

## INVERSIONES AGUAS METROPOLITANAS S.A. ANNOUNCES CONSOLIDATED RESULTS FOR THE YEAR ENDED DECEMBER 31, 2007

(Santiago – Chile, February 29<sup>th</sup>, 2008) Inversiones Aguas Metropolitanas S.A. “the Company” or “IAM”, controlling shareholder of Aguas Andinas S.A. –the largest water and sewage company in Chile–, announced today its consolidated results for the period ended December 31, 2007.

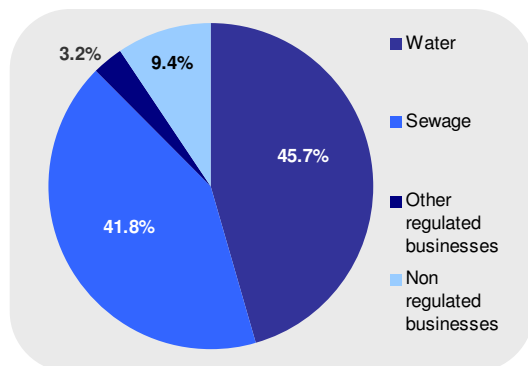
### HIGHLIGHTS

- Net revenues for 2007 increased Ch\$4,434, or 1.8%, to Ch\$253,756 million from Ch\$249,322 million for 2006. This increase was mainly due to a higher volume of business of our non-regulated subsidiaries.
- Consolidated cost of sales (Operating Costs plus SG&A) for 2007 amounted to Ch\$133,556 million, Ch\$5,088 million (4.0%) higher than in the period 2006. This variation was mainly explained by higher costs of non-regulated activities, higher doubtful accounts provision and higher personnel expenses related to a retirement plan and severance indemnities.
- Non-operating Income of IAM was Ch\$(26,991) million, higher by Ch\$5,109 million compared to the result of 2006. This variation was mainly explained by a higher result in price level restatement of Ch\$4,405 million and lower other non operating expenses of Ch\$1,184 million, partly compensated by lower financial income of Ch\$525 million.
- Due to the factors set forth above, the consolidated net income of Inversiones Aguas Metropolitanas S.A. for 2007 increased 1% to Ch\$24,532 million from Ch\$24,292 million for 2006.

### Principal Consolidated Figures (Million of Ch\$ as of December 31, 2007)

|                  | Dec. 07 | Dec. 06 | % Var |
|------------------|---------|---------|-------|
| Net Revenues     | 253,756 | 249,322 | 1.8%  |
| Operating Income | 120,200 | 120,854 | -0.5% |
| EBITDA           | 158,647 | 158,923 | -0.2% |
| EBITDA Margin    | 62.5%   | 63.7%   |       |
| Net Income       | 24,532  | 24,292  | 1.0%  |

### Revenue Breakdown



### Operating Data

| Sales Volume (Thousand m <sup>3</sup> ) | Dec. 07        | Dec. 06        | % Var        |
|---|----------------|----------------|--------------|
| Water                                   | 479,345        | 477,394        | 0.4%         |
| Sewage Collection                       | 471,896        | 471,328        | 0.1%         |
| Sewage Treatment & Disposal             | 407,029        | 407,255        | (0.1%)       |
| Sewage Interconnection Service          | 114,053        | 112,433        | 1.4%         |
| <b>Customers</b>                        | <b>Dec. 07</b> | <b>Dec. 06</b> | <b>% Var</b> |
| Water                                   | 1,597,537      | 1,550,008      | 3.1%         |
| Sewage                                  | 1,569,392      | 1,520,662      | 3.2%         |

\* All figures are in constant Chilean Pesos and are reported according to Chilean Generally Accepted Accounting Principles (Chilean GAAP). Figures as of December 2006 have been adjusted by the year-to-year CPI variation of 7.4%. The consolidated financial statements of Inversiones Aguas Metropolitanas S.A. for such period include its subsidiary Aguas Andinas S.A. “Aguas Andinas”.



## **PRINCIPALS EVENTS OF THE PERIOD**

### **Interim Dividend Payment**

At the Board meeting held on September 26, 2007, the payment of an interim dividend of Ch\$14.53 per share (equivalent to Ch\$290.6 per ADS), totaling ThCh\$14,530,000, was approved. This dividend was paid on October 25, 2007.

