



CONSOLIDATED FINANCIAL STATEMENTS
Period finished by
March 31st, 2010

Reasoned Analysis

REASONED ANALYSIS

AGUAS ANDINAS CONSOLIDADO

March - 2010

I GENERAL ASPECTS

Share composition

Aguas Andinas's capital constitutes 6.118.965.160 shares, without nominal value. By March 31st, 2010, our largest shareholders are Inversiones Aguas Metropolitanas S.A. with 50.1% and CORFO with 35.0% of shares.

Revenue

Our revenue is derived mainly from the regulated services that we provide and which relate to: production and distribution of drinkable water; collection, treatment and sewage disposal among other regulated services (which include revenue related to the charges for supply disconnection and reconnection, the monitoring of liquid industrial waste disposal and fixed charges).

The ordinary revenue for the 2010 period totaled Ch\$ 88,823 million, which is Ch\$6,478 million (6.8%) below the revenue for the previous period. Meanwhile, the net revenue for Aguas Andinas S.A. by March 31st, 2010 was Ch\$35.133 million, which is Ch\$10,182 million (22.47%) below the previous period.

Operational costs and expenses

The operational costs and expenses are composed by the personnel costs, depreciations and amortizations, raw supply and secondary material consumption and various other operational expenses. The most relevant items are: various other operational expenses 34.7%, associated with the outsourcing of certain services to contractors; the depreciation which represented 30.4%; personnel expense which represented 19.4% and the consumption of supplies and materials, which represented 15.6% till the first trimester of 2010.

Rates

The selected rates for our regulated sales and services are the most important factor in determining the results of our operations and financial situation. As a natural monopoly, we are regulated by the SISS (Superintendence of Sanitary Services, Chile) and our rates are fixed in conformity to the Rates Law for Sanitary Services D.F.L. N°70 of 1988.

Our rate levels are revised every five years and, during said period, they are subject to additional readjustments related to a polynomial indexation, when the accumulated variation since the previous adjustment is 3.0% or above, according to calculations based on various inflation indexes. Specifically, the readjustments are applied in accordance to a formula which includes the Consumer Price Index, the Wholesale Price Index for Imported Industrial Goods and the Wholesale Price Index for National Industrial Goods, all of which are measured by the Chilean National Statistics Institute. Also, the rates are subject to change in order to reflect additional services previously authorized by the SISS.

Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A.'s rate negotiation processes for the 2010-2015 period ended in 2009. The new rates, approved by Decree number 60, dated February 2nd, 2010, for Aguas Andinas S.A. from the Ministry of Economy, Development and Reconstruction started being enforced on March 1st, 2010, while the decrees for Aguas Cordillera and Aguas Manquehue S.A. are pending emission. Also, Empresa de Servicios Sanitarios de los Lagos S.A. (ESSAL) concluded its rate negotiation process in 2006, for the five year period between 2006 and 2011. These were approved by decree N° 265, dated September 12th, 2006.

Market Risk

Our company presents a favorable situation when it comes to risk, which is mainly due to the particular characteristics of the health sector. Our business is seasonal and the exploitation results may vary from one trimester to another. We tend to record higher levels of demand and revenue during the summer months (December through March) and the lowest levels of demand and revenue during the winter months (June through September). In general, demand for water is greater during the warmest months and not in the months with milder temperatures, due mainly to the additional water requirements generated by irrigation systems and other external uses of water.

Adverse climate conditions can eventually affect the optimal delivery of sanitary services because the catchment and water production processes for drinking water largely depend on the climate conditions that develop in hydrographic basins. Factors such as meteorological precipitations (snow, hail, rain, fog), temperature, humidity, sediment transport, as well as river flows and turbidity, determine the quantity, quality and continuity of raw water available at every intake, which can be treated at a drinking water treatment plant. In case of drought, we have large water reserves at the El Yeso reservoir, Laguna Negra and Lo Encañado, in addition to the contingency plans that we have developed, and that allow us to diminish the possible negative impacts that adverse weather conditions could cause for our operations.

