



Aguas Andinas

ANNUAL REPORT 2008



AGUAS
andinas®



The background features a grey field with a pattern of circles of varying sizes. A horizontal band of bright blue is positioned in the middle, and a thinner, darker blue band is located just below it. The text is placed within these blue bands.

Aguas Andinas

ANNUAL REPORT 2008



Give a full life

We have a firm commitment with people and society in general: to deliver water with quality and continuity.

In the same way, we assumed a mission that motivates us to achieve a better quality of life for our clients.

We dream of achieving a cleaner environment for today's inhabitants and tomorrow's generations.

Because we deliver water, we deliver life.



Aguas Andinas



Our Company

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OUR COMPANY

CHAPTER 01





Highlights

Financial summary ⁽¹⁾

AS OF DECEMBER 31	2004	2005	2006	2007	2008
Water revenues	118,823	121,919	125,655	126,200	135,177
Sewage revenues	90,700	106,712	114,940	115,469	128,307
Other regulated businesses revenues	8,855	10,824	10,954	8,720	15,428
Other non-regulated businesses revenues	15,051	17,415	19,962	25,952	26,622
Total revenues	233,428	256,870	271,512	276,340	305,534
Operating income	103,454	121,207	132,010	132,111	148,076
Net earnings for the period	77,343	90,690	98,973	105,697	109,120
Total assets	950,114	924,617	901,051	913,488	1,129,733
Current liabilities	106,070	217,056	107,398	84,551	118,774
Long-term liabilities	374,797	251,340	336,328	357,585	503,430
Minority interest	3	4	12	13	31,647
Shareholders' equity	469,246	456,215	457,312	471,339	475,882

Operations ⁽²⁾

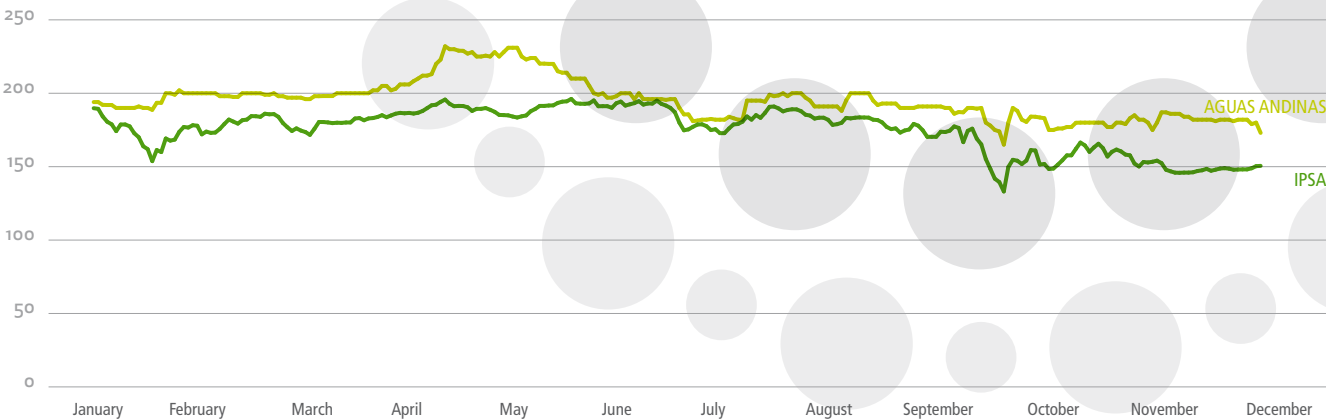
AS OF DECEMBER 31	2004	2005	2006	2007	2008
Water clients	1,467,114	1,502,634	1,550,008	1,597,537	1,828,328
Sewage clients	1,437,806	1,474,391	1,520,662	1,569,392	1,784,324
Water invoiced (millions of m ³)	460.2	463.1	477.4	479.3	492.3
Sewage collection invoiced (millions of m ³)	457.4	460.3	471.3	471.9	481.4
Sewage treatment and disposal (millions of m ³)	396.9	399.9	407.3	407.0	416.9
Sewerage interconnections invoiced (millions of m ³)	108.6	109.8	112.4	114.1	113.7
Water coverage	100.00%	100.00%	100.00%	100.00%	100.00%
Sewage collection coverage	98.30%	98.30%	98.41%	97.78%	⁽²⁾
Sewage treatment coverage	67.10%	69.10%	72.02%	73.99%	⁽²⁾
Total employees	1,450	1,397	1,440	1,480	1,821

⁽¹⁾ Figures in millions of Chilean Pesos as of December 2008. Includes ESSAL figures as of July 2008.

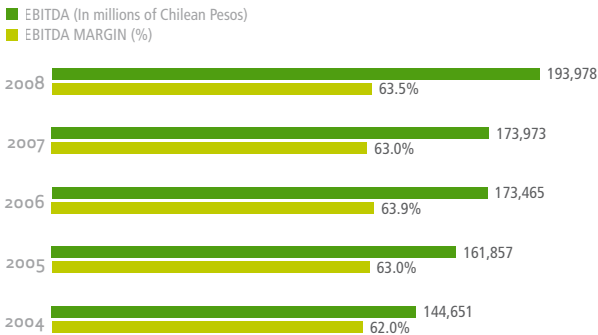
⁽²⁾ Data will be published by the Superintendence of Sanitation Services during the year 2009.



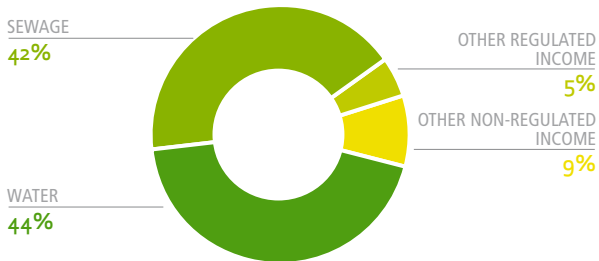
Stock market performance⁽¹⁾



EBITDA – EBITDA Margin⁽²⁾



Distribution of income



⁽¹⁾ Source: Santiago Stock Exchange; Basis IPSA: Ch\$ 193.33 as of December 28, 2007.

⁽²⁾ Ebitda = Earnings before Interest, Tax, Depreciation and Amortization of Intangibles.

HISTORY

1861

Empresa de Agua Potable de Santiago was founded.

1865

Constructed the first reservoirs for storing water.

1909

Installation of 1,112 domestic connections and the first fire hydrants in Santiago.

1917

Inauguration of the Laguna Negra Aqueduct, which transports water from the mountains through its 87-kilometer extension.

1977

Change of name: the Company now becomes Empresa Metropolitana de Obras Sanitarias (EMOS).

1984

Inauguration of the Ingeniero Antonio Tagle Potable Water Production Plant.

1993

The West Santiago Sewage Treatment Plant comes on stream.

1997

Inauguration of the Corporate Building located in the Parque de los Reyes in the municipal commune of Santiago.



1894

Initiation of the construction of drains in Vitacura and of a 20-thousand cubic meter tank on Calle Antonio Varas.

1903

The Sewerage and Paving of Santiago Law was enacted, boosting the construction of mains for potable water and sewerage in the city.

1946

The Las Vizcachas Plant comes into operation with the purpose of producing potable water for Santiago.

1967

The El Yeso reservoir starts functioning.

1969

The Las Vizcachitas Plant together with the Paralelo Aqueduct come into operation.

1989

EMOS was transformed into a corporation, subsidiary of Corporación de Fomento de la Producción (CORFO), the Chilean State Development Corporation.

1990

Initiation of the first water treatment projects in the region: Zanjón Collector - Interceptor and the piping of the A-H Canal.

1999

Process of privatization of the Company: 51.2% of its ownership was acquired by Inversiones Aguas Metropolitanas Ltda., owned by the Agbar Group (50%) and Suez (50%). The La Florida Potable Water Plant was inaugurated.

2000

Initiation of the construction of the El Trebal Sewage Treatment Plant. Acquisition of 100% of Aguas Cordillera and 50% of Aguas Manquehue. Initiation of the Vita Plan that sought a service of excellence and to improve the efficiency and quality of the product.

One step forward

<p>2001</p> <p>Change of name: The Company became Aguas Andinas S.A. The El Trebal Sewage Treatment Plant came into operation and the construction of La Farfana began. Subsidiaries Anam and EcoRiles were established. Aguas Maipo S.A. changed its name to Gestión y Servicios S.A.</p>	<p>2003</p> <p>The La Farfana Sewage Treatment Plant, the largest of its type in Latin America, commenced operations. Received the ISO 9000 certification for customer service.</p>	<p>2005</p> <p>Received the OHSAS certification in occupational health and safety. The Sewage Treatment Plants at Talagante and Curacavi commenced their start-up stage.</p>	<p>2007</p> <p>Initiation of the construction works on the Clean Urban Mapocho Project. The ISO 9,000, ISO 14,000 and OHSAS 18,000 certifications were renewed, becoming the first sanitation company in the country to receive, jointly, all three certifications on its treatment installations. A further step in the corporate simplification of the Group: the merger of Comercial Orbi II S.A. and Aguas Cordillera S.A. The subsidiary, Gestión y Servicios S.A. initiated its participation in the project to supply biogas from the La Farfana Plant to Metrogas.</p>
<p>2002</p> <p>Inauguration of the most advanced Operations Control System in Latin America. We acquired the other 50% of Aguas Manquehue. Initiation of the Eureka Plan with the object of consolidating an organization network. Inauguration of the new Sewage Treatment Plants in San José de Maipo and Paine.</p>	<p>2004</p> <p>The Valdivia de Paine and El Monte Sewage Treatment Plant commenced operations in localities. The SAP platform was implemented. Received the ISO 9,001 certification on invoicing and collections.</p>	<p>2006</p> <p>The Aura Plan was initiated. This gives a new view of the Company. The ADN program commenced with the purpose of improving customer service. Inauguration of the Aguas de Ramón Nature Park in the Santiago Basin foothills. Initiation of the construction of the Sewage Treatment Plant in Melipilla. Received the ISO 9,001 certification on the process of incorporating new clients.</p>	<p>2008</p> <p>By means of the acquisition of 53.5% of its property, control of Empresa de Servicios Sanitarios de Los Lagos (ESSAL) was obtained. Merger by absorption of the subsidiaries Aguas Cordillera S.A. and Aguas Los Dominicos S.A. (the former of the latter). The Clean Urban Mapocho Project advanced by 37%. The first Virtual Commercial Branch of the Group was created.</p>

Year 2008 will be remembered for the acquisition of 53.5% of ESSAL, which will permit us to take our experience to new territories beyond the Santiago Basin, growing in the sanitation and environment industry.



Chairman's Letter



CHAIRMAN'S LETTER

CHAPTER 01 · OUR COMPANY





Commitment with a sustainable progress

As chairman of the board of Aguas Andinas, I have the honor to submit for your consideration the Annual Report and Financial Statements of the Company for the year ended December 31, 2008.

I can state with satisfaction that 2008 has been a positive year for the Company. We continued to progress along the road to growth and continuous improvement, based on a clear and defined customer orientation and conservation of the environment of the Santiago basin, a constant concern for each and every one of our personnel, transparency in relations with the authorities, close relations with the community and the generation of added value for our shareholders.

Our vision of excellence in service led us last year to promote new improvement and progress projects, particularly those directed to strengthening contact channels with customers, using modern technologies and enabling us to provide a faster and more satisfactory attention to their requirements.

In addition to the demanding quality, safety and environmental management system, which enables us to carry out a proper and rigorous integral control of our processes, we have introduced the networks integration management system that has permitted us to achieve an important reduction in fault rates in the water distribution systems. Thanks also to a permanent control of liquid waste discharges into the sewage network, we have reduced organic loads that reach

our treatment plants.

It has also been a priority in the year to advance and consolidate our ambitious Clean-Up Plan, emblem of our management, whose target is the decontamination of all the waste waters of the Santiago basin. In 2008, thanks to the effort and dedication of the whole Company, we have reached a treatment coverage of 72%, unheard of in the Chilean capital.

A fundamental part of this plan is the Clean Urban Mapocho project. In September, with the presence of President Michelle Bachelet, we officially presented this initiative to the city, a project that will decontaminate the waters of the urban section of the Mapocho river, presenting a new face to Santiago and placing it on a level with the great capitals of the world, returning riverside spaces to its residents and eliminating the bad smells along its course. This project was already 37% progressed by the end of 2008.

In addition, we started the operation of the sewage treatment plants of Melipilla and Til Til, and began the construction of the future Buin-Maipo plant whose works were 5% progressed at the year end.

Through the subsidiary Gestión y Servicios, we made reality the reutilization of the biogas produced by the La Farfana plant. With the construction of a modern installation, we began in October to provide



CHAIRMAN'S LETTER

CHAPTER 01 · OUR COMPANY

The year 2008 has been decisive in achieving one of our wildest dreams: to decontaminate the waters of the Mapocho river in its urban section, clearly contributing to the environment of the Metropolitan Region.

purified gas to the company Metrogas S.A., enabling it to meet the demand of over 35 thousand homes in Santiago.

This non-conventional renewable energy generation project is the first of its size in Chile and forms a real contribution to the diversification of the country's energy matrix.

Various initiatives of improvement and growth have had a positive effect on the financial statements, which I shall refer to below.

Total investments for the year amounted to Ch\$161,621 million. Of this, 50.2% was employed in the acquisition of 53.5% of Empresa de Servicios Sanitarios de Los Lagos, ESSAL, which added more than 181,000 new customers. 16.8% was used in water distribution and production works, 29.1% in the collection and disposal of sewage, and finally 3.9% in other non-sanitation activities and subsidiaries.

We closed the year with a net income of Ch\$109,120 million, representing a 3.2% increase over 2007. These results were the fruit of dedicated, committed and responsible work.

In order to finance the investment plan and the acquisition of ESSAL, we placed bonds on the domestic market for UF 2,500,000 at a favorable interest rate, and drew down bank loans of up to Ch\$45,000 million against a long-term loan facility.

We continued with the improvement of our corporate structure during the year with the merger of the subsidiaries Aguas Cordillera and Aguas Los Dominicos, the former absorbing the latter.

In line with our philosophy, these achievements go hand in hand with sustainable development, which implies progressing together with our employees, customers, community, shareholders and the environment. This constant concern, together with work with the communities, has been recognized by the Sociedad de Fomento Fabril (Chilean manufacturers' association) which awarded it the SOFOFA Social Responsibility 2008 prize in the Large Companies category, for our integral and permanent commitment with responsible progress.

We shall continue as a Company along this road full of great challenges: achieve our mission for improving the quality of life of our customers, and contribute to care for the environment in the Santiago basin.



Alfredo Noman

Chairman of the Board



3



4



6



7



BOARD OF DIRECTORS

Firm guidelines



Directors

- 1 • **Chairman of the Board**
Alfredo Noman
Industrial Engineer
- 2 • **Vice-Chairman**
Joaquín Villarino
Attorney
- 3 • **Director**
José Vila
Industrial Engineer
- 4 • **Director**
Arturo Vergara
Attorney
- 5 • **Director**
Mónica Singer
Business Administration
- 6 • **Director**
Jaime Arellano
Attorney
- 7 • **Director**
Rodrigo Azócar
Civil and Industrial Engineer

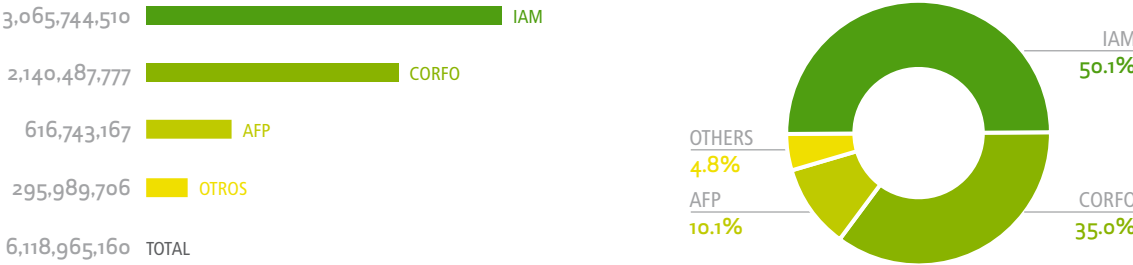
Alternate Directors

- Juan Antonio Guijarro
Economist
- Diane D'Arras
Bridges and Roads Engineer
- Marta Colet
Economist
- Antoni Siurana
Economist
- Cristina Orellana
Agro Business Administration
- Mario Castillo
Civil and Industrial Engineer
- Jorge Bande
Economist



As of December 31, 2008 the Capital of Aguas Andinas was comprised of 6,118,965,160 shares, totally subscribed and paid in, distributed over 1,535 shareholders.

Distribution by type of shareholder



Principal shareholders

SHAREHOLDER	TAX I.D. N°	SHARES	SERIES	%
Inversiones Aguas Metropolitanas S.A.	77.274.820-5	3,065,744,510	A	50.1%
Corporación de Fomento de la Producción	60.706.000-2	2,140,487,777	B	35.0%
AFP Provida S.A.	98.000.400-7	206,165,341	A	3.4%
AFP Habitat S.A.	98.000.100-8	155,032,388	A	2.5%
AFP Cuprum S.A.	98.001.000-7	135,277,034	A	2.2%
AFP Capital S.A.	98.000.000-1	99,355,385	A	1.6%
AFP Planvital S.A.	98.001.200-K	20,913,019	A	0.3%
Celfin Capital S.A. Corredores de Bolsa	84.177.300-4	16,154,633	A	0.3%
Banchile Corredores de Bolsa S.A.	96.571.220-8	11,112,124	A	0.2%
Larraín Vial S.A. Corredora de Bolsa	80.537.000-9	10,189,659	A	0.2%
Banco Itaú on behalf of shareholders	76.645.030-K	6,502,356	A	0.1%
Fondo Mutuo Security Acciones	96.639.280-0	5,876,879	A	0.1%
Others Serie A (1,485 shareholders)		243,920,513	A	4.0%
Others Serie B (38 shareholders)		2,233,542	B	0.0%
TOTAL		6,118,965,160		100.0%

Strategic partner

Sociedad General de Aguas de Barcelona, (Agbar S.A.) is the controlling and strategic partner of Aguas Andinas through its participation of 56.6% of the equity of Inversiones Aguas Metropolitanas S.A., IAM, which in turn owns 50.1% of the shares in Aguas Andinas.

Agbar is the holding company of a business conglomerate with a history of over 140 years. Comprised of some 160 companies and over 20 thousand employees, it provides services to approximately 23 million inhabitants throughout the world.

Agbar is the world leader in the integral management of the water cycle. Its permanent investment in research and the extensive experience of its workers in the operations in Spain and at an international level, have permitted it to become one of the principal suppliers in the world of know how and new technologies related to the integral water cycle activity.

Agbar contributes, as a corporate philosophy, a determined commitment to the continuous improvement in its processes, excellence in quality, technological innovation, ability to adapt to society's new demands and a solid and efficient financial management, which creates value for its customers and shareholders.



COMPANY'S OWNERSHIP

Solid foundations

CHAPTER 01 · OUR COMPANY



ORGANIZATION AND MANAGEMENT

Experience
and professionalism





1 · General Manager

Felipe Larraín
Civil Engineer

2 · Corporate Customer Service Manager

Víctor de la Barra
Civil and Industrial Engineer

3 · Corporate Legal Affairs Manager

Camilo Larraín
Attorney

4 · Corporate Investments and Logistics Manager

Joaquim Martí
Roads, Canals and Ports Engineer

5 · Corporate Operations Manager

Josep Oriol Mas
Industrial Engineer

6 · Corporate Communications and Organization Development Manager

Frances Mayne
Economist

7 · Corporate Planning and Development Manager

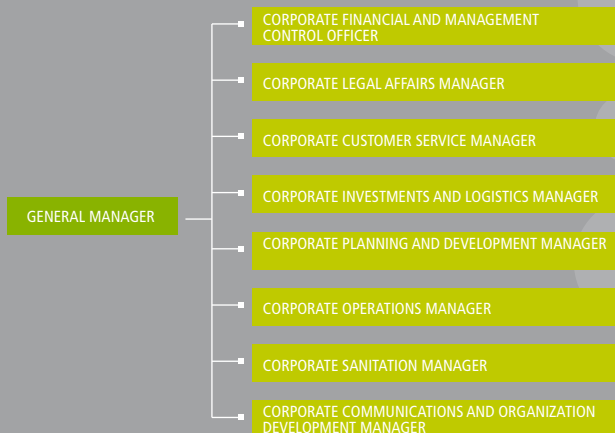
Josep María Verdejo
Computer Sciences

8 · Corporate Sanitation Manager

Salvador Villarino
Civil Engineer

9 · Corporate Financial and Management Control Officer

Iván Yarur
Civil and Industrial Engineer



To its already 70 thousand hectares under concession in the Santiago Basin, in 2008 the Aguas Group added a further 67 thousand hectares corresponding to the areas under concession to ESSAL, located in the Los Lagos and Los Ríos Regions in southern Chile.

Map of Coverage

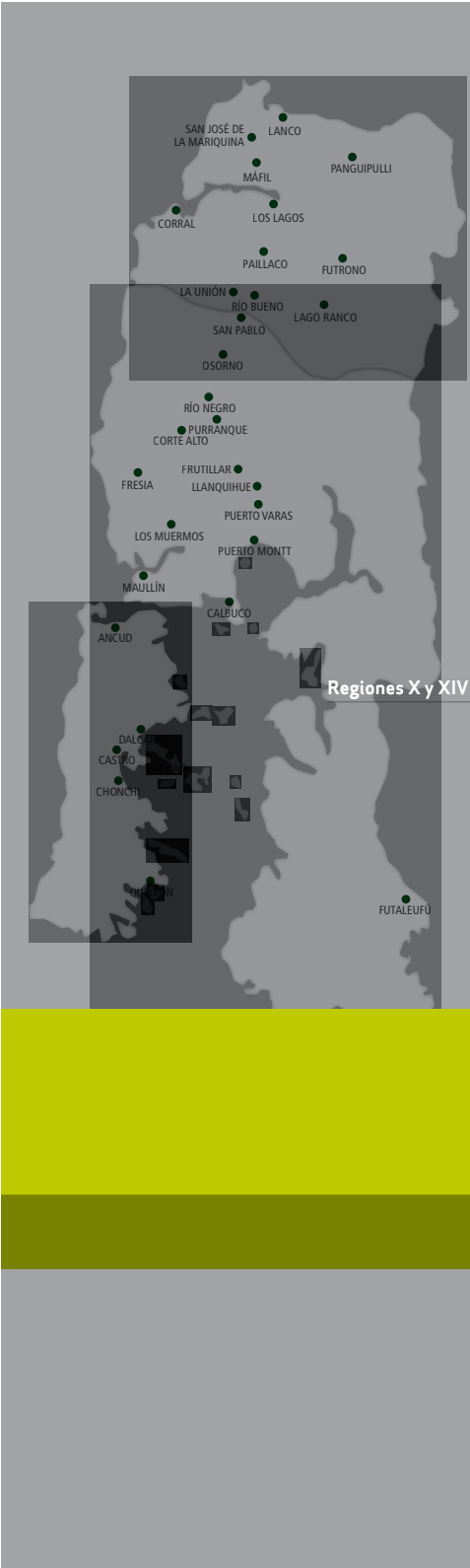
In their areas under concession, Aguas Andinas and its subsidiaries provide sanitation services to nearly 1.8 million residential, commercial and industrial clients distributed over the Metropolitan, Los Lagos and Los Ríos Regions, comprising a population estimated at over 6.2 million permanent inhabitants. This makes it the principal sanitation company in the country and one of the largest in Latin America.

Coverage of Greater Santiago and peripheral areas

Within the Metropolitan Region, its zone under concession covers an area of approximately 70 thousand hectares, which comprises the Santiago Basin located in the intermediate depression of Central Chile and borders with the Chacabuco Hill to the North and with Angostura de Paine to the South. There it supplies Greater Santiago and peripheral areas.

Coverage of the Los Lagos and Los Ríos Regions

Within the X and XIV Regions in southern Chile, its zone under concession is comprised of an area of approximately 67 thousand hectares covering 33 localities pertaining to the Provinces of Valdivia and Ranco in the Los Ríos Region and Osorno, Llanquihue, Chiloé and Palena in the Los Lagos Region.



AGUAS ANDINAS

AGUAS MANQUEHUE

AGUAS CORDILLERA

SEWAGE TREATMENT

ESSAL

Metropolitan Region

MAP OF COVERAGE

Broadening frontiers

CHAPTER 01 · OUR COMPANY



COMPANIES IN THE GROUP

For an integral service

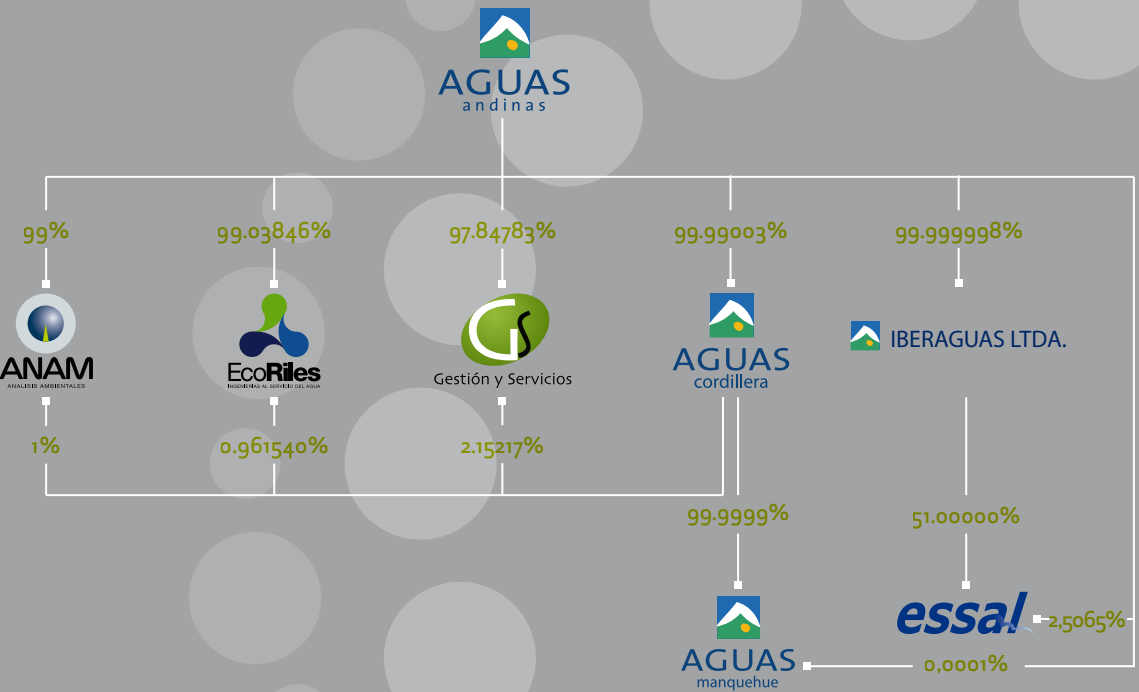


The Aguas Group is made up of a collection of related companies that provide an integral service within the sanitation industry.

- The sanitation companies that comprise the Group are: **Aguas Andinas, Aguas Cordillera, Aguas Manquehue and Empresa de Servicios Sanitarios de Los Lagos (ESSAL)** which produce and distribute potable water and collect, treat and dispose of sewage.

We should point out that in the month of July, the Group acquired 53.5% of ESSAL, which operates in the X and XIV Regions in southern Chile. Furthermore, in October, Aguas Cordillera acquired the only share in Aguas Los Dominicos that it did not own, thus allowing it to merge both companies within Aguas Cordillera S.A.

- The non-regulated companies that comprise the Group are: **EcoRiles, Gestión y Servicios and Análisis Ambientales (Anam)**, which provide services related to the treatment of industrial waste, sale of equipment and laboratory analyses, respectively.







YEAR 2008

CHAPTER 02



The year 2008 was a good year. Despite having commenced the period with a serious case of drought, we were able to guarantee a supply to our clients, with security and confidence; and we continue on our road to continuous improvement in our service to our customers, efficiency in our operations and a fierce commitment to sustainable development.

2008 milestones:

- Our statistics speak for themselves: 100% coverage in potable water and 97.8% in consolidated sewerage, 73.9% of treatment of waste water in the Metropolitan Region plus the 90.8% in the X and XIV Regions.
- We concluded the Aura Plan, the program that brought a new spirit to our company, which was crowned with the results of the Adimark GFK opinion poll that qualified us as the best public utility service company.
- We carried out our aid plan to help the inhabitants of Futaleufú, X Region, severely affected by the eruption of the Chaitén volcano and which was without potable water. In just 7 days our teams reestablished the supply.
- We completed the implementation of a new communications platform for our PhoneService that changed from being a contact center to a truly high-level problem-solving virtual office.
- We successfully faced an unusual front of bad weather in May in the Santiago Basin, which produced a high level of cloudy water in the Maipo and Mapocho Rivers and impeded the operation of our potable water production plants. The work dedicated and the professionalism of our staff overcame the emergency reconnecting the supply in a short period of time.
- We put into operation two new wastewater treatment plants: Melipilla and Til Til, and we continue with the construction of the future Buin-Maipo plant.
- Our project to deliver biogas to Metrogas in order to supply the demand for fuel to more than 35 thousand homes came true. This is the first development of a non-conventional renewable energy project of this size in the country.
- We closed the year with a 37% advance on the Clean Urban Mapocho Project that will shortly produce the decontamination of the river's waters during their flow through the city of Santiago's stretch.
- We obtained SOFOFA's 2008 Social Responsibility Prize, in the Category of Large Companies, for our integral and permanent commitment to sustainable development.
- We acquired a 53.5% stake in the property of ESSAL, gaining access to a concession area of 67 thousand hectares and 181 thousand new clients.



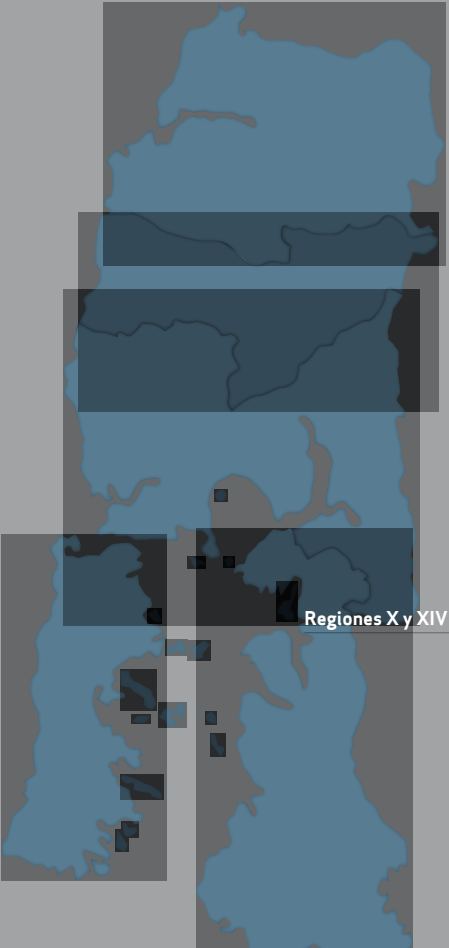


YEAR 2008

Quality, efficiency and environment: the
pillars of our performance

CHAPTER 02 · YEAR 2008





MAIPO
106,874

ANTILCO
511,769

MAPUÉ
388,954

CORDILLERA
131,398

MAPOCHO
507,627

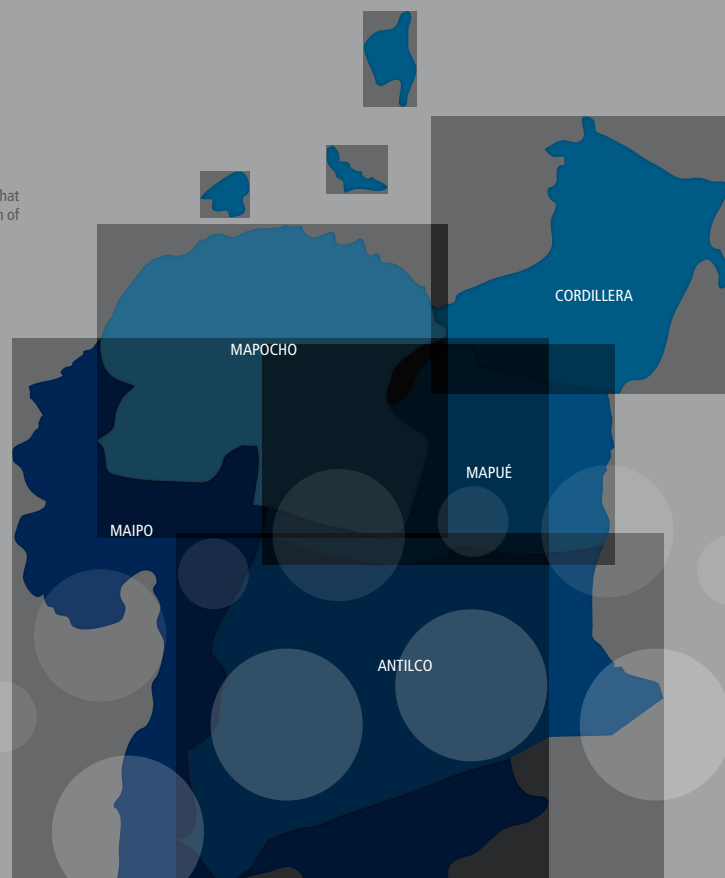
ESSAL
181,706

Division by zones

potable water clients* · 2008

* El term "client" corresponds to an individual or an institution that occupies the property that receives the public service of distribution of potable water, collection of sewage or both.

Metropolitan Region



CUSTOMER SERVICE

More quality

CHAPTER 02 · YEAR 2008

Proximity and satisfaction of requirements are the bases of quality service and attention to our customers.





Customer Service

Our Contact Center shows statistics above the industry average and registers growing standards of quality and capacity to resolve matters.

Customer service

Quality customer service implies providing effective and timely solutions to their requirements. In this regard, during the year important improvements were made to the customer service channels, both in technological and human terms, with the object of avoiding repetitions and preferably providing first line solutions. These efforts were rewarded in the clients' perception by classifying Aguas Andinas as the best public utility services company for the year 2008, according to an opinion poll taken by Adimark GFK.

Along these lines of improvements, Fonoservicio underwent one of the most important changes since its creation that implied a complete modernization of its telephone and response technology as well as fundamental modifications to the commercial and operational attention processes. This renewal meant the implementation of a world-class multimedia solution that permits the integral attention of requirements through the telephone, e-mail or Internet, as well as to comply with high levels of redundancy in information technology and voice and data transmission infrastructure, raising the category of the platform from a Call center to a Contact Center.

Together with this, we created the first Virtual Commercial Agency which, with its spirit of service and commitment to satisfaction, generated important improvements in the efficiency of the processes

and economy in the use of the company's and the sub-contractors' resources. In this way, we reaffirmed the positioning of the Contact center as one of the best in the country, with statistics of service well above the industry average and with growing standards of quality and capability to resolve, permitting solutions in less than 48 hours on 100% of customer commercial requirements that enter this channel, equivalent to 65% of the total calls attended by the Company.

Furthermore, in line with world tendencies, in 2008 the Aguas Andinas Web Site had a leading role in communications with customers, being a channel of information and contact with a growth rate of registered users of 98% and with an increase in the number of customer contacts with questions and requirements in the region of 78%. Given these results, in 2009 the page is going to be boosted with new technology and a new structure. This will permit us to offer more services and capacity of information.

With respect to the actual attention in the Commercial Agencies, we introduced important changes in the customer service process and protocol, providing a greater capacity to resolve and empowerment in the commercial activity of complaints and requests, permitting a significant cut in the response and solution times.



CUSTOMER SERVICE

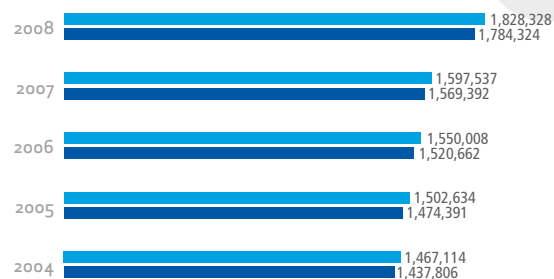
CHAPTER 02 · YEAR 2008

Number of clients ⁽¹⁾

As of December 31, 2008 the number of clients of the Aguas Group supplied with potable water (including ESSAL), amounted to 1,828,328, reflecting an increase of 2.9% with respect to the previous year. Clients with sewerage services rose to 1,784,324, which indicate an increase of 3% with respect to 2007.

Of the total number of clients supplied with potable water, 155,290 (8.5% of the total) corresponded to clients with a state subsidy on the payment of their bills, a fact that favors a pattern of stable payments and a lower level of bad debts for the Company.

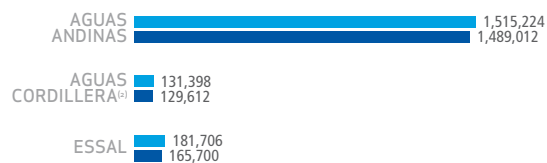
Consolidated number of clients



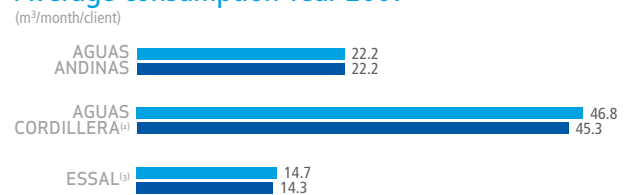
Evolution of the consolidated average consumption



Number of clients Year 2008



Average consumption Year 2007



⁽¹⁾ Clients supplied include those invoiced and the homes attached to buildings and condominiums with a general invoice and in accordance with SISS (Superintendence of Sanitation Services) criteria.

⁽²⁾ Aguas Cordillera includes Aguas Manquehue.

⁽³⁾ Average consumption of ESSAL calculated on the basis of m3 during the January – December 2008 period.



Customer Service

New concessions

During 2008 Aguas Andinas was adjudicated the following seven requests for an increase in concessions:

NAME	MUNICIPAL COMMUNE	AREA	NEW CLIENTSS
El Manzano-Pacal	Padre Hurtado	21,8 hectares	1.266
Parcela 9-A2	Quilicura	4,2 hectares	250
Chacra San Enrique	Talagante	37,4 hectares	1.734
Santa Bernardita	Talagante	33,4 hectares	1.585
Riberas del Maipo Industrial Lot	Puente Alto	30,0 hectares	44
Villa Esperanza	El Monte	3,4 hectares	148
Avenida El Tranque Project	Pudahuel	5,86 hectares	500

Furthermore, still in process are the requests for the enlargement of the concessions in the Municipal Communes of Quilicura, Padre Hurtado, Buin, Puente Alto, Cerro Navia, Peñaflor, Melipilla, Paine and El Monte, which jointly comprise a surface area of 264,82 hectares and 10,409 new clients.

In turn, Aguas Manquehue submitted a request for the enlargement of the El Litre concession in the Municipal Commune of Lo Barnechea by a surface area of 67.89 hectares and 453 new services.

New Clients

During the year we consolidated the relationship with the major real estate developers and construction companies that operate in the Metropolitan Region, initiating a system of overall, preferential and centralized attention.

CUSTOMER SERVICE

CHAPTER 02 · YEAR 2008

During 2008 we checked 17,496 household potable water and sewerage projects, which permitted us to connect 46,916 new clients to the Company's network. Furthermore, we issued 26,077 feasibility certificates on sanitation services and 17 contracts were signed with real estate developers to increase the area under concession by 199.68 hectares in different Municipal Communes in the Metropolitan Region where the construction of 8,390 homes is being considered.

Rural potable water

Our work is not limited only to the urban areas but we also collaborate with the Rural Potable Water Plan through agreements signed with the Water Works Directorate of the Ministry of Public Works.

As part of this plan, we carried out training and consultancy services on the maintenance and execution of works in isolated areas where there are no potable water networks, acting as a technical unit, carrying out studies, projects and works.

Currently, 43,542 homes with a population of 261,252 inhabitants are benefiting from the Rural Potable Water Plan, achieving 100% coverage of the concentrated rural localities.

In the year 2008, we carried out works with an investment amounting

to Ch\$ 606 million and as a result of the signing of a new agreement with the Water Works Directorate of the Ministry of Public Works, investments of Ch\$ 1,494 million were arranged and are committed for the year 2009, mainly in the form of contracts for the construction of works to improve and increase services and designs of new systems.

WORKS CARRIED OUT:
CH\$MM

606

NEW PROJECTS:
CH\$MM

94

NEW WORKS:
CH\$MM

1,400



Customer Service

Sanitation regulation

The current legislation in the country establishes that the providers of sanitation services are subject to the supervision of the Superintendence of Sanitation Services (SISS), a decentralized service, with autonomy and its own equity, subject to the supervision of the President of the Republic through the Ministry of Public Works.

Furthermore, there are several norms and laws that regulate the functions of the sector and the sanitation companies.

The principal applicable laws are:

- GENERAL LAW ON SANITATION SERVICES (Decree Law MOP No. 382 of 1988). This contains the principal provisions that regulate the treatment of concessions and the activities of the providers of sanitation services.
- REGULATION OF THE GENERAL LAW ON SANITATION SERVICES (Decree MOP No. 1199/2004, published in November, 2005). This establishes the norms that permit the application of the General Law on Sanitation Services.
- LAW ON TARIFFS FOR SANITATION SERVICES (Decree Law MOP No. 70 de 1988). This establishes the main provisions that rule

the setting of tariffs for potable water and sewerage and the reimbursable financing contributions.

- REGULATION OF THE LAW ON TARIFFS FOR SANITATION SERVICES (Decree MINECON No. 453 of 1990). This contains the norms that permit the application of the Law on Tariffs for Sanitation Services.
- LAW THAT CREATES THE SUPERINTENDENCE OF SANITATION SERVICES (Law No. 18.902 of 1990). This establishes the functions of the SISS.
- LAW ON THE SUBSIDIES ON THE PAYMENT OF THE CONSUMPTION OF POTABLE WATER AND SEWERAGE SERVICES (Law No. 18.778 of 1989). This establishes a subsidy on the payment of the consumption of potable water and sewerage for low-income clients.
- REGULATION OF THE LAW ON SUBSIDIES (Decree HACIENDA No. 195 de 1998). This contains the provisions for the application of the Law on Subsidies.

CUSTOMER SERVICE

CHAPTER 02 · YEAR 2008

Tariffs

During the year 2008, the tariffs charged were updated in accordance with the procedure established in the respective tariff decrees.

Average tariff Year 2008 · (without VAT, in Ch\$/m³)

	AGUAS ANDINAS	AGUAS CORDILLERA CONSOLIDADO	ESSAL
Potable water	266.3	339.0	378.4
Sewerage	242.2	179.4	565.0

Notes:

1. The average tariff on potable water does not include such matters as Cuts and Reconnections and Fixed Charges on Hydrants.
2. The average tariff on Waste Water does not include such matters as Control of Industrial Waste and Interconnected Clients for Aguas Andinas and Aguas Cordillera (charge made by the Concessionaire to another Sanitation Company for the collection and treatment of its Waste Water).

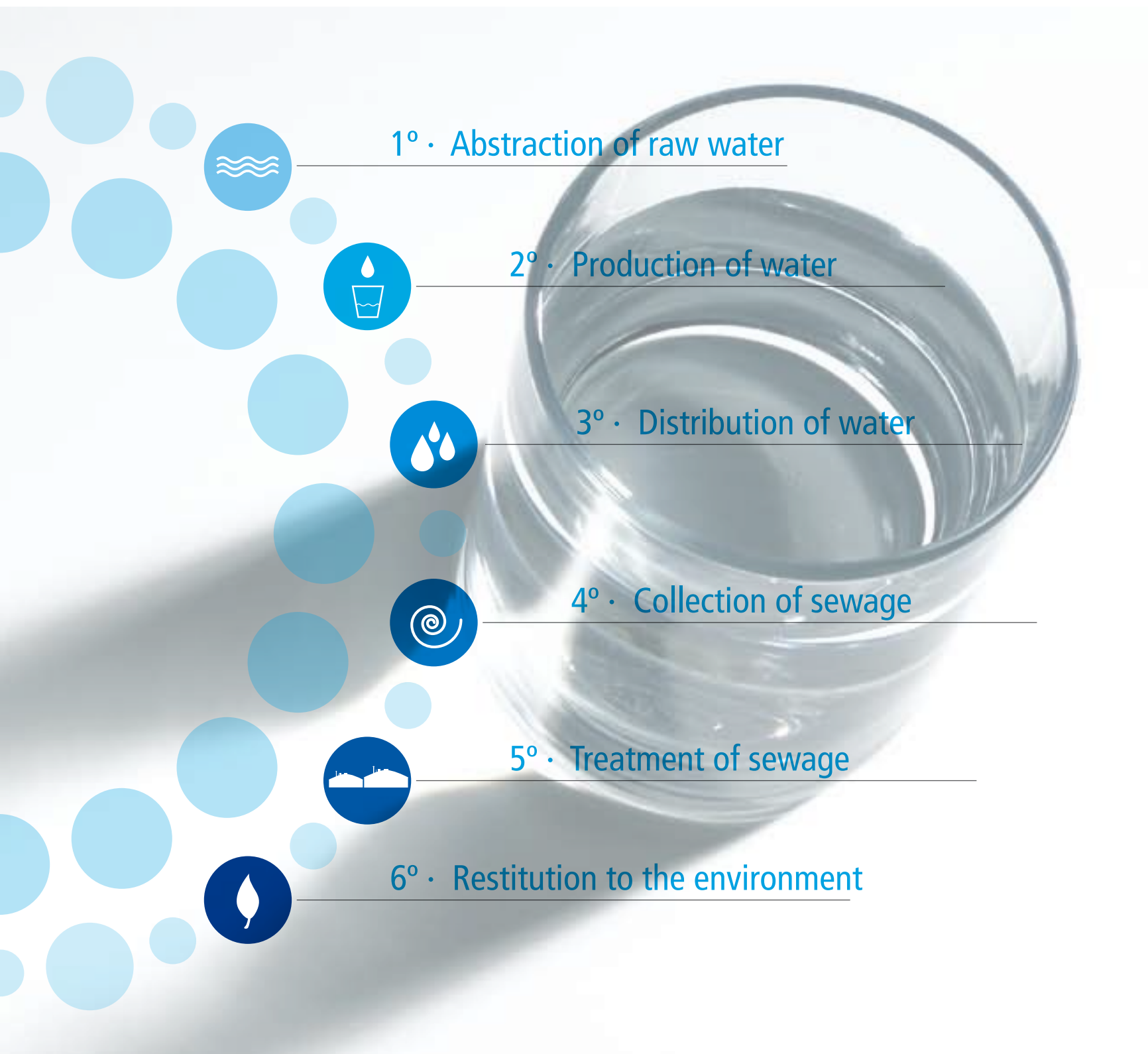


WATER CYCLE

Efficient and safe operations

CHAPTER 02 · YEAR 2008

The overall control of the Water Cycle permits us the efficient use of the resources and to guarantee a supply of sanitation services with safety and excellence.





Efficient and safe operations

Technologies to support the operation

Aguas Andinas has a collection of technological tools that support its operations and guarantee a secure, continuous and reliable performance. Amongst them is the Operations Control Center (OCC) that permits a monitoring in real time of the installations and networks, centralizing decision taking.

During the year 2008, the OCC coverage continued its expansion, incorporating 5 thousand new variables to its Control and Acquisition of Data Software (CADAS), consolidating amongst the world-sized applications in the public services sector, with over 35 thousand variables and 650 remote stations connected.

Its growth involved all the concessions. The telecontrolled infrastructure of subterranean water operation was implemented in addition to the new wells in Chicureo and Melipilla. We continued with the improvements of the Tanks and Potable Water Elevating Plants such as Santa Sofía de Macul, Golf de Manquehue, Santa Ana, Santa Rosa de Chena and Isla de Maipo; and we incorporated new regulating stations such as Lo Gallardo, Lo Hermida, Colombia, Los Turistas, La Montaña and El Cristo in Greater Santiago. In Collection, we added the Aguas Andinas Cexas and San Ignacio de Loyola Elevating Plants. In Treatment and Disposal we added the supervision of the enlargement of the Polo de Manquehue, Chicureo sanitation installations.

Furthermore, the Company has a Geographic Information System (GIS), a database that manages the potable water, wastewater and client

networks within the concession area and which is one of its principal sources of information. The most substantial progress achieved during 2008 is the migration of the software and hardware ArcGisServer platform which has permitted the incorporation of the GIS into the leading web technology for its use in the Intranet atmosphere and thus permitting a remote access by more users such as the on-site teams and to substantially improve the visualization of the data and the information.

In the customer service area, we have achieved the consolidation and enlargement of the Work Orders Control System (WOCS). This tool, totally developed by Aguas Andinas, permits the visualization, assignment and follow-up of the evolution of the requests for attention to operating requirements from clients and from the active mobiles whose function it is to attend this type of requirement. The object is to improve the times and the effectiveness of the attentions, increase the number of daily attentions and to reduce the costs of mobilization and personnel.

During the year 2008, we have incorporated the disobstruction, cleaning collectors and technological improvements that permit the assignment of work orders directly from the site to the Sub-Contractors.

Renewal of the SAP Platform

During the period, we carried out the renewal of the SAP information technology platform for the support of the economic, financial, logistic, human resources sales to clients and maintenance of assets



CHAPTER 02 · YEAR 2008

functions. The new version of SAP (ECC 6.0) came into operation in August 2008 and permits access to new functions in the system, improving the quality and speed of the information and facilitating the implementation of new modules that will support the generation of the financial statements in accordance with the new legal norms (IFRS) that will come into force in Chile in the year 2009 for some companies selected by the Superintendence of Securities and Insurance.

Thus, the Company achieved the latest technological update that permits a greater efficiency in the business processes involved and which lead it to be a pioneer in Chile in adapting to the new IFRS accounting norms.

We would mention that the company's new sanitation subsidiary, ESSAL, was incorporated into this business control model, achieving in this way a common, integrated and consolidated system for all the companies in the Aguas Group.

Improvements in the security of the systems

During 2008, the principal servers room was improved, enlarging its electric capacity, the UPS, the generator and its air conditioning system. Furthermore, the central equipment of the communications network was changed for two hot stand-by systems, permitting traffic in broader bands and a segmentation of the traffic according to the

quality of service defined. At the same time, the Operational Control Center of the Company's internal communications network was technologically updated, permitting improvements to be made to the quality of the service of the voice and data transmission network.

Furthermore, during the period we renewed the computer system that controls the information technology assets, which supports the attention to users and permits the control of the computer system.

We also updated the security process related to the computer assets in the areas of the servers room, the servers, corporate systems and micro computing, based on the ISO 17799:2005 norms.

Research and Development

With respect to the Reorganization Plan, during 2008 we implemented an advanced follow-up of the anaerobic digestion process on the units in the La Farfana plant through the use of specific analytic techniques and the operation of three scale-model digesters.

In the treatment plants themselves, we investigated the impact of the return of the sludge on the functions of the large plants, which permitted us to take the corresponding corrective measures.

Just as in previous years, the various research works permitted the Company to be present at important local and overseas conferences,



Efficient and safe operations

responding to the commitment of Aguas Andinas with research and development, fundamental pillars in the control of the water cycle and the quality of service granted to our customers.

General Plans

During the 2008 period, we updated the General Plans for Production and Transport that establish the medium and long-term planning of the works to produce and transport to the consumption centers water abstracted in the Maipo and Mapocho rivers and in the aquiferous subsystems of Greater Santiago and surroundings. The analysis considers both the evaluation of needs related to the increase in demand and the improvement of the quality of the water produced in accordance with the demands of the new norms on potable water. It also contemplates improvements in the quality of service, in the operating efficiency and in the operating safety.

Furthermore, we prepared Hydrogeological Studies in the Buin-Paine zones in order to establish the best location for future wells, limits on the exploitation of wells currently in use and projections on the quality of underground waters.

Also, we made modifications to the investment chronograms in the Development Plans which were approved by the Superintendence of

Sanitation Services (SISS).

New investments

During the period under review, the Company's investment plan involved the sum of Ch\$ 80,498 million. Of this amount, Ch\$ 78,855 million corresponded to investments in sanitation subsidiaries and Ch\$ 1,643 million to non-sanitation subsidiaries.

Most of these resources were destined to installations for the collection and treatment of wastewater, an investment that rose above Ch\$ 46,963 million. Of these, Ch\$ 35,681 million were destined only to collection works with the more important of these being the Mapocho Interceptor, with an investment of Ch\$ 22,531 million, the permanent renewal of the sewage networks which implied Ch\$ 5,237 million and the works on the Colector Norte, with an investment of Ch\$ 5,185 million.

In treatment works, we destined Ch\$ 1,282 million mainly to the construction of the Buin-Maipo Sewage Treatment Plant which involved an amount of Ch\$ 4,773 million and improvements to the La Farfana Plant for a value of Ch\$ 1,450 million:

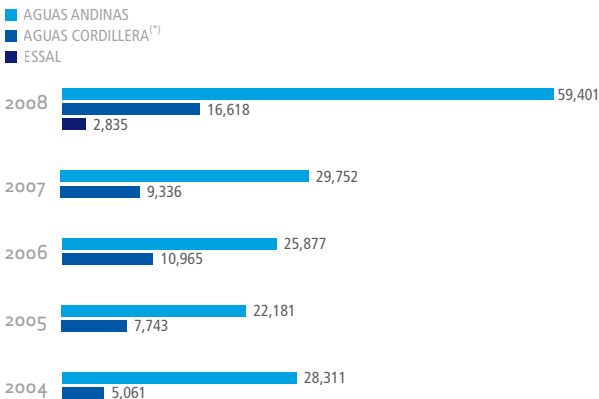
In potable water installations we invested a total figure of Ch\$ 27,187



million. Of this, Ch\$ 19,160 million were destined to distribution works, especially to the permanent renewal of potable water networks – with an amount of Ch\$ 7,790 million – the Dehesa-Trapenses supply, which implied an investment of Ch\$ 1,231 million, the improvement of the Maipo System SD-53 for approximately Ch\$ 1,022 million and the Santa Sofía de Macul reservoir for some Ch\$ 864 million. In production and transport of potable water , the most important project was the work to supply potable water to the Northern Zone of Santiago which meant an investment of Ch\$ 2,862 million.