### **Establishment of the Level I ADR Program**

On July 31, 2007, IAM's sponsored Level I American Depositary Receipts program was declared effective by the US Securities and Exchange Commission. The Level I ADRs trade on the Over-the-Counter market (OTC) under the ticker symbol "IAMTY" and its CUSIP number is 46128Q201.

### **Capital Reduction Payment**

At the annual Extraordinary Shareholders' Meeting of the Company held on April 24, 2007, the payment of a capital distribution of Ch\$19.5128 per share (equivalent to Ch\$390.256 per ADS), totaling ThCh\$19,512,800, was approved. This capital reduction was paid on July 25, 2007.

### **Approval of Environmental Impact Assessment of Mapocho Urban Cleaning Project**

On June 4, 2007, the Regional Environmental Commission for the Santiago Metropolitan Region approved the Environmental Impact Assessment for the Mapocho Urban Cleaning Project. This development involves an investment of nearly US\$72 million, and an estimated construction period of 18 months.

### **Final Dividend Payment**

At the annual Ordinary Shareholders' Meeting of the Company held on April 24, 2007, the payment of a final dividend of Ch\$8.8453 per share (equivalent to Ch\$176.906 per ADS), to be charged against the net income for the year 2006, totaling ThCh\$8,845,300, was approved. This final dividend was paid on May 23, 2007.

### **Chief Executive Officer Appointment**

At the meeting of the Board of Directors held on April 25, 2007, Mr. Albert Martínez Lacambra presented his resignation as Chief Executive Officer of IAM. At the same meeting, Mrs. Marta Colet Gonzalo was appointed as Chief Executive Officer of IAM.

### **Board of Directors and Directors' Committee Constitution**

At the meeting of the Board of Directors held on April 25, 2007, the Board was declared as constituted. Mr. Ángel Simón was elected as the chairman and Mr. Joaquín Villarino Herrera as vice-chairman. The same Board meeting appointed the members of the Company's Directors' Committee, being Mr. Herman Chadwick, Mr. Jaime Ravinet and Mr. Joaquín Villarino Herrera.



## Appointment of a new Board of Directors

At the annual Ordinary Shareholders' Meeting of the Company held on April 24, 2007, the following Board members were elected:

| <b>Director</b>            | <b>Alternate Director</b>  |
|----------------------------|----------------------------|
| Ángel Simón Grimaldos      | Josep Bagué Prats          |
| Joaquín Villarino Herrera  | Pedro Butazoni Álvarez     |
| Jean Louis Chaussade       | Albert Martínez Lacambra   |
| Juan Antonio Guijarro      | Xavier Amorós              |
| Herman Chadwick Piñera     | Rodrigo Castro Fernández   |
| Mario Marcel Cullel **     | Ignacio Guerrero Gutiérrez |
| Jaime Ravinet de la Fuente | Juan Toro Rivera *         |

<sup>(\*)</sup> On August 29, 2007, Mr. Juan Toro presented his resignation as alternate director of IAM.

<sup>(\*\*)</sup> On February 1, 2008, Mr. Mario Marcel presented his resignation as director of IAM, being replaced by his alternate director Mr. Ignacio Guerrero.

## INCOME STATEMENT ANALYSIS

| (In Million of Chilean Pesos)     | Dec. 07<br>MM\$ | Dec. 06<br>MM\$ | % Var   |
|-----------------------------------|-----------------|-----------------|---------|
| Net Revenues                      | 253,756         | 249,322         | 1.8%    |
| Operating Costs                   | (98,495)        | (98,375)        | 0.1%    |
| Selling & Administrative Expenses | (35,061)        | (30,093)        | 16.5%   |
| Operating Income                  | 120,200         | 120,854         | (0.5%)  |
| Non-Operating Income              | (26,991)        | (32,100)        | (15.9%) |
| Financial Expenses                | (17,765)        | (17,798)        | (0.2%)  |
| Net Income                        | 24,532          | 24,292          | 1.0%    |

