



CONSOLIDATED FINANCIAL STATEMENTS

**Period finished on
March 31st, 2011**

Reasoned Analysis

REASONED ANALYSIS

AGUAS ANDINAS CONSOLIDADO

March - 2011

I GENERAL ASPECTS

Share composition

Aguas Andinas's capital constitutes 6.118.965.160 shares, without nominal value. By March 31st, 2011, our largest shareholders are Inversiones Aguas Metropolitanas S.A. with 50.1% and CORFO with 35.0% of total shares.

Revenue for ordinary activities

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 2011 period rose to Ch\$98,387, which is Ch\$9.414 million (10.6%) above the amount obtained during the previous period. Net profit for Aguas Andinas S.A. to March 31st was Ch\$37,423 million which is Ch\$2,290 million (6.5%) higher compared to the previous period.

Operational costs and expenses

The operational costs and expenses are composed by expenses for employee benefits, expenses for depreciation and amortization, the consumption of raw and secondary materials and other expenses, by nature. The most relevant items are: other expenses by nature 36.1%, associated with the outsourcing of certain services to contractors; depreciation and amortization which represented 29.7%; expenses for employee benefits which represented 20.1% and the consumption of raw and secondary materials which represented 14.1%.

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, which are applied 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.



The new rates, approved by Decree N°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 rates for Aguas Cordillera and Aguas Manquehue S.A., those decrees correspond to N° 176, dated June 8th, 2010 and N° 170, dated May 20th, 2010, respectively. Also, Empresa de Servicios Sanitarios de los Lagos S.A. (Essal S.A.) concluded their rate negotiation process in 2006, for the five year period between 2006 and 2011. These were approved according to decree N° 265, dated September 12th, 2006. The rate selection for the 2011-2016 period is currently in process.

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 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 begins to be 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.

Santiago: December 30th, 2010

Other Locations: December 22nd and 28th, 2010

Aguas Cordillera S.A.

Aguas Cordillera and Villa Los Dominicos: December 29th, 2010

Aguas Manquehue S.A.

Santa María and Los Trapenses: December 28th, 2010



Essal S.A.

X and XIV Regions: January 7th 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, the financial costs associated to our capital investment plan affect the amount of expenses in paid interest in the revenue statements, consigned as construction in progress under "Properties, plant and equipment" of our balance.





II COMPARATIVE ANALYSIS AND EXPLANATION OF VARIATIONS

Consolidated statements of financial position

The composition of assets and liabilities is as follows:

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Consolidated Statements of Financial position	March 2011	December 2010	Variation Mar 11 - Dec 10
	MMCh\$	MMCh\$	%
Current assets	109.883	75.708	45,1%
Long-term assets	1.337.903	1.330.732	0,5%
Total Assets	1.447.786	1.406.440	2,9%
Current liabilities	105.288	92.932	13,3%
Long-term liabilities	642.772	639.876	0,5%
Total Liabilities	748.060	732.808	2,1%
Equity attributable to the parent owners	633.784	607.588	4,3%
Non-controlling interests	65.942	66.044	-0,2%
Total Equity	699.726	673.632	3,9%
Total Equity and Liabilities	1.447.786	1.406.440	2,9%

Assets

The total assets for Aguas Andinas S.A. and subsidiaries to March 31st, 2011, present a 2.9% increase compared to December 31st, 2010, going from Ch\$1.406.440 million to Ch\$1.447.786 million. The following are the most relevant variations in each category.

Current Assets

When comparing the March 2011 values with December 2010, these present greater value of Ch\$34,175 million (45.1%) due to the increase in cash in Ch\$22,765, to more commercial debtors for Ch\$9,696 million and to greater assets by current taxes for Ch\$1,492 million.

Long-term Assets

They present an Ch\$7,171 million increase (0.5%) which is mainly explained by an increase in properties, plant and equipment, for Ch\$6,689 million and in software, for Ch\$472 million, due to the investments made by the Group during the first trimester.



The main investments made are reflected in the following table:

Investment Project	Acum Mar 2011 (MMCh\$)
Farfana - Trebal Interceptor	7.611
Third STP Gran Santiago	6.064
Sewage Networks	1.133
Starters and Meters	854

LIABILITIES AND EQUITY

Liabilities

The liabilities for March 2011 grew 2.1% compared to December 2010, which is equivalent to Ch\$15,252 million. The following shows the most relevant variations in each category.

