

AGUAS ANDINAS ANNUAL REPORT 2010



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# **OUR COMPANY**

# AGUAS ANDINAS S.A. 2010 ANNUAL REPORT

## HIGHLIGHTS

## Financial Summary<sup>(1)</sup>

As of December 31	2006	2007	2008	2009	2010
Water revenues	125,655	126,200	129,364	145,617	136,573
Sewerage revenues	114,940	115,469	123,080	139,298	148,169
Other regulated revenues	10,954	8,720	15,500	11,157	12,994
Other non-regulated revenues	19,962	25,952	31,260	32,046	31,228
Total revenues	271,512	276,340	299,204	328,118	328,964
Operating income (2)	132,010	132,111	146,041	155,031	149,786
Net earnings for the year	98,973	105,697	88,226	123,048	103,850
Total assets	901,051	913,488	1,354,508	1.399.375	1.406.439
Current liabilities	107.398	84.551	122.580	115.613	92.932
Long-term liabilities	336.328	357.585	557.971	593.815	639.876
Minority interest	12	13	67.351	66.946	66.044
Shareholders' equity	457.312	471.339	606.606	623.000	607.588

<sup>(1)</sup> Figures for years 2006 to 2007 under Accounting Standards Generally Accepted in Chile, in millions of Chilean Pesos as of December 2008. Figures for years 2008 to 2010 under IFRS norms in millions of Chilean Pesos corresponding to each year.

[2] Between 2008 and 2010, Operating Income = Ordinary revenues - consumption of raw materials and others - staff costs - depreciation and amortization - loss from wear and tear - other sundry operating expenses.

## Operations (3)

As of December 31	2006	2007	2008	2009	2010
Water clients	1,550,008	1,597,537	1,828,328	1,871,287	1,908,816
Sewerage clients	1,520,662	1,569,392	1,784,324	1,828,606	1,865,772
Water invoiced (millions of m³)	477.4	479.3	492.3	510.4	520.5
Sewage collection invoiced (millions of m³)	471.3	471.9	496.1	495.9	507.2
Sewage treatment and disposal invoiced (millions of m³)	407.3	407.3	416.9	432.1	442.3
Sewerage interconnections invoiced (millions of m³)	112.4	101.9	113.7	114.3	116.3
Total cobertura agua potable	100.00%	100.00%	100.00%	100.00%	100.00%
Sewage collection coverage	98.41%	97.78%	97.87%	97.89%	_ (4)
Sewage treatment coverage	72.02%	73.99%	74.13%	75.59%	_ (4)
Total employees	1,444	1,484	1,821	1,801	1,926

<sup>3)</sup> Includes ESSAL as of July 2008

 $<sup>^{(4)}</sup>$  Estimate by the Superintendence of Sanitation Services to be published during the year 2011.



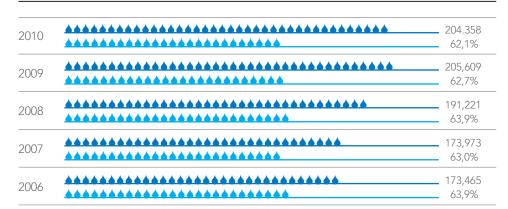


▲ Aguas Andinas

♦ Selective Share Price Index

(1) Source: Santiago Stock Exchange; Basis IPSA: CLP 173 as of December 30, 2008.

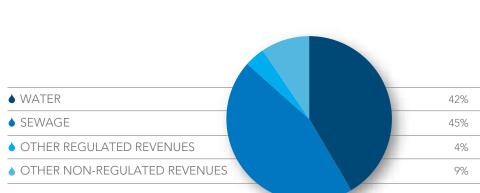
## **EBITDA - EBITDA Margin**



♦ EBITDA (Millions of Chilean Pesos)

♦ EBITDA Margin (%)

## Distribution of income 2010



## MILESTONES 2010



## **CLEAN WATER IN THE MAPOCHO RIVER**

On March 30, we inaugurated the "Clean Urban Mapocho" Project, which decontaminates the river's water during its flow through the city. A Bicentennial project that stands out as one of the country's environmental milestones.



## **AGUAS ANDINAS AT EXPO SHANGHAI 2010**

The Company's participation at this world fair was truly outstanding, displaying Santiago's experience in decontaminating its wastewater.



**TOP-LEVEL STANDARDS** 

sewerage and 86% in sewage treatment.



**INITIATION OF THE CONSTRUCTION** OF THE MAPOCHO PLANT

100% of potable water coverage, 98% in This sewage treatment installation, which will be in operation in 2012, will permit us to comply with our commitment to decontaminate 100% of the wastewater generated in Greater Santiago.



**SUCCESSFUL BOND ISSUE** 

Aguas Andinas achieved the lowest spread In June, Suez Environnement acquired 75% in history on its corporate bond issues on the Chilean market, reflecting the company's financial strength.



**NEW CONTROLLING PARTNER** 

of Agbar, the company that holds 50.1% of the shares in Aguas Andinas through its participation in Inversiones Aguas Metropolitanas.



**FIFTH TARIFF PROCESS** 

In March, a new five-year tariff period commenced and will rule until February 2015.



**PROGRESS IN THE CSP** 

The Customer Strategic Plan is progressing steadily towards achieving greater efficiency in its performance, increasing customer satisfaction by means of a differentiated service and a culture focused on the clients



RAPID OPERATING RESPONSE TO THE EARTHQUAKE

We maintained the continuity of our services to 95% of the clients in Santiago, whilst for the other 5% we re-established the service during the next few days.



**AGUAS ANDINAS HELPS CHILE** 

The Company made an important contribution towards the "Chile helps Chile" reconstruction campaign. Furthermore, the Company ran an internal campaign, "Bit by Bit", in aid of the workers most affected, as well other post-earthquake activities.



OVER 45 THOUSAND HOURS OF TRAINING

In order to boost the development and training of the staff of the Aguas Group.



A BENCHMARK COMPANY

ESSAL continues with a process of improving its performance, permitting the company to provide quality service to 32 locations in the De Los Lagos and De Los Ríos regions in the southern zone of the country.



CONSOLIDATION AND GROWTH OF NON-SANITATION SUBSIDIARIES

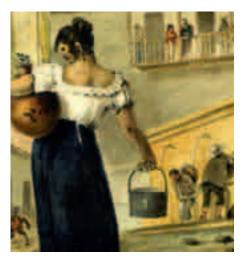
Anam, Gestión y Servicios and EcoRiles together have a head count of 450, 40% of the total head count of Aguas Andinas, Aguas Cordillera and Aguas Manquehue.



PRIZE FOR INNOVATION

In its "Innovation Trophy" contest, Suez Environnement awarded the prize to Teseo Pak, a product developed entirely by Aguas Andinas, which permits us to achieve significant efficiency from the work teams in the field.

## **HISTORY**



## 11861

Empresa de Agua Potable de Santiago was founded.

## 1865

Construction of the first reservoirs for storing water.

## 1894

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

## 1903

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

## 1909

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

## 1917

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



## 1946

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

## 1967

The El Yeso reservoir comes into operation.

## 1969

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

## 1977

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

## 1984

Inauguration of the Ingeniero Antonio Tagle Potable Water Production Plant.

## 1989

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

## 1990

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



## 11003

The West Santiago Sewage Treatment Plant comes on stream.

## 1997

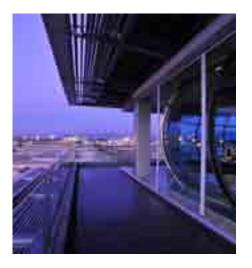
Inauguration of the Corporate Building located in the Parque de los Reyes in the municipal commune of Santiago.

## 1999

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

## 2000

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



## 2001

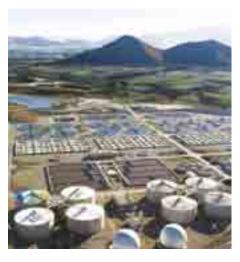
Change of name: The Company became Aguas Andinas S.A. The El Trebal Sewage Treatment Plant came into operation and the construction of La Farfana began. Subsidiaries Anam and EcoRiles were established. Aguas Maipo S.A. changed its name to Gestión y Servicios S.A.

## 2002

Inauguration of the most advanced Operations Control Center in Latin America. Acquisition of the other 50% of Aguas Manquehue. Initiation of the Eureka Plan with the object of consolidating an organization network. Inauguration of the new Sewage Treatment Plants in San José de Maipo and Paine.

## 2003

The La Farfana Sewage Treatment Plant, the largest of its type in Latin America, commenced operations. Received the ISO 9000 certification for customer service.



## 2004

The Valdivia de Paine and El Monte Sewage Treatment Plant commenced operations in localities. The SAP platform was implemented. Received the ISO 9,001 certification on invoicing and collections.

## 2005

Received the OHSAS certification in occupational health and safety. The Sewage Treatment Plants at Talagante and Curacaví commenced operations.

## 2006

The Aura Plan was initiated, providing a new vision of the Company. The ADN program commenced with the purpose of improving customer service. Inauguration of the Aguas de Ramón Nature Park in the Santiago Basin foothills. Initiation of the construction of the Sewage Treatment Plant in Melipilla. Received the ISO 9,001 certification on the process of incorporating new clients.



## 22007

Initiation of the construction works on the Clean Urban Mapocho Project. The ISO 9,000, ISO 14,000 and OHSAS 18,000 certifications were renewed and the company became the first sanitation company in the country to receive, jointly, all three certifications on its treatment installations. Merger of Comercial Orbi II S.A. and Aguas Cordillera S.A. Gestión y Servicios S.A. initiated its participation in the project to supply biogas from the La Farfana Plant to Metrogas.

## 2008

By means of the acquisition of 53.5% of its property, control of Empresa de Servicios Sanitarios de Los Lagos (ESSAL) was obtained. Merger by absorption of the subsidiaries Aguas Cordillera S.A. and Aguas Los Dominicos S.A. (the former of the latter). The first Internet Sales Branch of the Group was created.



## 2009

The SAP platform is updated to permit the application of the new IFRS norms. Start up of the Customer Strategic Plan (CSP) that seeks to renew the computer systems for customer services, incorporating better practices and consolidating a service culture.

## 2010

After two years' work, on March 30 we inaugurated the "Clean Urban Mapocho" Project, becoming one of the country's bicentennial milestones. We commenced the five-year tariff period for Aguas Andinas. Initiation of the construction of the Mapocho plant, which will permit us to decontaminate 100% of the wastewater generated by the Metropolitan Region. In June, Suez Environnement acquired 75.01% of the shares in Agbar, becoming the new controller of the Company.

# CHAIRMAN'S LETTER



## CHAIRMAN'S LETTER



As Chairman of the Board of Directors of Aguas Andinas S.A., I have the honor of submitting the Company's Annual Report and Financial Statements corresponding to the year ended on December 31, 2010 for your consideration.

This year, and for the first time in this post, I have the mission to give you, with much pride, an account of the progress, dreams and results achieved by our Company during the year. I am proud because 2010 has been an excellent year for Aguas Andinas. It has been a great year and is the fruit of a long process of learning, continuous improvement and effort in doing things well, of putting the clients in the center of our tasks, always in hand with an efficient, solid and responsible respect for the environment.

The country's Bicentenary was a year that put us all to the test. It began in the month of February with an earthquake that devastated a large part of the central and southern zones of Chile, producing significant human and material losses. Nevertheless, our Company knew how to react with efficiency and to demonstrate how our emergency plans were prepared for a catastrophe of a great magnitude. We provided an excellent operational response, maintaining our services to 95% of the clients in the city of Santiago, whilst we re-established the supply to the other 5% in just a few days, together with the return of the electricity.

Our infrastructure also withstood the calamity very well. Only minor damages were suffered in some treatment plants, old tanks and over 300 breakages in the main pipelines that were quickly repaired, permitting us to continue providing our services normally, both in the supply of potable water and in the collection and treatment of sewage.

As part of our responsibility as a company, we went in aid of the rural potable water systems in the regions, which were nearly all devastated. Also, with much energy, we wished to help our workers that had been severely affected. For this, we quickly formed an emergency committee that was able to provide them with legal advice, to relocate those with homes that had been destroyed or presented risks and to contribute provisions to those isolated in the more critical areas. In addition, we carried out an internal campaign called "Bit by Bit" that collected 18 million Chilean Pesos. At the same time, we participated in the "Chile helps Chile" national reconstruction campaign to which we contributed 150 million Chilean Pesos in the name of Aguas Andinas and a further 60 million were donated by our controller, Agbar.

Once this test had been overcome, we saw how one of the greatest dreams of our Company came true. At the end of March, together with the President of the Republic, we inaugurated the Clean Urban Mapocho project, which will permit us to decontaminate the river's water during its flow through the city. We are proud of having played a leading role in this bicentennial work, one of the most important environmental milestones in the country. With its start up, we have been able to fulfill our corporate mission and contribute directly towards a better quality of life for the inhabitants of the Santiago Basin and, together with it, protect the environment for the future generations.