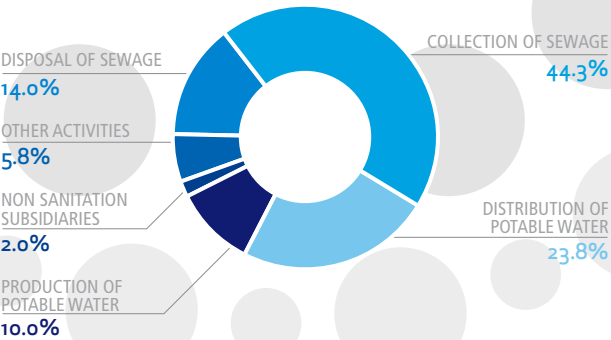
Finally, of the total consolidated investments, which include the sanitation and non-sanitation subsidiaries, 74.4% corresponded to investments in expansion, which involved resources in the region of Ch\$ 59,906 million.

Investments (Ch\$MM)



^(*) Aguas Cordillera includes Aguas Manquehue.

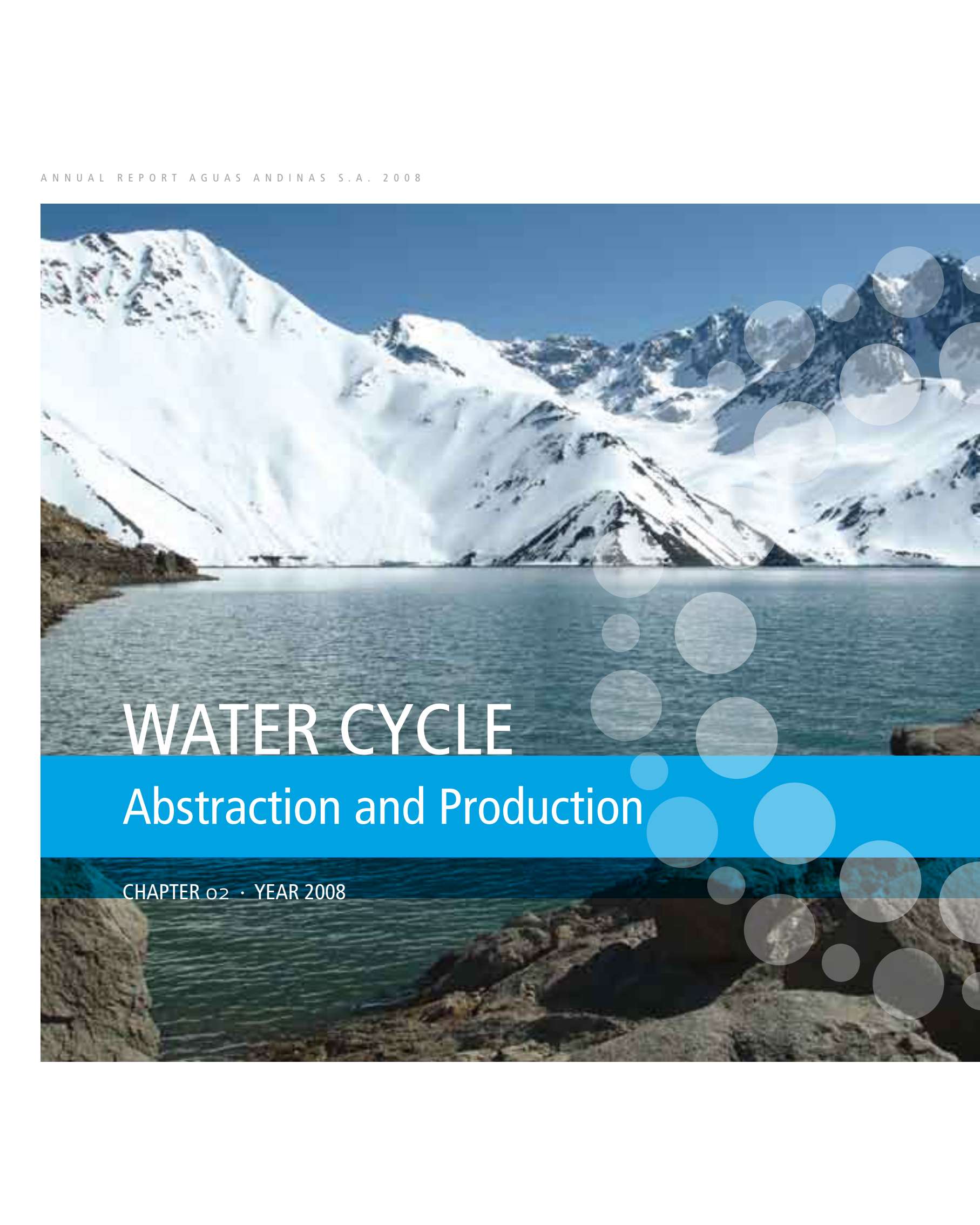
Investments by concession Year 2008



Aguas Group Year 2008 (Ch\$MM)

INVESTMENT STAGE	AMOUNT INVESTMENT (Ch\$MM)
Production of Potable Water	8,027
Distribution of Potable Water	19,160
Collection of Sewage	35,681
Disposal of Sewage	11,282
Other Activities	4,705
Non Sanitation Subsidiaries	1,643
TOTAL	80,498

Does not include the acquisition of ESSAL



WATER CYCLE

Abstraction and Production

CHAPTER 02 · YEAR 2008

Sources, reserves and plants

Within the Metropolitan Region, the principal sources of raw water are the Maipo and Mapocho rivers; the secondary sources are comprised of the natural aquifers that cross our concession area.

In order to ensure a continuous supply even in times of drought, the Company keeps important reserves that provide additional water and permit us to satisfy the demand for potable water on a regular basis. Amongst these are the most important: The El Yeso reservoir, with a capacity of 220 million m³; Laguna Negra, with 600 million m³; and the Lo Encañado Lake, with 50 million m³, all in the Santiago Basin.

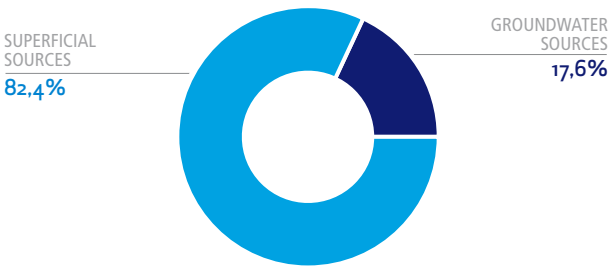
For the purpose of producing potable water, the Company has production plants that carry out the task of purifying the raw water. In the Metropolitan Region, the Group has the Las Vizcachas Complex, the La Florida Potable Water Production Plant and 12 installations of a smaller size, the more important plants being Padre Hurtado, Lo Gallo, San Enrique and El Sendero-Montecasino. In the X and XIV Regions, there is a series of production installations in the 33 localities in the area under concession.

In this way, on a consolidated basis, the Company has a production capacity of 37.7 m³ per second; of which, 33.4 m³ per second correspond to Greater Santiago and 4.3 m³ per second to the areas supplied by ESSAL.

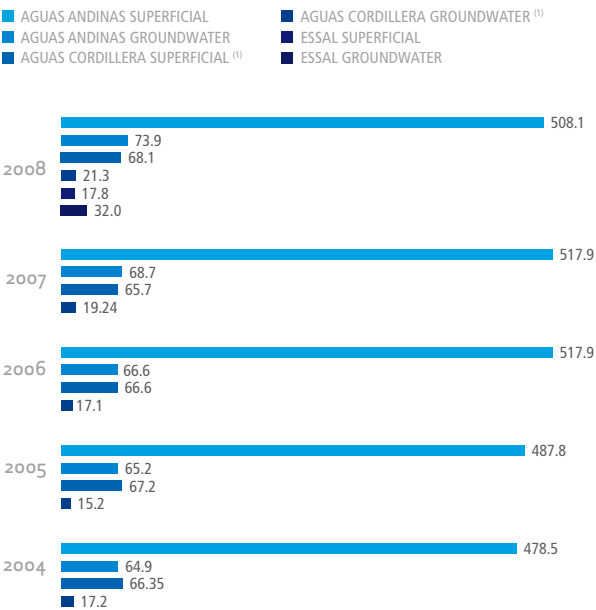
Production by type of source

During the period, the total production of potable water, measured on leaving the plant, was 721.3 million m³; with 594.0 million m³ corresponding to surface waters and 127.3 million m³ to groundwaters.

Water production composition year 2008



Production by type of Source · (million de m³)



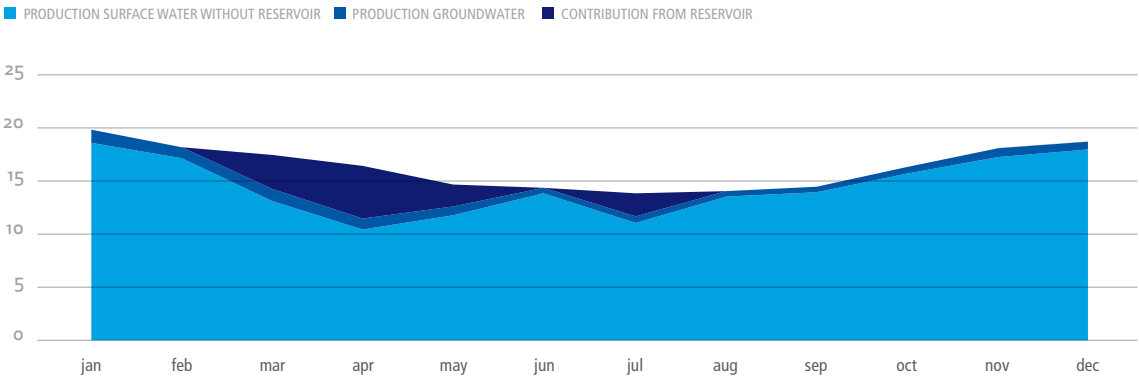
⁽¹⁾ Aguas Cordillera includes Aguas Manquehue.

El Yeso Reservoir

Aguas Andinas’ production of potable water in Greater Santiago is supported by a significant work of infrastructure, the El Yeso Reservoir. With an operating reserve capacity of 220 million m3, the reservoir permits us to regulate the contribution coming from the surface waters, both in times of drought and during times of great cloudiness such as the one we had in the month of May, ensuring the production of potable water for the supply to the clients.

During 2008,a study was made of its state of conservation and this permitted us to adjust the operating plans in order to maintain its installation in good condition and conserve its useful life.

Contribution from the El Yeso Reservoir to the Greater Santiago Production · caudal (m³/s)



Groundwaters

Throughout the year 2008, a research and development study took place, jointly with the Pontificia Universidad Católica de Chile, that permitted us to establish the processes and the technology, technically and economically viable, to reduce the concentration of arsenic from subterranean sources which are out of use, without the generation of dangerous residues.

The result of these studies will facilitate, in the short run, the recovery of the sources in disuse that will permit a greater guarantee of supply, based on the quantity of the resource and on the operational flexibility of the infrastructure.

Quality of the water

Following the control programs to guarantee the quality of the water produced, during the period, 190,664 samples of water were taken and 224,686 analyses were made of different components in the successive stages of production from the abstraction to the exit from the treatment plant of the potable water.



WATER CYCLE

CHAPTER 02 · YEAR 2008





WATER CYCLE

Transport and Distribution

CHAPTER 02 · YEAR 2008

Supply in a continuous manner, and with the necessary precision, is the important mission of our drinking water distribution network.

The potable water operation is carried out with an overall performance that is supported by coordinated work and centralized information. The objectives are to optimize the global operation, maintain an efficient cost control and give priority to the investments from a technical and economic standpoint.

In line with the compliance of these guidelines, we have faced the crisis provoked by an extreme situation in an adequate manner, minimizing its consequences, and both the economic and the technical efficiencies have improved, guaranteeing the supply with continuity and quality.

Quality of the water

With the purpose of guaranteeing the quality of the water delivered to clients, we continued with our established control programs. Thus, during 2008, we took 67,006 samples of water from the distribution network and 140,970 analyses were made on different components.

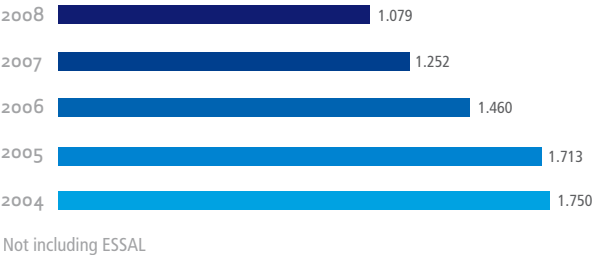
Network management

During 2008 we received the ISO 9001:2000 Certification on the Administration of the Integrated Potable Water Network in Greater Santiago, an innovative model that seeks to improve the continuity of the service through the systematic reduction in the number of breakages. This objective is achieved on the basis of a prioritization model on the renewal of piping that considers different variables, both technical and strategic, amongst which the most important being the follow-up and analysis of the breakages of main pipelines.

Thanks to this model, we witnessed a drastic reduction in faults to

levels below 0.1 faults/km, an index well below those acknowledged as excellent by the leading sanitation companies in the world. In fact, there has been a reduction of 37% in breakages in the last four years.

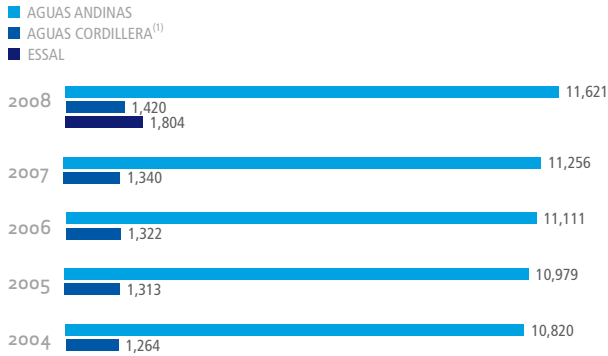
Breakage Pattern · (number of faults in the year)



Length of distribution network

As of December 31, 2008, the length of the total consolidated Aguas Andinas distribution network amounted to 14,845 kms., reflecting a growth of 17.9% (2,249 kms.) with respect to the previous year. This growth is explained by an increase of 2.9% (365 kms.) in Aguas Andinas, 0.6% (80 kms.) in Aguas Cordillera Consolidated and the incorporation of the ESSAL network with 14.3% (1,804 kms).

Length of distribution network · (kms)



⁽¹⁾ Aguas Cordillera includes Aguas Manquehue.



WATER CYCLE

Sewage collection

CHAPTER 02 · YEAR 2008

Sewage collection

To avoid the direct contact of people with sewage is the vital function of the underground sewerage network which is comprised of sewerage pipes and sewage collectors.

In January 2008, we implemented a centralized preventative maintenance and correction program for the sewage collectors with positive results for the clients of the Company. In effect, the rate of recurrence of unblocking the collectors fell by 27% due to an improvement in the quality of execution of this work. Furthermore, we witnessed a reduction in the times, with 85% of the work being completed within the time agreed in our standards of service.

With respect to the number of unblockages, there was a reduction of 30% with respect to the previous year. This is due to an improvement in the preventative cleaning of the collectors which, during 2008 reached a coverage of 11.2% of the total network of collectors. As a result of this cleaning, some 2,350 tons of residues were removed from the sewerage.

This operation has permitted us to take advantage of synergies between the Corrective and Preventative teams, systematize the rules developed in preventative maintenance and count on a good availability of mechanical and operative equipment and maintenance operators.

Control of liquid industrial waste

The permanent supervision and control of the liquid industrial residues, coupled with the intensive campaigns to measure contaminants

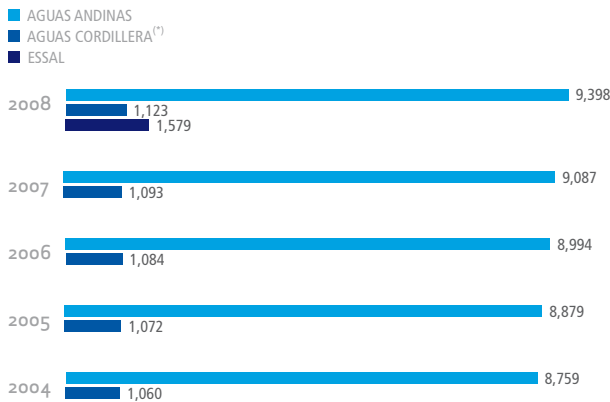
discharged by businesses into the sewerage system, permitted a significant reduction in volumes of organic waste that arrive at treatment plants with respect to previous years, especially in the southern basin of Greater Santiago, i.e. at the El Trebal Plant.

During the year, 596 industrial establishments that generate industrial residues were inspected out of a universe of 1,122 industries subject to review, and these were subjected to 1,629 quality analyses. Compliance coverage with respect to norm DS MOP 609/98 reached 78.7%.

Length of sewage collection network

As of December 31, 2008, the length of the total consolidated Aguas Andinas sewage collection network amounted to 12,100 kms., reflecting a growth of 18,9% (1,920 kms.) with respect to the previous year. This growth is explained by an increase of 3.1% (311 kms.) in Aguas Andinas, 0.3% (30 kms.) in Aguas Cordillera Consolidated and the incorporation of the ESSAL network with 15.5% (1,579 kms).

Length of the sewage collection network · (kilometers)



(*) Aguas Cordillera includes Aguas Manquehue.

WATER CYCLE

Treatment

CHAPTER 02 · YEAR 2008

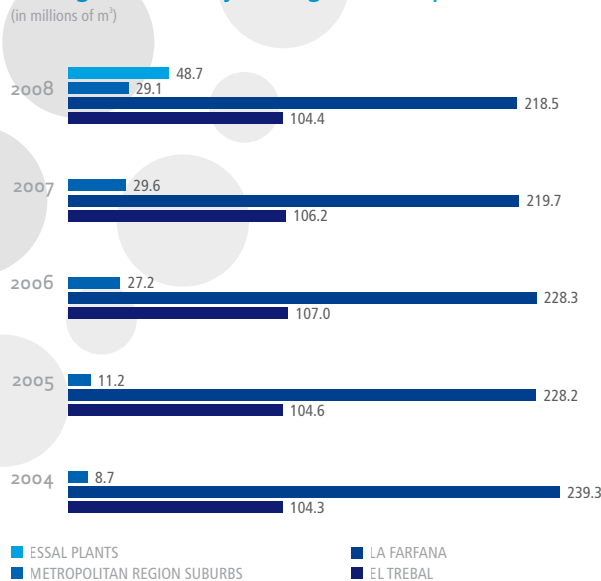
Sewage is purified in the treatment plants in order to decontaminate it and leave it apt for being returned to natural riverbeds, in accordance with standards established in current legislation.

In Greater Santiago, the Company possesses two large treatment installations, El Trebal and La Farfana, in addition to three plants that belong to the northeastern zone and a further nine smaller plants in peripheral suburbs. All of them jointly permit the decontamination of over 73% of the sewage generated by the inhabitants of the Metropolitan Region.

In addition, ESSAL has 29 sewage treatment systems that contribute to the cleansing of over 90% of the wastewater produced in Regions X and XIV.

In 2008, the La Farfana Sewage Treatment Plant decontaminated 218.5 million m³ of residues, corresponding to nearly 3.3 million inhabitants. El Trebal, purified 104.4 million m³ of sewage, corresponding to a population estimated at 1.7 million people in the south and southwest areas of Santiago.

Sewage treated by the Aguas Group



Advances in Treatment

During the first semester of the year, the following sewage treatment plants came into operation: Melipilla with a capacity of 212 l/s and Til-Til designed to treat 12.9 l/s. The first replaced the old Cexas and Esmeralda treatment plants and the second one replaced the Los Olivos Plant. Also during the same period, we continued with the construction of the new Buin-Maipo installations, reaching a 75% advance by the end of the year. This plant, which will have a treatment capacity of 137 l/s is expected to be in operation as from May 2009.

Furthermore, improvements were made to La Farfana. Among these, the start-up of the neutralization of chloride gas leaks plant with the purpose of controlling possible leaks within the installations where the chlorination center is located; the functioning of the automatic lime mixing and loading of biosolids system which permits us to save time, make the maneuver cleaner and more hermetic, reducing to the bare minimum, the impact on the environment; and the substitution of diffusers of fine bubbles in the biological tanks.

At the El Trebal Plant we initiated the functioning of the pre-thickening of biological sludge tanks that seek to increase the efficiency of the process of thickening the sludge and, at the same time, raise the processing capacity, thinking of the start-up of the Clean Urban Mapocho Project. The system of adding lime to the centrifuged biosolids that permits the neutralization with lime of the dehydrated sludge in the case of an overload or malfunction of the anaerobic digestion. And finally, the renovation commenced of the diffusers of fine bubbles which are the units that supply the oxygen required for the biological process in the aeration tanks.



SUSTAINABLE DEVELOPMENT

We advance with Quality

CHAPTER 02 · YEAR 2008

We seek sustainable growth, that is, together with the progress of our workers, the development of the community and contributing to the conservation of the environment.





Everything begins at home

The overall development of our workers is vital to the Company. They conform the spirit of service and professionalism with which we carry out our operations. .

Development and training.

During 2009 the development of the human capital of the Aguas Group was directed towards strengthening the operational capability to act of its workers.

Along these lines, we designed and implemented a training agreement with the DuocUC Professional Institute that permits us to put in place a Diploma Course in Operating Water Plants in which two generations of students have participated to date and who have had the opportunity to carry out their professional traineeships in our organization. At the same time, twelve Potable Water Operations workers graduated with this Diploma wherein several teachers were Company heads or supervisors. This idea proved to be of great interest to the internal personnel with a desertion rate of 0%.

Furthermore, by means of an e-learning methodology, we designed a training module on Operating Large Water Treatment Plants, organized jointly with the Universidad Católica de Valparaíso, with the purpose of contributing towards specialization, which adds to the Purification Diploma designed by Agbar in Barcelona, Spain.

For the second consecutive year, the Crecer Performance Review System was applied to all workers. The expansion of this process resulted in an increase of 17% in internal moves covering 63% of the organization's vacancies with its own personnel.

During the period, we continued with the professional and personal development policy, partially sponsoring with finance 42 scholarships for studying to obtain graduate and post-graduate degrees.

We should highlight that we took concrete steps towards boosting the

safety and health of the workers. Among the activities, we celebrated "prevention day" with a street theatre performance in the quadrangle outside the corporate building; in the second semester, we carried out a training campaign in the prevention of alcohol and drug abuse in all the Company's offices; and we put on an edition of the e-learning program "Prevention of Risks in Offices" for all workers that perform administrative jobs.

More benefits

In 2008 we organized a corporate event called "Expo Benefits" to present to the Company's workers all the structure of benefits and agreements to which they and their families have access. Furthermore, as part of this plan, each member of staff was sent a Catalogue of Benefits.

We also put on a new version of the program "Getting to know the Company with our Families", which permitted 45 workers accompanied by their loved ones to get to know two of the Company's most symbolic installations, the Operations Control Center and the El Trebal Sewage Treatment Plant.

With respect to infrastructure, we inaugurated a new building on Avenida San Pablo to house the Mapocho Zone Management and the Lo Prado Agency.

Towards the end of the year we offered an early retirement program including monetary and welfare benefits.

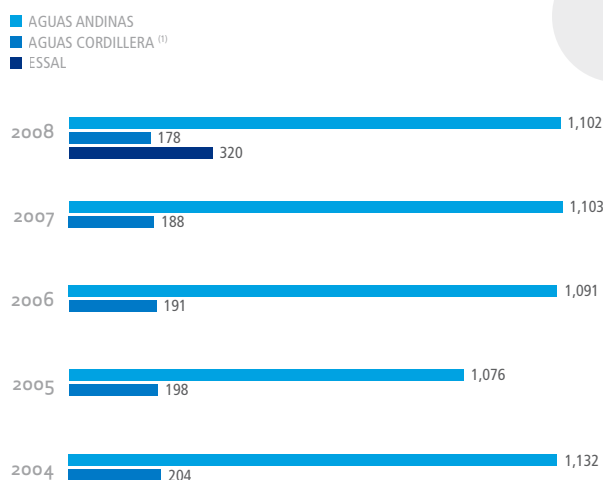
WORKERS

CHAPTER 02 · YEAR 2008

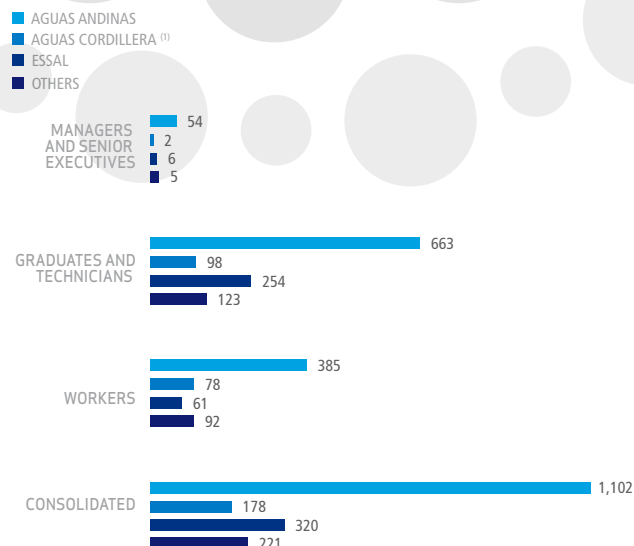
Staff complement

The staff complement of Aguas Andinas amounted to 1,102 workers as of December 31, 2008. On a consolidated level, the staff complement amounted to 1,821 employees.

Total Staff Complement Sanitation Companies



Total Staff Complement by Company



⁽¹⁾ Aguas Cordillera includes Aguas Manquehue.

Note: The Corporate Customer Service Manager of Aguas Andinas is also the General Manager of the sanitation subsidiaries (Aguas Cordillera and Aguas Manquehue).

Educate on the importance of the resource, build relationships on trust, be better neighbors. These and other important aims are sought by the actions taken by Aguas Andinas in favor of the community.

Good Neighbor Policy

As part of the Good Neighbor Policy, we continued during the year with the Work Tables, a participative period where the voice of the neighbors near by the sewage treatment installations is heard and which permits them to undertake activities and development projects in common.

Thanks to the work of these tables undertaken in the Municipal Communes of Pudahuel, Maipú, Til Til and Padre Hurtado, we were able to analyze impacts, define responsibilities in common and draw up plans for mutual cooperation. The Work Tables were comprised of members of the neighborhood associations, community organizations, the Company and the Casa de la Paz and the Corporación para el Desarrollo Sustentable organizations.

“Neighborhood Dreams” Fund

For the third consecutive year this entity organized the “Neighborhood Dreams” event. The entity provides funds for social development projects in the communities close to the La Farfana Sewage Treatment Plant.

Its aim is to be a permanent help in improving the quality of life of the neighbors, strengthen the citizen participation in local affairs and submit territorial ideas for the management and protection of the environment.

During the year 2008, 36 projects were submitted from which 13 were selected, 6 of them from Maipú and 7 from Pudahuel, benefiting various social organizations such as neighborhood associations and women’s, sporting, youth and cultural groups.

“Aguas Andinas in my neighborhood”

During the period, we organized the eighth version of the “Aguas Andinas in my neighborhood” program which seeks to educate and raise awareness among clients in the low-income municipal communes of Santiago on the importance of looking after sanitation installations. For this, we arranged a joint campaign involving the municipalities, the community and the Company.

In 2008 11,250 clients benefited from this program which delivers real operational improvements as well as teaching how to be responsible consumers.





COMMUNITY

Confidence and proximity

CHAPTER 02 · YEAR 2008



The protection of the natural surroundings is of permanent concern in the activities of Aguas Andinas. Projects such as Clean Urban Mapocho and the use of biogas as a fuel generate concrete solutions before the climate change and foment the protection of the environment.

Aguas Andinas alert before the climate change

For the Company, the effects of the climate change are of vital importance. For this reason, it has included this subject in the Planning activities in order to foresee possible consequences. Furthermore, it participates in joint projects with universities and undertakes effective measures to reduce possible effects, always with its sights set on the long term which is characteristic of its methods.

The results of the latest report issued by IPCC, Intergovernmental Panel on Climate Change, an entity that depends on the United Nations, confirm the existence of a modification in the world's climate due to the effects of the high concentration of carbon gases. Furthermore, a study by Chile's National Commission on the Environment (CONAMA) on the climatic variability in Chile for the XXI Century, predicts for the central zone of Chile over a horizon corresponding to the period between 2071 to 2100, reductions of approximately 40% in rainfall, increases in surface temperature from 2 to 4 °C and a reduction of 23% in the snow area due to the rise in the isotherm 0°C.

Faced with this reality, Aguas Andinas has wanted to analyze and prevent the possible future scenarios, evaluating the impact of the climatic change on the Santiago Basin and, consequently, on the Company's productive process. For this it proceeded with the "Impact of the climatic change in the XXI century on water resources in the Maipo and Mapocho basis".

In parallel, the Company has a marked interest in the meteorological forecasts as a tool for its work, in order to obtain advanced notice of any approaching front of warm rain which is what originates sudden rises in the isotherm 0°C provoking a serious increase in cloudiness in the flows such as that occurred in May 2008.

Due to the above, the Company contracted the Geophysical Department of the University of Chile to develop a web service with a five-day forecast for the purpose of knowing the rain forecasts, the temperature and the atmospheric pressure at surface level, wind speed and the level of the isotherm 0°C for the Maipo and Mapocho basins.



ENVIRONMENT

A Necessary Concern

CHAPTER 02 · YEAR 2008





A Necessary Concern

Clean Urban Mapocho

Thanks to the Company's joint work, in the month of September, at a ceremony headed by the President of the Republic of Chile and authorities, we presented the "Clean Urban Mapocho" project which will bring to life one of the principal desires of the city of Santiago: the decontamination of the waters of the river Mapocho along its urban river bed.

By the end of 2008, the project showed an advance of 37% and it is expected to be fully functional in early 2010. This idea, which surges as an environmental landmark for the capital, seeks to eliminate the 21 discharges of sewage currently poured into the river as it passes through the city, between the municipal communes of Las Condes and Maipú and, furthermore, increase the treatment of waste water by 13%.

For this, the Company is currently constructing a 25-kilometer interceptor collector which will allow for the discharges to be diverted towards the El Trebal and the La Farfana Treatment Plants. This duct, which, along its route crosses 8 municipal communes and runs parallel to the river, has been designed to direct a maximum flow of 19 m³/sec.

The total investment amounts to US\$ 115 million including

construction contracts, design, inspection, consultancy and the acquisition of land.

Among the benefits of a Clean Urban Mapocho, the most important are:

- Improves the quality of the river's water.
- Eliminates the bad odors along its bed.
- Decontamination of the La Punta, La Pólvara and Cases de Pudahuel irrigation canals.
- Recovers riverside spaces for the inhabitants of Santiago.
- Give the Capital of Chile a clean and decontaminated river.

Biogas, non-conventional energy

Since October 22, 2008 Aguas Andinas, through its subsidiary Gestión y Servicios, has been delivering purified gas to Metrogas in order to satisfy the demand for fuel from 35 thousand homes in Santiago. In this way, the biogas generated at the La Farfana Sewage Treatment Plant is put to good use and, at the same time, we contribute to the diversification of the energy matrix of the country.

This is the first project involving non-conventional renewable energy of



ENVIRONMENT

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this dimension in Chile. Biogas is a sub-product of the decontamination of sewage that replaces the fossil fuels, permitting the reduction of the emission of gases with a greenhouse effect. The idea is a veritable contribution to the sustainable development of the country.

In order to make this project a reality, in January 2008, we started working on the development of the new biogas purification plant in La Farfana, concluding its construction in the month of October. The purified biogas obtained is transported through a gas pipeline 13.5 kilometers long to Metrogas installations in the municipal commune of Estación Central.

Beneficial use of Biosolids

In order to boost the beneficial use of biosolids, one of the sub-products of the purification of waste water, the Company made a significant effort to develop and to foment its use on agricultural lands, particularly in the extensive plantations (maize, wheat, oats, grasslands, etc.) and in forestry plantations.

In this same context, during the period under review, the Company assigned 16,200 tons of biosolids produced at the El Trebal and La Farfana treatment plants for its use in agriculture with optimum results, which confirms the sustainable use of biosolids as a fertilizer and repainer of degraded soils.

This activity is consistent with the experience acquired internationally during more than 20 years in the United States and the European Union which points towards strengthening the alternative of an agricultural use of biosolids as a fertilizer, utilizing beneficially some 60% of the sludge generated through this alternative.

Future Mapocho Plant

During the year 2008, Aguas Andinas initiated a process of putting out to tender the construction of the future Mapocho Sewage Treatment Plant and submitted before the National Commission on the Metropolitan Environment the Environmental Impact Study on this project which, at year's end, was in its final stage of processing and awaiting the definite approval.

This great work of infrastructure which will be located next to the El Trebal Plant will permit the completion of the sanitation of 100% of the sewage generated in the Santiago Basin, converting the capital into a city free of contaminants, an environmental milestone of significant importance to the country.



NON-REGULATED COMPANIES

Contributing to the Country's Development

CHAPTER 02 · YEAR 2008

The non-sanitation companies of the Aguas Group support the development of the Chilean industrial sector by providing an overall and excellent service.

EcoRiles

Provides consultancy and management services to all types of industries in the country on the environmental problems and processes related to liquid or solid industrial waste.

Since 2002 to date, EcoRiles has consolidated as the principal player in the operation of industrial wastes, with more than 120 workers and clients distributed between the Regions I and X, the result of a policy of strategic expansion of the business. Currently, this subsidiary of Aguas Andinas operates 24 industrial waste treatment plants and is present in the food and beverage, slaughterhouse, fishing and other industries.

During 2008 the Company commenced operating the following industrial waste plants: Ariztía in Arica, XV Region; Pesquera Camanchaca in Coronel, VIII Region; Trendy in Quilicura, Metropolitan Region; and closed a deal to outsource the Prolesur industrial waste plant in Osorno, X Region.

In financial terms, EcoRiles reached revenues of US\$12 million during the period.

Gestión y Servicios

Dedicated to the sale of materials and overall solutions for the sanitation industry, Gestión y Servicios also provides services linked to the whole water cycle and its principal clients are construction companies, property developers and installers of sanitary services and basic services.

During the year 2008, it executed various projects focused on the growth of the Aguas Group and to improving the commercial attention to its clients. Among the significant projects of the period are: the construction of the Biogas Plant in La Farfana, its subsequent start-up and initiation of operations as of the month of October, the incorporation of a new technology for rehabilitating collectors (ForeverPipe), services provided in the implementation of corporate SIG, the inauguration of a commercial services office, awarded the ISO 9001-2000 certification and the creation of a new web page which shall be in operation at the beginning of 2009.

Specifically, the project to supply biogas is of a great importance. This project has implied a total investment of US\$3.3 million and it has permitted the supply of close to 24 million m3 of fuel per annum, which shall be utilized as a raw material in the Metrogas installations for the production of piped gas. Subsequently, this gas shall be distributed to a network with 35 thousand residential clients. With this project, the Aguas Group makes a significant and firm contribution to the city of Santiago, helping it to mitigate the energy crisis observed in recent years.

During the period, Gestión y Servicios showed a real growth of 0.9% in sales with respect to the previous year, rising to Ch\$10,762 million and its operating result amounted to Ch\$1,420 million.

Environmental Analyses

An environmental laboratory involved in taking samples and the analyses of water, sludge, soil and air, accredited under national standards and the self-imposed requirements of the Agbar Group's network of laboratories.

It is the only company in Chile that has a mobile laboratory with the ability to mount, in situ, techniques for an initial physicochemical and microbiological characterization of the entire parameters indicated in the local norms on water.

In view of its proved experience in the sanitation and bottled water markets, during 2008 the company was established as a referent in the salmon industry, going ahead with important development projects in order to offer analytic techniques that would permit the sector to optimize its systems of disinfection of the ISA virus.

In this way, Anam has consolidated as the principal water laboratory for the local industry, highlighting its commercial development and care for its workers, a concern that was acknowledged in 2008 by the Chilean Security Association with the annual prize for safety.

During the period, the company achieved revenues of Ch\$ 3,704 million, which implies an increase of 43% with respect to the previous year.





FINANCIAL RESULTS

Solvency and Responsibility

CHAPTER 02 · YEAR 2008



In 2008, the Company took advantage of the opportunities that arose in the market to successfully execute a series of operations throughout the period.

The year 2008 was, beyond any doubt, one of the most complicated years that the capital markets have had to face in the last decades. In this context, the Company's management carried out important investment and financing operations, taking advantage of the opportunities that arose during the period.

Seeking the expansion of its sanitation operations, the Company announced in March, 2008 the intention to acquire a controlling share participation in Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL).

Aguas Andinas and Iberdrola Energía Chile Limitada signed a commitment to purchase the rights the latter held in Inversiones Iberaguas Limitada, the company that controlled ESSAL. Furthermore, a public acquisition offer was made for the entire shares in ESSAL S.A., with both operations finally concluding in the acquisition of a share participation of 53.5% in the sanitation company.

In April we carried out a bond issue on the local market for UF 2,500,000 to be used to finance the Aguas Andinas investment plan. The bonds placed correspond to the Series G, they have a term of 6 years, with a bullet payment of capital on maturity. The placement was made within the framework of a favorable rates scenario, achieving a spread of 68 basis points above the Central Bank of Chile bonds, with a total rate of UF + 3.2%, the lowest in any of the Company's bond placements bond placements and the sanitation sector.

Together with the above, and with the purpose of financing the acquisition of ESSAL, during the month of July, we obtained up to Ch\$ 45,000 million in bank finance, with a charge to the bank long-term line of credit.

This combination of sources of finance made it possible to support and expand the operations, comply with the investment plan and reduce the cost of finance. These factors, added to the low operating risk of the industry and the solid credit profile of Aguas Andinas, permitted the ratification of the risk ratings of Aguas Andinas at AA+ by the risk rating companies, one of the best categories assigned to a private corporation on the local market.

During the period, we continued with the process of optimizing the corporate structure of the Group, achieving the merger of the sanitation subsidiaries, Aguas Cordillera and Aguas Los Dominicos.

Finally, and thanks to the serious and dedicated work in the adoption of the International Accounting Norms (IFRS), Aguas Andinas will be one of the pioneer companies in its implementation, which will permit the company to issue its financial statements as of 2009 in accordance with the new standards required.



FINANCIAL RESULTS

Solvency and Responsibility

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Solvency and Responsibility

The aspects described have determined that the risk rating agencies classified the Company in the AA+ Category on the long-term loan. In the case of the shares, Feller Rate assigned a classification of First Class Level 3, whilst ICR gave it a First Class Level 2 Classification.

Risk factors

Due to the particular characteristics of the sanitation sector together with a proactive policy on risk controls, in which it makes full use of the ample experience of its controlling partner, Aguas Andinas presents a favorable situation in terms of risk.

OPERATIONS

• NEW INVESTMENTS

With the object of complying with the development committed to the SISS, Aguas Andinas must face an important plan of investments which involves a significant effort in financial, administrative and technical resources for the implementation and control of these investments.

This risk is mitigated by the fact that the tariffs incorporate the new investments ensuring them a minimum return. Furthermore, the experience of the controller group ensures the know-how necessary to carry out investment plans required.

• REGULATED MARKET

The sanitation services industry is regulated by the State of Chile

due to its condition as a monopoly, being exposed to changes in established norms. The current legal framework regulates the exploitation of the concessions and the tariffs charged to clients and which are set every 5 years. Although the mechanism for fixing the tariff takes place within technical criteria, differences could arise between the studies presented by the Company and the SISS, which, on not reaching any agreement, are resolved by a commission of experts formed by representatives of each one of the parties,

The current tariff period will rule until February 2010 for Aguas Andinas, May and June 2010 for its sanitation subsidiaries, Aguas Manquehue and Aguas Cordillera and until 2011 for ESSAL

• CLIMATIC CONDITIONS.

The climatic conditions present in the hydrographic basins determine to a great extent the quantity, quality and the continuity of raw water available for the abstracting and production process of potable water. In this way, factors such as meteorological precipitations (snow, hail, rain, mist), temperature, humidity, dragging sediment, flows in rivers and cloudiness, can eventually affect the optimum delivery of sanitation services.

Currently, Aguas Andinas has sufficient water rights to ensure an adequate production of potable water, even in adverse climatic situations. Furthermore, the Company possesses the technical and



FINANCIAL RESULTS

CHAPTER 02 · YEAR 2008

human capacity necessary for overcoming critical situations,

• CLIENTS

The Company attends 1,828,328 potable water clients located in its area under concession in the Metropolitan, Los Lagos and Los Ríos Regions and that have as their supplier Aguas Andinas and its subsidiaries. The principal 100 clients represent only 8.06% of the total sales for the year 2008.

FINANCE

• EXCHANGE RISK

Aguas Andinas' revenues are linked to local currency, thus the Company's local debt is expressed mainly in that same currency and it has no debt in foreign currency.

• INTEREST RATE RISK

As of December 31, 2008 Aguas Andinas had 71.6% of its consolidated debt at a fixed interest rate comprised approximately of 83.0% short and long-term bonds and 17.0% in returnable financial contributions. The other 28.4% of the debt is at a variable interest rate and corresponds to credits with local banks.

Investment and financing policies

INVESTMENTS

74.4% of the investments made during 2008 correspond to expansion works which permitted us to comply with the Company's long-term development plan. The other resources invested were aimed principally at repositioning existing operating assets.

FINANCING

During the exercise Series G Bonds were placed at a rate of 3.20% and which, given the favorable scenario for rates during the placement, we achieved a historically low spread for the Company's issues, averaging 68 basis points over the Central Bank of Chile bonds. The low operating risk of the industry and the solid credit profile of Aguas Andinas are decisive factors in the assignment by the investors of a low level of risk on the bonds issued by the company.

Furthermore, we obtained Ch\$ 45,000 million charged to a long-term bank facility and used the funds in part to resolve the acquisition of ESSAL, to refinance debt and to finance the investment for the period.

This combination of instruments meant that, as of the close of the year 2008, the average rate on the financing was 4.32% and the term of the consolidated debt is 5.53 years.

Finally in December, the Company informed the Superintendence of



Solvency and Responsibility

Securities and Insurance (SVS) of its intention to make a bond issue for up to UF 3.5 million with the object of financing projects for the year 2009. Together with this, we announced the possible inscription of a line for commercial paper for up to Ch\$ 20,000 million to finance working capital.

ACQUISITION OF ESSAL

In March 2008 the Company announced its intention to acquire a controlling share participation in Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL).

In May, Aguas Andinas and Iberdrola Energía Chile Limitada signed a purchase agreement for the entire social rights the latter had in Inversiones Iberaguas Limitada, the parent company and controller of ESSAL. The purchase price of the contract amounted to €03.3 million.

The process continued with a public offer to acquire shares (OPA) on all the shares in ESSAL S.A. which was declared successful on July 10, 2008 and the result of which was the acquisition of an additional 2.5% of the property of the sanitation company in the X and XIV Regions in the south of the country.

Finally, these operations meant the acquisition of a total share participation of 53.5% in ESSAL.

NET EARNINGS FOR THE PERIOD 2008
CH\$M

109,120,037

RESERVE FOR FUTURE DIVIDEND PAYMENTS
CH\$M

1,204,711

INTERIM DIVIDENDS ON ACCOUNT OF NET
EARNINGS FOR 2007
CH\$M

(33,014,265)

REMAINING DISTRIBUTABLE NET EARNINGS
CH\$M

77,310,483

DIVIDENDS PAID AS A % OF THE DISTRIBUTABLE
NET EARNINGS

30.25%

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Dividend policy

At the Eighteenth Ordinary Shareholders Meeting, the Board of Directors agreed on a dividend policy consisting of paying 100% of the net earnings, with 30% corresponding to the net earnings for the period as an obligatory dividend and the other 70% as an additional dividend.

This policy shall remain in force whilst the Company maintains the current level of capitalization and that it continues to be compatible with the policies on investments and financing determined for each period.

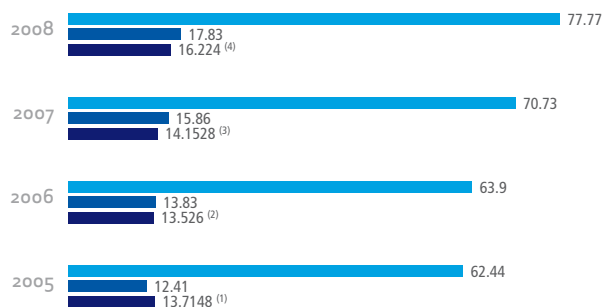
⁽²⁾ Includes two items: a dividend of Ch\$8.9160 per share paid on May 25, 2006; an interim dividend of Ch\$ 4.61 per share paid from the net earnings of 2006, paid on October 26 of that same year.

⁽³⁾ Includes two items: a dividend of Ch\$9.25 per share paid on May 22, 2007; and an interim dividend for Ch\$ 4.9028 per share paid from the net earnings of 2007, paid on October 24, 2007.

⁽⁴⁾ Includes two items: a dividend of Ch\$10.9224 per share paid on May 20, 2008; and an interim dividend of Ch\$5.30 per share paid from the net earnings of 2008, paid on October 29, 2008.

Dividends paid per share • (Ch\$ per share)

■ BOOK VALUE
■ RETURN
■ DIVIDENDS PAID



⁽¹⁾ Includes two items: a dividend of Ch\$10.2148 per share – corresponding to the part payment of the net earnings for 2004 paid on May 5, 2005 – and an interim dividend of Ch\$ 3.5 per share from the net earnings of 2005 and paid on September 27 of that same year.

Capital stock

The registered capital of Aguas Andinas is divided into 6,118,965,160 shares, fully subscribed and paid in.

As of December 31, 2008, 65% corresponded to Series “A”, equivalent to 3,976.243.841 shares; and 35% corresponded to Series “B” shares, equivalent to 2,142,721.319 shares.

STOCK TRANSACTIONS BY MAJORITY SHAREHOLDERS AND RELATED PERSONS.

No transactions of this type took place during the year 2008.

TRANSACTIONS ON THE SECONDARY MARKET

SANTIAGO STOCK EXCHANGE

2006	AVERAGE PRICE (CH\$)	UNITS	AMOUNTS (CH\$)
Total 1st Quarter	185.92	10,854,818	2,018,170,513
Total 2nd Quarter	186.60	128,160,683	23,914,899,145
Total 3rd Quarter	193.27	34,229,306	6,615,619,224
Total 4th Quarter	213.40	32,530,794	6,942,102,174
YEAR 2006	191.91	205,775,601	39,490,791,056

2007	AVERAGE PRICE (CH\$)	UNITS	AMOUNTS (CH\$)
Total 1st Quarter	231.61	45,050,802	10,434,152,110
Total 2nd Quarter	235.69	39,924,150	9,409,775,990
Total 3rd Quarter	226.11	27,536,171	6,226,290,426
Total 4th Quarter	227.80	32,141,488	7,321,900,595
YEAR 2007	230.84	144,652,611	33,392,119,121

2008	AVERAGE PRICE (CH\$)	UNITS	AMOUNTS (CH\$)
Total 1st Quarter	195.57	15,689,669	3,068,387,177
Total 2nd Quarter	206.32	30,483,496	6,289,414,380
Total 3rd Quarter	190.66	13,965,198	2,662,618,373
Total 4th Quarter	180.43	26,968,369	4,865,822,463
YEAR 2008	193.86	87,106,732	16,886,242,393



A swimmer in a pool, viewed from above, with decorative circles overlaid on the image.

FINANCIAL RESULTS

Solvency and Responsibility

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Solvency and Responsibility

BROKERS MARKET – STOCK MARKET

2006	AVERAGE PRICE (CHS)	UNITS	AMOUNTS (CHS)
Total 1st Quarter	186.14	448,064	83,402,779
Total 2nd Quarter	193.07	173,535	33,504,545
Total 3rd Quarter	187.87	451,528	84,803,910
Total 4th Quarter	214.50	569,534	122,167,526
YEAR 2006	197.17	1,642,661	323,878,760

2007	AVERAGE PRICE (CHS)	UNITS	AMOUNTS (CHS)
Total 1st Quarter	237.93	232,028	55,207,855
Total 2nd Quarter	233.74	165,927	38,784,271
Total 3rd Quarter	224.39	543,468	121,950,853
Total 4th Quarter	226.36	76,472	17,310,834
YEAR 2007	229.15	1,017,895	233,253,813

2008	AVERAGE PRICE (CHS)	UNITS	AMOUNTS (CHS)
Total 1st Quarter	200.25	52,000	10,412,875
Total 2nd Quarter	211.53	89,157	18,859,333
Total 3rd Quarter	103.74	103,740	20,135,462
Total 4th Quarter	179.91	29,175	5,248,895
YEAR 2008	199.42	274,072	54,656,565

FINANCIAL RESULTS

CHAPTER 02 · YEAR 2008

CHILEAN ELECTRONIC STOCK EXCHANGE-STOCK EXCHANGE

2006	AVERAGE PRICE (CH\$)	UNITS	AMOUNTS (CH\$)
Total 1st Quarter	182.89	709,434	129,751,549
Total 2nd Quarter	189.41	8,575,702	1,624,294,517
Total 3rd Quarter	193.29	644,893	124,653,355
Total 4th Quarter	210.20	1,047,489	220,180,042
YEAR 2006	191.20	10,977,518	2,098,879,463

2007	AVERAGE PRICE (CH\$)	UNITS	AMOUNTS (CH\$)
Total 1st Quarter	230.87	154,527	35,675,844
Total 2nd Quarter	234.90	4,435,941	1,055,648,970
Total 3rd Quarter	229.94	1,418,914	326,268,479
Total 4th Quarter	225.15	1,673,933	370,704,022
YEAR 2007	232.75	7,683,315	1,788,297,315

2008	AVERAGE PRICE (CH\$)	UNITS	AMOUNTS (CH\$)
Total 1st Quarter	190.41	428,531	81,597,021
Total 2nd Quarter	226.34	3,809,170	858,043,791
Total 3rd Quarter	190.08	107,531	20,439,082
Total 4th Quarter	183.99	38,045	7,000,050
YEAR 2008	220.63	4,383,277	967,079,944

1. ON MARCH 28, 2008 the Company informed the Superintendence of Securities and Insurance, as an essential fact, that it had received an acceptance of the purchase offer made by Aguas Andinas for its participation in ESSAL in the terms and conditions agreed.

The value of the operation informed amounts to Ch\$72,500,000,000 (Seventy two thousand five hundred million Chilean pesos Legal Chilean Tender). It must be said that the total consolidated assets of ESSAL S.A. represent some 15.2% of the total consolidated assets of Aguas Andinas S.A., and that ESSAL's total consolidated income as of December 31, 2007 represents 11.4% of the consolidated income of Aguas Andinas S.A. as of the same date.

Previously, on March 3, 2008 the Aguas Andinas S.A. had informed the Superintendence of Securities and Insurance as a reserved fact that it was interested in acquiring Iberdrola's share participation in the Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL S.A.), for which it would proceed with a study to confirm specific conditions which it would consider on preparing the offer. Furthermore, it informed that in the event that the acquisition of the share participation should go through, it could be carried out with: (i) the purchase by Aguas Andinas from Iberaguas the shares issued by ESSAL S.A. that represent 51% of the shares issued by it, or (ii) by means of the sale or assignment to Aguas Andinas of the social rights Iberdrola has in Iberaguas, equivalent to 99.99% of the registered capital of the latter.

2. ON APRIL 9, 2008 the Company informed the Superintendence of Securities and Insurance that Jaime Arellano had presented his resignation from his post as a Board Director of the Company, as did his Alternate Director, Mario Castillo. Both resignations were accepted on that same date.

In view of the above, and in accordance with the dispositions of Article 32 of Law N° 18.046 on Corporations, the Board of Directors had to be renewed in the following Ordinary Meeting of Shareholders and this was held on April 10, 2008.

3. ON MAY 20, 2008 the Company informed the Superintendence of Securities and Insurance, as an essential fact, that Iberdrola Energía Chile Limitada accepted the offer made by Aguas Andinas S.A. for its share participation in Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL S.A.), under the terms and conditions stated in the communication.

On May 19, 2008 Aguas Andinas S.A. and Iberdrola Energía Chile Limitada signed a promise on the purchase of all the social rights the latter has in Inversiones Iberaguas Limitada, parent company of ESSAL S.A. This promise was signed with the same terms and conditions included in the offer from Aguas Andinas S.A. and the acceptance of Iberdrola Energía Chile Limitada, referred to in the paragraph above and already advised to that Superintendence.





ESSENTIAL FACTS

2008 Essential Facts

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2008 Essential Facts

The value on the purchase contract for all the social rights on Inversiones Iberaguas Limitada amounted to €03,334,866 (one hundred and three million three hundred and thirty four thousand eight hundred and sixty six euros). Furthermore, and just as we advised that Superintendence, in our letter dated April 18, 2008 and subject to the same general conditions as the purchase contract, a new public offer of shares would be made for the entire shares in ESSAL S.A.

4. ON MAY 22, 2008 the Company informed the Superintendence of Securities and Insurance that the Board of Directors had agreed to seek finance for an amount up to 3,500,000 Unidades de Fomento, empowering management to determine the type of finance to be obtained.

In this way, the Company may arrange one or more bank credits and/or proceed with the inscription of one or more bond lines for their corresponding issue, with a maximum term of 30 years for the bonds.

5. ON MAY 26, 2008 the Company informed the Superintendence of Securities and Insurance, in reply to their letter ORD. N° 14094 dated May 23, 2008 on the use to be given to the funds obtained from the financing.

These funds will be used to pay for the acquisition of the social rights

In Inversiones Iberaguas Limitada, parent company of Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL S.A.), and the shares in the latter company which they agree to sell in the next public offer of shares which will take place in the same context; all this on the understanding that these operations go ahead in accordance with the agreements signed with Iberdrola Energía de Chile Limitada, and that were advised to that Superintendence in our letter dated May 20, 2008.

For the purposes stated in the above paragraph, we have studied the possibility of arranging with one or more local or foreign banks with offices in Chile, one or more credits up to a total amount in Pesos equivalent to 3,500,000 Unidades de Fomento.

Furthermore, the same authorization for finance approved by the Board of Directors, covers the possibility in the future, when the market conditions are favorable, to obtain funds to refinance the total or part of the credit mentioned in the previous paragraph, of other Company debts and/or possible investments required in the future. For this purpose, we are evaluating the possibility of inscribing in that Superintendence one or more bond lines for up to the sum of 3,500,000 Unidades de Fomento each, in order to obtain from those lines, the amounts of cash required for such purposes. In any case, the bonds placed and issued against a charge to the lines referred to, may not surpass the 3,500,000 Unidades de Fomento; they will have a maximum term of 30 years and their other general conditions will be



ESSENTIAL FACTS

CHAPTER 02 · YEAR 2008

duly informed to that Superintendence at the time.