### Net Revenues

Net revenues for the year 2007 reached Ch\$253,756 million, a 1.8% increase from Ch\$249,322 million for the period 2006. The following table sets forth, for the periods indicated, the principal components of our net revenues:

|                            | Dec. 07      |        | Dec. 06      |        |
|----------------------------|--------------|--------|--------------|--------|
|                            | Million Ch\$ | %      | Million Ch\$ | %      |
| Water                      | 115,886      | 45.7%  | 115,386      | 46.3%  |
| Sewage                     | 106,032      | 41.8%  | 105,546      | 42.3%  |
| Other regulated businesses | 8,007        | 3.2%   | 10,059       | 4.0%   |
| Non regulated businesses   | 23,831       | 9.4%   | 18,331       | 7.4%   |
| Total                      | 253,756      | 100.0% | 249,322      | 100.0% |

The increase in net revenues for the year 2007 of Ch\$4,434 million, resulted mainly from the following factors:

- Water: Water revenues increased Ch\$500 million (0.4%) as a result of a higher sales volume of 2.0 million m<sup>3</sup>. The higher water sales volume is explained by a 2.8% average growth in number of customers partially compensated by a 2.3% decrease in individual consumptions.
- Sewage: Sewage revenues increased Ch\$485 million (0.5%) as a result of (i) higher income from sewage collection services of Ch\$208 million (from Ch\$53,123 million in 2006) due to the application of a higher average tariff of 0.3% and an increase in the sales volume of 0.6 million m<sup>3</sup>, (ii) higher income from sewage treatment services of Ch\$529 million (from Ch\$40,638 million in 2006) as a result of a higher average tariff applied of 1.4%, and (iii) lower income from sewage interconnection services for Ch\$251 million (from Ch\$11,785 million in 2006) caused by the combination of a lower average tariff of 3.5% and a higher sales volume of 1.6 million m<sup>3</sup>.
- Other regulated businesses: Revenues from other regulated businesses decreased Ch\$2,052 million (20.4%) mainly due to a lower income provisions.
- Non-regulated businesses: Revenues from non-regulated businesses increased Ch\$5,500 million or 30.0%, for the year 2007, mainly due to a Ch\$2,620 million increase in revenues derived from sales of materials related to the sanitation industry, a Ch\$1,470 million increase in services related to liquid industrial waste and other water and sewage treatment activities, a Ch\$1,229 million increase in fees to households attributable to installation, cleaning and calibration services; and a Ch\$181 million increase in sales of laboratory services.



## Cost of Sales

The consolidated cost of sales of IAM (Operating Costs plus SG&A) for 2007 was Ch\$133,556 million, higher by Ch\$5,008 million (4.0%) as compared to 2006. This is explained as follows:

- The operating cost for 2007 increased by Ch\$120 million (0.1%) to Ch\$98,495 million, compared to Ch\$98,375 million for 2006. This variation was mainly explained by higher costs in non-regulated activities, partially compensated by lower costs in regulated activities of sanitation subsidiaries. The most important items included in costs of sales are depreciation, which represented 36.2%; outsourcing certain services to third-party contractors, which represented 33.1%; and personnel, which represented 16.3%.
- Selling & administrative expenses increased by Ch\$4,968 million (16.5%) to Ch\$35,061 million, compared to Ch\$30,093 million for 2006. This was mainly explained by higher doubtful accounts provision, and higher personnel expenses related to a retirement plan and severance indemnities. The most important items in selling and administrative expenses are personnel, which represented 42.7%; outsourcing services, which represented 26.6%; and general expenses, which represented 13.0%.

## Operating Income

Due to the factors set forth above, the consolidated operating income of Inversiones Aguas Metropolitanas for 2007 amounted to Ch\$120,200 million, a decrease of Ch\$653 million as compared to the result for 2006. As a percentage of net revenues, our operating income decreased from 48.5% for the year 2006 to 47.4% for the period 2007.

## Non-Operating Income

The consolidated non-operating income of Inversiones Aguas Metropolitanas reached Ch\$(26,991) million, an increase of Ch\$5,109 million over the result for 2006.

This variation was basically explained by a higher result in price level restatement of Ch\$4,405 million compared to the previous year and lower other non operating expenses of Ch\$1,184 million, partly compensated by lower financial income of Ch\$525 million.

## Income Tax

Income taxes for the year 2007 increased by Ch\$797 to Ch\$ 20,247 million from Ch\$19,450 million for 2006, mainly due to higher pre-tax income.

## Net Income

Due to the factors set forth above, the consolidated net income of Inversiones Aguas Metropolitanas S.A. for the year 2007 reached Ch\$24,532 million, as compared to the result for the period 2006 of Ch\$24,292.