With Clean Urban Mapocho we have taken another step forward in reaching our commitment to decontaminate 100% of the sewage of Greater Santiago, a target we shall achieve in 2012 when the future Mapocho treatment plant is fully operative. We commenced the construction of this plant during this year. This installation will have a treatment capacity of 2.2 m3 per second and will include important technological and operational advances. With respect to the Plan to Decontaminate the Water in the Santiago Basin, Aguas Andinas had an outstanding participation in the Shanghai 2010 World Fair. At this important international fair, with the participation of a large number of countries from around the world, our Company displayed its achievements in the decontamination of sewage, its experience in the city of Santiago and how it has achieved a treatment of 80% of its wastewater, a record in Latin America.

Another significant step forward during the year was the Customer Strategic Plan (CSP) on which we have continued to work decisively. This program, backed by Aguas de Barcelona's experience, seeks to renew the IT platform for the processes related to customer service, incorporate better practices and consolidate a corporate culture focused on the client, i.e. to achieve a position as a world class company.

During the year 2010, the new tariffs corresponding to the fifth period of fixed tariffs came into force for Aguas Andinas, Aguas Manquehue and Aguas Cordillera. We also began to work intensively on the process of setting tariffs for ESSAL.

As a service company, we are well aware of the importance people have. For this reason, we have placed a special emphasis on training our staff. During 2010 we worked hard on the

implementation of a new administration model for Human Resources, which will permit the incorporation of all the training and development activities we carry out. Worthy of note is the fact that during the year 45 thousand hours of training were given to the employees of the Aguas Group.

As a close to a successful year, our Company implemented an important investment plan that amounted to approximately CLP 70,000 million, which were destined mainly to works related to the collection and treatment of sewage. These and other measures had a positive influence on the 2010 Financial Statements to which I shall now refer.

With respect to results, we surpassed market expectations. We closed the year with net earnings of CLP XXXXX million, which implied an increase of XX% with respect to 2009. Operating income amounted to CLP XXXX million, a growth of XX% in relation to the previous year. This positive variation is explained mainly by XXXXXX.

Thanks to our responsible and long-term financial policy, we undertook a successful bond issue in which we obtained a loan of over 58 thousand million Chilean Pesos with a historic spread never seen before on the Chilean market.

As I mentioned at the beginning, it is with pride that I have informed you of our progress and achievements in the year 2010. However, we still have a long way to go. We must boost our efforts, increase our efficiency, innovate in operations, get even closer to our clients, develop in a sustainable way and not fail to always provide a continuous, uninterrupted and quality service to all our customers.





## **BOARD OF DIRECTORS**

## **DIRECTORS**

PCHAIRMAN OF THE BOARD Joaquín Villarino, Attorney

VICE-CHAIRMAN
Patricio Prieto, Attorney

DIRECTOR
Arturo Vergara , Attorney

DIRECTOR **Bruno Philippi, Civil Engineer** 

DIRECTOR
Sergio Guzmán, Economist

Ricardo Sanhueza, Business Administration

DIRECTOR

Mario Puentes, Civil Engineer

## **ALTERNATE DIRECTORS**

**Diane D'Arras** Bridges and Roads Engineer

**Antoni Siurana** Economist

**Salvador Villarino**Civil Engineer

**Juan Antonio Guijarro** Economist

**Juan Antonio Figueroa** Business Administration

**Víctor Selman** Civil and Industrial Engineer

**Andrés Rengifo**Business Administration



CHAIRMAN OF THE BOARD Joaquín Villarino Attorney

ALTERNATE DIRECTORS **Diane D'Arras**Bridges and Roads Engineer



VICE-CHAIRMAN
Patricio Prieto
Attorney

ALTERNATE DIRECTORS
Antoni Siurana
Economist



DIRECTOR **Arturo Vergara**Attorney

ALTERNATE DIRECTORS
Salvador Villarino
Civil Engineer



DIRECTOR **Bruno Philippi**Civil Engineer

ALTERNATE DIRECTORS

Juan Antonio Guijarro

Economist



DIRECTOR
Sergio Guzmán
Economist

ALTERNATE DIRECTORS

Juan Antonio Figueroa

Business Administration



DIRECTOR **Ricardo Sanhueza**Business Administration

ALTERNATE DIRECTORS

Víctor Selman

Civil and Industrial Engineer



DIRECTOR

Mario Puentes

Civil Engineer

ALTERNATE DIRECTORS
Andrés Rengifo
Business Administration

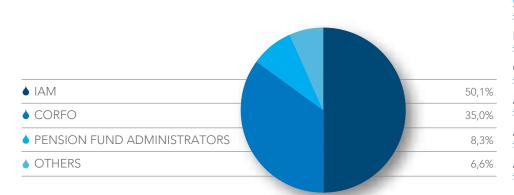
# COMPANY'S OWNERSHIP



## COMPANY'S OWNERSHIP

## **COMPANY'S OWNERSHIP**

As of December 31, 2010 the capital of Aguas Andinas was comprised of 6,118,965,160 The twelve principal shareholders of Aguas Andinas S.A. as of December 31, 2010 were the shares, fully subscribed and paid-in, distributed over 1,492 shareholders.



## **PRINCIPAL SHAREHOLDERS**

following:

Shareholder	Tax I.D. N°	Shares	Serie	Series
Inversiones Aguas Metropolitanas S.A.	77.274.820-5	3.065.744.510	А	50.1%
Corporación de Fomento de la Producción	60.706.000-2	2.140.487.777	В	35.0%
AFP Provida S.A.	98.000.400-7	151.343.316	А	2.5%
AFP Habitat S.A.	98.000.100-8	146.001.556	А	2.4%
AFP Cuprum S.A.	98.001.000-7	99.467.520	А	1.6%
AFP Capital S.A.	98.000.000-1	95.111.479	А	1.6%
Celfin Capital S.A. Corredores de Bolsa	84.177.300-4	51.325.014	А	0.8%
Larrain Vial S.A. Corredora de Bolsa	80.537.000-9	31.237.039	А	0.5%
Banchile Corredores de Bolsa S.A.	96.571.220-8	21.179.951	А	0.3%
AFP Planvital S.A.	98.001.200-k	18.104.386	А	0.3%
Banco de Chile por Cuenta de Terceros CA	97.004.000-5	7.095.788	А	0.1%
Inversiones Megeve Dos Ltda.	76.436.000-1	6.866.359	А	0.1%
Otros (34 accionistas)		2.217.323	В	0.0%
Otros (1.480 accionistas)		282.783.142	А	4.6%
Total		6.118.965.160		100.0%

## STRATEGIC PARTNER

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

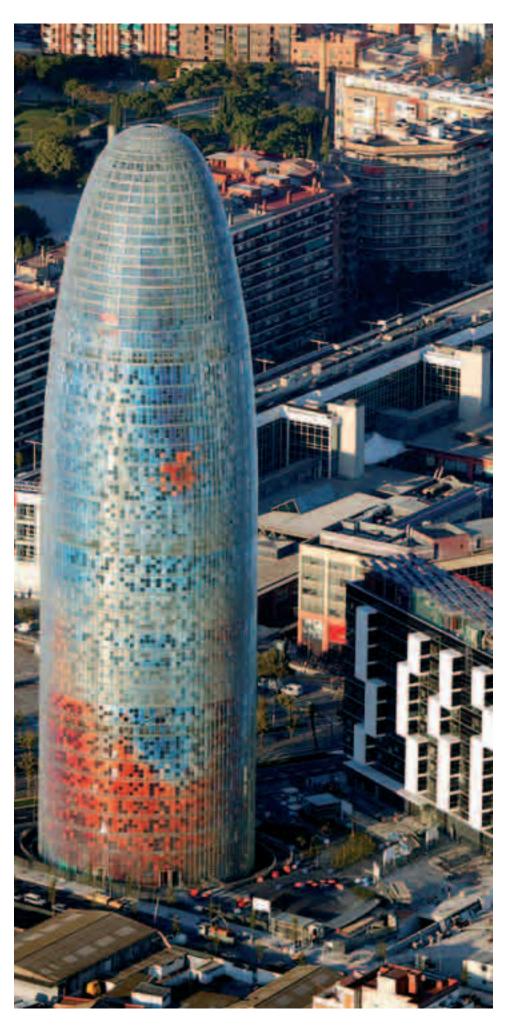
Agbar. With experience going back over 140 years, Sociedad General de Aguas de Barcelona is the principal private company in Spain that supplies domestic potable water. Currently, this group comprised of 145 companies with a total of some 10 thousand employees distributed over the five continents, provides services to close to 25 million inhabitants throughout the world.

The Agbar Group is the world leader and one of the main suppliers of technology related to the administration of the water cycle. Its corporate philosophy is centered on the permanent improvement of its procedures, excellence in quality, technological innovation, ability to adapt and a solid and efficient financial management, which seeks to generate value for its clients and shareholders.

In 2010 Suez Environnement Company, S.A., a conglomerate of French-Belgian origins and a world leader in the environmental and energy industries, acquired indirectly 75.01% of the total share capital of Agbar.

Suez Envionnement is a company with more than 120 years experience in the development of continuous advances for improving people's quality of life. With over 78 thousand employees and present throughout the world, it is a world leader dedicated exclusively to water and sewage management services.

Suez Environnement has a reputation for promoting numerous initiatives for the management of natural resources more efficiently, particularly the developed of specialized technology for recycling waste and the re-utilization of sewage.



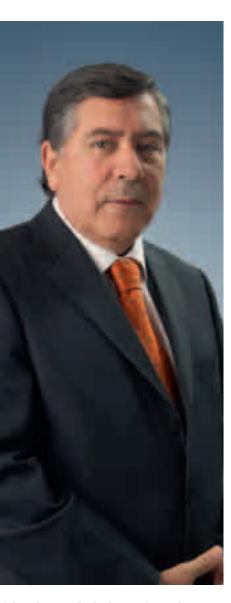


## **MANAGEMENT**

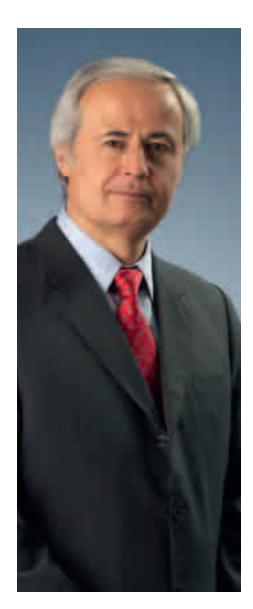




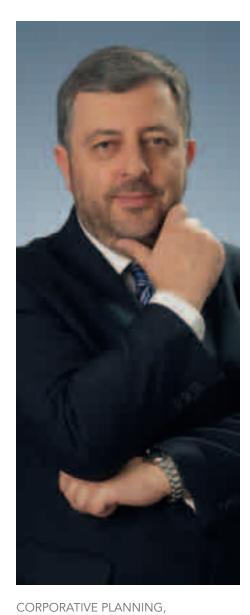
GENERAL MANAGER
Felipe Larraín
Civil Engineer



CORPORATE CUSTOMER SERVICE MANAGER **Víctor de la Barra** Civil and Industrial Engineer



CORPORATE LEGAL AFFAIRS MANAGER Camilo Larraín Attorney



ENGINEERING AND SYSTEMS MANAGER

Joaquim Martí

Roads, Canals and Ports Engineer

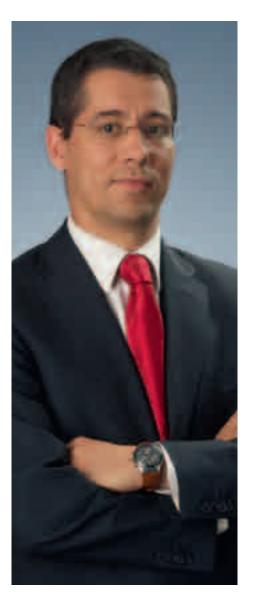


CORPORATE OPERATIONS MANAGER

Josep Oriol
Industrial Engineer



CORPORATE COMMUNICATIONS
AND ORGANIZATION DEVELOPMENT
MANAGER
María Elena Sanz
Psychologist



CORPORATE FINANCIAL AND SUPPLIES MANAGER

Miguel Ángel Zarza

Economist

# MAP OF COVERAGE



## MAP OF COVERAGE

Aguas Andinas and its sanitation subsidiaries provide potable water, sewerage and waste water treatment services to more than 1.8 million clients – homes, businesses and industry – who represent a population estimated at more than 6.2 million inhabitants on a consolidated basis. This makes it the principal sanitation company in the country and one of the largest in Latin America.

The zones under concession to Aguas Andinas and subsidiaries cover a territory of 70 thousand hectares in the Metropolitan Region, plus an area of 67 thousand hectares located in the De Los Lagos and De Los Ríos Regions in southern Chile.