Current Liabilities

When comparing the March 2011 values with December 2010, these rise in Ch\$12,356 million (13.3%). The main variation corresponds to accounts payable for Ch\$12,988 million, explained by the investments executed and by greater dividends to pay, corresponding to the 30% minimum provision.

Long-term Liabilities

They rose in Ch\$2,896 million (0.5%), when comparing the March 2011 values to December 2010. The main variation corresponds to the increase in other long-term financial liabilities for Ch\$3,046, mainly explained by greater refundable financial contributions.

Equity

When comparing the March 2011 values with December 2010, the net equity increased in Ch\$26,094 million, where the net equity attributable to parent instrument holders rose in Ch\$26,196 million. This increase is due to the profit generated to March 2011, for Ch\$37,423 million, which is partially compensated with greater provisional dividends for Ch\$11,227 million.



FINANCIAL INDICATORS

INDICATOR		March 2011	December 2010	Variation Mar 11 - Dec 10
Liquidity				
Current Liquidity	times	1,04	0,81	28,4%
Acid-Test Ratio	times	0,27	0,07	315,2%
Debt				
Total Debt	%	106,91	108,78	-1,7%
Current Debt	%	14,07	12,68	11,0%
Long-term Debt	%	85,93	87,32	-1,6%
Financial expenses coverage	times	8,56	6,46	32,5%
Profitability				
Annualized Parent equity profitability	%	16,57	16,88	-1,8%
Annualized Asset Profitability	%	7,38	7,40	-0,3%
Annualized profitability per share	\$	17,35	16,97	2,2%
Dividend return	%	8,79	8,25	6,5%

To March 2011, current liquidity increased 28.4%, due to the increase of current assets for Ch\$34,175 million (45,1%), compensated by the increase of current liabilities in Ch\$12,356 million (13,3%), compared to December 2010. The main variations in current assets as well as current liabilities correspond to an increase in cash and cash equivalents in Ch\$22,765 million, more commercial debtors and other accounts payable in Ch\$9,696 million and an increase in commercial accounts payable and other accounts payable in Ch\$12,998 million.

The acid-test ratio rose significantly, mainly due to the aforementioned increase in cash and cash equivalents, partially compensated by the increase in current liabilities, a detailed explanation of which can be found in the financial situation statement analysis.

The debt ratio had a 1.7% decrease, basically due to the increase in equity, produced by greater accumulated results in Ch\$26,196 million, compensated with an increase in current liability, produced by an increase in commercial accounts payable and other accounts payable in Ch\$12,988 million.

Annualized Parent equity profitability presents a 1.8% decrease, mainly due to the increase in average equity during the March 2011 mobile period, compared to December 2010.



STATEMENTS OF INCOME BY NATURE

The following table shows the statements of income for the 2011 and 2010 periods:

Statement of Income by nature	March 2011	March 2010	Variation Mar 11 - Mar 10
	MMCh\$	MMCh\$	%
Income for ordinary activities, total	98.387	88.973	10,6%
Raw materials and consumables used	(6.209)	(6.176)	0,5%
Expenses for employee benefits	(8.888)	(8.210)	8,3%
Depreciation and amortization costs	(13.128)	(12.854)	2,1%
Losses for value impairment recognized in term result	0	(429)	-100,0%
Other expenses by nature	(15.912)	(14.848)	7,2%
Exploitation result	54.250	46.456	16,8%
Financial Income	1.209	881	37,2%
Financial costs	(6.173)	(4.708)	31,1%
Exchange difference	1	(21)	-104,8%
Results by Indexation Units	(2.668)	(1.103)	141,9%
Financial Result	(7.631)	(4.951)	54,1%
Other income	27	1.630	-98,3%
Results before taxes	46.646	43.135	8,1%
Income tax expenses	(9.151)	(7.135)	28,3%
Profit attributable to non-controlling interests	(72)	(867)	-91,7%
Income attributable to parent owners	37.423	35.133	6,5%

- Ordinary Income:**

To the first trimester of 2011, Aguas Andinas S.A. and subsidiaries gained income for Ch\$98,387 million, which is Ch\$9,414 million (10.6%) above the one obtained in 2010.