## BALANCE SHEET ANALYSIS

| (In Million of Chilean Pesos)                 | Dec. 07   | Dec. 06   | % Var   |
|---|-----------|-----------|---------|
| <b>Assets</b>                                 |           |           |         |
| Current Assets                                | 68,025    | 56,544    | 20.3%   |
| Property, Plant & Equipment                   | 647,993   | 646,759   | 0.2%    |
| Other Assets                                  | 394,818   | 419,444   | (5.9%)  |
| Total Assets                                  | 1,110,837 | 1,122,747 | (1.1%)  |
| <b>Liabilities &amp; Shareholders' Equity</b> |           |           |         |
| Current Liabilities                           | 78,125    | 98,679    | (20.8%) |
| Long-Term Liabilities                         | 328,361   | 309,013   | 6.3%    |
| Minority Interest                             | 215,978   | 209,550   | 3.1%    |
| Shareholders' Equity                          | 488,373   | 505,505   | (3.4%)  |
| Total Liabilities & Equity                    | 1,110,837 | 1,122,747 | (1.1%)  |

### Assets

Current assets increased by Ch\$11,481 million compared to 2006, due principally to an increase in marketable securities of Ch\$9,970 million, an increase in trade accounts receivable of Ch\$2,415 million, an increase in inventories of Ch\$385 million; partly compensated by a decrease in notes receivable of Ch\$2,122 million.

The Company's fixed assets increased by 0.19% (Ch\$1,234 million), from Ch\$646,759 million for 2006 to Ch\$647,993 million for 2007. The most significant increases were in buildings and infrastructure of Ch\$12,807 million, machinery and equipment of Ch\$401 million and land of Ch\$380 million, due to the investments being made in sanitation and support infrastructure.

The charge for depreciation as of December 31, 2007 reached Ch\$36,115 million, 0.8% above the level of December 2006 (Ch\$35,819 million), due principally to the works that have come into operation in the last year. Accumulated depreciation increased by Ch\$12,347 million, 2.0% higher than in the previous period.

Other assets decreased by Ch\$24,626 million. The principal changes being the reductions in goodwill of Ch\$27,450 million and the decrease in intangible assets (net) of Ch\$1,257 million, due to the regular amortizations for the period, partly compensated by higher deferred taxes of Ch\$3,099 million.

## Liabilities and Shareholders' Equity

Current liabilities decrease by Ch\$20,554 million, due principally to a decrease in the short-term portion of borrowings from banks & financial institutions of Ch\$39,919 million, due mainly to the refinancing of bank debt carried out during the first half of 2007, partly offset by an increase in bonds payable short term portion of Ch\$5,294 and an increased in unearned income of Ch\$2,148 million.

Long-term liabilities increased by Ch\$19,348 million compared to 2006. The main variations being an increase in borrowings from bank & financial institutions of Ch\$30,345 million, due to the debt refinancing previously mentioned, and an increase in notes payable of Ch\$10,387 million, corresponding to reimbursable financial contributions. This was partly offset by reductions in bonds payable of Ch\$19,211 million, and in deferred taxes of Ch\$3,950 million (due to the effects of the merger between subsidiaries).

Shareholders' equity decreased by Ch\$17,132 million compared to the previous period, due mainly to a capital distribution of Ch\$19,513 million paid on July 25, 2007, partly offset by higher other reserves.

The table below sets forth the maturity of our consolidated long-term debt, as of December 31, 2007 (figures in million of Ch\$):

|                      | Currency         | Total   | Jan. 08<br>Dec. 08 | Jan. 09<br>Dec. 09 | Jan. 10<br>Dec. 10 | After<br>Dec.<br>10 |
|----------------------|------------------|---------|--------------------|--------------------|--------------------|---------------------|
| Bonds                | Indexed Ch\$     | 206,362 | 19,778             | 18,777             | 19,081             | 148,725             |
| Bank Debt            | Non-Indexed Ch\$ | 87,263  | 8,196              |                    | 5,139              | 73,927              |
| RFCs <sup>(1)</sup>  | Indexed Ch\$     | 36,604  | 375                | 289                | 314                | 35,626              |
| Total <sup>(2)</sup> |                  | 330,228 | 28,349             | 19,067             | 24,535             | 258,278             |

<sup>(1)</sup> Reimbursable financial contributions.

