



## 1Q 07 Earnings Release

(Source: Consolidated Financial Statements as of Mar. 31, 2007)

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

(Santiago – Chile, April 27<sup>th</sup>, 2007) 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 March 31, 2007. All figures are in constant Chilean Pesos and are reported according to Chilean Generally Accepted Accounting Principles (Chilean GAAP). Figures as of March 2006 have been adjusted by the year-to-year CPI variation of 2.7%.

The consolidated financial statements of Inversiones Aguas Metropolitanas S.A. for such period include its subsidiary Aguas Andinas S.A. “Aguas Andinas”.

### HIGHLIGHTS

**Net income of IAM as of March 31, 2007, amounted to Ch\$9,308 million as compared to Ch\$9,551 million for the same period of 2006.**

- Net Revenues amounted to Ch\$67,399 million, Ch\$1,590 million (2.4%) more than in the same period of 2006. This was mainly due to a higher volume of business of our non-regulated subsidiaries.
- Consolidated cost of sales (Operating Costs plus SG&A) for the first quarter of 2007 was Ch\$29,071 million, higher by Ch\$1,817 million (6.7%) as compared to the same period of 2006. This variation was mainly explained by higher costs due to a higher volume of business in our non-regulated subsidiaries and in non-regulated sanitation activities.
- Non-operating Income of IAM was Ch\$(7,968) million, an improvement of Ch\$69 million in relation to the result of the previous period. This variation was explained by a higher result from price-level restatements of Ch\$259 million, lower amortization of goodwill of Ch\$119 million and an increase in other non-operating income (net) of Ch\$114, partly offset by higher financial expenses (net) of Ch\$424 million.
- Due to the factors set forth above, the consolidated net income of Inversiones Aguas Metropolitanas S.A. for the first quarter of 2007 decreased 2.5% to Ch\$9,308 million from Ch\$9,551 million for the same period of 2006.

### Principal Consolidated Figures

(Million of Ch\$ as of March 31, 2007)

	March 07	March 06	% Var
Net Revenues	67,399	65,810	2.4%
Operating Income	38,328	38,556	-0.6%
EBITDA	47,246	47,305	-0.1%
EBITDA Margin	70.1%	71.9%	
Net Income	9,308	9,551	-2.5%

## **PRINCIPALS EVENTS OF THE PERIOD**

### **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 will be paid on May 23, 2007.

### **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.

### **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:

#### **Director**

Ángel Simón Grimaldos  
Joaquín Villarino Herrera  
Jean Louis Chaussade  
Juan Antonio Guijarro  
Herman Chadwick Piñera  
Mario Marcel Cullel  
Jaime Ravinet de la Fuente

#### **Alternate Director**

Josep Bagué Prats  
Pedro Butazoni Álvarez  
Albert Martínez Lacambra  
Xavier Amorós  
Rodrigo Castro Fernández  
Ignacio Guerrero Gutiérrez  
Juan Toro Rivera

### **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.

## INCOME STATEMENT ANALYSIS

(In Million of Chilean Pesos)	March 07 MM\$	March 06 MM\$	% Var
Net Revenues	67,399	65,810	2.4%
Operating Costs	(22,298)	(20,576)	8.4%
Selling & Administrative Expenses	(6,773)	(6,678)	1.4%
Operating Income	38,328	38,556	(0.6%)
Non-Operating Income	(7,968)	(8,037)	(0.9%)
Financial Expenses	(4,011)	(3,859)	3.9%
Net Income	9,308	9,551	(2.5%)

### Net Revenues

Net revenues for the first quarter of 2007 reached Ch\$67,399 million, a 2.4% increased from Ch\$65,810 million for the same period of 2006. The following table sets forth, for the periods indicated, the principal components of our net revenues:

	March 07		March 06	
	Million Ch\$	%	Million Ch\$	%
Water	33,767	50.1%	33,487	50.9%
Sewage	27,940	41.5%	27,571	41.9%
Other regulated businesses	92	0.1%	847	1.3%
Non regulated businesses	5,601	8.3%	3,905	5.9%
Total	67,399	100.0%	65,810	100.0%