6. ON JULY 10, 2008 the Company informed the Superintendence of Securities and Insurance, as an essential fact, on the Company, its business, its securities on public offer or offered by them, as follows:

a. On this date, Aguas Andinas S.A. declared as a success the public offer to purchase up to a total of 469,547,454 shares in Empresa de Servicios Sanitarios de Los Lagos S.A. ("ESSAL"), inscribed in the Securities Register under number 524, and acquired the number of 24,018,816 ESSAL shares, in accordance with the notice published on this date with the result in the newspapers El Mostrador and La Tercera.

b. The object of the public offer of purchase of shares mentioned above was to comply with the dispositions of Article 199 Letter c) of the Law on the Securities Market due to the intention of Aguas Andinas S.A. to acquire the control of ESSAL by means of the acquisition of 100% of the social rights of Inversiones Iberaguas Limitada, the owner of 488,712,657 shares in ESSAL, equivalent to 51% of its share capital, in the terms and conditions of the promise to buy the social rights celebrated by public deed and signed on May 19, 2008.

c. In accordance with the terms of the purchase agreement referred to, on this date, Aguas Andinas S.A. took over the control of ESSAL, as a result of the direct and indirect acquisition of 100% of the social rights in Inversiones Iberaguas Limitada.

The price of these assignments of social rights in Inversiones Iberaguas Limitada amounted to the sum of **₡03,334,866**, an amount that has been fully paid on this date.

7. ON SEPTEMBER 2008, the Company informed the Superintendence of Securities and Insurance, as an essential fact, on the Company, its business, its securities on public offer or offered by them, as follows:

At an ordinary meeting held on this same date, the Board of Directors agreed to distribute the sum of Ch\$ 32,430,515,348, on account of the net earnings of the year 2008 in the form of an interim dividend.

In view of the above, the Company's dividend N° 47 will amount to Ch\$5.3 per share and will be available as from October 29, 2008.

8. ON DECEMBER 16, 2008 the Company informed the Superintendence of Securities and Insurance, as an essential fact, on the Company, its



2008 Essential Facts

business, its securities on public offer or offered by them, as follows:

8. ON DECEMBER 16, 2008 the Company informed the Superintendence of Securities and Insurance, as an essential fact, on the Company, its business, its securities on public offer or offered by them, as follows:

On this date, the Company's Board of Directors agreed with the unanimous vote of its members, to proceed with the registration and inscription in the Securities Register of the Superintendence of Securities and Insurance, of two Bond lines with their principal characteristics being as follows:

- a.** Maximum amount of each bond line: 3,500,000 Unidades de Fomento, which will be issued in Chilean Pesos or in Unidades de Fomento.
- b.** Term of the bond lines: The maximum term of these bond lines shall be 30 years from the date of the public deed supporting the issues, term within which all payment obligations on the different bond issues charged to the line must mature.
- c.** Security: No specific security.
- d.** Use of funds: Refinance debts and finance investments according to

the specifications in each of the public deeds.

- e.** Other general conditions: The bonds may be placed on the market in general, they will be issued dematerialized, to bearer, will not be convertible to shares in the Company and shall be paid in Chilean Pesos.

Left on record is the fact that despite the total amounts of the bond lines referred to above, bonds may only be placed and/or be current with a charge to these lines, for an amount up to 3,500,000 Unidades de Fomento, considering jointly the bonds placed and currently outstanding charged to the lines mentioned.

The Board of Directors also agreed unanimously to carry out the inscription in the Securities Register of the Superintendence of Securities and Insurance in two lines for commercial paper, whose principal characteristics are expressed below:

- a.** Maximum amount of each line: Ch\$ 20,000,000,000.
- b.** Term for each line of Commercial Paper: The maximum term for maturity of the lines will be 10 years as of the date of the public deed in support of the issue, term within which all obligations to pay such commercial paper issued under these lines must expire. The instruments that correspond to the last placement of the line

The header features a photograph of a family (a child, a woman, and a man) smiling outdoors. A solid blue horizontal bar is positioned below the photo. The title 'ESSENTIAL FACTS' is written in large white capital letters across the blue bar. The chapter information 'CHAPTER 02 · YEAR 2008' is located at the bottom right of the blue bar.

ESSENTIAL FACTS

CHAPTER 02 · YEAR 2008

may have payment obligations that mature after this term ends.

- c. Security: No specific security.
- d. Use of funds: Refinance debt, finance investments and working capital.
- e. Other general conditions: The commercial paper may be placed on the general market, it will be issued to bearer and shall be paid in Chilean Pesos.

Left on record is the fact that despite the total amounts of the lines for commercial paper referred to above, commercial paper may only be placed with a charge to these lines, for an amount up to Ch\$ 20,000,000, considering jointly the commercial paper placed and currently outstanding charged to the lines mentioned.

Directors’ Remunerations

In accordance with Law N° 18.046, the Ordinary Meeting of Shareholders that took place on April 10, 2008 agreed the remunerations of the Board, the Committee of Directors and the expenses budget for the 2008 period.

The remuneration for the Board of Directors is divided into two types: one fixed monthly, for a value of UF 100 for the Chairman, UF 75 for the Vice-Chairman and UF 50 for Directors and Alternate Directors; and a variable remuneration payable in accordance with the assistance to each session: UF 80 for the Chairman, UF 60 for the Vice-Chairman and UF 40 for Directors and UF 40 for Alternate Directors only when they are replacing a Board Director.

The remuneration for the Committee of Directors during the period was comprised of: a fixed monthly remuneration of UF 25 for each member and a variable remuneration for assistance to each session of UF 20. Furthermore, the expenses budget was set at UF 3,000.

REMUNERATIONS OF THE BOARD OF DIRECTORS · (thousands of pesos)

DIRECTORS	POSITION	REMUNERATION		SESSION	
		2008	2007	2008	2007
Alfredo Noman	Chairman	25,666	25,666	20,533	20,532
Joaquín Villarino	Vice-Chairman	19,250	13,250	15,398	11,542
Arturo Vergara	Director	12,833	8,833	10,266	7,694
Carlos Mladinic	Director	3,566	12,833	2,569	10,266
Mónica Singer	Director	12,833	12,833	8,555	10,266
Jaime Arellano	Director	12,833	12,833	10,266	10,266
Ramón Figueroa	Alternate director	3,212	12,833	0	0
Mario Castillo	Alternate director	12,833	12,833	0	0
Jorge Bande	Alternate director	12,833	12,833	0	0
Antoni Siurana	Alternate director	12,833	13,886	0	2,572
Pedro Buttazzoni	Vice-Chairman	0	6,428	0	4,393
José Vila	Director	9,621	0	7,466	0
Rodrigo Azócar	Director	8,192	0	6,608	0
Cristina Orellana	Alternate director	9,265	0	840	0
TOTAL		155,770	145,059	82,502	77,532

The expenses of the Board of Directors rose to Ch\$ 21.7 million.

REMUNERATIONS OF THE COMMITTEE OF DIRECTORS · (thousands of pesos)

DIRECTORS	POSITION	REMUNERATION	
		2008	2007
Alfredo Noman	Chairman	0	3,714
Joaquín Villarino	Vice-Chairman	11,546	7,836
Carlos Mladinic	Director	3,496	11,977
Mónica Singer	Director	11,546	11,977
Rodrigo Azócar	Director	7,694	0
TOTAL		34,282	35,503





BOARD OF DIRECTORS AND SENIOR MANAGEMENT

CHAPTER 02 · YEAR 2008





Report of the Committee of Directors

In accordance with Article N° 50 bis, Point Ten, of Law 18,046 on Corporations, we report below on the activities of the Committee of Directors during the year 2008 and the expenses incurred therein, including those of their consultants.

I. COMPOSITION OF THE COMMITTEE

During the year 2008 the Committee of Directors was comprised of the following directors who are independent of the controlling interest: Carlos Mladinic and Mónica Singer, and of the director related to the controller and Vice-Chairman of the Board of the Company, Joaquín Villarino.

After the Ordinary Meeting of Shareholders held in 2008 that completely renewed the Board of Directors, the latter appointed as members of the Committee of Directors, the directors independent of the controlling shareholder, Rodrigo Azócar and Mónica Singer and the director related to the controller, Joaquín Villarino.

The Committee appointed Rodrigo Azócar as its Chairman.

Since it was founded, the Committee has held ordinary meetings once a month to discuss matters delegated to it in Article N° 50 bis of Law 18,046.

II. PRINCIPAL ACTIVITIES DURING THE YEAR

- a. Examined the remunerations systems and compensation plans for the managers and senior executives of Aguas Andinas S.A.
- b. Examined the reports of the independent auditors, the balance sheet and the other financial statements of Aguas Andinas S.A. corresponding to the year ended on December 31, 2007 and presented by the Company's management to the shareholders and commented on these before their presentation to the shareholders for their approval.
- c. Selection by the Committee of Directors and proposal to the Board on the appointment of the independent auditors and the private risk rating agencies for Aguas Andinas S.A. that were suggested at the Ordinary Meeting of Shareholders for the year 2008.
- d. Examined the International Public Tender for Updating the Operation and Safety of the El Yeso Reservoir, awarded to the related company, Aquaplan.
- e. Examined the offer and the consortium formed by Aguas Andinas S.A. and Agbar, related to the controller, for the design of ESSBIO's corporate geographic system.
- f. Examined the negotiations for the acquisition of control of ESSAL S.A. by Aguas Andinas S.A. from the Iberdrola Group, and the most adequate form of operating the industrial waste business in the

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

CHAPTER 02 · YEAR 2008

X Region through the subsidiary EcoRiles or the future subsidiary ESSAL.

- g. Approved and granted a guarantee by Aguas Andinas S.A. in cover of the obligations of Inversiones Iberaguas Limitada in the shareholders' agreement with CORFO, in respect of ESSAL S.A.
- h. Examined the information and prepared a report to the Board of Directors on the public tender for the sewage collectors and its award to the consortium formed by INCAP Sudamericana S.A. and the subsidiary Gestión y Servicios S.A.
- i. Analysis of the alternative solutions to potable water cuts when the water goes cloudy.
- j. Examined the initiating of the Aguas Andinas S.A.'s process of setting tariffs.
- k. Examined the process of pre-classification for the tender on the design and turnkey construction of the Mapocho Sewage Treatment Plant in which Sociedad General de Aguas de Barcelona S.A. and Degremont, both related to the controller, participated.
- l. Examined and proposed to the Board of Directors criteria and convergence on the adoption of the IFRS system for the Company.
- m. Examined the public tender for the supply of Piping for Potable Water Networks and Sewerage for Aguas Andinas and Related

Companies, and on the adjudication of the supply of the family of products called "ductile foundry piping for works" to the related company Agbar Servicios Compartidos S.A., Aserco.

- n. Examined the public tender on reengineering of processes and the implementation of new systems of information ob customer service and its proposal of the adjudication to the consortium composed of Sonda with related companies, Sociedad General de Aguas de Barcelona S.A. and Agbar Servicios Compartidos.

III. BUDGET AND EXPENSES OF THE COMMITTEE OF DIRECTORS DURING 2008

At the Ordinary Meeting of Shareholders held in April, 2008 an annual budget of UF 3,000 was set for the Committee of Directors and this was only partly utilized. The only expenses incurred by the Committee during the year were the fees paid to the legal adviser and secretary of the Committee amounting to Ch\$ 1 million gross per month.



Managers and senior executives

As of December 2008, the list of managers and senior executives of Aguas Andinas totaled 54 professionals. Their total remunerations for the year came to Ch\$ 4,532 million and the indemnities for years' service amounted to Ch\$ 204 million.

The policy on incentives for executives is focused on the achievement of the Company's general targets and on individual performance.

NAME	I.D. N°	POSITION	DEGREE
Larrain, Felipe	6.922.002-9	General Manager	Civil Engineer
De la Barra, Víctor	4.778.218-K	Corporate Manager	Civil and Industrial Engineer
Larraín, Camilo	10.436.775-5	Corporate Manager	Attorney
Martí, Joaquim	21.176.102-4	Corporate Manager	Engineer – Roads, Canals and Ports
Mas, Josep Oriol	22.856.478-8	Corporate Manager	Civil Engineer
Mayné, Francesco	22.421.366-2	Corporate Manager	Economist
Verdejo, Josep María	22.051.618-0	Corporate Manager	Diploma in Information Technology
Villarino, Salvador	10.331.997-8	Corporate Manager	Civil Engineer
Yarur, Iván	8.534.007-7	Corporate Manager	Civil and Industrial Engineer
Alarcón, Carlos	6.441.640-5	Manager	Construction Engineer
Auger, Mario	7.746.808-0	Manager	Civil Engineer
Cruzat, Enrique	8.548.720-5	Manager	Civil Engineer
Estay, Ricardo	6.027.966-7	Manager	Civil Engineer
Figueroa, Sergio	6.449.688-3	Manager	Construction Engineer
Fuentes, Luis	6.190.810-2	Manager	Civil Engineer
Kent, Natalia	8.688.841-6	Manager	Civil and Industrial Engineer
Lesty, Yves	14.709.240-7	Manager	Sanitation Engineer
Ocariz, Hernán	6.613.091-6	Manager	Civil Engineer
Riquelme, Alejandro	10.200.262-8	Manager	Chartered Accountant
Rodríguez, Eugenio	6.379.051-6	Manager	Business Administration
Sáez, José	9.447.215-6	Manager	Business Administration
Scholem, Renée	14.728.449-7	Manager	Psychologist
Segovia, Javier	21.887.638-2	Manager	Diploma in Chemical Sciences

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

CHAPTER 02 · YEAR 2008

NAME	I.D. N°	POSITION	DEGREE
Soto, Pedro	7.117.991-5	Manager	Civil Engineer
Acevedo, Jorge	6.084.916-1	Sub-Manager	Mechanical Engineer
Acevedo, Sebastián	6.639.714-9	Sub-Manager	Civil Engineer
Anderson, Matías	10.024.290-7	Sub-Manager	Civil and Industrial Engineer
Arellano, Juliete	12.044.242-2	Sub-Manager	Business Administration
Brzovic, Paula	9.871.863-K	Sub-Manager	Chemical Engineer
Claret, Johnny	6.460.447-3	Sub-Manager	Civil Engineer
Concha, Mariana	10.835.135-7	Sub-Manager	Civil Engineer
Duarte, Andrés	9.617.044-0	Sub-Manager	Civil Engineer
Dupré, Víctor	6.816.920-8	Sub-Manager	Civil Engineer
Faúndez, Luis	8.043.598-3	Sub-Manager	Civil Engineer
Garcés, Christian	8.153.554-K	Sub-Manager	Business Administration
Grau, Francisco	5.868.028-1	Sub-Manager	Civil Engineer
Guidugli, Francesca	10.911.214-3	Sub-Manager	Business Administration
Jopia, Carlos	10.077.119-5	Sub-Manager	Civil Engineer
Köning, Hernán	9.656.371-K	Sub-Manager	Civil Engineer
Lartundo, Rafael	10.912.542-3	Sub-Manager	Public Administration
Leonvendagar, José Miguel	7.478.916-1	Sub-Manager	Civil and Industrial Engineer
López, Verónica	7.061.767-6	Sub-Manager	Civil Engineer
Luci, Bruno	7.044.631-6	Sub-Manager	Construction Engineer
Meyer, Adolfo	5.159.829-6	Sub-Manager	Construction Engineer
Muñoz, Julio	6.364.977-5	Sub-Manager	Civil and Industrial Engineer
Norambuena, Patricio	6.640.538-9	Sub-Manager	Construction Engineer
Ortega, América	7.493.606-7	Sub-Manager	Civil Engineer
Reyes, Rodrigo	12.087.571-K	Sub-Manager	Chartered Accountant
Reyes, Christian	10.201.064-7	Sub-Manager	Business Administration
Ruz, Enrique	12.570.985-0	Sub-Manager	Computer Engineer
Salazar, Víctor	10.380.974-6	Sub-Manager	Civil and Industrial Engineer
Sanhueza, Juan Carlos	8.641.413-9	Sub-Manager	Civil Engineer
Schwerter, Cristián	12.343.884-1	Sub-Manager	Civil Engineer
Young, Fernando	12.622.327-7	Sub-Manager	Civil Engineer



PRINCIPAL CLIENTS AND SUPPLIERS

CHAPTER 02 · YEAR 2008

Potable water and sewerage clients

ADMINISTRADORA PLAZA VESPUCIO S.A.
CENTRO DE DETENCIÓN PREVENTIVA SANTIAGO 1
CERVECERA CCU CHILE LTDA.
CHILEAN ARMY
EMBOTELLADORAS CHILENAS UNIDAS S.A.
CHILEAN PRISON SERVICE
MUNICIPALITY OF SANTIAGO
INDUSTRIAL OCHAGAVÍA LTDA.
UNIVERSIDAD CATÓLICA DE CHILE
SOCIEDAD CONCESIONARIA AUTOPISTA CENTRAL S.A.
SOPROLE S.A.
UNIVERSITY OF CHILE

Suppliers

ANÁLISIS AMBIENTALES S.A. (1)
CAPTAGUA INGENIERÍA S.A.
CHILECTRA S.A.
CONSTRUCTORA OAS LTDA.
COPERGO LTDA.
EMPRESA DEPURADORA DE AGUAS SERVIDAS LTDA. (2)
EULEN CHILE S.A.
INMOBILIARIA Y CONSTRUCTORA NUEVA PACÍFICO SUR LTDA.
INGENIERÍA Y CONSTRUCCIÓN M.S.T. S.A.
KDM S.A.
OBRASCÓN HUARTE LAIN, S.A.
CONSTRUCCIONES Y MONTAJES COM S.A.

⁽¹⁾ Subsidiary of Aguas Andinas S.A.

⁽²⁾ Company indirectly related through one of its principal shareholders.





Property, equipment and insurance

The main properties and equipment used to provide the services of production and distribution of potable water and the collection and treatment of sewage are owned by Aguas Andinas and are in good working order.

The Company has insurance cover in force for all its assets – infrastructure, buildings and its contents – that include its installations for the production and distribution of potable water, collection and treatment of sewage, offices and warehouses. Insurance covers mainly the risks from natural causes and fire.

PROPERTY, EQUIPMENT AND INSURANCE

CHAPTER 02 · YEAR 2008



Statement of liability

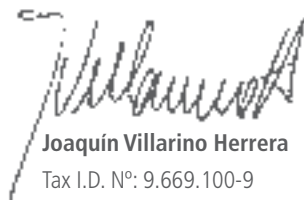
The Directors of Aguas Andinas S.A. and the General Manager, signatories to this declaration, hereby take full responsibility under oath for the truthfulness of the information provided in this Annual Report, in accordance with the provisions of General Norm N° 30 of the Superintendence of Securities and Insurance.



Alfredo Noman Serrano

Tax I.D. N°: 21.663.123-4

Chairman



Joaquín Villarino Herrera

Tax I.D. N°: 9.669.100-9

Vice-Chairman



José Vila Bassas

Spanish Passport N° 37245794

Director



Arturo Vergara del Río

Tax I.D. N°: 7.524.214-K

Director



Jaime Arellano Quintana

Tax I.D. N°: 6.941.061-8

Director



Rodrigo Azócar Hidalgo

Tax I.D. N° 6.444.699-1

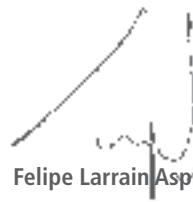
Director



Mónica Singer González

Tax I.D. N°: 7.700.329-0

Director



Felipe Larrain Aspíllaga

Tax I.D. N°: 6.922.002-9

General Manager



STATEMENT OF LIABILITY

CHAPTER 02 · YEAR 2008



NAME:

Aguas Andinas S.A.

ADDRESS:

Avenida Presidente Balmaceda No.1398, Santiago, Chile

TAX I.D. N°:

61.808.000 - 5

TELEPHONE:

(56-2) 688 10 00

FAX:

(56-2) 496 27 77

E-MAIL:

comunicaciones@aguasandinas.cl

MANAGEMENT P.O. BOX:

1537 Santiago, Chile

BUSINESS:

Abstraction, purification and distribution of drinking water and collection and disposal of sewage.

SERVICE TELEPHONE:

(56-2) 731 24 82

INSCRIPTION IN THE SECURITIES REGISTER:

N° 0346

WEB SITE:

www.aguasandinas.cl

Stock Exchange information

TRADING NAMES ON CHILEAN STOCK MARKETS

SERIE A: "Aguas-A"

SERIE B: "Aguas-B"

Contacts for information to shareholders and investors

INFORMATION FOR SHAREHOLDERS

CENTRAL SECURITIES DEPOSIT

Address: Huérfanos 770, piso 22

Telephone: (56-2) 393 90 03

Fax: (56-2) 393 91 01

E-Mail: atencionaccionistas@dcv.cl

INVESTOR RELATIONS

Address: Avenida Presidente Balmaceda N° 1398, piso 3

Telephones: (56-2) 496 23 06

(56-2) 496 27 32

Fax: (56-2) 496 23 09

E-Mail: inversionistas@aguasandinas.cl

Incorporation of the Company

Aguas Andinas S.A. was incorporated as a corporation by public deed on May 31, 1989 in Santiago before Notary Public Raúl Undurraga. An extract of the statutes was published in the Official Gazette on June 10, 1989 with a copy inscribed in the Business Register Page 13,981, N° 7,040 of the year 1989 of the Property Register of Santiago.

Legal information

The Company is inscribed in the Securities Register of the Superintendence of Securities and Insurance under N° 0346 as required by Law No. 18,777. As a company in the sanitation sector it is regulated by the Superintendence of Sanitation Services in accordance with Law N° 18,902 and Decree Laws No. 382 and No. 70, both of the year 1988.



COMPANY INFORMATION

Aguas Andinas S.A.

CHAPTER 02 · YEAR 2008







FINANCIAL STATEMENTS

CHAPTER 03





Independent Auditors' Report

TO THE SHAREHOLDERS AND DIRECTORS OF AGUAS ANDINAS S.A.

We have audited the accompanying consolidated balance sheets of Aguas Andinas S.A. and subsidiaries (the "Company") as of December 31, 2008 and 2007 and the related consolidated statements of income and of cash flows for the years then ended. These consolidated financial statements (including the related notes) are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audits. The accompanying Reasoned Analysis and Significant Events do not form an integral part of these financial statements, therefore, our report does not cover them.

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 as to 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.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Aguas Andinas S.A. and subsidiaries as of December 31, 2008 and 2007 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Chile.

As indicated in Note 31, beginning January 1, 2009, the Company will adopt International Financial Reporting Standards.

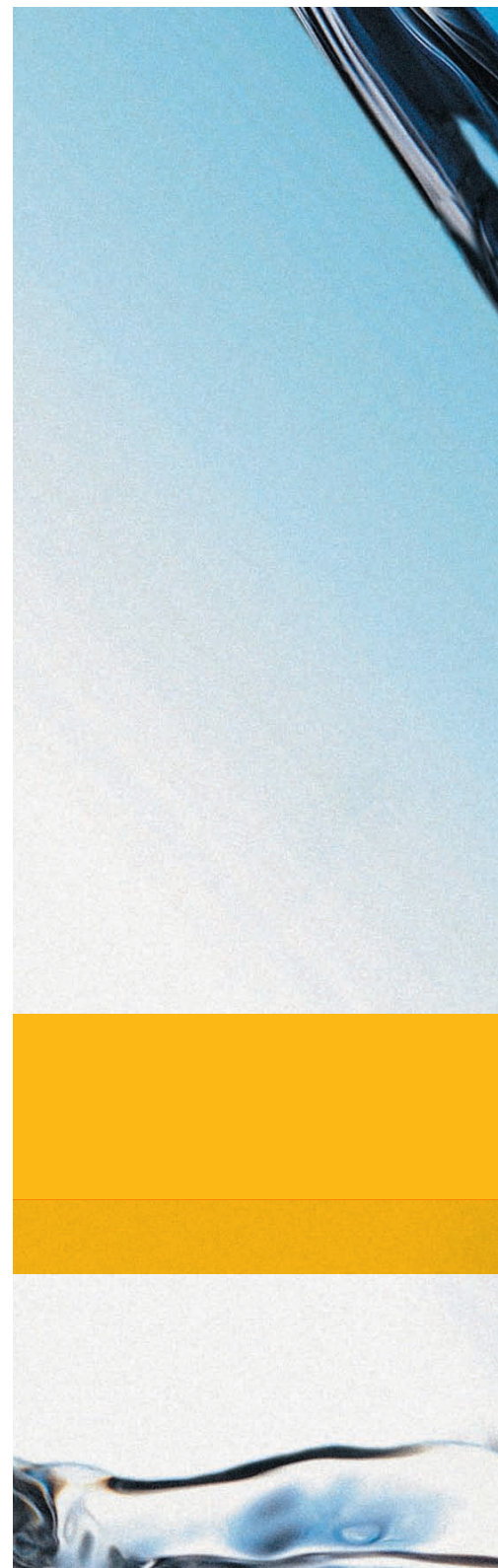
The accompanying financial statements have been translated into English for the convenience of readers outside Chile.

The Deloitte signature logo, featuring the word "Deloitte" in a stylized, cursive script.

January 23, 2009, except for Note 29, which is dated January 27, 2009

A handwritten signature in black ink, appearing to read "Amelia H.".

Amelia Hernández H.
RUT : 7.015.085-9



CONSOLIDATED FINANCIAL STATEMENTS

Aguas Andinas S.A.

CHAPTER 03 · FINANCIAL STATEMENTS





Consolidated Balance Sheets

At December 31, 2008 And 2007 (In thousands of Chilean pesos - ThCh\$)

ASSETS	2008 THCH\$	2007 THCH\$
CURRENT:		
Cash and banks	561.602	211.376
Time deposits	58.000	-
Marketable securities, net	-	10.643.576
Trade accounts receivable, net	66.118.498	52.808.948
Notes receivables, net	2.490.168	1.877.938
Miscellaneous accounts receivable, net	1.363.181	398.394
Accounts receivable and notes from related companies	845	93.019
Inventories, net	2.124.365	2.365.769
Recoverable taxes	1.527.471	379.839
Prepaid expenses	572.585	298.339
Deferred taxes	1.834.191	1.730.732
Other current assets	2.709.899	2.419.827
TOTAL CURRENT ASSETS	79.360.805	73.227.757
PROPERTY, PLANT AND EQUIPMENT:		
Land	53.042.394	42.274.052
Construction and infrastructure	1.407.731.537	1.183.048.565
Machinery and equipment	181.378.872	138.135.028
Other property, plant and equipment	21.592.850	13.788.326
Technical revaluation	5.585.190	5.690.742
Accumulated depreciation	(747.166.896)	(677.301.344)
TOTAL PROPERTY, PLANT AND EQUIPMENT	922.163.947	705.635.369
OTHER NON-CURRENT ASSETS:		
Investments in other companies	19.076	-
Goodwill	55.059.795	59.798.818
Long-term debtors	12.344.125	10.730.953
Deferred taxes	-	3.546.142
Intangibles	65.782.179	63.818.493
Accumulated amortization of intangibles	(20.651.708)	(18.952.622)
Other	15.654.407	15.682.949
TOTAL OTHER NON-CURRENT ASSETS	128.207.874	134.624.733
TOTAL ASSETS	1.129.732.626	913.487.859

The accompanying notes 1 to 33 are an integral part of these consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

CHAPTER 03 · FINANCIAL STATEMENTS

Consolidated Balance Sheets

At December 31, 2008 And 2007

LIABILITIES AND SHAREHOLDERS' EQUITY	2008 THCH\$	2007 THCH\$
CURRENT LIABILITIES:		
Short term bank liabilities	10.968.050	869
Short term portion of long term bank liabilities	6.505.529	2.139.433
Bonds payable	23.754.319	21.538.767
Trade accounts payable	35.351.654	19.101.031
Notes payable	507.573	644.214
Sundry creditors	1.447.301	1.365.711
Accounts payable and notes to related companies	2.886.256	2.728.418
Provisions	19.832.878	20.397.989
Withholdings	9.964.817	9.839.746
Income taxes	1.020.932	2.061.081
Unearned income	6.534.628	4.719.014
Other		15.037
TOTAL CURRENT LIABILITIES	118.773.937	84.551.310
LONG-TERM LIABILITIES:		
Long term banks liabilities	129.066.667	91.548.600
Bonds payable	283.039.696	203.189.186
Notes payable	62.656.256	48.358.978
Sundry creditors	1.553.866	949.172
Provisions	13.686.751	13.028.091
Deferred taxes	12.456.875	-
Other	969.849	511.283
TOTAL LONG-TERM LIABILITIES	503.429.960	357.585.310
MINORITY INTEREST	31.646.865	12.578
SHAREHOLDERS' EQUITY:		
Paid-in capital	155.567.354	155.567.354
Share premium	235.495.614	235.495.614
Other reserves	7.508.412	7.491.998
Retained earnings	77.310.484	72.783.695
Future dividends reserves	1.204.711	475.255
Net income for the year	109.120.037	105.697.250
Interim dividends	(33.014.264)	(33.388.810)
TOTAL SHAREHOLDERS' EQUITY	475.881.864	471.338.661
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1.129.732.626	913.487.859

The accompanying notes 1 to 33 are an integral part of these consolidated financial statements



Consolidated Statements of Income

For the years ended december 31, 2008 and 2007 (In thousands of Chilean pesos - ThCh\$)

	2008 THCH\$	2007 THCH\$
OPERATING INCOME		
Operating revenues	305.534.304	276.340.113
Operating expenses	(119.438.727)	(107.260.852)
Gross profit	186.095.577	169.079.261
Administrative and sales cost	(38.019.828)	(36.968.617)
OPERATING INCOME	148.075.749	132.110.644
NON-OPERATING RESULTS:		
Financial income	6.922.672	5.025.496
Other non-operating income	7.372.894	8.993.026
Amortization of goodwill	(4.739.023)	(4.753.458)
Financial expenses	(25.243.540)	(19.341.927)
Other non-operating expenses	(4.087.541)	(1.089.421)
Price-level restatement	6.526.637	6.683.646
Foreign exchange loss	(22.707)	(1.659)
NON-OPERATING LOSS, NET	(13.270.608)	(4.484.297)
Income before income taxes and extraordinary items	134.805.141	127.626.347
Income taxes	(23.943.078)	(21.928.528)
MINORITY INTEREST	(1.742.026)	(1.777)
Amortization of negative goodwill	-	1.208
NET INCOME	109.120.037	105.697.250

The accompanying notes 1 to 33 are an integral part of these consolidated financial statements

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Consolidated Statements Of Cash Flows

For the years ended december 31, 2008 and 2007 (in thousands of chilean pesos - thch\$)

	2008 THCH\$	2007 THCH\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Collection of trade accounts receivable	358.021.136	324.928.909
Financial income received	2.226.661	479.336
Other income received	3.966.845	2.900.150
Payments to suppliers and personnel	(138.878.259)	(108.884.468)
Payment of Interest	(17.967.986)	(12.625.692)
Payment of income tax	(24.418.297)	(20.777.187)
Other expenses	(2.042.967)	(943.938)
VAT and other similar items paid	(34.967.896)	(34.363.664)
TOTAL NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	145.939.237	150.713.446
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from banks	75.260.291	73.871.334
Proceeds from issuance of bonds	52.899.703	-
Other sources of financing	24.616.767	22.038.402
Dividends paid	(104.149.165)	(98.334.196)
Repayment of loans	(24.201.172)	(73.013.813)
Repayment of bonds	(20.149.416)	(14.267.231)
Payment cost associated with issuance of bonds	(827.664)	-
Other financing activities	(10.598.294)	(9.739.781)
TOTAL NET CASH FLOWS USED IN FINANCING ACTIVITIES	(7.148.950)	(99.445.285)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of property, plant and equipment	1.008.663	6.082.310
Proceeds from sales of permanent investments	8.181	-
Other investment income	817.222	-
Purchases of property, plant and equipment	(62.883.412)	(44.046.297)
Payment of capitalized interest	(901.465)	(641.301)
Permanent investments	(84.334.223)	(4.391)
Other investing activities	(542.887)	(1.559.309)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(146.827.921)	(40.168.988)
NET (DECREASE) INCREASE IN CASH FLOWS FOR THE YEAR	(8.037.634)	11.099.173
Price-level restatement of cash and cash equivalents	(2.489.696)	(585.102)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(10.527.330)	10.514.071
Cash and cash equivalents at beginning of the year	11.146.932	632.861
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	619.602	11.146.932

The accompanying notes 1 to 33 are an integral part of these unconsolidated financial statements



Consolidated Statements of Cash Flows

For the years ended december 31, 2008 and 2007 (in thousands of chilean pesos - thch\$)

	2008 THCH\$	2007 THCH\$
RECONCILIATION BETWEEN NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES AND NET INCOME FOR THE YEAR		
Net income	109.120.037	105.697.250
Income from sale of assets	(9.964)	(3.773.020)
Gain on sale of investments	(9.964)	(3.773.020)
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	46.610.621	44.151.845
Depreciation	43.519.735	39.325.413
Amortization of intangible assets	2.382.087	2.536.795
Provision and writeoffs	2.336.121	4.883.378
Amortization of goodwill	4.739.023	4.753.458
Amortization of negative goodwill	-	(1.208)
Net price-level restatement	(6.526.637)	(6.683.646)
Net foreign exchange differences	22.707	1.659
Other credits to income that do not represent cash flow	(2.425.543)	(3.986.959)
Other charges to income that do not represent cash flow	2.563.128	3.322.955
CHANGES IN OPERATING ASSETS - DECREASES (INCREASES):	(10.538.428)	(5.932.009)
Trade accounts receivable	(10.936.487)	(6.669.032)
Inventories	118.401	(516.161)
Other assets	279.658	1.253.184
CHANGES IN OPERATING LIABILITIES - INCREASES (DECREASES):	756.971	10.569.380
Accounts payable related to operating income	(14.093.711)	329.430
Interest payable	5.005.982	3.716.980
Income taxes payable	722.013	807.816
Other non-operating accounts payable	1.089.502	947.291
VAT and similar payables	6.291.159	4.766.086
MINORITY INTEREST IN NET INCOME	1.742.026	1.777
NET CASH PROVIDED BY OPERATING ACTIVITIES	145.939.237	150.713.446

The accompanying notes 1 to 33 are an integral part of these unconsolidated financial statements

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Notes To The Financial Statements

(In thousands of Chilean pesos - ThCh\$)

1.- REGISTRATION IN THE SECURITIES REGISTER

Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Empresa de Servicios Sanitarios de los Lagos S.A. (indirect subsidiary through Inversiones Iberaguas Limitada), are registered in the Securities Register of the Superintendency of Securities and Insurance under numbers 0346, 0975, 0402 and 0524; respectively. As a result, such companies are regulated by such Superintendency.

2.-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) ACCOUNTING PERIOD

These consolidated financial statements relate to the years between January 1 and December 31, 2008 and 2007, respectively, except for the income statement and statement of cash flows of Inversiones Iberaguas Limitada which are presented for period between July 10 to December 31, 2008.

B) BASIS OF PREPARATION

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

In the event of differences between accounting principles generally accepted, as issued by the Chilean Institute of Accountants, and the instructions of the Superintendency of Securities and Insurance, the instructions of the Superintendency of Securities and Insurance will prevail.

C) BASIS OF PRESENTATION

For comparison purposes, the consolidated financial statements at December 31, 2007 and their respective notes have been restated by 8.9%. This percentage corresponds to the variation in the Consumer Price Index during the last twelve months, with a one-month time lag. For comparison purposes, some non significant items of the 2007 consolidated financial statements have been reclassified.

D) BASIS OF CONSOLIDATION

The consolidated financial statements include the assets, liabilities, results, and cash flows of the Parent company and its subsidiaries. Transactions between the consolidated companies have been eliminated and the participation of minority investors has been recognized under Minority Interest.

On July 10, 2008, Aguas Andinas S.A., together with its subsidiary Aguas Cordillera S.A. acquired from Iberdrola Energía de Chile Ltda. the 100% ownership interest in Empresa Inversiones Iberaguas Ltda., which at that date owned 488,712,657 shares (51% ownership interest) of Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL S.A.), registered in the Securities Register under number 524. At the same time, it acquired, by means of a public offer, 24,018,816 shares of ESSAL shares (equivalent to a 2.5065% of ownership interest). The total acquisition cost was ThCh\$81,122,784. Through these purchases, Aguas Andinas S.A. obtained 512,731,473 shares corresponding to a 53.5065% ownership interest, thereby controlling ESSAL.

The acquisition was recorded according to the purchase method and based on the financial statements at June 30, 2008, it was measured at Fair Value as required by generally accepted accounting principles, not having established any unidentifiable intangibles to record.

Aguas los Dominicos S.A. was merged by Aguas Cordillera S.A., as indicated in Note 18.



E) PRICE-LEVEL RESTATEMENT

The consolidated financial statements have been restated by 8.9% in 2008 and 7.4% in 2007, to reflect the effects of variations in the purchasing power of the local currency during each year, in accordance with accounting principles generally accepted in Chile.

Income statement balances were also restated to express them at year-end values.

F) BASIS OF 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:

	2008 CH\$	2007 CH\$
United States dollar	636.45	496.89
Unidad de Fomento (index-linked unit of account)	21,452.57	19,622.66
Euro	898.81	730.94

Exchange differences are recorded in income in the year they are accrued.

G) TIME DEPOSITS

Time deposits are valued at their nominal amount plus the agreed indexation, including adjustments and accrued interest at each year end.

H) MARKETABLE SECURITIES

Marketable securities relate to investments in mutual funds units. These are shown at their redemption value 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 for disposable items remaining in stock for more than one year with no activity. The Company uses the weighted average cost method to value its inventories.

J) ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts depends on the aging of the accounts receivable and the historical recovery, as follows:

For Aguas Andinas S.A. and the subsidiaries Aguas Cordillera S.A., Aguas Manquehue S.A. and ESSAL S.A. (indirect subsidiary through Inversiones Iberaguas Ltda.), a 100% allowance is provided for customers with debt overdue for over 8 months.

For Aguas Andinas S.A. and its subsidiary Aguas Cordillera S.A., an allowance of 100% of accounts receivables converted into repayment plans is established for cases classified as "non-government subsidized". For cases classified as "government subsidized" customers, an allowance of 55% is made and the remaining 45% is accrued as a commercial discount.

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For the subsidiaries Gestión y Servicios S.A., Anam S.A. and Ecoriles S.A., allowances are provided for 100% of all customers debt more than 120 days past due.

A 100% allowance is provided for past due notes receivable.

K) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment transferred by the predecessor entity are shown at their restated appraisal values determined by independent consultants in a technical study made in 1977. Acquisitions after 1977 are shown at their restated cost.

The subsidiary Aguas Cordillera S.A. shows its specific accounts at cost, plus the incremental or discounted value resulting from technical appraisal performed in 1977, both restated.

The other subsidiaries show their property, plant and equipment at restated cost.

The property, plant and equipment include the main renewals and improvements. Maintenance costs or minor repair expenses 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 N°31 of the Chilean Institute of Accountants.

Direct remunerations, consultancy costs and other inherent and identifiable expenses are also included in the cost of some work in progress.

L) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

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

M) LEASED ASSETS

Lease agreements classified as capital leases are recorded in accordance with Technical Bulletin N°22 of the Chilean Institute of Accountants.

Leased assets are valued and its depreciation is calculated according to the accounting principle generally accepted for the property, plant and equipment.

Assets acquired under lease agreements are not legally owned by the Company until it has exercised its purchase option and therefore the Company cannot freely dispose them.

For the subsidiary, Gestión y Servicios S.A., the assets furnished under this modality are legally owned by the subsidiary until the other party has exercised its purchase option and therefore can freely dispose them.

N) INTANGIBLES

Water rights, rights of ways, software and other rights are shown at their restated cost net of amortization, in accordance with Technical Bulletin N°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 that period.

Software is amortized over a period of 4 years from the acquisition date, as it is believed they will provide benefits in such period.



O) GOODWILL AND NEGATIVE GOODWILL

Goodwill represents the differences of the purchase price over the net book value of the interest acquired in Aguas Cordillera S.A.. Goodwill is amortized over a period of 20 years from the acquisition date as this is the estimated period of return on the investment.

P) BONDS PAYABLE

This is the obligation for the placement of bonds issued by the Company and its subsidiary ESSAL S.A. (indirect subsidiary through Inversiones Iberaguas Ltda.) on the domestic market and are shown at their nominal value plus indexation adjustments and interest accrued at each year-end. The discount incurred and the issuance costs on the placement of the bonds are deferred and amortized over their respective terms, in accordance with Circular N°1.370 of the Superintendency of Securities and Insurance.

Q) INCOME TAX AND DEFERRED TAXES

The Company has provided for income tax based on its net taxable income determined in accordance with the provisions of the Income Tax Law. According to Technical Bulletin N°60 and other instructions from the Chilean Institute of Accountants and Circular N°1.466 of the Superintendency of Securities and Insurance, the Company records the effects of deferred taxes resulting from temporary differences, tax benefits related to tax loss carry-forwards and other events that create differences between the financial and tax basis of assets and liabilities.

The subsidiaries Aguas Cordillera S.A., Aguas Manquehue S.A. and ESSAL S.A. (indirect subsidiary through Inversiones Iberaguas Ltda.) record these effects as from the beginning of 2000, recording deferred taxes arising on the accumulated temporary differences in asset and liability accounts with credits and charges, respectively, to complementary accounts which are amortized, affecting income tax for the year, over the weighted average reversal period. These complementary accounts are shown deducted from the corresponding deferred tax assets and liabilities that originated them.

R) SEVERANCE PAYMENTS

Severance payments will be paid in accordance with the Labor Code, except for the amount of accumulated indemnities in Aguas Andinas S.A. and Aguas Cordillera S.A. at July, November, and December 2002, respectively, for employees included in the respective union labor agreement and those to whom the same benefits apply in accordance with their individual labor contracts. The accumulated amount at that date is adjusted quarterly according to changes in the consumer price index. The union labor agreement contract also established that employees of Aguas Andinas S.A. who retire from the company within 120 days of having reached the legal retirement age, will continue to accrue this benefit after July 2002, until their retirement date, while, for Aguas Cordillera S.A., the mentioned agreements state that employees who retire from the company on having reached the legal retirement age, will continue to accrue this benefit after November and December 2002, respectively, until their retirement date.

The Company's obligation for the accrued indemnity for employees up to July 2002 for Aguas Andinas S.A. and up to November and December 2002 for Aguas Cordillera S.A., is accounted for at its current value, and the obligation for the additional indemnity that is estimated the employees who retire from the company will accrue is accounted for at its present value, calculated according to the accrued cost of the benefit method and at an annual discount rate of 4.1%.

There are also individual contracts that are accounted for by the current value according to their terms.

Advances granted to personnel against such funds are shown as long-term debtors. These advances, price level restated, will be deducted from the final settlement, as state in the respective contracts.

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In the case of the subsidiary ESSAL S.A. there is a retirement indemnity payment to a worker, when the worker retires due to age or disability, where the Company shall pay the worker a sole and total indemnity equivalent to 6 months of the last remuneration he was paid. This obligation has been calculated at its present value.

S) REVENUE RECOGNITION

The sales of the Company and its water-services subsidiaries are recorded based on the consumption read and billed to each customer, divided into monthly billing groups and valued in accordance with the five-year period tariff established by the Superintendency of Sanitation Services (SISS). Consumption read but not billed at year end is also recorded at the tariff established for each billing group.

For the other subsidiaries, operating income is recorded based on sales of inventories and/or services invoiced to their respective customers and according to the billing of each customer for sewage treatment plants services, and the physical, chemical and biological analysis services rendered to each customer.

The Company also record the analyses in progress valued, at their corresponding type of analysis at year end, which corresponds to the unbilled consumption readings at year end, valued at the corresponding each type of contract.

T) INCOME FROM AGREEMENTS WITH REAL ESTATE DEVELOPERS

Income from agreements with real estate developers are recorded in other non-operating income according to certain compliance conditions stated in each contract, which ensures that the associated economic benefit flows to the Company.

U. DERIVATIVE CONTRACTS

As of December 31, 2008, the subsidiaries Gestión y Servicios S.A. and ESSAL S.A. (indirect subsidiary through Inversiones Iberaguas Ltda.) have entered into hedge contract agreements, Forward and Swap, respectively. The forward has been entered into and designated as hedging instrument on a fair value hedge to hedge the changes in the foreign exchange rate; the Swap (interest rate) has been entered into and designated as a hedging instrument as a cash flow hedge, both derivatives contracts are accounted for at fair value, in accordance with Technical Bulletin N° 57 of the Chilean Institute of Accountants.

V. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses incurred in studies that are not related to any project, are charged directly to income when they are incurred. Otherwise, they are capitalized on the corresponding work in progress.

W. STATEMENT OF CASH FLOWS

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

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



X. ACCRUED VACATION EXPENSE

The employees vacations expenses is recorded on an accrual basis, in accordance with Technical Bulletin N°47 and its supplements issued by the Chilean Institute of Accountants.

COMPANIES INCLUDED IN THE CONSOLIDATION

TAXPAYER ID	COMPANY	OWNERSHIP PERCENTAGE			
		31.12.2008			31.12.2007
		DIRECT %	INDIRECT %	TOTAL %	TOTAL %
96.945.210-3	Ecoriles S.A.	99,0385	0,9615	100,000	100,000
96.828.120-8	Gestion y Servicios S.A.	97,8478	2,1522	100,000	100,000
96.568.220-1	Aguas Los Dominicos S.A.	0,0000	0,000	0,000	99,987
96.967.550-1	Analisis Ambientales S.A.	99,000	1,000	100,000	100,000
96.809.310-k	Aguas Cordillera S.A.	99,990	0,000	99,990	99,9999
89.221.000-4	Aguas Manquehue S.A.	99,9996	0,0004	100,000	100,000
96.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A.	2,5065	51,000	53,5065	0,000
96.897.320-7	Inversiones Iberaguas Ltda.	100,000	0,000	100,000	0,000

3.- ACCOUNTING CHANGES

During the year ended December 31, 2008, there have been no accounting changes that require disclosure.

4.-MARKETABLE SECURITIES

Marketable securities are stated as indicated in Note 2h), according to the following:

BANK	FUNDS	UNIT VALUE		2008 THCH\$	2007 THCH\$
		2008	2007		
BCI	Competitivo Gamma	-	1.096,487	-	5.482.854
Scotiabank	Clipper serie B	-	19.739,089	-	5.160.722
TOTAL				-	10.643.576

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INSTRUMENTS	BOOK VALUE	
	2008 THCh\$	2007 THCh\$
Mutual funds units	-	10.643.576
Total marketable securities	-	10.643.576

5.- SHORT- AND LONG-TERM DEBTORS

Trade accounts receivable relate to the billings for 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 an allowance for accrued revenues as of December 31, 2008 and 2007 of ThCh\$18,897,679 and ThCh\$14,894,780, respectively, corresponding to unbilled meter readings at each year end.

The composition of debtor balances at December 31, 2008 and 2007 is as follows:

2008

	RESIDENTIAL	COMMERCIAL	INDUSTRIAL AND OTHER
Aguas Andinas S.A.	82.10%	15.56%	2.34%
Aguas Cordillera S.A.	81.19%	18.69%	0.12%
Aguas Manquehue S.A.	69.39%	29.62%	0.99%
ESSAL S.A.	57.48%	17.08%	25.44%

2007

	RESIDENTIAL	COMMERCIAL	INDUSTRIAL AND OTHER
Aguas Andinas S.A.	80.65%	16.71%	2.64%
Aguas Cordillera S.A.	82.30%	17.55%	0.15%
Aguas Manquehue S.A.	71.53%	28.36%	0.11%

Allowances for doubtful accounts have been recorded, as follows:

A) An allowance for doubtful accounts has been provided as explained in Note 2j), amounting to ThCh\$6,942,249 and ThCh\$6,244,839 as of December 31, 2008 and 2007, respectively, for long term debtors the allowance for doubtful accounts provided amounting to ThCh\$11,324,398 and ThCh\$16,517,080 for each year end period respectively. The charge to income for the years 2008 and 2007 was ThCh\$2,953,583 and ThCh\$3,396,933, respectively. In addition, as of December 31, 2008 and 2007, it has been written off debtors amounting to ThCh\$1,191,705 and ThCh\$149,601, respectively.

B) PROVISION FOR PAYMENT AGREEMENTS.

Provision for commercial discounts relates to payment agreements of debt signed by customers of Aguas Andinas S.A. and Aguas Cordillera S.A. through



which they can obtain a commercial discount if they fully comply with such agreement. The amount for this item amounts to ThCh\$3,991,733, and the charge to income is for ThCh\$431,328 at December 31, 2008, while at December 2007 it amounted to ThCh\$4,089,770 and the charge to income is for ThCh\$1,038,183. The Company has recorded commercial discounts for ThCh\$195,123 and ThCh\$29,163, in 2008 and 2007, respectively.

Notes receivable is mainly comprised of promissory notes signed by customers because of agreements with real state developers.

The balance of short-term sundry debtors as at December 31, 2008 and 2007 relates mainly to collection agreements through credit cards and accounts receivable from personnel.

The main component of long-term debtors relates to agreements signed with real state developers and advances against severance payments, as indicated in Notes 2r), 2t) and to trade accounts receivables net of their corresponding allowance.

ITEM	CURRENT						LONG-TERM	
	UP TO 90 DAYS		90 DAYS TO 1 YEAR		TOTAL CURRENT (NET)			
	31.12.2008 THCH\$	31.12.2007 THCH\$	31.12.2008 THCH\$	31.12.2007 THCH\$	31.12.2008 THCH\$	31.12.2007 THCH\$	31.12.2008 THCH\$	31.12.2007 THCH\$
Trade accounts receivable	68.151.909	55.221.964	4.215.113	3.735.818	66.118.498	52.808.948	-	1.029.394
Allowance doubtful accounts	-	-	-	-	-	-		
Notes receivable	2.221.770	1.735.659	793.731	672.702	2.490.168	1.877.938	540.125	363.954
Allowance doubtful accounts	-	-	-	-	-	-		
Sundry debtors	1.436.190	309.992	95.576	116.076	1.363.181	405.015	11.804.000	9.337.605
Allowance doubtful accounts	-	-	-	-	-	-		
TOTAL LONG-TERM DEBTORS							12.344.125	10.730.953

6.- BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

The balances and transactions with related companies at December 31, 2008 and 2007 are as follows:

NOTES AND ACCOUNTS RECEIVABLE

TAXPAYER ID	COMPANY	SHORT-TERM		LONG-TERM	
		12/31/2008 THCH\$	12/31/2007 THCH\$	12/31/2008 THCH\$	12/31/2007 THCH\$
77.030.800-3	Constructora ACSA Ltda.	-	694	-	-
59.066.560-6	Degremont S.A. Agencia de Chile S.A.	-	16.180	-	-
96.864.190-5	Brisaguas S.A.	745	1.276	-	-
59.094.680-K	Aguas de Levante S.A.	-	2.251	-	-
76.938.110-4	Emp. Depuradora de Aguas Servidas	-	72.618	-	-
96.713.610-7	Agbar Chile S.A.	100	-	-	-
TOTAL		845	93.019	-	-

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The account receivable from Degremont S.A. Agencia en Chile and Brisaguas S.A., relates to chemical and bacteriological laboratory analysis services, payable at 30 days without interest.

The account receivable from Agbar Chile S.A. relates to a jointly contract with Gestión y Servicios, payable at 30 days without interest.

The account receivable from Constructora ACSA Ltda. and Aguas de Levante S.A., relates to the sale of inventories, payable at 30 days without interest.

With Empresa Depuradora de Aguas Servidas Ltda. (EDAS), corresponds to sales of inventories and spare parts have been made, for which it owed a balance due on January 31, 2008.

NOTES AND ACCOUNTS PAYABLE

TAXPAYER ID	COMPANY	SHORT-TERM		LONG-TERM	
		12/31/2008 THCH\$	12/31/2007 THCH\$	12/31/2008 THCH\$	12/31/2007 THCH\$
59.066.560-6	Degremont S.A. Agencia de Chile	643.854	641.348	-	-
59.094.680-K	Aguas de Levante S.A.	-	60.358	-	-
96.864.190-5	Brisaguas S.A.	40.858	19.442	-	-
52.127.140-k	Agbar Servicios Compartidos S.A.	172.070	71.932	-	-
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	2.017.815	1.929.520	-	-
1-9	Suez Environnement	11.659	-	-	-
96.847.530-4	Omnilogic Telecomunicaciones Chile	-	5.818	-	-
TOTAL		2.886.256	2.728.418	-	-

The debt with Brisaguas S.A. relates to collections payable, according to contract, payable at 30 days without interest.

The debt with Aguas de Levante S.A. related to materials purchased, according to contract, payable at 30 days without interest.

The debt with Agbar Servicios Compartidos S.A. relates to pipe purchases, payable at 60 days.

With Degremont S.A. Agencia en Chile there was an operation services contract for the La Farfana Sewage Treatment Plant. The outstanding balance corresponds to the withholding to be paid once the contractual relationship has terminated (once all contract terms have been complied with).

With Empresa Depuradora de Aguas Servidas Ltda., there is an operation and maintenance contract of the La Farfana Sewage Treatment Plant, its invoicing is upon expired month, and is paid at 30 days after the approval of the payment statement.

The debt with Acsa Agbar Construcción S.A. relates to a withholding stipulated in the pipe renewal contract.

There is a debt for consulting with Suez Environment, related to the viability study of a production increase in the La Farfana Sewage Treatment Plant, which is payable at 30 days.

The debt with Omnilogic Telecomunicaciones Chile was for radio-communications and transmission network maintenance services, with payments at 30 days.



