial statements as at December 31, 2004 and 2003. The participation in the results of each year is recognized on the accrual basis.

o) Goodwill

Goodwill represents the excess paid over the proportional equity value on the purchase of shares in Aguas Cordillera S.A. and Comercial Orbi II S.A. This goodwill is being amortized over a maximum period of 20 years from the date of acquisition as it is estimated that this is the recovery period of the investment.

p) Operations under resale agreements

The purchase of securities under resale agreements is valued as a fixed rate investment and is shown in Other Current Assets, in accordance with Circular 768 of the Superintendency of Securities and Insurance.

q) Bonds payable

This is the obligation for the placement of bonds issued by the Company in the domestic market, at their nominal value plus indexation adjustments and interest accrued to the year-end. The discount incurred on the placement of the bonds is deferred over their term, in accordance with Circular 1,370 of the Superintendency of Securities and Insurance.

r) Income tax and deferred taxes

The Company has provided for income tax in accordance with current legislation and the criteria used in determining taxable income consider amounts received and accrued at year-end. According to Technical Bulletin No.60 and complements of the Chilean Institute of Accountants and Circular 1,466 of the Superintendency of Securities and Insurance, the Company records the effects of deferred taxes on timing differences, tax losses that imply a tax benefit and other events that create differences between the financial and tax treatment.

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

s) Severance indemnities

In August 2002, a new collective agreement came into effect. The clause that refers to severance indemnities establishes that this would be paid in accordance with the indications contained in the Labor Code provided that the amount accrued by the workers as at that date is maintained fixed and is readjusted quarterly for the consumer price index. Furthermore, this agreement establishes that the workers that retire in the Company, within a period of 120 days from the date they reach the legal retirement age, will continue to accrue this benefit after August 2002.

The Company's obligation on the indemnity accrued by the workers up to August 2002, is recorded at the current value and the obligation for the additional indemnity that it is estimated the workers that retire in the Company will receive, are provided for at the present value, determined in accordance with the accrued cost of the benefit method with a discount rate of 6.5% per annum.

In addition, there are individual contracts that are recorded at the current value in accordance with the indications in these contracts.

Advances paid to personnel against these funds are shown as long-term debtors. They will be imputed against the final settlement after an indexation adjustment, as stipulated in the agreements mentioned.

t) Sales

The Company's business-related sales are recorded on the basis of meter readings and billed to each customer, divided into groups for monthly invoicing, valued using the tariffs which are set by the Superintendency of

Sanitation Services (SISS) for a period of five years.

Unbilled meter readings are also recorded, valued at the average price of each invoicing group.

u) Computer software

The software was acquired by the Company as computer packages and is shown in Other Fixed Assets, in accordance with Circular 981 of the Superintendency of Securities and Insurance.

v) Research and development expenses

Expenses incurred in research and development project studies which are not employed in some project are charged directly to income for the year. Otherwise, they form part of the costs of the corresponding projects.

w) Statement of cash flows

The Company considers as cash and cash equivalent its balances in cash, in unrestricted bank checking accounts, time deposits, marketable securities and repurchase/sale agreements whose redemption will take place within 90 days from the date the investment was made and that have no risk of significant loss at the time of redemption.

Cash flows from operating activities include the Company's business revenues and expenses and all other income and expenses that are treated as non-operating in the Statement of Income.

3. Accounting changes

The accounting principles and criteria described in Note 2 were applied consistently during 2004 and 2003.

4. Short and long term debtors

Trade accounts receivable relate to the billings for consumption of drinking water, sewage services, sewage treatment and other associated services, with balances classified as short and long term.

The balance of Trade accounts receivable includes a provision for revenue earned at December 31, 2004 and 2003 of ThCh\$10,409,528 and ThCh\$10,011,899 respectively, for unbilled meter readings at the end of each year.

The balance of debtors as at December 31, 2004 is broken down as follows:

Residential 78.93%, Commercial 17.64% and Industrial and Others 3.43%, while, at December 2003, the breakdown was:

Residential 78.54%, Commercial 17.83% and Industrial and Others 3.63%.

Provisions have been established that affect the debtors account and correspond to the following:

a) Provisions for doubtful debts, explained in Note 2 i) for ThCh\$ 11,217,790 and ThCh\$10,760,556 as at December 31, 2004 and 2003 respectively. The charges to the Income Statement for this concept during the years 2004 and 2003 amount to ThCh\$ 726,896 and ThCh\$2,158,059, respectively. Bad debts for ThCh\$7,209

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

and ThCh\$ 1,034,067 have been written off against these provisions in the respective periods.

b) Provisions on repayment agreements. These correspond to agreements on the repayment of debts signed with customers by which they may have a right to a commercial discount in the event that they comply with 100% of their agreement. The amount of this concept is ThCh\$1,816,000 and the charge to the Income Statement as at December 31, 2004 was ThCh\$2,085,930.

The principal component of long-term debtors is advances against indemnities, as indicated in Note 2 s).

Account	Up to 90 days		Current 90 days to 1 year		Subtotal	Total current assets (net)		Long term	
	2004	2003	2004	2003		2004	2003	2004	2003
	ThCh\$	ThCh\$	ThCh\$	ThCh\$		ThCh\$	ThCh\$	ThCh\$	ThCh\$
Trade accounts receivable	32,910,377	35,606,395	1,884,659	1,560,757	34,795,036	24,161,318	26,785,696	1,829,933	1,043,326
Estimate of doubtful accounts	-	-	-	-	10,633,718	-	-	-	-
Notes receivable	126,711	320,275	95,135	251,603	221,846	159,206	510,418	183,069	202,564
Estimate of doubtful accounts	-	-	-	-	62,640	-	-	-	-
Sundry debtors	307,629	408,651	38,264	4,206	345,893	333,659	400,317	5,856,497	6,340,807
Estimate of doubtful accounts	-	-	-	-	12,234	-	-	-	-
TOTAL LONG-TERM DEBTORS								7,869,499	7,586,697

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

5. Balances & transactions with related companies

Transactions with related Aguas group Companies

- Notes and accounts receivable

Transactions with Aguas Cordillera S.A. correspond to contracted services with payments against the presentation of an invoice for services rendered, payable in 30 days, free of interest, except on the sewage interconnection provided to Aguas Cordillera S.A. that has a fixed tariff set by the tariff decree and includes a clause permitting interest free readjustments.

Sales of materials have been made to Gestión y Servicios S.A. and Aguas Cordillera S.A. and the balance due from Aguas Manquehue S.A. correspond to services provided with payment terms between 30 and 90 days.

There is a contract with Ecoriles S.A. for services of wastewater treatment with interest-free payment terms of 60 days.

Loans in Unidades de Fomento have been granted to Gestión y Servicios S.A., Ecoriles S.A., Comercial ORBI II S.A. and Aguas Manquehue S.A., at an interest rate calculated on the basis of the average 90 day TAB rate for the previous month plus a spread of 2%. Interest is payable half yearly and their maturity does not exceed one year.

There are contracts expressed in U.F.s for property rental with Aguas Cordillera S.A., Aguas Los Dominicos S.A., Aguas Manquehue S.A., Gestión y Servicios S.A., Ecoriles S.A. and Análisis Ambientales S.A., which utilize property owned by Aguas Andinas S.A.

- Notes and accounts payable

Aguas Cordillera S.A. and Análisis Ambientales S.A. are owed a rental guarantee.

There is also a contract with Aguas Cordillera S.A. on the interconnection of drinking water and sewage. Payment terms are: 30 days, interest free.

Análisis Ambientales S.A. provides chemical and bacteriological analysis services. Payment terms are: 30 days, interest free.

The debt with Gestión y Servicios S.A. corresponds to purchases of materials. Payment terms are: 30 days, interest free.

The debts with Aguas Los Dominicos S.A. and Aguas Manquehue S.A. correspond to collections.

Transactions with the Parent

- Notes and accounts payable

There is a service contract entered into in 2001 for a 5-year term, expressed in UF's, with Inversiones Aguas Metropolitanas Ltda. and with monthly invoicing for the services rendered.

Transactions with indirectly related companies

- Accounts receivable

The debts pertaining to Aguas Argentinas, Aguas de Saltillo and Ondeo Puerto Rico relate to the reimbursement of expenses.

- Accounts payable

The contract for the construction of the La Farfana sewage treatment plant and its operation until July 2005 was awarded under a public tender to Degrémont S.A. Agency in Chile. This is a turnkey construction contract with a performance guarantee. Payments under this contract are expressed in Unidades de Fomento. The construction was concluded in September 2003 and as from October 2003, funds are being charged for the operation of the plant.

The debt with Aguas de Levante S.A. relates to the purchase of materials. Terms: 30 days, interest free.

The debt with ACSA AGBAR Construcción S.A. relates to a contract for the renewal and installation of piping.

Clavegueram de Barcelona S.A. is owed the reimbursement of expenses.

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Notes and accounts receivable

Tax I.D. No	Company	Short term		Long term	
		2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$
80.311.300-9	Aguas Cordillera S.A.	1,390,070	1,735,847	-	-
96.828.120-8	Gestión y Servicios S.A.	572,832	909,396	-	-
96.945.210-3	Ecoriles S.A.	60,903	389,083	-	-
96.967.550-1	Análisis Ambientales S.A.	2,056	49,599	-	-
89.221.000-4	Aguas Manquehue S.A.	256,714	4,032	-	-
96.809.310-K	Comercial Orbi II S.A.	32,508	31,471	-	-
96.568.220-1	Aguas Los Dominicos S.A.	848	10,249	-	-
1-9	Aguas Argentinas	14,075	15,499	-	-
1-9	Aguas del Saltillo	5,882	6,029	-	-
1-9	Ondeo Puerto Rico	-	2,976	-	-
	TOTAL	2,335,888	3,154,181	-	-

Notes and accounts payable

Tax I.D. No	Company	Short term		Long term	
		2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$
80.311.300-9	Aguas Cordillera S.A.	9,368	24,699	-	-
96.828.120-8	Gestión y Servicios S.A.	6,603	21,673	-	-
96.967.550-1	Análisis Ambientales S.A.	175,399	191,924	-	-
77.274.820-5	Inversiones Aguas Metropolitanas Ltda.	1,396,460	1,486,856	-	-
59.066.560-6	Degrémont Agencia Chile S.A.	7,961,644	18,963,835	-	-
96.568.220-1	Aguas Los Dominicos S.A.	66	1,109	-	-
89.221.000-4	Aguas Manquehue S.A.	843	1,038	-	-
59.094.680-K	Aguas de Levante S.A.	5,686	45,102	-	-
59.096.940-0	Acsa Agbar Construcción S.A.	14,064	97,263	-	-
1-9	Clavegueram de Barcelona S.A.	3,819	-	-	-
	TOTAL	9,573,952	20,833,499	-	-

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Balances and transactions with related companies