Capital Investments

One of the variables that has the most incidence in our operations' results and financial standing is capital investments. There are two types:

Committed Investments: We have the obligation to agree on an investment plan with the SISS, where we describe the investments that we must make for the next 15 years till the date when the corresponding investment plan starts being enforced. Specifically, the investment plan reflects commitment on our part to undertake certain projects related to the maintenance of certain standards for quality and coverage. The aforementioned investment plan is subject to revising every five years, with the possibility of requests for change being made when certain relevant facts are verified.

Approval dates for updates in the development plans of Grupo Aguas.

Aguas Andinas S.A.	
Gran Santiago	May 23 rd , 2006 and February 19 th , 2007
Other locations	May through August, 2006

Aguas Cordillera S.A.	
Las Condes	May 10 th , 2006
Los Dominicos	May 10 th , 2006

Aguas Manquehue S.A.
Manquehue May 12th, 2006
Other locations December 28th, 2006

ESSAL S.A.
X and XIV Regions January 27th and June 10th, 2006

Non Committed investments.

Non committed investments are those which are not considered in the investment plan and which we voluntarily undertake with the objective of ensuring the quality of our services and replacing obsolete assets, acquiring water use rights and the investment in non -regulated businesses, among others.

In accordance to international financial information standards enforced in Chile (NIIFCH), interests over capital investments in construction in progress are capitalized. In consequence, any changes in our capital investment plan affect the amount of expenses in paid interest in the revenue statements, consigned as construction in progress under "Fixed Assets" in our balance.

II COMPARATIVE ANALYSIS AND EXPLANATION OF VARIATIONS

Consolidated statements of financial position

The composition of assets and liabilities is as follows:

Consolidated statements of Financial position	March 2010	December 2009	Variation Mar 10 Dec 09	
	MMCh\$	MMCh\$	MMCh\$	%
Current assets	112.346	91.310	21.036	23,0%
Long-term assets	1.311.340	1.307.979	3.361	0,3%
Total Assets	1.423.686	1.399.289	24.398	1,7%
Current liabilities	116.474	115.526	948	0,8%
Long-term liabilities	598.586	600.184	(1.598)	(0,3%)
Total liabilities	715.060	715.710	(650)	(0,1%)
Issued Capital	155.567	155.567	-	0,0%
Other Equity	553.059	528.011	25.048	4,7%
Total Net Equity	708.626	683.579	25.048	3,7%

Assets

The total assets of Aguas Andinas Consolidado society to March 31st, 2010 present a rise of 1.7% compared to December 2009, going from Ch\$1.399.289 million to Ch\$1.423.686 million. The following are the most relevant variations in each category.

Current Assets

When comparing the March 2010 values with December 2009, they present a greater value, of Ch\$21.036 million (23,0%) due, mainly to an increase in cash and cash equivalents for Ch\$24.944 million, (greater long-term deposits for the revenues during the peak period), partially compensated by a decrease of Ch\$3.476 million in trade and other receivables.

Long-term assets

They present an increase of Ch\$3.361 million (0.3%) which is explained mainly by the Ch\$3.762 million increase in properties, plants and equipment due to investments made by the Group.

The main investments made are reflected in the following table:

Company	Investment Project	Acum Mar 2010 (MMCh\$)
Andinas	Third STP Gran Santiago	3.476
Andinas	Mapocho Sewage Interceptor	2.255
Andinas	Farfana - Trebal Interceptor	661
Cordillera	Starters and Meters	170
Manquehue	North Zone Collector	22
Manquehue	Drinking Water North Zone	21

LIABILITIES AND EQUITY

Liabilities

The March 2010 liabilities decreased 0.1% in comparison to December 2009, which translates into Ch\$650 million. The following shows the most relevant variations in each category.

Current Liabilities

When comparing the March 2010 values to those for December 2009, there is an increase of Ch\$948 million (0.8%). The main explanation lies in an increase in accounts payable for higher dividends Ch\$5.828 million, partially compensated by lower trade accounts payable Ch\$4.597 million.

Long-term Liabilities

They decreased in Ch\$1.598 million (0.3%), when comparing the March 2010 values to those of December 2009. This is explained by a decrease in other financial liabilities Ch\$3.107 million (lower long-term loans), lower differed tax liabilities Ch\$890 million, lower miscellaneous payables Ch\$603 million (by transfer of short term shares). This compensated by an increase in the other non-financial liabilities Ch\$3.314 million.