The increase in net revenues for the first quarter of 2007 of Ch\$1,590 million, resulted mainly from the following factors:

- Water: Water revenues increased Ch\$280 million (0.8%) as a result of an increased sales volume of 0.1 million m<sup>3</sup> and a higher average tariff applied. The higher water sales volume is explained by a combination of a 2.9% average growth in number of customers and a 2.8% decrease in individual consumptions; while the higher average tariff is explained by the accumulated effect of tariff indexations that took place during 2006.
- Sewage: Sewage revenues increased Ch\$369 million (1.3%) as a result of (i) higher income from sewage collection services of Ch\$231 million (from Ch\$13.819 million in 2006) due to the application of a higher average tariff and a decrease in the sales volume of 0.4 million m<sup>3</sup>, (ii) higher income from sewage treatment services of Ch\$459 million (from Ch\$10.304 million in 2006) as a result of a higher average tariff applied and a decrease in the sales volume of 0.4 million m<sup>3</sup>, and (iii) lower income from sewage interconnection services for Ch\$321 million (from Ch\$3.448 million in 2006) caused by the combination of a lower average tariff and a higher sales volume of 0.4 million m<sup>3</sup>.
- Other regulated businesses: Revenues from other regulated businesses decreased Ch\$755 million (89.1%) due mainly to lower a minor provision for revenues accrued on unbilled cubic meter readings.
- Non-regulated businesses: Revenues from non-regulated businesses increased Ch\$1,696 million or 43.4%, for the first quarter of 2007, due mainly to a Ch\$809 million increase in revenues derived from sales of materials related to the sanitation industry, a Ch\$509 million increase in fees to households attributable to installation, cleaning and calibration services

and a Ch\$392 million increase in services to private companies related to liquid industrial waste and other water and sewage treatment activities.

### **Cost of Sales**

The consolidated cost of sales of IAM (Operating Costs plus SG&A) for the first quarter of 2007 was Ch\$29,071 million, higher by Ch\$1,817 million (6.7%) as compared to the same period of 2006. This is explained as follows:

- The operating cost increased by Ch\$1,722 million (8.4%) to Ch\$22,298 million, compared to Ch\$20,576 million for the previous period. This variation was mainly explained by higher costs due to a higher volume of business in our non-regulated subsidiaries and in non-regulated sanitation activities.
- Selling & administrative expenses increased by Ch\$95 million (1.4%) to Ch\$6,773 million, compared to Ch\$6,678 million for the previous period. This was mainly explained by higher general expenses and advisories.

### **Operating Income**

Due to the factors set forth above, the consolidated operating income of Inversiones Aguas Metropolitanas for the first quarter of 2007 amounted to Ch\$38,328 million, a decrease of Ch\$228 million as compared to the result for the same period in 2006. As a percentage of net revenues, our operating income decreased from 58.6% for the first quarter of 2006 to 56.9% for the same period in 2007.

### **Non-Operating Income**

The consolidated non-operating income of Inversiones Aguas Metropolitanas reached Ch\$(7,968) million, an improvement of Ch\$69 million over the result for the same period in 2006.

This variation was basically explained by a higher result from price-level restatements of Ch\$259 million, partly offset by lower financial income of Ch\$272 million.

### **Income Tax**

Income taxes for the first quarter of 2007 decreased by Ch\$375 million, or 5.6%, in relation to the previous period, while net income before taxes decreased 0.5%. This was mainly explained by a negative variation of the CPI during the first quarter of the year 2006, which transitorily affected the Company's tributary base.

### **Net Income**

Due to the factors set forth above, the consolidated net income of Inversiones Aguas Metropolitanas S.A. for the first quarter of 2007 reached Ch\$9,308 million, a decrease of Ch\$242 million as compared to the result for the same period in 2006.