<sup>(2)</sup> The figures consider the accrued financial expenses as of December 31, 2007.

## CASH FLOW ANALYSIS

| Consolidated Cash Flow<br>(In Million of Chilean Pesos) | Dec. 07  | Dec. 06   | % Var    |
|---|----------|-----------|----------|
| Operating   | 136,526  | 126,527   | 7.9%     |
| Financing   | (89,240) | (115,337) | (22.6%)  |
| Investment  | (36,908) | (35,570)  | 3.8%     |
| Net Cash Flow of the Period                             | 10,378   | (24,380)  | (142.6%) |

The operating cash flow increased by Ch\$9,999 million compared to the period 2006, the main variations being an increase in the collection of trade account receivable of Ch\$3,471 million, lower payment to suppliers and personnel of Ch\$3,235, and lower interest paid of Ch\$3,481 million.

The financing cash flow decreased by Ch\$26,097 million compared to the previous period mainly due to a lower payment of loans of Ch\$ 41,430 million, lower bond payments of Ch\$5,144 million and lower capital reduction of Ch\$16,718. This was partly offset by a decrease in loans obtained of Ch\$33,204, and an increase in dividend payment of Ch\$3,483 million.

The investment cash flow increased by Ch\$1,338 million compared to the period 2006, due mainly to lower proceeds from sales of permanent investments of Ch\$13,329 million (due to the sale of a 1.1% shareholding in Aguas Andinas S.A. during 2006), and higher other investment disbursements of Ch\$ 1,401 million. This was partly offset by lower addition of fixed assets of Ch\$7,663 million and higher proceeds from sales of fixed assets of Ch\$5,585 million.

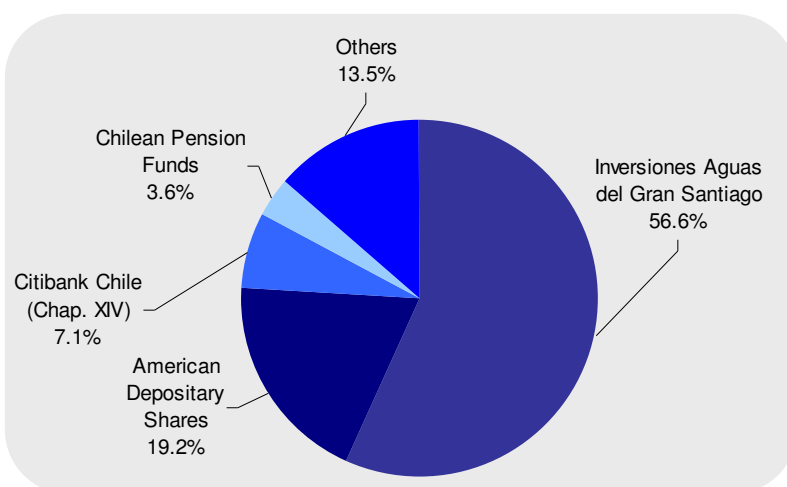


## MAIN OPERATING FIGURES

| Sales Volume<br>(In thousand m <sup>3</sup> ) | Dec. 07 | Dec. 06 | % Var  |
|---|---------|---------|--------|
| Water   | 479,345 | 477,394 | 0.4%   |
| Sewage Collection                             | 471,896 | 471,328 | 0.1%   |
| Sewage Treatment & Disposal                   | 407,029 | 407,255 | (0.1%) |
| Sewage Interconnection Service                | 114,053 | 112,433 | 1.4%   |

| Customers | Dec. 07   | Dec. 06   | % Var |
|-----------|-----------|-----------|-------|
| Water     | 1,597,537 | 1,550,008 | 3.1%  |
| Sewage    | 1,569,392 | 1,520,662 | 3.2%  |

## INVERSIONES AGUAS METROPOLITANAS S.A. Shareholder Composition as of December 31, 2007



**Total subscribed and paid shares: 1,000,000,000**  
**Number of shareholders: 159**

For further information contact:  
 Giovano Suazo  
 Inversiones Aguas Metropolitanas  
 (562) 496 2732  
[gsuazo@aguasmetropolitanas.cl](mailto:gsuazo@aguasmetropolitanas.cl)