Transactions				2004		2003	
Company	Tax I.D. No	Relationship	Description of transaction	Effect on results		Effect on results	
				Amount	(charge) / credit	Amount	(charge) / credit
				ThCh\$	ThCh\$	ThCh\$	ThCh\$
Aguas Cordillera S.A.	80.311.300-9	Subsidiary	Sewage interconnections	5,644,998	5,644,998	4,097,294	4,097,294
		Subsidiary	Drinking water interconnections	99,956	99,956	99,830	99,830
		Subsidiary	Dividends received	8,418,568	-	8,848,461	-
		Subsidiary	Sale of materials	33,036	-	90,124	-
Gestión y Servicios S.A.	96.828.120-8	Subsidiary	Sale of materials	547,015	-	538,280	-
		Subsidiary	Loans granted	1,135,000	-	1,082,400	-
		Subsidiary	Collection of loans & interest	1,352,000	50,373	787,200	18,958
		Subsidiary	Purchase of materials	66,302	-	36,461	-
Ecoriles S.A.	96.945.210-3	Subsidiary	Loans granted	401,000	-	411,830	-
		Subsidiary	Loan and interest payments received	658,913	15,775	201,925	8,800
		Subsidiary	Waste water treatment	122,667	(122,667)	164,662	(164,662)
Análisis Ambientales S.A.	96.967.550-1	Subsidiary	Loans granted	300,000	-	345,425	-
		Subsidiary	Collection of loans & interest	300,833	700	595,544	7,932
		Subsidiary	Laboratory services	872,072	(838,735)	789,698	(789,698)
Aguas Manquehue S.A.	89.221.000-4	Subsidiary	Collection of loans & interest	366,000	210	696,180	6,805
		Subsidiary	Loans granted	112,030	-	102,500	-
Comercial ORBI II S.A.	96.809.310-K	Subsidiary	Dividends collected	1,234,733	-	-	-
Inversiones Aguas Metropolitanas Ltda.	77.274.820-5	Parent	Consultancy services	5,155,171	(5,155,171)	5,400,248	(5,400,248)
		Parent	Dividends paid	20,800,089	-	29,481,073	-
		Parent	Payment of capital reduction	-	-	73,475,432	-
Aguas Levante S.A.	59.094.680-K	Related Co.	Purchase of materials	318,757	-	603,083	-
Degrémont S.A. Agencia Chile	59.066.560-6	Related Co.	Construction treatment plant	8,349,036	-	75,105,264	-
Acsa Agbar Construcción S.A.	59.096.940-0	Related Co.	Operation of plant	6,301,674	(6,301,674)	3,881,917	(3,881,917)
Acsa Agbar Construcción S.A.	59.096.940-0	Related Co.	Contract renewal of piping	1,396,942	-	1,199,023	(5,725)

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

6. Deferred taxes and income tax

At December 31, 2004 and 2003, taxable income and other concepts are as follows:

	2004 ThCh\$	2003 ThCh\$
a) Taxable income	65,009,860	68,464,236
b) Balance taxed profits	62,174,228	39,489,097
c) 16.5% credit for shareholders	-	5,570,838
17.0% credit for shareholders	10,470,921	-
 Income tax	 2004 ThCh\$	 2003 ThCh\$
Current tax change	(11,051,676)	(11,296,599)
Adjustment tax charge (previous year)	(180,025)	(91,465)
Effect on assets or liabilities of deferred tax for year	662,790	(600,280)
Other charges or credits to the account	(28,273)	(29,428)
 TOTAL	 (10,597,184)	 (12,017,772)

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Details of timing differences are as follows

	2004				2003			
	Deferred taxes assets		Deferred taxes liabilities		Deferred taxes assets		Deferred taxes liabilities	
	Short Term ThCh\$	Long Term ThCh\$	Short Term ThCh\$	Long Term ThCh\$	Short Term ThCh\$	Long Term ThCh\$	Short Term ThCh\$	Long Term ThCh\$
Provision doubtful accounts	-	1,907,024	-	-	-	1,829,295	-	-
Unearned income	109,400	30,028	-	-	33,077	32,963	-	-
Provision for vacations	98,961	98,963	-	-	92,002	92,002	-	-
Leased assets	-	-	56,130	-	-	-	37,950	-
Severance indemnities	38,081	-	-	-	43,567	-	-	-
Other events	-	100,392	-	-	-	-	-	-
Obsolete materials	-	-	-	-	-	118,400	-	-
Litigation	-	158,682	-	-	-	168,373	-	-
Costs of investments in related companies	-	-	-	96,857	-	-	-	105,662
Software	-	-	-	149,996	-	-	-	82,124
Bond placement discount	-	-	-	1,662,603	-	-	-	1,991,218
Deferred expenses	-	-	10,134	85,293	-	-	15,404	95,403
Obsolescence fixed assets	-	9,977	-	-	-	54,507	-	-
Provision on repayment agreements	-	308,720	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Complementary accounts-net of amortization	-	-	-	-	-	-	-	-
Valuation allowance	-	-	-	-	-	-	-	-
TOTAL	246,442	2,613,786	66,264	1,994,749	168,646	2,295,540	53,354	2,274,407

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

7. Fixed assets

These comprise the following:

	2004 ThCh\$	2003 ThCh\$
Land	26.161.477	23.891.354
Land	26.161.477	23.891.354
Buildings and infrastructure	411.357.373	412.771.020
Gross value	839.823.193	829.608.818
Accumulated depreciation	(428.465.820)	(416.837.798)
Machinery and equipment	63.480.125	65.344.182
Gross value	96.325.077	90.711.717
Accumulated depreciation	(32.844.952)	(25.367.535)
Other fixed assets	2.557.112	2.712.186
Gross value	16.509.561	15.124.173
Accumulated depreciation	(13.952.449)	(12.411.987)
TOTAL NET FIXED ASSETS	503.556.087	504.718.742

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Depreciation for the year

As at December 31, 2004 and 2003, the charge to income for depreciation of fixed assets is as follows:

	2004 ThCh\$	2003 ThCh\$
Depreciation on		
Cost of sales	26,376,358	21,015,696
Administrative & selling expenses	2,284,800	2,509,385
TOTAL	28,661,158	23,525,081

The Company holds seventy five plots of land which were transferred free of charge by the Chilean State and they are booked at Ch\$ 1 each. There are also fixed assets with an expired accounting useful life. For this reason, they continue to be assigned Ch\$ 1 each even though they are still in use.

Furthermore, there are transfers that constitute contributions from third parties and these are governed under Decree Law N° 70 of 1988 of the Ministry of Public Works and by the provisions of Article N° 36 of D.S. MINECON Regulation N° 453 of 1989. These are explained in Note 28.

8. Investments in related companies

These include the items as at December 31, 2004 and 2003 shown in the following table:

Tax I.D. No	Company	Country	Currency of Investment	N° of shares	Percentage holding		Equity value		Results for the year		Book value		Book value of results for the year		Accrued results	
		of origin			2004		2003		2004		2003		2004		2003	
					%		%		ThCh\$		ThCh\$		ThCh\$		ThCh\$	
80.311.300-9	Aguas Cordillera S.A.	Chile	Ch\$	137,999,999	99.99999	99.99999	53,005,732	50,693,708	10,949,476	8,629,099	10,949,475	8,628,237	53,005,727	50,688,638	53,005,727	50,688,638
96.809.310-K	Comercial Orbi II S.A.	Chile	Ch\$	999	99.90000	99.90000	11,233,833	10,838,401	1,663,536	1,266,868	1,661,872	1,265,601	11,222,599	10,827,564	11,222,599	10,827,564
96.945.210-3	Ecoriles S.A.	Chile	Ch\$	2,575	99.03846	99.03846	936,606	431,617	504,988	226,216	500,132	224,040	927,600	427,466	927,600	427,466
96.967.550-1	Análisis Ambientales S.A.	Chile	Ch\$	990	99.00000	99.00000	757,478	429,473	328,005	238,872	324,725	236,484	749,904	425,178	749,904	425,178
96.828.120-8	Gestión y Servicios S.A.	Chile	Ch\$	1,000	1.000	1.000	940,856	482,875	457,981	323,022	4,580	3,230	9,409	4,829	9,409	4,829
TOTAL													65,915,239	62,373,675	65,915,239	62,373,675

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

9. Goodwill

As at December 31, 2004 and 2003, the balances of goodwill, representing the difference between the acquisition value and equity value of the acquired company, are as follows:

Tax I.D. No	Company	2004		2003	
		Amortization for the year ThCh\$	Balance Goodwill ThCh\$	Amortization for the year ThCh\$	Balance Goodwill ThCh\$
80.311.300-9	Aguas Cordillera S.A.	3,625,379	56,495,478	3,625,379	60,120,856
96.809.310-K	Comercial Orbi II S.A.	205,260	3,332,909	205,260	3,538,170
TOTAL		3,830,639	59,828,387	3,830,639	63,659,026

10. Intangible assets

The balances as at December 31, 2004 and 2003 of restated disbursements on intangible assets (Note 2 m) are:

	2004 ThCh\$	2003 ThCh\$
Water rights	3,595,818	3,528,112
Rights of way	5,917,296	5,850,495
Other rights (1)	6,510,040	6,510,040
Subtotal	16,023,154	15,888,647
Accumulated amortization water rights	(505,858)	(415,945)
Accumulated amortization rights of way	(787,637)	(639,885)
Amortization other rights (1)	(404,461)	(241,709)
Subtotal	(1,697,956)	(1,297,539)
NET TOTAL INTANGIBLE ASSETS	14,325,198	14,591,108
Amortization for the year		
Water rights	89,913	86,523
Rights of way	147,752	145,610
Other rights (1)	162,751	161,140
TOTAL AMORTIZATION	400,416	393,273

(1) The Other Rights correspond to the purchase of gratuitous rights of drinking water consumption from the Municipality of Santiago, which are being amortized over 40 years.

The Company has water rights to various natural sources, including Laguna Negra, Laguna Lo Encañado and Quebrada de Ramón which were acquired gratuitously and have no value.

Furthermore, the production of flows of an underground origin is supplied from various wells located in the Metropolitan Region for which Aguas Andinas S.A. has the water rights concessions granted to it gratuitously by the Water Department of the Ministry of Public Works.

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

11. Short term borrowings from banks and financial institutions

Included in this section are the loans that mature during the next twelve months and the provisions for accrued interest on bank borrowings classified as short term.

Tax I.D. No	Bank or Financial Institution	Non Indexed Ch\$		Total	
		2004	2003	2004	2003
		ThCh\$	ThCh\$	ThCh\$	ThCh\$
97.004.000-5	Banco de Chile	29,820	31,419	29,820	31,419
97.036.000-k	Banco Santander - Santiago	52,111	27,473	52,111	27,473
97.032.000-8	Banco BBVA	104,362	82,722	104,362	82,722
TOTAL		186,293	141,614	186,293	141,614
Average annual interest rate		4.17%	4.32%		
Percentage of borrowings in local currency: 100%					

12. Long term borrowings from banks and financial institutions

Included in this section are the bank borrowings classified as long term.

Tax I.D. No	Bank or Financial Institution	Indexation unit	Period to maturity				31-Dec-04		31-Dec-04	
			1 to 2 years	2 to 3 years	3 to 5 years	5 to 10 years	Total long term	Average annual	Total long term	
			ThCh\$	ThCh\$	ThCh\$	ThCh\$	of financial statements	interest rate	of financial statements	
97.004.000-5	Banco de Chile	Non indexed Ch\$	1,900,000	1,900,000	3,800,000	3,800,000	11,400,000	4.28%	11,685,000	
97.036.000-K	Banco Santander- Santiago	Non indexed Ch\$		4,080,000	8,160,000	8,160,000	20,400,000	4.18%	10,455,000	
97.032.000-8	Banco BBVA	Non indexed Ch\$	4,033,333	8,066,667	16,133,333	8,066,667	36,300,000	4.14%	31,775,000	
TOTAL			5,933,333	14,046,667	28,093,333	20,026,667	68,100,000		53,915,000	
Percentage of borrowings in local currency: 100%										

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

13. Bonds payable

Included are the balances of bonds issued by the Company in September 2001, December 2002 and May 2003 on the domestic market.

In September 2001, two series of bonds were issued: Series A for U.F.1.2 million repayable in the fifth year subsequent to their issue and Series B for U.F.1.8 million at 21 years term with repayments commencing in 2008.

On October 10, 2002, the Superintendency of Securities and Insurance certified the registration of bonds for up to U.F.10 million. Of this amount, Series C bonds were issued with a nominal value of U.F.4.2 million and Series D with a nominal value of U.F.5.8 million.

In December 2002, Series C bonds for U.F.4.0 million were placed, with semi-annual repayments starting in June 2005 and through December 2010.

On May 7, 2003, the Company placed the Series D bonds in the domestic market and which were fully subscribed. This series will be repaid in semi-annually starting on June 1, 2005.