## **BALANCE SHEET ANALYSIS**

(In Million of Chilean Pesos)	March 07	March 06	% Var
<b>Assets</b>			
Current Assets	65,564	77,770	(15.7%)
Property, Plant & Equipment	601,204	601,134	0.0%
Other Assets	383,990	417,025	(7.9%)
Total Assets	1,050,759	1,095,929	(4.1%)
<b>Liabilities &amp; Shareholders' Equity</b>			
Current Liabilities	70,212	67,273	4.4%
Long-Term Liabilities	289,344	309,996	(6.7%)
Minority Interest	210,278	205,206	2.5%
Shareholders' Equity	480,925	513,454	(6.3%)
Total Liabilities & Equity	1,050,759	1,095,929	(4.1%)

### **Assets**

Current assets decreased by Ch\$12,206 million compared to the previous period due principally to a decrease in time deposits of Ch\$21,102 million, partly offset by an increase in trade accounts receivable (net) of Ch\$3,852, marketable securities of Ch\$2,255 million and other current assets of Ch\$1,073 million. The decrease in time deposits was mainly explained by the use of funds for liabilities payments.

The Company's fixed assets increased by 1.8% (Ch\$21,154 million) in gross terms compared to the previous period, from Ch\$1,155,754 million to Ch\$1,176,908 million. The most significant increases were in buildings and infrastructure of Ch\$16,485 million, machinery and equipment of Ch\$2,445 million and land of Ch\$2,026 million, due to the investments being made in sanitation and support infrastructure.

The charge for depreciation as of March 31, 2007 reached Ch\$8,377 million, 1.6% above the level of March 2006 (Ch\$8,247 million), due principally to the works that have come into operation in the last year. Also, due to the effect of works that have come into operations in previous years, accumulated depreciation increased by Ch\$21,084 million, 3.8% higher than in the previous period.

As a result of the above, net fixed assets increased by Ch\$70 million compared to the first quarter of 2006.

Other assets decreased by Ch\$33,034 million. The principal changes being the reduction in goodwill of Ch\$32,027 million and the increase in amortization of intangible of Ch\$1,164 million.

## Liabilities and Shareholders' Equity

Current liabilities rose by Ch\$2,939 million, due principally to an increase in the short-term portion of borrowings from banks & financial institutions of Ch\$7,463 million, partly offset by a decrease in accounts payable of Ch\$2,364 million and lower income taxes of Ch\$1,935 million.

Long-term liabilities decreased by Ch\$20,651 million compared to the first quarter of 2006. The main variations were a decrease in borrowings from bank & financial institutions of Ch\$13,825 million and a reduction in bonds payable of Ch\$12,613 million, partly offset by an increase in notes payable of Ch\$5,808 million.

Shareholders' equity decreased by Ch\$32,529 million compared to the first quarter of 2006 due to a reduction in paid-in capital of Ch\$37,164 million (as a result of a capital distribution during May 2006), partly offset by an increase in price level restatement of Ch\$2,421 and higher accumulated earnings of Ch\$2,453 million.

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

	Currency	Total	April 07 March 08	April 08 March 09	April 09 March 10	After March 10
Bonds	Indexed Ch\$	206,761	14,834	17,439	17,724	156,763
Bank Debt	Non-Indexed Ch\$	65,410	15,390	14,047	14,047	21,927
RFCs <sup>(1)</sup>	Indexed Ch\$	33,609	346	286	510	32,467
Total <sup>(2)</sup>		305,780	30,571	31,772	32,281	211,157

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

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

## **CASH FLOW ANALYSIS**

Consolidated Cash Flow (In Million of Chilean Pesos)	March 07	March 06	% Var
Operating	39,109	39,648	(1.4%)
Financing	(16,206)	(20,137)	(19.5%)
Investment	(8,807)	(11,143)	(21.0%)
Net Cash Flow of the Period	14,096	8,369	68.4%
Saldo final de efectivo	15,376	33,040	(53.5%)

The operating cash flow decreased by Ch\$540 million in relation to the first quarter of 2006, mainly due to increases in payment to suppliers and personnel of Ch\$2,438 million, income tax payments of Ch\$778 million and V.A.T. & similar payables of Ch\$253 million, and a decrease in other income received of Ch\$346 million, partly offset by an increase in collection of trade accounts receivable of Ch\$3,419 million.