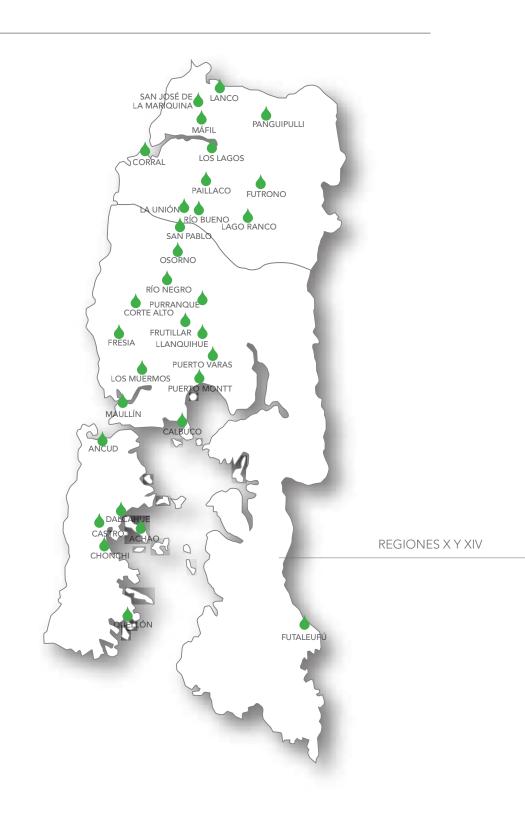
## COVERAGE OF GREATER SANTIAGO AND PERIPHERAL AREAS

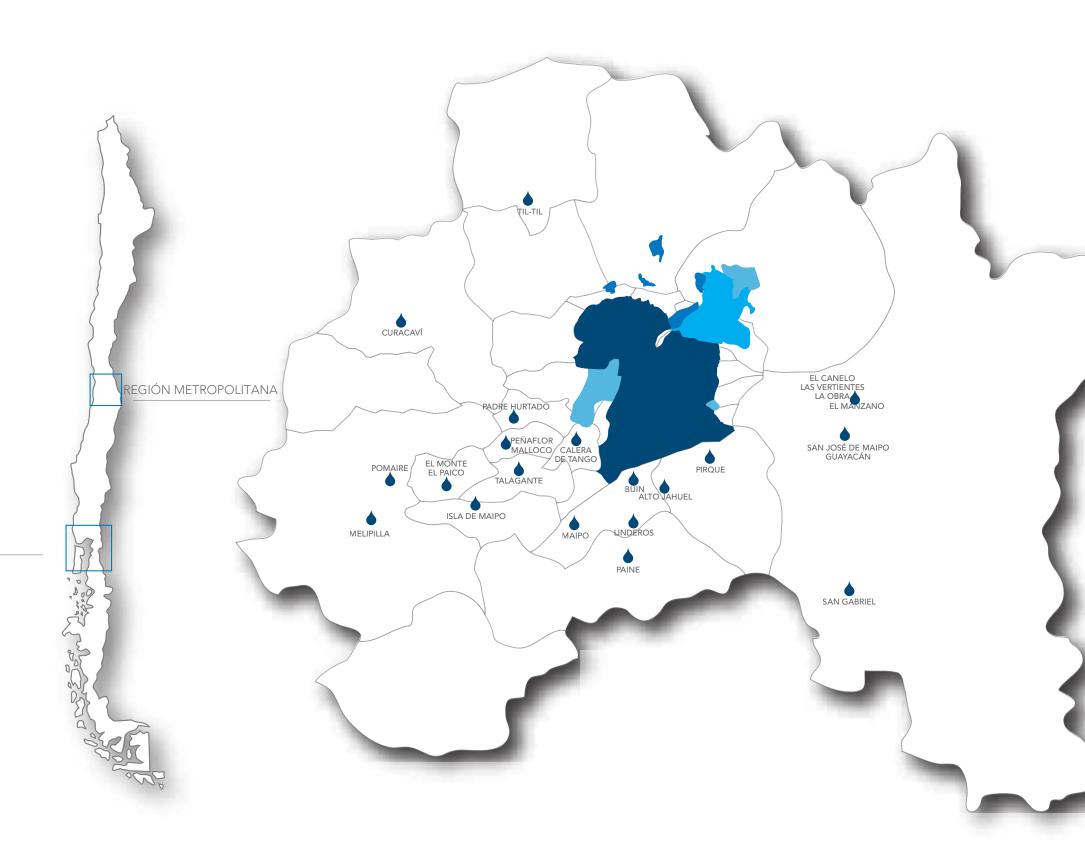
In the Metropolitan Region, the zone under concession comprises the Santiago Basin, a territory located in the intermediate depression of central Chile that borders with the Chacabuco Hill to the North and with Angostura de Paine to the South.

## COVERAGE OF THE DE LOS LAGOS AND THE DE LOS RÍOS REGIONS

In Regions X and XIV in southern Chile, the zone under concession belonging to ESSAL includes 33 localities distributed over the provinces of Valdivia and Ranco in the De Los Ríos Region; and Osorno, Llanquihue, Chiloé and Palena in the De Los Lagos Region.

- **♦** AGUAS ANDINAS
- **♦** AGUAS MANQUEHUE
- ◆ AGUAS CORDILLERA
- ♦ DISPOSICIÓN DE AGUAS SERVIDAS
- **♦** ESSAL





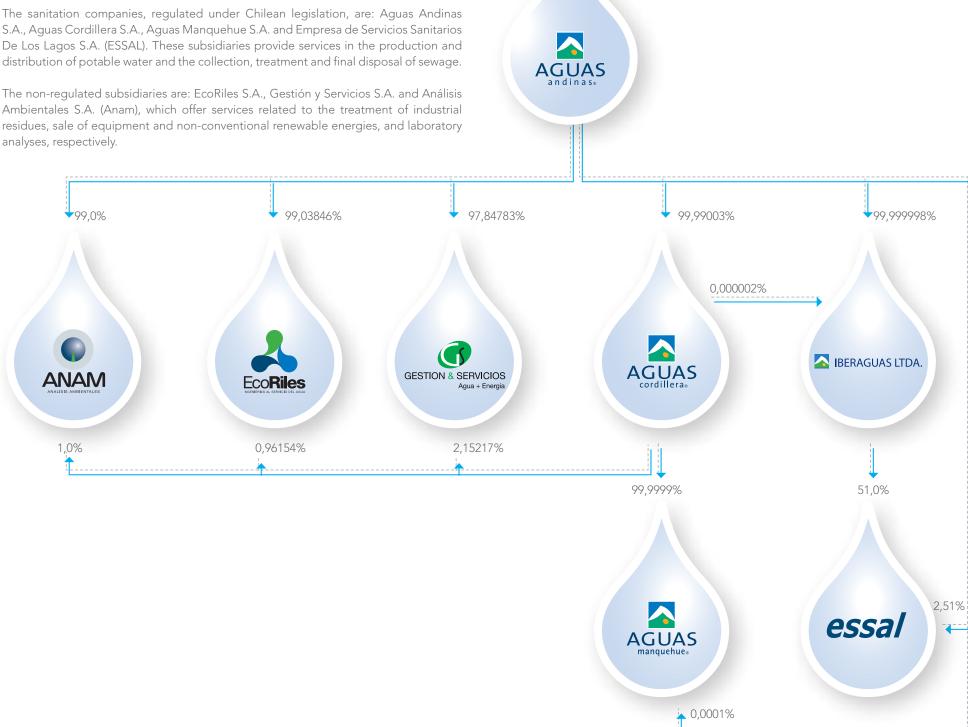
# COMPANIES IN THE GROUP

## COMPANIES IN THE GROUP

The Aguas Group is comprised of a collection of related companies that provide comprehensive services within the country's sanitation industry.

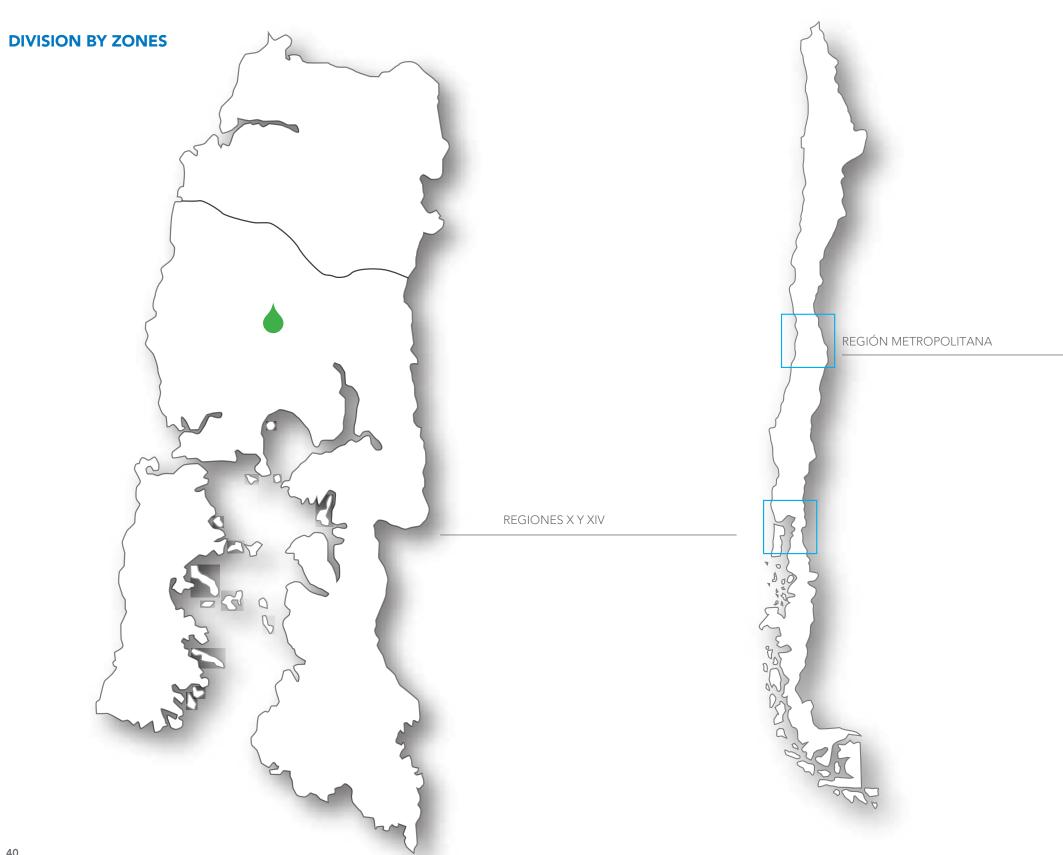
S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Empresa de Servicios Sanitarios De Los Lagos S.A. (ESSAL). These subsidiaries provide services in the production and

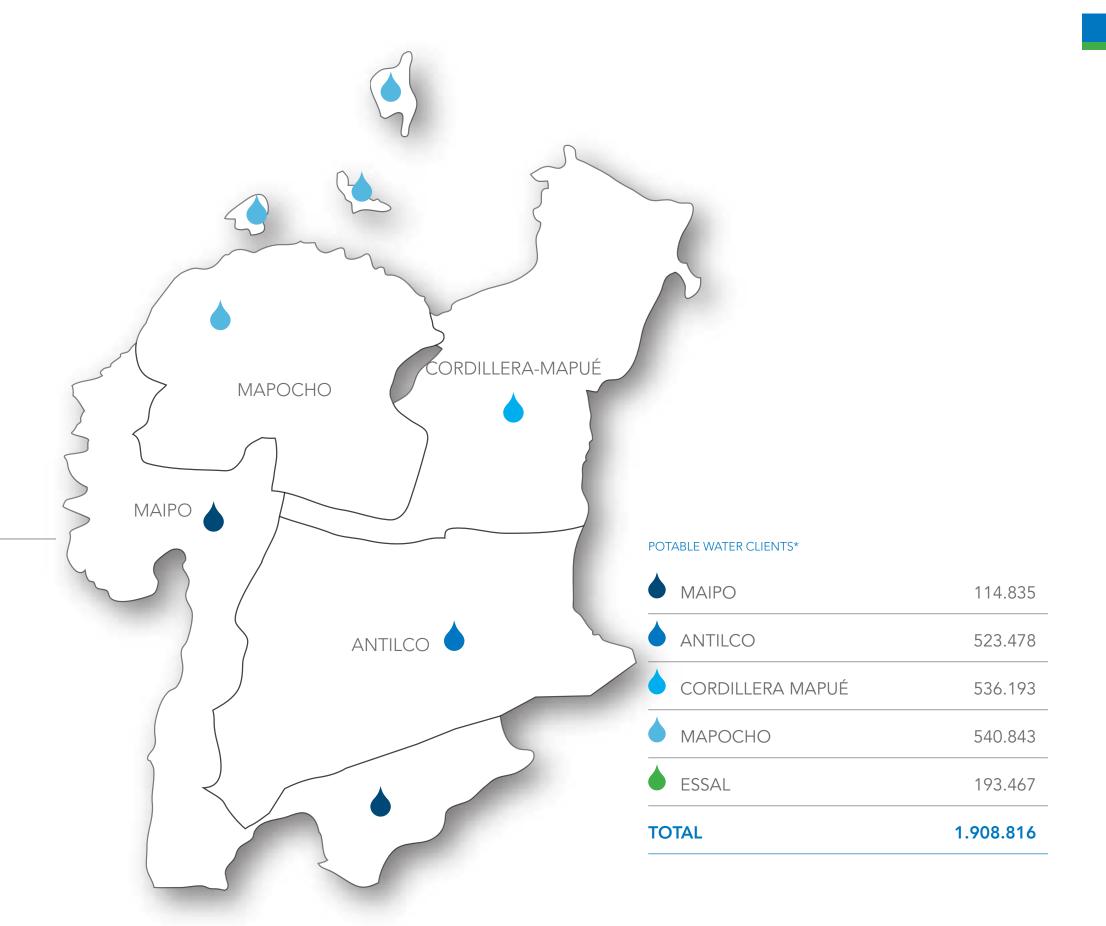
Ambientales S.A. (Anam), which offer services related to the treatment of industrial residues, sale of equipment and non-conventional renewable energies, and laboratory





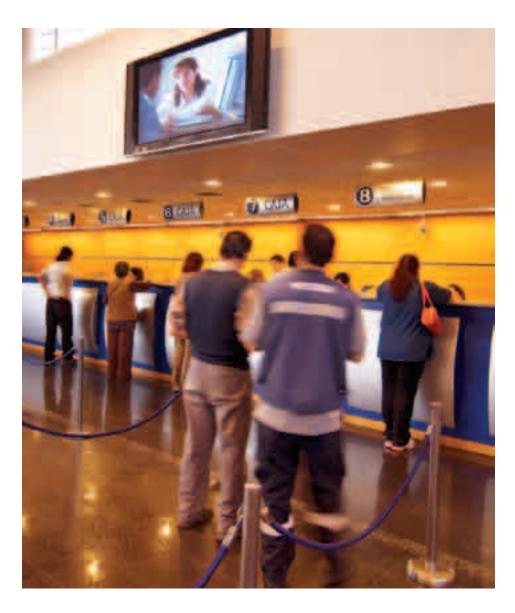
# YEAR 2010





<sup>\*</sup> The term "client" corresponds to an individual or an institution that occupies and/or resides in the property that receives the public service of distribution of potable water or the collection of sewage or both.