The aforementioned variation is obtained from the following income composition:

Ordinary Income	March 2011		March 2010		Variation Mar 11 - Mar 10	
	MMCh\$	%	MMCh\$	%	MMCh\$	%
Drinking water	44.958	45,7%	43.580	49,0%	1.378	3,2%
Sewage	45.051	45,8%	37.894	42,6%	7.157	18,9%
Other regulated income	1.064	1,1%	234	0,3%	830	354,7%
Non-regulated businesses	7.314	7,4%	7.265	8,1%	49	0,7%
Ordinary income Total	98.387	100,0%	88.973	100,0%	9.414	10,6%

a) **Drinking Water:** Here, we consider the production and distribution of drinking water. These services present an increase of Ch\$1,378 million compared to the same period of the previous year. The main explanation is because of a greater average rate, which increased due to the positive indexation in June 2010, as well as the increase generated by the rise in the tax rate starting January 2011. This compensated the negative effect in the Drinking Water rate, generated by the enforcing of the new rate regulation decree starting March 2010.

b) **Sewage:** Here we consider the collection, treatment, disposal and interconnection of sewage. The revenue from these services increased in Ch\$ 7,157 million (18.9%) as a product of:

- Greater income from collection, for Ch\$2,581 million (Ch\$22,120 million from 2011, compared to the Ch\$19,540 million from the previous year), mainly due to a greater average rate.
- Greater income in treatment for Ch\$3,461 million (Ch\$17,994 million from 2011, compared to the Ch\$14,533 million from the previous year) mainly due to a greater average rate.
- Greater income from sewage interconnections Ch\$1,115 million (Ch\$4,935 million from 2011 compared to the Ch\$3,821 million from the previous year), due mainly to a greater applied average rate.

The variations in the average rates are produced by the effect of the indexations experienced during 2010. From March 1st, 2010, Aguas Andinas's new rate decree began to be enforced, which implied a decrease in rates for drinking water and an increase in sewerage. Additionally, on April 1st, 2010, the rate for the Mapocho Collector Interceptor began to be enforced as a part of the variable sewerage charge. Finally, in June 2010, there was a positive indexation, affecting the drinking water rates and sewerage. On the other hand, there also were positive indexations in 2011. Starting from January 1st, 2011 new rates started being enforced because of the increase in the tax rate, affecting every rate group. Aguas Manquehue S.A. indexed the rate positively starting February 15th, 2011,



c) **Other Regulated Income:** Here we consider the fixed charge to our customers, the interruption and resuming of service and provisions for uncharged consumption. These revenues present an Ch\$830 million increase, explained by a greater provision of uncharged consumption for Ch\$908 million.

d) **Non-regulated businesses:** present an Ch\$49 million (0.7%) increase compared to the same period for the previous year, mainly explained by the following businesses:

- **Sanitary:** Ch\$682million decrease associated, mainly, to lower development agreements.
- **Non- Sanitary:** Increased in Ch\$730 million, explained, mainly by a greater level of activity in ANAM S.A. (laboratory services; sampling and analysis) and in Ecoriles S.A. (operation of liquid residue treatment plants and treatment of excess industrial organic load). This is partially compensated by lower materials sales in Gestión y Servicios S.A.

Group Consolidate Values in MMCh\$	Real 2011	Real 2010	Real 2011 vs Real 2010	
			Abs.	%
Non-Sanitary non-regulated products	4.437	3.707	730	19,7%
Ecoriles S.A.	2.674	1.963	711	36,2%
Gestión y Servicios S.A.	1.382	1.477	(95)	-6,4%
Anam S.A.	381	267	114	42,7%

- **Raw materials and consumables used**

To the first trimester of 2011, these costs rise to Ch\$6,209 million, which is Ch\$33 million above the amount obtained to 2010. This is explained, mainly, by greater cost in chemical supplies and in electric energy,

- **Losses for value impairment recognized in the period results**

To the first trimester of 2011, no losses for value impairment have been registered, compared to the first trimester of 2010, where losses for Ch\$429 million were registered in March, due to damages generated by the earthquake.

- **Expenses for employee benefits**

To the first trimester of 2011, these expenses rise to Ch\$8,888 million, which is Ch\$678 million above the amount obtained for the same period the previous year, mainly explained by greater compensations associated to the anticipated retirement program, as well as salary adjustments by CPI (Consumer Price Index).

- **Expenses for depreciation and amortization**

To the first trimester of 2011, these expenses rise to Ch\$13,128 million, which is Ch\$274 million above the amount obtained for the same period of 2010, explained, mainly, by the depreciation generated by the new investments executed by the Company.



- **Other expenses, by nature**

To the first trimester of 2011, these expenses rise to Ch\$15,912 million, which is Ch\$1,064 million above the amount obtained for the same period in 2010, explained mainly by greater expenses in the operation of treatment plants for Ch\$1,940 million. This increase is associated to a greater volume of treated water due to the Mapocho interceptor collector going online, which is compensated partially by lower expenses in uncollectibles Ch\$1,072 million.