The financing cash flow decreased by Ch\$3,931 million compared to the previous period, due mainly to an increase in loans of Ch\$13,855 million and a reduction in bond payment of Ch\$4,779 million. This was partly offset by an increase in payment of loans of Ch\$11,094 million and lower bonds issued of Ch\$4,461 million.

The investment flow decreased by Ch\$2,336 million compared to the first quarter of 2006, due mainly to higher proceeds from sales of fixed assets of Ch\$1,552 and lower addition of fixed assets of Ch\$759.

## MAIN OPERATING FIGURES

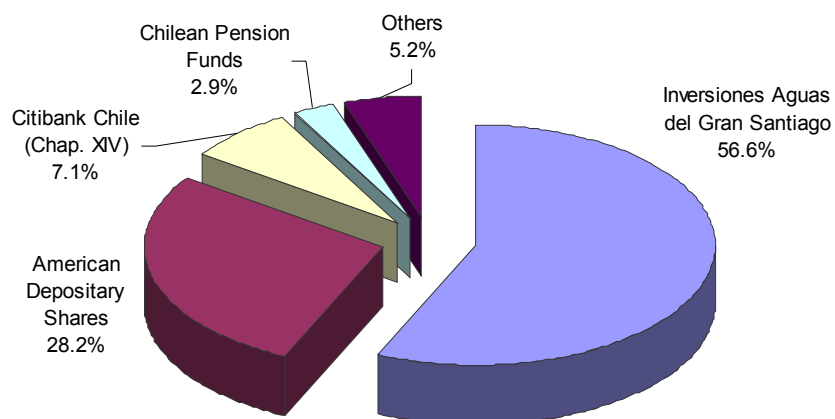
Sales Volume (In thousand m <sup>3</sup> )	March 07	March 06	% Var
Water	138,649	138,581	0.0%
Sewage Collection	134,666	135,049	(0.3%)
Sewage Treatment & Disposal	115,199	115,560	(0.3%)
Sewage Interconnection Service	33,211	32,809	1.2%

Customers	March 07	March 06	% Var
Water	1,563,285	1,512,168	3.4%
Sewage	1,533,927	1,484,074	3.4%

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

**Total subscribed and paid shares: 1,000,000,000**  
**Number of shareholders: 123**



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**CONSOLIDATED BALANCE SHEETS**  
**(Chilean GAAP, in thousands of Ch\$ as of March 31, 2007)**

ASSETS	March 07	March 06
<b>TOTAL CURRENT ASSETS</b>	<b>65,564,442</b>	<b>77,770,248</b>
Cash & bank	514,709	368,973
Time deposits	8,220,465	29,322,519
Marketable securities	5,602,733	3,348,090
Trade accounts receivable (net)	41,970,101	38,118,560
Notes receivable (net)	2,562,814	1,972,559
Sundry debtors (net)	415,652	527,972
Notes & accounts receivables from related companies	61,651	24,238
Inventories (net)	1,726,688	934,389
Taxes recoverable	136,716	515,529
Prepaid expenses	924,266	367,600
Deferred taxes	1,020,287	934,154
Other current assets	2,408,360	1,335,665
<b>TOTAL FIXED ASSETS</b>	<b>601,204,459</b>	<b>601,134,294</b>
Land	36,204,947	34,178,889
Building & infrastructure	1,005,047,418	988,562,722
Machinery & equipment	118,686,411	116,241,769
Other fixed assets	12,002,296	11,833,844
Revaluation of fixed assets	4,966,946	4,936,848
Accumulated depreciation	(575,703,559)	(554,619,778)
<b>TOTAL OTHER ASSETS</b>	<b>383,990,372</b>	<b>417,024,617</b>
Goodwill	323,596,489	355,623,522
Negative goodwill	(1,018)	(1,088)
Long-term debtors	8,432,091	8,565,688
Intangible assets	52,873,701	52,302,435
Accumulated amortization	(14,927,349)	(13,763,600)
Other	14,016,458	14,297,660
<b>TOTAL ASSETS</b>	<b>1,050,759,273</b>	<b>1,095,929,159</b>