TRANSACTIONS WITH RELATED COMPANIES

COMPANY	TAXPAYER ID	NATURE OF THE RELATIONSHIP	DESCRIPTION OF THE TRANSACTION	12/31/2008		12/31/2007	
				AMOUNT THCH\$	EFFECT ON INCOME (CHARGE/ CREDIT) THCH\$	AMOUNT THCH\$	EFFECT ON INCOME (CHARGE/ CREDIT) THCH\$
Degremont S.A. Agencia en Chile	59,066,560-6	Related	Plant Operation	-	-	8.410.572	(8.410.572)
Degremont Ltda.	77,441,870-9	Related	Mud Loading Automation	-	-	1.546.024	-
Degremont S.A. Agencia en Chile	59,127,140-7	Related	Purchase of Materials	-	-	229.071	(229.071)
Inversiones Aguas Metropolitana S.A.	77,274,820-5	Parent	Dividends Paid	52.090.987		49.314.334	
Corfo	60,706,000-2	Related	Plant Operation	24.944.607		35.941.160	
Empresa Depuradora de Aguas Servidas Ltda.	76,938,110-4	Related	Plant Operation	11.774.543	(11.774.543)	2.750.977	(2.750.977)
Lyonnaise Des Eaux	00,000,001-9	Related	Ap Plant Importation	304.339	-		
Degremont S.A. Agencia en Chile	59,066,560-6	Related	Payment Plant Construction Debt	605.402	-	-	-
Empresa Depuradora de Aguas Servidas	76,938,110-4	Related	Sale of Materials	-	-	184.535	184.535
Aguas de Levante	59,094,680-K	Related	Purchase of Materials	-	-	528.454	(528.454)
Degremont S.A. Agencia en Chile	59,066,560-6	Related	Services	-	-	133.826	

The materiality criterion used to report transactions with related parties is for amounts exceeding ThCh\$100,000.

7.- DEFERRED TAXES AND INCOME TAXES

At December 31, 2008 and 2007, the detail of taxable income and other concepts is as follows:

	2008 THCH\$	2007 THCH\$
a. Net taxable income	140.572.312	132.499.247
b. Balance of taxed earnings	154.865.237	96.192.464
c Tax (15%) credit for shareholders	133.374	289.975
Tax (16%) credit for shareholders	381.937	338.132
Tax (16.5%) credit for shareholders	801.596	951.380
Tax (17%) credit for shareholders	24.739.462	13.732.462

As a result of the merger by absorption of Aguas Los Dominicos S.A. a deferred tax was generated by the recognition of tax goodwill, which was charged to shareholders' equity. This transaction was recorded in accordance with that established in Technical Bulletin N°72 of the Chilean Institute of Accountants, business combinations for entities under common control based on the pooling of interest methodology.

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The detail of the deferred taxes for 2008 and 2007 is as follows:

ITEMS	2008				2007			
	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES		DEFERRED TAX ASSETS		DEFERRED TAX 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\$
Allowance for doubtful accounts	1.153.967	1.925.148	-	-	1.139.995	1.667.946	-	-
Unearned income	84.979	20.666	-	-	143.228	24.703	-	-
Provision for vacations	195.960	113.412	-	-	162.180	116.485	-	-
Leased assets	4.495	312.328	66.762	347.438	-	-	70.088	46.121
Depreciation	-	697.272	-	12.726.806	-	643.117	-	6.779.646
Severance payments	30.010	680.663	-	-	114.863	552.518	-	-
Other events	80.700	916.034	13.694	623.823	5.575	1.030.105	363	43.413
Provision for bonuses	8.195	-	-	-	5.775	-	-	-
Obsolete materials	9.480	220.376	-	-	-	-	-	-
Investment expenses related companies	-	-	-	71.945	-	-	-	85.130
Software	-	-	-	73.672	-	-	-	51.805
Bonds placement discount	-	-	285.549	1.964.130	-	-	256.415	1.979.326
Litigation	153.763	75.798	-	-	13.031	209.394	-	-
Obsolescence Property, plant and equipment	7.728	-	-	-	-	-	-	-
Deferred expenses	-	-	18.172	55.438	-	-	28.721	67.902
Water rights	-	34.349	-	-	-	44.432	-	-
Provision for payment agreements	461.440	217.155	-	-	456.717	238.543	-	-
Provision for loss on disposal of assets	20.035	-	-	-	13.835	-	-	-
Provision for repayment plans	-	-	-	-	21.818	-	-	-
Goodwill	7.616	7.075.961	-	-	9.302	7.376.826	-	-
La Dehesa	-	190.637	-	-	-	189.896	-	-
Fair value of assets ESSAL purchase	-	-	-	10.258.717	-	-	-	-
Supplementary accounts-net of amortization	-	-	-	(1.185.295)	-	-	-	(505.520)
TOTAL	2.218.368	12.479.799	384.177	24.936.674	2.086.319	12.093.965	355.587	8.547.823

The detail of income taxes is as follows:

	2008 THCH\$	2007 THCH\$
Current income tax (tax provision)	(23.897.293)	(22.524.872)
Adjustment from prior year	235.004	(4.896)
Effect on assets or liabilities due to deferred taxes for the year	(172.664)	693.743
Tax benefit from tax losses	-	(42.506)
Effect of amortization of supplementary deferred tax asset and liability accounts	(68.911)	-
Other charges or credits	(39.214)	(49.997)
TOTAL	(23.943.078)	(21.928.528)



8.- PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment is as follows:

ITEM	2008 THCH\$	2007 THCH\$
LAND	53.042.394	42.274.052
Land	53.042.394	42.274.052
CONSTRUCTION AND INFRASTRUCTURE	776.021.609	592.951.017
Gross value	1.407.731.537	1.183.048.565
Accumulated depreciation	(631.709.928)	(590.097.548)
MACHINERY AND EQUIPMENT	81.202.740	62.562.147
Gross value	181.378.872	138.135.028
Obsolescence Provision (A.F Chaitén)	(1.288.287)	-
Accumulated depreciation	(98.887.845)	(75.572.881)
OTHER PROPERTY, PLANTS AND EQUIPMENT	6.471.586	2.468.327
Gross value	21.592.850	13.788.326
Accumulated depreciation	(15.121.264)	(11.319.999)
INCREMENTAL VALUE TECHNICAL APPRAISAL - NET	5.425.618	5.379.826
Land	6.419.971	6.453.190
Distribution networks	1.465.198	1.594.611
Accumulated depreciation	(1.455.874)	(1.590.204)
Collector drains	(427.841)	(435.537)
Accumulated depreciation	328.837	321.528
Civil works	(1.471.921)	(1.413.291)
Accumulated depreciation	571.075	489.403
Machinery and equipment	(400.217)	(508.231)
Accumulated depreciation	396.390	468.357
TOTAL PROPERTY, PLANT AND EQUIPMENT - NET	922.163.947	705.635.369

Depreciation for the year:

The charge to income for depreciation at December 31, 2008 and 2007 is as follows:

DEPRECIATION IN:	2008 THCH\$	2007 THCH\$
Cost of sales	41.602.927	37.346.403
Administrative and sales expenses	1.916.808	1.979.010
TOTAL	43.519.735	39.325.413

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The Company has sixty-eight plots of land that were transferred free of charge by the Chilean State and are booked at a value of Ch\$1 each. There are also fixed assets with an expired accounting useful life and are therefore shown valued at Ch\$1 even though they are still in operation.

There are also amounts which are contributions from third parties and these are governed by 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 453 of 1989. These are explained in Note 33.

In 1989 and in accordance with Transitory Clause 3 of Decree Law 382 of 1988, the General Law on Sanitation Services, Aguas Cordillera S.A. removed from its accounts all assets financed by third parties and Chilean state assets.

Because of the application of this regulation, the Company maintains an off-balance sheet physical control over those assets, but the calculations of the price-level restatement and depreciation of these assets do not affect its financial statements in any way. As these assets form part of the sanitation infrastructure that it has to operate and maintain, the mentioned off-balance sheet control is performed.

LEASING

For Aguas Andinas S.A., assets acquired under financial leases and shown in Other fixed assets are as follows:

DESCRIPTION	DATE OF PURCHASE THCH\$	PURCHASE VALUE THCH\$	GROSS VALUE THCH\$	ACCUMULATED DEPRECIATION THCH\$	NET VALUE THCH\$	NUMBER INSTALLMENTS THCH\$
Digital connection services and telephone accessories	17.01.2005	56.166	63.258	31.978	34.280	48

For Aguas Cordillera S.A., the assets under financial leases were acquired from Teletronic S.A. and shown in Other fixed assets, under an agreement for a 48-month term and an amount of ThCh17,438.

9.- GOODWILL AND NEGATIVE GOODWILL

As at December 31, 2008 and 2007, the balances of this account represent the differences between the purchase prices over the net book value of the interest of the acquired company at the time of acquisition, as follows:

TAXPAYER ID	COMPANY	12/31/2008		12/31/2007	
		AMOUNT AMORTIZED IN THE YEAR THCH\$	GOODWILL BALANCE THCH\$	AMOUNT AMORTIZED IN THE YEAR THCH\$	GOODWILL BALANCE THCH\$
96.809.310-K	Aguas Cordillera S.A.	4.739.023	55.059.795	4.739.023	59.798.818
TOTAL		4.739.023	55.059.795	4.739.023	59.798.818



TAXPAYER ID	COMPANY	12/31/2008		12/31/2007	
		AMOUNT AMORTIZED IN THE YEAR THCH\$	NEGATIVE GOODWILL BALANCE THCH\$	AMOUNT AMORTIZED IN THE YEAR THCH\$	NEGATIVE GOODWILL BALANCE THCH\$
89.221.000-4	Aguas Manquehue S.A.	-	-	1.208	-

10.- INTANGIBLES

The balances as at December 31, 2008 and 2007 of the restated costs of intangible assets (Note 2n) are as follows:

ITEM	2008 THCH\$	2007 THCH\$
Water rights (1)	25.294.369	24.452.136
Leased water rights	-	631.400
Rights of way	11.847.576	10.547.809
Software	20.556.367	20.116.141
Other rights (2)	8.053.808	8.053.808
Usage rights	17.059	17.199
	13.000	
SUBTOTAL	65.782.179	63.818.493
Accumulated amortization water rights	(5.552.487)	(5.301.546)
Accumulated amortization leasing (1)	-	(61.796)
Accumulated amortization rights of way	(4.347.689)	(3.786.748)
Accumulated amortization software	(9.442.788)	(8.695.132)
Amortization other rights (2)	(1.308.744)	(1.107.400)
SUBTOTAL	(20.651.708)	(18.952.622)
TOTAL INTANGIBLE ASSETS - NET	45.130.471	44.865.871
Amortization for the year recorded		
in production costs:		
Water rights	634.524	610.749
Leased water rights	-	16.120
Rights of way	503.872	458.652
Software	1.042.346	1.249.928
Other rights	201.345	201.346
TOTAL AMORTIZATION	2.382.087	2.536.795

(1) The water rights purchased under financial lease agreements were acquired through exercising the purchase option formalized in March 2008.

(2) Relate to the purchase of the gratuitous rights to the consumption of drinking water to the Municipality of Santiago, which are being amortized over 40 years.

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Aguas Andinas S.A. has water rights from various natural sources, including Laguna Negra, Laguna Lo Encañado, and Quebrada de Ramón. Those were acquired gratuitously and have no book value.

The production of water supplies from various wells located in the Metropolitan Region, from which Aguas Andinas S.A. and its Subsidiaries have water rights concessions, were granted to the Company gratuitously by the Water Department of the Ministry of Public Works.

11.- OTHER (ASSETS)

The detail of this item is as follows:

	OTHERS (ASSETS)	
	2008 THCH\$	2007 THCH\$
Bonds placement discount and issuance costs	13.669.026	11.643.096
Prepaid expenses	878.405	1.339.852
Advance payments for purchases of fixed assets and intangibles	682.902	1.623.144
Return reimbursable of contributions KW/H	80.403	337.117
Non-operating assets	326.243	380.317
Others	17.428	359.423
TOTAL	15.654.407	15.682.949

12.- BORROWINGS FROM BANKS, SHORT-TERM

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

SHORT TERM

TAXPAYER ID	BANK	(IN PESOS) CH\$		TOTAL	
		2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$
97.004.000-5	Banco de Chile	10.968.050	-	10.968.050	-
97.032.000-8	Banco Corpbanca	-	869	-	869
TOTAL		10.968.050	869	10.968.050	869
Average annual interest rate		10,26%	0,54%		

TAXPAYER ID	BANK	(IN PESOS) CH\$		TOTAL	
		2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$
97.004.000-5	Banco de Chile	2.416.206	277.570	2.416.206	277.570
97.036.000-K	Banco Santander - Santiago	927.337	541.504	927.337	541.504
97.032.000-8	Banco BBVA	1.624.549	856.499	1.624.549	856.499
97.023.000-9	Banco Corpbanca	1.027.431	463.860	1.027.431	463.860
97.018.000-1	Bnaco Scotiabank	300.284	-	300.284	-
97.080.000-K	Banco BICE	209.722	-	209.722	-
TOTAL		6.505.529	2.139.433	6.505.529	2.139.433

13.- BORROWINGS FROM BANKS, LONG-TERM

TAXPAYER ID	BANK	CURRENCY INDEXATION UNIT	YEARS TO MATURITY				TOTAL LONG-TERM AT YEAR-END THCH\$	ANNUAL INTEREST RATE AVERAGE	TOTAL LONG-TERM AT YEAR-END THCH\$
			1 TO 2 THCH\$	2 TO 3 THCH\$	3 TO 5 THCH\$	5 TO 10 THCH\$			
97.004.000-5	Banco de Chile	In pesos Ch\$	1.482.000	1.482.000	20.136.000	33.300.000	56.400.000	9,29%	12.414.600
97.036.000-K	Banco Santander - Santiago	In pesos Ch\$	2.652.000	2.652.000	15.096.000	-	20.400.000	9,66%	22.215.600
97.032.000-8	Banco BBVA	In pesos Ch\$	4.194.667	4.194.667	21.380.444	-	29.769.778	9,66%	35.138.400
97.023.000-9	Banco Corpbanca	In pesos Ch\$	2.600.000	2.600.000	17.296.889	-	22.496.889	9,51%	21.780.000

Percentage in local currency: 100%

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14.- BONDS (SHORT- AND LONG-TERM)

AGUAS ANDINAS S.A.

This heading covers the amounts owed to the public due to the issuance of bonds by the Company in September 2001, December 2002, December 2005, January 2006, and April 2008 on the domestic market.

In September 2001, series B bonds were issued for UF1.8 million for a 21-year term with repayments beginning in 2008.

On October 10, 2002, the Superintendency of Securities and Insurance certified the registration of bonds for up to UF 10 million. Of this amount, Series C bonds were issued with a nominal value of UF 4.2 million and Series D with a nominal value of UF5.8 million.

In December 2002, Series C bonds for UF 4.0 million were placed, with repayments starting in June 2005 and extending through to December 2010.

On December 9, 2005, the Superintendency of Securities and Insurance approved a new bond issue totaling UF 5.0 million (F series), in order to finance the prepayment of the Series D bonds and refinance other obligations of Aguas Andinas S.A. in January 2006. The repayment will be performed every six months starting June 1, 2008 through to December 1, 2026.

On December 23, 2005, the Series E bonds were placed for UF1.65 million, with repayment in June 2012.

On March 24, 2008 two series of bonds were registered with the Superintendency of Securities and Insurance with N° 526 and 527 with 25 and 10 year maturities, respectively, and with a maximum value of UF 2.5 million each. The proceeds from both series will be used to finance the investment plans of Aguas Andinas S.A.

In April 2008, series G bonds for UF2.5 million were placed; this series matures in April 2014, with six-month interest payments.

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

The bond issuances carry no special collateral except for the general pledge over the Company's assets.

ESSAL S.A. (INDIRECT SUBSIDIARY THROUGH INVERSIONES IBERAGUAS LTDA.)

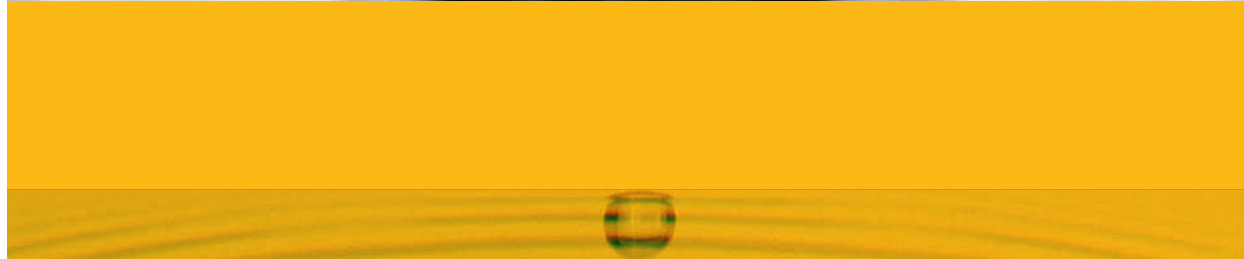
As a result of the Bond placement issued by the Company on June 12, 2003, through BBVA Corredores de Bolsa BHIF S.A., the interest accrued from this bond issuance in current year (December 2008) amounting to ThCh\$232,541 equivalent to UF 10,839.77 and at December 31, 2007 for ThCh\$231,636, equivalent to UF 10,839.77.

At December 31, 2008, ESSAL has paid the 11th interest installment, for ThCh\$1,392,904.

The Bond placement's main characteristics are as follows:

- The Company acquired capital debt for UF 2,200,000, which in pesos at December 31, 2008, amounts to ThCh\$47,195,654, with a 25 year maturity, period during which the corresponding interest payments and capital amortization installments will be paid. The debt is in UF and the annual interest rate is 6.0%
- Interest is payable in 50 semi-annual installments, the first on December 1, 2003, and the last on June 1, 2028.
- The capital of UF 2,200,000 shall be paid by ESSAL in 38 equal semi-annual installments, the first due on December 1, 2009, and the last on June 1, 2028. This loan has a 6-year grace period.

These financial resource will be used in part to prepay and amortize a portion of the syndicated loan for ThCh\$19,242,164 (historic) (operation performed on June 31, 2003), and the remainder, equivalent to approximately UF1,000,000, was used to finance new stages of the ESSAL S.A. investment plan, principally works in Sewage Treatment Plants, for different cities that the Company serves in its Concession Areas.



INSCRIPTION Nº OR INSTRUMENT IDENTIFICATION	SERIES	NOMINAL AMOUNT PLACED OUTSTANDING	INDEXATION UNIT	INTEREST RATE %	FINAL MATURITY	PAYMENT DATES OF		PAR VALUE		PLACEMENT IN CHILE OR ABROAD
						INTEREST	PRINCIPAL	2007 THCH\$	2006 THCH\$	
LONG-TERM BONDS CURRENT PORTION										
266	BEMOS B1	10.357	UF	6,25%	01.09.2022	Semi-annual	Semi-annual	532.177	403.414	Local
266	BEMOS B2	16.559	UF	6,25%	01.09.2022	Semi-annual	Semi-annual	836.284	633.937	Local
305	BAGUA C1	166.667	UF	4,25%	01.12.2010	Semi-annual	Semi-annual	3.600.494	3.598.963	Local
305	BAGUA C2	500.000	UF	4,25%	01.12.2010	Semi-annual	Semi-annual	10.801.456	10.796.882	Local
305	BAGUA E	-	UF	4,00%	01.06.2012	Semi-annual	At maturity	116.833	116.378	Local
305	BAGUA F	263.158	UF	4,15%	01.06.2026	Semi-annual	Semi-annual	5.993.286	5.989.193	Local
527	BAGUA G	-	UF	3,00%	01.04.2014	Semi-annual	At maturity	399.258	-	Local
284	B	10.839	UF	6,00%	01.06.2028	Semi-annual	Semi-annual	232.541	-	Local
284	B	57.895	UF	6,00%	01.06.2028	Semi-annual	Semi-annual	1.241.990	-	Local

TOTAL CURRENT PORTION								23.754.319	21.538.767	
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LONG-TERM BONDS										
266	BEMOS B1	684.945	UF	6,25%	01.09.2022	Semi-annual	Semi-annual	14.693.863	14.861.851	Local
266	BEMOS B2	1.076.343	UF	6,25%	01.09.2022	Semi-annual	Semi-annual	23.090.346	23.354.328	Local
305	BAGUA C1	166.666	UF	4,25%	01.12.2010	Semi-annual	Semi-annual	3.575.414	7.123.012	Local
305	BAGUA C2	500.000	UF	4,25%	01.12.2010	Semi-annual	Semi-annual	10.726.281	21.369.079	Local
305	BAGUA E	1.650.000	UF	4,00%	02.06.2012	Semi-annual	At maturity	35.396.741	35.258.976	Local
305	BAGUA F	4.473.684	UF	4,15%	01.06.2026	Semi-annual	Semi-annual	95.971.962	101.221.940	Local
527	BAGUA G	2.500.000	UF	3,00%	01.04.2014	Semi-annual	At maturity	53.631.425	-	Local
284	B	2.142.105	UF	6,00%	01.06.2028	Semi-annual	Semi-annual	45.953.664	-	Local

TOTAL LONG-TERM								283.039.696	203.189.186	
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15.- PROVISIONS AND WRITE-OFFS

The detail of provisions as at December 31, 2008 and 2007 is as follows:

	CURRENT LIABILITIES		LONG-TERM LIABILITIES	
	2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$
Accrued services	12.501.608	12.123.687		
Bonus (1) and profit-sharing	3.130.323	3.284.166		
Severance payments (Note 16)	551.222	1.719.763	12.543.393	11.877.544
Retirement severance payments	102.936	-		
Vacations accrued	1.817.992	1.639.208		
Pending litigation	1.000.363	1.308.391		
Accrual for losses on disposal of assets	117.852	128.341		
Projects (Pta de Aguila)	162.377	176.828		
La Dehesa (2)	-	-	1.121.396	1.117.032
Others	448.205	17.605	21.962	33.515
TOTAL	19.832.878	20.397.989	13.686.751	13.028.091

(1) In Aguas Andinas S.A., these are shown net of advances made during the years ended December 31, 2008 and 2007 for ThCh\$1,153,831 and ThCh\$1,167,537, respectively.

(2) Corresponds to a transaction dated July 10, 2007, signed at the office of the Notary Public Mrs. María Gloria Acharan Toledo, between Aguas Cordillera S.A. and real estate developers, which states that in case Aguas Cordillera S.A. in the future reverses and sells the transferred properties, it shall pay at least UF52,273.29. Such amount will be charged to the existing amount receivable from the real estate developers.

The write-off amounts at December 31, 2008 and 2007 are shown in Note 5 (Short and long term debtors).

16.- SEVERANCE PAYMENTS

At December 31, 2008 and 2007, the movement in the provisions for severance indemnities (including the short-term portion) is as follows:

	2008 THCH\$	2007 THCH\$
Initial balance	12.395.189	10.732.303
Increase in provision	1.074.297	2.834.783
Payments for the year	(1.082.711)	(642.852)
Price-level restatement	707.840	673.073
TOTAL	13.094.615	13.597.307



The severance indemnity has been calculated in accordance with the explanation in Note 2r).

The charge to income for these items, including the indemnities related to clause 161 of the Labor Code, at December 31, 2008 and 2007 amount to ThCh\$1,270,933 and ThCh\$3,314,218, respectively.

17.- MINORITY INTEREST

As of December 31, 2008 and 2007, this caption is detailed as follows:

NAME	PERCENTAGE OF MINORITY INTEREST		MINORITY INTEREST IN SHAREHOLDERS' EQUITY		MINORITY INTEREST IN INCOME	
	2008	2007	2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$
Aguas Cordillera S.A.	0,00997	0,00997	12.471	12.578	(1.640)	(1.777)
Essal S.A.	46,49350	0,00000	31.634.394	-	(1.740.386)	-
TOTAL			31.646.865	12.578	(1.742.026)	(1.777)

18.- CHANGES IN SHAREHOLDERS' EQUITY

The detail of the shareholders' equity for the years ended December 31, 2008 and 2007 are the following:

2008

ITEM	PAID-IN CAPITAL THCH\$	SHARE PREMIUM THCH\$	OTHER RESERVES THCH\$	RESERVE FOR FUTURE DIVIDENDS THCH\$	RETAINED EARNINGS THCH\$	INTERIM DIVIDENDS THCH\$	NET INCOME FOR THE YEAR THCH\$
Opening balance	142.853.401	216.249.416	6.879.704	436.414	-	(30.660.064)	97.058.999
Previous year net income distribution					66.398.935	30.660.064	(97.058.999)
Final dividend distribution				(434.850)	(66.398.935)		
Reserve Technical Bulletin Nro.72			16.242				
Price level restatement	12.713.953	19.246.198	612.466	1.203.147	-	(583.749)	
Net income for the year							109.120.037
Interim dividends						(32.430.515)	
CLOSING BALANCES	155.567.354	235.495.614	7.508.412	1.204.711		(33.014.264)	109.120.037

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2007

ITEM	PAID-IN CAPITAL THCH\$	SHARE PREMIUM THCH\$	OTHER RESERVES THCH\$	RESERVE FOR FUTURE DIVIDENDS THCH\$	RETAINED EARNINGS THCH\$	INTERIM DIVIDENDS THCH\$	NET INCOME FOR THE YEAR THCH\$
Opening balance	133.130.616	201.349.550	6.044	111.377	-	(28.095.596)	84.622.086
Previous year net income distribution					56.526.490	28.095.596	(84.622.086)
Final dividend distribution				(73.938)	(56.526.490)		
Capital distribution							
Reserve Technical Bulletin Nro.72			6.725.257				
Price level restatement	9.842.785	14.899.866	148.403	398.975	-	(660.002)	
Net income for the year							97.058.999
Interim dividends						(30.000.062)	
CLOSING BALANCES	142.973.401	216.249.416	6.879.704	436.414		(30.660.064)	97.058.999
RESTATED BALANCES	155.567.354	235.495.614	7.491.998	475.255	-	(33.388.810)	105.697.250

NUMBER OF SHARES

SERIES	N° SUBSCRIBED SHARES	N° PAID SHARES	N° SHARES WITH VOTING RIGHTS
A	3.976.243.841	3.976.243.841	3.976.243.841
B	2.142.721.319	2.142.721.319	2.142.721.319

CAPITAL (AMOUNT - THCH\$)

SERIES	SUBSCRIBED CAPITAL	PAID CAPITAL
A	101.091.233	101.091.233
B	54.476.121	54.476.121

2008:

The Ordinary Shareholders' Meeting held on April 10, 2008 agreed to distribute 100% of the Company's net income for 2007 and the distribution of ThCh\$434,850 (historic pesos) of the reserves for future dividends, discounting the provisory dividend paid in October 2007. The dividend amounted to ThCh\$66,833,785 (historic pesos), equivalent to Ch\$10.9224 per share. The payment was made on May 28, 2008.

The Board Meeting held on September 02, 2008, agreed to distribute ThCh\$32,430,515 as interim dividend, equivalent to Ch\$5.3 per share, against net income for 2008. The payment was made on October 29, 2008.

OTHER RESERVES:

On October 31, 2008, Aguas Los Dominicos S.A. was dissolved, since Aguas Cordillera S.A., had bought all shares of this company. On November 1, 2008 both companies merged, and in accordance with Technical Bulletin N° 72 of the Chilean Institute of Accountants, business combinations of entities under common control based on the pooling of interest methodology, recording in equity ThCh\$16,242 (historic pesos) from which, Aguas Andinas recognized 99.99003% in Other Reserves corresponding to its ownership interest over Aguas Cordillera S.A..

As established in clause N° 10 of the Corporations Law N° 18.046, the proportional amount of the restatement of paid in capital was added to paid in capital, this being divided at December 31, 2008 into 6,118,965,160 subscribed and paid shares.



2007

The Ordinary Shareholders' Meeting held on April 23, 2007 agreed to distribute 100% of the Company's net income for 2006 and the distribution of ThCh\$73,938 (historic) of the reserves for future dividends, after deducting the interim dividend paid in October 2006. The amount of the dividend was ThCh\$56,600,428 (historic), equivalent to Ch\$9.25 per share and was paid on May 22, 2007.

The Board Meeting held on September 27, 2007, agreed to distribute ThCh\$30,000,062 (historic) as interim dividend, equivalent to Ch\$4.9028 per share, against the income for 2007. The payment was made on October 24, 2007.

OTHER RESERVES:

On August 31, 2007, Aguas Cordillera S.A. was dissolved, by the purchase of all shares of Aguas Cordillera S.A. (ex Orbi II S.A.). On September 1, 2007 these two companies were merged, as required by Technical Bulletin N° 72 of the Chilean Institute of Accountants, business combinations of entities under common control based on the methodology of pooling of interests the Company recording in shareholders equity ThCh\$6,725,927 (historic), of which Aguas Andinas S.A. recognized it held 99.99003% in the item Other reserves, equivalent to the ownership interest it has in Aguas Cordillera S.A..

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19.- OTHER NON-OPERATING INCOME AND EXPENSES.

As at December 31, 2008 and 2007, this caption is comprised as follows:

	2008 THCHs	2007 THCHs
OTHER NON-OPERATING INCOME		
Income from agreements and others (1)	3.643.965	1.365.214
Services to third parties (2)	1.231.444	1.537.364
Fines and indemnities from suppliers and contractors	547.719	1.028.802
Services to customers	646.397	309.193
Rental of promises	285.037	273.366
Return of contributions	75.207	-
Recognition of matured obligations	92.369	109.178
Sale of materials	202.157	172.134
Sale of property, plant and equipment	40.108	3.773.020
Insurance refund	29.525	53.631
Other	578.966	371.124
TOTAL	7.372.894	8.993.026

OTHER NON-OPERATING EXPENSES		
Donations	187.668	244.552
Discontinued projects and studies	14.266	717.886
Legal expenses	809.907	32.268
Doubtful real estate developers	64.595	9.885
Fines	88.956	-
Asset shortfalls	855.054	11.102
Tariff study expenses	841.363	-
Loss in sale of property, plant and equipment	30.144	-
Writeoff of property, plant and equipment (Chaitén)	38.184	-
Provision for litigation in process	473.222	-
Other	684.182	73.728
TOTAL	4.087.541	1.089.421

(1) Mainly relates to agreements signed with real state developers under which Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A. and ESSAL S.A. are obliged to add certain areas to their concession zones and to provide the public sanitation services in these indefinitely.

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



20.- PRICE-LEVEL RESTATEMENT

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

	INDEXATION UNIT	2008 THCH\$	2007 THCH\$
ASSETS			
Inventories	CPI	252.944	204.339
Property, plant and equipment	CPI	68.478.643	49.539.617
Other non-monetary assets	CPI	2.245.212	1.787.392
Goodwill (net)	CPI	4.887.140	4.446.742
Other monetary assets	CPI	1.378.435	1.236.321
Other monetary assets	UF	531.368	987.866
Intangibles	CPI	3.398.253	2.963.357
Accounts receivable for related entities	UF	-	88.167
Other non-monetary assets	UF	31.266	12.757
Income statements accounts	CPI	5.625.867	4.937.108
TOTAL CREDITS		86.829.128	66.203.666
LIABILITIES			
Shareholders' equity	CPI	(33.192.015)	(26.822.099)
Minority interest	CPI	(1.572.047)	(711)
Bonds payable	UF	(22.269.212)	(12.699.460)
Notes payable	UF	(1.937.572)	(1.289.865)
Monetary liabilities	UF	(2.879.445)	(4.224.223)
Non-monetary liabilities	UF	(3.234.549)	(299.543)
Monetary liabilities	CPI	(939.982)	(1.344.526)
Non-monetary liabilities	CPI	(605.292)	(484.410)
Income statements accounts	CPI	(13.672.377)	(12.355.183)
TOTAL CHARGES		(80.302.491)	(59.520.020)
GAIN FROM PRICE-LEVEL RESTATEMENT		6.526.637	6.683.646

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21.- FOREIGN EXCHANGE DIFFERENCES

Exchange differences during the years ended December 31, 2008 and 2007 are as follows:

ITEM	CURRENCY	2008 THCH\$	2007 THCH\$
ASSETS			
Cash and banks	Dollar	119	(93)
Other assets	Dollar	(1.122)	(183)
Other assets	Euros	734	(137)
TOTAL CHARGES		(269)	(413)
LIABILITIES			
Accounts payable	Dollar	(15.690)	758
Accounts payable	Euros	286	(289)
Other liabilities	Euros	(7.092)	(1.762)
Other liabilities	Dollar	58	47
TOTAL CREDITS		(22.438)	(1.246)
LOSS FROM EXCHANGE DIFFERENCES		(22.707)	(1.659)

22.- SHARE AND BOND ISSUANCE AND PLACEMENT COSTS

During the months of September 2001, December 2002, December 2005, January 2006, and April 2008, the Company issued and placed bonds on the domestic market. In accordance with Circular N° 1.370 of the Superintendency of Securities and Insurance, the issuance and placement costs relating to credit-rating agencies, stamp tax and other general expenses were capitalized. These expenses are recorded in Other long-term assets and are broken down as follows:

BONDS	GROSS CAPITALIZED EXPENSES		AMORTIZATION PERIOD (YEARS)
	2008 THCH\$	2007 THCH\$	
Serie B	635.010	635.010	21
Serie C	1.502.634	1.502.634	8
Serie E	146.160	146.160	6,5
Serie F	2.363.291	2.363.291	21
Serie G	757.594	-	6
Serie B	2.245.891	-	25
TOTAL	7.650.580	4.647.095	



23.- STATEMENT OF CASH FLOWS

In the Statement of cash flows, cash equivalents consist of financial investments, including time deposits, marketable securities, and securities with maturities less than 90 days from their investment date. The detail of the balance of cash and cash equivalents is as follows:

	2008 THCH\$	2007 THCH\$
Cash and banks	561.602	211.376
Time deposits	58.000	-
Marketable securities (mutual funds)	-	10.643.576
Other current assets	-	291.982
BALANCE OF CASH AND CASH EQUIVALENT	619.602	11.146.934

CASH FLOW FROM OPERATING ACTIVITIES:

The flows generated by other income relates to ancillary services to the Company's main business operation, mainly engineering services, and agreements signed with real estate developers.

CASH FLOW FROM FINANCING ACTIVITIES:

The financing activities that generated cash flows in 2008 and 2007 under the heading of Other sources of financing, represent the collection of reimbursable financing contributions performed by the Company as established in current legislation (Decree Law N° 70 of 1988). The other disbursements for financing correspond to the prepayments of promissory notes for reimbursable financing contributions.

CASH FLOW FROM INVESTING ACTIVITIES:

The other investment disbursements relate to payments for rights of way and water rights.

Investing activities committing future cash flows for Aguas Andinas S.A. and Subsidiaries are recorded in Accounts Payable and relate to accrued work in progress and contractor withholdings whose amounts at December 31, 2008 and 2007 were ThCh\$24,205,664 and ThCh\$13,532,849, respectively.

24.- DERIVATIVE CONTRACTS

GESTIÓN Y SERVICIOS S.A.

The subsidiary Gestión y Servicios S.A. has a derivative contract with a financial institution to hedge the foreign exchange risk of advances made to suppliers, in order to that it has entered into a foreign exchange hedge contract with a financial institution. This contract has been defined as a hedge of existing amounts and was entered into and allocated as a foreign exchange rate hedging instrument. The fair value of this contract is recorded in other current assets and liabilities.

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ESSAL S.A. (INDIRECT SUBSIDIARY THROUGH INVERSIONES IBERAGUAS LTDA.)

At December 31, 2008, the subsidiary ESSAL S.A. has an interest rate SWAP contract with Banco BBVA, entered into on June 30, 2003. After evaluating possible changes in the interest rate which could occur during the 6-year maturity of the current syndicated loan, the SWAP contract was negotiated, which assures ESSAL S.A. and at an effective 7.27% nominal annual interest rate. The fair value of this contract is recorded in other current assets and liabilities.

TYPE OF DERIVATIVE	TYPE OF CONTRACT	AMOUNT OF CONTRACT	MATURITY OR EXPIRY	DESCRIPTION OF THE CONTRACTS				VALUE OF ITEM HEDGED	ASSET / LIABILITY		EFFECT ON INCOME UNREALIZED
				SPECIFIED ITEM	POSITION PURCHASE/SALE	NAME	AMOUNT		NAME	AMOUNT	
S	CCTE	16.959.619	VI / 2009	INTEREST RATE	P	BORROWINGS	2.119.952	2.119.952	-	-	-
FR	CCPE	1.173.710	I / 2009	EXCHANGE RATE	P	UNEARNED INCOME	1.630.529	1.630.529	-	-	-

25.- CONTINGENCIES AND RESTRICTIONS

A) DIRECT GUARANTEES

Guarantee policies and performance bonds have been submitted to the Superintendency of Sanitation Services to guarantee the conditions for the rendering of services and development programs in the Company's concession areas. Performance bonds have also been submitted to SERVIU Metropolitan Area for the replacement of paving, and to other institutions, in the amount of ThCh\$18,842,241 and ThCh\$12,589,002 at December 31, 2008 and 2007, respectively.

AGUAS ANDINAS S.A.

B) PENDING LAWSUITS

The following are the main outstanding lawsuits:

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 pipeline made 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. The amount demanded is 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 has appealed and asked that the suit be entirely accepted, also against Aguas Andinas S.A. The appeal was seen by the Court of Appeals, which confirmed the sentence appealed, the plaintiff and the principal appellant presented a cassation appeal before the Supreme Court, which is pending.

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. had a 1% participation at the time of the demand.

The first instance final sentence was issued rejecting the demand in all its parts and condemning the plaintiff to pay the costs. The plaintiff has appealed.



Court: 5th Civil Court of Santiago; Case file: 3684-2001. Aguas Andinas S.A. was sued for the payment of an indemnity for extra-contractual liability for environmental damage in breach of Law 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 enormous financial damage because of the drop in the value of their properties. Amount involved: UF 81,848. The following cases were added to this cause:

CASE	COURT	AMOUNT OF THE DEMAND
3541-2004	11° Civil of Santiago	506.594 UF
13214-2004	11° Civil of Santiago	410.759 UF plus indexation and interest
7900-2006	20° Civil of Santiago	81.848 UF
8305-2006	25° Civil of Santiago	42.161 UF plus indexation and interest

Estimated result: There is a moderate possibility of success in this case as the suit lacks a solid foundation. Status: Discussion period has concluded, and the judge has requested the parties to provide evidence, at December 31, 2008 the parties had not been notified.

Court: 19th Civil Court of Santiago; Case file: 2632-2004. A private 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 UF 5,525. Status: Sentence has been passed; the demand was accepted. Estimated result: An appeal has been filed against second instance sentence, its admission is still pending.

Court:18th Civil Court of Santiago; Case N° 322-2005. Aguas Andinas S.A. was sued for technical faults and defects at the La Farfana Sewage Plant, causing bad odors that have affected the physical and psychological health of the neighbors.
Amount demanded: ThCh\$3,890,000 plus indexation and interest. Estimated result: It is believed that it is improbable that damage can be shown to have affected or put at risk the psychological or physical health of the plaintiffs because of the bad odors, at most the damage could be related to nuisances to the neighborhood. Status: Sentence has not yet been passed.
A second lawsuit filed at the 19th Civil Court of Santiago (Case file 1105-2006) for ThCh\$940,000 was added to this case.

Court: 5th Civil Court of Santiago; Case N°: 10852-2005. Aguas Andinas S.A. was sued for its civil liability for the accidental death of Mario Cañete Muñoz, a worker at the Kennedy-Estoriil works. Amount involved: ThCh\$110,000, approximately, plus indexation, interests and costs. Status: Evidence period. Estimated result: The claim should be rejected, as Aguas Andinas had not ordered the execution of these works.

Court: 24th Civil Court of Santiago; Case N°: 6539-2006. A company is suing CORFO for the restitution of land at a property in Avenida Andrés Bello, Las Condes. Such land was acquired by CORFO from Aguas Andinas S.A. in September 1999.
Amount involved: undetermined. Status: Evidence period. Estimated result: The claim should be rejected.

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Court: 27th Civil Court of Santiago; Case N°: 552-2007. Aguas Andinas S.A. was sued, among other entities, by a private individual who pretends the nullity of the DGA Resolution 3268, which approved the works of the emissary El Trebal, Supreme Decrees N° 76 and N° 100 of the Economy Ministry which establish the tariff formulas for the periods between 200-2005 and 2005-2010, respectively.

Amount involved: undetermined. Status: Discussion period.

Estimated result: The claim should be rejected.

Court: Arbitrage Center of the Chamber of Commerce; Case file: 744-2007. A contractor sued Aguas Andinas S.A. for the payment of additional costs incurred in the works related to the renewal of networks in the areas of Yarur II and Sewage drain Arturo Prat.

Amount claimed: ThCh\$170,000, plus indexation and interests. Status: Ruling in favor of Aguas Andinas S.A. - Lawsuit concluded.

Court: 9th Labor Court of Santiago; Case N°: 222-2008. An individual demanded Aguas Andinas S.A. for payment of a work accident indemnity, for a work accident in the Cexas Conduit to the Esmeralda WWTP Works. Amount involved: ThCh\$192,000. Status: Discussion period. Estimated result: Will depend on the proof offered, in case the demand is accepted, the sentence will be substantially lower.

Court: 29th Civil Court of Santiago; Case N°: 15957-2008. A construction company sued Aguas Andinas S.A. for damages caused by an erroneous feasibility certificate. Amount of the demand 4,464 UF. Status: Discussion period. Estimated result: Depends on the quality and quantity of evidence presented.

The Company is involved in other minor lawsuits (in favor and against). The amounts involved in lawsuits in favor are:

- Two lawsuits from 2002 for ThCh\$110,000 plus indexation and interest.

- A lawsuit from 2008 for ThCh\$465,201.

The lawsuits that could be unfavorable for the Company are:

- Nine labor demands in which the Company was severally sued for ThCh\$210,010, between 2003 and 2007.

- Two labor demands in which the Company was sued for ThCh\$35,433, between 2002 and 2008.

- Three business related lawsuits, which are covered by contracted insurance, the amounts involved are ThCh\$73,000.

Management, together with the Company's legal counsels, consider that the previously mentioned lawsuits will not have any material adverse effect on the financial statements, however, provisions have been constituted, which are revealed in Note 15.

C) BOND ISSUANCE COVENANTS

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

1. Send to the bond-holders' representative a copy of the quarterly and annually audited unconsolidated and consolidated financial statements and of the subsidiaries registered with 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 management's opinion, should be reflected in its own and/or its subsidiaries' financial statements.



3. Maintain insurance coverage that reasonably protects its assets including its main offices, buildings, plants, office furniture and equipment and vehicles, in accordance with normal practices for similar businesses.
4. The Company ensures 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 no greater than 1.5:1, calculated on the figures in the consolidated and unconsolidated balance sheets, defined as the ratio of liabilities to shareholders' equity.
6. It may not sell, assign or transfer essential assets (public-utility concessions granted by the S.I.S.S. for Greater Santiago), except for contributions or transfers of essential assets to its subsidiary companies.

D) BANK LOAN RESTRICTIONS

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 ratio of liabilities to shareholders' equity.
2. Prohibition on the disposal or loss of title over essential assets except for contributions or transfers of essential assets to subsidiaries.
3. Send a copy of its quarterly and audited annual unconsolidated and consolidated financial statements to the different banks with which the Company has credit facilities, within a maximum of five days from the time they are sent to the Superintendency of Securities and Insurance.
4. Record in its books any provisions for adverse contingencies that might arise and which, in the management's opinion, should be reflected in the Company's financial statements.
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 compliance with the obligations assumed in the loan agreement.
7. Prohibition on the payment of dividends if there is a case of past due payments or delays in the payment of some loan installment, except for the obligatory minimum dividend.
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 ratio between operating income plus depreciation and amortization of intangible assets for the year, divided by financial expenses.
9. Prohibition on the liquidation or dissolution of the Company, its operations or the business in which it engages; 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 present subsidiaries.
10. The Company ensures that its transactions with its subsidiaries and other related parties are carried out in equitable conditions similar to those normally prevailing in the market.

The Company complies with all provisions established by the loan contracts with the creditor banks at December 31, 2008.

E) WITHHOLDINGS TO CONTRACTORS

The 1st Civil Court of San Miguel has requested the encumbrance of the payment to a contractor for ThCh\$17,056 (historic).

The Company complies with all the provisions established in Decree Law N° 382 of the General Law on Sanitation Services of 1988, as well as with its Regulation (D.S. MOP N°1199/2004, published in November 2005).

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AGUAS CORDILLERA S.A.

The main lawsuits that involve this Company are:

Case N°.4693-99, 11th Civil Court of Santiago. For damages filed by 79 neighbors of the district of Lo Barnechea concerning supply problems during October and November 1996. The demand is for ThCh\$728,626. Status: Evidence period. There are good probabilities that the Company will win the case.

The Company is involved in other minor lawsuits (in favor and against).

Management, together with the Company's legal counsels, consider that the following lawsuits will not have any adverse effects on the financial statements, however, provisions have been constituted, which are revealed in Note 15.

There are three lawsuits for business related claims, which at the closure of the financial statements have been provisioned for ThCh\$101,322.

The Company complies with all the provisions established in Decree Law N° 382 of the General Law on Sanitation Services of 1988, as well as with its Regulation (D.S. MOP N°1199/2004, published in November 2005).

Because the Company has no publicly trade securities at December 31, 2008, it is not subject to any restrictions.

At December 31, 2008, there are no mortgages, liens, or encumbrances that affect the titles of the Company over its movable assets and real estate property.

AGUAS MANQUEHUE S.A.

Lawsuits:

1) Case N° 1134-2004, 7th Civil Court of Santiago. Claim of a 15 UTA fine for non-compliance of the written orders and instruction of the SISS by not sending on time information for the "sewage treatment coverage" and "drinking water production" processes. Status: Unfavorable sentence; appealed. Result: Sentence confirmed.

2) Case N° 15.178-2006, 7th Civil Court of Santiago. Proceedings against Resolution SISS N° 554, which applied a fine of 30 UTA for non-compliance of written instructions from the Superintendency to provide information on expenses and costs for the year 2004. Status: Claim has been presented. Result: It is probable that the fine will not be reduced.

3) Case N° 764-2003, Lower Court of Colina. The Owners' Community of the Condominium Los Algarrobos IVA and IVB, filed a lawsuit due to noise coming from the discharge of water to the Quebrada Las Ñipas, coming from the sewage water treatment plant located in the Condominio Polo de Manquehue, and has requested its closing. In addition, they request the withdrawal of all piping installed at that location. Status: Sentence should be passed. Expected result: According to the documents of the lawsuit, the claim should not be accepted. Amount involved: Undetermined.

Management, together with the Company's legal counsels, consider that the lawsuits in which the Company is involved will not have any material adverse effect on the financial statements, however, provisions have been constituted, which are revealed in Note 15.

The Company complies with all the provisions established in Decree Law N° 382 of the General Law on Sanitation Services of 1988, as well as with its Regulation (D.S. MOP N°1199/2004, published in November 2005).

Since the Company has no publicly trade securities at December 31, 2008, it is not subject to any restrictions.

At December 31, 2008, there are no mortgages, liens, or encumbrances that affect the titles of the Company over its movable assets and real estate property.



ESSAL S.A. (INDIRECT SUBSIDIARY THROUGH INVERSIONES IBERAGUAS LTDA.)

A) INDIRECT GUARANTEES:

There are no commitments of this nature.

B) CONTINGENCIES FROM PENDING LAWSUITS THAT COULD DERIVE IN LOSSES FOR THE COMPANY

On October 4, 2006, the Company was formally notified that the Fiscalía Nacional Económica (National Economic Attorneys Office) presented a demand against the Company before the Free Competition Court, requesting that a UTM 48,000 fine be imposed for alleged abuse of dominant position in rural areas and their surroundings.

The Company legally answered the demand made by the National Economic Attorneys Office on December 18, 2006: the case is up for sentencing.

The Company has certain Litigation with private persons, which will not have a material adverse effect on the financial statements, notwithstanding, provisions have been constituted, which are revealed in Note 15.

C) BOND PLACEMENT:

The Bond Issue contract, the placement of which is informed in Note 14, represents for the Company a commitment to certain action, among which should be principally highlighted those related to sending the bond-holders' representative a copy of the Company's quarterly and annual financial statements, as well as to inform and certify regarding the compliance of the obligations assumed in virtue of the contract signed between the parties, as well as keeping insurance that will reasonably protect its assets, and comply with the following financial indicators:

- From the Financial Statements at June 30, 2003 and up to the Financial Statements at December 31, 2007, keep Current Liability to Shareholders' equity ratio that does not exceed 1.5 times.
 - From the Financial Statements at March 31, 2008, keep in quarterly financial statements a Current Liability to Shareholders' equity ratio that does not exceed 1.2 times.
 - From the Financial Statements at June 30, 2003, keep in quarterly financial statements an Ebitda to Financial Expenses ratio not less than 3.5 times.
- At December 31, 2008 and 2007, ESSAL has complied with the obligations assumed by issuer in the Bond Issue Contract, described in this heading.

D) SYNDICATED LOAN:

The current syndicated loan contract means that the Company must comply with certain commitments, including principally those related to delivering periodic information on annual Financial Statements and quarterly Uniform Statistical Coded Sheet (FECU), certification of compliance with the obligations established in the contract, opportunistically pay tax, social security and labor obligations and comply with current legislation, maintain a risk classification equal to or above "A", not grant real or personal of guarantees to third parties. In addition, according to current conditions agreed in the last modification dated December 24, 2008, certain restrictions are established, which include the following conditions and financial indicators:

- Current Liability to Shareholders' equity ratio cannot exceed 1.5 times.
- Current Liability to EBITDA ratio cannot equal or exceed: 4.25 times from 2006 onward.
- Ebitda to Financial Expenses ratio cannot be less than: 3.5 times from 2005 onward.
- Shareholders' equity cannot be less than 2,130,195 UF (Unidades de Fomento) during the whole period.

At December 31, 2008 and 2007, ESSAL has complied with the obligations assumed by debtor in the Syndicated Loan contract, described in this heading.

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DIRECT GUARANTEES

CREDITOR OF GUARANTEE	NAME OF DEBTOR	TYPE OF GUARANTEE	BALANCES OUTSTANDING ON THE DATE OF CLOSE OF FINANCIAL STATEMENTS	
			2008 THCh\$	2007 THCh\$
SUPERINTENDENCIA DE SERVICIOS SANITARIOS	AGUAS ANDINAS S.A.	GUARANTEE POLICY	2.102.009	372.250
SUPERINTENDENCIA DE SERVICIOS SANITARIOS	AGUAS ANDINAS S.A.	PERFORMANCE BOND	3.782.692	5.153.177
SERVIU METROPOLITANO	AGUAS ANDINAS S.A.	PERFORMANCE BOND	4.389.697	2.423.772
DIRECCION REGIONAL DE VIALIDAD	AGUAS ANDINAS S.A.	PERFORMANCE BOND	435.058	-
DIRECTOR DE VIALIDAD	AGUAS ANDINAS S.A.	PERFORMANCE BOND	366.410	76.608
MOP. DIRECC. GRAL.	AGUAS ANDINAS S.A.	PERFORMANCE BOND	204.638	188.796
I. MUNICIPALIDAD DE SANTIAGO	AGUAS ANDINAS S.A.	PERFORMANCE BOND	19.933	19.856
ESSAL S.A.	AGUAS ANDINAS S.A.	PERFORMANCE BOND	16.089	-
METRO S.A.	AGUAS ANDINAS S.A.	PERFORMANCE BOND	11.691	-
CHILECTRA S.A.	AGUAS ANDINAS S.A.	PERFORMANCE BOND	10.726	10.684
DIRECC. OBRAS HIDRAULICA	AGUAS ANDINAS S.A.	PERFORMANCE BOND	9.950	11.882
EMPRESA FERROCARRILES	AGUAS ANDINAS S.A.	PERFORMANCE BOND	6.436	2.821
I. MUNICIPALIDAD DE SAN BERNARDO	AGUAS ANDINAS S.A.	PERFORMANCE BOND	6.436	6.411
I. MUNICIPALIDAD DE PEÑALOÉN	AGUAS ANDINAS S.A.	PERFORMANCE BOND	6.436	6.411
I. MUNICIPALIDAD DE RENCA	AGUAS ANDINAS S.A.	PERFORMANCE BOND	6.000	6.534
DIRECTOR REGIONAL DE AGUAS	AGUAS ANDINAS S.A.	PERFORMANCE BOND	5.745	-
SECRETARIA REG. MINISTERIAL	AGUAS ANDINAS S.A.	PERFORMANCE BOND	3.000	3.862
I. MUNICIPALIDAD DE LAS CONDES	AGUAS ANDINAS S.A.	PERFORMANCE BOND	3.000	3.267
I. MUNICIPALIDAD DE LA GRANJA	AGUAS ANDINAS S.A.	PERFORMANCE BOND	1.287	1.282
MINISTERIO DE OBRAS PUBLICAS	AGUAS ANDINAS S.A.	PERFORMANCE BOND	-	16.448
I. MUNICIPALIDAD DE PROVIDENCIA	AGUAS ANDINAS S.A.	PERFORMANCE BOND	-	24.064
I. MUNICIPALIDAD DE LAS CONDES	AGUAS CORDILLERA S.A.	PERFORMANCE BOND	5.500	5.990
I. MUNICIPALIDAD DE VITACURA	AGUAS CORDILLERA S.A.	PERFORMANCE BOND	42.905	42.738
I. MUNICIPALIDAD DE LO BARNECHEA	AGUAS CORDILLERA S.A.	PERFORMANCE BOND	10.726	10.684
SUPERINTENDENCIA DE SERVICIOS SANITARIOS	AGUAS CORDILLERA S.A.	PERFORMANCE BOND	1.535.592	889.060
SUPERINTENDENCIA DE SERVICIOS SANITARIOS	AGUAS CORDILLERA S.A.	GUARANTEE POLICY	737.645	734.771
SERVIU METROPOLITANO	AGUAS CORDILLERA S.A.	PERFORMANCE BOND	53.631	103.801
CHILECTRA S.A.	AGUAS CORDILLERA S.A.	PERFORMANCE BOND	1.287	1.282
MINISTERIO DE OBRAS PÚBLICAS	AGUAS CORDILLERA S.A.	PERFORMANCE BOND	358.364	318.014
I. MUNICIPALIDAD DE PROVIDENCIA	AGUAS CORDILLERA S.A.	PERFORMANCE BOND	24.133	-
SUPERINTENDENCIA DE SERVICIOS SANITARIOS	AGUAS MANQUEHUE S.A.	PERFORMANCE BOND	1.709.865	1.555.562
SUPERINTENDENCIA DE SERVICIOS SANITARIOS	AGUAS MANQUEHUE S.A.	GUARANTEE POLICY	846.347	513.499
SERVIU REGION METROPOLITANA	AGUAS MANQUEHUE S.A.	PERFORMANCE BOND	127.652	-
AUTOPISTA NORORIENTE	AGUAS MANQUEHUE S.A.	PERFORMANCE BOND	128.715	42.738
DIRECCION REGIONAL DE VIALIDAD	AGUAS MANQUEHUE S.A.	PERFORMANCE BOND	11.799	-
INMOBILIARIA LA RESERVA	AGUAS MANQUEHUE S.A.	PERFORMANCE BOND	2.145	-
CONDOMINIO POLO DE MANQUEHUE	AGUAS MANQUEHUE S.A.	PERFORMANCE BOND	-	42.738
SUPERINTENDENCIA DE SERVICIOS SANITARIOS	ESSAL S.A.	GUARANTEE POLICY	1.808.700	-
FISCO DE CHILE	GESTION Y SERVICIOS S.A.	PERFORMANCE BOND	15.911	-
FISCO DE CHILE	GESTION Y SERVICIOS S.A.	PERFORMANCE BOND	26.094	-
CODELCO	ANAM S.A.	PERFORMANCE BOND	3.847	-
CODELCO	ANAM S.A.	PERFORMANCE BOND	4.150	-
TOTAL			18.842.241	12.589.002



26.- GUARANTEES RECEIVED FROM THIRD PARTIES

AGUAS ANDINAS S.A.