### **CUSTOMER SERVICE**



One of the fundamental objectives of Aguas Andinas is excellence in the service to its clients, which implies providing a dynamic, expeditious and prompt attention. In order to achieve this, during 2010 we made a special effort to boost even further the quality of our service.

### **CUSTOMER STRATEGIC PLAN**

Born at the beginning of 2009, the Customer Strategic Plan (CSP) seeks to raise the level of customer satisfaction and to achieve a greater efficiency in performance. These corporate guidelines, which will steer the Company's steps during the next three years, will permit it to redefine procedures, implement the best practices and world class IT systems, provide a differentiated service and count on more efficient processes, consolidating a corporate culture focused on the client.

In 2010 we advanced on the design and construction of these new tools. At the same time, we installed servers and other equipment required to put the new systems into action, and we developed the steps necessary to prepare the organization and the external suppliers by means of communication and training activities for the team that will head the transition to the new processes and systems.

### COORDINATION FOR LARGE-SCALE EMERGENCIES

During 2010 we consolidated the policy on relationships with communal authorities, local governments, fire brigade and police, a plan aimed at reducing the effects and problems caused by operating emergencies and natural dissaters and improving the capability to respond and the communications procedures.

During the year, meetings were held with the Heads of Operations and Emergencies of each one of the municipalities in the Metropolitan Region to coordinate procedures for facing possible problems from large-scale emergencies or climatic situations that could lead to the suspension of the potable water service. Furthermore, we reviewed and coordinated the Company's General Emergency Plan with the public entities involved. This joint task force strategy was put to the test during the earthquake in February 2010 and permitted us to overcome this situation rapidly and successfully with a minimal effect on the service to the community.

### CONTROL OVER THE FRAUDULENT USE OF THE SERVICE

Aguas Andinas implemented a systematic process to detect cases of theft of water and unauthorized discharges to the sewerage system in order to reduce the negative impact on the Company's revenues and on the service received by the clients. The idea is to make the population aware and raise consciousness of these illegal acts and their consequences, avoiding an increase in such cases in time.

During 2010, several steps were taken to disseminate and systemize the detection and correction of these cases, such as the distribution of informative flyers included in the monthly bills, the introduction of a telephone line for reporting such cases and the redefinition of the model of the analysis and action on the detection and regularization of these frauds.



### NUMBER OF CLIENTS (1)

As of December 31, 2010 the number of clients of Aguas Andinas supplied with potable water services amounted to 1,577,195, reflecting an increase of 1.8 % with respect to the previous year. Clients with sewerage services amounted to 1,549,983, an increase of 1.7% with respect to 2009.

On a consolidated level, the number of potable water clients was 1,908,816 and sewerage clients, 1,865,772.

Of the total number of clients supplied with potable water, 8.5 %, equivalent to 162,322, corresponded to clients with a subsidy, a fact that favors a pattern of stable payments and a lower level of bad debts for the Company.

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



# Number of clients Year 2010

Aguas Andinas	<u>*************************************</u>	1,577,195 1,549,983
Aguas Cordillera <sup>(2</sup>	<b>***</b>	138,154 136,540
ESSAL	<b>****</b>	193,467 179,249
Total	***************************************	1,908,816 1,865,772

**♦** Water

Sewerage

(1) Los clientes abastecidos consideran los facturados y las viviendas asociadas de edificios y condominios con facturación general y según criterios de la SISS.

(2) Aguas Cordillera includes Aguas Manquehue.

### Consolidated cubic meters invoiced 2010

Aguas Andinas		414,1 407,1
Aguas Cordillera		74,9 71,6
ESSAL	<b>***</b>	31,5 28,4
Total		520,5 507,1

Water

**♦** Sewerage

(\*) Aguas Cordillera includes Aguas Manquehue.

# Evolution of the consolidated average consumption $(m^3/client/month)$

2010	*******	22.7 22,7
2009		22.7 22.6
2008		23.2 23.2
2007	*******	25.0 25.1
2006		25.7 25.8

**♦** Water

**♦** Sewerage

# Consolidated average consumption 2010 (m3/client/month)

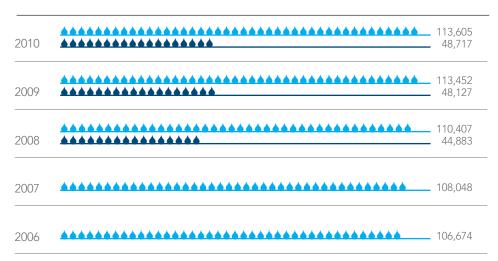
Aguas Andinas	**************************************	21.9 21.9
Aguas Cordillera		45.1 43.8
ESSAL	**************************************	13.6 13.2
Total	<u>*************************************</u>	22.7 22.7

Water

Sewerage

(\*) Aguas Cordillera includes Aguas Manquehue.

### **Number of subsidies**



♦ Aguas Andinas y Aguas Cordillera

**♦** ESSAL

Correspond to each family's meter. These subsidies are granted by Aguas Andinas and Aguas Cordillera.

### **NEW CONCESSIONS**

In 2010, the following requests submitted by Aguas Andinas to extend concessions were approved:

Extension of concession	Municipal commune	Area (hectares)	Clients (homes)
Millantú	Peñaflor	25.2	1,400
Viñedos de Buin	Buin	6.4	344
Pajaritos	Peñaflor	37.3	1,178
Puerta Sur	San Bernardo	14.7	19 lotes industriales
Miraflores 1577	Peñaflor	5.8	300
Padre Benjamín Ulloa	Melipilla	6.0	381
Evangelistas	Talagante	2.1	105
Villa Bicentenario	Cerro Navia	14.1	950
Ignacio Carrera Pinto	Curacaví	2.8	193
El Canelo I y II	Pudahuel	1.7	288
Bilbao	Peñaflor	4.6	240
Buin-Gualda	Buin	8.0	518
San Luis de Quilicura	Quilicura	2.0	320

Furthermore, there are 12 requests to extend concessions still in process. These are in the Padre Hurtado, Paine, Peñaflor, Talagante, San José de Maipo, Buin and Puente Alto municipal communes and jointly comprise an area of 69.04 hectares and 3,421 new clients.

In addition, in December 2010 we presented an objection to the request submitted by Empresa Sanitaria ESSI S.A. in the municipal commune of Padre Hurtado, called San Ignacio, with an area of 95.50 hectares and 3.400 new clients.

### **NEW CLIENTS**

During the year, we checked 14,732 household potable water and sewerage projects, connecting 36,807 new clients to the company's networks. Furthermore, 171 projects for private and public networks were approved with 135 kilometers of new infrastructure for the distribution of potable water and the collection of sewage for Aguas Andinas.

We signed 19 contracts with real estate developers to increase the area under concession by 126.39 hectares in various municipal communes in the Metropolitan Region where the construction of 6,412 homes is being considered.

Furthermore, the Superintendence of Sanitation Services granted new concessions for sanitation services in 262.66 hectares on which 10,341 new homes will be constructed.

### **RURAL POTABLE WATER**

The Company's job is not limited solely to the urban areas. It also collaborates with the Rural Potable Water Plan by virtue of the agreements signed with the Hydraulic Works Directorate of the Ministry of Public Works.

Aguas Andinas acts as a technical unit, carrying out studies, projects and works in remote areas where potable water networks do not exist and provides training and consultancy services on the maintenance and execution of these projects.

With the Rural Potable Water Plan, 46,153 homes have reaped benefits to date. These correspond to an estimated population of 276,918 inhabitants and a coverage of 100% of the concentrated rural localities.

In particular, during 2010, we carried out works and projects that involved investments amounting to over CLP 3,451 million and we invested in the construction of improvements and extensions of services and in drawing up new projects for the installation of services for a sum of CLP 338 million for 2011.

		CLI W 14,730
Projects Committed		CLPM 14,750
Works Committed		CLPM 323,716
Projects Concluded	CLPM 186,675	
Works Concluded	CLPM 3,264,354	
Works and Projects	Year 2010	Committed for 2011

### AID FOLLOWING THE EARTHQUAKE

Being a socially responsible company, Aguas Andinas was quick to go in aid of the rural sectors affected by the earthquake in February 2010. The potable water systems in five rural localities in the Metropolitan Region suffered serious damages. Thus, the Company used its knowledge and experience to draw up the designs for the reconstruction of the deteriorated works in order to recover the continuity and quality of its services.

In general, this involved wells that fed elevated tanks, which were replaced by partly buried tanks and pressurized elevating plants that boosted the flows directly to the network, with the exception of the Cardonal Bajo and Cuesta Vieja systems where metal elevated tanks were reintroduced.

With a long-term view, the Company developed and handed to the Ministry of Public Works a standard design of regulating tanks – made of reinforced concrete raised on metal bases and reinforced concrete tanks partly buried – with their respective plans and specifications that considered the new anti-seismic norms, for different volumes and pedestal heights. These designs were certified by IDIEM, the Research and Testing of Materials Institute of the Universidad de Chile.

Furthermore, a diagnosis was carried out and delivered on 20 rural service sewage treatment plants that were damaged as a result of the earthquake. This whole contribution implied a donation of CLP 200 million.

### **WORKS PROJECTED**

- Champa-Hospital System (Municipal Commune of Paine) Las Acacias Premises
   La Copa Premises
- Cardonal Bajo System (Municipal Commune of Paine)
- Cerrillos System (Municipal Commune of Curacaví)
   Cerrillos Premises
   Cuesta Vieja Sector
- San Antonio de Naltahua System (Municipal Commune of Isla de Maipo)
- Gacitúa System (Municipal Commune of Isla de Maipo)
- Standard metal elevated tanks with the following characteristics:
- V = 25 m3; H = 20 m V = 25 m3; H = 25 m V = 50 m3; H = 15 m
- V = 50 m3; H = 15 mV = 50 m3; H = 20 m
- V = 50 m3; H = 25 mV = 75 m3; H = 15 m
- V = 75 m3; H = 20 m
- V = 75 m3; H = 25 m V = 100 m3; H = 15 m
- V = 100 m3; H = 15 m V = 100 m3; H = 20 m
- V = 100 m3; H = 20 m with presence of freatic water table
- V = 100 m3; H = 25 m
- Standard reinforced concrete elevated tank with the following characteristics:
   V = 200 m3: H = 25 m
- Standard reinforced concrete partly buried tanks with the following characteristics:
  - V = 50 m3
  - V = 100 m3
  - V = 200 m3