- **Financial Income**

To the first trimester of 2011, Aguas Andinas Consolidado obtained financial income for Ch\$1,209 million, which is Ch\$328 million above the amount obtained for the same period of 2010, explained by the greater repurchase of refundable financial contributions, greater financial interests and greater interests for client debt.

- **Financial Costs**

To the first trimester of 2011, these costs rise to Ch\$6,173 million which is Ch\$1,465 million above the amount obtained for the same period of 2010. This is explained mainly by greater interests, corresponding to the issuing of bonds made in April 2010.

- **Results by Indexation Units**

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To the third trimester of 2011, negative results for Ch\$2,668 million were obtained, which is Ch\$1.565 million above the amount obtained to the same period of 2010, mainly explained by a greater revaluation of debt, due to the greater variation in the UF during the first trimester, compared to the period of 2010.

- **Other income**

Aguas Andinas Consolidada obtained results for Ch\$27 million, which is Ch\$1,603 under the amount obtained for the same period in 2010, mainly explained by the insurance returns in 2010, produced by the damages of the Chaitén incident in Essal S.A.

- **Expenses for income tax**

The income tax provision for the first trimester of 2011 is Ch\$2,016 million above that of the same period for the previous year, explained by a greater result before taxes, along with the transitory effect of the tax rate.

- **Profit**

Due to the aforementioned factors, profit attributable to the Aguas Andinas Consolidado parent owners, to the first trimester of 2011, rose to Ch\$37,423 million, which is Ch\$2,290 million (6.5%) above the amount obtained to March 2010.



CONSOLIDATED CASH FLOW STATEMENT

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

Consolidated Direct Cash Flow Statements	March 2011	March 2010	Variation Mar 11 - Mar 10
	MMCh\$	MMCh\$	%
Net Cash flows from operation activities	45.693	53.584	-14,7%
Net Cash Flows used in investment activities	-21.792	-23.957	-9,0%
Net cash flows used in financing activities	-1.136	-4.683	-75,7%
Net increase in cash and cash equivalents Prior to the effects of the changes in the exchange rate	22.765	24.944	-8,7%
Cash and cash equivalents at the beginning of the period.	6.090	24.996	-75,6%
Cash and cash equivalents at the end of the period	28.855	49.940	-42,2%

The net cash flows from operational activities decreased in Ch\$ 7,891 million (-14.7%) when comparing March 2011 to March 2010, with the main variation being payment to providers (Ch\$3,920 million); increase in income tax payment (Ch\$2,313 million), produced by the increase of the PPM rate by a transitory change in the first category tax rate; and an increase in interest payments (Ch\$2,101 million), explained by a greater bond coupons and to an increase in the interest rates related to bank loans.

The flow for investment activities decreased by Ch\$2,165 million (-9.0%), due, mainly, to the decrease in disbursements caused by the incorporation of properties, plant and equipment for Ch\$1,958 million.

The financing flow had a decrease of Ch\$3,547 (-75.7%) compared to the same previous period, due to an increase in the income from short-term loans for Ch\$3,952 million, corresponding to Aguas Andinas S.A., compensated with an increase in the payment of loans for Ch\$791 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 drinking water, del 98.7% in sewerage service and 85.5% in sewage treatment

Aguas Cordillera S.A. has 100% coverage in drinking water and 98.9% in sewerage service.

Aguas Manquehue S.A. has 100,0% coverage in drinking water, 99.4% in sewerage service and 94.6% in sewage treatment.

Essal S.A. has 100% coverage in drinking water, 93.9% in sewerage service and 93.5% sewage treatment.

Group Sales Volumes (Values in thousands of m3 billed)	March 2011	March 2010	Variation Mar 11 - Mar 10
Drinking Water	152.888	150.971	1,3%
Sewage Collection	146.101	144.550	1,1%
Sewage Treatment and Disposal	126.056	124.379	1,4%
Sewage Interconnection services	34.167	34.125	0,1%

Group Clients	March 2011	March 2010	Variation Mar 11 - Mar 10
Drinking Water	1.916.754	1.877.452	2,1%
Sewage Collection	1.874.069	1.835.925	2,1%



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.

To March 31st, 2011 the risk of the interest rate kept by Aguas Andinas S.A. is composed by an 82% fixed rate and an 18% 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.

To December 31st, 2010, the risk for the interest rate kept by Aguas Andinas S.A., was composed by an 81% fixed rate and a 19% 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 assigned us a first class level 3 classification, while ICR gave us a first class level 2 classification.