**CONSOLIDATED BALANCE SHEETS**  
**(Chilean GAAP, in thousands of Ch\$ as of March 31, 2007)**

LIABILITIES & SHAREHOLDERS' EQUITY	March 07	March 06
<b>CURRENT LIABILITIES</b>	<b>70,211,901</b>	<b>67,272,760</b>
Short-term portion of borrowings from banks & financial institutions at long term	15,390,004	7,927,090
	14,834,398	14,956,465
Bonds payable - short-term portion		
Accounts payable	11,515,181	13,879,483
Notes payable	365,271	677,598
Sundry creditors	1,256,101	1,368,289
Notes & accounts payable to related companies	673,798	3,238,713
Accruals	15,181,510	13,128,748
Withholdings	7,841,042	7,528,233
Income taxes	1,316,815	3,251,918
Unearned income	1,837,781	1,311,432
Other current liabilities		4,791
<b>LONG TERM LIABILITIES</b>	<b>289,344,351</b>	<b>309,995,847</b>
Borrowings from bank & financial institutions	50,020,000	63,845,167
Bonds payable	191,926,406	204,539,799
Notes payable	33,103,017	27,294,717
Sundry creditors	1,058,030	1,630,965
Accruals	8,926,382	8,081,667
Deferred taxes	3,634,965	3,918,246
Other long-term liabilities	675,551	685,286
<b>MINORITY INTEREST</b>	<b>210,278,094</b>	<b>205,206,487</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>480,924,927</b>	<b>513,454,065</b>
Paid-in capital	461,826,633	498,990,351
Price level restatement	923,653	(1,496,971)
Reserves	3,034	-
Retained earnings	18,171,607	15,960,685
Net income for the period	9,308,456	9,550,554
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,050,759,273</b>	<b>1,095,929,159</b>

**CONSOLIDATED STATEMENTS OF INCOME**  
**(Chilean GAAP, in thousands of Ch\$ as of March 31, 2007)**

CONSOLIDATED STATEMENTS OF INCOME	March 07	March 06
<b>OPERATING INCOME</b>	<b>38,328,226</b>	<b>38,555,815</b>
OPERATING MARGIN	45,101,448	45,233,664
Revenues from operations	67,399,202	65,809,604
Cost of operations	(22,297,754)	(20,575,940)
Administrative & selling expenses	(6,773,222)	(6,677,849)
<b>NON-OPERATING EXPENSES (INCOME)</b>	<b>(7,967,723)</b>	<b>(8,036,904)</b>
Financial income	1,181,137	1,452,939
Other non-operating income	1,237,316	1,081,095
Amortización of Goodwill	(6,401,398)	(6,520,258)
Financial expenses	(4,010,708)	(3,858,970)
Other non-operating expenses	(166,687)	(124,965)
Price-level restatement	193,247	(66,149)
Foreign exchange differences	(630)	(596)
<b>INCOME BEFORE INCOME TAXES, MINORITY INTEREST AND AMORTIZATION OF NEGATIVE GOODWILL</b>	<b>30,360,503</b>	<b>30,518,911</b>
INCOME TAXES	(6,275,966)	(6,650,910)
<b>RESULT BEFORE MINORITY INTEREST AND AMORTIZATION OF NEGATIVE GOODWILL</b>	<b>24,084,537</b>	<b>23,868,001</b>
MINORITY INTEREST	(14,776,098)	(14,317,464)
<b>NET INCOME BEFORE AMORTIZATION OF GOODWILL</b>	<b>9,308,439</b>	<b>9,550,537</b>
AMORTIZATION OF NEGATIVE GOODWILL	17	17
<b>NET INCOME FOR THE PERIOD</b>	<b>9,308,456</b>	<b>9,550,554</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Chilean GAAP, in thousands of Ch\$ as of March 31, 2007)**