Equity

When comparing the March 2010 values with those of December 2009 for Aguas Andinas Consolidado, the net equity attributable to holders of equity instruments of the parent increased in Ch\$24.593 million, while the net equity grew in Ch\$25.048 million, due to the increase in accumulated profits during the trimester.

FINANCIAL INDICATORS

INDICATOR		March 2010	December 2009	Variation Mar 10 - Dec 09
Liquidity				
Current liquidity	Times	0,96	0,79	21,52%
Acid-Test Ratio	Times	0,43	0,27	56,57%
Debt				
Total debt	%	100,91	104,70	-3,62%
Current debt	%	16,29	16,14	0,93%
Long-term debt	%	83,71	83,86	-0,18%
Financial expenses coverage	Times	10,16	9,73	4,42%
Profitability				
Parent equity profitability	%	5,49	20,12	-72,71%
Asset profitability	%	2,55	3,40	-25,00%
Parent income per share	\$	5,74	20,11	-71,46%
Dividend return	%	7,55	7,55	0,00%

To March 2010, current liquidity increased in 21.52% mainly due to the increase in cash and cash equivalents, fundamentally explained by the effect of collected balances for Aguas Andinas and subsidiary Aguas Cordillera, both of which have Ch\$35.500 million in long-term deposits, compared to Ch\$13.350 in December 2009. It must be considered that the summer months are those were health services companies gain the most income.

The debt ratio had a 3.62% decrease due basically to the increase in equity, explained by greater accumulated results.

Equity profitability presents a 25.07% decrease due mainly to the decrease of income in relation to the January-March period in 2009 (22.5%), in addition to the increase in equity produced by the fact that the final dividend distribution for 2009 has not been undertaken, because of the increase in accumulated profits during the trimester.

STATEMENTS OF INCOME

The following table shows the statements of income for the January-March period of 2010 and 2009:

Statements of income by nature	March 2010	March 2009	Variation mar 10 - mar 09
	MM Ch\$	MM Ch\$	%
Ordinary Income	88.823	95.301	-6,80%
Consumption of raw and secondary materials	(6.176)	(7.592)	-18,65%
Personnel expenses	(8.210)	(8.909)	-7,85%
Depreciation and Amortization	(12.854)	(11.918)	7,85%
Other Expenses	(14.682)	(15.284)	-3,94%
Exploitation Results	46.901	51.598	-9,10%
Financial Income	881	1.519	-42,00%
Financial Costs	(4.708)	(6.541)	-28,02%
Exchange difference	(21)	35	160,00%
Results of Indexation Units	(1.103)	8.469	113,02%
Financial Results	(4.951)	3.482	242,19%
Other Income	1.614	2.013	-19,82%
Impairment of Assets	(429)	0	100,00%
Results before Taxes	43.135	57.093	-24,45%
Income Tax	(7.135)	(10.253)	-30,41%
Minority Interest	(867)	(1.524)	-43,11%
Result for the term	35.133	45.316	-22,47%

- Ordinary Income:**

By the first trimester of 2010, Aguas Andinas Consolidado had income for Ch\$88.823 million, which were Ch\$6.478 million (-6.8%) lower than that obtained for the same period in 2009.

The aforementioned variation is calculated with the following income composition:

Ordinary Income	2010		2009		Deviation	
	MMCh\$	%	MMCh\$	%	MMCh\$	%
Drinking Water	43.580	49,1%	47.721	50,1%	(4.141)	(8,7%)
Sewage	37.894	42,7%	41.384	43,4%	(3.490)	(8,4%)
Other Regulated Income	234	0,3%	(1.087)	(1,1%)	1.321	(121,5%)
Non Regulated Businesses	7.115	8,0%	7.282	7,6%	(167)	(2,3%)
Ordinary Income Total	88.823	100,0%	95.301	100,0%	(6.478)	(6,8%)

a) **Drinking Water:** Here, we consider the production and distribution of drinking water, which have seen a decrease of Ch\$4.141 million in comparison to the same period during the previous year. The main explanation for this lies in a lower average rate, compensated in part by a greater sales volume of 2.0 million m³. The variation in the average rate is explained by the accumulated effect of negative indexations during 2009 and January 2010.