## CONSOLIDATED BALANCE SHEETS

(Chilean GAAP, in thousands of Ch\$ as of December 31, 2007)

| ASSETS  | Dec. 07              | Dec. 06              |
|---|----------------------|----------------------|
| <b>TOTAL CURRENT ASSETS</b>                         | <b>68,025,214</b>    | <b>56,543,736</b>    |
| Cash & bank   | 196,608              | 141,457              |
| Marketable securities                               | 10,379,374           | 589,060              |
| Trade accounts receivable (net)                     | 48,493,065           | 46,078,165           |
| Notes receivable (net)                              | 1,724,461            | 3,836,920            |
| Sundry debtors (net)                                | 371,915              | 205,818              |
| Notes & accounts receivables from related companies | 248,612              | 43,650               |
| Inventories (net)                                   | 2,172,423            | 1,787,146            |
| Taxes recoverable                                   | 348,796              | 352,869              |
| Prepaid expenses                                    | 290,581              | 296,471              |
| Deferred taxes                                      | 1,577,317            | 1,138,015            |
| Other current assets                                | 2,222,062            | 2,074,165            |
| <b>TOTAL FIXED ASSETS</b>                           | <b>647,993,157</b>   | <b>646,759,036</b>   |
| Land  | 38,819,148           | 38,438,934           |
| Building & infrastructure                           | 1,086,362,319        | 1,073,555,093        |
| Machinery & equipment                               | 126,877,875          | 126,476,767          |
| Other fixed assets                                  | 12,665,191           | 12,641,947           |
| Revaluation of fixed assets                         | 5,225,658            | 5,256,064            |
| Accumulated depreciation                            | (621,957,034)        | (609,609,769)        |
| <b>TOTAL OTHER ASSETS</b>                           | <b>394,818,443</b>   | <b>419,444,185</b>   |
| Goodwill  | 326,260,098          | 353,710,309          |
| Negative goodwill                                   |                      | (1,109)              |
| Long-term debtors                                   | 9,853,951            | 9,279,617            |
| Long-term deferred taxes                            | 3,098,529            | -                    |
| Intangible assets                                   | 57,039,010           | 56,317,513           |
| Accumulated amortization                            | (17,406,434)         | (15,427,954)         |
| Other   | 15,973,289           | 15,565,809           |
| <b>TOTAL ASSETS</b>                                 | <b>1,110,836,814</b> | <b>1,122,746,957</b> |

## CONSOLIDATED BALANCE SHEETS

(Chilean GAAP, in thousands of Ch\$ as of December 31, 2007)

| LIABILITIES & SHAREHOLDERS' EQUITY  | Dec. 07              | Dec. 06              |
|---|----------------------|----------------------|
| <b>CURRENT LIABILITIES</b>  | <b>78,125,490</b>    | <b>98,679,125</b>    |
| Short-term borrowings from banks & financial institutions                         | 798                  | 19,366,152           |
| Short-term portion of borrowings from banks & financial institutions at long term | 1,964,585            | 15,376,748           |
| Bonds payable - short-term portion  | 19,778,482           | 14,484,533           |
| Accounts payable  | 17,540,914           | 16,095,935           |
| Notes payable   | 591,565              | 470,561              |
| Sundry creditors  | 1,258,216            | 1,334,007            |
| Notes & accounts payable to related companies                                     | 2,505,434            | 1,781,775            |
| Accruals  | 19,077,153           | 19,322,687           |
| Withholdings  | 9,046,254            | 8,028,822            |
| Income taxes  | 2,014,935            | 228,785              |
| Unearned income   | 4,333,346            | 2,185,159            |
| Other current liabilities   | 13,808               | 3,961                |
| <b>LONG TERM LIABILITIES</b>  | <b>328,361,168</b>   | <b>309,012,709</b>   |
| Borrowings from banks & financial institutions                                    | 84,066,667           | 53,721,480           |
| Bonds payable   | 186,583,275          | 205,794,683          |
| Notes payable   | 44,406,775           | 34,019,418           |
| Sundry creditors  | 871,600              | 1,139,241            |
| Accruals  | 11,963,353           | 9,592,304            |
| Deferred taxes  |                      | 3,949,992            |
| Other long-term liabilities   | 469,498              | 795,591              |
| <b>MINORITY INTEREST</b>  | <b>215,977,539</b>   | <b>209,550,043</b>   |
| <b>SHAREHOLDERS' EQUITY</b>   | <b>488,372,617</b>   | <b>505,505,080</b>   |
| Paid-in capital   | 475,181,646          | 496,001,804          |
| Reserves  | 3,446,893            | 3,252                |
| Retained earnings   | 62,089               | 326,436              |
| Net income for the period   | 24,531,649           | 24,291,715           |
| Interim dividend  | (14,849,660)         | (15,118,127)         |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                 | <b>1,110,836,814</b> | <b>1,122,746,957</b> |