The respective accrued interest is shown in short-term liabilities.

The Bond issues do not carry special security except for the right to a general lien on the Company's assets.

Registration Number of instrument	Series	Nominal amount outstanding	Indexation unit	Interest rate	Final maturity	Periodicidad		Valor par		Placed in Chile or abroad
						Payment of interest	Payment of amortization	2004	2003	
								ThCh\$	ThCh\$	
Long term bonds - short term portion										
266	BEMOS A1	-	UF	6.00%	01.09.2006	Semi-annual	at maturity	127,986	128,177	Locally
266	BEMOS A2	-	UF	6.00%	01.09.2006	Semi-annual	at maturity	281,569	281,991	Locally
266	BEMOS B1	-	UF	6.25%	01.09.2022	Semi-annual	2008 semi-ann.	248,713	249,085	Locally
266	BEMOS B2	-	UF	6.25%	01.09.2022	Semi-annual	2008 semi-ann.	390,835	391,421	Locally
305	BAGUA C1	166.667	UF	4.25%	01.12.2010	Semi-annual	2005 semi-ann.	2,946,870	60,785	Locally
305	BAGUA C2	500.000	UF	4.25%	01.12.2010	Semi-annual	2005 semi-ann.	8,840,606	182,353	Locally
305	BAGUA D1	344.827	UF	4.25%	01.06.2009	Semi-annual	2005 semi-ann.	6,092,777	121,569	Locally
305	BAGUA D2	655.172	UF	4.25%	01.06.2009	Semi-annual	2005 semi-ann.	11,576,289	230,980	Locally
TOTAL SHORT TERM PORTION								30,505,645	1,646,361	
Long term bonds										
266	BEMOS A1	375.000	UF	6.00%	01.09.2006	Semi-annual	at maturity	6,493,894	6,503,625	Locally
266	BEMOS A2	825.000	UF	6.00%	01.09.2006	Semi-annual	at maturity	14,286,566	14,307,975	Locally
266	BEMOS B1	700.000	UF	6.25%	01.09.2022	Semi-annual	2008 semi-ann.	12,121,935	12,140,100	Locally
266	BEMOS B2	1.100.000	UF	6.25%	01.09.2022	Semi-annual	2008 semi-ann.	19,048,755	19,077,300	Locally
305	BAGUA C1	833.333	UF	4.25%	01.12.2010	Semi-annual	2005 semi-ann.	14,430,873	17,343,000	Locally
305	BAGUA C2	2.500.000	UF	4.25%	01.12.2010	Semi-annual	2005 semi-ann.	43,292,624	52,029,000	Locally
305	BAGUA D1	1.655.173	UF	4.25%	01.06.2009	Semi-annual	2005 semi-ann.	28,662,710	34,686,000	Locally
305	BAGUA D2	3.144.828	UF	4.25%	01.06.2009	Semi-annual	2005 semi-ann.	54,459,136	65,903,400	Locally
TOTAL LONG TERM BONDS								192,796,493	221,990,400	

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

14. Accruals and write-offs

The detail of the accruals as at December 31, 2004 and 2003 is as follows:

	Current Liabilities		Long Term Liabilities	
	2004	2003	2004	2003
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Severance indemnities (Note 15)	2,500,000	1,366,053	5,259,373	6,947,451
Bonus (1) & profit sharing	2,765,058	2,712,388		
Services	5,651,018	8,566,102		
Accrued vacations	1,164,262	1,082,378		
Pending litigation	933,425	990,428		
TOTAL	13,013,763	14,717,349	5,259,373	6,947,451

(1) Shown net of advances made during the years ended December 31, 2004 and 2003 for ThCh\$194,165 and ThCh\$255,855 respectively.

The amounts for write-offs are shown in Note 4 (Short and long term debtors).

15. Severance indemnities

At December 31, 2004 and 2003, the movements in the accruals for severance indemnities (including the short-term portion) are as follows:

	2004 ThCh\$	2003 ThCh\$	The severance indemnity has been calculated as explained in Note 2s). The charges to income for these items, including the indemnities related with Article 161 of the Labor Code, as at December 31 2004 and 2003 were ThCh\$723,100 and ThCh\$1,014,026, respectively.
Opening balance	8,110,736	8,198,815	
Increase in accrual	236,750	437,394	
Payments in the year	(810,138)	(433,783)	
Price-level restatement	222,025	111,078	
TOTAL	7,759,373	8,313,504	

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

16. Movement in equity accounts

The extraordinary shareholders' meeting held on October 14, 2003 approved a reduction of Ch\$140,000,000 in the Company's capital, while maintaining the same number of subscribed and paid shares.

During 2004 and 2003, the equity accounts showed the following movement:

2004

	Paid-in capital	Share premium	Reserve for future dividends	Interim dividends	Net income for the year
	ThCh\$		ThCh\$	ThCh\$	ThCh\$
Opening balance	122,680,896	185,712,570	630,388	(19,035,815)	59,659,155
Distribution of previous year's result			40,623,340	19,035,815	(59,659,155)
Final dividend previous year			(40,623,320)		
Restatement of capital	3,067,023	4,642,814	(24,863)		
Net income for year					62,503,455
CLOSING BALANCE	125,747,919	190,355,384	605,545	0	62,503,455

2003

	Paid-in capital	Share premium	Reserve for future dividends	Interim dividends	Net income for the year
	ThCh\$		ThCh\$	ThCh\$	ThCh\$
Opening balance	259,387,025	183,873,832	238,370	(17,270,167)	54,112,136
Distribution of previous year's result			36,841,969	17,270,167	(54,112,136)
Final dividend previous year			(37,080,317)		
Capital reduction	(140,000,000)				
Restatement of capital	3,293,871	1,838,738	630,366	57,279	
Net income for year					59,659,155
Interim dividends				(19,093,094)	
CLOSING BALANCE	122,680,896	185,712,570	630,388	(19,035,815)	59,659,155
RESTATED BALANCES	125,747,919	190,355,384	646,147	(19,511,710)	61,150,634

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Restated balances

Series	N° of Shares sub- scribed	N° of Shares paid	N° of Shares with voting rights
A	3,975,330,252	3,975,330,252	3,975,330,252
B	2,143,634,908	2,143,634,908	2,143,634,908

Capital (amount in ThCh\$)

Series	Capital subscribed	Capital paid
A	81,695,106	81,695,106
B	44,052,813	44,052,813

17. Other non-operating income and expenses

The detail of other non-operating income and expenses as at December 31, 2004 and 2003 is as follows:

	2004 ThChS	2003 ThCh\$
Other non-operating income		
Income from agreements and others (1)	1,104,369	182,530
Services for third parties(2)	1,066,512	1,095,442
Sale of fixed assets	815,320	1,198,565
Fines on suppliers & contractors	546,737	360,833
Services to customers	382,983	239,595
Real estate rental	153,331	153,215
Reimbursement social security contributions	68,777	130,218
Insurance refund	26,170	32,266
Income received from rights of way	6,005	117,915
Others	87,643	126,865
TOTAL OTHER INCOME	4,257,847	3,637,444
	2004 ThChS	2003 ThCh\$
Other non-operating expenses		
Sale of materials	127,670	-
Aborted projects	111,879	131,376
Donations	96,645	357,477
Asset shortages	11,432	78,045
Fines	4,076	15,104
Others	753	1,008
TOTAL OTHER EXPENSES	352,455	583,010

(1) Mainly relate to agreements signed with real-estate developers under which the Company is obliged to add certain areas to its concession zone and to provide the public sanitation services there indefinitely.

(2) Services for third parties relates to those services associated with the business, mainly engineering services.

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

18. Price-level restatements

The detail of price-level restatements, calculated as described in Note 2 d), is the following:

	Indexation Unit	2004 ThCh\$	2003 ThCh\$
Assets (charges) / credits			
Inventories	CPI	26,742	39,276
Fixed assets	CPI	12,438,701	4,882,059
Investments in related companies	CPI	1,270,447	663,930
Goodwill	CPI	1,868,604	758,542
Intangible assets	CPI	421,430	81,535
Other monetary assets	CPI	358,334	132,922
Other monetary assets	UF	19,201	10,912
Other non-monetary assets	UF	3,423	(304,933)
Other non-monetary assets	CPI	54,692	(15,508)
Expense & cost accounts	CPI	1,075,484	(13,053)
Total credits		17,537,058	6,235,682
Liabilities (charges) / credits			
Shareholders' equity	CPI	(7,684,974)	(5,965,760)
Bonds payable	UF	(5,082,240)	(722,103)
Monetary liabilities	UF	(229,340)	(40,121)
Monetary liabilities	CPI	(223,773)	(111,069)
Non-monetary liabilities	CPI	(1,301)	(320)
Non-monetary liabilities	UF	(71,905)	(24,721)
Income accounts	CPI	(2,698,902)	(88,315)
Total charges		(15,992,435)	(6,952,409)
Gain (loss) from price-level restatement		1,544,623	(716,727)

NOTES TO THE FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

19. Exchange differences

The exchange differences during the years ended December 31, 2004 and 2003 were as follows:

	Currency	2004 ThCh\$	2003 ThCh\$
Assets (charges) / credits			
Cash and banks	US Dollar	396	(7,539)
Cash and banks	Euro	(441)	-
Financial investments	US Dollar	-	207,856
Other assets	US Dollar	(452)	(1,083)
Other assets	Euro	144	(156)
Total (charges) credits		(353)	199,078
Liabilities (charges) / credits			
Accounts payable	US Dollar	3,133	(208,996)
Accounts payable	Euro	(2,058)	(3,385)
Other liabilities	US Dollar	1,128	7,275
Other liabilities	Euro	762	421
Total credits (charges)		2,965	(204,685)
Gain (loss) from exchange difference		2,612	(5,607)

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20. Share and bond issue placement costs

In September 2001, December 2002 and May 2003, the Company issued and placed bonds on the domestic market. In accordance with Circular 1,370 of the Superintendency of Securities and Insurance, the related costs that correspond to a payment to the risk

rating agencies, taxes and stamp tax and other general expenses and the discount on the placement of the bonds, were deferred and are shown in Other Assets. The detail of these is as follows:

Bonos	Gastos activados brutos		Período de Amortización Años
	2004 ThCh\$	2003 ThCh\$	
Series A	342,194	342,194	5
Series B	513,291	513,291	21
Series C	1,214,607	1,214,607	8
Series D	2,510,032	2,510,032	6
TOTAL	4,580,124	4,580,124	

21. Statement of cash flows

In the Statement of Cash Flows, cash equivalents consist of financial investments, including term deposits, marketable securities and purchase/sale agreements with terms of less than 90 days. The detail of the balance of cash and cash equivalents is as follows:

Investment activities that commit future cash flows relate to construction work in progress amounting to ThCh\$16,410,677 and ThCh\$22,767,410 as at December 31, 2004 and 2003, respectively.

Included in the financing activities during the period are: Other sources of finance that correspond to reimbursable financial contributions for capacity and Other financing disbursements that correspond to pre-payments of promissory notes issued against reimbursable financing contributions at terms of over 10 years.

	2004 ThCh\$	2003 ThCh\$
Cash and Banks	62,771	354,858
Term deposits	31,785,997	-
Marketable securities	673,654	-
Other current assets (purchases under resale agreements)	-	3,227,712
BALANCE OF CASH & CASH EQUIVALENTS	32,522,422	3,582,570

22. Contingencies and restrictions

a. Direct guarantees

Performance bonds have been issued in favor of the Superintendency of Sanitation Services to guarantee the provision of services and development programs in the Company's concession areas and to other institutions for ThCh\$7,620,208 and ThCh\$7,088,778 as at December 31, 2004 and 2003, respectively.

b. Lawsuits pending

Based on the reports prepared by the lawyers responsible for the Company's defense, which state that it is highly unlikely that the final outcome of these lawsuits will be unfavorable to the Company, the Company has made no provision for these to date. The cases are as follows:

Court: 15th Civil Court of Santiago;
Case file: 1337-1996

Aguas Andinas S.A. was sued by a private individual for not having been able to exploit mining deposits on land that was expropriated by the Treasury for the construction of the El Yeso reservoir. At the time of the expropriation, Aguas Andinas S.A. was not the owner of the reservoir, which was transferred to it in 1990. The amount involved is US\$3,000,000. Judgment in the first instance ordered the Treasury to indemnify the plaintiff and the demand against Aguas Andinas S.A. was dismissed. The Treasury appealed against this decision.