### **SANITATION REGULATIONS**

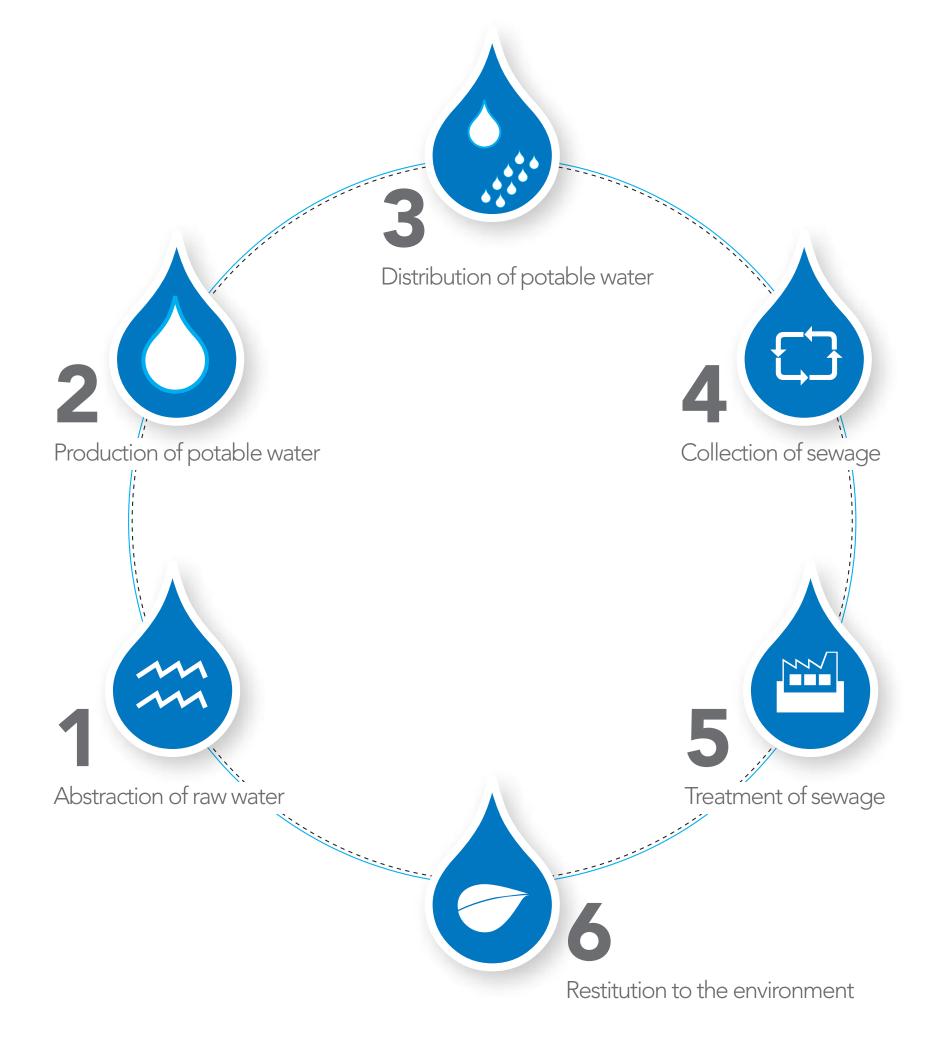
Current legislation in the country establishes that the providers of sanitation services are subject to the supervision of the Superintendence of Sanitation Services (SSS), a decentralized service, with autonomy and its own equity, subject to the supervision of the President of the Republic through the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

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

- General Law on Sanitation Services (Decree Law MOP No. 382 of 1988). This contains
  the principal provisions that regulate the conditions of concessions and the activities
  of the providers of sanitation services.
- Regulation of the General Law on Sanitation Services (Decree MOP No. 1199/2004, published in November, 2005). This establishes the norms that permit the application of the General Law on Sanitation Services.
- Regulation of the General Law on Sanitation Services (Decree MOP No. 1199/2004, published in November, 2005). This establishes the norms that permit the application of the General Law on Sanitation Services.
- Law on Tariffs for Sanitation Services (Decree Law MOP No. 70 de 1988). This
  establishes the main provisions that rule the setting of tariffs for potable water and
  sewerage and reimbursable financing contributions.
- Regulation of the Law on Tariffs for Sanitation Services (Decree MINECON No. 453
  of 1990). This contains the norms that permit the application of the Law on Tariffs for
  Sanitation Services.
- Law that creates the Superintendence of Sanitation Services (Law No. 18,902 of 1990). This establishes the functions of the Superintendence of Sanitation Services.
- Law on Subsidies of the payment of the consumption of potable water and sewerage services (Law No. 18.778 of 1989). This establishes a subsidy on the payment of the consumption of potable water and sewerage for low-income clients.
- Regulation of the Law on Subsidies (Decree HACIENDA No. 195 de 1998). This
  contains the provisions for the application of the Law on Subsidies.







### **TECHNOLOGICAL PROGRESS IN 2010**

In a constant effort to utilize the most advanced technology in order to make its operation more efficient, during the year the Company carried out important improvements in this area.

One of these was the renovation of the Company's telephone platform and its nearly 900 extensions, implementing an IP telephone system in the company premises and incorporating WAN links for voice and data traffic. This renovation implied changes in the telephone numbers and for this, the transition was designed in such a way as to minimize any problems in the service, with the coexistence of old and new technology and numbers, which permitted us to provide the service to the users without interruption. Furthermore, security was boosted in the networks, adding cutting-edge security technology such as NAC, DLP and others.

During the last quarter of 2010, Aguas Andinas was asked to submit its financial reports before the end of the reporting month. In view of this, we rapidly set up a SAP project that managed to configure two ledgers: one out of phase with the accounting entries and the other for tax purposes, following the calendar month, which has permitted us to prepare in advance, the financial closure on SAP. The vast internal knowledge of the parameterization of SAP within Aguas Andinas and the dedication of the computer systems staff and the users in Accounts, Treasury, Control, Logistics and Human Resources made it easier to achieve this project in record time and with no setbacks.

In tune with the technological advances, we put into operation a new IT application incorporated into the SCADA and laboratory systems in the water and sewage treatment plants. This will allows for complementary information to be recorded directly in the installations. The new application facilitates the generation of operating reports and has permitted us to improve the availability of the information and minimize the entry times and validation of data.

### **EXTENSION OF THE OCC**

The Operations Control Center (OCC) is a vital tool in the operation of Aguas Andinas. Thanks to its advanced technology, it permits us to monitor the installations and networks in real time and at any hour of the day, centralizing decision-making and optimizing the control over the water cycle.

During 2010 the OCC coverage continued its expansion, incorporating 4 thousand new variables into its Control and Acquisition of Data Software (SCADA), making it one of the largest applications in the public services sector in the world with more than 39 thousand variables and 700 remote stations connected.

This growth involved all the concessions. In Production and Distribution we incorporated the telecontrolled operation of subterranean water infrastructures such as the new wells in Quilicura and Buin; we continued with the improvements in the Potable Water Tanks and Elevating Plants such as San Antonio, Pataguas, Las Flores, Padre Hurtado and Chicureo Alto; and we incorporated 32 new pressure control stations in Greater Santiago. In Collection, we incorporated the Elevating Plants in Llopeo, Libertad, Challaco, Valle Grande, José Miguel Carrera and Mapocho-El Monte; and we added 20 stations to control the operation of the Mapocho Interceptor.



### **DEVELOPMENT PLANS**

Year 2010 was the year for updating the Development Plans for Aguas Andinas, Aguas Cordillera and Aguas Manquehue, a process carried out every 5 years and which covers the Aguas Group's main commitments with the Superintendence of Sanitation Services in respect of guaranteeing the quality and continuity of the potable water and sewage services for the next 15 years.

The Development Plan is an important instrument contemplated in the sanitation legislation and contains the principal infrastructure solutions planned for the purpose of increasing both the production and distribution of potable water and the collection and treatment of sewage in order to provide services to the new clients incorporated in the area under concession. With regard to this subject, the analysis performed on the projection of the population of Greater Santiago and its spatial distribution within the Company's territory of operations, is of particular interest.

The preparation of the Hydrological and Hydrogeological Directive Plans during the exercise allowed us to centralize in two documents a summary of the more important studies carried out by the Panning Management over the last 10 years, on the availability and quality of surface and subterranean water resources. This information, in turn, was placed at the disposal of the whole company in an official compendium which became a source of support for the activities and decision-making process for the planning of infrastructure, and for the design, operation, techno-economic analysis and the generation of new business. Furthermore, it includes information on the regulatory framework, analyses of the quality of the waters and the availability of sources and indicates the expected volumes of flows in the long-term, bearing in mind the projections on global climate change.

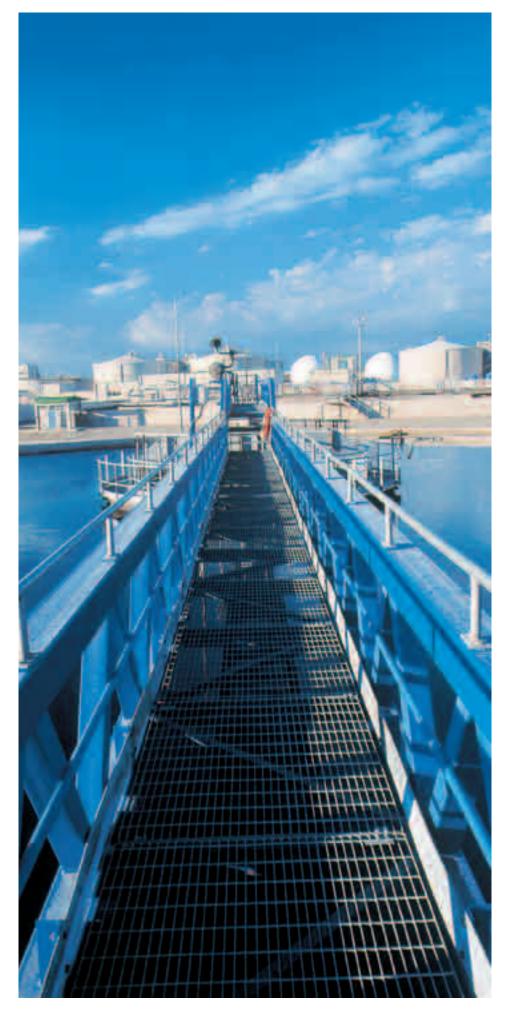
### RESEARCH, DEVELOPMENT AND INNOVATION

The concepts of efficiency, continuous improvement and development play a fundamental role in the water cycle processes operated by Aguas Andinas. For this reason the Company is doing research on a permanent basis in order to achieve the optimization of these processes with a view to delivering a better quality and more reliable service.

A clear example of innovation is the "Teseo Pak", a product developed entirely by Aguas Andinas, which permits us to achieve significant efficiency in the work teams in the field and which, in 2010, was awarded a prize by Suez Environnement in its "Innovation Trophy" contest.

With regard to decontamination, Aguas Andinas advanced in the development of software tool based on known mathematical models, which will permit us to simulate variables in the control of the anaerobic digestion process in the sewage treatment plants.

In potable water, we continued during the year on a FONDEF (Fund for Scientific and Technological Development) project aimed at analyzing the "Development of Reactive Sorbent Media for the Removal of Arsenic from Sources of Potable Water". Furthermore, in the field of reuse, we continued with our study on the feasibility of infiltration of rain water in El Rutal, a sector located to the north of the city of Santiago.



### **NEW INVESTMENTS**

During the year, Aguas Andinas' development plan involved the sum of CLP 69,294 million. Of this amount, CLP 68,700 million corresponded to investments in sanitation subsidiaries and CLP 594 million in non-sanitation subsidiaries.

A large part of these resources, a sum of CLP 42,137 million, was destined to collection and treatment of sewage installations, a figure amounting to CLP 42,137 million. Of this amount, CLP 14,100 million corresponded to works on collection and CLP 28,037 million to treatment of sewage. The amount of CLP 19,619 million was destined to investments in potable water, with CLP 13,498 million going to works on distribution, especially for the permanent renovation of potable water networks. Finally, CLP 1,208 million were invested in the new CSP marketing system.

On a consolidated level, which includes the sanitation and non-sanitation subsidiaries, 57.88% corresponded to an investment in expansion involving CLP 40,114 million.

### **Aguas Group Year 2010 (CLP Millions)**

Investment Stage	2010
Production of potable water	6,121
Distribution of potable water	13,498
Sewage collection	14,100
Disposal of sewage	28,037
Other activities	6,945
Non-sanitation subsidiaries	593
Total	69,294

### **Investments (CLP millions)**

2010	**************************************	53,946 7,797 6,957
2009	**************************************	63,005 12,677 9,110
2008	**************************************	59,401 16,618 2,835
2007	*****	29,752 9,336
2006	*****	25,877 10,965

- Aguas Andinas
- ♦ Aguas Cordillera (\*)
- **♦** ESSA

(\*) Aguas Cordillera includes Aguas Manquehue.

### **INVESTMENT PLANS**

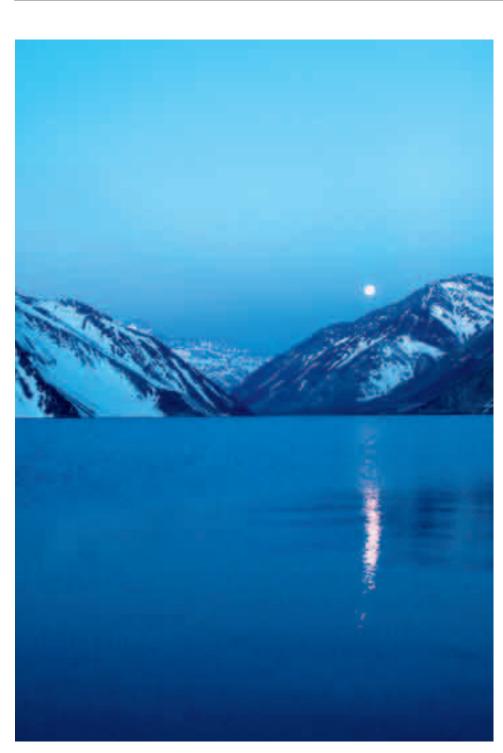
The Company's investment plans consider the construction of a third sewage treatment plant for the city of Santiago, known by the name of Mapocho Plant, an emissary interceptor between the La Farfana and El Trebal Sewage Treatment Plants, and a comprehensive platform for the treatment and disposal of biosolids called El Rutal.