At December 31, 2008 and 2007, the Company has received documents in guarantee for 26,558,975 and M\$27,067,336, respectively, arising mainly from work contracts with construction companies to guarantee full compliance with contract conditions. There are also other guarantees to ensure the compliance of service and materials supply contracts to ensure their timely provision or delivery.

The following is a detail of the more significant bank guarantees received as at December 31, 2008:

AGUAS ANDINAS S.A.

CONTRACTOR	AMOUNT THCH\$	MATURITY
Ing. y Construcción Mst S.A.	174.017	11/9/2009
Inmobiliaria Conpaces S.A.	184.353	10/12/2009
Itt Flygt Chile S.A.	203.924	3/31/2011
Emp. Montajes Industriales Salfa S.A.	207.412	1/5/2009
Emp. Montajes Industriales Salfa S.A.	207.412	7/6/2009
Chilectra S.A.	214.526	8/1/2009
Captagua Ingeniería S.A.	216.240	4/3/2009
Agbar Servicios Compartidos S.A.	244.801	5/7/2010
Construcciones y Montajes Com S.A.	249.343	6/30/2009
Degremont Ltda.	328.224	4/25/2009
C. de Petróleos de Chile Copec S.A.	360.721	3/20/2009
Ing. y Construcción Mst S.A.	406.039	11/9/2009
Ing. y Construcción Mst S.A.	475.822	3/31/2011
Sociedad Gen. Aguas Barcelona.	620.408	1/23/2009
Ing. y Construcción Mst S.A.	679.746	7/18/2009
Constructora Oas Ltda.	1.287.154	9/29/2009
Obras Con Huarte Lain S.A.	2.021.559	10/30/2010
Degremont S.A.	2.618.055	4/30/2009
Constructora Oas Ltda.	3.589.830	3/29/2011
Emp. Depuradora de Aguas Servidas Ltda.	4.167.154	12/31/2012
TOTAL	18.456.740	

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AGUAS CORDILLERA S.A.

At December 31, 2008 and 2007, the Company has received performance bonds for ThCh\$1,491,454 and ThCh\$1,370,518, respectively that are principally for works and services contracts with contracting companies to guarantee proper performance of the contracts.

The detail of the most important bank guarantees current at December 31, 2008 is as follows:

AGUAS CORDILLERA S.A.

CONTRACTOR	AMOUNT THCh\$	MATURITY
ICM S.A.	11.197	8/25/2009
RFA Ingenieros Ltda.	12.378	12/1/2009
Proinversión S.A.	15.894	2/24/2009
Captagua Ingeniería S.A.	18.201	7/31/2009
Ecosan Ltda.	22.143	4/30/2009
Quevedo Ingeniería y Cía. Ltda.	24.114	10/6/2009
ICM S.A.	28.759	9/29/2009
Dalco Ingeniería Ltda.	32.233	7/30/2009
ICM S.A.	34.867	8/25/2009
GTECH Corporation Chile	40.498	10/10/2009
Marcelino Carrasco B. y Cía. Ltda.	53.631	5/3/2009
Inmob. y Constructora Nueva Pacífico Sur Ltda.	60.312	8/3/2009
Inmob. Manquehue Oriente S.A.	61.269	4/3/2009
Inmob. y Constructora Nueva Pacífico Sur Ltda.	105.873	1/14/2009
Inmob. y Constructora Nueva Pacífico Sur Ltda.	107.263	3/15/2009
ICM S.A.	121.477	3/21/2009
Construcciones y Montajes Com. S. A.	150.168	2/13/2009
ICM S.A.	153.386	7/14/2009
Ing. y Const. MST. S.A.	256.400	3/13/2009
TOTAL	1.310.063	



AGUAS MANQUEHUE S.A.

At December 31, 2008 and 2007, the Company has received performance bonds for ThCh\$2,397,873 and ThCh\$883,782, respectively that are principally for works and services contracts with contracting companies to guarantee proper performance of the contracts.

The detail of the most important bank guarantees current at December 31, 2008 is as follows:

AGUAS MANQUEHUE S.A.

CONTRACTOR	AMOUNT THCH\$	MATURITY
	ThCh\$	
Administradora de Negocios Inmobiliarios S.A.	643.577	30.09.2010
Comsa de Chile S.A.	355.821	01.07.2009
Comsa de Chile S.A.	298.906	01.07.2009
Abengoa Chile S.A.	207.618	16.08.2009
Comsa de Chile S.A.	193.620	01.07.2009
Ingeniería y Constructora M.S.T. S.A.	95.842	08.01.2009
Ingeniería y Constructora M.S.T. S.A.	84.228	06.09.2009
Luis Eduardo Pérez Castro.	60.221	30.11.2009
Constructora Socovesa Santiago Dos S.A.	55.777	13.02.2013
Ecosan Limitada	55.466	30.09.2009
Constructora Manquehue Limitada	42.905	27.06.2009
Chamisero S.A.	42.905	31.07.2009
ICM S.A.	36.376	01.04.2009
Dalco Ingeniería Limitada	22.976	15.09.2009
Ecosan Limitada	22.733	30.09.2009
Eugenio Patricio Toledo Fuentes	22.561	04.11.2009
Ingeniería y Construcción MST S.A.	22.395	15.03.2009
Quevedo Ingeniería y Cía. Limitada	20.046	01.07.2009
TOTAL	2.283.973	

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ESSAL S.A. (INDIRECT SUBSIDIARY THROUGH INVERSIONES IBERAGUAS LTDA.)

The Company has received third party guarantees for obligations assumed principally by Contractors, which amount to ThCh\$533,406 and M\$459.840 at December 31, 2008 and 2007, respectively. The following table shows the guarantees received:

ESSAL S.A.(INDIRECT SUBSIDIARY THROUGH INVERSIONES IBERAGUAS LTDA.)

CONTRACTOR	AMOUNT THCH\$	MATURITY
Lorenzo García Villegas	138.326	17.01.2009
Constructora Sotomayor y Schumacher y Cía. Ltd	112.841	20.09.2009
Inmobiliaria Socovesa Valdivia S.A.	53.485	15.03.2009
Constructora Luis Navarro S.A.	32.252	30.06.2009
Ingeniería y Construcción Icnova Ltda.	26.837	02.02.2009
Ingeniería y Construcción Icnova Ltda.	24.946	18.02.2009
Manpower	23.066	03.08.2009
Claro, Vicuña y Valenzuela S.A.	20.754	02.07.2009
Claro, Vicuña y Valenzuela S.A.	18.499	03.01.2009
Claro, Vicuña y Valenzuela S.A.	18.499	03.02.2009
Ecopreneur Chile S.A.	18.360	02.05.2009
Claro, Vicuña y Valenzuela S.A.	18.137	14.01.2010
Constructora Luis Navarro S.A.	15.568	30.09.2009
Jorge Santander Liñan de Ariza	11.836	15.10.2009
TOTAL	533.406	

GESTIÓN Y SERVICIOS S.A.

The Company has received third party guarantees for obligations assumed principally by Contractors, which at December 31, 2008 amount to ThCh\$52,355; which are as follows:

GESTIÓN Y SERVICIOS S.A.

CONTRACTOR	AMOUNT THCH\$	MATURITY
Siga Ing. y Consultoría S.A.	3.487	10/1/2009
Droguett y Raby Ing. y Serv. Ltda.	6.652	7/8/2010
Dalco Ing. Ltda.	38.350	3/4/2009
Eugeneo Patricio Toledo Fuentes	3.866	4/15/2009
TOTAL	52.355	



27.- LOCAL AND FOREIGN CURRENCIES

The Company shows the following assets and liabilities in local and foreign currency as at December 31, 2008 and 2007:

Assets

ITEM	CURRENCY	2008 THCH\$	2007 THCH\$
CURRENT ASSETS			
Cash and banks	In pesos Ch\$	561.602	211.376
Time deposits	In pesos Ch\$	58.000	-
Marketable securities	In pesos Ch\$	-	10.643.576
Trade debtors	In pesos Ch\$	66.118.498	52.808.948
Notes receivable	In pesos Ch\$	651.539	955.994
Notes receivable	Indexed Ch\$	1.838.629	1.014.963
Sundry debtors	Indexed Ch\$	65.432	59.274
Notes receivable	In pesos Ch\$	845	2.365.769
Inventory	Indexed Ch\$	2.124.365	379.839
Recoverable taxes	Indexed Ch\$	1.431.381	-
Recoverable taxes	Euros	-	803
Sundry debtors	Euros	3.521	298.339
Prepaid expenses	Indexed Ch\$	389.341	-
Deferred taxes	Indexed Ch\$	1.834.190	1.730.732
Other current assets	In pesos Ch\$	1.945.343	909.448
Sundry debtors	Dollars	449	761
Sundry debtors	In pesos Ch\$	1.293.779	337.556
Other current assets	Indexed Ch\$	764.556	1.510.379
Prepaid expenses	In pesos Ch\$	183.244	-
Recoverable taxes	In pesos Ch\$	96.090	-
FIXED ASSETS			
Property, plant and equipment	Indexed Ch\$	922.163.948	705.635.369
OTHER ASSETS			
Goodwill	Indexed Ch\$	55.059.795	59.798.818
Debtors - long-term	In pesos Ch\$	-	1.296.719
Debtors - long-term	Indexed Ch\$	12.344.125	9.434.234
Intangibles (net)	Indexed Ch\$	45.130.471	43.153.906
Other - long term	Indexed Ch\$	13.636.634	14.038.665
Other - long term	In pesos Ch\$	2.017.773	3.356.249
Deferred taxes	Indexed Ch\$	-	3.546.142
Investments in other companies	Indexed Ch\$	19.076	-
TOTAL ASSETS	IN PESOS CH\$	72.926.713	72.885.635
	INDEXED CH\$	449	761
	DOLLARS	1.056.801.943	840.302.321
	EUROS	3.521	299.142

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CURRENT LIABILITIES

ITEM	CURRENCY	UP TO 90 DAYS				90 DAYS TO 1 YEAR			
		31/12/2008		31/12/2007		31/12/2008		31/12/2007	
		AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %
Bonds payable long -term / short-term portion	Indexed Ch\$	2.000.489	5,00%	789.196	4,25%	21.753.830	4,44%	20.749.571	4,25%
Obligations with banks short-term	In pesos Ch\$	10.968.050	10,26%	869	0,54%				
Accounts payable	In pesos Ch\$	33.138.487		18.182.035		783.765			
Accounts payable	Indexed Ch\$	28.210		411.051		1.303.265		360.289	
Accounts payable	Euros	9.155		1.506					
Accounts payable	Dollars	88.772		146.149					
Sundry creditors	In pesos Ch\$	84.547		145.436					
Sundry creditors	Indexed Ch\$	1.523							
Sundry creditors	Indexed Ch\$	1.361.231		1.205.792	4,34%			14.483	4,34%
Provisions	In pesos Ch\$	12.010.243		13.707.413		7.710.132		6.573.555	
Withholdings	In pesos Ch\$	9.964.817		9.839.746				2.061.081	
Income taxes	In pesos Ch\$	6.113				1.014.819			
Notes payable related companies	In pesos Ch\$	2.825.890		2.728.418		60.366			
Unearned income	Indexed Ch\$	3.960.120		886.892		2.112.030		2.059.741	
Unearned income	In pesos Ch\$	443.655		153.402		18.823		1.618.978	
Provisions	Indexed Ch\$	112.503		117.022		0			
Notes payable	In pesos Ch\$	41.532		36.431		1.921		12.359	
Obligations with banks long -term / short-term portion	In pesos Ch\$	4.385.577	9,3%	2.139.433	7,00%	2.119.952	6,5%		
Notes payable	Indexed Ch\$			97.159	6,67%	301.033		458.770	7,30%
Notes payable	Indexed Ch\$	162.452		23.610		635	9,12%	15.885	
Other	Dollars			15.038					
TOTAL CURRENT ASSETS	INDEXED CH\$	7.626.528		3.530.722		25.470.793		23.658.739	
	IN PESOS CH\$	73.868.911		46.933.183		11.709.778		10.265.973	
	EUROS	9.155		1.506		-		-	
	DOLLARS	88.772		161.187		-		-	



LONG-TERM LIABILITIES, 2008

	CURRENCY	1 TO 3 YEARS		3 TO 5 YEARS		5 TO 10 YEARS		OVER 10 YEARS	
		AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %
Obligations with banks	In pesos Ch\$	21.857.333	9,63%	73.909.334	9,56%	33.300.000	9,20%		
Bonds payable	Indexed Ch\$	32.719.574	4,59%	55.143.287	4,35%	108.810.651	4,08%	86.366.184	5,08%
Notes payable	Indexed Ch\$	469.905	6,45%	10.175.887	7,24%	37.277.156	4,41%	12.147.270	3,38%
Sundry creditors	Indexed Ch\$	1.553.866							
Provisions	Indexed Ch\$	127.198		127.198		317.995		13.114.360	
Other long term liabilities	Indexed Ch\$	776.963		36.331					
Other long term liabilities	Indexed Ch\$	156.555	8,33%						
Sundry creditors	Indexed Ch\$	6.013.431		5.947.875		82.595		412.974	
Deferred taxes	Indexed Ch\$	2.586.038							
Notes payable	Indexed Ch\$								
TOTAL LONG TERM LIABILITIES		IN PESOS CH\$	21.857.333		73.909.334		33.300.000	-	
		INDEXED CH\$	44.403.530		71.430.578		146.488.397	112.040.788	

LONG-TERM LIABILITIES, PRIOR YEAR 2007

ITEM	CURRENCY	1 TO 3 YEARS		3 TO 5 YEARS		5 TO 10 YEARS		OVER 10 YEARS	
		AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %
Bonds payable	Indexed Ch\$	41.227.908	4,29%	49.318.292	4,17%	40.938.584	4,81%	71.704.402	4,81%
Notes payable	Indexed Ch\$	468.780	7,52%	261.931	6,93%	35.470.002	5,36%	12.158.266	3,38%
Sundry creditors	Indexed Ch\$	949.172				-		-	
Provisions	Indexed Ch\$	264.575		264.575		661.437		11.837.503	
Other long term liabilities	Indexed Ch\$	286.946		86.206		48.439		-	
Obligations with banks	In pesos Ch\$	11.901.318	6,99%	24.718.122	6,99%	54.929.160	6,99%	-	
Other long term liabilities	Indexed Ch\$	35.161	8,62%	41.233	8,85%	-		-	
Other long term liabilities	In pesos Ch\$	13.298		-		-		-	
TOTAL LONG TERM LIABILITIES		INDEXED CH\$	43.232.542	49.972.237		77.118.462		95.700.171	
		IN PESOS CH\$	11.914.616	24.718.122		54.929.160		-	

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28.- SANCTIONS

AGUAS ANDINAS S.A.

a) Superintendency of Securities and Insurance.

Neither the Company nor its directors or executives, were sanctioned during the years 2008 and 2007.

YEAR 2008

b) Other administrative authorities.

Through Resolution N°5272 of June 19, 2008, the Metropolitan Region's Regional Ministerial Secretary (Seremi) applied a 50 UTM fine, for sewage spillage. Status: it was appealed before the SEREMI; it is pending resolution.

Through Resolution N°711 of September 1, 2008, the COREMA of the Metropolitan Region levied a 100 UTM fine for not complying with standards by exceeding the "oil and grease" limits in the La Farfana Sewage Treatment Plant. Status: it was appealed before the COREMA; it is pending resolution.

YEAR 2006

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

By Resolution SISS N°553 of February 8, 2006, it applied a fine of 50 UTA for non-compliance of written instructions from the Superintendency to provide information on expenses and costs for the year 2004, requested in several notifications. Proceedings were started to appeal against such fine at the 26th Civil Court of Santiago (Case file 15200-2006), intending to obtain a reduction in the fine. Status: Unfavorable first instance sentence, appeal has been presented. The Court confirmed the ruling, the fine will be paid during the first half of 2009.

By Resolution SISS N°1454 of April 28, 2006, the SISS applied a fine of 20 UTA for deficiencies in the quality of the sewer system in the Quilicura district. Proceedings were started to appeal against such fine at the 29th Civil Court of Santiago (Case file 6509-2006), to obtain a reduction in the fine. Status: Unfavorable first instance sentence, appeal has been presented.

ii) The National Economic Inspector proponed to the Free Competition Defense Tribunal the application of a fine to Aguas Andinas S.A. for 50,000 UTM due to the following 1) situations: abusive demands and charges for new services in urban areas outside the concession area; 2) abusive demands and charges for services in rural areas outside the concession area, and 3) abusive application of Reimbursable Financial Contributions (AFR). Status: Evidence period. The Company expects it will be absolved from the claims against it.

iii) The National Labor authority applied a fine of 60 UTM "for not effectively protecting the health of employees". The facts relate to the death of four employees of a contractor firm working on the Dagoberto Godoy sewage drain. There are possibilities of the fine being annulled. One third of the fine was paid. Ordinary labor lawsuit filed at the 8th Labor Court of Santiago (Case file: 2449-2006). Status: There are possibilities of the fine being annulled.

YEAR 2005

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

By Resolution SISS 710-2005, it applied a fine for non-compliance of written instructions given by the Superintendency in its Official Letter N°1908 and



in Chapter XI of the Invoicing Manual. Amount payable 40 "UTA" ("Annual Tax Units" - an official monetary unit). An appeal to this fine was filed at the 29th Civil Court of Santiago, Case file 4779-2005. Status: unfavorable ruling, appeal was presented to attempt obtaining a reduction in the fine.

ii) The COREMA RM applied a fine of 300 UTM through Resolution 069/2005 of February 17, 2005, as a result of bad odors emanating from the La Farfana treatment plant. 10% of the fine was paid to initiate an appeal in the courts. An appeal to this fine was filed at the 27th Civil Court of Santiago, Case file: 6857/2005, is in evidence period.

YEAR 2004

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

By Resolution N° 415 dated February 9, 2004, the SISS fined the Company for not complying with written orders and instructions to submit, within the established term, information for the "Cover of the treatment of sewage" and "Production of drinking water" processes. Summary complaint proceedings took place in the 29th Civil Court of Santiago (case file N°1189-2004). Status: demand rejected in the first instance. Appeal made. The amount of the sanction is 30 Annual Taxation Units (UTA). The court confirmed the ruling, the fine must be paid shortly.

ii) SESMA applied the following fines:

By its Resolution 5180 of December 15, 2003, a fine of 1,000 UTM (Monthly Taxation Units) was applied due to bad odors emanating from the La Farfana plant. The fine was paid to be able to bring a claim before the courts. This was presented to the 17th Civil Court of Santiago (Case N°2999-2004). Status: awaiting start of evidence stage.

By its Resolution 4838 of October 19, 2004, confirmed by Resolution 782 of February 2, 2005, SESMA, the national environmental authority, fined the Company with 2,000 Monthly Taxation Units (UTM) for breach of Law 144/61 issued by the Ministry of Health, which sets standards for avoiding atmospheric emanations or contaminants of any kind. The fine was paid in order to bring a claim before the court. This was presented to the 17th Civil Court of Santiago (Case N°4566-2005). Status: evidence stage pending.

iii) The COREMA RM (regional environmental authority) fined the Company on May 28, 2004 (Resolution 177) with 1,000 Monthly Taxation Units (UTM) for bad odors emanating from the La Farfana Plant. 5% of the fine was duly paid in order to commence an appeal through the law courts (28th Civil Court of Santiago - Case N°6593-2004). Status: the procedural correction delaying exception was accepted, the COREMA cannot be sued because it is not a juridical entity; an appeal was presented.

Neither the Company nor its directors or executives, were sanctioned otherwise during the years 2008 and 2006.

AGUAS CORDILLERA S.A.

a. Superintendency of Securities and Insurance:

Neither the Company nor its directors or executives, were sanctioned during 2007 and 2006.

b. Other administrative authorities:

The Superintendency of Sanitation Services, by resolution N°3270 dated August 14, 2008, fined the Company for breaching its concession obligations in emergency situations, by not informing the users affected by drinking water cutoffs.

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The resolution was appealed on September 02, 2008. The appeal is pending.

The Superintendency of Sanitation Services fined the Company under its Resolution 2734 dated October 25, 2004, for not complying with its written orders contained in Official Memorandum 2774 and in the development plan.

This fine is being appealed by the Company in the 29th Civil Court of Santiago (Case File N°11,129). Status: Unfavorable sentence; appealed.

By Resolution 425 dated February 9, 2004, the Superintendency of Sanitation Services fined the Company for not complying with its written orders and instructions to remit, within the established term, information on the "Sewage treatment coverage" and "Production of drinking water" processes.

This fine is being appealed by the Company in the 4th Civil Court of Santiago (Case File N°1195-2004). Unfavorable sentence; appealed.

By Resolution 426 dated February 9, 2004, the Superintendency of Sanitation Services fined the Company for not complying with its written orders and instructions to remit, within the established term, information on the "Sewage treatment coverage" and "Production of drinking water" processes.

This fine is being appealed by the Company in the 19th Civil Court of Santiago, Case File N°: 1189-2004. Status: Unfavorable sentence; appealed.

Neither the Company nor its directors or executives, were sanctioned during 2008 and 2007.

AGUAS MANQUEHUE S.A.

a. Superintendency of Securities and Insurance:

Neither the Company nor its directors or executives, were sanctioned during 2007 and 2006.

b. Other administrative authorities:

By Resolution 424 dated February 9, 2004, the Superintendency of Sanitation Services fined the Company for not complying with its written orders and instructions to remit, within the established term, information on the "Sewage treatment coverage" and "Production of drinking water" processes.

This fine is being appealed by the Company in the 7th Civil Court of Santiago (Case File N°1134-2004). Status: Unfavorable sentence. Appealed.

Cause: Case file N° 15.178-2006, 27th Civil Court of Santiago. Proceedings against Resolution SISS N° 554, which applied a fine of 30 UTA for non-compliance of written instructions from the Superintendency to provide information on 2004 expenses and costs. Status: Claim has been presented. Result: It is probable that the fine will not be reduced.

Neither the Company nor its directors or executives, were sanctioned otherwise during 2008 and 2006.

ESSAL S.A.

a. Superintendency of Securities and Insurance

Neither the Company nor its directors or executives, were sanctioned as of December 31, 2008.

b. Other administrative authorities:

SUPERINTENDENCY OF SANITATION SERVICES:

This organism has applied the following sanctions:

Resolution N° 945 dated April 14, 2005, 151 UTA, for different operating breaches. Legally challenged before the 8th. Civil Court of Santiago (Case N° 6441-2005). It is in the appeal stage of the sentence that rejected the claim.



Resolution N° 1756, dated August 24, 2005, 25 UTA, for breach of D.S. 90. Legally challenged before the 25th Civil Court of Santiago (Case N° 13652-2005).

Currently the appeal by the SISS is pending, because the sentence was favorable to the Company.

Resolution N° 2.733, dated October 25, 2005, 51 UTA, for breach of article 67 of DFL 382. Legally challenged before the 8th Civil Court of Santiago (Case N° 11025-2004). The sentence rejecting the claim is being appealed by the Company.

Resolution N° 1011, April 23, 2003, 35 UTA, for cloudiness in drinking water. Legally challenged before the 6th Civil Court of Santiago (Case N° 2138-2003). The sentence rejecting the claim is being appealed by the Company.

Resolution N° 1303, May 30, 2003, 102 UTA, for infringement of auto-control regulations. Legally challenged before the 27th Civil Court of Santiago (Case N° 3215-2003). The sentence rejecting the claim is being appealed by the Company.

Resolution N° 2870, November 7, 2003, 40 UTA, infringement of NCh. 409. Legally challenged before the 8th Civil Court of Santiago (Case N° 9153-2003). The sentence rejecting the claim is being appealed by the Company (it was reduced 15 UTA).

Resolution N° 2085 August 22, 2002, 50 UTA, for infringement in PTAS. Legally challenged before the 8th Civil Court of Santiago (Case N° 4513-2002). The sentence rejecting the claim is being appealed by the Company.

Resolution N° 2608.14, October 14, 2002, 30 UTA, for failure in drinking water supply. Legally challenged before the 1st Civil Court of Santiago (Case N° 5419-2002). The sentence rejecting the claim is being appealed by the Company.

Minor fines. Together with the main cases, this organism has sanctioned the Company with different minor fines that in total amount to 84 UTA, which have been judicially and administratively challenged.

CONAMA:

This organism has applied the following sanctions:

Resolution N° 009, January 05, 2007, 430 UTM, for Incompliance of RCA. Legally challenged before the 1st Lower Court of Puerto Montt (Case N° 5298 -2007). Is in the evidence stage.

Resolution N° 423 July 06, 2006, 335 UTM, for Incompliance of RCA.

Legally challenged before the 1st Lower Court of Puerto Montt (Case N° 4245 -2007). Is in the evidence stage.

Resolution N° 825 December 29, 2006, 350 UTM, for Incompliance of RCA. Administrative appeal pending.

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Resolution N° 536 August 22, 2005, 650UTM, for Incompliance of RCA.

Legally challenged before the 2nd Civil Court of Puerto Montt (Case N° 315-2007). Is in the evidence stage.

Resolution N° 538, August 22, 2005, 320 UTM, for Incompliance of RCA.

Legally challenged before the 1st Civil Court of Puerto Montt (Case N° 494-2007). Is in the evidence stage.

Resolution N° 740, November 6, 2003, 500 UTM for Incompliance of RCA. Legally challenged before the 2nd Court of Puerto Montt (Case N° 354-2005).

The sentence rejecting the claim is being appealed.

Minor fines. Together with the principal cases, this organism has sanctioned the Company with different minor fines that in total amount to 1,120 UTM, which have been judicially and administratively challenged.

SANITARY AUTHORITIES:

This organism has applied the following sanctions:

Resolution 948 May 22, 2008 Sanitary Authority of Valdivia, 1000 UTM, for sewage spillage. An appeal is pending.

Minor fines. Together with the main cases, this organism has sanctioned the Company with different minor fines that in total amount to 950 UTM, which have been judicially and administratively challenged.

MARINE AUTHORITY:

This organism has applied the following sanctions:

Ordinary Resolution 12655/24 June 12, 2008, 20.000 gold pesos, for sewage spillage. The records were sent to the Regional Treasury of Puerto Montt for collecting the fine.

Resolution dated June 1, 2007, 20,000 gold pesos, for sewage spillage.

Resolution of August 28, 2007, 10,000 gold pesos. At December 31, 2008, sentencing by Directmar Valparaiso is pending.

Ordinary Resolution 12655/110 December 14, 2007, the Marine Authority applied a fine of 10,000 gold pesos. An appeal is pending.

NATIONAL ECONOMIC ATTORNEY'S OFFICE:

This organism has applied the following sanctions:

Free Competition Court, for 48,000 UTM. Sentencing is pending.

29.-SUBSEQUENT EVENTS

The Board of Directors, at its meeting held on January 27, 2009, and in accordance with the dispositions of Articles N°44 and N93 of the Law N° 18.046, and considering that both the Director Mr. Joaquín Villarino Herrera and the Chief Executive Officer Mrs. Marta Colet Gonzalo are at the same time Directors in our subsidiary, Aguas Andinas S.A., and they also act as alternate Directors in the Board of ASTERION S.A., has agreed to inform to this



Superintendency that Aguas Andinas S.A. and Asterion S.A. has entered into a Contract Agreement for the services of Reengineering of Processes and Implementation of New Information Systems to Customer Services.

Such contract agreement was originated by an international public bidding process requested by Aguas Andinas S.A. on July 5, 2008, in accordance with article N°67 of the DFL MOP N° 382/88 of the General Law of Sanitary Services.

The Companies selected in the prequalification bidding stage, as established in the terms of the Bid, were Accenture Chile Asesorías y Servicios Limitada; Synapsis Soluciones y Servicios IT Limitada; and the consortium consisted of SONDA S.A., Sociedad General Aguas de Barcelona S.A. (AGBAR) and Agbar Servicios Compartidos S.A. (ASERCO), being the latter two related companies of Aguas Andinas S.A.. The latter two bidders presented an offer.

Subsequently, on December 30, 2008, it was informed to the consortium consisted of AGBAR, ASERCO and SONDA S.A., which obtained the highest technical and economic qualifications, to have resulted awarded with the bid. The latter, previously favorable agreement of the Directors Committee of Aguas Andinas S.A. adopted at its meeting held on December 4, 2008 and of its Board of Directors at its meeting held on December 16 of the same year. The agreements indicated were adopted unanimously by both of its members, stating that it was a transaction performed under similar terms to those usually prevailing in the market.

In order to enter into the Contract, AGBAR, by its subsidiary Agbar Conosur Limitada, ASERCO and SONDA S.A., by its subsidiary Sonda Servicios Profesionales, constituted a Company named ASTERION S.A.

It was established that the signing of the Contract was approved by the Directors Committee of Aguas Andinas S.A. at its meeting held on January 27, 2009 and by its Board of Directors, at its meeting N°369 held on the same date, as well as by the Directors Committee and the Board of Directors of Inversiones Aguas Metropolitanas S.A., at their corresponding meetings held on January 27, 2009. The agreements indicated were adopted unanimously by all of the member, with the abstention of the Directors previously mentioned.

The Contract was entered into on a turnkey and lump sum basis, for a total amount of U.F. 529,789 (five hundred twenty-nine thousand and seven hundred and eighty nine 'Unidades de Fomento') and it will expire in 78 more months beginning on March 15, 2009.

Also, the subsidiaries Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue entered into such Contract, where its proportionate participation on the amount of the contract is 7.5% and 0.4%, respectively.

Finally, it should be noted that the purpose of the Contract is to render the services of reengineering of processes and implementation of new information to customer services, under the terms established on the Bid and the additional documents to the Contract.

As of the date of issuance of these financial statements, management of the Company and its subsidiaries are not aware of additional subsequent events that could materially impact the financial position and operation results of the Company.

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30.- THE ENVIRONMENT

AGUAS ANDINAS S.A.

The main disbursements in projects for improving the environment made by the Company during 2008 and 2007 refer to the construction and/or maintenance of sewage treatment plants, as follows:

NAME OF THE WORK	2008 THCH\$	2007 THCH\$
Treatment Plant Buin Maipo	4.679.714	65.100
Treatment Plant La Farfana	1.860.085	2.173.987
Treatment Plant Melipilla	1.788.677	2.161.155
Improvement El Trebal Plant	1.788.247	569.481
Treatment Plant Talagante	806.582	351.625
Third Treatment Plant Gran Santiago	797.632	1.224.994
Treatment Plant Til Til	571.958	779.203
Conduction works from Cexas Plant to Esmeralda Plant	509.350	-
External mud handling and disposal platform	138.237	117.884
Lira Transfer Plant Drainage	43.125	-
Mud teleinspection equipment	41.105	-
Mud reception stations	37.964	-
Maintenance of Sewage Treatment Plants	22.707	59.459
Works in Locality Plants	10.943	70.322
Equipment improvement and renewal	32.038	-
Operating improvement of Plants in Localities	20.017	-
Treatment Plant Equipment and Installation	11.894	-
Combined truck equipment	7.150	-
Treatment Plant Paine	8.986	-
Laboratory Equipment	4.731	-
El Monte Plant disinfection improvements	3.780	4.973
Treatment Plant San José de Maipo	3.220	6.851
Treatment Plant Curacaví	-	245.957
Mobile centrifuge	-	47.021
Pomare Plant - compliance with decree 90	-	46.857
Retention flow-meter	-	13.303
Meteorological Stations	-	3.817
TOTAL	13.188.142	7.941.989



In 2008, works were begun to end the discharge of sewage that currently is discharged in the Mapocho River; this will be achieved by the construction of a 28.5-kilometer collector parallel to the river and which will allow decontaminating the Mapocho's entire urban riverbed. This project is called "Mapocho Urbano Limpio" (Clean Urban Mapocho), and in 2008 and 2007, ThCh\$10,576,004 and ThCh\$724,571 has been respectively expended.

ESSAL S.A. (INDIRECT SUBSIDIARY THROUGH INVERSIONES IBERAGUAS LTDA.)

The main disbursements in projects for improving the environment made by the Company during 2008 and 2007 refer to the construction and/or maintenance of sewage treatment plants, as follows:

NAME OF THE WORK	2008 THCH\$	2007 THCH\$
Sewage Water Treatment System Puerto Montt	546.210	563.148
Sewage Water Treatment System Fresia	445.761	479.767
Sewage Water Treatment System San José de la Mariquina	866.799	862.531
Sewage Water Treatment System Panguipulli	1.146.369	1.172.297
Sewage Water Treatment System Purranque-Corte Alto	1.176.495	1.185.409
Sewage Water Treatment System Frutillar	1.006.543	1.053.327
Sewage Water Treatment System Puerto Varas-Llanquihue	1.672.362	1.681.804
Sewage Water Treatment System Quellón	1.503.877	1.585.509
Sewage Water Treatment System Chonchi	1.341.250	1.418.357
Sewage Water Treatment System Los Muermos	912.459	956.860
Sewage Water Treatment System Ancud	2.533.194	2.634.832
Sewage Water Treatment System Lanco	816.615	838.834
Sewage Water Treatment System Mafil	844.184	883.520
Sewage Water Treatment System Los Lagos	1.246.072	1.309.167
Sewage Water Treatment System Osorno	8.541.630	8.823.878
Sewage Water Treatment System Castro	2.178.322	2.247.627
Sewage Water Treatment System Paillaco	1.334.802	1.404.232
Sewage Water Treatment System Río Negro	788.732	824.299
Sewage Water Treatment System Dalcahue	1.389.245	1.451.867
Sewage Water Treatment System Río Bueno-La Unión	2.064.924	2.143.905
Sewage Water Treatment System Futaleufú	570.136	590.778
Sewage Water Treatment System Achao	280.366	287.569
Sewage Water Treatment System San Pablo	615.299	648.218
Sewage Water Treatment System Calbuco	1.541.212	1.591.074
TOTAL	35.362.858	36.638.809

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AGUAS MANQUEHUE S.A.

The main disbursements in projects for improving the environment made by the Company during 2008 and 2007 refer to the construction and/or maintenance of sewage treatment plants, as follows:

NAME OF THE WORK	2008 THCH\$	2007 THCH\$
Treatment plant - El Chamisero	186.613	245.377
Treatment plant - Los Trapenses	24.571	148.835
Treatment plant - Polo Manquehue	12.315	23.051
Treatment plant - Chicureo	235.189	-
TOTAL	458.688	417.263

31.- ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Chile is committed to developing a convergence plan to fully adopt International Financial Reporting Standards - IFRS. In accordance with what is established on this matter by the Chilean Institute of Accountants and the Superintendency of Securities and Insurance in Circular N° 427 of December 28, 2007, the Company and its subsidiaries will adopt IFRS as of January 1, 2009. This will produce changes in equity balances at January 1, 2009 and affect the determination of results for future years. For comparative purposes, 2008 financial statements must be presented in 2009 in accordance to the new standard, and they may differ from those presented here.

32.- NOTES PAYABLE AT LONG TERM

Clause 14 of Decree Law N°70 published in the Official Gazette on March 30, 1988 and clause 42 of Supreme Decree N°453 set the regulations for demanding reimbursable financing contributions for capacity and/or extensions of the corresponding service to those requesting to be added as customers or that require an expansion of the service.

The debt for reimbursable contributions is shown in Long-term notes payable, for ThCh\$62,656,256 and ThCh\$48,358,978, at December 2008 and 2007, respectively.

33.- TRANSFER OF OWNERSHIP OF SANITATION WORKS

Under an agreement signed on June 30, 1998 between the metropolitan regional government and Aguas Andinas S.A., the ownership of the sanitation works constructed or acquired with resources of the National Regional Development Fund was transferred to the company. The assets transferred under



this agreement, which constitute contributions from third parties, are governed by Decree Law 70 issued by the Ministry of Public Works in 1988 and the provisions of Clause 36 of the respective MINECON Law 453 of 1989.

At December 31, 1998, these assets 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, so the Company cannot earn a return on them and they do not represent any additional operating profit-generating operations for the Company in addition to those already obtained since they began operations.

Furthermore, the income-cost benefit 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 N° 01489 of March 22, 2000, the estimated technical value of these works was determined for information purposes. This now amounts to ThCh\$1,912,807 and its depreciation, determined based on its time in use, amounts to ThCh\$845,651.

The main criteria used in the valuation of these works include earth movement, supply pipes, drinking water and sewage chambers, and labor costs, all as at December 2007. The average useful life of these assets is 406 months and their remaining average useful life at December 2008 is 255 months.

SIGNIFICANT EVENTS

AGUAS ANDINAS S.A.

On March 3, 2008, Aguas Andinas S.A. informed as a confidential fact that it had interest in acquiring the ownership interest in Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL S.A.) held by Iberdrola, for which it would perform a study to confirm certain conditions it considered when formulating its offer. Likewise, it informed that in case of materializing the acquisition of the referred ownership interest, it could be performed either by (i) the purchase by Aguas Andinas from Iberaguas of the ESSAL S.A. shares that represent a 51% ownership interest in the latter, or by (ii) by the sale and assignment to Aguas Andinas of the 99.99% ownership interest in Iberaguas held by Iberdrola.

The above confidential fact would remain confidential until Aguas Andinas S.A. ratified its offer, subject to the abovementioned study and Iberdrola formally accept such offer, all of which should take place within 30 days.

In a letter dated March 12, 2008, Aguas Andinas S.A. informed the Superintendency of Securities and Insurance that during its March 11th Board meeting, it had unanimously ratified what was indicated in its previously mentioned March 3rd communication and in the one dated March 7th, for which the additional requirements made by the Superintendency in Reserved N°213 had been fulfilled.

On March 28, 2008, the Superintendency of Securities and Insurance was informed that a letter of acceptance had been received from Iberdrola Energía de Chile Ltda., whereby it expressed its acceptance of the purchase offer made by Aguas Argentina for its ownership interest in Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL S.A.). As it was indicated in that communication, Iberdrola Energía de Chile Ltda. accepted the offer according to the following terms and conditions:

(a) That Aguas Andinas S.A. and Iberdrola Energía de Chile Ltda. agree on the terms and conditions of the contracts and documents that must be formalized to instrument and perfect the operation. These contracts will include as a condition that the Corporación de Fomento de la Producción (CORFO)

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consent the proposed operation and that it free Iberdrola Energía S.A. from all the obligations arising from the Shareholders Agreement signed between the two parties on May 31, 2000;

(b) That the operation be perfected through the sale and assignment of all ownership interest in Inversiones Iberaguas Ltda., the direct parent company of ESSAL S.A..

(c) That Aguas Andinas conclude to its satisfaction, the financial, tax, legal and technical due diligence regarding Inversiones Iberaguas Ltda., the parent company of ESSAL S.A.

(d) That the conclusions of the due diligence referred to above not imply any adjustment or change to the price contained in the offer; and

(e) That the abovementioned conditions are fulfilled within 20 days from March 28, 2008, date of the acceptance letter from Iberdrola Energía de Chile Ltda.

The informed operation amounts to approximately ThCh\$72,500,000 (seventy two thousand five hundred million pesos, Chilean legal tender). It is pertinent to add that the total assets of ESSAL S.A. represented 15.2% of the total consolidated assets of Aguas Andinas S.A., and that the income of that company at December 31, 2007 represented 11.4% of the consolidated income of Aguas Andinas at the same date.

On April 9, 2008, the Superintendency of Securities and Insurance was informed that Mr. Jaime Arellano Quintana tendered his resignation as acting director of the Company and that of his respective substitute, Mr. Mario Castillo Astudillo, which were effective immediately as of that date.

Because of the above, and in accordance with article 32 of Law N° 18.046, Law on Corporations, it was necessary for the Ordinary Shareholders Meeting, held on April 10, 2008, to renew the Board.

On May 20, 2008, the Superintendency of Securities and Insurance was informed that Iberdrola Energía de Chile Ltda. had accepted the offer made by Aguas Argentina for its ownership interest in Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL S.A.), under the terms and conditions stated in that communication.

On May 19, 2008, Aguas Andinas S.A. and Iberdrola Energía Chile Limitada signed a sale commitment contract for the full ownership interest held by the latter in Inversiones Iberaguas Limitada, direct parent company of ESSAL S.A.. This commitment was signed with the same terms and conditions as the offer made by Aguas Andinas S.A. and the acceptance of the same by Iberdrola Energía Chile Limitada, which was referred to in the previous paragraph, and previously communicated to the Superintendency.

The price of the sales contract for all the ownership interest in held Inversiones Iberaguas Limitada by Iberdrola Energía Chile Limitada was for €03,334,866 (one hundred and three million three hundred and thirty four thousand eight hundred and sixty six Euros). Likewise, and as communicated to the Superintendency of Securities and Insurance, by letter dated April 18, 2008, and subject to the same general conditions of the commitment to sell contract, a public offering would be made for the purchase of all the shares of ESSAL S.A.

On May 22, 2008, the Superintendency of Securities and Insurance was informed that the Board of the Company agreed to obtain financing for up to 3,500,000 UF, authorizing management to determine the type of financing to be obtained.

This way, the Company may contract one or more bank loans, and/or register one or more line of bonds and their respective issues, with the bonds having a maximum 30-year maturity date.



On May 26, 2008, the Company complied with ORD.N°14094 of the Superintendency of Securities and Insurance, indicating that the funds obtained from the financing approved by the board be used to pay for the purchase of ownership rights in Inversiones Iberaguas Limitada, parent company of Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL S.A.), and of the shares of the latter acquired through the public offering for such shares made in the same context; all of this in the understanding the such operations are to be in accordance with the agreements signed with Iberdrola Energía de Chile Limitada, and that were informed to that Superintendency by communication dated May 20, 2008.

On the other hand, the same financing authorization approved by the Board, includes the future possibility, if market conditions are favorable, of obtaining funds to refinance, totally or partially, the loan mentioned in the previous paragraph, other Company liabilities, and/or possible investments required in the future. For these purposes, the possibility is being evaluated of registering in that Superintendency one or more bond lines, up to the amount of 3,500,000 UF each, to obtain, with charge to those lines, the sums of money needed to such effects. Under no circumstances, may the bonds placed and current that are charged to the lines of reference exceed 3,500,000 UF, and will have a 30-year maturity date limit; other general condition shall be opportunely informed to that Superintendency.

On July 10, 2008, the Superintendency of Securities and Insurance was informed the following:

Aguas Andinas S.A. declared successful the public offering for the purchase of a total of 469,547,454 shares of Empresa de Servicios Sanitarios de Los Lagos S.A. ("ESSAL"), registered in the Securities Register with number 524, and acquired 24,018,816 ESSAL shares, in accordance with the result notice published on that same date in the El Mostrador and La Tercera newspapers.

The above indicated public offering for the purchase of shares was made to comply with the provisions of Article 199 letter c) of the Stock Market Law, due to Aguas Andinas S.A. intentions of acquiring control of ESSAL by the purchase of 100% of the ownership held by Inversiones Iberaguas Limitada, company that owns 488,712,657 ESSAL shares, equivalent to 51% of its share capital, under the terms of the promise to sell its ownership interest formalized through a private instrument dated May 19, 2008.

In accordance with the terms of the sales commitment, on that date Aguas Andinas S.A. took control of ESSAL, because of the direct and indirect acquisition of 100% of ownership interest in Inversiones Iberaguas Limitada.

The price of the assignment of this ownership interest in Inversiones Iberaguas Limitada was 103,334,866 Euros, which was fully paid on that date.

On September 2, 2008, the Company's Board agreed to distribute and interim dividend of ThCh\$32,430,515, with charge to 2008 net income. As result of above, the Company's dividend number 47 will be of Ch\$5.30 per share and will be paid as of October 29, 2008.

On December 16, 2008, the Superintendency of Securities and Insurance was informed the following:

The Company's Board unanimously agreed to register two lines of bonds with the Securities Registry of the Superintendence of Securities and Insurance, with the following characteristics:

- a) Maximum amount of each Line of Bonds. 3,500,000 unidades de fomento (UF), to be issued in pesos or unidades de fomento.
- b) Maturity of the Bonds. The maximum date of maturity of the Lines of Bonds shall be 30 years from the date of the public deed that records their issue, term within which payment obligations for the different bond issues made with charge to the Line must mature.
- c) Guarantees. Shall have no special guarantees.

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d) Use of the funds. Refinancing liabilities and financing investments, as determined in each complementary deed.

e) Other general conditions. The bonds may be placed in the market in general, they shall be issued dematerialized, as bearer instruments, not convertible into Company shares and shall be paid in Chilean pesos.

It was expressly recorded that, regardless of the total amounts of the lines of bonds previously referred to, Bonds may only be issued, and/or there only may be current Bonds charged to these lines, for a maximum of 3,500,000 unidades de fomento, considering the aggregate of all placed and current Bonds issued with charge to the mentioned lines.

The Company's Board also unanimously agreed to register two lines of commercial papers with the Securities Registry of the Superintendence of Securities and Insurance, with the following characteristics:

a) Maximum amount of each Line. \$20,000,000,000.

b) Maturity of each Line of Commercial Papers. The maximum date of maturity of the Lines of Commercial Papers shall be 10 years from the date of the public deed that records their issue, term within which the payment obligations for the different issues of commercial papers issued with charge to the Line must mature. The instruments that correspond to the last placement of the line can have payment obligations with maturities that exceed this time limit.

c) Guarantees. Shall have no special guarantees.

d) Use of the funds. Refinancing liabilities, financing investments, and working capital.

e) Other general conditions. The Commercial papers may be placed in the general market, they shall be issued as bearer instruments, and be paid in Chilean pesos.

We are expressly state, for the record, that regardless of the total amount of the previously referred to lines of commercial papers, commercial papers may only be issued and charged to these lines for up to a maximum amount of Ch\$20,000,000,000 considering the aggregate of the placed and current commercial papers charged to these lines.

ESSAL S.A.

In the January to December 2008 period, the following relevant events have been informed to Superintendency of Securities and Insurance.

1. On March 28, 2008, the General Manager of the Company, by reason of the authorization granted by the Board, according to board agreement N° 353/1, issued a letter to the Superintendency of Securities and Insurance to inform the following essential fact:

- "On March 27, 2008, the Board of Empresa de Servicios Sanitarios de Los Lagos S.A. - ESSAL S.A. has been informed that Iberdrola Energía de Chile Limitada accepted an offer from Aguas Andinas S.A. for the purchase, directly or indirectly, of all the shares issued by ESSAL S.A. that are property of



Inversiones Iberaguas Limitada, a subsidiary of Iberdrola Energía de Chile Limitada. These shares correspond to 488,712,657 shares of the 958,260,111 shares issued by ESSAL S.A., which is equivalent to 51% of the total”.

2. On April 29, 2008, the following agreements adopted in the Ordinary Shareholders’ Meeting were informed:

a. Approve the annual report and the financial statements for the year ended December 31, 2007 and the External Auditor’s report.

b. Distribute a final dividend of ThCh\$2,363,563, that is, Ch\$2.46547176 per share of each series into which capital is divided, equivalent to 30% of the net income for the year ended December 31, 2007.

c. Approve, as dividend policy the distribution of 30% of the net income for the year and does not consider the payment of interim dividends.

d. Name PriceWaterhouse Coopers Consultores y Cía. Ltda. as the Company’s External Auditors for the year 2008, and in the eventuality that they were unable to perform that function or they renounce the same, it was agreed to name Deloitte Auditores y Consultores Limitada as substitute External Auditors.

e. In accordance with Clause 1 of Article 76 of Law 18.045, contract the following Risk-Rating Agencies:

Clasificadora de Riesgo Humphreys Ltda.

Feller Rate Clasificadora de Riesgo Limitada

f. Designate and retain the following newspapers to publish Company publications: “El Llanquihue” newspaper of Puerto Montt and the “El Mostrador” electronic newspaper.

3. On May 22 it was informed that Aguas Andinas S.A. and Iberdrola Energía de Chile Ltda. signed a sales commitment through a public deed, in which the latter committed to sell to Aguas Andinas all its rights in Inversiones Iberaguas Ltda., the parent company of ESSAL S.A. and that corresponds to 488,712,657 shares, equivalent to 51% of the total shares issued by the Company.

4. Through a public deed dated July 10, 2008, Iberdrola Energía Chile Limitada, transferred to Aguas Andinas 99,999998% ownership interest in Inversiones Iberaguas Limitada. That company is owner of 488,712,657 shares of ESSAL S.A., which represent 51% of all the paid in shares issued by that company.

Aguas Andinas placed a public offering for all the shares issued by ESSAL S.A. not belonging to the controlling shareholder, by virtue of which 24,018,816 shares were acquired, which represents 2.5065% ownership interest in that company.

On August 11, 2008, in the Company’s ordinary Board meeting. Mr. José Sáez Albornoz resigned as General Manager, and the same Board meeting unanimously named Mr. Reinaldo Witto Arensten as new General Manager.

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AGUAS CORDILLERA S.A.

In the Board meeting of Aguas Cordillera S.A., held on May 20, 2008, and because of the dissolution of Aguas Los Dominicos S.A., Aguas Cordillera S.A. irrevocably assumed sole responsibility for all and each direct, indirect, or possible obligation that Agua Los Dominicos may have with any natural person or legal entity. In addition, for all effects stipulated in Articles 69 and 71 of the Tax Code, it is expressly stated that Aguas Cordillera S.A. shall be responsible before the Chilean Treasury for all the taxes, charges, encumbrances, contributions and other tax obligations of Aguas Los Dominicos S.A.. In the ordinary Board meeting held on July 30, 2008, it was agreed to call an extraordinary shareholders meeting to be held on August 22, 2008, at 10:00 a.m., in Avenida Presidente Balmaceda 1398.

The addressed in that extraordinary shareholders meeting was the reform of article nine of the Company's bylaws, making the position of director remunerated.

On September 11, 2008, a sales contract was signed for the sale of shares of Aguas Los Dominicos S.A., between Gestión y Servicios S.A., as the seller and Aguas Cordillera S.A., as the buyer, for a total price of Ch\$562,500.

The referred shares sales contract was for the purchase of the single share of Aguas Los Dominicos S.A. that was not in the possession of Aguas Cordillera S.A.. Consequently, the 77,410 shares issued by Aguas Los Dominicos at that date became the property of Aguas Cordillera S.A. and, subject to the authorization that in accordance with Article 170 of the Law on Corporations must be granted by that Superintendency, Aguas Los Dominicos S.A. will be dissolved because of the ownership of all its shares by Aguas Cordillera S.A.

On October 30, 2008, the Board of Aguas Cordillera S.A. was informed of the dissolution of Aguas Los Dominicos S.A., because of the ownership of all its shares by Aguas Cordillera S.A. The above as a consequence of recording in the shareholders registry of the Company the transfer of the single share sold by Gestión y Servicios S.A. to Aguas Cordillera S.A. on September 11, 2008 for the price of Ch\$562,500, after the Superintendency of Securities and Insurance granted the respective authorization in accordance with Article 107 of the law on Corporations. Likewise, it was informed that in the Board meeting of Aguas Cordillera S.A., held on May 20, 2008, and because of the dissolution of Aguas Los Dominicos S.A., Aguas Cordillera S.A. irrevocably assumed the sole responsibility for all and each direct, indirect, or possible obligation that Agua Los Dominicos may have with any natural person or legal entity. In addition, for all effects stipulated in Articles 69 and 71 of the Tax Code, it is expressly stated that Aguas Cordillera S.A. is responsible before the Chilean Treasury of all the taxes, charges, encumbrances, contributions and other tax obligations of Aguas Los Dominicos S.A..

At the date of these financial statements, the management of the Company and of its subsidiaries have not informed of any subsequent events that might significantly affect the financial position and/or income of the Company at December 31, 2008.



Reasoned Analysis

Aguas Andinas Consolidated December 2008

I. GENERAL ASPECTS

OWNERSHIP INTEREST

The capital of Aguas Andinas S.A. is divided into 6,118,965,160 no par value shares. At December 31, 2008, our principal shareholders are Inversiones Aguas Metropolitanas S.A. with 50.1% and CORFO with 35.0% ownership percentages.

INCOME

Our income principally derives from the regulated services that we render related to: the production and distribution of drinking water, recollection, treatment and disposal of sewage, other regulated services (which include income related with supply cut-off and replacement charges, monitoring of liquid industrial waste and fixed charges).

Operating income in 2008 was Ch\$305,534 million, an increase of Ch\$29,194 million (10.6%) over 2007 operating income. Net income for the year of Aguas Andinas S.A., at December 31, 2008, was Ch\$109,120 million, an increase of Ch\$3,423 million (3.2%) over 2007.

OPERATING COSTS AND EXPENSES

Operating costs and expenses comprise the cost of sales and administration and sales expenses. The most important items included in operating costs are depreciation, which represented 36.5%; the outsourcing of certain services to contractors, which represented 31.9%; and personnel that represented 14.6% at year-end 2008. The most important items in administration and sales costs are personnel, which represented 41.8%, outsourced services, which represented 32.2% and general expenses that represented 12.7%. All the above referred to 2008.

TARIFFS

The most important factor in determining the results of our business and our financial situation are the tariffs set for our regulated sales and services. As a natural monopoly, we are regulated by the SISS and our tariffs are set in accordance with the Sanitation Services Tariffs Law D.F.L. N°70 de 1988.

Our tariff levels are reviewed every five years and, during that time, are subject to additional adjustments linked to an indexation polynomial if the accumulated change from the previous adjustment is 3.0 % or more, according to calculations made as a function of various inflation indices. The adjustments are specifically applied as a function of a formula that includes the Consumer Price Index, the Wholesale Price Index for Imported Industrial Goods and the Wholesale Price Index for National Industrial Goods, all measured by the Chilean National Institute of Statistics. Tariffs are also subject to adjustments to reflect additional services that have previously been authorized by the SISS.