On the basis of this information, it is most improbable that a judgment in the second instance would order Aguas Andinas S.A. to pay any sum at all.

Court: 11th Civil Court of Santiago;
Case file: 5716-1999

Aguas Andinas S.A. was sued severally for damages suffered to a gas pipe as a result of works carried out by a gas company. Aguas Andinas S.A. alleges that it is not responsible for this matter as it has no relationship

whatsoever with the cause of the damage and the works are not owned by it nor are its responsibility. The amount payable in the event of an unfavorable result would be ThCh\$85,816, plus indexation and interest. Sentence has been passed at the first instance rejecting the suit against Aguas Andinas S.A. accepting only a part of the suit against the construction company for a far lower figure. The gas company appealed and asked that the suit be accepted in its entirety, also against Aguas Andinas S.A.

Court: 4th Civil Court of Santiago;
Case file: 2235-2001

A company sued Aguas Andinas S.A. alleging that the Company occupied its property without authorization for the construction thereon of the El Trebal Treatment Plant. Aguas Andinas S.A. alleges having obtained the rights of way from third parties. The amount of the demand is not determined as no indemnity has been sought, only the return of the land. Judgment in favor of Aguas Andinas S.A. was given in the first instance, rejecting the demand in all its parts and with costs. The plaintiff has appealed.

Court: 29th Civil Court of Santiago;
Case file: 1400-2001

An individual sued Aguas Andinas S.A. alleging having suffered severe loss on the sale of 8.1 hectares of land for the construction of part of the El Trebal Plant. Aguas Andinas S.A. claim to have paid a fair price. The amount sought is approximately ThCh\$120,000.

Judgment in the first instance rejected the demand in all its parts. The plaintiff has appealed.

Court: 14th Civil Court of Santiago;
Case file: 169-2003

A company sued Aguas Andinas S.A. seeking the

absolute nullity of Sociedad Gestión y Servicios S.A. in which Aguas Andinas S.A. has a 1% shareholding. The amount involved is undetermined. The parties have been summoned to hear the sentence in 2005.

Court: 7th Labor Court of Santiago;

Case file: 94-2004

A worker from a construction company is suing Aguas Andinas S.A. severally for the payment of an indemnity for personal injury in an accident on site. The amount involved is ThCh\$780,000. In the first instance the suit has been contested and the initiation of the stage of submission of proof is pending.

Court: 11th Civil Court of Santiago;
Case file: 3541-2004

Aguas Andinas S.A. is being sued for the payment of an indemnity for extra-contractual responsibility for environmental damage, an offense under Law N° 19,300. It is claimed that the failure to arrive at a prompt and adequate solution to the emission of bad odors from the Santiago Poniente Plant and subsequently from the La Farfana Plant, caused the prolonged suffering or moral damage to the neighbors, in addition to significant financial loss as a result of the drop in the value of their properties. Amount involved: U.F. 506,594. First instance – discussion period. Exceptions were presented to invoke an adjournment in order to correct irregularities in the suit and in the procedure that led to the damages under Law 19,300. There is a high possibility of success in this case as the suit lacks solid foundations. In any event, the result will depend on the proof of damages submitted. The process has not yet commenced.

Court: 19th Civil Court of Santiago;
Case file: 2632-2004

A private individual is requesting the reversal of the sale

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of some water rights to Aguas Andinas S.A. through a third party, sustaining that this has violated his rights. He is demanding the restitution of the water rights that were acquired for U.F. 5,525. According to information on hand, this demand should not prosper.

The Company is a party to other lawsuits of lesser amounts (in favor and against). Based on the reports of the Company's internal and external lawyers, who state that there is a high probability that the results will be favorable, or are covered by an insurance policy for responsibility, the Company has made no provisions for these cases.

c. Accrued lawsuits

The Company is a party to other lawsuits for which it has made provisions which, at December 31, 2004, amounted to ThCh\$933,425 (ThCh\$990,428 in 2003).

d. Bond issue covenants

The Company has the following restrictions and obligations arising from the issue of bonds on the domestic market:

1. Send to the representative of the Bond Holders a copy of the Company's quarterly and audited annual unconsolidated and consolidated financial statements and of the subsidiaries registered in the Superintendency of Securities and Insurance within the same time limits set by the Superintendency of Securities and Insurance together with all the public information reported to that Superintendency.
2. Record in its books any provisions for adverse contingencies that may arise and which, in the management's opinion, should be reflected in the financial statements except the cases involving contributions or transfers of essential assets to Subsidiaries.
3. Maintain insurance cover that reasonably protects its assets including its main offices, buildings, plants, inventories, office furniture and equipment and vehicles, in accordance with normal practices for similar businesses.

4. The Company promises to monitor that its transactions with its subsidiaries and other related parties are carried out in equitable conditions similar to those normally prevailing in the market.

5. Maintain a debt ratio not greater than 1.5:1, calculated on the figures in the consolidated and unconsolidated balance sheets, defined as the debt to equity ratio.

6. The Company may not sell, assign or transfer essential assets (public-utility concessions granted by the Superintendency of Sanitation Services for Greater Santiago).

e. Covenants for bank loans

The Company has the following obligations and restrictions contained in loan agreements with several local banks:

1. A debt ratio not greater than 1.5:1, calculated on the figures in the consolidated and unconsolidated balance sheets, defined as the debt to equity ratio.
2. Prohibition on the disposal or loss of title over essential assets except for contributions or transfers of essential assets to Subsidiaries.
3. Send to the different banks with which the Company has loans a copy of the Company's quarterly and audited annual unconsolidated and consolidated financial statements within a maximum term of five days from the time they were sent to the Superintendency of Securities and Insurance.
4. Record in its books any provisions for adverse contingencies that may arise and which, in the management's opinion, should be reflected in the financial statements of the Company.
5. Maintain insurance cover that reasonably protects its assets including its main offices, buildings, plants, inventories, office furniture and equipment and vehicles, in accordance with normal practices for similar businesses.
6. Send a Certificate issued by the General Manager

of the Company declaring the compliance with the obligations assumed in the loan agreement.

7. Prohibition on the payment of dividends, except for the obligatory minimum, if there are past due or late payment of some loan installment.

8. Maintain a financial expense coverage ratio of at least 3:1 calculated on the figures in the consolidated and unconsolidated balance sheets, defined as the operating income plus depreciation and amortization of intangibles for the year, divided by financial expenses.

9. Prohibition of the liquidation or dissolution of the Company, its operations or the business that constitutes its activity; or to participate in any action or contract with the purpose of creating a merger or a consolidation, except in the case of a merger with its current subsidiaries.

10. The Company promises to monitor that its transactions with its subsidiaries and other related parties are carried out in equitable conditions similar to those normally prevailing in the market.

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Beneficiary of Guarantee	Debtor Name	Type of Guarantee	Balances pending payment as at the close of the Financial Statements	
			2004	2003
			ThCh\$	ThCh\$
S.I.S.S.	Aguas Andinas S.A.	Performance bond	6,854,656	6,969,563
Empresa Ferrocarriles	Aguas Andinas S.A.	Performance bond	2,286	2,288
Enersis S.A.	Aguas Andinas S.A.	Performance bond	8,658	8,672
Municipalidad de Providencia	Aguas Andinas S.A.	Performance bond	32,106	16,451
Municipalidad Las Condes	Aguas Andinas S.A.	Performance bond	1,000	1,025
Municipalidad de Santiago	Aguas Andinas S.A.	Performance bond	16,097	16,129
Dirección Regional Vialidad	Aguas Andinas S.A.	Performance bond	8,306	-
Municipalidad de Peñaflor	Aguas Andinas S.A.	Performance bond	58	-
Serviu Metropolitano	Aguas Andinas S.A.	Performance bond	-	74,650
Direcc Obras Hidraulicas	Aguas Andinas S.A.	Performance bond	5,000	-
Constructora Norte Sur S.A.	Aguas Andinas S.A.	Performance bond	692,041	-

23. Guarantees received from third parties

	Contractor or Supplier	Amount	Maturity Date
		ThCh\$	
Aa at December 31, 2004 and 2003, the Company had received documents in guarantee for ThCh\$17,951,904 and ThCh\$18,672,232, respectively, arising principally from works contracts with construction companies to guarantee full compliance with the contract. There are also other guarantees to ensure the compliance of service contracts and, in the case of the acquisition of materials, to guarantee prompt delivery.	Análisis Ambientales S.A.	90,049	01-10-2005
	Constructora Acsa Ltda.	88,700	30-05-2005
The following is a detail of bank guarantees received as at December 31, 2004:	Constructora Aconcagua S.A.	93,512	26-03-2005
	Navarrete y Díaz Cumsille Ing Civ S.A.	97,468	31-03-2005
	Constructora Belfi-Brotes Ltda.	103,902	28-02-2005
	Ing. y Const. Vial y Vives Ltda.	112,134	30-06-2006
	Gtech Corporation Chile	117,756	02-11-2005
	Cía. Americana de Multiservicios S.A.	136,964	01-06-2005
	Cía. Americana de Multiservicios S.A.	173,170	03-05-2007
	Rentaequipos Leasing S.A.	171,494	11-07-2005
	Chilectra S.A.	173,170	01-08-2005
	Constructora Con-Pax S.A.	190,488	02-07-2005
	ITT Sanitaire	202,990	23-09-2005
	Constructora Vespucio Norte S.A.	207,805	30-06-2006
	Constructora Vespucio Norte S.A.	208,307	30-08-2006
	ITT Sanitaire	224,542	30-10-2007
	ITT Sanitaire	224,542	30-12-2005
	Claro. Vicuña Valenzuela S.A.	233,424	15-02-2007
	Claro. Vicuña Valenzuela S.A.	244,756	30-06-2006
	Compañía de Petróleo de Chile S.A.	291,183	22-03-2005
	Jara Gumucio S.A.	278,805	20-07-2006
	Sacyr Chile S.A.	309,264	23-01-2006
	Necso entrecanales C. Chile S.A.	309,264	23-01-2006
	Cadagua S.A.	1,115,789	11-02-2007
	Degrémont S.A. Agencia Chile	6,768,385	15-11-2005
	TOTAL	12,167,863	

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24. Local and foreign currencies

The Company has the following assets and liabilities in local and foreign currency as at December 31, 2004 and 2003:

Assets

Rubro	Current assets	2004 ThCh\$	2003 ThCh\$
Current assets			
Cash & banks	Non indexed Ch\$	58,573	354,665
Cash & banks	US Dollar	4,198	193
Term deposits	Non indexed Ch\$	31,785,997	-
Marketable securities	Non indexed Ch\$	673,654	-
Trade accounts receivable	Non indexed Ch\$	24,161,318	26,785,696
Sundry debtors	US Dollar	2,044	3,267
Sundry debtors	Euro	2,219	3,420
Sundry debtors	Indexed Ch\$	42,523	7,596
Sundry debtors	Non indexed Ch\$	286,873	386,034
Notes receivable	Non indexed Ch\$	81,957	68,153
Notes receivable	Indexed Ch\$	77,249	442,265
Notes receivable from related companies	Non indexed Ch\$	1,493,816	976,552
Notes receivable from related companies	Indexed Ch\$	842,072	2,177,629
Inventories	Indexed Ch\$	608,343	930,029
Taxes recoverable	Indexed Ch\$	1,943,114	148,281
Prepaid expenses	Indexed Ch\$	121,924	184,228
Deferred taxes	Indexed Ch\$	180,178	115,292
Other current assets	Non indexed Ch\$	9,953	3,238,019
Fixed assets			
Fixed assets	Indexed Ch\$	503,556,087	504,718,742
Other assets			
Investments in related companies	Indexed Ch\$	65,915,239	62,373,675
Goodwill	Indexed Ch\$	59,828,387	63,659,026
Long-term debtors	Non indexed Ch\$	1,843,636	205,308
Long-term debtors	Indexed Ch\$	6,025,863	7,381,389
Deferred taxes	Indexed Ch\$	619,037	21,133
Intangible assets (net)	Indexed Ch\$	14,325,198	14,591,108
Others	Indexed Ch\$	11,097,780	12,989,648
TOTAL ASSETS			
	Indexed Ch\$	665,182,994	669,740,041
	Non indexed Ch\$	60,395,777	32,014,427
	Dollar	6,242	3,460
	Euro	2,219	3,420

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Current liabilities

Rubro	Currency	Up to 90 days				90 days to 1 year			
		31/12/2004		31/12/2003		31/12/2004		31/12/2003	
		Average annual		Average annual		Average annual		Average annual	
		Amount	interest rate	Amount	interest rate	Amount	interest rate	Amount	interest rate
		ThCh\$	%	ThCh\$	%	ThCh\$	%	ThCh\$	%
Borrowings from banks long term - short-term portion	Non indexed Ch\$	-	-	-	-	186,293	4.17%	141,614	4.32%
Bonds payable long term - short-term portion	Indexed Ch\$	1,049,103	4.70%	1,646,361	5.50%	29,456,542	4.25%	-	-
Accounts payable	Dollar	124,569	-	88,551	-	-	-	-	-
Accounts payable	Euro	48,791	-	19,225	-	-	-	-	-
Accounts payable	Non indexed Ch\$	11,952,141	-	9,432,771	-	-	-	-	-
Accounts payable	Indexed Ch\$	175,923	-	332,572	-	-	-	-	-
Notes payable	Indexed Ch\$	1,938	2.57%	-	-	5,815	2.57%	-	-
Sundry creditors	Indexed Ch\$	-	-	55,633	7.70%	-	-	87,284	7.25%
Sundry creditors	Non indexed Ch\$	71,704	-	17,502	-	-	-	-	-
Notes & accounts payable to related companies	Indexed Ch\$	5,024	-	5,150	-	-	-	-	-
Notes & accounts payable to related companies	Euro	3,962	-	-	-	-	-	-	-
Notes & accounts payable to related companies	Non indexed Ch\$	9,564,966	-	20,828,349	-	-	-	-	-
Accruals	Non indexed Ch\$	13,013,763	-	14,717,349	-	-	-	-	-
Withholdings	Non indexed Ch\$	4,346,245	-	5,052,831	-	-	-	-	-
Income tax	Non indexed Ch\$	-	-	-	-	-	-	322,637	-
Unearned income	Non indexed Ch\$	368,018	-	585,274	-	-	-	-	-
Unearned income	Indexed Ch\$	-	-	205,110	-	19,626	-	19,757	-
		-	-	-	-	-	-	-	-
Total current assets		-	-	-	-	-	-	-	-
	Non indexed Ch\$	39,316,837	-	50,634,076	-	186,293	-	464,251	-
	Indexed Ch\$	1,231,988	-	2,244,826	-	29,481,983	-	107,041	-
	US Dollars	124,569	-	88,551	-	-	-	-	-
	Euro	52,753	-	19,225	-	-	-	-	-

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Long term liabilities current period 2004

		1 a 3 years		3 a 5 years		5 a 10 years		Over 10 years	
		Average interest		Average interest		Average interest		Average interest	
Currency		Amount	rate	Amount	rate	Amount	rate	Amount	rate
		ThCh\$	%	ThCh\$	%	ThCh\$	%	ThCh\$	%
Borrowings from banks	Non indexed Ch\$	19,980,000	4.17%	28,093,333	4.17%	20,026,667	4.18%	-	-
Bonds payable	Indexed Ch\$	78,503,954	4.71%	72,247,498	4.27%	17,912,851	4.96%	24,132,190	6.25%
Notes payable	Indexed Ch\$	15,552	2.57%	15,552	2.57%	4,165,147	2.59%	5,451,756	3.58%
Severance indemnities	Indexed Ch\$	-	-	-	-	-	-	5,259,373	-
Borrowings from banks & financial instuts.	Non indexed Ch\$	39,252	-	39,252	-	98,129	-	-	-
Total long term liabilities			-	-	-	-	-	-	-
	Indexed Ch\$	78,558,758	-	72,302,302	-	22,176,127	-	34,843,319	-
	Non indexed Ch\$	19,980,000	-	28,093,333	-	20,026,667	-	-	-

Long term liabilities previous period 2003

		1 a 3 years		3 a 5 years		5 a 10 years		Over 10 years	
		Average interest		Average interest		Average interest		Average interest	
Currency		Amount	rate	Amount	rate	Amount	rate	Amount	rate
		ThCh\$	%	ThCh\$	%	ThCh\$	%	ThCh\$	%
Borrowings from banks	Non indexed Ch\$	16,577,666	4.32%	22,199,223	4.32%	15,138,111	4.32%	-	-
Bonds payable	Indexed Ch\$	78,621,594	4.60%	58,011,395	4.92%	59,376,446	5.68%	25,980,965	6.25%
Notes payable	Indexed Ch\$	-	-	-	-	2,008,962	2.76%	4,162,844	4.04%
Sundry creditors	Indexed Ch\$	448,841	-	-	-	-	-	-	-
Severance indemnities	Indexed Ch\$	-	-	-	-	-	-	6,947,451	-
Other liabilities	Indexed Ch\$	184,263	-	39,311	-	98,277	-	19,655	-
Total long term liabilities			-	-	-	-	-	-	-
	Indexed Ch\$	79,254,698	-	58,050,706	-	61,483,685	-	37,110,915	-
	Non indexed Ch\$	16,577,666	-	22,199,223	-	15,138,111	-	-	-

25. Sanctions

a. Superintendency of Securities and Insurance

Neither the Company nor its directors or executives were sanctioned during 2004 or 2003.

b. Other administrative authorities

2004

i) The Superintendency of Sanitation Services (SISS) applied the following fines:

With Resolution N° 415 dated February 9, 2004 the Superintendency of Sanitation Services fined the Company for not complying with written orders and instructions to remit, within an established term, information for the "Cover of the treatment of sewage" and "Production of drinking water" processes. A summary complaint judgment took place in the 29th Civil Court of Santiago (Case file: 1189-2004). In the first instance, the parties have been summoned to hear the sentence. The amount of the sanction is 30 Annual Taxation Units (UTA).

The Company was sanctioned when the SISS detected a failure to comply with the parameters established on fecal coliforms during a self-control made during the second quarter of 2003 in the Paine Plants. A summary complaint judgment took place in the 29th Civil Court of Santiago (Case file: 1434-2004). In the second instance, the appeal against the sanction is pending. The amount of the sanction is 26 Annual Taxation Units (UTA).

With SISS Resolution N° 2796 the Company was fined for not complying with written orders and instructions issued by the SISS in Official Memoranda N°s 1207 and 1456. A summary complaint judgment took place in the 29th Civil Court of Santiago (Case file: 11263-2004).

The case has been presented but as at December 31, 2004 it had not been notified. The amount of the sanction is 100 Annual Taxation Units (UTA).

With SISS Resolution N° 2858 the Company was fined for not complying with written orders and instructions issued by the SISS in Official Memorandum N° 2774 and included in the Development Plan of Curacavi. A summary complaint judgment took place in the 29th Civil Court of Santiago (Case file: 11711-2004). The case was presented but as of December 31, 2004, it had not been notified. The amount of the sanction is 51 Annual Taxation Units (UTA).

On October 20, 2004 the SISS instructed Aguas Andina S.A. to suspend the charge for sewage treatment at the La Farfana Plant due to an alleged breach of compliance with the Environmental Rating Resolution for that plant and with SISS Ordinance N° 690/04 on the handling of sludge. The impact of this suspension covered the period between October 20 and November 20, which implied a loss of revenues amounting to Ch\$ 2,244 million.

ii) On October 19, 2004 SESMA, the National Environmental Authority, fined the Company with 2,000 Monthly Taxation Units (UTM) for a breach of Law N°144/61 issued by the Ministry of Health, which sets standards for avoiding atmospheric emanations or contaminants of any kind. It also orders the compliance with the regulations contained in Resolution N° 4837/04 issued by the same authority. A complaint has been submitted to SESMA and a reply is awaited.

iii) With Resolution N° 177/2004, the Metropolitan Region Environmental Authority (COREMA) fined the Company with 1,000 Monthly Taxation Units (UTM) for the bad

odors emanating from the La Farfana Plant.

The fine was duly paid in order to commence a complaint through the law courts. On November 10, 2004 the case was received but has not yet been notified.

2003

i) In 2003, the Superintendency of Sanitation Services applied a minor fine to Aguas Andinas S.A. with respect to measurements taken at the Paine Sewage Treatment Plant. A summary complaint judgment took place in the 29th Civil Court of Santiago (Case file: 1456-2003). The sentence in the first instance rejected the suit. This is now pending the outcome of the appeal:

ii) In December 2003, SESMA, the National Environmental Authority applied a fine of 1,000 Monthly Taxation Units (UTM) for a breach of Law 144/61 issued by the Ministry of Health which sets standards for avoiding atmospheric emanations or contaminants of any kind. A claim for reversal has been made in accordance with clause 50 of Law 19,880. The fine was duly paid in order to lodge a complaint through the law courts. A summary complaint judgment was submitted against the fine in the 29th Civil Court of Santiago (Case file: 2999-2004). The notification of the action is pending.

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26. Subsequent events

As aof the date of issue of these financial statements, the Company's management is unaware of any subsequent events that significantly affect the financial situation and results of the Company as at December 31, 2004.

27. Environment

The principal investments made by the Company in 2004 and 2003 to protect the environment have been the construction of the sewage treatment plants detailed below:

Environment

Name of the Project	2004	2003
	ThCh\$	ThCh\$
La Farfana Treatment Plant	11,667,090	57,996,889
Los Nogales Treatment Plant	2,563,081	801,089
Talagante Treatment Plant	2,293,719	216,215
El Monte Treatment Plant	705,160	727,434
Control of sludge at Treatment Plants	142,578	141,601
Curacavi Treatment Plant	117,566	26,787
Valdivia de Paine Treatment Plant	61,894	18,667
Esmeralda Melipilla Treatment Plant (Improvements)	58,933	53,899
El Trebal Treatment Plant	43,389	299,996
Prevention and neutralization of chlorine leaks at the Plants	35,432	-
Telemetry at Cexas and Esmeralda Treatment Plants	22,864	187,505
Buin Maipo Sewage Treatment Plant	1,647	59,615
Paine Treatment Plant	-	251,345
TOTAL	17,713,353	60,781,042

28. Transfer of ownership of sanitation works

Under an agreement signed on June 30, 1998 between the Metropolitan regional government and Aguas Andinas S.A., ownership of the sanitary works constructed or acquired with resources of the Regional Development National fund was transferred to the Company. The works transferred under this agreement, which constitute contributions from third parties, are governed by Decree Law N° 70 issued by the Ministry of Public Works in 1988 and the stipulations contained in Article N° 36 of the respective MINECON Law N° 453 of 1989.