b) **Sewage:** Here we consider the collection, treatment, disposal and interconnection of sewage. The revenue from these services present a decrease of Ch\$3.490 million (-8.4%) caused by:

- A lower income for collection for Ch\$1.678 million (Ch\$19.540 million in March 2010, compared to the Ch\$21.218 million in marzo 2009), due to a lower applied average rate, compensated in part by a greater sales volumes for 2.2 million m³.
- Lower income for treatment in Ch\$1.357 million (Ch\$14.533 million in March 2010, compared to the Ch\$15.890 in March 2009) due to a lower applied average rate, compensated in part by a greater sales volume of 1.9 million m³.
- A lower income for sewage interconnections Ch\$455 million (Ch\$3,821 million in March 2010 compared to the Ch\$4,276 million in March 2009), due to a lower applied average rate, coupled with a greater sales volume of 0.1 million m³.

The variations in the average rates are produced by the accumulated effect of the negative indexations experienced during 2009 and January 2010.

c) **Other Regulated Income:** Here we consider the fixed charge to our customers, the interruption and resuming of service and unbilled consumable stores. These revenues present an increase of Ch\$1.321 million explained by a greater provision of income Ch\$1.507 million partially compensated by lower revenues for fixed charges Ch\$55 million and interruption and resuming of service Ch\$126 million.

d) **Non-regulated businesses:** present a decrease of Ch\$167 million (-2.3%) in comparison to the same period for the previous year, explained, mainly, by the following businesses:

- **Non-Sanitary;** Decreased in Ch\$631 million, explained mainly by lower revenues in material sales by Gestión y Servicios for Ch\$601 million and by lower revenues for Ch\$134 million related to ANAM sales (laboratory sampling and analysis services). All of this compensated, in part, by greater revenues in Ecoriles for Ch\$103 million (operation of liquid residue treatment plants and treatment of excess industrial organic load).
- **Sanitary:** Increased by Ch\$464 million related mainly to higher revenues in contracted agreements with urban developers.

- **Raw and Secondary Material consumption**

For the first trimester of 2010, these costs rose to Ch\$6,176 million, which is Ch\$1,416 million beneath the amount obtained for 2009. This is explained by lower electric energy Ch\$990 million.

- **Personnel costs**

For the first trimester of 2010, these expenses rose to Ch\$8,210 million, which is Ch\$699 million below the amount obtained for the same period during the previous year explained, mainly by lower wages and accrued vacation entitlement.

- **Depreciation and Amortization**

During the first trimester of 2010, these expenses rose to Ch\$12,854 million, which is Ch\$937 million above the amount reached during the same period in 2009, explained by the new investments executed by the Company.

- **Other Expenses**

During the first trimester of 2010, these expenses rose to Ch\$14.681 million, which is Ch\$603 million under the amount reached during the same period in 2009, explained by fewer other services for Ch\$713 million and fewer doubtful accounts for Ch\$271 million (-9.3%), partially compensated by greater costs in the collection and disposal of waste and plant sludge Ch\$171 million.

- **Financial Income**

During the first trimester of 2010 Aguas Andinas Consolidado obtained income for Ch\$881 million, which is Ch\$638 million under the amount reached during the same period for 2009, explained by lower income from financial assets.

- **Financial Costs**

During the first trimester of 2010, these costs rose to Ch\$4,708 million, which is Ch\$1,833 million under the amount reached during the same period for 2009. This is explained by lower interests on bank loans in Chilean pesos.

- **Results by Readjustment Units**

During the first trimester of 2010, the results added up to Ch\$1,104 million, which is Ch\$9,572 million under the amount obtained during the same period for 2009, explained by a greater revaluation of debt, due to the cumulative effect of negative variation of the UF, experienced during 2009.

- **Income other than operations**

Aguas Andinas Consolidada obtained results for Ch\$1,614 million, which is Ch\$ 399 million under the amount obtained for the same period in 2009 explained, mainly, by lower revenues for sales of properties, plant and equipment.