### ABSTRACTION AND PRODUCTION

### Abstraction of raw water



### SOURCES, RESERVES AND PLANTS

The Company's principal sources for abstracting raw water in the Metropolitan Region are the Maipo and Mapocho Rivers, whilst the secondary sources are the natural aquifers that cross the area under concession.

In order to ensure a continuous supply for the clients in the Santiago Basin, even during periods of drought, Aguas Andinas maintains important reserves, which provide additional hydric resources to satisfy the capital's demand for potable water. These reserves are: The El Yeso Reservoir, with an operating capacity of 220 million m3; Laguna Negra, with 600 million m3; and Lo Encañado Lake, with 50 million m3.

In order to produce potable water, the Company has production plants that carry out the process of purifying the raw water. In the Metropolitan Region, the Company has the Las Vizcachas Complex, the La Florida Potable Water Production Plant and 12 installations of a smaller size, amongst them; the Padre Hurtado, Lo Gallo, San Enrique and El Sendero Plants. In the De Los Lagos and De Los Ríos Regions, the Aguas Group has XX production facilities that supply the requirements in the 33 localities in the area under concession.

On a consolidated basis, the Company has a production capacity of 37.7 m3 per second; of which, 33.4 m3 per second correspond to Greater Santiago and 4.3 m3 per second to ESSAL.

### PRODUCTION BY TYPE OF SOURCE

During the year 2010, the consolidated production of potable water, measured on leaving the plant, amounted to 742.9 million m3. Of these, 624.6 million m3 corresponded to surface waters and 118.3 million m3 to groundwater.

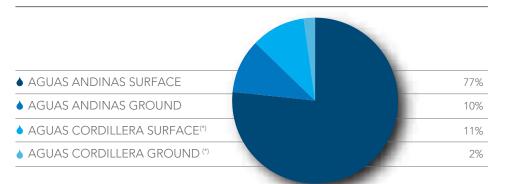
# Production by type of source (millions of m3)

Companies	2006	2007	2008	2009	2010
Aguas Andinas surface	517,9	517,9	508,1	521,3	531,6
Aguas Andinas ground	66,6	68,7	73,9	73,5	72,5
Aguas Cordillera surface <sup>(*)</sup>	66,6	65,7	68,1	72,9	72,8
Aguas Cordillera ground (*)	17,1	19,2	21,3	16,9	14,9
ESSAL surface	-	-	17,8	21,8	20,2
ESSAL ground	-	-	32,0	34,1	30,9

 $<sup>{}^{\</sup>scriptscriptstyle(\!\!\!n\!\!\!\!)}$  Aguas Cordillera includes Aguas Manquehue.



# Breakdown of production of potable water Year 2010



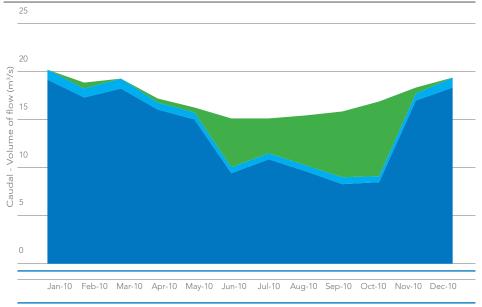
(\*) Aguas Cordillera includes Aguas Manquehue.

### **EL YESO RESERVOIR**

In the Metropolitan Region, the production of potable water has the support of the El Yeso Reservoir, an important work of infrastructure, which has a reserve capacity of 220 million cubic meters. Thanks to this operating capacity, the reservoir is able to regulate the contribution from the surface sources, both in times of drought and in the event of extreme cloudiness of the water. This ensures the production of potable water for the clients of the Aguas Group.

During 2010 we prepared the engineering designs in order to subsequently carry out the works to improve the system that delivers water and removes the sediment from the bottom.

### Contribution of the El Yeso Reservoir to the Production of Greater Santiago



♦ Surperficial sources without reservoir

♦ Underground sources

**♦** El Yeso reservoir

(\*) Without subsidiaries





### TRANSPORT AND DISTRIBUTION

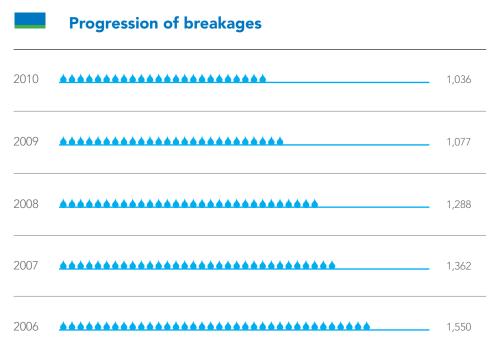
Distribution of potable water

The distribution network transports and supplies potable water to all the Company's clients. This extensive collection of underground pipes, designed to coincide with the layout of the streets, is permanently monitored by the Operations Control Center to ensure its correct functioning and ensure an uninterrupted supply.

### NETWORK ADMINISTRATION

Thanks to the Comprehensive Control of Potable Water Networks model, the Company has managed to reduce the number of breakages in the distribution networks of Aguas Andinas and its subsidiaries, achieving levels below 0.1 faults/km, a ratio well below those classified as excellent by the large sanitation companies of the world.

In 2010, the number of cases of breakages was 1,036, which corresponds to a reduction of 4.0% with respect to the previous year.



### • (Number of breakages per year)

### LENGTH OF DISTRIBUTION NETWORK

As of December 31, 2010 the length of the distribution network, on a consolidated level, increased by 0.7% (104 kilometers) with respect to the year before, reaching a total of 14,990 kilometers.

The Metropolitan Region network grew by 0,7% or 90 kilometers, reaching a total length of 13,114 kilometers. In Regions X and XIV, the length of the network rose to 1,876 kilometers, an increase of 0.8% over 2009.

# Length of distribution network (Kms)

2010	<u>*************************************</u>	11,699 1,415 1,876
2009	**************************************	11,617 1,407 1,862
2008	<u>*************************************</u>	11,621 1,420 1,804
2007	****	11,256 1,340
2006	**************************************	11,111 1,322

♦ Aguas Andinas

▲ Aguas Cordillera (\*)

ESSAI

(\*) Aguas Cordillera includes Aguas Manquehue.



### COLLECTION



The collection of sewage network, which comprises the sewerage system, allows for the collection and withdrawal of the wastewaters and takes them to the treatment plants or points of final disposal.

The correct functioning of this underground network avoids any direct contact of people and the environment with the sewage, preventing contagions and problems of contamination.

### LENGTH OF THE SEWAGE COLLECTION NETWORK

As of the end of 2010, the length of the Company's sewage collection network, on a consolidated level, amounted to 12,049 kilometers, reflecting a growth of 1.4% (169 kilometers) with respect to 2009.

This growth is explained by an increase of 1.1% (97 kilometers) in Aguas Andinas, 1.4% (15 kilometers) in Aguas Cordillera and 3.5% (57 kilometers) in ESSAL.

2010	<u>*************************************</u>	9,303 1,061 1,685
2009	**************************************	9,206 1,046 1,628
2008	**************************************	9,398 1,123 1,579
2007	*****	9,087 1,093
2006	**************************************	8,994 1,084

- Aguas Andinas
- ▲ Aguas Cordillera (\*)
- **♦** ESSAL
- $\sp(*)$  Aguas Cordillera includes Aguas Manquehue.



### **TREATMENT**

The Aguas Group performs the decontamination of wastewater in sewage treatment plants, which permits its restitution to the environment in optimum conditions for irrigation, in accordance with current legislation.

In the Metropolitan Region, Aguas Andinas possesses two large treatment plants, El Trebal and La Farfana; three plants that belong to the northeastern zone, and a further 10 smaller plants in peripheral suburbs. All together, these installations permit the decontamination of 86% of the sewage generated by the inhabitants of Greater Santiago and surroundings.

ESSAL has 29 sewage treatment systems that decontaminate over 91% of the wastewater produced by the inhabitants of the De Los Lagos and De Los Ríos Regions.

# Treatment of sewage Aguas Group (millions of m3)

2010	**************************************	269.8 111.5 49.9 32.1
2009	**************************************	217.7 101.5 52.2 31.7
2008	**************************************	
2007	**************************************	
2006	<u>*************************************</u>	

- Farfana
- **♦** Trebal
- ESSA
- Other Plants Metropolitan Region

### PROGRESS ON TREATMENT

The Mapocho Interceptor project, better known as "Clean Urban Mapocho", came into operation in March 2010. Since its start-up, it has decontaminated the river on its flow through the city, thanks to the construction of an underground duct measuring 28.5 kilometers that runs parallel to the river bed from the municipal commune of Las Condes to Maipú. With this, we concluded one of Aguas Andinas' most emblematic projects, which, together with the construction of the Mapocho Plant initiated during this year, will be decontaminating 100% of the sewage generated by the Metropolitan Region by 2012.

The Clean Urban Mapocho project required an investment of USD 115 million and permitted an increase in the treatment of sewage from the Metropolitan Region to 81%, due to the derivation of 2 m3/s utilizing the capacity available in the La Farfana and El Trebal plants. The other 19% treatment will be completed with the operation of the Mapocho plant that will be located on land next to the El Trebal plant, and we estimate that it will come into operation in 2012. In this way, the Hydric Decontamination of the Santiago Basin Plan will conclude with a total estimated cost of USD 870 million.

This plan is currently very close to reaching the target of decontaminating 100% of the wastewater from the Metropolitan Region of Santiago. Since the year 2000 Aguas Andinas has maintained a constant investment strategy that has allowed it to advance progressively in increasing treatment from 3% in 1999 to 86% in 2010.



# SUSTAINABLE DEVELOPMENT

# SUSTAINABLE DEVELOPMENT

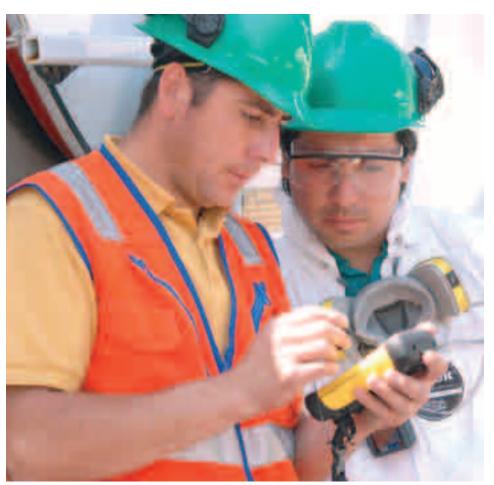
### **HUMAN RESOURCES**

### **DEVELOPING PEOPLE**

With the purpose of counting on information in order to improve internal talent, in 2010 we created a comprehensive model for developing people, which was put to work in various activities. One of them was to define an annual training plan for each area in the Company, preparing the first catalog of training courses. In addition, we boosted the structure of positions, updating job descriptions and related abilities and we implemented methodological improvements to the performance control model, which strengthened the role of heads and direct supervisors.

Along these lines, we initiated a plan for developing leadership skills for heads and submanagers. In terms of training, we would highlight that we carried out the first version of the Diploma in Treatment, which took place jointly with the Universidad Católica de Chile.

During the year, the entire training activities permitted the employees from different areas of the Aguas Group to undergo 45 thousand hours of training.



### **COLLECTIVE NEGOTIATIONS**

Year 2010 was marked by the process and agreement of the collective negotiations, which will rule over Aguas Group's labor relations for the next 4 years.

In the month of March, we carried out the first negotiations of the non-regulated subsidiaries, which corresponded to Anam. The universe of members of the only union amounted to 88 people.

For Aguas Andinas, the negotiations with the unions started in the month of June. On behalf of Unions 1 and 2, 461 members were involved in the negotiations, 46% of the total head count of the sanitation company, whilst on the part of the University Graduates and Technicians Union, 310 members, 31% of the total staff, participated in the negotiations.

In Aguas Cordillera, the period for the collective negotiations with Unions 1 and 2 was initiated in October and with the Workers and Supervisors Union, in the month of November. On behalf of Union 1, 32 members, equivalent to 20% of the total head count of Aguas Cordillera and Aguas Manquehue, took part in the negotiations; on behalf of Union 2, 66 members, equivalent to 40% of the total head count, participated in the negotiations; and for the Workers and Supervisors, 51 members were involved, equivalent to 31% of the head ount. All this involved 149 negotiators spread over 3 tables, representing 92% of the head-count of this sanitation subsidiary.

In the case of ESSAL, negotiations commenced with its two unions in the month of November. Just as in the previous processes, Unions 1 and 2 negotiated jointly, with 258 members representing 87% of the total staff.

These negotiations took place in accordance with the current labor legislation, complying with all the stages, presentations, proceedings and dates required.