## CONSOLIDATED STATEMENTS OF INCOME

(Chilean GAAP, in thousands of Ch\$ as of December 31, 2007)

| CONSOLIDATED STATEMENTS OF INCOME  | Dec. 07             | Dec. 06             |
|--|---------------------|---------------------|
| <b>OPERATING INCOME</b>  | <b>120,200,018</b>  | <b>120,853,858</b>  |
| OPERATING MARGIN   | 155,261,029         | 150,946,399         |
| Revenues from operations   | 253,755,843         | 249,321,595         |
| Cost of operations   | (98,494,814)        | (98,375,196)        |
| Administrative & selling expenses  | (35,061,011)        | (30,092,541)        |
| <b>NON-OPERATING EXPENSES (INCOME)</b>   | <b>(26,991,021)</b> | <b>(32,100,331)</b> |
| Financial income   | 4,861,412           | 5,386,075           |
| Other non-operating income   | 8,266,319           | 8,164,283           |
| Amortización of Goodwill   | (27,458,457)        | (27,428,540)        |
| Financial expenses   | (17,764,712)        | (17,797,826)        |
| Other non-operating expenses   | (1,003,750)         | (2,187,632)         |
| Price-level restatement  | 6,103,222           | 1,698,050           |
| Foreign exchange differences   | 4,945               | 65,259              |
| <b>INCOME BEFORE INCOME TAXES, MINORITY INTEREST AND AMORTIZATION OF NEGATIVE GOODWILL</b> | <b>93,208,997</b>   | <b>88,753,527</b>   |
| INCOME TAXES   | (20,246,656)        | (19,449,777)        |
| <b>RESULT BEFORE MINORITY INTEREST AND AMORTIZATION OF NEGATIVE GOODWILL</b>               | <b>72,962,341</b>   | <b>69,303,750</b>   |
| MINORITY INTEREST  | (48,431,801)        | (45,012,109)        |
| <b>NET INCOME BEFORE AMORTIZATION OF GOODWILL</b>  | <b>24,530,540</b>   | <b>24,291,641</b>   |
| AMORTIZATION OF NEGATIVE GOODWILL  | 1,109               | 74                  |
| <b>NET INCOME FOR THE PERIOD</b>   | <b>24,531,649</b>   | <b>24,291,715</b>   |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Chilean GAAP, in thousands of Ch\$ as of December 31, 2007)