During 2005, the tariff negotiation process was concluded for the 2005-2010 period. The new tariffs approved by Decree N°100 for Aguas Andinas S.A., Decree N°149 for Aguas Manquehue S.A., Decree N°179 for Aguas Cordillera S.A., and Decree N°265 for ESSAL S.A., all issued by the Ministry of Economy, came into effect on March 1, 2005, May 19, 2005, June 30, 2005, and September 12, 2006, respectively.

MARKET RISK

Our Company presents a favorable situation in terms of risk, principally because of the special characteristics of the sanitation sector. Our business is seasonal and our operating results can fluctuate from one quarter to another. We have higher demand and more sales during the Chilean summer months

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(December to March), while in winter (June to September) demand and sales are lower. In general, the demand for water is greater in the warmer months than in the cooler ones, mainly because of additional water needs for watering systems and other outdoor water uses.

Adverse weather conditions can possibly affect the optimum delivery of sanitation services because the processes of capturing and producing drinking water depend to a large degree on weather conditions in the water basins. Factors like precipitations (snow, sleet, rain and fog), temperature, humidity, the flow of sediments, river flows and transparency, determine the quality and continuity of crude water available at each collection sluice which is adequate for treatment at the drinking water plant. In the event of drought, we hold large water reserves in the El Yeso, Laguna Negra and Lo Encañado reservoirs, apart from the our contingency plans, which enable us to reduce the possible negative impacts that could be caused by weather conditions which are adverse for our operations.

CAPITAL INVESTMENTS

One of the variables that most affects the result of our business and financial situation are capital investments. These are of two types:

Committed investments: We have the obligation to agree an investment plan with the SISS, which stipulates the investments we must make during the following 15 years. The investment plan specifically reflects a commitment on our part to carry out certain projects related to the maintenance of certain standards of quality and coverage. This investment plan is reviewed every five years, and modifications can be requested when certain relevant events occur. Dates of approval of Aguas Group development plans.

AGUAS ANDINAS S.A.

Gran Santiago	May 23, 2006 and February 19, 2007
Localities	May to August 2006

AGUAS CORDILLERA S.A.

Las Condes	May 10, 2006
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AGUAS LOS DOMINICOS S.A.

Los Dominicos	May 10, 2006
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AGUAS MANQUEHUE S.A.

Manquehue	May 12, 2006
Localities	December 28, 2006

ESSAL S.A.

Regions X and XIV	January 27 and March 10, 2006.
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Un-committed investments: These are investments that are not contemplated in the investment plan and which we voluntarily make to ensure the quality of our services and replace obsolete assets. These generally relate to the replacement of network infrastructure and other assets, the acquisition of water rights and investments in non-regulated businesses, among others.

As required by Chilean regulations, interest on capital investments in works in progress is capitalized. Therefore, changes to our capital investment plan affect the interest credited in our income statement, and consigned in the balance sheet as works in progress under Property, plant and equipment.



II. COMPARATIVE ANALYSIS AND EXPLANATION OF VARIATIONS

BALANCE SHEET

The composition of assets and liabilities is as follows:

MILLION OF CH\$	DEC-08	DEC-07	VARIATION DEC 08 - DEC 07
Current Assets	79.361	73.228	8,38%
Property, plant and equipment	920.688	705.635	30,48%
Other Assets	129.684	134.625	-3,67%
TOTAL ASSETS	1.129.733	913.488	23,67%
Current Liabilities	118.774	84.551	40,48%
Long-term Liabilities	503.430	357.585	40,79%
TOTAL LIABILITIES	622.204	442.137	40,73%
Minority Interest	31.647	13	
Shareholders' equity	475.882	471.339	0,96%
TOTAL LIABILITIES	1.129.733	913.488	23,67%

ASSETS

Current assets increased by Ch\$6,133 million in relation to 2007, principally due to increase in trade accounts receivable (Ch\$13,310 million), principally explained by the incorporation of the ESSAL S.A. subsidiary (Ch\$6,947 million), and an increase in the parent company for Thch\$4,230, sundry debtors (Ch\$965 million), notes receivable (Ch\$612 million) and recoverable taxes (Ch\$1,148 million), offset mainly by a reduction in Marketable Securities for Ch\$10,644 million.

The Company's property, plant and equipment increased 30.5% with respect to 2007, increasing from Ch\$705,635 million to Ch\$920,688 million. This variation is principally explained by the incorporation of the assets from the ESSAL S.A. subsidiary, acquired in July 2008, and the preliminary assignments of the corresponding fair value of those assets.

Other assets decreased Ch\$4,941 million, principally explained by a Ch\$4,739 million decrease in goodwill, as well as because of important movements in deferred tax accounts (Ch\$3,545 million reduction), because of the corporate simplification performed in 2007, offset by the increases in net intangibles (Ch\$1,615 million) and long-term debtors (Ch\$1,613).

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LIABILITIES

Current liabilities, compared to 2007, increased by Ch\$34,223 million, explained by the Ch\$8,341 million ESSAL S.A. contribution, together with the Ch\$15,225 million increase in accounts payable (principally for the beginning of the Mapocho Urbano Limpio project), the Ch\$1,797 million increase in unearned income, related to advances from agreements with real estate developers, and from short-term obligations with banks for Ch\$10,040 million. Long-term liabilities increased by Ch\$145,845 million compared to 2007. This variation is due to the incorporation of ESSAL S.A. for Ch\$55,387 million and the explained Ch\$31,897 million increase in the Bonds balance, due to the Bond placement made in April 2008, the increase in notes payable for Ch\$11,711 million, related with reimbursable financial contributions, the increase in obligations with banks for Ch\$37,518 million, and in deferred taxes for Ch\$6,476 million.

Shareholders' equity increased Ch\$4,543 million in relation to 2007. The principal variations are a Ch\$3,423 million increase in net income for the year and a Ch\$729 million increase in Reserves for future dividends.

FINANCIAL INDICATORS

	DEC-08	DEC-07	VARIATION DEC 08 - DEC 07
LIQUIDITY (TIMES)			
Current ratio	0.67	0.87	-22.99%
Acid test ratio	0.005	0.132	-96.22%

INDEBTEDNESS			
Indebtedness (%)	122.59	93.80	30.70%
Short-term debt (%)	19.09	19.12	-0.16%
Long-term debt (%)	80.91	80.88	0.04%
Interest Expense Coverage (times)	6.34	7.60	-16.58%

ACTIVITY			
Inventory Turnover (times)	53.20	49.75	6.93%
Days Sales of Inventory (days)	6.77	7.24	-6.49%

PROFITABILITY			
Return on equity (%)	23.04	22.76	1.23%
Return on assets (%)	10.68	11.65	-8.33%
Operating assets yield (%)	17.28	17.64	-2.04%
Earnings per share (Ch\$)	17.83	15.86	12.42%
Dividend yield (%)	9.82	6.51	50.85%



At December 2008, the current ratio decreased 22.99%, principally due to the 40.5% increase in current liabilities, offset by the 8.4% increase in current assets, in comparison to 2007, both items specified in the balance sheet analysis.

Indebtedness increased 30.70%, due to a 40.5% increase in current liabilities and 40.8% in long-term liabilities, explained in the balance sheet analysis. Operating assets yield decreased 2.04% because of variations in operating income (12.8%) and average assets (14.46%). This indicator is calculated by dividing operating income by the sum of average property plant and equipment, and average net intangibles.

Return on equity increased 1.23%, which is principally explained by the increase in net income (3.24%) and the 2% increase in average equity.

Dividend yield increased 50.85% because of the reduction in share price (30.02%) and the 5.64% increase in dividends paid.

STATEMENTS OF INCOME

The following table shows the principal income statement items for years ended December 31, 2008 and 2007:

MILLIONS OF CH\$	DEC-08	DEC-07	VARIATION DEC 08 - DEC 07
Operating Income	305.534	276.340	10,56%
Operating Costs	-119.439	-107.261	11,35%
Admin. and Sales Costs	-38.020	-36.969	2,84%
EBITDA	205.951	188.830	9,07%
Operating income	148.076	132.111	12,08%
Financial Expenses	-25.244	-19.342	30,51%
Non Operating Income	-13.271	-4.484	195,94%
Net Income for the Year	109.120	105.697	3,24%

(EBITDA is income before taxes, depreciation, amortization, and interest)

INCOME

At year-end 2008, Aguas Andinas (Consolidated) had income for Ch\$305,534 million, a Ch\$29,194 million (10.6%) increase over 2007. The variation includes Ch\$16,641 million (57.0%) from the integration of ESSAL S.A.

The above variation is obtained with the following composition of income:

VALUES IN MILLIONS OF CH\$ DEC. 2008	2008		2007		ESSAL 2008	
	CH\$	%	CH\$	%	CH\$	%
Water	135.177	44,2	126.200	45,7	6.154	37,0
Sewage	128.307	42,0	115.468	41,8	8.269	49,7
Other Regulated Revenues	15.428	5,0	8.720	3,2	2.182	13,1
Non Regulated Business	26.622	8,7	25.952	9,4	36	0,2
TOTAL	305.534	100,0	276.340	100,0	16.641	100,0

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Under the heading of regulated services, the main variations are:

a. Water: this covers water production and distribution services. These services increased Ch\$8,977 million, of which ESSAL contributed Ch\$6,154 million. The complement (Ch\$2,823 million), is explained by the higher average tariff, offset by a 2.3 million m3 decrease in sales volume. Variations in the average tariff are explained by the accumulated effect of 2008 indexation adjustments.

b. Sewage: this covers the collection, treatment, disposal, and interconnection of sewage water. These services increased Ch\$12,839 million, of which ESSAL contributed Ch\$8,336 million (Ch\$5,326 million for collection and Ch\$3,943 million for treatment). The remainder (Ch\$4,503 million) is explained by: i) higher collection revenues of Ch\$1,735 million (Ch\$59,813 million in 2008 with respect to Ch\$58,078 million in 2007) due to a higher average tariff compensated by a 4.2 million m3 lower volume of sales, ii) higher treatment revenues of Ch\$1,590 million (Ch\$46,420 million in 2008 with respect to Ch\$44,831 million in 2007) due to a higher average tariff compensated by a 3.7 million m3 lower volume of sales, iii) higher sewage interconnection revenues of Ch\$527 million (Ch\$13,087 million in 2008 with respect to Ch\$12,560 million in 2007) due to a higher average tariff compensated by a 0.3 million m3 lower volume of sales, and iv) higher income due to the renewal of the interconnection contract with SMAPA for Ch\$651 million. The variations in the average tariffs are explained by the accumulated effect of 2008 indexation adjustments.

c. Other regulated revenues: these include customers' fixed charges, supply cut-off and re-connection services, the control of liquid industrial waste discharges and provisions for non-billed consumption and discounts granted on payment agreements. These revenues increased by Ch\$6,709 million, explained by a higher income provision Ch\$4,202 million and greater revenue from fixed charges Ch\$423 million. The remainder is principally explained by the incorporation of ESSAL to the Group (Ch\$2,182 million).

In the case on non-regulated services, these increased by Ch\$670 million, of which ESSAL contributed Ch\$36 million. The remainder (Ch\$634 million) is explained by:

a. Services other than Sanitation Services: a Ch\$514 million increase in industrial wastewater and excess organic load plant operating services and the Ch\$267 million increase in laboratory services (sampling and analysis, ANAM), compensated by lower income from the Gestión y Servicios subsidiary for Ch\$300 million.

b. Sanitation Services: A Ch\$153 million increase, principally associated to increased revenues from meter repairs, rural water projects and work paid by third parties, partially offset by lower income from domicile connections and deobstruction.



OPERATING COSTS:

At year-end 2008, the costs of Aguas Andinas Consolidated were Ch\$157,459 million, a Ch\$13,229 million (9.2%) increase over 2007 costs. This variation is explained as follows:

Operating costs in 2008 were Ch\$119,439 million, in comparison to Ch\$107,261 million in 2007. Of this variation (Ch\$12,178 million), ESSAL contributed Ch\$8,214 million. The complement (Ch\$3,964 million) is principally explained by higher electric energy costs, depreciation, together with increased expenses for services and materials.

Administration and sales costs were Ch\$38,020 million, in comparison to Ch\$36,969 million in 2007. These costs increased Ch\$1,051 million, where ESSAL contributed Ch\$2,367 million. The difference is explained by a lower allowance for doubtful accounts and personnel expenses, offset by higher service costs.

OPERATING INCOME

Because of the above, in 2008 Aguas Andinas S.A. Consolidated had an operating income of Ch\$148,076 million, Ch\$15,965 million more than in 2007. As a percentage of net income, the margin increased from 47.8% in 2007 to 48.5% in 2008.

NON-OPERATING INCOME

The non-operating income of Aguas Andinas Consolidated decreased by Ch\$8,786 million to Ch\$(13,271) million, in comparison to Ch\$(4,484) million in 2007. The main variations are explained by increased financial costs for Ch\$5,902 million, lower income from the sale of assets and materials (Ch\$3,556) million, increased other non operating costs for Ch\$2,998 million and lower income from services to third parties (Ch\$291) million, offset by higher income from agreements with real estate developers for Ch\$2,150 million, together with higher financial income for Ch\$1,897 million.

INCOME TAXES

The 2008 income tax provision is Ch\$2,015 million higher than 2007, principally due to higher first category income tax generated by higher taxable income.

NET INCOME FOR THE YEAR

Because of the various factors mentioned, the net income of Aguas Andinas Consolidated for 2008 was Ch\$109,120 million, a Ch\$3,423 million increase over 2007.

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ANALYSIS OF THE STATEMENT OF CASH FLOWS

The principal items of the statement of cash flows at December 31, 2008 and 2007 are:

STATEMENT OF CASH FLOWS

MILLION OF CH\$	DEC-08	DEC-07	VARIATION DEC 08 - DEC 07
Cash flow from operating activities	145.939	150.713	-3,17%
Cash flow from financing activities	(7.149)	(99.445)	-92,81%
Cash flow from investing activities	(146.828)	(40.169)	265,53%
NET CASH FLOW FOR THE YEAR:	(8.038)	11.099	-172,42%
Effect of inflation on Cash	-2,49	(585)	325,51%
Variation in Cash	(10.527)	10.514	-200,13%
Starting cash balance	11.147	633	1661,36%
CLOSING CASH BALANCE	620	11.147	-94,44%

Cash flow from operating activities decreased Ch\$4,774 million in relation to the prior year. The principal variations are increased payments to suppliers and personnel for Ch\$29,994 million, increased interest paid for Ch\$5,342 million, higher income tax payments for Ch\$3,641 million and other expenses paid for Ch\$1,099 million, partially offset by increased collection from trade debtors for Ch\$33,092 million and increased financial income received for Ch\$1,747 million.

The cash flow from financing activities increased by Ch\$92,296 million in comparison to 2007. The principal variations are increased bond issues for Ch\$52,900 million and lower loan payments for Ch\$48,813 million, offset by higher dividend payments for Ch\$5,815 million and larger bond payments for Ch\$5,882 million.

Cash flows from investing activities increased by Ch\$106,659 million, principally due to permanent investments related to the purchase of ESSAL for Ch\$84,334 million and increased property, plant and equipment for Ch\$18,837 million.

DIFFERENCE BETWEEN THE BOOK VALUE AND THE ECONOMIC VALUE OF THE PRINCIPAL ASSETS.

Property, plant and equipment is shown valued in accordance with generally accepted accounting principles and regulations of the Superintendency of Securities and Insurance. The assets of the company and its subsidiaries are presently being assessed.

Notwithstanding the above, Aguas Andinas S.A. has sixty-eight plots of land that were transferred free of charge by the Chilean State and are booked at a value of Ch\$1 each. There are also fixed assets with expired accounting useful lives and which are therefore shown valued at Ch\$1 even though, they are still in operation.



There also are transfers, which are contributions from third parties, and which are governed by Decree Law 70 of 1988 of the Ministry of Public Works and by the provisions of clause 36 of D.S. MINECON Regulation N°453 of 1989. These are explained in Note 31.

In 1989 and in accordance with Transitory Clause 3 of Decree Law 382 of 1988, the General Law on Sanitation Services, the Aguas Cordillera S.A. subsidiary removed from its accounts all assets financed by third parties and Chilean state assets. Because of the application of this regulation, an off-balance sheet control is kept on those assets, and consequently, the calculations of the price-level restatement and depreciation of these assets do not affect the Company's financial statements in any way. The mentioned off-balance sheet control is performed because these assets form part of the sanitation infrastructure that the Company must operate and maintain, .

The Company has water rights to various natural sources, including Laguna Negra, Laguna Lo Encañado and Quebrada de Ramón. These were acquired free of charge and have no book value.

The production of water supplies from various wells located in the Metropolitan Region, of which Aguas Andinas S.A. and Subsidiaries have water rights concessions, were granted to the Company free of charge by the Water Department of the Ministry of Public Works.

The Company's principal assets relate to sanitation infrastructure works, with an exclusive use, which are shown in accordance with accounting principles generally accepted in Chile.

MARKET ANALYSIS

The Company shows no change in the market in which it participates; because of the nature of its services and the current legislation, it has no competition within its concession area.

Aguas Andinas S.A. currently has 100% coverage in drinking water, 98.5% in sewage services and 72.7% in sewage water treatment.

Aguas Cordillera has 100% coverage in drinking water, 98.6% in sewage services.

Aguas Manquehue S.A. has 100.0% coverage in drinking water, 99.3% in sewage services.

ESSAL has 100% coverage in drinking water, 91.5% in sewage services, and 91.3% in sewage water treatment.

SALES VOLUMES (1)

(IN THOUSANDS OF INVOICED M³)	(IN THOUSANDS OF INVOICED M³)			
	2008	2007	VAR (%)	ESSAL 2008
Drinking Water	492.296	479,345	+2.7%	15,205
Sewage collection	481.438	471,896	+2.2%	13,704
Sewage treatment and disposal	416.984	407,029	+2.5%	
Sewage interconnection services	113.728	114,053	-0.3%	

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GROUPS CLIENTS (1) (2)

(IN THOUSANDS OF INVOICED M³)	(IN THOUSANDS OF INVOICED M³)			
	2008	2007	VAR (%)	ESSAL 2008
Drinking Water	1,828,328	1,597,537	+ 14.5%	181,706
Sewage collection	1,784,324	1,569,392	+ 13.7%	165,700

(1) The strong increase in 2008 is due to the incorporation of Empresa de Servicios Sanitarios de los Lagos (ESSAL) to the Aguas Group.

(2) Corresponds to natural or legal persons who receive sanitation services related to water or sewage.

FINANCIAL ASPECTS

Currency risks: our revenues are largely linked to the local currency. Therefore, our debt is mainly denominated in local currency, and we do not have significant debt in foreign currencies.

At December 31, 2008, Aguas Andinas had 71.6% of its debt at fixed rates and 28.4% at variable rates. The fixed-rate debt is comprised of short and long-term bonds payable (83%), reimbursable financial contributions, and bank borrowings (17%). Variable-rate debt is with local banks.

At December 30, 2007, 85.9% of the debt was at fixed rates and 24.1% at variable rates. The fixed-rate debt is comprised of short and long-term bonds payable (82%), reimbursable financial contributions, and bank borrowings (18%). Variable-rate debt is with local banks.

The Company follows a policy of monitoring and managing interest rates to optimize financing costs and of constantly evaluating hedging instruments available in the financial market.

This favorable position has led the credit-rating agencies to assign an "AA+" credit rating to our long-term debt. In the case of shares, Feller Rate gave us a First class Level 3 rating, while ICR Risk Rate gave us a First class Level 2 rating.



Independent Auditor's Report

TO THE SHAREHOLDERS AND DIRECTORS OF AGUAS ANDINAS S.A.

We have audited the accompanying balance sheets of Aguas Andinas S.A. (the "Company") as of December 31, 2008 and 2007 and the related statements of income and of cash flows for the years then ended. These financial statements (including the related notes) are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audits. The accompanying Reasoned Analysis and Significant Events do not form an integral part of these financial statements, therefore, this report does not cover them.

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 as to 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.

The financial statements referred to above have been prepared to reflect the unconsolidated financial position of Aguas Andinas S.A., based on the criteria described in Note 2, before consolidating line-by-line the financial statements of the subsidiaries listed in Note 8. Therefore, for an adequate interpretation, these financial statements should be read and analyzed in conjunction with the consolidated financial statements of Aguas Andinas S.A. and Subsidiaries, which are required by the 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. as of December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended, in conformity with the accounting principles described in Note 2.

As indicated in Note 28, beginning January 1, 2009, the Company will adopt International Financial Reporting Standards.

The accompanying financial statements have been translated into English for the convenience of readers outside Chile.

The Deloitte signature logo, featuring the word "Deloitte" in a stylized, cursive script.

January 23, 2009, except for Note 26, which is dated January 27, 2009

A handwritten signature in black ink, appearing to read "Amelja Hernández H.".

Amelja Hernández H.
RUT: 7.015.085-9



UNCONSOLIDATED FINANCIAL STATEMENTS

Aguas Andinas S.A.

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Balance Sheets

At December 31, 2008 And 2007 (In Thousands Of Chilean Pesos - Thch\$)

ASSETS	2008 THCH\$	2007 THCH\$
CURRENT:		
Cash and banks	112.358	113.889
Marketable securities, net	-	86.265
Trade accounts receivable, net	45.165.177	40.935.291
Notes receivables, net	1.337.646	1.015.589
Miscellaneous accounts receivable, net	472.358	272.726
Accounts receivable and notes from related companies	8.344.875	3.943.616
Inventories, net	682.604	1.037.914
Recoverable taxes	839.385	1.870
Prepaid expenses	238.287	117.831
Deferred taxes	996.155	1.471.982
Other current assets	1.898.686	2.419.824
TOTAL CURRENT ASSETS	60.087.531	51.416.797
PROPERTY, PLANT AND EQUIPMENT:		
Land	37.381.328	34.870.059
Construction and infrastructure	1.083.980.692	1.061.678.532
Machinery and equipment	133.579.353	124.989.628
Other property, plant and equipment	13.344.732	12.897.993
Accumulated depreciation	(642.934.766)	(634.689.904)
TOTAL PROPERTY, PLANT AND EQUIPMENT	625.351.339	599.746.308
OTHER ASSETS:		
Investments in related companies	223.277.621	134.136.464
Goodwill	55.059.795	59.798.818
Long-term debtors	6.220.601	7.372.448
Deferred taxes	2.344.805	2.164.411
Intangibles	31.596.050	32.256.284
Accumulated amortization of intangibles	(12.551.594)	(11.572.483)
Other	12.683.895	13.085.742
TOTAL OTHER ASSETS	318.631.173	237.241.684
TOTAL ASSETS	1.004.070.043	888.404.789

The accompanying notes 1 to 30 are an integral part of these financial statements

UNCONSOLIDATED FINANCIAL STATEMENTS

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LIABILITIES AND SHAREHOLDERS' EQUITY	2008 THCH\$	2007 THCH\$
CURRENT LIABILITIES:		
Short term banks liabilities	10,041.025	869
Short term of long-term banks liabilities	4,385.577	2,139.433
Bonds payable	22,279.788	21,538.767
Trade accounts payable	27,015.883	13,483.888
Notes payable	31.658	29,143
Sundry creditors	84.490	164.746
Accounts payable and notes to related companies	23,308.021	14,907.291
Provisions	15,605.723	17,675.872
Withholdings	7,045.054	8,348.573
Income taxes		1,500.395
Unearned income	2,594.414	3,358.437
TOTAL CURRENT LIABILITIES	112,391.633	83,147.414
LONG-TERM LIABILITIES:		
Long term banks liabilities	129,066.667	91,548.600
Bonds payable	237,086.032	203,189.186
Notes payable	37,546.193	28,185.835
Sundry creditors		652
Provisions	11,349.884	10,640.037
Other	747.770	354.404
TOTAL LONG-TERM LIABILITIES	415,796.546	333,918.714
SHAREHOLDERS' EQUITY:		
Paid-in capital	155,567.354	155,567.354
Share premium	235,495.614	235,495.614
Other reserves	7,508.412	7,491.998
Future dividends reserve	1,204.711	475.255
Net income for the year	109,120.037	105,697.250
Interim dividends	(33,014.264)	(33,388.810)
TOTAL SHAREHOLDERS' EQUITY	475,881.864	471,338.661
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,004,070.043	888,404.789

Statements of Cash Flows

For The Years Ended December 31, 2008 And 2007 (In Thousands of Chilean Pesos - Thch\$)

OPERATING INCOME	2008 THCH\$	2007 THCH\$
Operating revenues	238.178.488	227.098.729
Operating expenses	(87.224.280)	(84.422.001)
GROSS PROFIT	150.954.208	142.676.728
Administrative and sales cost	(31.390.896)	(32.592.159)
OPERATING INCOME	119.563.312	110.084.569
NON-OPERATING RESULTS:		
Financial income	5.140.037	4.175.009
Equity in earnings of related companies	21.020.530	21.217.514
Other non-operating income	4.386.565	5.701.943
Amortization of goodwill	(4.739.023)	(4.739.023)
Financial expenses	(22.875.945)	(18.627.668)
Other non-operating expenses	(1.585.738)	(1.047.130)
Price-level restatement	8.049.633	7.043.381
Foreign exchange (loss)/gain	(7.026)	(549)
NON-OPERATING INCOME	9.389.033	13.723.477
Income before income taxes	128.952.345	123.808.046
INCOME TAXES	(19.832.308)	(18.110.796)
NET INCOME	109.120.037	105.697.250

The accompanying notes 1 to 30 are an integral part of these financial statements

UNCONSOLIDATED FINANCIAL STATEMENTS

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Statements of Cash Flows

For the years ended december 31, 2008 and 2007 (in thousands of chilean pesos - thch\$)

	2008 THCH\$	2007 THCH\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Collection of trade accounts receivable	279.566.505	271.693.651
Financial income received	1.070.722	279.665
Dividends and other distributions received	17.465.451	4.903.405
Other income received	2.548.969	787.228
Payments to suppliers and personnel	(99.178.467)	(87.735.568)
Payment of Interest	(16.383.775)	(12.955.006)
Payment for income tax	(21.088.469)	(17.685.649)
Other expenses	(1.980.259)	(864.930)
VAT and other similar items paid	(28.541.653)	(29.545.507)
TOTAL NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	133.479.024	128.877.289
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from banks	74.761.690	73.871.334
Proceeds from issuance of bonds	52.899.703	-
Borrowings from related companies	7.974.785	2.967.051
Other sources of financing	18.691.643	19.090.346
Dividends paid	(104.019.311)	(98.334.066)
Repayment of loans	(18.457.345)	(73.013.813)
Repayment of bonds	(20.149.416)	(14.267.231)
Payment cost associated with issuance of bonds	(827.664)	-
Other financing activities	(8.589.968)	(8.419.476)
TOTAL NET CASH FLOWS USED IN FINANCING ACTIVITIES	2.284.117	(98.105.855)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of property, plant and equipment	87.541	4.279.343
Other loans to related companies	(4.234.612)	(316.579)
Purchases of property, plant and equipment	(45.304.776)	(33.290.942)
Payment of capitalized interest	(901.465)	(641.301)
Permanent investments	(84.334.223)	-
Other investing activities	(97.801)	(536.900)
Net cash flows used in investing activities	(134.785.336)	(30.506.379)
NET INCREASE IN CASH FLOWS FOR THE YEAR	977.805	265.055
Price-level restatement of cash and cash equivalents	(1.357.582)	(216.476)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(379.777)	48.579
Cash and cash equivalents at beginning of the year	492.135	443.556
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	112.358	492.135

The accompanying notes 1 to 30 are an integral part of these financial statements



For the years ended december 31, 2008 and 2007 (in thousands of chilean pesos - thch\$)

RECONCILIATION BETWEEN NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES AND NET INCOME FOR THE YEAR	2008 THCH\$	2007 THCH\$
Net income	109.120.037	105.697.250
INCOME FROM SALE OF ASSETS	29.393	(1.972.101)
Gain on sale of investments	29.393	(1.972.101)
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	14.900.141	16.650.330
Depreciation	35.339.843	34.693.382
Amortization of intangible assets	1.513.927	1.678.641
Provisions and write-offs	2.262.283	4.275.691
Equity in earnings of related companies	(21.020.530)	(21.217.514)
Amortization of goodwill	4.739.023	4.739.023
Net price-level restatement	(8.049.633)	(7.043.381)
Net foreign exchange differences	7.026	549
Other credits to income that do not represent cash flow	(2.239.917)	(2.518.431)
Other charges to income that do not represent cash flow	2.348.119	2.042.370
CHANGES IN OPERATING ASSETS - DECREASES (INCREASES):	9.840.578	528.518
Trade accounts receivable	(9.474.293)	(4.304.726)
Inventories	(182.320)	(425.633)
Other assets	19.497.191	5.258.877
CHANGES IN OPERATING LIABILITIES - INCREASES (DECREASES):	(411.125)	7.973.292
Accounts payable related to operating income	(8.851.420)	(1.152.845)
Interest payable	3.657.273	3.059.593
Income taxes payable	(1.256.160)	425.148
Other accounts payable	(2.743)	929.305
VAT and similar payables	6.041.925	4.712.091
NET CASH PROVIDED BY OPERATING ACTIVITIES	133.479.024	128.877.289

The accompanying notes 1 to 30 are an integral part of these financial statements

UNCONSOLIDATED FINANCIAL STATEMENTS

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Notes to the Financial Statements

(In thousands of Chilean pesos - M\$)

1.- REGISTRATION IN THE SECURITIES REGISTER

Aguas Andinas S.A. is registered under number 0346 in the Securities Register of the Superintendency of Securities and Insurance and is subject to the regulatory authority of that Superintendency.

2.- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING PERIOD

These unconsolidated financial statements relate to the years between January 1 and December 31, 2008 and 2007, respectively.

B. BASIS OF PREPARATION

These unconsolidated financial statements have been prepared in accordance with accounting principles generally accepted in Chile, issued by the Chilean Institute of Accountants, and the instructions of the Superintendency of Securities and Insurance, except for investment in subsidiaries which are stated using the equity method of accounting and have therefore not been consolidated. This treatment does not modify the net income for the year or the shareholders' equity.

In the event of differences between accounting principles generally accepted, as issued by the Chilean Institute of Accountants, and the instructions of the Superintendency of Securities and Insurance, the instructions of the Superintendency of Securities and Insurance will prevail.

These financial statements have only been issued in order to allow a stand-alone analysis of the Company and, in consideration of that, should be read together with the consolidated financial statements that are required by accounting principles generally accepted in Chile.

C. BASIS OF PRESENTATION

For comparison purposes, the financial statements at December 31, 2007 and their respective notes have been restated by 8.9%.

This percentage corresponds to the variation in the Consumer Price Index during the last twelve months, with a one-month time lag.

D. PRICE-LEVEL RESTATEMENT

The financial statements have been restated by 8.9% in 2008 and 7.4% in 2007, to reflect the effects of variations in the purchasing power of the local currency during each year in accordance with accounting principles generally accepted in Chile.

Income statement balances were also restated to express them at year-end values.

E. BASIS OF 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:



	2008 CH\$	2007 CH\$
United States dollar	636.45	496.89
Euro	898.81	730.94
Unidad de Fomento (index-linked unit of account)	21,452.57	19,622.66

Exchange differences are recorded in income in the year they are accrued.

F. MARKETABLE SECURITIES

Marketable securities relate to investments in mutual funds units. These are shown at their redemption value at the closing date of these financial statements.

G. 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 for disposable items remaining in stock for more than one year with no activity. The company uses the weighted average cost method to value its inventories.

H. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts depends on the aging of the accounts receivable and the historical recovery, as follows:

A 100% allowance is provided for customers with debt overdue for over 8 months.

The accounts receivable converted into repayment plans are classified in:

“non-government subsidized”, with an allowance for doubtful accounts of 100% of accounts receivable.

“government subsidized”, with an allowance for doubtful accounts of 55% of the agreed amount, and 45% is accrued as a commercial discount.

A 100% allowance is provided for past-due notes receivable.

I. FIXED ASSETS

Property, plant and equipment transferred by the predecessor entity are shown at their restated appraisal values determined by independent consultants in a technical study made in 1977. Acquisitions after 1977 are shown at their restated cost.

The property, plant and equipment include the main renewals and improvements. Maintenance costs or minor repair expenses are charged to income in the year in which they are incurred. Works in progress include financing costs incurred until the assets are in a condition to be used, in accordance with Technical Bulletin N°31 of the Chilean Institute of Accountants.

Direct remunerations, consultancy costs and other inherent and identifiable expenses are also included in the cost of some work in progress.

J. DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

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

UNCONSOLIDATED FINANCIAL STATEMENTS

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K. LEASED ASSETS

Lease agreements classified as capital leases are recorded in accordance with Technical Bulletin N°22 of the Chilean Institute of Accountants. Leased assets are valued and its depreciation is calculated according to the accounting principle generally accepted for the property, plant and equipment. Assets acquired under lease agreements are not legally owned by the Company until it has exercised its purchase option and therefore the Company cannot freely dispose them.

L. INTANGIBLES

Water rights, rights of way, software and other rights are shown at their restated cost net of amortization, in accordance with Technical Bulletin N°55 of the Chilean Institute of Accountants.

Water rights, rights of way and other rights, are amortized over a period of 40 years from the date of the deed or from 1998, as it is estimated that they will provide benefits during that period.

Software is amortized over a period of 4 years from the acquisition date.

M. INVESTMENTS IN RELATED COMPANIES

Investment in related companies, with the ability to exercise a significant influence over such companies, are accounted for using the equity method, determined on the basis of the respective financial statements of the company at December 31, 2008 and 2007. Equity in earnings or losses of such companies is recognized on an accrual basis. The Companies acquired after the effective date of Technical bulletin N°72 have been recorded according to the equity method of accounting, according to the fair value of the Issuing Company.

N. GOODWILL

Goodwill represents the difference of the purchase price over the net book value of the interest acquired in Aguas Cordillera S.A. This is being amortized over a period of 20 years from the acquisition date as this is the estimated period of return on the investment.

O. TRANSACTIONS UNDER RESALE AGREEMENTS

Acquisitions of securities under resale agreements are valued as fixed-income investments and are shown in Other current assets, in accordance with Circular N°768 of the Superintendency of Securities and Insurance.

P. BONDS PAYABLE

This is the obligation for the placement of bonds issued by the Company on the domestic market and are shown at their nominal value plus indexation adjustments and interest accrued at each year-end. The discount incurred and the issuance costs on the placement of the bonds are deferred and amortized over their respective terms, in accordance with Circular N°1.370 of the Superintendency of Securities and Insurance.

Q. INCOME TAX AND DEFERRED TAXES

The Company has provided for income tax based on its net taxable income determined in accordance with the provisions of the Income Tax Law. According



to Technical Bulletin N°60 and other instructions from the Chilean Institute of Accountants and Circular 1.466 of the Superintendency of Securities and Insurance, the Company records the effects of deferred taxes resulting from temporary differences, tax benefits related to tax loss carry-forwards and other events that create differences between the financial and tax basis of assets and liabilities.

R. SEVERANCE PAYMENTS

Severance payments will be paid in accordance with the Labor Code, except for the amount of accumulated indemnities at July 31, 2002, for employees included in the respective union labor agreement and those to whom the same benefits apply in accordance with their individual labor contracts. The accumulated amount at that date is adjusted quarterly according to changes in the consumer price index. The collective labor contract also established that employees who retire from the company within 120 days of having reached the legal retirement age continue to accrue this benefit after July 2002, until their retirement date.

The Company's obligation for the accrued indemnity for employees up to July 2002 is accounted for at its current value, and the obligation for the additional indemnity that is estimated will be accrued by the employees who retire, is accounted for at its present value, calculated according to the accrued cost of the benefit method and at an annual 4.1% discount rate.

There are also individual contracts, which are accounted for by the current value according to their terms.

Advances granted to personnel against such funds are shown as long-term debtors. These advances, price level restated, will be deducted from the final settlement, as stated in the respective contracts.

S. REVENUE RECOGNITION

The Company's sales are recorded based on the consumption read and billed to each customer, divided into monthly billing groups and valued in accordance with the five-year period tariff established by the Superintendency of Sanitation Services (SISS).

Consumption read but not billed at the year-end is also recorded at the tariff established for each billing group.

T. RESEARCH AND DEVELOPMENT COSTS

Expenses in research and development studies that are not related to any project are charged to income in the year in which they are incurred. Otherwise, they form part of the costs of the corresponding work in progress.

U. STATEMENT OF CASH FLOWS

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

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

V. INCOME FROM AGREEMENTS WITH REAL ESTATE DEVELOPERS

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Income from agreements with real estate developers are recorded in other non-operating income according to compliance with certain conditions stipulated in each contract, which assures that the associated economic benefit flows to the Company.

W. PERSONNEL VACATIONS -

The cost of personnel vacations is charged to income of the year they are accrued, in accordance with Technical Bulletin N° 47 and its complements issued by the Chilean Institute of Accountants.

3.- ACCOUNTING CHANGES

During the year ended December 31, 2008, there have been no accounting changes that require disclosure.

4.- SHORT AND LONG-TERM DEBTORS

Trade accounts receivable relate to the billings for 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 an allowance for accrued revenues as of December 31, 2008 and 2007 of ThCh\$14,597,270 and ThCh\$12,749,763, respectively, corresponding to unbilled meter readings at each year-end.

The balance of debtors at December 31, 2008 is divided into Residential 82.10%, Commercial 15.56%, Industrial and others 2.34%.

The balance of debtors at December 31, 2007 was divided into Residential 80.65%, Commercial 16.71%, Industrial and others 2.64%.

Allowances for doubtful accounts have been recorded, as follows:

a. An allowance for doubtful accounts has been provided as explained in Note 2h), amounting to ThCh\$3,854,330 and ThCh\$5,638,308 as of December 31, 2008 and 2007, respectively, for the long term debtors the allowance for doubtful accounts provided amounting to ThCh\$11,317,314 and ThCh\$10,266,552 for each year end period, respectively. The charge to income for the years 2008 and 2007 was ThCh\$1,889,223 and ThCh\$3,262,473, respectively. In addition as of December 31, 2008 and 2007, it has been written off debtors amounting to ThCh\$899,457 and ThCh\$141,211, respectively.

b. Provisions for commercial discounts relates to payment agreements of debt signed by customers of the Company, through which they obtain a commercial discount if they fully comply with the agreement. This allowance is for ThCh\$3,898,788 and M\$4,017,419 at December 31, 2008 and 2007, respectively. The charge to income at December 31, 2008 and 2007 amounted to ThCh\$404,821 and ThCh\$1,015,030, respectively. Out of the provisions, commercial discounts were made for ThCh\$195,123 and ThCh\$29,163 as of December 31, 2008 and 2007, respectively.

The main component of long-term debtors relates to agreements signed with real state developers and advances against severance payments, as indicated in Note 2q), and to trade accounts receivables net of their corresponding allowance.



ITEM	CURRENT							LONG-TERM	
	UP TO 90 DAYS		90 DAYS TO 1 YEAR		SUBTOTAL	TOTAL CURRENT (NET)			
	2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$	2008 THCH\$	2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$
Trade accounts receivable	45.306.663	42.852.459	3.667.871	3.674.305	48.974.534	45.165.177	40.935.291	-	1.029.394
Allow. doubtful accounts	-	-	-	-	3.809.357	-	-	-	-
Notes receivable	898.444	383.119	471.942	665.983	1.370.386	1.337.646	1.015.589	540.125	363.954
Allow. doubtful accounts	-	-	-	-	32.740	-	-	-	-
Sundry debtors	402.798	211.290	81.793	74.759	484.591	472.358	272.726	5.680.476	5.979.100
Allow. doubtful accounts	-	-	-	-	12.233			-	-
TOTAL LONG-TERM DEBTORS								6.220.601	7.372.448

5.- BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

TRANSACTIONS WITH COMPANIES OF THE AGUAS GROUP

Notes and accounts receivable

TAXPAYER ID	COMPANY	SHORT-TERM		LONG-TERM	
		2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$
96.809.310-K	Aguas Cordillera S.A.	1.963.087	1.731.273	-	-
96.828.120-8	Gestión y Servicios S.A.	1.788.462	358.412	-	-
96.945.210-3	Ecoriles S.A.	47.261	96.528	-	-
89.221.000-4	Aguas Manquehue S.A.	4.545.986	1.684.786	-	-
96.967.550-1	Análisis Ambientales S.A.	49	-	-	-
76.934.110-4	Emp. Depuradora de Aguas Servidas Ltda.	-	72.617	-	-
96.579.800-5	ESSAL S.A.	30	-	-	-
TOTAL		8.344.875	3.943.616	-	-

The transactions with Aguas Cordillera S.A. relate to drinking water interconnections agreed under contracts, whose payment is made within 30 days after receiving the invoice for rendered services and without interest, the sewage interconnection granted to Aguas Cordillera S.A. whose tariff is set by decree and includes an indexation clause but no interest.

Materials sales have been made to Gestión y Servicios S.A., Aguas Manquehue S.A., and Aguas Cordillera S.A.; their payment period is of 30 days without interest.

There exists a contract with Ecoriles S.A. for sewage treatment services, with payments at 60 days without interest.

There are property rental agreements denominated in Unidades de Fomento with Aguas Cordillera S.A., Gestión y Servicios S.A., Aguas Manquehue S.A., Ecoriles S.A. and Análisis Ambientales S.A., which use the premises of Aguas Andinas S.A.; payable within the first five working days of each month.

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Notes and accounts payable

TAXPAYER ID	COMPANY	SHORT-TERM		LONG-TERM	
		2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$
96.809.310-k	Aguas Cordillera S.A.	14.719.420	9.790.668	-	-
96.945.210-3	Ecoriles S.A.	3.853.262	2.181.036	-	-
76.938.110-4	Emp. Depuradora de Aguas Servidas Ltda	1.989.930	1.929.520	-	-
96.967.550-1	Análisis Ambientales S.A.	1.740.263	339.593	-	-
96.828.120-8	Gestión y Servicios S.A.	328.705	16.253	-	-
89.221.000-4	Aguas Manquehue S.A.	2.778	2.330	-	-
59.066.560-6	Degrémont S.A. Agencia en Chile	643.854	641.348	-	-
00000001-9	Suez Environnement	11.659	-	-	-
59.127.140-7	Agbar Servicios Compartidos S.A	2.964	724	-	-
96.847.530-4	Omnilogic Telecomunicaciones Chile	-	5.819	-	-
96.897.320-7	Inversiones Iberaguas Ltda.	15.186	-	-	-
TOTAL		23.308.021	14.907.291	-	-

Property rental guarantees, expressed in UF, are owed to Aguas Cordillera S.A., Aguas Manquehue S.A., Gestión y Servicios S.A., Ecoriles S.A. and Análisis Ambientales S.A.

There is a drinking water and sewage interconnection contract with Aguas Cordillera S.A., with payments at 30 days without interest.

Análisis Ambientales S.A. provides chemical and bacteriological analysis services, whose payment terms are 30 days without interest.

Transactions

As at December 31, 2008 and 2007 short terms loans were granted to and/or received by Aguas Cordilleras S.A., Aguas Manquehue S.A., Gestión y Servicios S.A., Análisis Ambientales S.A., Ecoriles S.A., with an annual interest of TAB UF at 180 days plus 0.20% during 2008 while during 2007 an annual interest of TAB UF at 90 days plus 0.15% was applied.

With Gestión y Servicios S.A., there is a contract for the renewal of sewage collectors (relining), payable at 30 days.

TRANSACTIONS WITH INDIRECTLY RELATED COMPANIES

Notes and accounts receivable

We entered into an agreement to sell material to Servicios Sanitarios de Los Lagos S.A. (ESSAL). Payment is due at 30 days without interest.

Accounts payable

With Degrémont S.A. Agencia en Chile there was an operations contract for the La Farfana Sewage Treatment Plant. The pending balance corresponds to the withholding that will be paid once the contractual relationship has terminated (once all contract terms have been complied with).

The debt with AGBAR Servicios Compartidos S.A., relates to pipe purchases, payable in 60 days.

With Empresa Depuradora de Aguas Servidas Ltda., there exists an operations and maintenance contract for the La Farfana Sewage Treatment Plant, its invoicing occurs at the end of the month, and is paid at 30 days after the approval of the payment statement.



There is a debt for consulting with Suez Environment, related to the viability study of a production increase in the La Farfana Sewage Treatment Plant. The debt with Inversiones Iberaguas Ltda., corresponds to a transfer of funds that are administered by Aguas Andina S.A. The debt with Omnilogic Telecomunicaciones Chile was for radio-communications and transmission network maintenance services, with payments at 30 days. The materiality criterion used to report transactions with related parties is for amounts exceeding ThCh\$100,000.

COMPANY	TAXPAYER ID	NATURE OF THE REALTIONSHIP	DESCRIPTION OF THE TRANSACTION	12/31/2008		12/31/2007	
				AMOUNT THCH\$	EFFECT ON INCOME (CHARGE/ CREDIT) THCH\$	AMOUNT THCH\$	EFFECT ON INCOME (CHARGE/ CREDIT) THCH\$
Aguas Cordillera S.A.	96.809.310-k	Subsidiary	SEWAGE INTERCONNECTION	6.842.234	6.842.234	6.481.847	6.481.847
			DRINKING WATER INTERCONNECTION	129.693	129.693	126.651	126.651
			LOANS RECEIVED	29.538.198	-	54.753.942	-
			PAYMENT OF LOANS RECEIVED	24.606.530	(166.620)	51.991.146	(200.919)
			LOANS GRANTED	6.181.171	-	14.313	-
			COLLECTION OF LOANS GRANTED	6.181.223	753	51.270	269
Gestión y Servicios S.A	96.828.120-8	Subsidiary	DIVIDENDS RECEIVED	17.465.451	-	4.109.679	-
			LOANS RECEIVED	1.823.445	-	543.120	-
			PAYMENT OF LOANS RECEIVED	1.800.457	(18.306)	1.095.925	(13.847)
			LOANS GRANTED	3.480.710	-	2.418.045	-
			COLLECTION OF LOANS GRANTED	2.086.245	1.696	3.622.405	49.259
			COLLECTOR RENEWAL	536.018	-	-	-
Ecoriles S.A	96.945.210-3	Subsidiary	WASTEWATER TREATMENT	379.361	379.361	411.678	411.678
			LOANS RECEIVED	4.412.029	-	4.379.543	-
			PAYMENT OF LOANS RECEIVED	2.749.830	(22.318)	3.102.027	(39.404)
			LOANS GRANTED	37.485	-	33.697	-
Análisis Ambientales S.A	96.967.550-1	Subsidiary	COLLECTION OF LOANS GRANTED	37.535	6	33.719	-
			LABORATORY SERVICE	2.199.523	(2.182.472)	1.648.992	(1.641.628)
			LOANS RECEIVED	2.276.595	-	2.334.800	-
			PAYMENT OF LOANS RECEIVED	934.703	-	2.856.826	(22.048)
			LOANS GRANTED	-	-	603.929	-
			COLLECTION OF LOANS GRANTED	-	-	603.811	272
Aguas Manquehue S.A	89.221.000-4	Subsidiary	DIVIDENDS RECEIVED	-	-	793.726	-
			LOANS RECEIVED	-	-	1.661.151	-
			PAYMENT OF LOANS RECEIVED	-	-	1.659.579	(4.425)
			LOANS GRANTED	5.672.268	-	2.373.620	-
Inv. Aguas Metropolitana S.A	77.274.820-5	Subsidiary	COLLECTION OF LOANS GRANTED	2.832.018	-	815.820	1.101
			DIVIDENDS PAID	52.090.987	-	49.314.334	-
Degremont S.A Agencia en Chile	59.066.560-6	Parent company	CONSULTATION	-	-	17.170	(17.170)
			PURCHASE OF MATERIALS	-	-	229.071	(229.071)
			PAYMENT PLANT CONSTRUCTION DEBT	605.402	-	-	-
Degremont Ltda	77.441.870-9	Related party	PLANT OPERATION	-	-	8.410.572	(8.410.572)
Edas	76.938.110-4	Related party	MUD LOADING AUTOMATION	-	-	1.546.024	-
Corfo	60.706.000-2	Related party	PLANT OPERATION	11.774.543	(10.281.671)	2.750.977	(2.750.977)
Lyonnais des eaux	00000001-9	Related party	SALES OF MATERIALS	184.535	184.535	-	-
			DIVIDENDS PAID	24.944.607	-	35.941.160	-
			IMPORTATION OF POTABLE WATER PLANT	304.339	-	-	-

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6.- DEFERRED TAXES AND INCOME TAXES

At December 31, 2008 and 2007, the detail of taxable income and other concepts is as follows:

	2008 THCH\$	2007 THCH\$
a) Net taxable income	114.872.605	113.159.104
b) Balance of tax earnings	81.638.262	57.188.235
c) Tax (17%) credit for shareholders	12.721.292	7.773.124
TOTAL	209.232.159	178.120.463

DEFERRED TAXES ARE AS FOLLOW:

ITEMS	2008				2007			
	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES		DEFERRED TAX ASSETS		DEFERRED TAX 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\$
Allowance for doubtful accounts	655.236	1.923.943	-	-	958.513	1.666.978	-	-
Unearned income	64.483	20.666	-	-	109.936	24.703	-	-
Provision for vacations	113.413	113.412	-	-	116.485	116.485	-	-
Leased assets	-	-	259	35.110	-	-	3.282	46.121
Depreciation	-	676.647	-	-	-	629.628	-	-
Severance payments	15.744	656.927	-	-	114.863	522.272	-	-
Other events	-	916.034	-	55.482	-	1.030.107	-	43.413
Litigation	-	75.798	-	-	-	209.394	-	-
Investment expenses related companies	-	-	-	71.945	-	-	-	85.130
Software	-	-	-	73.672	-	-	-	51.805
Deferred expenses	-	-	12.552	55.438	-	-	12.535	67.901
Goodwill	-	-	285.549	1.964.130	-	-	256.415	1.979.326
Accrual for repayment plans	445.639	217.155	-	-	444.417	238.540	-	-
TOTAL	1.294.515	4.600.582	298.360	2.255.777	1.744.214	4.438.107	272.232	2.273.696

INCOME TAXES	2008 THCH\$	2007 THCH\$
Current income tax (provision for income taxes)	(19.528.343)	(19.237.048)
Income tax adjustment (previous year)	26.548	(103)
Effect on assets or liabilities due to deferred taxes	(295.431)	1.165.896
Other charges	(35.082)	(39.541)
TOTAL	(19.832.308)	(18.110.796)



7.- PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment is as follows:

ITEM	2008 THCH\$	2007 THCH\$
LAND	37.381.328	34.870.059
Land	37.381.328	34.870.059
CONSTRUCTION AND INFRASTRUCTURE	529.090.225	506.592.609
Gross value	1.083.980.692	1.061.678.532
Accumulated depreciation	(554.890.467)	(555.085.923)
MACHINERY AND EQUIPMENT	56.260.709	56.251.081
Gross value	133.579.353	124.989.628
Accumulated depreciation	(77.318.644)	(68.738.547)
OTHER PROPERTY, PLANTS AND EQUIPMENT	2.619.077	2.032.559
Gross value	13.344.732	12.897.993
Accumulated depreciation	(10.725.655)	(10.865.434)
TOTAL - NET	625.351.339	599.746.308

DEPRECIATION FOR THE YEAR

The charge to income for depreciation at December 31, 2008 and 2007 is as follows:

DEPRECIATION IN:	2008 THCH\$	2007 THCH\$
Cost of sales	33.761.489	32.935.893
Administrative and sales expenses	1.578.354	1.757.489
TOTAL	35.339.843	34.693.382

The Company has sixty-eight plots of land that were transferred free of charge by the Chilean State and are booked at a value of Ch\$1 each. There are also fixed assets with an expired accounting useful life and are therefore shown valued at Ch\$1, even though they are still in operation.

There are also amounts that are contributions from third parties and these are governed by Decree Law 70 of 1988 of the Ministry of Public Works and by the provisions of clause 36 of D.S. MINECON Regulation 453 of 1989. These are explained in Note 29.

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LEASING

Assets acquired under financial leases, shown in Other fixed assets, are as follows:

DESCRIPTION	DATE OF PURCHASE THCH\$	PURCHASE VALUE THCH\$	GROSS VALUE THCH\$	ACCUMULATED DEPRECIATION THCH\$	NET VALUE THCH\$	NUMBER INSTALLMENTS THCH\$
Digital connection services and telephone accessories	17.10.2005	56.166	63.258	(31.978)	34.280	48
TOTALES		56.166	66.258	31.978	34.280	

8. INVESTMENTS IN RELATED COMPANIES

On July 10, 2008, Aguas Andinas S.A., together with its subsidiary Aguas Cordillera S.A., acquired from Iberdrola Energía de Chile Ltda., a 100% ownership interest in Empresa Inversiones Iberaguas Ltda., a Company that to date owns 488,712,657 shares (51% ownership interest) of Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL S.A.), which is registered in the Securities Register under number 524. In the same period, it acquired, by means of a public offer, 24,018,816 ESSAL S.A. shares (2.5065% ownership interest). The total acquisition cost was ThCh\$81,122,784. With these purchases, Aguas Andinas S.A. obtained 512,731,473 shares that represent a 53.5065% ownership interest, thereby controlling ESSAL.

The acquisition was recorded according to the purchase method and based on the financial statements at June 30, 2008; it was assessed at Fair Value as required by generally accepted accounting principles and no unidentifiable intangibles were recorded.

At this time no contingent values have been established that could affect the value of ESSAL S.A. assets; likewise, there are no amounts owed from the sale transaction with Iberdrola Energía de Chile Ltda.

On October 31, 2008, Aguas Los Dominicos S.A., tax identification number 96.568.220-1, was dissolved, as Aguas Cordillera S.A., tax identification number 96.809.310-K, had bought all the outstanding shares of this company. The effects of this merger were recorded as of November 01, 2008. This transaction was recorded in accordance with Technical Bulletin N°72 of the Chilean Institute of Accountants, combinations of business under common control based on the methodology of the pooling of interest.

Aguas Andinas signed a piping renewal contract with Gestión y Servicios S.A., the renewal is incorporated to the Company's fixed assets and will begin to be amortized when operations commence.