As at December 31, 1998, these works were incorporated into the Company's assets at a nominal value of Ch\$1 each, as there is a prohibition on considering these assets transferred by the Regional Government as an investment for purposes of tariff setting, and therefore, on which the Company cannot earn a return and they do not represent any additional operating benefits for the Company in addition to those already obtained since they started functioning.

Furthermore, the income-cost correlation is not altered with respect to previous years as the Company made no disbursements.

The maximum tariff contemplated for this type of contribution is intended only to cover the operating and maintenance costs required.

According to the instructions of the Superintendency of Securities and Insurance, in its Resolution 01489 of March 22, 2000, the estimated technical value of these works was determined for information purposes. At that time, this amounted to ThCh\$1,545,106 and its depreciation, determined on the basis of its time in use, amounts to ThCh\$457,491.

The principal criteria used in the valuation of these works included: earth movement, supply pipes, drinking water and sewage chambers and the labor costs, all as at December 2004. The average useful life of these assets is 406 months and their remaining average useful life as at December 2004 is 304 months.

29. Notes payables long-term

Clause 16 of Law 70 published in the Official Gazette on December 30, 1998 and Clause 42 of Law 453, set out the rules for requesting reimbursable financial contributions for capacity and for the extension of the corresponding service to whoever asks to be incorporated as a customer or requires a service expansion.

Under these regulations, as of December 31, 2004 and 2003, works for a value of ThCh\$9,029,058 and ThCh\$9,029,058, respectively, have been received under reimbursable financing contribution contracts for extensions. These works are shown as Fixed Assets of the Company.

The debt on reimbursable contributions is recorded in "Long term notes payable" for ThCh\$9,648,007 and M\$6,171,806 as at December 31, 2004 and 2003, respectively.

Material information

On September 13, 2004, the Company advised the Superintendency of Securities and Insurance that at the ordinary meeting of the Board of Directors held on that same date in Barcelona, Spain, Roque Gistau submitted his resignation as Chairman of the Company, though remaining as a Board Director. The Board unanimously elected Alfredo Noman as the new Chairman of Aguas Andinas S.A.

On November 16, 2004 the Company advised the Superintendency of Securities and Insurance that at the ordinary meeting of the Board of Directors held on that same date, Josep Bagué submitted his resignation as General Manager of the Company. The Board unanimously elected Felipe Larraín as the new General Manager of Aguas Andinas S.A.

Comparative analysis and explanations on variations

1. Summary

Results

The net income of Aguas Andinas S.A. as at December 31, 2004 amounted to Ch\$ 62,503 million, an increase of 2.2% with respect to 2003. This increase is mainly due to an increase of 6.3% in the operating result, compensated by a fall in the non-operating result of 50.5%.

The Company's operating result rose by Ch\$ 4,071 million, an improvement of 6.3% over 2003. This increase is mainly due to the effect of a full year of operations of the La Farfana Plant that came on stream in September 2003, the indexation of tariffs during the period and the increase in the figures produced by the business of the non-sanitation subsidiaries.

The negative non-operating result increased by 50.5% in comparison with last year due principally to the increase of Ch\$ 8,693 million in financial costs in connection with the financing of the investment plan.

Tariff Process

The process of negotiations of Aguas Andinas S.A.'s tariffs for the 2005-2010 period commenced during the last quarter of 2003. As of this date, the following stages have been completed:

- Delivery by the Superintendency of Sanitation Services (SISS) on January 29, 2004 of the Conditions.
- Studies prepared by Aguas Andinas S.A. and the Superintendency of Sanitation Services were exchanged on October 1, 2004.
- On October 30, 2004 Aguas Andinas S.A. submitted its discrepancies with the study on tariffs to the Superintendency of Sanitation Services.
- After the expiry of the period for an agreement directly between the parties, on November 22, 2004 the Superintendency of Sanitation Services called in a commission of experts. This commission met for the first time on December 1, 2004.
- On January 17, 2005 the commission of experts delivered its final and unappealable report that resolved 126 discrepancies that exist between the parties.

2. Balance sheet

The principal assets and liabilities as at December 31, 2004 and 2003 are the following:

ASSETS	2004 MCh\$	2003 MCh\$	Variation %
Current assets	62,376	35,821	74.13
Fixed assets	503,556	504,719	(0.23)
Other assets	159,655	161,221	(0.97)
TOTAL ASSETS	725,587	701,761	

Current assets increased by Ch\$ 26,555 million in relation to the previous period explained to a large extent by the increase of Ch\$ 31,786 million in time deposits, compensated by reductions of Ch\$ 3,228 million in other current assets and Ch\$2,624 million in trade debtors, amongst others.

The Company's fixed assets show an increase of 2.0% or Ch\$ 19,483 million in gross terms in relation to last year, from Ch\$ 959,336 million to Ch\$ 978,819 million. The most important increases are reflected in Buildings and Infrastructure Works of Ch\$ 10,214 million and in Machinery and Equipment of Ch\$ 5,613 million due to the investments made in operating assets. Furthermore, land and other fixed assets increased by Ch\$ 3,656 million compared to December 2003.

Depreciation as at December 2004 amounted to Ch\$ 28,661 million, a rise of 21.8% on the 2003 figure of Ch\$ 23,525 million. This increase is principally due

to the fact that this year the Farfana Treatment Plant is in operation (it only operated during the last quarter in 2003). Furthermore, and due to the works that have come on stream during the year, accumulated depreciation has increased by Ch\$ 20,646 million (4.5% over last year).

When considering all the above effects, in net terms, fixed assets fell by Ch\$ 1,163 million compared to December 2003.

There is a slight reduction of Ch\$ 1,566 million in other assets, explained by a reduction of Ch\$ 3,831 million in positive goodwill and Ch\$ 1,892 million in others, compensated by a rise of Ch\$ 3,542 million in investments in related companies.

RATIO ANALYSIS AGUAS ANDINAS S.A.

As of december 31, 2004 and 2003

LIABILITIES	2004	2003	Variation
	MCh\$	MCh\$	%
Current liabilities	70,394	53,558	31.44
Long-term liabilities	275,981	289,815	(4.77)
Shareholders' Equity	379,212	358,388	5.81
TOTAL LIABILITIES	725,587	701,761	

Current assets increased by Ch\$ 16,836 million. The principal increases during the period correspond to bonds with an increase of Ch\$ 28,859 million (transfer of installment from long term) and accounts payable of Ch\$ 2,428 million. This increase was compensated by reductions in notes and accounts payable to related companies of Ch\$ 11,260 million and Provisions, Withholdings and Unearned Income of Ch\$ 2,833 million.

Long term liabilities decreased by Ch\$ 13,834 million when compared to 2003. The main variations correspond to the transfer to short term of installments payable

on bonds Series C and D for Ch\$ 29,194 million and long-term provisions of Ch\$ 1,688 million. These were compensated by an increase of Ch\$ 14,185 million in bank borrowings and Ch\$ 3,476 million in notes payable.

Shareholder's equity increased by Ch\$ 20,823 million, explained mainly to interim dividends that rose by Ch\$ 19,512 million as, during 2004, no interim dividends were paid. Furthermore, net income for the year was Ch\$ 1,353 greater than that of 2003.

RATIO ANALYSIS AGUAS ANDINAS S.A.

As of december 31, 2004 and 2003

3. Financial ratios

	Unit	2004	2003	Variation %
Liquidity				
Current ratio	(times)	0.89	0.67	32.84
Quick ratio	(times)	0.46	0.07	557.14
Debt				
Debt ratio	(%)	91.34	95.81	(4.67)
Short-term debt	(%)	20.32	15.6	30.26
Long-term debt	(%)	79.68	84.4	(5.59)
Financial costs coverage	(times)	5.95	13.07	(54.48)
Activity				
Rotation of inventory	(times)	86.18	40.07	115.07
Permanence of inventory	(days)	4.18	8.98	(53.45)
Return				
Return on equity (average)	(%)	16.95	14.29	18.61
Return on assets (average)	(%)	8.76	8.76	0.00
Income per share	(Ch\$)	10.21	9.99	2.20
Return on dividends	(%)	4.00	5.00	(20.00)
Return on operating assets (average)	(%)	13.31	13.12	1.45

The Company's liquidity rose by 32.84% due to the noticeable increase in current assets, principally in financial investments.

Debt decreased by 4.67%, as the shareholders' equity increased in a greater proportion than the liabilities.

In order to calculate the return on operating assets we have divided the operating result by the sum of fixed assets (average) and net intangible assets (average).

This reflected an increase of 1.45% in the ratio as a consequence of the decrease in operating assets and the increase in net income for the year increased in 2004.

The return on equity (average) shows an increase of 18.61% principally as a consequence of the increase in equity due to the fact that no interim dividends were paid during 2004.

4. Analysis of the statement of income

The principal items on the Statement of Income as at December 31, 2004 and 2003 are the following:

	2004 MCh\$	2003 MCh\$	Variation %
Sales	158,871	145,906	8.89
Cost of sales	(66,289)	(49,862)	(32.94)
Administrative & selling expenses	(23,539)	(31,072)	24.24
Operating result	69,043	64,972	6.27
Non operating result	4,058	8,196	(50.49)
EBITDA	116,918	103,150	13.35
Financial costs	(14,756)	(6,063)	143.38
NET INCOME FOR THE YEAR	62,503	61,151	

Aguas Andinas S.A.'s net income as at December 31, 2004 amounted to Ch\$ 62,503 million, which reflects an increase of 2.2% with respect to 2003. This increase is mainly due to an increase of 6.3% in the operating result that compensated for the decrease of 50.5% in the non-operating result.

The Company's operating result increased by 6.3% or Ch\$ 4,071 million with respect to 2003. This increase is mainly due to the effect of a full year of operations of the La Farfana Plant that came on stream in September 2003, the indexation of tariffs during the period and the increase in the figures produced by the business of the non-sanitation subsidiaries.

The negative non-operating result increased by 50.5% in comparison with last year due principally to the increase of Ch\$ 8,693 million in financial costs in connection with the financing of the investment plan.

5. Differences between book value and market value of the principal assets

Fixed assets are shown valued in accordance with generally accepted accounting practice and instructions issued by the Superintendency of Securities and Insurance. Thus, we estimate that there should not be any significant differences between the financial or market value and the book value of the assets, bearing in mind, furthermore, the matters in Note 2 j) of the financial statements as at December 31, 2004.

Notwithstanding the above, Aguas Andinas S.A. has seventy-five plots of land recorded on its books. These were transferred free of charge by the Chilean State and they are recorded at a value of Ch\$ 1 each. There are also fixed assets with an expired accounting useful life. For this reason, they are carried at Ch\$ 1 even though they are still in operation.

Furthermore, there are transfers that constitute contributions from third parties and these are governed under Decree Law No 70 of 1988 of the Ministry of Public Works and by the provisions of Article No 36 of D.S. MINECON Regulation No 453 of 1989. These are explained in Note 28.

The Company has water rights to various natural sources, including Laguna Negra, Laguna Lo Encañado and Quebrada de Ramón which were acquired gratuitously and have no value on the books.

In addition, the production of flows of an underground origin is supplied from various wells located in the Metropolitan Region for which Aguas Andinas S.A. has the water rights concessions granted to it gratuitously by the Water Department of the Ministry of Public Works.

To summarize, and as indicated previously, Aguas Andinas S.A. has no significant differences between the financial or market values and the book values of its fixed assets with the exception of those mentioned in previous paragraphs. The principal assets of the Company correspond to sanitation infrastructure works that have an exclusive activity and are recorded in accordance with Generally Accepted Accounting Practices in Chile.

RATIO ANALYSIS AGUAS ANDINAS S.A.

As of december 31, 2004 and 2003

6. Analysis of the market

The Company is not subject to variations in its market as, due to the nature of its services and the current legal norms, there is no competition in its concession zone.

Aguas Andinas S.A. currently holds 100% coverage of drinking water supply, 99.9% of sewage services and over 70% of sewage treatment.