| CONSOLIDATED STATEMENTS OF CASH FLOWS                    | Dec. 07             | Dec. 06              |
|--|---------------------|----------------------|
| <b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>           | <b>136,526,188</b>  | <b>126,526,821</b>   |
| Collection of trade account receivables                  | 298,373,654         | 294,902,400          |
| Financial income received                                | 686,339             | 1,050,458            |
| Other income received                                    | 2,721,896           | 2,561,252            |
| Payment to suppliers and personnel                       | (100,755,570)       | (103,990,559)        |
| Interest paid  | (11,500,346)        | (14,981,332)         |
| Income tax paid  | (19,086,568)        | (19,668,592)         |
| Other expenses paid                                      | (873,910)           | (705,317)            |
| V.A.T & similar payments                                 | (33,039,307)        | (32,641,489)         |
| <b>NET CASH FLOW FROM FINANCING ACTIVITIES:</b>          | <b>(89,239,608)</b> | <b>(115,336,997)</b> |
| Loans  | 67,834,099          | 101,038,129          |
| Bonds issued   | -                   | 4,781,347            |
| Other financing  | 20,237,284          | 17,668,617           |
| Dividend payment   | (23,501,961)        | (20,019,272)         |
| Capital reduction  | (19,703,716)        | (36,421,859)         |
| Payment of loans   | (67,046,660)        | (108,476,917)        |
| Bond payment   | (13,101,222)        | (18,245,415)         |
| Payment of bond issuance & placement costs               | -                   | (384,520)            |
| Other financing disbursements                            | (53,957,432)        | (55,277,107)         |
| <b>NET CASH FLOW FROM INVESTING ACTIVITIES:</b>          | <b>(36,908,491)</b> | <b>(35,570,239)</b>  |
| Proceeds from sales of fixed assets                      | 5,585,225           | 128,738              |
| Proceeds from sales of permanent investments             | -                   | 13,329,605           |
| Addition of fixed assets                                 | (40,468,922)        | (48,102,070)         |
| Payment of capitalized interest                          | (588,890)           | (891,524)            |
| Permanentes investments                                  | (4,032)             | (4,275)              |
| Other investment disbursements                           | (1,431,872)         | (30,713)             |
| <b>TOTAL NET CASH FLOW FOR THE PERIOD</b>                | <b>10,378,089</b>   | <b>(24,380,415)</b>  |
| <b>EFFECT OF INFLATION ON CASH &amp; CASH EQUIVALENT</b> | <b>(906,938)</b>    | <b>(579,612)</b>     |
| <b>NET CHANGE IN CASH &amp; CASH EQUIVALENT</b>          | <b>9,471,151</b>    | <b>(24,960,027)</b>  |
| <b>OPENING BALANCE OF CASH &amp; CASH EQUIVALENT</b>     | <b>1,372,953</b>    | <b>26,332,980</b>    |
| <b>CLOSING BALANCE OF CASH &amp; CASH EQUIVALENT</b>     | <b>10,844,104</b>   | <b>1,372,953</b>     |

## RECONCILIATION OF NET INCOME FOR THE PERIOD WITH OPERATING CASH FLOW

(Chilean GAAP, in thousands of Ch\$ as of December 31, 2007)

| RECONCILIATION OF CASH FLOW  | Dec. 07            | Dec. 06            |
|--|--------------------|--------------------|
| <b>NET INCOME FOR THE PERIOD</b>   | <b>24,531,649</b>  | <b>24,291,715</b>  |
| Result from asset sales  | (3,464,665)        | (2,939,254)        |
| Gain on sale of fixed assets   | (3,464,665)        | (1,265,138)        |
| Gain on sale of investments  |                    | (1,674,116)        |
| <b>CHARGES (CREDITS) TO INCOME NOT REPRESENTING CASH FLOWS</b>                 | <b>63,658,740</b>  | <b>64,656,760</b>  |
| Depreciation for the period  | 36,115,335         | 35,818,870         |
| Amortization of intangible assets  | 2,331,527          | 2,250,484          |
| Write-offs & provisions  | 4,484,277          | 1,375,757          |
| Amortization - goodwill  | 27,458,457         | 27,428,540         |
| Amortization - negative goodwill   | (1,109)            | (74)               |
| Net price-level restatement  | (6,103,222)        | (1,698,050)        |
| Net foreign exchange differences   | (4,945)            | (65,259)           |
| Other credits to income statement not representing cash flow                   | (3,672,964)        | (3,473,826)        |
| Other charges to income statement not representing cash flow                   | 3,051,384          | 3,020,318          |
| <b>CHARGES IN ASSETS AFFECTING OPERATING CASH FLOW (INCREASE) DECREASE</b>     | <b>(4,308,705)</b> | <b>(8,310,751)</b> |
| Trade account receivable   | (4,964,503)        | (6,175,850)        |
| Inventories  | (473,977)          | (669,899)          |
| Other assets   | 1,129,775          | (1,465,002)        |
| <b>CHANGE IN LIABILITIES AFFECTING OPERATING CASH FLOW INCREASE (DECREASE)</b> | <b>7,677,368</b>   | <b>3,816,242</b>   |
| Account payable related to operating income (expense)                          | (534,204)          | (1,117,352)        |
| Interest payable   | 3,413,205          | 1,291,088          |
| Income tax payable   | 938,133            | (954,460)          |
| Other account payable related to the non-operating income (expense)            | 948,951            | 2,620,164          |
| VAT & similar payables (net)   | 2,911,283          | 1,976,802          |
| Minority interest  | 48,431,801         | 45,012,109         |
| <b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>                                 | <b>136,526,188</b> | <b>126,526,821</b> |