CONSOLIDATED STATEMENTS OF CASH FLOWS	March 07	March 06
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>39,108,577</b>	<b>39,648,465</b>
Collection of trade account receivables	81,198,040	77,779,200
Financial income received	258,574	318,725
Other income received	138,692	484,493
Payment to suppliers and personnel	(27,009,997)	(24,571,550)
Interest paid	(1,397,955)	(1,185,914)
Income tax paid	(5,325,035)	(4,546,540)
Other expenses paid	(72,364)	(201,281)
V.A.T & similar payments	(8,681,378)	(8,428,668)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES:</b>	<b>(16,205,862)</b>	<b>(20,136,981)</b>
Loans	13,854,511	-
Bonds issued	-	4,460,593
Other financing	4,177,449	4,437,198
Payment of loans	(31,772,353)	(20,678,771)
Bond payment	-	(4,779,035)
Payment of bond issuance & placement costs	-	(352,991)
Other financing disbursements	(2,465,469)	(3,223,975)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES:</b>	<b>(8,806,995)</b>	<b>(11,142,830)</b>
Proceeds from sales of fixed assets	1,566,129	14,044
Addition of fixed assets	(10,373,124)	(11,132,358)
Permanentes investments	-	(3,738)
Other investment disbursements	-	(20,778)
<b>TOTAL NET CASH FLOW FOR THE PERIOD</b>	<b>14,095,720</b>	<b>8,368,654</b>
<b>EFFECT OF INFLATION ON CASH &amp; CASH EQUIVALENT</b>	<b>(1,173)</b>	<b>82,225</b>
<b>NET CHANGE IN CASH &amp; CASH EQUIVALENT</b>	<b>14,094,547</b>	<b>8,450,879</b>
<b>OPENING BALANCE OF CASH &amp; CASH EQUIVALENT</b>	<b>1,280,999</b>	<b>24,588,703</b>
<b>CLOSING BALANCE OF CASH &amp; CASH EQUIVALENT</b>	<b>15,375,546</b>	<b>33,039,582</b>

**RECONCILIATION OF NET INCOME FOR THE PERIOD WITH OPERATING CASH FLOW**  
**(Chilean GAAP, in thousands of Ch\$ as of March 31, 2007)**

RECONCILIATION OF CASH FLOW	March 07	March 06
<b>Net income for the year</b>	<b>9,308,456</b>	<b>9,550,554</b>
Gain on sale of fixed assets	(752)	5,055
<b>Charges (credits) to income not representing cash flows:</b>	<b>15,243,597</b>	<b>15,235,594</b>
Depreciation for the period	8,376,877	8,246,506
Amortization of intangible assets	541,111	502,929
Write-offs & provisions	486,380	672,322
Amortization - goodwill	6,401,398	6,520,258
Amortization - negative goodwill	(17)	(17)
Net price-level restatement	(193,245)	66,149
Net foreign exchange differences	631	596
Other credits to income statement not representing cash flow	(731,468)	(1,248,232)
Other charges to income statement not representing cash flow	361,930	475,083
<b>Changes in assets affecting operating cash flow (increase) decrease</b>	<b>987,838</b>	<b>(4,205,272)</b>
Trade account receivable	1,086,162	(3,932,501)
Inventories	(105,497)	306,868
Other assets	7,173	(579,639)
<b>Change in liabilities affecting operating cash flow increase (decrease)</b>	<b>(1,206,660)</b>	<b>4,745,068</b>
Account payable related to operating income (expense)	(5,956,257)	(425,832)
Interest payable	2,225,987	2,740,070
Income tax payable	868,863	1,991,999
Other account payable related to the non-operating income (expense)	50,898	60,223
VAT & similar payables (net)	1,603,849	378,608
Minority interest	14,776,098	14,317,466
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>39,108,577</b>	<b>39,648,465</b>