### BENEFITS AND QUALITY OF LIFE

A highly notable milestone within the organization structure in 2010 was the creation of the Corporate Benefits and Quality of Life area. Its purpose is to efficiently centralize the management of the collection of benefits that exist for the Company's employees and to incorporate practices to reconcile work with family life.

In this context, a key element was the subscription to the "Iguala" program sponsored by Sernam, the National Woman's Service, for the purpose of applying good labor practices with equal rights for men and women. In order to achieve this objective, we established a tripartite committee to implement the program comprised of representatives from across the entire organization.

### IN AID OF THE VICTIMS

Aguas Andinas reacted rapidly, and promptly got organized to go in aid of our workers who were seriously affected by the earthquake in February 2010. In fact, on March 1, only two days after the disaster, we set up an Emergency Committee comprising members from Human Resources, Risk Prevention and union leaders.

With this, we were able to grant legal support, help in moving and/or relocating those workers whose homes had been destroyed or were at risk. Furthermore, during the first weeks following the crisis, the Company sent provisions and essential items to the workers or their families that were isolated in zones close to the epicenter of the earthquake, such as Concepción, Talcahuano, Arauco, Constitución, Coronel, Chiguayante, Cauquenes, Talca and San Javier.

At the same time, we carried out an internal campaign called "Bit by Bit", with the purpose of cooperating with the workers that suffered the destruction or severe damage to their homes. The campaign collected 18 million Chilean Pesos.

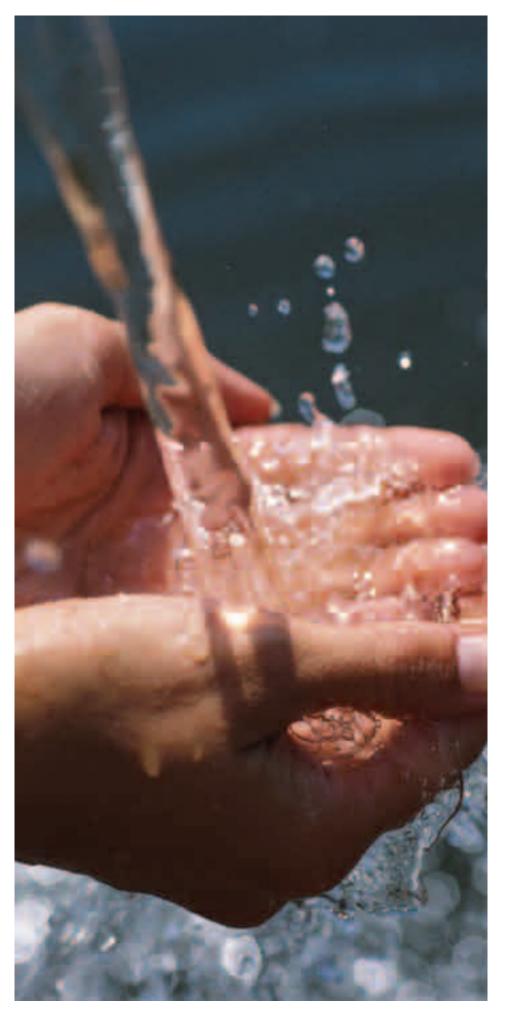
### STAFF COMPLEMENT

As of December 31, 2010 the staff complement of the Aguas Group was 1,926 employees, 6.9% more than the figure for 2009.

# **Staff complement 2010**

TYPE OF STAFF	AGUAS ANDINAS	AGUAS CORDILLERA*	AGUAS MANQUEHUE*	ESSAL	Others	TOTAL GENERAL
Managers and principal executives	48	1	1	5	6	61
University graduates and technicians	622	81	11	127	199	1,040
Workers	338	58	11	164	254	825
Total general	1,008	140	23	296	459	1,926

\* Executive considered to be in Aguas Andinas.





# SUSTAINABLE DEVELOPMENT

### **COMMUNITY**

### **GOOD NEIGHBOR POLICY**

Initiated in 2005, the Good Neighbor Policy seeks to establish a channel of direct communications between Aguas Andinas and the residents close to its sewage treatment plants. As part of this plan, in 2010 we continued with the work done by the Work Tables, opportunities for communication and dialogue to listen to the opinions and concerns of the neighbors of the plants.

During the year we held Work Tables in the municipal communes of Pudahuel, Maipú, Til Til and Padre Hurtado comprised of members of the neighbors' associations, municipal authorities and the Casa de la Paz and Corporación para el Desarrollo Sustentable organizations, together with staff from Aguas Andinas. In each one of these, analyses were made of the impact of the Company's installations, mutual responsibilities were defined and plans for collaboration were drawn up.

### FONDO "SUEÑOS DE BARRIO"

Por quinto año consecutivo, Aguas Andinas realizó el fondo concursable "Sueños de Barrio", el cual entrega aportes financieros a proyectos de desarrollo comunitario a organizaciones cercanas a la Planta de Tratamiento de Aguas Servidas La Farfana.

El objetivo de este fondo es convertirse en una ayuda concreta y real para mejorar la calidad de vida de los vecinos, fortalecer la participación ciudadana en la gestión ambiental de la localidad y promover acciones para preservar el medio ambiente.

Durante 2010 se presentaron 30 proyectos, de los cuales se seleccionaron 14 de la comuna de Pudahuel y 4 de Maipú, pertenecientes a juntas de vecinos, organizaciones femeninas, deportivas, juveniles y culturales.

Asimismo, durante el periodo se establecieron dos fondos sociales, uno para la comuna de Padre Hurtado y otro para Til Til.

### PADRE HURTADO

Aguas Andinas participated and cooperated in the process of electing and the execution of the 2010 Participatory Budget Program, which took place in Padre Hurtado. With this, we also complied with the provisions of Point 7.3.11 of Exempt Resolution N° 266 issued by the Environmental Qualification Department of COREMA Metropolitana (the Metropolitan Region Environmental Authority), dated April 1, 2009.

- Projects assigned: 18
- Total amount assigned: CLP 52,578,000

### TIL TIL

In order to comply with the compensation measures established in point 10.21 of the Resolution on Environmental Qualification of the "El Rutal Comprehensive Biosolids Treatment Center", we made a commitment of a Social Development Project for the municipal commune of Til-Til in coordination with the Municipality.

Through these three funds, the Company favored 60 organizations, providing over CLP 152 million for executing their projects

### "AGUAS ANDINAS IN MY NEIGHBORHOOD"

Since its inception, the "Aguas Andinas in my neighborhood" program has benefited more than 60,000 families corresponding to low-income housing estates. The idea of this plan is to promote a proper conduct in the use of the service, facilitate the solution of problems in their installations and in the payment of their bills, together with helping with their access to state subsidies, in a joint effort between the Municipalities and the community. With it, Aguas Andinas seeks to support those clients in order that they can receive a continuous and sustainable supply.

During the year, the program benefited 16 thousand families through diagnoses of their installations, cleaning their interior sewerage pipes, rescheduling their debts, help with arranging their subsidies, workshops on the correct usage of the installations and recreational educational activities for children.

### **MORE SOLIDARITY**

Given the extent of the human and material losses in the country caused by the earthquake, the Company chose to be part of the aid to the national reconstruction and made a strong commitment to the "Chile helps Chile" campaign, a total donation of CLP 210 million Chilean Pesos. Of this amount, 60 million were donated by the controlling company, Agbar, and 150 million directly by Aguas Andinas. To this figure should be added over 200 million Chilean Pesos invested in work to support the rural potable water systems in the Metropolitan Region.

In addition to the donations in cash, the staff created a campaign of help in the field, gathering some 240 volunteers between personnel from the Aguas Group and their families and friends.

# SUSTAINABLE DEVELOPMENT

### **ENVIRONMENT**

### **CLEAN URBAN MAPOCHO**

Having become a bicentennial project and an environmental milestone of Santiago and the country, on January 31, 2010 the Clean Urban Mapocho came into operation. On that day, we initiated the functioning of the large 25-kilometer long collector interceptor, which permitted the elimination of 21 discharges of sewage that existed in the river between the municipal communes of Las Condes and Pudahuel.

This significant work, which changed the capital's look by decontaminating the waters of its main river, was inaugurated on March 30 by the President of the Republic, Sebastian Piñera, during a ceremony attended by important authorities and senior representatives of Aguas Andinas.

Furthermore, with its start up, we achieved a coverage of 86% of the treatment of the sewage produced in the Metropolitan Region.

The total investment in the project amounted to USD 115 million, which includes contracts for the construction, design, inspection, consultancy and the acquisitions of land.

The Clean Urban Mapocho brings great benefits to the city of Santiago. Amongst these are:

- Better of quality of the river's water.
- Elimination of unpleasant smells along its riverbed.
- Decontamination of the La Punta, La Pólvora and Casas de Pudahuel irrigation canals.
- Recovery of the riverside areas for the city's inhabitants.
- Return to Chile's capital a clean and decontaminated river.

### MAPOCHO PLANT

During the year, we commenced the construction of the third large sewage treatment plant in Santiago called the Mapocho Plant which lies on a plot of land next to the El Trebal Plant. This installation, which is due to come on stream at the beginning of 2012, will have a treatment capacity of 2.2 m3 per second. It includes very advanced technology such as thermal hydrolysis, which will permit a lower production of biosolids and with less humidity, achieving a lower cost of their transport and final disposal. Also, it will produce electricity through cogeneration, which will result in a significant reduction in its operating costs.

The future Mapocho Sewage Treatment Plant, jointly with the Farfana-Trebal Interceptor, implies an investment of approximately USD 260 million and is a demonstration of the commitment by Aguas Andinas to decontaminate 100% of the sewage generated in the Santiago Basin in order to protect the environment and the future of next generations.

### EL RUTAL PLATFORM

As part of the closure of the Hydric Decontamination of the Santiago Basin Plan, there is the construction of the future El Rutal Comprehensive Biosolids Treatment Center. This installation, which will be located on a 1,800-hectare plot of land 50 kilometers north of the capital, contemplates an investment of approximately USD 16 million.

The biosolids generated in the Company's sewage treatment plants will be stored in this platform in order to utilize them in their various beneficial applications.

### BENEFICIAL USE OF BIOSOLIDS

At the end of 2009, the Regulation on the Handling of Sludge generated by the Aguas Andinas Sewage Treatment Plants was enacted. This, together with a collection of Resolutions on Environmental Qualifications, permitted Aguas Andinas, in 2010, to boost the agricultural use of biosolids, mainly in extensive cultivations such as corn, wheat and meadows in a responsible, controlled and informed manner.

Due to this, during the year we utilized 60,000 tons of digested and spun biosolids from the La Farfana Sewage Treatment Plant with optimum results, which validates its sustainable and beneficial use on soil versus the alternative of final disposal that exists in the Metropolitan Region (such as sanitary landfills and monofills). In this way, Aguas Andinas increased the value of 37% of the biosolids generated in La Farfana, a figure the Company hopes to raise in order to reduce the environmental liabilities over time, improve and recover soil for the ecosystem, diminish the flows of lixivated nitrogen to the aquifers together with the savings on nutrients and organic matter for the farmers.

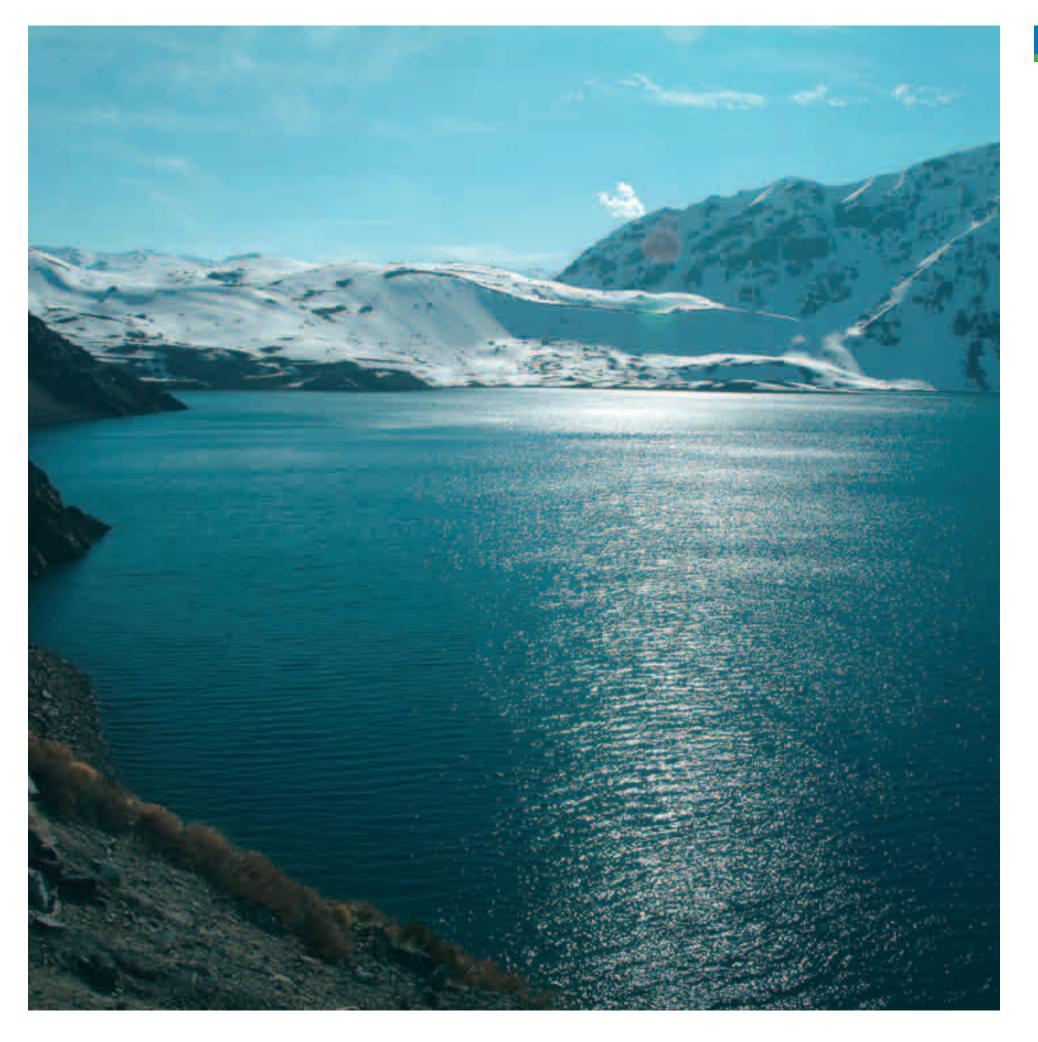
This overall view the Company is taking is consistent with the experience acquired on an international level over the past 30 years in the United States and the European Union, which points at strengthening the alternative agricultural use of biosolids as a fertilizer, utilizing beneficially around 60% of the sludge generated by its sewage treatment plants.