On August 31, 2007, Aguas Cordillera S.A. was dissolved, tax identification number 80.311.300-9, as Aguas Cordillera S.A., tax identification number 96.809.310-K, had bought all shares of this company, the company previously operated under the name Comercial Orbi II S.A.. The effects of this merger were recorded September 1, 2007. This transaction was recorded in accordance with Technical Bulletin N°72 of the Chilean Institute of Accountants, combinations of business under common control based on the methodology of the pooling of interest.

The Company records, under the equity method of accounting, the investments in related parties whose percentage is lower than 20%, as it has significant influence in their decision making process, and belongs to the same business group.



As of December 31, 2008 and 2007 the financial statements include the amounts detailed in the following chart:

TAXPAYER ID	COMPANY	COUNTRY OF ORIGIN	INVESTMENT CURRENCY	N° OF SHARES	OWNERSHIP PERCENTAGE		SHAREHOLDERS' EQUITY COMPANIES		NET INCOME FOR THE YEAR		SHAREHOLDERS' EQUITY AT FAIR VALUE		NET INCOME FOR THE YEAR AT FAIR VALUE		ACCRUED INCOME		EQUITY METHOD OF ACCOUNTING		UNREALIZED INCOME		BOOK VALUE OF THE INVESTMENT	
					2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$
96.809.310-K	Aguas Cordillera S.A.	Chile	Pesos	50.122	99,990	99,990	125.084.448	126.154.164	16.445.501	17.825.563	-	-	-	-	16.443.861	17.823.786	125.071.977	126.141.586	-	-	125.071.977	126.141.586
96.945.210-3	Ecoriles S.A.	Chile	Pesos	2.575	99,038	99,038	5.314.466	4.009.145	1.305.322	1.244.318	-	-	-	-	1.292.771	1.232.353	5.263.365	3.970.595	-	-	5.263.365	3.970.595
96.967.550-1	Análisis Ambientales S.A.	Chile	Pesos	9.900	99,000	99,000	3.005.645	1.780.415	1.225.230	806.428	-	-	-	-	1.212.978	798.363	2.975.589	1.762.611	-	-	2.975.589	1.762.611
96.828.120-8	Gestión y Servicios S.A.	Chile	Pesos	4.501.000	97,848	97,848	3.332.399	2.311.327	1.020.544	1.392.980	-	-	-	-	998.580	1.363.012	3.260.681	2.261.584	53.063	-	3.207.618	2.261.584
89.221.000-4	Aguas Manquehue S.A.	Chile	Pesos	1	0,000	0,000	23.595.320	20.553.931	3.023.256	2.435.743	-	-	-	-	13	-	101	88	-	-	101	88
96.897.320-7	Inversiones Iberaguas Ltda.	Chile	Pesos		100,000		61.355.510	-	(528.865)	-	82.480.419	-	1.014.733	-	1.022.993	-	82.480.411	-	-	-	82.480.411	-
96.579.800-5	ESSAL S.A.	Chile	Pesos	24.018.816	2,507		68.040.453	-	3.512.515	-	170.698.571	-	(13.266)	-	49.334	-	4.278.560	-	-	-	4.278.560	-
TOTAL											-	-	-	-	21.020.530	21.217.514	223.330.684	134.136.464	53.063	-	223.277.621	134.136.464

9.- GOODWILL

As at December 31, 2008 and 2007, the balances of this account represent the differences between the purchase prices over the net book value of the interest of the acquired company at the time of acquisition, as follows:

TAXPAYER ID	COMPANY	12/31/2008		12/31/2007	
		AMOUNT AMORTIZED IN THE YEAR THCH\$	GOODWILL BALANCE THCH\$	AMOUNT AMORTIZED IN THE YEAR THCH\$	GOODWILL BALANCE THCH\$
96.809.310-K	Aguas Cordillera S.A.	4.739.023	55.059.795	4.739.023	59.798.818

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10.- INTANGIBLES

The balances at December 31, 2008 and 2007 relate to the restated costs of intangible assets (Note 18).

	2008 THCH\$	2007 THCH\$
Software	10.214.100	9.698.333
Rights-of-way	8.211.895	9.468.678
Water rights	5.086.187	5.018.265
Other rights (1)	8.053.809	8.053.809
Usage rights (2)	17.059	17.199
Trademarks	13.000	-
SUBTOTAL	31.596.050	32.256.284
Accumulated amortization software	(8.391.653)	(7.936.830)
Accumulated amortization rights-of-way	(1.735.993)	(1.538.583)
Accumulated amortization water rights	(1.115.204)	(989.671)
Amortization other rights	(1.308.744)	(1.107.399)
SUBTOTAL	(12.551.594)	(11.572.483)
Total intangible - net	19.044.456	20.683.801

Amortization for the year recorded in production costs:

	2008 THCH\$	2007 THCH\$
Software	989.639	1.158.615
Rights-of-way	197.410	193.154
Leased water rights	125.533	125.527
Other rights (1)	201.345	201.345
TOTAL AMORTIZATION	1.513.927	1.678.641

(1) Relate to the purchase of the gratuitous rights to the consumption of drinking water to the Municipality of Santiago, which are being amortized over 40 years.

(2) In October 2006, Aguas Andinas purchased 1 share issued by Aguas Cordillera S.A.

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

The production of water supplies from various wells located in the Metropolitan Region, from which Aguas Andinas S.A. has the water rights concessions, were granted to it gratuitously by the Water Department of the Ministry of Public Works.

11.- BORROWINGS FROM BANKS, SHORT-TERM

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

SHORT-TERM

TAXPAYER ID	BANK	(IN PESOS) CH\$		TOTAL	
		2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$
97.032.000-8	Banco Corpbanca	-	869	-	869
97.004.000-5	Banco de Chile	10.041.025	-	10.041.025	-
TOTAL		10.041.025	869	10.041.025	869
Principal outstanding		10.000.000		10.000.000	-
AVERAGE ANNUAL INTEREST RATE		10,26%	0,54%		

LONG-TERM

TAXPAYER ID	BANK	(IN PESOS) CH\$		TOTAL	
		2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$
97.004.000-5	Banco de Chile	1.958.631	277.570	1.958.631	277.570
97.036.000-K	Banco Santander - Santiago	684.250	541.504	684.250	541.504
97.032.000-8	Banco BBVA	1.082.279	856.499	1.082.279	856.499
97.012.000-9	Banco Corpbanca	660.417	463.860	660.417	463.860
TOTAL		4.385.577	2.139.433	4.385.577	2.139.433
Average annual interest rate		9,3%	7,0%		
Percentage in local currency: 100%					

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12.- BORROWINGS FROM BANKS, LONG-TERM

This caption covers bank loans with maturities that exceed one year.

TAXPAYER ID	BANK	CURRENCY INDEXATION UNIT	YEARS TO MATURITY				CLOSING DATE CURRENT YEAR		CLOSING DATE PREVIOUS YEAR
			1 TO 2 THCH\$	2 TO 3 THCH\$	3 TO 5 THCH\$	5 TO 10 THCH\$	TOTAL LONG-TERM AT YEAR-END THCH\$	ANNUAL INTEREST RATE AVERAGE	TOTAL LONG-TERM AT YEAR-END THCH\$
97.004.000-5	Banco de Chile	In pesos Ch\$	1.482.000	1.482.000	20.136.000	33.300.000	56.400.000	9,29%	12.414.600
97.036.000-K	Banco Santander - Santiago	In pesos Ch\$	2.652.000	2.652.000	15.096.000	-	20.400.000	9,66%	22.215.600
97.032.000-8	Banco BBVA	In pesos Ch\$	4.194.667	4.194.667	21.380.444	-	29.769.778	9,66%	35.138.400
97.023.000-9	Banco CorpBanca	In pesos Ch\$	2.600.000	2.600.000	17.296.889	-	22.496.889	9,51%	21.780.000
TOTAL			10.928.667	10.928.667	73.909.333	33.300.000	129.066.667		91.548.600

Percentage in local currency: 100%

13.- BONDS PAYABLE (SHORT- AND LONG-TERM)

This heading covers the amounts owed to the public due to the issuance of bonds by the Company in September 2001, December 2002, December 2005, January 2006, and April 2008 on the domestic market.

In September 2001, Series B bonds were issued for UF 1.8 million for a 21-year term with repayments beginning in 2008.

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

In December 2002, Series C bonds for UF 4.0 million were placed, with repayments starting in June 2005 and extending through to December 2010.

On December 9, 2005, the Superintendency of Securities and Insurance approved a new bond issue totaling UF 5.0 million (Series F), in order to finance the prepayment of the Series D bonds and refinance other obligations of Aguas Andinas S.A. in January 2006. The repayment will be performed quarterly beginning June 1, 2008 through to December 1, 2026.

On December 23, 2005, the Series E bonds were placed for UF 1.65 million, with repayment in June 2012.

On March 24, 2008 two series of bonds were registered with the Superintendency of Securities and Insurance with N° 526 and 527 with 25 and 10 year maturities, respectively, and with a maximum value of UF 2.5 million each. The proceeds from both series will be used to finance the investment plans of Aguas Andinas S.A.



In April 2008, series G bonds for UF 2.5 million were placed; this series matures in April 2014, with six-month interest payments.

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

The bond issuances carry no special collateral except for the general pledge on the Company's assets.

INSCRIPTION N° OR INSTRUMENT IDENTIFICATION	SERIES	NOMINAL AMOUNT PLACED OUTSTANDING	INDEXATION UNIT	INTEREST RATE %	FINAL MATURITY	PAYMENT DATES OF		PAR VALUE		PLACEMENT IN CHILE OR ABROAD
						INTEREST	PRINCIPAL	2007 THCH\$	2006 THCH\$	
LONG-TERM BONDS CURRENT PORTION										
266	BEMOS B1	10.537	UF	6,25%	01.09.2022	Semi-annual	Semi-annual	532.177	403.414	Local
266	BEMOS B2	16.559	UF	6,25%	01.09.2022	Semi-annual	Semi-annual	836.284	633.937	Local
305	BAGUA C1	166.667	UF	4,25%	01.12.2010	Semi-annual	Semi-annual	3.600.494	3.598.963	Local
305	BAGUA C2	500.000	UF	4,25%	01.12.2010	Semi-annual	Semi-annual	10.801.456	10.796.882	Local
305	BAGUA E	-	UF	4,00%	01.06.2012	Semi-annual	Semi-annual	116.833	116.378	Local
305	BAGUA F	263.158	UF	4,15%	01.06.2026	Semi-annual	Semi-annual	5.993.286	5.989.193	Local
527	BAGUA G	-	UF	3,00%	01.04.2014	Semi-annual	At maturity	399.258	-	Local

TOTAL CURRENT PORTION								22.279.788	21.538.767	
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LONG-TERM BONDS										
266	BEMOS B1	684.945	UF	6,25%	01.09.2022	Semi-annual	Semi-annual	14.693.863	14.861.851	Local
266	BEMOS B2	1.076.343	UF	6,25%	01.09.2022	Semi-annual	Semi-annual	23.090.346	23.354.328	Local
305	BAGUA C1	166.666	UF	4,25%	01.12.2010	Semi-annual	Semi-annual	3.575.414	7.123.012	Local
305	BAGUA C2	500.000	UF	4,25%	01.12.2010	Semi-annual	Semi-annual	10.726.281	21.369.079	Local
305	BAGUA E	1.650.000	UF	4,00%	01.06.2012	Semi-annual	Semi-annual	35.396.741	35.258.976	Local
305	BAGUA F	4.473.684	UF	4,15%	01.12.2026	Semi-annual	Semi-annual	95.971.962	101.221.940	Local
527	BAGUA G	2.500.000	UF	3,00%	01.04.2014	Semi-annual	At maturity	53.631.425	-	Local

TOTAL LONG-TERM								237.086.032	203.189.186	
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14.- PROVISIONS AND WRITE-OFFS

The detail of provisions as of December 31, 2008 and 2007 is as follows:

	CURRENT LIABILITIES		LONG-TERM LIABILITIES	
	2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$
Severance payments (Note 15)	463.910	1.564.355	11.349.884	10.640.037
Retirement severance payments (1)	2.574.636	2.919.854	-	-
Services accrued	10.787.037	10.589.527	-	-
Vacations accrued	1.334.267	1.370.405	-	-
Pending litigation	445.873	1.231.731	-	-
TOTAL	15.605.723	17.675.872	11.349.884	10.640.037

(1) These are shown net of advances made during the years ended December 31, 2008 and 2007 for ThCh\$1,153,831 and ThCh\$1,167,536, respectively.

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

15.- SEVERANCE PAYMENTS

At December 31, 2008 and 2007, the movement in the provisions for severance indemnities (including the short-term portion) is as follows:

	2008 THCH\$	2007 THCH\$
Opening balance	11.206.972	9.308.153
Increase in provision	948.855	2.737.194
Payments during the year	(982.635)	(450.100)
Price-level restatement	640.602	609.145
TOTAL	11.813.794	12.204.392

The severance indemnity has been calculated in accordance with the explanation in Note 2r).

The charge to income for these items, including the indemnities related to clause 161 of the Labor Code, at December 31, 2008 and 2007 amounts to ThCh\$1,194,099 and ThCh\$3,204,693, respectively.

16. CHANGES IN SHAREHOLDERS' EQUITY

The detail of the shareholders' equity for the years ended December 31, 2008 and 2007 are the following:

2008

ITEM	PAID-IN CAPITAL THCH\$	SHARE PREMIUM THCH\$	OTHER RESERVES THCH\$	RETAINED EARNINGS THCH\$	INTERIM DIVIDENDS THCH\$	NET INCOME FOR THE YEAR THCH\$
Opening balance	142.853.401	216.249.416	6.879.704	436.414	(30.660.064)	97.058.999
Previous year's net income distribution	-	-	-	-	30.660.064	(97.058.999)
Final dividend distribution	-	-	-	(434.850)	-	-
Reserve Technical Bulletin 72	-	-	16.242	-	-	-
Price leve restatement	12.713.953	19.246.198	612.466	1.203.147	(583.749)	-
Net income for the year	-	-	-	-	-	109.120.037
Interim dividends	-	-	-	-	(32.430.515)	-
CLOSING BALANCES	155.567.354	235.495.614	7.508.412	1.204.711	(33.014.264)	109.120.037

2007

ITEM	PAID-IN CAPITAL THCH\$	SHARE PREMIUM THCH\$	OTHER RESERVES THCH\$	RETAINED EARNINGS THCH\$	INTERIM DIVIDENDS THCH\$	NET INCOME FOR THE YEAR THCH\$
Opening balance	133.010.616	201.349.550	6.044	111.377	(28.095.596)	84.622.086
Previous year's net income distribution	-	-	-	(73.938)	28.095.596	(84.622.086)
Final dividend distribution	-	-	-	-	-	-
Reserve Technical Bulletin 72	-	-	6.725.257	-	-	-
Price leve restatement	9.842.785	14.899.866	148.403	398.975	(660.002)	-
Net income for the year	-	-	-	-	-	97.058.999
Interim dividends	-	-	-	-	(30.000.062)	-
CLOSING BALANCES	142.853.401	216.249.416	6.879.704	436.414	(30.660.064)	97.058.999
RESTATES BALANCES	155.567.354	235.495.614	7.491.998	475.255	(33.388.810)	105.697.250

NUMBER OF SHARES

SERIES	N° SHARES SUBSCRIBED	N° SHARES PAID	N° SHARES WITH VOTING RIGHTS
A	3.976.243.841	3.976.243.841	3.976.243.841
B	2.142.721.319	2.142.721.319	2.142.721.319
TOTAL	6.118.965.160	6.118.965.160	6.118.965.160

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CAPITAL

SERIES	SUBSCRIBED CAPITAL THCH\$	PAID-IN CAPITAL THCH\$
A	101.091.233	101.091.233
B	54.476.121	54.476.121
TOTAL	155.567.354	155.567.354

2008

The Ordinary Shareholders' Meeting held on April 10, 2008 agreed to distribute 100% of the Company's net income for 2007 and the distribution of ThCh\$434,850 (historic pesos) of the reserves for future dividends, discounting the provisory dividend paid in October 2007. The dividend amounted to ThCh\$66,833,785 (historic pesos), equivalent to Ch\$10.9224 per share. The payment was made on May 28, 2008.

The Board Meeting held on September 02, 2008, agreed to distribute ThCh\$32,430,515 as an interim dividend, equivalent to Ch\$5.3 per share, against net income for 2008. The payment was made on October 29, 2008.

OTHER RESERVES:

On October 31, 2008, Aguas Los Dominicos S.A. was dissolved, since Aguas Cordillera S.A., had bought all shares of this company. On November 1, 2008 both companies merged, and in accordance with Technical Bulletin N° 72 of the Chilean Institute of Accountants, business combinations of entities under common control based on the pooling of interest methodology, recording in equity ThCh\$16,242 (historic pesos) from which, Aguas Andinas recognized 99.99003% in Other Reserves corresponding to its ownership interest over Aguas Cordillera S.A. (Note 8).

As established in article 10 of the Corporations Law 18,046, the proportional amount of the restatement of capital was added to capital, this being represented at December 31, 2008 into 6,118,965,160 subscribed and paid shares.

2007

The Ordinary Shareholders' Meeting held on April 23, 2007 agreed to distribute all the Company's net income for the year 2006 plus ThCh\$73,938 (historic) of reserves for future dividends, after deducting the interim dividend paid in October 2006. The amount of the dividend was ThCh\$56,600,428 (historic), equivalent to Ch\$9.25 per share and was paid on May 27, 2007.

The Board Meeting held on September 27, 2007, agreed to distribute a ThCh\$30,000,062 (historic) interim dividend, equivalent to Ch\$4.9028 per share, against 2007 income. The payment was made on October 24, 2007.

OTHER RESERVES:

On August 31, 2007, Aguas Cordillera S.A. was dissolved, by the purchase of all shares of Aguas Cordillera S.A. (ex Orbi II S.A.). On September 1, 2007



these two companies were merged, as required by Technical Bulletin N° 72 of the Chilean Institute of Accountants, business combinations of entities under common control based on the methodology of pooling of interests the Company recording in shareholders equity ThCh\$6,725,927 (historic), of which Aguas Andinas S.A. recognized it held 99.99003% in the item Other reserves, equivalent to the ownership interest it has in Aguas Cordillera S.A..

17.- OTHER NON-OPERATING INCOME AND EXPENSES

As at December 31, 2008 and 2007 other non-operating income and expenses is comprised as follows:

OTHER NON-OPERATING INCOME	2008 THCH\$	2007 THCH\$
Repayment plans and others (1)	1.579.682	662.626
Services to third parties (2)	1.010.027	1.317.106
Services to customers	646.397	309.193
Fines and indemnities from suppliers and contractors	405.043	947.763
Sale of materials	202.157	172.134
Property leases	198.303	194.596
Sale of property, plant and equipment	-	1.972.101
Other	344.956	126.424

TOTAL	4.386.565	5.701.943
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OTHER NON-OPERATING EXPENSES	2008 THCH\$	2007 THCH\$
Donations	187.668	244.552
Loss in sale of property, plant and equipment	29.393	-
Legal expenses	459.907	32.268
Discontinued projects and studies	10.616	715.443
Asset shortfalls	845.047	-
Other	53.107	54.867

TOTAL	1.585.738	1.047.130
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(1) Mainly relates to agreements signed with property developers under which the Company is obliged to add certain areas to their concession zones and to provide the public sanitation services in these areas indefinitely.

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

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18.- PRICE-LEVEL RESTATEMENT

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

	INDEXATION UNIT	2008 THCH\$	2007 THCH\$
ASSETS			
Inventories	CPI	120.461	97.438
Property, plant and equipment	CPI	49.876.697	42.376.096
Investments in related companies	CPI	14.318.889	7.505.596
Goodwill (net)	CPI	4.887.139	4.446.742
Intangible assets	CPI	1.417.011	1.218.650
Other monetary assets	CPI	1.243.956	1.046.704
Other monetary assets	UF	136.106	139.421
Other non-monetary assets	UF	14.751	8.062
Other non-monetary assets	CPI	1.777.716	1.487.167
Expense and cost accounts	CPI	4.022.933	3.652.990
TOTAL CREDITS		77.815.659	61.978.866
Liabilities			
Shareholders' equity	CPI	(33.192.015)	(26.822.099)
Bonds payable	UF	(22.269.023)	(12.699.460)
Monetary liabilities	UF	(2.799.451)	(4.104.869)
Monetary liabilities	CPI	(692.179)	(1.199.121)
Non-monetary liabilities	CPI	(45.401)	(19.512)
Non-monetary liabilities	UF	(365.015)	(282.109)
Revenue accounts	CPI	(10.402.942)	(9.808.315)
TOTAL CHARGES		(69.766.026)	(54.935.485)
GAIN FROM PRICE-LEVEL RESTATEMENT		8.049.633	7.043.381



19.- FOREIGN EXCHANGE DIFFERENCES

Exchange differences during the years ended December 31, 2008 and 2007 are as follows:

ITEM	CURRENCY	2007 THCH\$	2006 THCH\$
ASSETS			
Cash and banks	Dólar	-	(93)
Other assets	Dólar	(1.122)	(183)
Other assets	Euros	734	(85)
TOTAL CHARGES		(388)	(361)
Liabilities			
Accounts payable	Dólar	310	1.826
Accounts payable	Euros	86	(299)
Other liabilities	Dólar	58	47
Other liabilities	Euros	(7.092)	(1.762)
TOTAL CREDITS		(6.638)	(188)
LOSS FROM EXCHANGE DIFFERENCES		(7.026)	(549)

20.- SHARE AND BOND ISSUANCE AND PLACEMENT COSTS

During the months of September 2001, December 2002, December 2005, January 2006 and April 2008, the Company issued and placed bonds on the domestic market. In accordance with Circular N° 1.370 of the Superintendency of Securities and Insurance, the issuance and placement costs relating to credit-rating agencies, stamp tax and other general expenses were capitalized. These expenses are recorded in Other long-term assets and are broken down as follows:

BONDS	GROSS CAPITALIZED EXPENSES		PERIOD OF AMORTIZATION YEARS
	2008 THCH\$	2007 THCH\$	
Series B	635.010	635.010	21
Series C	1.502.634	1.502.634	8
Series E	146.160	146.160	6,5
Series F	2.363.291	2.363.291	21
Series G	757.594	-	6
TOTAL	5.404.689	4.647.095	

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21.- STATEMENT OF CASH FLOWS

In the Statement of cash flows, cash equivalents consist of financial investments, including marketable securities and resale agreements with terms of less than 90 days from their investment dates. The detail of the balance of cash and cash equivalents is as follows:

	2008 THCH\$	2007 THCH\$
Cash and banks	112.358	113.889
Marketable securities (Mutual Funds)	-	86.265
(Chilean Central Bank Instruments)	-	291.981
BALANCE OF CASH AND EQUIVALENTS	112.358	492.135

The financing activities that generated cash flows in 2008 and 2007 under the heading of Other sources of financing, represent the collection of Reimbursable financing contributions performed by the Company as established in current legislation (Decree Law N° 70 of 1988). The other disbursements for financing correspond to the prepayments of promissory notes for reimbursable financing contributions.

Investing activities committing future cash flows relate to accrued work in progress whose amounts at December 31, 2008 and 2007 were ThCh\$17,968,380 and ThCh\$9,397,453, respectively.



22.- CONTINGENCIES AND RESTRICTIONS

A. DIRECT GUARANTEES

Guarantee policies and performance bonds have been submitted to the Superintendency of Sanitation Services to guarantee the conditions for the rendering of services and development programs in the Company's concession areas. Performance bonds have also been submitted to SERVIU Metropolitan Area for pavement replacement, and to other institutions, for ThCh\$11,387,233 and ThCh\$8,328,125 at December 31, 2008 and 2007, respectively.

DIRECT GUARANTEES

CREDITOR OF GUARANTEE	NAME OF DEBTOR	TYPE OF GUARANTEE	BALANCES OUTSTANDING ON THE DATE OF CLOSE OF FINANCIAL STATEMENTS	
			2008 THCH\$	2007 THCH\$
S.I.S.S.	Aguas Andinas S.A.	Guarantee policy	2.102.099	372.250
S.I.S.S.	Aguas Andinas S.A.	Performance bond	3.782.692	5.153.177
Serviu Metropolitano	Aguas Andinas S.A.	Performance bond	4.389.697	2.423.772
Dirección Regional de Vialidad	Aguas Andinas S.A.	Performance bond	435.058	-
Director de Vialidad	Aguas Andinas S.A.	Performance bond	366.410	76.608
MOP Direcc. Gral	Aguas Andinas S.A.	Performance bond	204.638	188.796
Municipalidad de Santiago	Aguas Andinas S.A.	Performance bond	19.933	19.856
Essal S.A	Aguas Andinas S.A.	Performance bond	16.089	-
Metro S.A	Aguas Andinas S.A.	Performance bond	11.691	-
Chilectra S.A	Aguas Andinas S.A.	Performance bond	10.726	10.684
Direcc. Obras Hidraulica	Aguas Andinas S.A.	Performance bond	9.950	11.882
Empresa de Ferrocarriles	Aguas Andinas S.A.	Performance bond	6.436	2.821
Municipalidad Sn Bernardo	Aguas Andinas S.A.	Performance bond	6.436	6.411
Municipalidad de Peñalolen	Aguas Andinas S.A.	Performance bond	6.436	6.411
Municipalidad de Renca	Aguas Andinas S.A.	Performance bond	6.000	6.534
Director Regional de Aguas	Aguas Andinas S.A.	Performance bond	5.745	-
Secretaria Reg. Ministerial	Aguas Andinas S.A.	Performance bond	3.000	3.862
Municipalidad de las Condes	Aguas Andinas S.A.	Performance bond	3.000	3.267
Municipalidad de La Granja	Aguas Andinas S.A.	Performance bond	1.287	1.282
Ministerio de Obras Publicas	Aguas Andinas S.A.	Performance bond	-	16.448
Municipalidad de Providencia	Aguas Andinas S.A.	Performance bond	-	24.064
TOTAL			11.387.323	8.328.125

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B. PENDING LAWSUITS

The following are the main outstanding lawsuits:

COURT: 11TH CIVIL COURT OF SANTIAGO; CASE FILE: 5716-1999

Aguas Andinas S.A. was sued by a gas company for damages to a pipeline made 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. The amount demanded is 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 has appealed and asked that the suit be entirely accepted against Aguas Andinas S.A. The appeal was seen by the Court of Appeals, which confirmed the sentence appealed, the plaintiff and the principal appellant presented a cassation appeal before the Supreme Court, which is pending.

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. had a 1% participation at the time of the demand.

The first instance final sentence was given rejecting the demand in all its parts and condemning the plaintiff to pay the costs. The plaintiff has appealed.

COURT: 5TH CIVIL COURT OF SANTIAGO; CASE FILE: 3684-2001

Aguas Andinas S.A. was sued for the payment of an indemnity for extra-contractual liability for environmental damage in breach of Law 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 enormous financial damage because of the drop in the value of their properties. Amount involved: UF 81,848. The following were added to this case:

CASE	COURT	AMOUNT OF THE DEMAND
3541-2004	11° Civil of Santiago	506.594 UF
13214-2004	11° Civil of Santiago	410.759 UF plus indexation and interest
7900-2006	20° Civil of Santiago	81.848 UF
8305-2006	25° Civil of Santiago	42.161 UF plus indexation and interest

Estimated result: There is a moderate possibility of success in this case as the suit lacks a solid foundation. Current status: Discussion period has concluded, and the judge has requested the parties to provide evidence, at December 31, 2008 the parties had not been notified.

COURT: 19TH CIVIL COURT OF SANTIAGO; CASE FILE: 2632-2004

A private 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 UF 5,525. Current status: Sentence has been passed; the demand was accepted. Estimated result: An appeal has been filed against second instance sentence; its admission is still pending.



COURT: 18TH CIVIL COURT OF SANTIAGO; CASE N° 322-2005

Aguas Andinas S.A. was sued for technical faults and defects at the La Farfana Sewage Plant, causing bad odors that have affected the physical and psychological health of the neighbors.

Amount demanded: ThCh\$3,890,000 plus indexation and interest. Estimated result: It is believed that it is improbable that damage can be shown to have affected or put at risk the psychological or physical health of the plaintiffs from the bad odors, at the most the damage could be related to nuisances to the neighborhood. Status: Sentence has not yet been passed.

A second lawsuit was filed at the 19th Civil Court of Santiago (Case file 1105-2006) for ThCh\$940,000 which was added to this case.

COURT: 5TH CIVIL COURT OF SANTIAGO; CASE N°: 10852-2005

Aguas Andinas S.A. was sued for its civil liability for the accidental death of Mario Cañete Muñoz, a worker at the Kennedy-Estoril works. Amount involved: ThCh\$110,000, approximately, plus indexation, interests and costs. Current status: Evidence period. Estimated result: The claim should be rejected, as Aguas Andinas had not requested the execution of these works.

COURT: 24TH CIVIL COURT OF SANTIAGO; CASE N°: 6539-2006

A company is suing CORFO for the restitution of land at a property in Avenida Andrés Bello, Las Condes. Such land was acquired by CORFO from Aguas Andinas S.A. in September 1999.

Amount involved: undetermined. Current status: Evidence period. Estimated result: The claim should be rejected.

COURT: 27TH CIVIL COURT OF SANTIAGO; CASE N°: 552-2007

Aguas Andinas S.A. was sued, as well as other entities, by a private individual who requests the nullity of the DGA Resolution 3268, which approved the works of the emissary El Trebal, Supreme Decrees N° 76 and N° 100 of the Economy Ministry which establish the tariff formulas for the periods between 200-2005 and 2005-2010, respectively.

Amount involved: undetermined. Current status: Discussion period.

Estimated result: The claim should be rejected.

COURT: ARBITRAGE CENTER OF THE CHAMBER OF COMMERCE; CASE FILE: 744-2007

A contractor sued Aguas Andinas S.A. for the payment of additional costs incurred in the works related to the renewal of networks in the areas of Yarur II and Arturo Prat Sewage drain.

Amount claimed: ThCh\$170,000, plus indexation and interests. Current status: Ruling in favor of Aguas Andinas S.A. - Lawsuit concluded.

COURT: 9TH LABOR COURT OF SANTIAGO; CASE N°: 222-2008

An individual demanded Aguas Andinas S.A., pay for work accident indemnity, for a work accident in the Cexas Conduct to the Esmeralda WWTP Works. Amount involved: ThCh\$192.000. Current status: Discussion period. Estimated result: Will depend on the evidence offered, in case the demand is accepted, the sentence will be substantially lower.

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COURT: 29TH CIVIL COURT OF SANTIAGO; CASE Nº: 15957-2008

A construction company sued Aguas Andinas S.A. for damages from an erroneous feasibility certificate. Amount of the demand 4,464 UF. Current status: Discussion period. Estimated result: Depends on the quality and quantity of evidence presented.

The Company is involved in other minor lawsuits (in favor and against).

The amounts involved in lawsuits in favor are:

- Two lawsuits from 2002 for ThCh\$110,000 plus indexation and interest.
- A lawsuit from 2008 for ThCh\$455,201.

At December 31, 2008, the company in addition has the following lawsuits in process:

- Nine labor demands in which the Company was sued for ThCh\$210,010, between 2003 and 2007.
- Two labor demands in which the Company was sued for ThCh\$35,433, between 2002 and 2008.
- Three business related lawsuits, which are covered by contracted insurance, the amounts involved are ThCh\$73,000.

Management, together with the Company's legal counsels, consider that the above lawsuits will have no material effect on the financial statements, however, provisions have been recorded as indicated in Note 14.

C. BOND ISSUANCE COVENANTS

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

1. Send to the bond-holders' representative a copy of the quarterly and annually audited unconsolidated and consolidated financial statements and of the subsidiaries registered with 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 management's opinion, should be reflected in its own and/or its subsidiaries' financial statements.
3. Maintain insurance coverage that reasonably protects its assets including its main offices, buildings, plants, office furniture and equipment and vehicles, in accordance with normal practices for similar businesses.
4. The Company ensures 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 no greater than 1.5:1, calculated on the figures in the consolidated and unconsolidated balance sheets, defined as the ratio of liabilities to shareholders' equity.
6. It may not sell, assign or transfer essential assets (public-utility concessions granted by the S.I.S.S for Greater Santiago), except for contributions or transfers of essential assets to its subsidiary companies.



D. BANK LOAN RESTRICTIONS

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 ratio of liabilities to shareholders' equity.
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 its quarterly and audited annual unconsolidated and consolidated financial statements within a maximum of five days from the time they are sent to the Superintendency of Securities and Insurance.
4. Record in its books any provisions for adverse contingencies that might arise and which, in the management's opinion, should be reflected in the Company's financial statements.
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 compliance with the obligations assumed in the loan agreement.
7. Prohibition on the payment of dividends if there is a case of past due payments or delays in the payment of some loan installment, except for the obligatory minimum dividend.
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 ratio between operating income plus depreciation and amortization of intangible assets for the year, divided by financial expenses.
9. Prohibition on the liquidation or dissolution of the Company, its operations or the business in which it engages; 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 present subsidiaries.
10. The Company ensures that its transactions with its subsidiaries and other related parties are carried out in equitable conditions similar to those normally prevailing in the market.

The Company complies with all provisions established by the loan contracts with the creditor banks at December 31, 2008.

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E. WITHHOLDINGS TO CONTRACTORS

The 1st Civil Court of San Miguel has requested the encumbrance of a payment to a contractor for ThCh\$17,056 (historic).

The Company complies with all the provisions established in Decree Law N° 382 of the General Law on Sanitation Services of 1988, as well as with its Regulation (D.S. MOP N°1199/2004, published in November 2005).

23.- GUARANTEES RECEIVED FROM THIRD PARTIES

At December 31, 2008 and 2007, the Company has received documents in guarantee for 26,558,975 and M\$27,067,336, respectively, arising mainly from work contracts with construction companies to guarantee full compliance with their conditions. There are also other guarantees to ensure the compliance of service and materials supply contracts to ensure their timely provision or delivery.

The following is a detail of the more significant bank guarantees received as at December 31, 2008:

CONTRACTOR	AMOUNT THCH\$	DUE DATE
ING. Y CONTRUCCION MST S.A.	174.017	11/9/2009
INMOBILIARIA CONPACES S.A.	184.353	10/12/2009
ITT FLYGT CHILE S.A.	203.924	3/31/2011
EMP. MONTAJES INDUSTRIALES SALFA S.A.	207.412	1/5/2009
EMP. MONTAJES INDUSTRIALES SALFA S.A.	207.412	7/6/2009
CHILECTRA S.A.	214.526	8/1/2009
CAPTAGUA INGENIERIA S.A.	216.240	4/3/2009
AGBAR SERVICIOS COMPARTIDOS S.A.	244.801	5/7/2010
CONSTRUCCIONES Y MONTAJES COM S.A.	249.343	6/30/2009
DEGREMONT LTDA.	328.224	4/25/2009
C.DE PETROLEOS DE CHILE COPEC S.A.	360.721	3/20/2009
ING. Y CONSTRUCCION MST S.A.	406.039	11/9/2009
ING. Y CONSTRUCCION MST S.A.	475.822	3/31/2011
SOCIEDAD GEN. AGUAS BARCELONA.	620.408	1/23/2009
ING. Y CONSTRUCCION MST S.A.	679.746	7/18/2009
CONSTRUCTORA OAS LTDA.	1.287.154	9/29/2009
OBRAS CON HUARTE LAIN S.A.	2.021.559	10/30/2010
DEGREMONT S.A.	2.618.055	4/30/2009
CONSTRUCTORA OAS LTDA.	3.589.830	3/29/2011
EMP.DEPURADORA DE AGUAS SERVIDAS LTDA.	4.167.154	12/31/2012
TOTAL	18.456.740	



24.- LOCAL AND FOREIGN CURRENCIES

The Company presents the following assets and liabilities in local and foreign currency at December 31, 2008 and 2007.

ASSETS

ITEM	CURRENCY	2008 THCH\$	2007 THCH\$
CURRENT ASSETS			
Cash and banks	In pesos Ch\$	112.358	113.889
Marketable securities	In pesos Ch\$	-	86.265
Trade accounts receivable	In pesos Ch\$	45.165.177	40.935.291
Miscellaneous accounts receivable	Dollars	449	759
Miscellaneous accounts receivable	Euros	3.521	803
Miscellaneous accounts receivable	Indexed Ch\$	36.556	28.692
Miscellaneous accounts receivable	In pesos Ch\$	431.832	242.472
Notes receivable	In pesos Ch\$	176.588	227.042
Notes receivable	Indexed Ch\$	1.161.058	788.547
Notes receivable from related companies	In pesos Ch\$	2.043.431	1.910.807
Notes receivable from related companies	Indexed Ch\$	6.301.444	2.032.809
Inventories	Indexed Ch\$	682.604	1.037.914
Recoverable taxes	Indexed Ch\$	839.385	1.870
Prepaid expenses	Indexed Ch\$	238.287	117.831
Deferred taxes	Indexed Ch\$	996.155	1.471.982
Other current assests	In pesos Ch\$	217.097	909.446
Other current assests	Indexed Ch\$	1.681.589	1.510.378
FIXED ASSETS			
PROPERTY, PLANT AND EQUIPMENT	INDEXED CH\$	625.351.339	599.746.308
OTHER ASSETS			
Investments in related companies	Indexed Ch\$	223.277.621	134.136.464
Goodwill	Indexed Ch\$	55.059.795	59.798.818
Long-term debtors	In pesos Ch\$	-	1.029.393
Long-term debtors	Indexed Ch\$	6.220.601	6.343.055
Long-term deferred taxes	Indexed Ch\$	2.344.805	2.164.411
Intangibles (net)	Indexed Ch\$	19.044.456	20.683.801
Other	Indexed Ch\$	10.699.725	10.977.593
Other	In pesos Ch\$	1.984.170	2.108.149
TOTAL ASSETS	IN PESOS CH\$	50.130.653	47.562.754
	DOLLARS	449	759
	EUROS	3.521	803
	INDEXED CH\$	953.935.420	840.840.473

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CURRENT LIABILITIES

ITEM	CURRENCY	UP TO 90 DAYS				90 DAYS TO 1 YEAR			
		31/12/2008		31/12/2007		31/12/2008		31/12/2007	
		AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %
Obligations with banks short-term	In pesos Ch\$	10.041.025	10,26%	869	0,54%	-	-	-	-
Obligations with banks long -term / short-term portion	In pesos Ch\$	4.385.577	9,30%	2.139.433	7,00%	-	-	-	-
Bonds long-term / short-term portion	Indexed Ch\$	2.000.489	5,00%	789.196	6,25%	20.279.299	4,33%	20.749.571	4,25%
Accounts payable	Dollars	76.982		136.542		-	-	-	-
Accounts payable	Euros	6.843		1.142		-	-	-	-
Accounts payable	In pesos Ch\$	26.116.794		12.494.804		783.765		80.060	
Accounts payable	Indexed Ch\$	28.210		411.051		3.289		360.289	
Notes payable	Indexed Ch\$	7.915	3,66%	7.285	3,60%	23.743	3,66%	21.858	3,60%
Sundry creditors	Indexed Ch\$	1.523	4,34%	4.828	4,34%	-	-	14.483	4,34%
Sundry creditors	In pesos Ch\$	82.967		145.435		-	-	-	-
Notes payable to related companies	Indexed Ch\$	19.463.462		11.953.125	1,97%	-	-	9.423	
Notes payable to related companies	In pesos Ch\$	3.844.559		2.944.743		-	-	-	-
Provisions	In pesos Ch\$	9.564.736		11.154.622		6.040.987		6.521.250	
Withholdings	In pesos Ch\$	7.045.054		8.348.573		-	-	-	-
Income taxes	In pesos Ch\$	-		-		-	-	1.500.395	
Unearned income	In pesos Ch\$	443.655		153.402		-	-	1.618.977	
Unearned income	Indexed Ch\$	1.696.263		181.761		454.496		1.404.297	
TOTAL CURRENT ASSETS	INDEXED CH\$	61.524.367		37.381.881		6.824.752		9.720.682	
	IN PESOS CH\$	23.197.862		13.347.246		20.760.827		22.559.921	
	DOLLARS	76.982		136.542		-		-	
	EUROS	6.843		1.142		-		-	



LONG-TERM LIABILITIES 2008

	CURRENCY	1 TO 3 YEARS		3 TO 5 YEARS		5 TO 10 YEARS		OVER 10 YEARS	
		AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %
Obligations with banks	In pesos Ch\$	21.857.333	9,63%	73.909.334	9,56%	33.300.000	9,20%	-	
Bonds payable	Indexed Ch\$	27.751.610	4,34%	50.175.323	4,19%	96.390.742	3,83%	62.768.357	4,74%
Notes payable	Indexed Ch\$	94.974	3,60%	1.600.090	2,75%	26.037.812	3,82%	9.813.317	3,48%
Provisions	Indexed Ch\$	-		-		-		11.349.884	
Other long term liabilities	Indexed Ch\$	711.438		36.332		-		-	
TOTAL LONG TERM LIABILITIES	IN PESOS CH\$	21.857.333		73.909.334		33.300.000		-	
	INDEXED CH\$	28.558.022		51.811.745		122.428.554		83.931.558	

LONG-TERM LIABILITIES 2007

	CURRENCY	1 TO 3 YEARS		3 TO 5 YEARS		5 TO 10 YEARS		OVER 10 YEARS	
		AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT THCH\$	AVERAGE ANNUAL INTEREST RATE %
Obligations with banks	In pesos Ch\$	11.901.318	7,00%	24.718.122	7,00%	54.929.160	7,00%	-	
Bonds payable	Indexed Ch\$	41.227.908	4,30%	49.318.292	4,20%	40.938.584	4,80%	71.704.402	4,80%
Notes payable	Indexed Ch\$	58.283	3,60%	58.283	3,60%	18.764.299	3,80%	9.304.970	3,40%
Sundry creditors	In pesos Ch\$	-		-		-		-	
Sundry creditors	Indexed Ch\$	652		-		-		-	
Other long term liabilities	Indexed Ch\$	257.532		48.436		48.436		-	
Provisions	Indexed Ch\$	-		-		-		10.640.037	
TOTAL LONG TERM LIABILITIES	IN PESOS CH\$	11.901.318		24.718.122		54.929.160		-	
	INDEXED CH\$	41.544.375		49.425.011		59.751.319		91.649.409	

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25.- SANCTIONS

A. SUPERINTENDENCY OF SECURITIES AND INSURANCE:

Neither the Company nor its directors or executives, were sanctioned during the years 2008 and 2007.

YEAR 2008

B. OTHER ADMINISTRATIVE AUTHORITIES:

Through Resolution N°5272 of June 19, 2008, the Metropolitan Region's Regional Ministerial Secretary (SEREMI) applied a 50 UTM fine, for sewage flooding. Current status:, it was appealed before the SEREMI, its pending resolution.

Through Resolution N°711 of September 1, 2008, the COREMA of the Metropolitan Region levied a 100 UTM fine for not complying with standards by exceeding the "oil and grease" limits in the La Farfana Sewage Treatment Plant. Current status: it was appealed before the COREMA, its pending resolution.

YEAR 2007

The Secretaria Regional Ministerial de Salud applied a fine of 10 UTM due to the existence of a generator which was operating without the accreditation of the isokinetic sampling, which constitutes an infringement of the indicated in article 4 of D.S. No. 4 of 1992, MINSAL. The fine was paid in December 2007.

By Resolution No. 2195 dated July 20, 2007, the Superintendency of Sanitation Services (SISS) applied a fine of 6 UTA due to the non-compliance in the services provided in the Sewage Water Treatment Plant of Curacaví, as established in the self-evaluation report of the first quarter of 2007. The fine was paid in August of the same year.

At December 31, 2007 no other sanctions were applied to the Company by other administrative authorities.

YEAR 2006

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

By Resolution SISS N°553 of February 8, 2006, it applied a fine of 50 UTA for non-compliance of written instructions from the Superintendency to provide information on expenses and costs for the year 2004, requested in several notifications. Proceedings were started to appeal against such fine at the 26th Civil Court of Santiago (Case file 15200-2006), intending to obtain a reduction in the fine. Current status: Unfavorable first instance sentence, appeal has been presented. The Court confirmed the ruling; the fine will be paid during the first half of 2009.

By Resolution SISS N°1454 of April 28, 2006, the SISS applied a fine of 20 UTA for deficiencies in the quality of the sewer system in the Quilicura district. Proceedings were begun to appeal against such fine at the 29th Civil Court of Santiago (Case file 6509-2006), intending to obtain a reduction in the fine. Current status: Unfavorable first instance sentence, appeal has been presented.

ii. The National Economic Inspector proponed to the Free Competition Defense Tribunal the application of a fine to Aguas Andinas S.A. for 50,000 UTM due to the following 1) situations: abusive demands and charges for new services in urban areas outside the concession area; 2)



abusive demands and charges for services in rural areas outside the concession area, and 3) abusive application of Reimbursable Financial Contributions (AFR). Current status: Evidence period. The Company expects it will be absolved from the claims against it.

iii. The National Labor authority applied a fine of 60 UTM “for not effectively protecting the health of employees”. The facts relate to the death of four employees of a contractor firm working on the Dagoberto Godoy sewage drain. There are possibilities of the fine being annulled. One third of the fine was paid. Ordinary labor lawsuit filed at the 8th Labor Court of Santiago (Case file: 2449-2006). Current status: There are possibilities of the fine being annulled.

YEAR 2005

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

By Resolution SISS 710-2005, it applied a fine for non-compliance of written instructions given by the Superintendency in its Official Letter N°1908 and in Chapter XI of the Invoicing Manual. Amount payable 40 “UTA” (“Annual Tax Units” - an official monetary unit). An appeal to this fine was filed at the 29th Civil Court of Santiago, Case file 4779-2005. Current status: unfavorable ruling, appeal was presented to obtain a reduction in the fine.

ii. The COREMA RM applied a fine of 300 UTM through Resolution 069/2005 of February 17, 2005, because of bad odors emanating from the La Farfana treatment plant; 10% of the fine was paid to initiate an appeal in the courts. An appeal to this fine was presented at the 27th Civil Court of Santiago, Case N° 6857/2005, which is at the evidence stage.

YEAR 2004

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

By Resolution N° 415 dated February 9, 2004, the SISS fined the Company for not complying with written orders and instructions to submit, within the 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 N°1189-2004). Current state of the case: demand rejected in the first instance. Appeal made. The amount of the sanction is 30 Annual Taxation Units (UTA). The court confirmed the ruling; the fine must be paid shortly.

ii. SESMA applied the following fines:

By its Resolution 5180 of December 15, 2003, a fine of 1,000 UTM (Monthly Taxation Units) was applied due to bad odors emanating from the La Farfana plant. The fine was paid to be able to bring a claim before the courts. This was presented to the 17th Civil Court of Santiago (Case N°2999-2004). Current state of the case: awaiting the beginning of evidence stage.

By its Resolution 4838 of October 19, 2004, confirmed by Resolution 782 of February 2, 2005, SESMA, the national environmental authority, fined the Company with 2,000 Monthly Taxation Units (UTM) for breach of Law 144/61 issued by the Ministry of Health, which sets standards for avoiding atmospheric emanations or contaminants of any kind. The fine was paid in order to bring a claim before the court. This was presented to the 17th Civil Court of Santiago (Case N°4566-2005). Current state of the case: evidence stage pending.

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iii. The **COREMA RM (regional environmental authority)** fined the Company on May 28, 2004 (Resolution 177) with 1,000 Monthly Taxation Units (UTM) for bad odors emanating from the La Farfana Plant; 5% of the fine was paid in order to begin an appeal through the courts (28th Civil Court of Santiago - Case N°6593-2004). Current status: a continuance was accepted, the COREMA cannot be sued because it is not a juridical entity, an appeal was presented.

26.- SUBSEQUENT EVENTS

On February 10, 2009, it was informed to the Superintendency of Securities and Insurance the following:

The Board of Directors, at its meeting held on January 27, 2009, and in accordance with the dispositions of Articles N°44 of the Law N° 18.046, and considering that both the Director Mr. Joaquín Villarino Herrera and the Chief Executive Officer Mrs. Marta Colet Gonzalo act as alternate Directors in the Board of ASTERION S.A., has agreed to inform to the Superintendency that Aguas Andinas S.A. and Asterion S.A. have, on February 9, 2009, entered into a Contract Agreement for the services of Reengineering of Processes and Implementation of New Information Systems to Customer Services ("the Contract").

Such contract agreement was originated by an international public bidding process requested by Aguas Andinas S.A. on July 5, 2008, in accordance with article N°67 of the DFL MOP N° 382/88 of the General Law of Sanitary Services.

The Companies selected in the prequalification bidding stage, as established in the terms of the Bid, were Accenture Chile Asesorías y Servicios Limitada; Synopsis Soluciones y Servicios IT Limitada; and the consortium consisted of SONDA S.A., Sociedad General Aguas de Barcelona S.A. (AGBAR) and Agbar Servicios Compartidos S.A. (ASERCO), the latter of the two being related companies of Aguas Andinas S.A..

Subsequently, on December 30, 2008, it was informed to the consortium that AGBAR, ASERCO and SONDA S.A., which obtained the highest technical and economic qualifications, were awarded with the bid. The agreement was adopted by the Directors Committee of Aguas Andinas S.A. at its meeting held on December 4, 2008 and by the Board of Directors at its meeting N° 368 held on December 16 of the same year. The agreements indicated were adopted unanimously by both of its members, stating that it was a transaction performed under similar terms to those usually prevailing in the market.

In order to enter into the Contract, Sociedad General de Aguas Barcelona S.A., by its subsidiary Agbar Conosur Limitada, ASERCO and SONDA S.A., by its subsidiary Sonda Servicios Profesionales, constituted a Company named ASTERION S.A.

It was established that the signing of the Contract was approved by the Directors Committee of Aguas Andinas S.A. at its meeting held on January 27, 2009 and by its Board of Directors, at its meeting N°369 held on the same date. The agreements indicated were also adopted unanimously by all members, with the abstention of the Directors Mr. Villarino and Mrs. Colet.

The Contract was entered into on a turnkey and lump sum basis, for a total amount of U.F. 529,789 (five hundred twenty-nine thousand and seven hundred and eighty nine 'Unidades de Fomento') and it will expire in 78 more months beginning on March 15, 2009.

Also, the subsidiaries of Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue entered into such Contract, where its proportionate participation on the amount of the contract is 7.5% and 0.4%, respectively.

Finally, it should be noted that the purpose of the Contract is to render the services of reengineering of processes and implementation of new information systems to customer services, under the terms established in the Bid and the additional documents to the Contract.

As of the date of issuance of these financial statements, Management of the company and its subsidiaries are not aware of additional subsequent events that could materially impact the financial position and operating results of the Company.



27.- THE ENVIRONMENT

The main disbursements in projects for improving the environment made by the Company during 2008 and 2007 refer to the construction and/or maintenance of sewage treatment plants, as follows:

NAME OF THE PROJECT	2008 THCH\$	2007 THCH\$
Treatment Plant Buin Maipo	4.679.714	65.100
Treatment Plant La Farfana	1.860.085	2.173.987
Treatment Plant Melipilla	1.788.677	2.161.155
Improvement El Trebal Plant	1.788.247	569.481
Treatment Plant Talagante	806.582	351.625
Third Treatment Plant Gran Santiago	797.632	1.224.994
Treatment Plant Til Til	571.958	779.203
Conduction works from Cexas Plant to Esmeralda Plant	509.350	-
External mud handling and disposal platform	138.237	117.884
Lira Transfer Plant Drainage	43.125	-
Mud teleinspection equipment	41.105	-
Mud reception stations	37.964	-
Maintenance of Sewage Treatment Plants	22.707	59.459
Works in Locality Plants	70.943	70.322
Equipment improval and renewal	32.038	-
Improving local plant operations	20.017	-
Mapochi Clean Environmental Study	16.624	10.972
Treatment Plant Equipment and Installation	11.894	-
Combined truck equipment	7.150	-
Treatment Plant Paine	8.986	-
Laboratory Equipment	4.731	-
El Monte Plant disinfection improvements	3.780	4.973
Treatment Plant San José de Maipo	3.220	6.851
Treatment Plant Curacaví	-	245.957
Mobile centrifuge	-	47.021
Pomaire Plant - compliance with decree 90	-	46.857
Retention flow-meter	-	13.303
Meteorological Stations	-	3.817
TOTAL	13.264.766	7.952.961

In 2008 works began to end the discharge of sewage currently discharged in the Mapocho River; this will be achieved by the construction of a 28.5 kilometer long collector parallel to the river, which will allow decontamination all of the Mapocho's urban riverbed. This project is called "Mapocho Urbano Limpio" (Clean Urban Mapocho), and in 2008 and 2007, ThCh\$10,576,004 and ThCh\$724,571 has been respectively disbursed.

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28.- ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Chile is committed to developing a convergence plan to fully adopt International Financial Reporting Standards (IFRS). In accordance with the Chilean Institute of Accountants and the Superintendency of Securities and Insurance Circular N° 427 of December 28, 2007, the Company and its subsidiaries will adopt IFRS as of January 1, 2009. This will produce changes in equity balances at January 1, 2009 and affect the determination of results of future years. Likewise, in 2009, for comparative purposes, 2008 financial statements that must be presented in accordance with new standard may differ from those presented here.

29.- 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 sanitation works constructed or acquired with resources of the National Regional Development Fund was transferred to the company. The assets transferred under this agreement, which constitute contributions from third parties, are governed by Decree Law 70 issued by the Ministry of Public Works in 1988 and the provisions of clause 36 of the respective MINECON Law 453 of 1989.

At December 31, 1998, these assets were incorporated into the Company's fixed assets at a nominal value of Ch\$1 for each one, as there is a prohibition on considering these assets transferred by the regional government as an investment for tariff setting purposes, so the Company cannot earn a return on them and they do not represent any additional operating profit-generating operations for the Company in addition to those already obtained since they began operations. Furthermore, the income-cost benefit 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. This now amounts to ThCh\$1,912,807 and its depreciation, determined based on its time in use, amounts to ThCh\$845,651.

The main criteria used in the valuation of these works include: earth movement, supply pipes, drinking water and sewage chambers and labor costs, all as at December 2007. The average useful life of these assets is 406 months and their remaining average useful life as at December 2008 is 255 months.

30.- LONG-TERM NOTES PAYABLE

Clause 14 of Decree Law N°70 published in the Official Gazette on March 30, 1988 and clause 42 of Supreme Decree N°453 set the regulations for demanding reimbursable financing contributions for capacity and/or extensions of the corresponding service to those requesting to be added as customers or that require an expansion of the service.