7. Analysis of the statements of cash flows

Estado de flujo de efectivo	2004 ThCh\$	2003 ThCh\$	Variation %
Operating activities	85,618	103,269	(17.09)
Financing activities	(19,918)	(46,212)	56.90
Investment activities	(36,294)	(99,156)	63.40
Net cash flow for the period	29,406	(42,099)	169.85
Closing balance of cash and cash equivalents	32,522	3,583	

As at December, 2004 there is a decrease in the operating cash flows of Ch\$ 17,651 million compared to 2003 due to the increases in: payments to suppliers and personnel of Ch\$16,771 million, VAT tax payments of Ch\$ 15,193 million, interest paid of Ch\$ 7,286 million and income tax of Ch\$ 2.257, compensated by an increase of Ch\$ 24,282 million in the collection from trade debtors.

The cash flows from financing activities increased by Ch\$ 26, 294 million due to the fact that in the previous period there was a capital reduction of Ch\$ 143,500

million and an increase of Ch\$ 15,883 million in dividend payments and a reduction in liabilities in 2004, namely, in the securing of loans for Ch\$ 40,481 million and in bonds payable for Ch\$ 98,778 million. On the other hand, other sources of financing grew by Ch\$ 4,758 million with respect to 2003.

Cash flows from investments rose by Ch\$ 62,863 million in comparison with the previous period. During 2003 the construction of the La Farfana Treatment Plant was concluded and therefore the acquisitions of fixed assets in 2004 fell by Ch\$ 58,874 million.

8. Analysis of the market risk

Our Company enjoys a favorable situation with respect to risk due to the particular characteristics of the sanitation sector together with a pro-active policy on risk control.

Operational Aspects

Regulatory framework. Our Company operates within stable regulations that allow us to carry out our activities and operations with a long-term perspective. Furthermore, these regulations contemplate the setting of tariffs for our services for periods of 5 years. The current tariffs are governed by the MINECON No 76 Law and will be in force until March 1, 2005.

Clients

We currently attend 1,289,413 clients resident in our area under concession and who have Aguas Andinas S.A. as their principal supplier.

Climatic conditions

Our important reserves of water, such as the El Yeso Reservoir, Laguna Negra and Lo Encañado, in addition to the contingency plans we have drawn up, allow us to reduce the possible negative impact generated by adverse climatic conditions for our operations.

Financial aspects

Exchange rate risk: Our revenues are linked to a large extent to the evolution of the local currency. For this reason, our debt is taken principally in the same currency and we do not have significant debts in foreign currency.

Interest rate risk

With regard to the interest rate risk, in Aguas Andinas S.A., we maintain 77% of our debt at fixed rates, (74% in medium to long-term bonds and 3% in reimbursable financial contributions). The remaining 23% is at a variable rate and corresponds to credits from local banks as at December 31, 2004, whereas as at December 31, 2003, 81% of our debt was at a fixed rate; (79% was in bonds at a medium to long term and 2% in reimbursable financial contributions). On the other hand, the remaining 19% of the debts was at a variable rate and corresponded to borrowings from local banks.

The Company has a policy of monitoring and controlling the interest rate with the object of optimizing financial costs. Thus, it is permanently evaluating hedging instruments available on the financial market.

This entire favorable situation has meant that the risk rating agencies have assigned us an AA+ rating on our long-term debt. In the case of our shares, Feller Rate has assigned us a rating of First Class Level 3, whilst Humphreys rated us with a First Class Level 2.



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summarized financial statements

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

AGUAS CORDILLERA S.A. AND SUBSIDIARIES

General information

Name:	Aguas Cordillera S.A.
Type of entity:	Corporation governed by the regulations on publicly traded companies in accordance with the provisions of Article No 8 of Decree Law Ministry of Public Works No 382 of 1988
Address:	Av. Presidente Balmaceda N° 1398, Santiago
Telephone:	(56 2) 496 25 01
Fax:	(56 2) 494 25 09
Postal address:	1818 Santiago – Centro
Tax I.D. No:	80.311.300-9
External Auditors:	Deloitte & Touche Sociedad de Auditores Consultores Ltda.
Registration in Securities Register:	N° 0369
Subscribed and paid-in capital:	Ch\$ 37,659,464,058

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Objective

The Company’s objective is to establish, construct and operate the public services of producing and distributing drinking water, the collection and disposal of sewage and other services related to these activities performed in the zone under concession comprising Vitacura, Las Condes and Lo Barnechea in Santiago.

Documents of Incorporation

The Company was incorporated as a publicly traded company with the name Empresa de Agua Potable Lo Castillo S.A. by public deed on September 20, 1989, before Santiago Notary Public Raúl Undurraga. An extract of this was registered on Page 25,604, N° 12,970 of the Business Register of 1989, rectified with registrations on Pages 29,359, N° 15,866 and 30,720, N° 16,574, both of the Business Register of Santiago of 1989 and published in the Official Gazette on September 30, 1989, respectively. In May, 1997 the name of the company was changed from Empresa de Agua Potable Lo Castillo S.A. to its current name Aguas Cordillera S.A.

Board of Directors

Chairman	Felipe Larrain	(General Manager Aguas Andinas S.A.)
Directors	Joaquín Villarino	(Senior executive Aguas Andinas S.A.)
	José Luis Murillo	(Senior executive Aguas Andinas S.A.)
	Luis Manuel Rodríguez	
	Igor Garafulic	
General Manager	Víctor de la Barra	(Senior executive Aguas Andinas S.A.)

Other managers and senior executives

Alberto Sola, Marcelino Garay, Mario Rodríguez, Antonia Blanco, Carolina Zárate and Alfonso Silva.

Percentage held by Parent Co.

99.99999%

Percentage of Parent Company’s Assets represented by Investment

The investment in the Company represents 7.31% of the Parent’s assets.

Business relationship with Parent

During the year ended December 31, 2004, the Company had with its Parent Company a contract for sewage interconnection, rental contracts and a contract for the interconnection of drinking water and sewage and sale of materials. A similar business relationship is expected in the future.

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Aguas Cordillera S.A. and Subsidiaries

Consolidated Balance Sheet

	2004	2003
	ThCh\$	ThCh\$
ASSETS		
Current Assets	14,089,777	12,803,587
Net Fixed Assets	61,437,748	60,673,515
Other Assets	18,078,060	18,879,616
Total assets	93,605,585	92,356,718

LIABILITIES

Current Liabilities	15,404,596	11,574,568
Long Term Liabilities	25,182,631	30,080,731
Minority Interest	12,626	7,711
Total Shareholders' Equity	53,005,732	50,693,708
Total liabilities	93,605,585	92,356,718

STATEMENT OF INCOME

Sales	30,325,027	26,951,315
Cost of sales	(18,039,069)	(17,002,690)
Operating income	12,285,958	9,948,625
Non operating income	787,281	708,949
Income tax	(2,118,843)	(2,025,061)
Minority Interest	(4,985)	(3,479)
Goodwill	65	65
Net income for the year	10,949,476	8,629,099

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

STATEMENT OF CASH FLOWS

	2004 ThCh\$	2003 ThCh\$
Net cash flow from Operating Activities	14,589,259	12,601,778
Net cash flow from Financing Activities	(9,311,391)	(9,610,295)
Net cash flow from Investment Activities	(2,742,869)	(4,275,604)
Net cash flow for the year	2,534,999	(1,284,121)
Effect of Inflation on Cash	(128,517)	(64,680)
Net change in cash	2,406,482	(1,348,801)
Opening balance of cash	3,749,655	5,098,456
Closing balance of cash	6,156,137	3,749,655

RECONCILIATION OF NET RESULT FOR THE YEAR WITH OPERATING CASH FLOW

Net income for the year	10,949,476	8,629,099
(Gain) loss on sale of assets	1,378	(144)
Charges (credits) to income not representing cash flows	3,830,373	3,674,092
Changes in assets affecting operating cash flows	3,289,324	(1,259,648)
Changes in liabilities affecting operating cash flows	(3,486,276)	1,554,900
Gain (loss) from Minority Interest	4,984	3,479

NET CASH FLOW

14,589,259	12,601,778
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SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

AGUAS MANQUEHUE S.A.

General information

Name:	Aguas Manquehue S.A.
Type of entity:	Corporation governed by the regulations on publicly traded companies in accordance with the provisions of Article No 8 of Decree Law Ministry of Public Works No 382 of 1988
Address:	Avda. Presidente Balmaceda N° 1398, Santiago
Telephone:	(56-2) 496 25 01
Fax:	(56-2) 496 25 09
Tax I.D. No:	89.221.000-4
External Auditors:	Deloitte & Touche Sociedad de Auditores y Consultores Ltda.
Registration in Securities Register:	No 0402
Subscribed and paid-in capital:	Ch\$ 7,286,188,106

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Objective

The Company's objective is to establish, construct and operate the public services of production and distribution of drinking water, the collection and disposal of sewage and other services related to those activities performed in the concession zone comprised of Vitacura, Las Condes, Lo Barnechea, Colina and Lampa.

Documents of Incorporation

The Company was incorporated as Empresa de Agua Potable Manquehue Ltda., with public deed dated November 25, 1982 before Santiago Notary Public Raúl Perry.

By public deed, the Company was reestablished on April 8, 1983 before Santiago Notary Public Mario Farren. An extract of this was registered in the Business Register of the Property Register of Santiago on Page 5850 No 3212 of 1983 and was published in the Official Gazette of April 26, 1983.

Subsequently, and in accordance with Decree Law No 382 of December 30, 1988 the shareholders agreed to convert the Company into a publicly traded company with the name Empresa de Agua Potable Manquehue S.A., under public deed dated January 16, 1990.

In public deed dated June 23, 1998, the Company's name was changed to Aguas Manquehue S.A.

Board of Directors

Chairman	Felipe Larrain	(General Manager Aguas Andinas S.A.)
Directors	Joaquín Villarino	(Senior executive Aguas Andinas S.A.)
	Carlos Alberto Rabat	
	Luis Manuel Rodríguez	
	Igor Garafulic	
General Manager	Víctor de la Barra	(Senior executive Aguas Andinas S.A.)

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Aguas Manquehue S.A.

Balance Sheet

	2004	2003
	ThCh\$	ThCh\$
ASSETS		
Current Assets	2,035,692	2,650,121
Net Fixed Assets	8,214,787	7,968,730
Other Assets	5,436,124	5,886,465
Total Assets	15,686,603	16,505,316

LIABILITIES

Current Liabilities	2,101,398	2,440,409
Long Term Liabilities	2,329,505	3,198,860
Total Shareholders' Equity	11,255,700	10,866,047
Total Liabilities	15,686,603	16,505,316

STATEMENT OF INCOME

Sales	3,194,922	2,976,242
Cost of sales	(2,057,448)	(1,789,471)
Operating income	1,137,474	1,186,771
Non operating income	843,688	407,425
Income tax	(318,710)	(322,638)
Net income for the year	1,662,452	1,271,558

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

STATEMENT OF CASH FLOWS

Net cash flow from Operating Activities
Net cash flow from Financing Activities
Net cash flow from Investment Activities
Net cash flow for the year
Effect of Inflation on Cash
Net change in cash
Opening balance of cash
Closing balance of cash

RECONCILIATION OF NET RESULT FOR THE YEAR WITH OPERATING CASH FLOW

Net income for the year
(Gain) loss on sale of assets
Charges (credits) to income not representing cash flows
Changes in assets affecting operating cash flows
Changes in liabilities affecting operating cash flows

NET CASH FLOW

	2004 ThCh\$	2003 ThCh\$
Net cash flow from Operating Activities	1,816,440	2,192,127
Net cash flow from Financing Activities	(1,688,030)	(816,980)
Net cash flow from Investment Activities	(613,794)	(931,179)
Net cash flow for the year	(485,384)	443,968
Effect of Inflation on Cash	(30,452)	(1,344)
Net change in cash	(515,836)	442,624
Opening balance of cash	517,072	74,448
Closing balance of cash	1,236	517,072
Net income for the year	1,662,452	1,271,558
(Gain) loss on sale of assets	(2,363)	(3,998)
Charges (credits) to income not representing cash flows	523,357	658,948
Changes in assets affecting operating cash flows	(134,180)	171,784
Changes in liabilities affecting operating cash flows	(232,826)	93,835
NET CASH FLOW	1,816,440	2,192,127

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

ANÁLISIS AMBIENTALES S.A.