- **Impairment of Assets**

Due to the earthquake experienced on February 27th of the present year, the Company's tangible assets were revised, yielding an estimate of Ch\$429 million in asset impairment, for the date of the current financial statements.

- **Expense (Income) by Income Tax**

The income tax provision for the first trimester of 2010 is Ch\$3,118 million lower when compared to the same previous period, explained by a lower result before taxes.

- **Income (Loss)**

Due to the aforementioned factors, Aguas Andinas Consolidado's Net Income for the first trimester of 2010 rose to Ch\$35,113 million, which is Ch\$10,182 million (-22.5%) under the amount obtained in March 2009.

CASH FLOW STATEMENT

The main categories for the cash flow statement are the following:

Consolidated Cash Flows	March 2010	March 2009	Variation mar 10 - mar 09
	MM Ch\$	MMCh\$	%
Operational flow	53.652	58.164	-7,76%
Investment flow	-23.957	-16.893	41,82%
Financing flow	-4.751	-10.198	53,41%
Net flow for the year	24.944	31.073	-19,72%
Closing Cash Balance	49.940	31.693	58%

The flow created by operation related activities decreased in Ch\$4,515 million when comparing March 2010 with March 2009, with the main variations being the decrease in the amount charged to customers by Ch\$10,014 million; compensated in part by lower interest payments (Ch\$4,938 million).

The flow for investments rose from Ch\$ 7,081 million due to the decrease in the collection of charges coming from the sales of properties, plant and equipment for Ch\$ 4,359 million and the increase in disbursements due to the incorporation of Properties, plant and equipment for Ch\$2,501 million (explained in the variations of the noncurrent assets).

The financing flow increased in Ch\$5,447 million compared to the same period for the previous year, with the main variation being a lower loan payment for \$Ch 5,607 million.

Market Analysis

The Company does not present variations in the market it participates in, due to the nature of its services and the current legal framework, it does not have any competition in its concession area.

Aguas Andinas S.A. has 100% coverage in drinkable water, 98.5% in sewerage service and 72.7% in sewage treatment.

Aguas Cordillera S.A. has 100% coverage in drinkable water and 98.7% in sewerage service.

Aguas Manquehue S.A. has 100.0% coverage in drinking water and 99.3% in sewage treatment.

ESSAL has 100% coverage in drinkable water and 91.8% in sewerage service and 91.4% in sewage treatment.

Sales Volumes for the Group

	2010	2009	Var (%)
(Values in thousands of m³ billed)			
Drinking Water	150.971	148.997	(+1,3%)
Sewage Collection	144.550	142.318	(+1,6%)
Sewage Treatment and Disposal	124.379	122.460	(+1,6%)
Sewage Interconnection services	34.125	33.984	(+0,4%)

Group Clients

	2010	2009	Var (%)
(Amount till March 31st)			
Drinking Water	1.877.452	1.839.374	(+2,1%)
Sewage Collection	1.835.925	1.796.101	(+2,2%)

Financial Aspects

Currency Risks: Our revenues are mainly linked to the evolution of local currency. It is because of this that our debt is issued in this currency, reason for which we do not possess significant debt in foreign currency.

By March 31st, 2010 the risk of the interest rate kept by Aguas Andinas S.A. is composed by a 74% fixed rate and a 26% variable rate. Fixed rate debt is composed by: the issuing of long and short term bonds (83%) and reimbursable financial contributions (17%), while the variable rate debt is related to loans by national banks.

By December 31st 2009 the risk for the interest rate kept by Aguas Andinas S.A., was composed by a 75% fixed rate and a 25% variable rate. Fixed rate debt is composed by: the issuing of long and short term bonds (83%) and reimbursable financial contributions (17%), while the variable rate debt is related to loans by national banks.

The Company maintains an interest rate management and monitoring policy which, with the objective of optimizing the financing cost, permanently evaluates the coverage instruments available in the financial market.

This favorable situation has meant that credit rating agencies have awarded us an AA+ rating for long term debt. In the case of shares, Feller Rate awarded us a first class level 2 classification, while ICR gave us a first class level 2 classification.