The debt for reimbursable contributions is shown in Long-term notes payable, for ThCh\$37,546,193 and ThCh\$28,185,835 at December 2008 and 2007, respectively.



SIGNIFICANT EVENTS

On March 3, 2008, Aguas Andinas S.A. announced interest in acquiring the ownership interest in Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL S.A.) held by Iberdrola, for which it would perform a purchase price analysis to confirm certain stipulations considered upon formulating its offer. Likewise, it announced that for finalizing the acquisition of the referred ownership interest, it could be realized by (i) the purchase by Aguas Andinas from Iberaguas of the ESSAL S.A. who has a 51% ownership interest, or by (ii) by the sale and assignment to Aguas Andinas of the 99.99% ownership interest in Iberaguas held by Iberdrola.

The above information is confidential until Aguas Andinas S.A. ratifies its offer, subject to the abovementioned analysis and Iberdrola formally accepts such offer, all of which should take place within 30 days.

In a letter dated March 12, 2008, Aguas Andinas S.A. informed the Superintendency of Securities and Insurance that in its March 11 Board meeting, it had unanimously ratified information previously mentioned in the March 3 communication and in the March 7 communication, for which the additional requirements requested by the Superintendency in Reserved N°213 had been fulfilled.

On March 28, 2008, the Superintendency of Securities and Insurance was informed that a letter of acceptance had been received from Iberdrola Energía de Chile Ltda., whereby it expressed its acceptance of the purchase offer made by Aguas Argentina for its ownership interest in Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL S.A.). As it was indicated in said communication, Iberdrola Energía de Chile Ltda. accepted the offer according to the following terms and conditions:

(a) That Aguas Andinas S.A. and Iberdrola Energía de Chile Ltda. agree on the terms and conditions of the contracts and documents that must be formalized to implement and perfect the operation. These contracts will include as a condition that the Corporación de Fomento de la Producción (CORFO) consent to the proposed operation and that it free Iberdrola Energía S.A. from all the obligations arising from the Shareholders Agreement signed between the two parties on May 31, 2000;

(b) That the operation be completed through the sale and assignment of all the ownership interest in Inversiones Iberaguas Ltda., the direct parent company of ESSAL S.A.;

(c) That Aguas Andinas conclude to its satisfaction the financial, tax, legal and technical due diligence regarding Inversiones Iberaguas Ltda., the parent company of ESSAL S.A.;

(d) That the conclusions of the due diligence referred to above do not result in any adjustment or change to the price contained in the offer; and

(e) That the abovementioned conditions are fulfilled within 20 days from March 28, 2008, date of the acceptance letter from Iberdrola Energía de Chile Ltda.

The operation amounts to approximately ThCh\$72,500,000 (seventy two thousand five hundred million pesos, Chilean legal tender). It is pertinent to add that the total assets of ESSAL S.A. represented 15.2 of the total consolidated assets of Aguas Andinas S.A., and that the income of that company at December 31, 2007 represented 11.4% of the consolidated income of Aguas Andinas at the same date.

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On April 9, 2008, the Superintendency of Securities and Insurance was informed that Mr. Jaime Arellano Quintana tended his resignation as acting director of the Company and that his respective substitute, Mr. Mario Castillo Astudillo, assumed the position effective immediately as of that date. Because of the above, and in accordance with article 32 of Law N° 18.046, Law on Corporations, it was necessary for the Ordinary Shareholders Meeting, held on April 10, 2008, to renew the Board.

On May 20, 2008, the Superintendency of Securities and Insurance was informed that Iberdrola Energía de Chile Ltda. had accepted the offer made by Aguas Argentina for its ownership interest in Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL S.A.), under the terms and conditions expressed in said communication.

On May 19, 2008, Aguas Andinas S.A. and Iberdrola Energía Chile Limitada signed a sale commitment contract for the full ownership interest held by the latter in Inversiones Iberaguas Limitada, direct parent company of ESSAL S.A.. Such commitment was signed with the same terms and conditions as the offer made by Aguas Andinas S.A. and the acceptance of the same by Iberdrola Energía Chile Limitada, referred to in the previous paragraph, and previously communicated to the Superintendency.

The price of the sales contract for all the ownership interest in held Inversiones Iberaguas Limitada by Iberdrola Energía Chile Limitada amounted to €103,334,866 (one hundred and three million three hundred and thirty four thousand eight hundred and sixty six Euros). Likewise, and as communicated to the Superintendency of Securities and Insurance, by letter dated April 18, 2008, and subject to the same general conditions of the commitment to sell contract, a public offer would be made for the purchase of all the shares of ESSAL S.A.

On May 22, 2008, the Superintendency of Securities and Insurance was informed that the Board of the Company agreed to obtain financing for up to 3,500,000 UF, authorizing management to determine the type of financing to be obtained.

As such, the Company may contract one or more bank loans, and/or register one or more line of bonds and their respective issues, with the bonds having a maximum 30-year maturity date.

On may 26, 2008, the Company complied with ORD. N°14094 of the Superintendency of Securities and Insurance, indicating that the funds obtained from the financing approved by the board be used to pay for the purchase of ownership rights in Inversiones Iberaguas Limitada, parent company of Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL S.A.) and that the shares of the latter are acquired through the public offering for such shares made in the same context; all of this with the understanding that such operations are in accordance with the agreements signed with Iberdrola Energía de Chile Limitada, and as informed to that Superintendency by communication dated May 20, 2008.

Also, the same financing authorization approved by the Board, includes the future possibility, if market conditions are favorable, of obtaining funds to refinance all or partially some of the loan discussed in the previous paragraph, or other Company liabilities and/or possible investments required in the future. As such, the option of registering one or more bond lines, up to the amount of 3,500,000 UF each, is being evaluated. In no case may the bonds placed and current charges to the lines of reference exceed 3,500,000 UF, they will have a 30-year maturity date limit, and other general condition shall be appropriately informed to that Superintendency.

On July 10, 2008, the Superintendency of Securities and Insurance was informed the following:

Aguas Andinas S.A. successfully declared the public offering for the purchase of a total of 469,547,454 shares of Empresa de Servicios Sanitarios de Los Lagos S.A. ("ESSAL"), registered in the Securities Register with number 524, and acquired 24,018,816 ESSAL shares, in accordance with the notice published on that same date in the El Mostrador and La Tercera newspapers.

The above indicated public offering for the purchase of shares had the purpose of complying with the provisions of Article 199 letter c) of the Stock Market



Law, due to Aguas Andinas S.A. intention of acquiring control of ESSAL by the purchase of 100% of the ownership held by Inversiones Iberaguas Limitada, a company that owns 488,712,657 ESSAL shares, equivalent to 51% of its share capital, under the terms of the sales commitment of its ownership interest, formalized through a private instrument dated May 19, 2008.

In accordance with the terms of the sales commitment, on that date, Aguas Andinas S.A. took control of ESSAL, as a result of the direct and indirect acquisition of 100% of ownership interest in Inversiones Iberaguas Limitada.

The purchase price of this ownership interest in Inversiones Iberaguas Limitada amounted to 103,334,866 Euros, which was fully paid on that date.

On September 2, 2008, the Company's Board agreed to distribute an interim dividend of ThCh\$32,430,515, with a charge to 2008 net income. As result of the above, the Company's dividend number 47 will be of \$5.3 per share and will be paid as of October 29, 2008.

On December 16, 2008, the Superintendency of Securities and Insurance was informed of the following:

The Company's Board unanimously agreed to register two lines of bonds with the Securities Registry of the Superintendence of Securities and Insurance, with the following characteristics:

- a) Maximum amount of each Bond Line: 3,500,000 unidades de fomento (UF), which shall be issued in pesos or unidades de fomento.
- b) Maturity of the Bonds: The maximum date of maturity of the Lines of Bonds shall be 30 years from the date of the public deed recording their issue term, within which payment obligations for the different bond must mature.
- c) Guarantees: There shall be no special guarantees.
- d) Use of the funds: For refinancing liabilities and financing investments, as determined in each complementary deed.
- e) Other general conditions: The bonds may be placed in the general market, they shall be issued as bearer instruments, and not convertible into Company shares and shall be paid in Chilean pesos.

We state for the record that regardless of the total amounts of the lines of bonds previously referred to, Bonds may only be issued and/or there only may be currently placed Bonds charged to these lines, for up to a maximum amount of 3,500,000 unidades de fomento, considering the aggregate of the Bonds placed and currently issued.

The Company's Board likewise unanimously agreed to register two lines of commercial papers with the Securities Registry of the Superintendence of Securities and Insurance, with the following characteristics:

- a) Maximum amount of each Line: Ch\$20,000,000,000.
- b) Maturity of each Line of Commercial Papers: The maximum date of maturity of the Lines of Commercial Papers shall be 10 years from the date of the

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public deed recording their issue, a term within which payment obligations for the different issues of commercial papers must mature. The instruments that correspond to the last placement of the line can have payment obligations that exceed that time that limit.

c) Guarantees: There shall be no special guarantees.

d) Use of the fund: For refinancing liabilities, financing investments, and working capital.

e) Other general conditions: The Commercial papers may be placed in the general market; they shall be issued as bearer instruments, and shall be paid in Chilean pesos

We state for the record that regardless of the total amounts of the lines of commercial papers previously referred to, commercial papers may only be issued and charged to these lines, for up to a maximum amount of Ch\$20,000,000,000 considering the aggregate of the commercial papers placed and currently that are charged to the mentioned lines.

At the date of these financial statements, Company management is not aware of any subsequent events that might significantly affect the financial position and/or results of the Company at December 31, 2008.



Reasoned Analysis

December 2008

I. GENERAL ASPECTS

OWNERSHIP INTEREST

The capital of Aguas Andinas S.A. is divided into 6,118,965,160 no par value shares. At December 31, 2008, our principal shareholders are Inversiones Aguas Metropolitanas S.A. with 50.1% and CORFO with 34.98% ownership percentages.

INCOME

Our income principally derives from the regulated services that we render related to: the production and distribution of drinking water, recollection, treatment and disposal of sewage, other regulated services (which include income related with supply cut-off and replacement charges, the monitoring of liquid industrial waste and fixed charges).

Operating income in 2008 was Ch\$238,178 million, an increase of Ch\$11,079 million (4.88%) over 2007 operating income. Net income for the year of Aguas Andinas S.A., at December 31, 2008, was Ch\$109,120 million, an increase of Ch\$3,423 million over 2007.

OPERATING COSTS AND EXPENSES

Operating costs and expenses comprise the cost of sales and administration and sales expenses. The most important items included in operating costs are depreciation, which represented 39.3%; the outsourcing of certain services to contractors, which represented 31.0%; and personnel that represented 14.7% at year-end 2008. The most important items in administration and sales costs are personnel, which represented 40.9%, outsourced services, which represented 32.6% and general expenses that represented 12.2%.

TARIFFS

The most important factor in determining the results of our business and our financial situation are the tariffs set for our regulated sales and services. As a natural monopoly, we are regulated by the SISS and our tariffs are set in accordance with the Sanitation Services Tariffs Law D.F.L. N° 70 de 1988.

Our tariff levels are reviewed every five years and, during that time, are subject to additional adjustments linked to an indexation polynomial if the accumulated change from the previous adjustment is 3.0 % or more, according to calculations made as a function of various inflation indices. The adjustments are specifically applied as a function of a formula that includes the Consumer Price Index, the Wholesale Price Index for Imported Industrial Goods and the Wholesale Price Index for National Industrial Goods, all measured by the Chilean National Institute of Statistics. Tariffs are also subject to adjustments to reflect additional services that have previously been authorized by the SISS.

During 2005, the tariff negotiation process was concluded for the 2005-2010 period. The tariff increases approved by Decree N°100 of the Ministry of the Economy came into effect on March 1, 2005.

MARKET RISK

Our Company presents a favorable situation in terms of risk, principally because of the special characteristics of the sanitation sector. Our business is seasonal and our operating results can fluctuate from one quarter to another. We have higher demand and more sales during the Chilean summer months (December to March), while in winter (June to September) demand and sales are lower. In general, the demand for water is greater in the warmer months than in the cooler ones, mainly because of additional water needs for watering systems and other outdoor water uses.

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Adverse weather conditions can possibly affect the optimum delivery of sanitation services because the processes of capturing and producing drinking water depend to a large degree on weather conditions in the water basins. Factors like precipitations (snow, sleet, rain and fog), temperature, humidity, the flow of sediments, river flows and transparency, determine the quality and continuity of crude water available at each collection sluice which is adequate for treatment at the drinking water plant. In the event of drought, we hold large water reserves in the El Yeso, Laguna Negra and Lo Encañado reservoirs, apart from the our contingency plans, which enable us to reduce the possible negative impacts that could be caused by weather conditions which are adverse for our operations.

CAPITAL INVESTMENTS

One of the variables that most affects the result of our business and financial situation are capital investments. These are of two types:

Committed investments: We have the obligation to agree an investment plan with the SISS, which stipulates the investments we must make during the following 15 years. The investment plan specifically reflects a commitment on our part to carry out certain projects related to the maintenance of certain standards of quality and coverage. This investment plan is reviewed every five years, and modifications to it can be requested when certain relevant events occur. The approval dates of the development plans of Aguas Andinas S.A. were May 23, 2006 and February 16, 2007 for the Greater Santiago area and for other areas, between May and August 2006.

Uncommitted investments: These are investments that are not contemplated in the investment plan and which we voluntarily make to ensure the quality of our services and replace obsolete assets. These generally relate to the replacement of network infrastructure and other assets, the acquisition of water rights and investments in non-regulated businesses, among others.

As required by Chilean regulations, interest on capital investments in works in progress is capitalized. Therefore, changes to our capital investment plan affect the interest credited in our income statement, and consigned in the balance sheet as works in progress under Property, plant and equipment.

II COMPARATIVE ANALYSIS AND EXPLANATION OF VARIATIONS

BALANCE SHEET

The composition of assets and liabilities is as follows:

ASSETS	DECEMBER 2008 MILLION CH\$	DECEMBER 2007 MILLION CH\$	CHANGE %
Current assets	60,088	51,417	16.86%
Property, plant and equipment (net)	623,875	599,746	4.02%
Other non-current assets	320,107	237,242	34.93%
TOTAL	1,004,070	888,405	13.02%



Current assets are Ch\$8,671 million higher than in 2007, mainly due to an increase notes and accounts receivable from related companies for Ch\$4,401 million and due to higher loans to related companies and trade accounts receivables in Ch\$4,230 million.

The Company's property, plant and equipment increased by Ch\$24,129 million in comparison to 2007, mainly due to the increase in Constructions and Infrastructure by Ch\$22,302 million, (due to the investments performed in sanitation infrastructure and operating equipment), of Machinery and equipment by Ch\$8,590 million, and Land that increased by Ch\$1,035, offset by an increase in accumulated depreciation by Ch\$8,245 million.

Other non - current assets increased by Ch\$82,865 million, the main changes being the increase in investments in related companies for Ch\$89,141 million, due to the higher recognition of increased equity in earnings in related companies, principally due to the acquisition of 99.9% ownership interest in IBERAGUAS, company that owns 51% of Servicios Sanitarios de Los Lagos ESSAL S.A., as well as the recognition of the greater shareholders' equity of the related company, partially offset by a Ch\$4,739 million decrease of goodwill.

LIABILITIES

LIABILITIES	DECEMBER 2008 MILLION CH\$	DECEMBER 2007 MILLION CH\$	CHANGE %
Current Liabilities	112,392	83,147	35.17%
Long-term liabilities	415,796	333,919	24.52%
Total liabilities	528,188	417,066	26.64%
Shareholders' equity	475,882	471,339	0.96%

Current liabilities increased Ch\$9,244 million, in comparison to 2007, mainly due to an increase in accounts payable for Ch\$13,532 million (principally related to the start up of the Mapocho Urbano Limpio project), an increase in Accounts payable to related companies of Ch\$8,401 million (larger loans to pay) and increased Obligations with banks and Financial Institutions for Ch\$10,040 million, related to short term loans, this partially offset by a decrease in short term provisions and income taxes for Ch\$2,070 million and Ch\$1,500 million, respectively.

Long-term liabilities increased Ch\$81,877 million compared to 2007. The main changes are increases in Obligations with banks and financial institutions and bonds payable, for Ch\$37,518 million and Ch\$33,897 million respectively, due to increased bank debt and the issue of series G bonds used in financing Aguas Andinas S.A., for Ch\$50,134 million, in April 2008, this is offset by the transfer of short term installments; additionally there was an increase in long term notes payable for Ch\$9,360 million, which is explained by the Reimbursable Financial Contributions that the company receives in accordance with current regulations.

Shareholders' equity compared to 2007 increased by Ch\$4,543 million, the main changes are the increase net income for the period in Ch\$3,423 million and the increase in the provision for future dividends and lower payments of interim dividends, for Ch\$729 million and Ch\$375 million, respectively.

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FINANCIAL INDICATORS

	UNIT	DECEMBER 2008	DECEMBER 2007	CHANGE
LIQUIDITY				
Current ratio	(times)	0.53	0.62	-14.52%
Acid test ratio	(times)	0.001	0.006	-83.33%
DEBT				
Debt ratio	(%)	1.11	88.49	25.43%
Short-term debt	(%)	21.28	19.94	6.72%
Long-term debt	(%)	78.72	80.06	-1.67%
Financial expense coverage	(times)	6.64	7.65	-13.20%
ACTIVITY				
Inventory turnover	(times)	101.39	100.25	1.14%
Days Sales of Inventory	(days)	3.55	3.59	-1.11%
PROFITABILITY				
Return on assets (average)	(%)	23.04	22.76	1.23%
Return on equity (average)	(%)	11.53	12.00	-3.92%
Earnings per share	Ch\$	17.83	17.27	3.24%
Dividend yield	(%)	9.82	6.51	50.84%
Operating assets yield	(%)	18.96	17.72	7.00%

As of December 2008 the current ratio decreased by 14.52%, in comparison to 2007, due to the 35.17% increase in current liabilities and to the 16.86% increase in current assets. The decrease of current liabilities is mainly due to the increase in accounts payable and obligations with banks and financial institutions.

The debt ratio increased 25.43%, due to the placing of series G bonds and the obtaining of new short and long-term loans.

The return on the average assets decreased 3.92% due to a 7.46% increase in assets and a 3.24% increase in net income.

The return on the average asset was 18.96%, as operating income increased 8.61% and average operating assets increased 1.51% compared to 2007. For calculation of the return on operating assets, the operating income is divided by the sum of average assets (operating assets include property, plant and equipment, and intangible assets).

The return on average equity increased 1.23%, due to the 3.24% increase in profits and a 2.00% increase in average equity.

The return on dividends increased 50.84% in 2008, because dividends paid increased 5.64%, and share price decreased 30.02%.



ANALYSIS OF THE INCOME STATEMENT

The following table shows the principal income statement items:

INCOME STATEMENT

	DECEMBER 2008 CH\$ MILLIONS	DECEMBER 2007 CH\$ MILLIONS	CHANGE
Operating revenues	238,178	227,099	4.88%
Operating expenses	(87,224)	(84,422)	3.32%
Administrative & selling expense	(31,391)	(32,592)	-3.68%
OPERATING INCOME	119,563	110,085	8.61%
Non-operating results	9,389	13,723	-31.58%
NET INCOME	109,120	105,697	3.24%
Financial expenses	22,876	18,628	22.80%
EBITDA	188,685	178,808	5.52%

(EBITDA is income before taxes, depreciation, amortization, and interest)

OPERATING INCOME:

At year-end 2008, Aguas Andinas S.A. had income for Ch\$238,178 million, a Ch\$11,080 million (4.8%) increase compared to 2007. This variation is explained as follows:

CONCEPT	DECEMBER 2008 CH\$ MILLIONS	DECEMBER 2007 CH\$ MILLIONS	DECEMBER 2008 %	DECEMBER 2007 %
Water	103,927	101,655	43.6	44.8
Sewage	113,945	109,577	47.8	48.2
Other regulated revenue	12,072	7,761	5.1	3.4
Non-regulated business	8,234	8,106	3.5	3.6
TOTAL	238,178	227,099	100,0	100,0

Under the heading of regulated services, the main variations are:

a) Water: this covers water production and distribution services. These services increased Ch\$2,272 million, principally due to a higher average tariff, offset by a 2.4 million m3 lower sales volume. The higher average tariff is explained by the accumulated effect of 2008 indexation adjustments, while the lower sales volume is explained by the combination of a +3.0% growth in average customers and a -3.5% decrease in average per unit consumption.

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b) Sewage: this covers the collection, treatment, disposal, and interconnection of sewage water. These services increased Ch\$4,368 million because of: i) Increased collection revenues for Ch\$1,676 million due to a higher average tariff, offset by a 4.1 million m³ decrease in sales volume, ii) higher sewage treatment revenues for Ch\$1,550 million due to a higher average tariff, offset by a 4.1 million m³ lower sales volume, iii) higher sewage interconnection revenues for Ch\$491 million due to a higher average tariff offset by a 0.3 million m³ lower sales volume, and iv) higher income because of the renewal of the interconnection contract with SMAPA for Ch\$651 million. Variations in the average tariffs are explained by the accumulated effect of 2008 indexation adjustments.

c) Other regulated revenues: these include customers' fixed charges, supply cut-off and re-connection services, the control of liquid industrial waste discharges and provisions for non-billed consumption and discounts granted on payment agreements. These revenues increased Ch\$4,311 million, principally explained by more non-billed consumption, and to a lesser degree, to increased income from fixed charges. In the case of non-regulated services, the main variations compared to 2007, are an increase of Ch\$128 million related to more works paid by third parties, domicile connection installations services and repairs, partially offset by lower income from domicile connection deobstruction.

OPERATING COSTS:

At year-end 2008, operating costs are Ch\$118,615 million, which is a Ch\$1,601 million increase compared to 2007. This increase is explained as follows:

Operating costs increased Ch\$2,802 million to Ch\$87,224 million, compared to Ch\$84,422 million at year-end 2007. This increase is explained mainly by higher electric energy costs, together with increased costs for services and materials.

Administrative and selling expenses decreased Ch\$1,201 million to Ch\$31,391 million, compared to Ch\$32,592 million in 2007. This is explained by a lower allowance for doubtful accounts and personnel expenses, which is partially offset by higher service costs.

OPERATING INCOME

Because of the factors mentioned above, the operating income of Aguas Andinas S.A. for 2008 was Ch\$119,563 million, a Ch\$4,479 increase in comparison to 2007. As a percentage of net sales, the margin increased from 48.5% in 2007 to 50.2% in 2008.

NON-OPERATING INCOME

The non-operating income of Aguas Andinas S.A. was Ch\$9,389 million, a Ch\$4,334 million decrease relative to 2007.

The variations are mainly explained by higher financial expenses together with lower non-operating income (related to lower income from asset sales), partially offset by higher monetary correction.

INCOME TAXES

The 2008 income tax provision increased Ch\$1,722 million in comparison to 2007, related to increased pre-tax income.

NET INCOME FOR THE YEAR

Because of the different factors mentioned, the net income of Aguas Andinas S.A. for 2008 was Ch\$109,120 million, a Ch\$3,423 million increase over 2007.



ANALYSIS OF THE STATEMENT OF CASH FLOWS

The principal items of the statement of cash flows are:

STATEMENT OF CASH FLOWS

	DECEMBER 2008 CH\$ MILLIONS	DECEMBER 2007 CH\$ MILLIONS	CHANGE
Operating activities	133,495	128,877	3.58%
Financing activities	2,268	(98,106)	102.31%
Investment activities	(134,785)	(30,506)	-341.83%
NET CASH FLOW FOR THE YEAR	978	265	
CLOSING CASH BALANCE	112	492	-77.24%

Cash flow from operating activities increased Ch\$4,618 million in relation to 2007. The principal variations are increased dividends and other distributions received for Ch\$12,562 million and increased collection of trade accounts receivable for Ch\$7,873 million, partially offset by higher payments to suppliers and personnel for Ch\$11,427 million, and increased interest paid for Ch\$3,429 million.

Financing cash flows increased in Ch\$100,374 million compared to the year-end 2007. The main increases correspond to Bonds for Ch\$52,900 million (placement of G series Bond for 2.5 million UF) and to lower payments of bank borrowings for Ch\$54,556 million, the main decreases are dividend payments and loans to related companies for Ch\$5,685 million and Ch\$4,992 million, respectively.

Investment cash flows decreased by Ch\$104,279 million due to the increase in permanent investments for Ch\$84,334 million, purchases of plant and equipment for Ch\$12,014 million, increased borrowings from related companies for Ch\$3,918 million and lower sales of property plant and equipment for Ch\$4,192 million.

DIFFERENCE BETWEEN THE BOOK VALUE AND THE ECONOMIC VALUE OF THE PRINCIPAL ASSETS.

Property, plant and equipment is shown valued in accordance with generally accepted accounting principles and regulations of the Superintendency of Securities and Insurance. The assets of the Company are presently being assessed.

Notwithstanding the above, Aguas Andinas S.A. has sixty-eight plots of land that were transferred free of charge by the Chilean State and are booked at a value of Ch\$1 each. There are also fixed assets with expired accounting useful lives and which are therefore shown valued at Ch\$1, although they are still in operation.

There also are transfers, which are contributions from third parties, and which are governed by Decree Law 70 of 1988 of the Ministry of Public Works and by the provisions of clause 36 of D.S. MINECON Regulation N°453 of 1989. These are explained in Note 29.

The Company has water rights to various natural sources, including Laguna Negra, Laguna Lo Encañado and Quebrada de Ramón. These were acquired free of charge and have no book value.

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The production of water supplies from various wells located in the Metropolitan Region, of which Aguas Andinas S.A. has water rights concessions, were granted to the Company free of charge by the Water Department of the Ministry of Public Works.

The Company's principal assets relate to sanitation infrastructure works, with an exclusive use, which are shown in accordance with accounting principles generally accepted in Chile.

MARKET ANALYSIS

The Company shows no change in the market in which it participates; because of the nature of its services and the current legislation, it has no competition within its concession area.

Aguas Andinas S.A. currently has 100% coverage in drinking water, 98.5% in sewage services and approximately 72.7% in sewage water treatment.

CUSTOMERS AND VOLUMES INVOICED

SALES VOLUMES

	CLIENTS (*)		
	DECEMBER 2008	DECEMBER 2007	CHANGE %
Drinking water	1,515,224	1,471,748	3,0%
Sewage collection	1,489,012	1,445,385	3,0%

	THOUSANDS OF M3 INVOICED		
	DECEMBER 2008	DECEMBER 2007	CHANGE %
Drinking water	403,248	405,636	-0.60%
Sewage collection	397,340	401,391	-1,0%

*Corresponds to natural or legal persons who receive sanitation services related to water or sewage.

FINANCIAL ASPECTS

Currency risks: our revenues are largely linked to the local currency. Therefore, our debt is mainly denominated in local currency, and we do not have significant debts in foreign currencies, which are mainly related to the importation of supplies.

At December 31, 2008, Aguas Andinas had 70% of its debt at fixed rates and 30% at variable rates. The fixed-rate debt is comprised of short and long-term bonds payable (88%), reimbursable financial contributions (9%), and short-term bank borrowings (4%). Variable-rate debt is with local banks.

At December 30, 2007, 73% of the debt was at fixed rates and 27% at variable rates. The fixed-rate debt is comprised of short and long-term bonds payable (89%), and reimbursable financial contributions (11%). Variable-rate debt is with local banks.

The Company follows a policy of monitoring and managing interest rates to optimize financing costs and of constantly evaluating hedging instruments available in the financial market.

This favorable position has led the credit-rating agencies to assign an AA+ credit rating to our long-term debt. In the case of shares, Feller Rate gave us a First class Level 3 rating, while ICR Clasificadora de Riesgo gave us a First class Level 2 rating.

Análisis Ambientales S.A.

Ecoriles S.A.

Gestión y Servicios S.A.

Aguas Cordillera S.A. and Subsidiary

Inversiones Iberaguas Ltda. and Subsidiary



FINANCIAL STATEMENTS OF SUBSIDIARIES

Aguas Andinas S.A.

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Análisis Ambientales S.A.

GENERAL INFORMATION

Name:

Análisis Ambientales S.A.

Type of entity:

Closely held corporation, and is governed by the established constitution bylaws and by the applicable legal provisions.

Address:

Avda. Presidente Balmaceda N° 1398,
Santiago

Telephone :

(56-2) 496 22 30

Fax:

(56-2) 496 22 97

TAX I.D.:

96.967.550-1

External auditors:

Deloitte Auditores y Consultores Ltda.

Paid-in capital:

Ch\$ 262,455,762

CORPORATE PURPOSE

The purpose of the Company is to perform of all kinds of physical, chemical and biological analysis of water, air and solids, including soils, mud, residues, as well any other element that is directly or indirectly related with the environment.

INCORPORATION OF THE COMPANY

Análisis Ambientales S. A. was incorporated by public deed on August 20, 2001 at the office of the Notary Public Mr. Ivan Torrealba Acevedo and its formation was published in the Official Gazette on September 20, 2001. Its abbreviated name is ANAM S.A.

BOARD OF DIRECTORS

Chairman

Felipe Larrain Aspillaga
(General Manager of Aguas Andinas S.A.)

Directors

Joaquín Villarino Herrera
(Vice-president of Aguas Andinas S.A.)

Marta Colet Gonzalo
(Director of Aguas Andinas S.A.)

General Manager

Claudio Mujica Escudero

Percentage of ownership by the Parent

99.00%

Investment as percentage of Parent Company's assets

The investment in the company amounts to 0.30%.

Commercial Relationship with the Parent Company

During the year-ended December 31, 2008 the Company had a service contract for the laboratory analysis of water and mud, and a lease contract with its Parent Company. In the future it is expected to maintain similar commercial relationships.

FINANCIAL STATEMENTS OF SUBSIDIARIES

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BALANCE SHEETS	2008 THCH\$	2007 THCH\$
ASSETS		
Current Assets	2,233.907	1,199.205
Property, plant and equipment - net	1,142.475	895.857
Other Assets	46.793	66.530
TOTAL ASSETS	3,423.175	2,161.592
LIABILITIES		
Current Liabilities	417.530	381.177
Long-Term Liabilities	-	-
Shareholders' Equity	3,005.645	1,780.415
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,423.175	2,161.592
STATEMENTS OF INCOME		
Operating Revenues	3,703.701	2,816.334
Operating expenses and administrative and cost of sales	(2,180.091)	(1,831.144)
Gross Profit	1,523.610	985.190
Non-Operating Results	(45.566)	(18.234)
Income Taxes	(252.814)	(160.528)
NET INCOME	1,225.230	806.428
STATEMENTS OF CASH FLOWS		
Cash Flows from Operating Activities	983.476	977.134
Cash Flows from Financing Activities	-	(801.626)
Cash Flows from Investing Activities	(1,372.278)	263.908
Total Net (decrease) increase in Cash Flows for the Year	(388.802)	439.416
Price Level Restatement of Cash and Cash Equivalents	(54.144)	(15.952)
Net (Decrease) Increase in Cash and Cash Equivalents	(442.946)	423.464
Cash and Cash Equivalents at Beginning of the Year	466.330	42.866
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23.384	466.330
RECONCILIATION BETWEEN NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES AND NET INCOME FOR THE YEAR		
Net Income	1,225.230	806.428
(Gain) Loss on Sales of Assets	(654)	1.568
Adjustment to Reconcile to Net Income to Net Cash Provided by Operating Activities	294.190	230.295
Changes in Operating Assets (Increase) Decrease	(197.194)	174.229
Changes in Operating Liabilities (Decrease)	(337.796)	(235.386)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	983.776	977.134



Ecoriles S.A.

GENERAL INFORMATION

Name:

Ecoriles S.A.

Type of entity:

Closely held corporation, and is governed by the established constitution bylaws and by the applicable legal provisions.

Address:

Av. Presidente Balmaceda N°1398 - Santiago

Telephone:

(56-2) 496 22 29

Fax:

(56-2) 496 22 44

TAX I.D.:

96.945.210-3

External Auditors:

Deloitte Auditores y Consultores Ltda.

Paid-in capital:

Ch\$ 333,787,041

CORPORATE PURPOSE

The Company's corporate purpose is the treatment of liquid residues as well as activities related or linked to the treatment of sewage or residual water, through the rendering of technical advisories or the execution of services related to training, design, construction, sales of equipment, maintenance and operation of all kinds of facilities.

INCORPORATION OF THE COMPANY

Ecoriles S. A. was incorporated by public deed on December 15, 2000 at the office of the Notary Public Mr. Juan Ricardo San Martín Urrejola and its formation was published in the Official Gazette on January 16, 2001.

BOARD OF DIRECTORS

Chairman

Felipe Larrain Aspillaga

(General Manager of Aguas Andinas S.A.)

Directors

Joaquín Villarino Herrera

(Vice -president of Aguas Andinas S.A.)

Marta Colet Gonzalo

(Director of Aguas Andinas S.A.)

General Manager

Lionel Quezada Miranda

Percentage ownership by the Parent Company

99.03846%

Investment as percentage of Parent Company's assets in the asset

The investment in the company amounts to 0.52%.

Commercial Relationship with the Parent Company

During the year-ended December 31, 2008 the Company had a contract for the treatment services of excess loads and a property lease contract. In the future it is expected to maintain similar commercial relationships.

FINANCIAL STATEMENTS OF SUBSIDIARIES

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BALANCE SHEETS	2008 THCH\$	2007 THCH\$
ASSETS		
Current Assets	5,742.423	3,753.975
Property, plant and equipment - net	126.322	359.134
Other Assets	24.910	747.838
TOTAL ASSETS	5.893.655	4.860.947
LIABILITIES		
Current Liabilities	579.188	851.800
Long-Term Liabilities	-	-
Shareholders' Equity	5,314.467	4,009.147
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5.893.655	4.860.947
STATEMENTS OF INCOME		
Operating Revenues	6,149.914	5,729.643
Operating expenses and administrative and cost of sales	(4,519.365)	(4,217.050)
Gross Profit	1,630.549	1,512.593
Non-Operating Results	(56.695)	(14.439)
Income Taxes	(268.532)	(253.836)
NET INCOME	1.305.322	1.244.318
STATEMENTS OF CASH FLOWS		
Cash Flows from Operating Activities	830.571	1,485.723
Cash Flows from Financing Activities	(49)	(22)
Cash Flows from Investing Activities	(762.654)	(1,316.940)
Net Increase in Cash Flows for the Year	67.868	168.761
Price Level Restatement of Cash and Cash Equivalents	(153.863)	(35.005)
Net (Decrease) Increase in Cash and Cash Equivalents	(85.995)	133.756
Cash and Cash Equivalents at Beginning of the Year	146.747	12.991
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	60.752	146.747
RECONCILIATION BETWEEN NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES AND NET INCOME FOR THE YEAR		
Net Income	1,305.322	1,244.318
(Gain) on Sales of Assets	(33.179)	-
Adjustments to reconcile net income to net cash provided by operating activities	460.131	237.708
CHANGES IN OPERATING ASSETS (INCREASE)	(391.112)	(309.817)
CHANGES IN OPERATING LIABILITIES (DECREASE) INCREASE	(510.591)	313.514
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	830.571	1,485.723



Gestión y Servicios S.A.

GENERAL INFORMATION

Name:
Gestión y Servicios S.A.

Type of entity:
Closely Held Corporation

Address:
Av. Presidente Balmaceda N° 1398

Telephone:
(56 2) 496 23 42

Fax:
(56 2) 496 23 98

TAX I.D.:
96.828.120-8

External Auditors:
Deloitte Auditores y Consultores Ltda.

Paid-in capital:
Ch\$ 710,194,014

CORPORATE PURPOSE

The corporate purpose of the Company is the urbanization, purchase and sale of sanitation material, sale of biogas, building and advisory of special works.

INCORPORATION OF THE COMPANY

The Company was incorporated as a closely held corporation under the name Aguas del Maipo S.A., as per public deed dated June 06, 1997 at the office of the Notary Public of Mr. Patricio Zaldivar Mackenna in Santiago; subsequently it changed its by-laws as stated in public deed dated November 10, 2000 at the Notary of Mr. Patricio Zaldivar Mackenna, changing its legal name to Gestión y Servicios S.A..

BOARD OF DIRECTORS

Chairman
Felipe Larrain Aspillaga
(General Manager of Aguas Andinas S.A.)

Directors
Joaquín Villarino Herrera
(Vice-president of Aguas Andinas S.A.)

Marta Colet Gonzalo
(Director of Aguas Andinas S.A.)

Luis Andrés Rengifo Briceño

Luis Eduardo Jiménez López

General Manager
Santiago Fredes Echeverría

Ownership percentage by Parent Company
97.84783%

Investment as percentage of parent Company's assets
The investment in the company amounts to 0.32%

Commercial relationship with the Parent Company

During the year-ended as of December 31, 2008, the Company had contracts for the purchase and sale of materials, collector renewal, the purchase of biogas and leases with its Parent Company. In the future it is expected to maintain similar commercial relationships.

FINANCIAL STATEMENTS OF SUBSIDIARIES

CHAPTER 03 · FINANCIAL STATEMENTS

Balance Sheets	2008 THCH\$	2007 THCH\$
ASSETS		
Current Assets	6,361.052	5,188.437
Property, plant and equipment - net	231.613	398.760
Other Assets	1,790.792	142
TOTAL ASSETS	8,383.457	5,587.339
LIABILITIES		
Current Liabilities	5,051.057	3,276.013
Long-Term Liabilities	-	-
Shareholders' Equity	3,332.400	2,311.326
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,383.457	5,587.339
STATEMENTS OF INCOME		
Operating Revenues	10,762.043	10,667.526
Operating expenses and administrative and cost of sale	(9,371.007)	(8,902.553)
Gross Profit	1,391.036	1,764.973
Non-Operating Results	(162.491)	(95.346)
Income Taxes	(208.001)	(277.855)
Amortization of Negative Goodwill	-	1.208
NET INCOME	1,020.544	1,392.980
STATEMENTS OF CASH FLOWS		
Cash Flows from Operating Activities	(1,466.666)	1,296.277
Cash Flows from Financing Activities	1,394.465	(1,204.358)
Cash Flows from Investing Activities	(515.552)	523.593
Net (Decrease) Increase in Cash Flows for the Year	(587.753)	615.512
Price Level Restatement of Cash and Cash Equivalents	(76.141)	(3,450)
Net (Decrease) Increase in Cash and Cash Equivalents	(663.894)	612.062
Cash and Cash Equivalents at Beginning of the Year	663.948	51.886
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	54	663.948
RECONCILIATION BETWEEN NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES AND NET INCOME FOR THE YEAR		
Net Income	1,020.544	1,392.980
Adjustments to reconcile to net income to net cash provided by operating activities	298.033	125.606
Changes in Operating Assets (Increase)	(162.614)	(720.196)
Changes in Operating Liabilities (Decrease) Increase	(2,622.629)	497.887
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	(1,466.666)	1,296.277



Aguas Cordillera S.A. And Subsidiary

GENERAL INFORMATION

Name:
Aguas Cordillera S.A.

Type of entity:
Closely held corporation subject to the standards of public companies in conformity with the indicated in clause No. 8 of the DFL M.O.P. 382 of 1988.

Address:
Av. Presidente Balmaceda N° 1398, Santiago

Telephone:
(56 2) 496 25 00

Fax:
(56 2) 494 25 09

PO Box:
1818 Santiago – Centro

TAX I.D.:
96.809.310-K

External Auditors:
Deloitte Auditores y Consultores Ltda.

Registered in Securities Record:
N° 0975

Paid-in capital:
ThCh\$ 153,608,183

CORPORATE PURPOSE

The corporate purpose of the Company and its subsidiary is establishing, building and developing the public services related to the production and distribution of drinking water, the recollection and disposal of sewage water and other service renderings related to such activities, developed in the concession areas of the districts of Vitacura, Las Condes, Lo Barnechea, Colina and Lampa.

INCORPORATION OF THE COMPANY

The Company was incorporated on April 22, 1996, as per public deed issued at the office of the Notary Public Mr. René Benavente Cash in Santiago. An extract of the by-laws was registered at the Trade Record of the Real Estate Custodian of Santiago of the same year, under folio 14.143, number 8.258 and ratified under folio 11.059, number 8.996 both in 1996, and published in the Official Gazette on May 04, 1996, ratified on May 9, 1996.

At the Extraordinary Shareholders' Meeting held on March 6, 2007, the bylaws of the Company were modified, as established in the public deed dated March 8, 2007, issued at the office of the Notary Public Mr. Raúl Undurraga Laso in Santiago.

BOARD OF DIRECTORS

Chairman
Felipe Larrain Aspillaga
(General Manager of Aguas Andinas S.A.)

Vice-president
Joaquín Villarino Herrera
(Vice-president of Aguas Andinas S.A.)

Directors
Marta Colet Gonzalo
(Director of Aguas Andinas S.A.)

Luis Andrés Rengifo Briceño

Luis Eduardo Jiménez López

General Manager
Víctor de la Barra Fuenzalida
(Main Executive of Aguas Andinas S.A.)

Ownership percentage by Parent Company
99.99003%

Investment as percentage of parent Company's assets
The investment in the company amounts to 12,46%

Commercial Relationship with The Parent Company

During the year ended as of December 31, 2008: the Company had an interconnection contract for drinking and sewage water, lease contracts and sales contract for material with its Parent Company. In the future it is expected to maintain similar commercial relationships.

FINANCIAL STATEMENTS OF SUBSIDIARIES

CHAPTER 03 · FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET	2008 THCH\$	2007 THCH\$
ASSETS		
Current Assets	25,336,045	28,142,195
Property, plant and equipment - net	116,014,206	104,235,309
Other Assets	31,156,429	30,621,312
TOTAL ASSETS	172,506,680	162,998,816
LIABILITIES		
Current Liabilities	21,651,874	13,177,866
Long-Term Liabilities	25,770,257	23,666,478
Minority Interest	101	196
Shareholders' Equity	125,084,448	126,154,276
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	172,506,680	162,998,816
STATEMENTS OF INCOME		
Operating Revenues	40,464,190	39,209,503
Operating expenses and administrative and cost of sales	(22,619,895)	(21,561,053)
Gross Profit	17,844,295	17,648,450
Non-Operating Results	1,526,115	3,302,650
Income Taxes	(2,924,896)	(3,125,512)
Minority Interest	(13)	(25)
Amortization of Negative Goodwill	-	-
NET INCOME	16,445,501	17,825,563
STATEMENTS OF CASH FLOWS		
Cash Flows from Operating Activities	22,758,576	22,988,450
Cash Flows from Financing Activities	(12,957,673)	(961,215)
Cash Flows from Investing Activities	(18,423,940)	(12,416,805)
Net (Decrease) Increase in Cash Flows for the Year	(8,623,037)	9,610,430
Price Level Restatement of Cash and Cash Equivalents	(710,819)	(314,219)
Net (Decrease) Increase in Cash and Cash Equivalents	(9,333,856)	9,296,211
Cash and Cash Equivalents at Beginning of the Year	9,377,772	81,561
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	43,916	9,377,772
RECONCILIATION BETWEEN NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES AND NET INCOME FOR THE YEAR		
Net Income	16,445,501	17,825,563
Loss (gain) on Sales of Assets	495	(1,802,488)
Adjustments to reconcile to net income to net cash provided by operating activities	6,637,877	5,640,371
Changes in Operating Assets Decrease (Increase)	180,014	(513,234)
Changes in Operating Liabilities (Decrease) Increase	(505,324)	1,838,213
Gain of Minority Interest	13	25
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	22,758,576	22,988,450



Inversiones Iberaguas Ltda. and Subsidiary

GENERAL INFORMATION

Name:

Inversiones Iberaguas Ltda.

Type of entity:

Limited liability investment society, subject to the standards of the Civil Code, Trade Code and Law N° 3918.

Address:

Av. Presidente Balmaceda N° 1398, Santiago.

Telephone:

56-2-4962382

Fax:

56-2-4962309

TAX I.D.:

96.897.320-7

External Auditors:

Deloitte Auditores y Consultores Ltda.

Paid-in capital:

ThCh\$ 49,090,900

CORPORATE PURPOSE

The corporate purpose of the Company is to invest and participate in businesses of the sanitation industry, particularly in companies and societies whose corporate purpose is developing the public services related to the production and distribution of drinking water, the recollection and disposal of sewage water and other service renderings related to such activities.

INCORPORATION OF THE COMPANY

Inversiones Iberaguas Limitada, was incorporated on May 20, 1999 as per public deed issued at the office of Public Notary Mr. Aliro Veloso Muñoz in Santiago. An extract of the by-laws was registered at the Trade Record of the Real Estate Custodian of Santiago of the same year, under folio 11539, number 9276, and published in the Official Gazette on May 27, 1999. On July 10, 2008, as per public deed N° 3561-2008 issued at the office of Public Notary Raúl Undurraga Laso in Santiago, Aguas Andinas S.A. and Aguas Cordillera S.A. acquired social rights in the Company for 99.999998% and 0.000002%, respectively.

ADMINISTRATION

Aguas Andinas S.A.

Proxies:

Felipe Larrain Aspillaga
(General Manager of Aguas Andinas S.A.)

Joaquín Villarino Herrera
(Vice-president of Aguas Andinas S.A.)

Marta Colet Gonzalo
(Alternate Director of Aguas Andinas S.A.)

Ownership percentage by Parent Company:

99.999998% direct by Aguas Andinas S.A.
0.000002% indirect through Aguas Cordillera S.A.

Investment as percentage of Parent Company's assets:

8,2%

Commercial Relationship with the Parent Company:

During the year ended December 31, 2008 the Company did not have any relationship with the parent company and its related companies.

FINANCIAL STATEMENTS OF SUBSIDIARIES

CHAPTER 03 · FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET	2008 THCH\$	2007 THCH\$
ASSETS		
Current Assets	9,276.148	13,068.364
Property, plant and equipment - net	118,736.904	120,734.460
Other Assets	30,427.912	33,617.692
TOTAL ASSETS	158,440.964	167,420.516
LIABILITIES		
Current Liabilities	8,358.954	13,654.735
Long-Term Liabilities	55,386.677	57,751.134
Minority Interest	33,339.823	32,858.538
Shareholders' Equity	61,355.510	63,156.109
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	158,440.964	167,420.516
STATEMENTS OF INCOME		
Operating Revenues	32,001.692	30,394.215
Operating expenses and administrative and cost of sales	(22,381.847)	(18,540.292)
Gross Profit	9,619.845	11,853.923
Non-Operating Results	(7,692.099)	(4,181.012)
Income Taxes	(735.479)	(1,767.886)
Minority Interest	(1,721.132)	(4,202.291)
NET INCOME	(528.865)	1,702.734
STATEMENTS OF CASH FLOWS		
Cash Flows from Operating Activities	14,013.062	15,956.288
Cash Flows from Financing Activities	(8,427.368)	(5,729.209)
Cash Flows from Investing Activities	(8,481.476)	(10,026.823)
Net (Decrease) Increase in Cash Flows for the Year	(2,895.782)	200.256
Price Level Restatement of Cash and Cash Equivalents	(79.116)	(329.793)
Net (Decrease) Increase in Cash and Cash Equivalents	(2,974.898)	(129.537)
Cash and Cash Equivalents at Beginning of the Year	3,354.036	3,483.573
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	379.138	3,354.036
RECONCILIATION BETWEEN NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES AND NET INCOME FOR THE YEAR		
Net Income	(528.865)	1,702.734
Loss (gain) on Sales of Assets	(5.719)	(15.773)
Adjustments to reconcile to net income to net cash provided by operating activities		
Changes in Operating Assets Decrease (Increase)	10,054.798	7,613.801
Changes in Operating Liabilities (Decrease) Increase	254.657	(868.595)
Gain of Minority Interest	4,238.191	7,524.121
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	14,013.062	15,956.288



Summarized Financial Statements of Subsidiaries

BALANCE SHEETS	AGUAS CORDILLERA S.A.		AGUAS MANQUEHUE S.A.		
	2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$	
ASSETS					
Current Assets	22.749.193	26.451.587	2.687.193	1.588.055	
Fixed Assets (net)	88.914.202	85.669.131	27.538.036	18.566.180	
Other Assets	46.859.049	44.198.239	8.016.213	7.577.579	
TOTAL ASSETS	158.522.444	156.318.957	38.241.442	27.731.814	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities	9.997.379	8.365.913	11.754.838	4.899.291	
Long Term Liabilities	23.440.617	21.798.768	2.891.284	2.278.592	
Shareholders' Equity	125.084.448	126.154.276	23.595.320	20.553.931	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	158.522.444	156.318.957	38.241.442	27.731.814	
STATEMENT OF INCOME					
Revenues from Operations	35.000.553	34.232.689	5.746.048	5.205.642	
Cost of Operations	(19.671.996)	(19.025.867)	(3.238.958)	(2.772.664)	
Operating Income	15.328.557	15.206.822	2.507.090	2.432.978	
Non-operating Income	3.395.537	5.208.005	1.180.603	539.013	
Income Taxes	(2.278.593)	(2.589.264)	(646.303)	(536.248)	
Amortization of Negative Goodwill	-	-	-	-	
NET INCOME FOR THE YEAR	16.445.501	17.825.563	3.041.390	2.435.743	
STATEMENTS OF CASH FLOW					
Net Cash Flow from Operating Activities	18.938.446	19.044.162	3.820.130	3.944.286	
Net Cash Flow from Financing Activities	(16.245.316)	(2.910.278)	3.287.644	1.917.285	
Net Cash Flow from Investment Activities	(11.262.538)	(6.547.940)	(7.161.402)	(5.837.084)	
Total Net Cash Flow for the Year	(8.569.408)	9.585.944	(53.628)	24.487	
Effect of Inflation on Cash and Cash Equivalents	(705.879)	(297.154)	(4.941)	(17.065)	
Net Change in Cash and Cash Equivalent	(9.275.287)	9.288.790	(58.569)	7.422	
Opening Balance of Cash and Cash Equivalent	9.312.116	23.326	65.656	58.234	
CLOSING BALANCE OF CASH AND CASH EQUIVALENT	36.829	9.312.116	7.087	65.656	
RECONCILIATION OF CASH FLOW					
Net Income for the Year	16.445.501	17.825.563	3.041.390	2.435.743	
(Gain) on Sale of Fixed Assets	751	(1.802.971)	(256)	484	
Charges (Credits) to Income Not Representing Cash Flow	2.510.086	2.315.013	1.086.414	889.624	
Changes in Assets Affecting Operating Cash Flow (Increase) Decrease	1.016.583	(874.201)	(836.569)	360.983	
Changes in Liabilities Affecting Operating Cash Flow Increase (Decrease)	(1.034.475)	1.580.758	529.151	257.452	
NET CASH FLOW FROM OPERATING ACTIVITIES	18.938.446	19.044.162	3.820.130	3.944.286	

FINANCIAL STATEMENTS OF SUBSIDIARIES

CHAPTER 03 · FINANCIAL STATEMENTS

ESSAL S.A.		ECORILES S.A.		GESTIÓN Y SERVICIOS S.A.		ANÁLISIS AMBIENTALES S.A.	
2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$	2008 THCH\$	2007 THCH\$
9.260.962	13.059.403	5.742.423	3.753.975	6.361.052	5.188.437	2.233.907	1.199.205
118.736.904	120.734.460	126.322	359.134	231.613	398.760	1.142.475	895.857
3.770.509	4.664.735	24.910	747.838	1.790.792	142	46.793	66.530
131.768.375	138.458.598	5.893.655	4.860.947	8.383.457	5.587.339	3.423.175	2.161.592
8.341.245	13.649.223	579.188	851.800	5.051.057	3.276.013	417.530	381.177
55.386.677	57.751.134	-	-	-	-	-	-
68.040.453	67.058.241	5.314.467	4.009.147	3.332.400	2.311.326	3.005.645	1.780.415
131.768.375	138.458.598	5.893.655	4.860.947	8.383.457	5.587.339	3.423.175	2.161.592
32.001.692	30.394.215	6.149.914	5.729.643	10.762.043	10.667.526	3.703.701	2.816.334
(22.375.318)	(18.539.193)	(4.519.365)	(4.217.050)	(9.371.007)	(8.902.553)	(2.180.091)	(1.831.144)
9.626.374	11.855.022	1.630.549	1.512.593	1.391.036	1.764.973	1.523.610	985.190
(5.391.032)	(1.511.032)	(56.695)	(14.439)	(162.491)	(95.346)	(45.566)	(18.234)
(722.827)	(1.767.886)	(268.532)	(253.836)	(208.001)	(277.855)	(252.814)	(160.528)
-	-	-	-	-	1.208	-	-
3.512.515	8.576.104	1.305.322	1.244.318	1.020.544	1.392.980	1.225.230	806.428
14.013.135	15.957.361	830.571	1.485.723	(1.466.666)	1.296.277	983.476	977.134
(8.434.738)	(5.738.578)	(49)	(22)	1.394.465	(1.204.358)	-	(801.626)
(8.473.183)	(10.018.655)	(762.654)	(1.316.940)	(515.552)	523.593	(1.372.278)	263.908
(2.894.786)	200.128	67.868	168.761	(587.753)	615.512	(388.802)	439.416
(79.451)	(329.667)	(153.863)	(35.005)	(76.141)	(3.450)	(54.144)	(15.952)
(2.974.237)	(129.539)	(85.995)	133.756	(663.894)	612.062	(442.946)	423.464
3.353.375	3.482.914	146.747	12.991	663.948	51.886	466.330	42.866
379.138	3.353.375	60.752	146.747	54	663.948	23.384	466.330
3.512.515	8.576.104	1.305.322	1.244.318	1.020.544	1.392.980	1.225.230	806.428
(5.719)	(15.773)	(33.179)	-	-	-	(954)	1.568
7.753.274	4.943.912	460.131	237.708	298.033	125.606	294.190	230.295
248.427	(868.578)	(391.112)	(309.817)	(162.614)	(720.196)	(197.194)	174.229
2.504.638	3.321.696	(510.591)	313.514	(2.622.629)	497.887	(337.796)	(235.386)
14.013.135	15.957.361	830.571	1.485.723	(1.466.666)	1.296.277	983.476	977.134

Annual Report Aguas Andinas S.A. 2008

DIRECTION AND EDITION

Aguas Andinas' Annual Report Committee

DESIGN

Interfaz Diseño

PHOTOGRAPHY

Gerardo Álvarez E.

Photo Banks

Aguas Andinas