General information

Name:	Análisis Ambientales S.A.
Type of entity:	Non-public corporation governed by its articles of incorporation and applicable legislation.
Address:	Avda. Camilo Henríquez No 540 Puente Alto
Telephone:	(56-2) 496 32 71
Fax:	(56-2) 496 32 79
Tax I.D. No:	96.967.550-1
External Auditors:	Deloitte & Touche Sociedad de Auditores y Consultores Ltda.
Subscribed and paid-in capital:	Ch\$ 212,147,761

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Objective

The Company's objective is to perform all types of physical, chemical and biological analyses of water, air and solids, including soil, sludge and residues, as well as other elements that are directly or indirectly related to the environment.

Documents of Incorporation

Análisis Ambientales S. A. was incorporated in public deed on August 20, 2001 before Notary Public Ivan Torrealba and an extract of this was published in the Official Gazette on September 20, 2001. Its trade name is ANAM S.A.

Directors

Felipe Larrain	(General Manager Aguas Andinas S.A.)
Joaquín Villarino	(Senior executive Aguas Andinas S.A.)
José Luis Murillo	(Senior executive Aguas Andinas S.A.)

General Manager

Claudio Mujica

Percentage share held Parent Co.

99.00%

Percentage of Parent Company's Assets represented by Investment

The investment in the Company represents 0.10% of the Parent's assets.

Business relationship with Parent

During the year ended December 31, 2004, the Company had contracts for laboratory services and rental with its Parent Company. A similar business relationship is expected in the future.

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Análisis Ambientales S.A.

Balance Sheet

2004	2003
ThCh\$	ThCh\$

ASSETS

Current Assets	502,002	278,596
Net Fixed Assets	417,066	369,125
Other Assets	-	-
Total Assets	919,068	647,721

LIABILITIES

Current Liabilities	161,589	218,247
Long Term Liabilities	-	-
Total Shareholders' Equity	757,479	429,474
Total Liabilities	919,068	647,721

STATEMENT OF INCOME

Sales	1,273,061	1,040,911
Cost of sales	(865,848)	(744,235)
Operating income	407,213	296,676
Non operating income	(9,999)	(9,526)
Income tax	(69,209)	(48,278)
Net income for the year	328,005	238,872

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

	2004 ThCh\$	2003 ThCh\$
STATEMENT OF CASH FLOWS		
Net cash flow from Operating Activities	281,904	281,833
Net cash flow from Financing Activities	(384)	(249,894)
Net cash flow from Investment Activities	(76,148)	(60,786)
Net cash flow for the year	205,372	(28,847)
Effect of Inflation on Cash	(1,120)	(397)
Net change in cash	204,252	(29,244)
Opening balance of cash	4,123	33,367
Closing balance of cash	208,375	4,123
RECONCILIATION OF NET RESULT FOR THE YEAR WITH OPERATING CASH FLOW		
Net income for the year	328,005	238,872
(Gain) loss on sale of assets	4,068	(2)
Charges (credits) to income not representing cash flows	119,686	83,948
Changes in assets affecting operating cash flows	(21,763)	47,524
Changes in liabilities affecting operating cash flows	(148,092)	(88,509)
NET CASH FLOW	281,904	281,833

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

ECORILES S.A.

GENERAL INFORMATION

Name:	Ecoriles S.A.
Type of entity:	Non-public corporation governed by its articles of incorporation and applicable legislation.
Address:	Av. Presidente Balmaceda No 1398 - Santiago
Telephone:	(56-2) 496 22 29
Fax:	(56-2) 496 22 44
Tax I.D. No:	96.945.210-3
External Auditors:	Deloitte & Touche Sociedad de Auditores y Consultores Ltda.
Subscribed and paid-in capital:	Ch\$ 269,806,130

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Objective

The Company's objective is the treatment of liquid residues and all the activities related to the treatment of sewage and wastewater through technical consultancy and training, design, construction, sale of equipment, maintenance and the operation of all types of installations.

Documents of Incorporation

Ecoriles S. A., was incorporated in public deed on December, 2000 before Notary Public Juan Ricardo San Martin and an extract of this was published in the Official Gazette on January 16, 2001.

Directors

Felipe Larrain	(General Manager Aguas Andinas S.A.)
Joaquín Villarino	(Senior executive Aguas Andinas S.A.)
José Luis Murillo	(Senior executive Aguas Andinas S.A.)

General Manager

Lionel Quezada

Percentage share held Parent Co.

99.03846%

Percentage of Parent Company's Assets represented by Investment

The investment in the Company represents 0.13% of the Parent's assets.

Business relationship with Parent

During the year ended December 31, 2004, the Company had contracts for the treatment of excess cargoand on rental of property. A similar business relationship is expected in the future.

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Ecoriles S.A.

Balance Sheet

	2004	2003
	ThCh\$	ThCh\$
ASSETS		
Current Assets	841,459	645,844
Net Fixed Assets	414,618	407,908
Other Assets	7,575	4,295
Total Assets	1,263,652	1,058,047

LIABILITIES

Current Liabilities	327,046	626,429
Long Term Liabilities	-	-
Total Shareholders' Equity	936,606	431,618
Total Liabilities	1,263,652	1,058,047

STATEMENT OF INCOME

Sales	2,391,602	1,309,909
Cost of sales	(1,783,773)	(1,031,008)
Operating income	607,829	278,901
Non operating income	1,881	(9,027)
Income tax	(104,722)	(43,657)
Net income for the year	504,988	226,217

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

STATEMENT OF CASH FLOWS

Net cash flow from Operating Activities
 Net cash flow from Financing Activities
 Net cash flow from Investment Activities
 Net cash flow for the year
 Effect of Inflation on Cash
 Net change in cash
 Opening balance of cash
 Closing balance of cash

RECONCILIATION OF NET RESULT FOR THE YEAR WITH OPERATING CASH FLOW

Net income for the year
 Charges (credits) to income not representing cash flows
 Changes in assets affecting operating cash flows
 Changes in liabilities affecting operating cash flows

NET CASH FLOW

	2004 ThCh\$	2003 ThCh\$
Net cash flow from Operating Activities	425,573	115,042
Net cash flow from Financing Activities	(262,510)	209,169
Net cash flow from Investment Activities	(8,890)	(327,450)
Net cash flow for the year	154,173	(3,239)
Effect of Inflation on Cash	(690)	(80)
Net change in cash	153,483	(3,319)
Opening balance of cash	716	4,035
Closing balance of cash	154,199	716
Net income for the year	504,988	226,217
Charges (credits) to income not representing cash flows	74,464	36,122
Changes in assets affecting operating cash flows	(89,420)	(568,796)
Changes in liabilities affecting operating cash flows	(64,459)	421,499
NET CASH FLOW	425,573	115,042

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

COMERCIAL ORBI II S.A. AND SUBSIDIARIES

GENERAL INFORMATION

Name:	Comercial Orbi II S.A.
Type of entity:	Non-public corporation governed by the provisions of Corporation Law No 18,046.
Address:	Avda. Presidente Balmaceda N° 1398, Santiago
Telephone	:(56-2) 496 20 01
Fax:	(56-2) 496 20 09
Tax I.D. No:	96.809.310-K
External Auditors:	Deloitte & Touche Sociedad de Auditores y Consultores Ltda.
Subscribed and paid-in capital:	Ch\$ 2,470,746,226

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Objective

The Company's objective is to make investments in all types of securities and real estate, be they tangible or intangible, including the acquisition of shares in traded companies, rights in partnerships, debentures, bonds, commercial paper and all kinds of marketable securities in investment papers and the management of these investments and their profits; to participate as an investor or advisor in all types of projects and their development be they the company's property or the property of third parties or in partnership with third parties.

Documents of Incorporation

The Company was incorporated in public deed dated April 22, 1996 before Notary Public René Benavente by means of a division of Comercial ORBI S.A. as agreed at an Extraordinary Meeting of its Shareholders.

Board of Directors

Directors	Joaquín Villarino	(Senior executive Aguas Andinas S.A.)
	Felipe Larrain	(General Manager Aguas Andinas S.A.)
	José Luis Murillo	(Senior executive Aguas Andinas S.A.)
	Víctor de la Barra	(Senior executive Aguas Andinas S.A.)
	Camilo Larrain	(Senior executive Aguas Andinas S.A.)
	Carlos Alberto Rabat	
	Luis Manuel Rodríguez	
	Igor Garafulic	

General Manager

Felipe Larrain	(General Manager Aguas Andinas S.A.)
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Percentage held by Parent Co.

99.90%

Percentage of Parent Company's Assets represented by Investment

The investment in the Company represents 1.55%

Business relationship with Parent

During the year ended December 31, 2004, the Company, through its subsidiary, Aguas Manquehue S.A., had a contract with its Parent Company for meter reading and the distribution of bills. and also a rental contract A similar business relationship is expected in the future.

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

Comercial Orbi II S.A. and subsidiaries

Consolidated Balance Sheet

	2004 ThCh\$	2003 ThCh\$
ASSETS		
Current Assets	1,156,335	1,521,692
Net Fixed Assets	9,100,878	8,908,721
Other Assets	5,447,893	5,886,996
Total Assets	15,705,106	16,317,409
LIABILITIES		
Current Liabilities	2,128,376	2,277,393
Long Term Liabilities	2,340,165	3,198,860
Minority Interest	2,732	2,755
Total Shareholders' Equity	11,233,833	10,838,401
Total Liabilities	15,705,106	16,317,409
STATEMENT OF INCOME		
Sales	3,194,922	2,976,242
Cost of sales	(2,016,244)	(1,754,407)
Operating income	1,178,678	1,221,835
Non operating income	805,083	369,731
Income tax	(320,248)	(324,777)
Minority Interest	23	79
Net income for the year	1,663,536	1,266,868

SUMMARIZED FINANCIAL STATEMENTS

As of december 31, 2004 and 2003

STATEMENT OF CASH FLOWS

Net cash flow from Operating Activities
Net cash flow from Financing Activities
Net cash flow from Investment Activities
Net cash flow for the year
Effect of Inflation on Cash
Net change in cash
Opening balance of cash
Closing balance of cash

2004	2003
ThCh\$	ThCh\$
2,095,796	2,182,992
(1,960,640)	(815,081)
(611,760)	(931,179)
(476,604)	436,732
(30,780)	(1,591)
(507,384)	435,141
524,362	89,221
16,978	524,362

RECONCILIATION OF NET RESULT FOR THE YEAR WITH OPERATING CASH FLOW

Net income for the year
(Gain) loss on sale of assets
Charges (credits) to income not representing cash flows
Changes in assets affecting operating cash flows
Changes in liabilities affecting operating cash flows
Gain (loss) from Minority Interest

1,663,536	1,266,868
(2,363)	(3,998)
576,068	725,258
24,771	17,519
(166,193)	177,424
(23)	(79)

NET CASH FLOW

2,095,796	2,182,992
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NOTE: The complete financial statements of subsidiaries are publicly available in the offices of the reporting entity and the S.V.S. (Supertendency of Securities and Insurance).

DIRECCION Y EDICION
Comité Memoria Aguas Andinas

DISEÑO Y PRODUCCION
FutureBrand

FOTOGRAFIA
Gerardo Alvarez Elfert
Banco de Fotos Aguas Andinas

IMPRESION
Fyrma Gráfica