### ACTION IN VIEW OF THE CLIMATE CHANGE

Conscious of the global warming phenomenon, Aguas Andinas, within its "Strategy to Face the Climate Change", considered that it was important to calculate the Aguas Group's "carbon path", which corresponds to the quality of greenhouse gas effects (GGE), expressed in units of CO2 equivalent, emitted during the life cycle of a product or service.

In order to calculate the path, we utilized CAFCA, a tool developed by the Water Technological Center of Agbar, specifically for the sanitation sector. This tool permits us to record the emissions from the production, transport and distribution processes, as well as the emissions in the non-operating installations. The value obtained reached a total emission of 172,000 ton CO2 eq/year.

Based on this figure, the future challenge for the Company is to establish targets with respect to the level of emissions and to boost plans such as the La Farfana Biogas Project, Cogeneration in the Mapocho Plant and the El Rutal Biosolids Center.



# NON-REGULATED COMPANIES



# NON-REGULATED COMPANIES

### **ANÁLISIS AMBIENTALES (ANAM)**

A laboratory involved in taking samples and analyzing water, sludge and soil, certified under local requirements and the demands of the Agbar Group's network of laboratories.

In 2010, this subsidiary of Aguas Andinas created two new business areas: Control of Odors and a Mobile Laboratory. The first of these is in response to the growing concerns of the Chilean industry with respect to odors generated by its production units and solid and liquid wastes. For this, Anam offers services on monitoring and gauging odors at the source of the emission, gauging odorous gases in the environment and the implementation of sensorial panels.

The Mobile Laboratory permits the company to perform in situ analyses of water and sludge, services that are in high demand and especially valued by the paper, cellulose and mining sectors with production activities generally far from Santiago and often in remote areas.

### **ECORILES**

Provides consultancy and management services to various industries in the country, operating the processes and resolving environmental problems associated with liquid or solid industrial waste.

During the year, the company consolidated its position as the principal operator of industrial effluents, already with 40 operations in Chile, between the cities of Arica and Osorno. During 2010, in particular, the company entered the paper market and is currently operating the industrial wastes plants for the following companies belonging to the CMPC Group: CMPC Cordillera (Metropolitan Region), CMPC Maule (Talca, VII Region), CMPC Inforsa (Nacimiento, VIII Region) and CMPC Valdivia (XIV Region). This permitted EcoRiles to achieve a 30% overall growth in revenues.



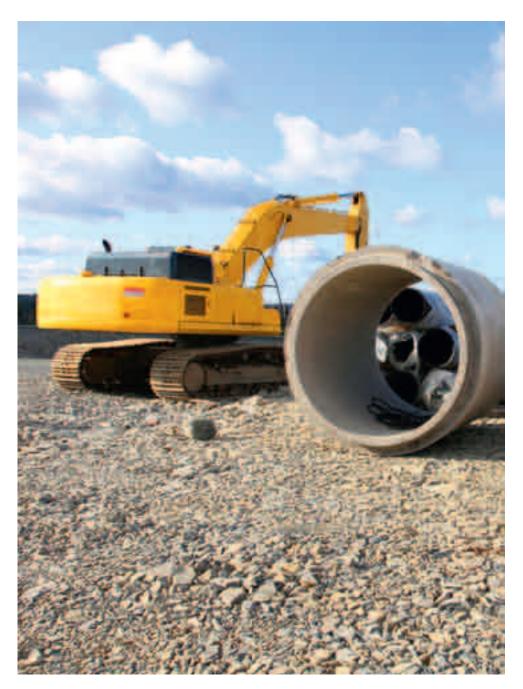
# **GESTIÓN Y SERVICIOS**

This company offers services related to the maintenance and renovation of water networks, developing energy projects and the sale of technological know-how and materials for the sanitation industry.

During 2010, Gestión y Servicios strengthened two construction business lines: The Renovation of Networks and the Adjudication of Maintenance Contracts.

In the former, the company was adjudicated contracts for USD 5 million under mixed construction modes totalling an accumulated figure of USD 8 million. We should point out that in 2010, unlike in previous years, the management of the works and principal field tasks were performed with its own resources and only a small part of the works were subcontracted. This enabled the company to have a better management and control of the business.

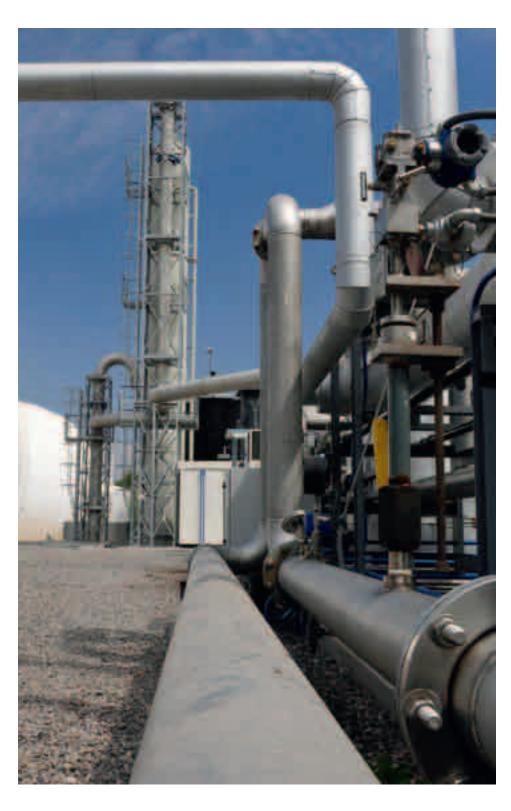
In the Adjudication of Service and Maintenance Contracts line, the company began the execution of two contracts, which permitted the company to have a more stable growth of this business line. One of these is the maintenance of the Las Condes Municipality's rainwater networks and the other is the mechanical maintenance of Aguas Andinas' Jet trucks and combined cycle. These contract, plus a series of private services in the industrial sector, permitted the company to reach a level of invoicing of nearly USD 600,000 in 2010.



# FINANCIAL INFORMATION



# FINANCIAL INFORMATION



Year 2010 was characterized by the series of important investment and financing operations carried out, which permitted us to successfully take advantage of the opportunities that arose in the market.

One of these was the successful bond issue, applying the funds raised to financing the investments made by the Company. On this opportunity, the issue was carried out in two series: The K Series Bonds for UF 1,000,000 (The UF – Unidad de Fomento is a non-paper, inflation proof Chilean currency) with a term of 6.5 years and a spread of 68 basis points; and the M Series Bonds for UF 1,750,000 with a term of 21 years and a spread of 43 basis points. The latter series stood out as the bond issue with the lowest spread in history amongst all the corporate unsecured bond issues in the local market, a reflection of the financial strength of Aguas Andinas and its leadership in the sanitation market.

Furthermore, in the month of September, the Company pre-paid debts worth over CLP 22,000 million with financial institutions. This combination of sources of finance permitted us to cover the investment plans committed by the Company and, at the same time, to reduce our financial costs.

This responsible financial management, together with the industry's low operating risks, ratified the rating of AA+ granted to Aguas Andinas by rating companies, Feller Rate and ICR, one of the best categories assigned to a private company in Chile.

# **RISK FACTORS**

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

# **OPERATING RISKS**

## **NEW INVESTMENTS**

In order to comply with the development plans committed before the Superintendence of Sanitation Services (SSS), Aguas Andinas has to carry out an important development plan, which involves a significant effort in terms of financial, administrative and technical resources.

This risk is mitigated by the fact that tariffs include new investments, which guarantees a minimum return. Furthermore, the experience on the part of the controlling group ensures the know-how and experience required to carry out these investment plans in an efficient manner.

# REGULATED MARKET

The sanitation services industry is regulated by the Chilean State in view of the fact that it is a monopoly, which could expose it to changes in established norms.

The current legal framework in the country regulates the operation of concessions as well as the tariffs charged to the clients. Although the mechanism used for setting tariffs every 5 years was created utilizing technical criteria, differences could arise from studies submitted by the Company to the SSS. If no agreement is reached, these differences are resolved by a committee of experts comprised of representatives of each one of the parties.

In 2009 we concluded the process of negotiation of the tariffs for Aguas Andinas, Aguas Cordillera and Aguas Manquehue for the 2010-2015 period. The tariff decrees were published in 2010 and the new tariffs came into force during that year. Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL) initiated its process of setting tariffs during 2010

The current tariff period will run through to February 2015 for Aguas Andinas, May 2015 for Aguas Manquehue, June 2015 for Aguas Cordillera and September 2011 for ESSAL.

# **CLIMATIC CONDITIONS**

The climatic conditions reigning in the hydrographic basins determine, to a large extent, the quantity, quality and continuity of the raw water available for the process of abstraction and production of potable water. Consequently, variables such as meteorological precipitations (snow, hail, rain, mist), temperature, humidity, sediment dragged, volume of flows in rivers and cloudiness, can affect the supply of sanitation services.

Aguas Andinas currently possesses sufficient water rights to ensure an adequate production of potable water, even in adverse climatic situations. Furthermore, the company has the technical and human capabilities necessary for overcoming critical situations.

### CLIENTS

The company serves 1,908,816 potable water clients located in its areas under concession in the Metropolitan, De Los Lagos and De Los Ríos Regions that have as their supplier Aguas Andinas and its subsidiaries.

The company's 100 most important clients represent only 8.4% of total sales for the year 2010.

# FINANCIAL RISKS

# **EXCHANGE RISKS**

Aguas Andinas' revenues are linked to the inflation reflected by the Chilean economy. Thus, a large part of the debt is expressed in Unidades de Fomento (UF). Furthermore, the company's borrowings in foreign currency are hedged with forward contracts.

# INTEREST RATE RISKS

As of December 31, 2010 Aguas Andinas had 81% of its debt at a fixed interest rate (comprised approximately of 83% in short and long-term bonds and 17% in reimbursable financial contributions). The other 19% is fixed at a variable interest rate and corresponds to credits from local banks.

# FINANCIAL INFORMATION

# **INVESTMENT AND FINANCING POLICIES**

# **INVESTMENTS**

Of the investments made by Aguas Andinas in 2010, 57,88% corresponded to works on expansion, for the purpose of complying with the long-term development plan committed to by the Company. The other funds were invested mainly in replacing operating assets.

## **FINANCING**

In the month of May, the company launched a bond issue on the local market. The issue was carried out in two series: the K Series Bonds for UF 1,000,000 with a term of 6.5 years, with a 1.5 year grace period on the amortization of the capital, at a rate of 2.9% and a spread of 68 basis points; and the M Series Bonds for UF 1,750,000 with a term of 21 years, bullet payment of capital, at a rate of 4.08% and a spread of 43 basis points.

This combination of instruments meant that as of the close of the year, the real average rate applied to financing fell from xx% in 2009 to xx% in 2010.

# **DIVIDEND POLICY**

At the twentieth Ordinary Meeting of Shareholders, the members agreed to a dividend policy consisting of the distribution of 100% of the net earnings, with 30% corresponding to the net earnings for the year as an obligatory dividend and the other 70% as an additional dividend.

This policy shall remain in force whilst the current level of capitalization of the company is maintained and continues to be compatible with the policies on investments and financing determined for each year.

# Dividends paid per share

CLP per share	2006	2007	2008	2009	2010
Book value	63.9	70.73	77.77	100.77	99.3
Return	13.83	15.86	17.83	20.11	16.97
Dividends paid	13.526 (1)	14.1528 <sup>(2)</sup>	16.224 (3)	17.73768 (4)	19.49 (5)

# Distributable net earnings

CLPM

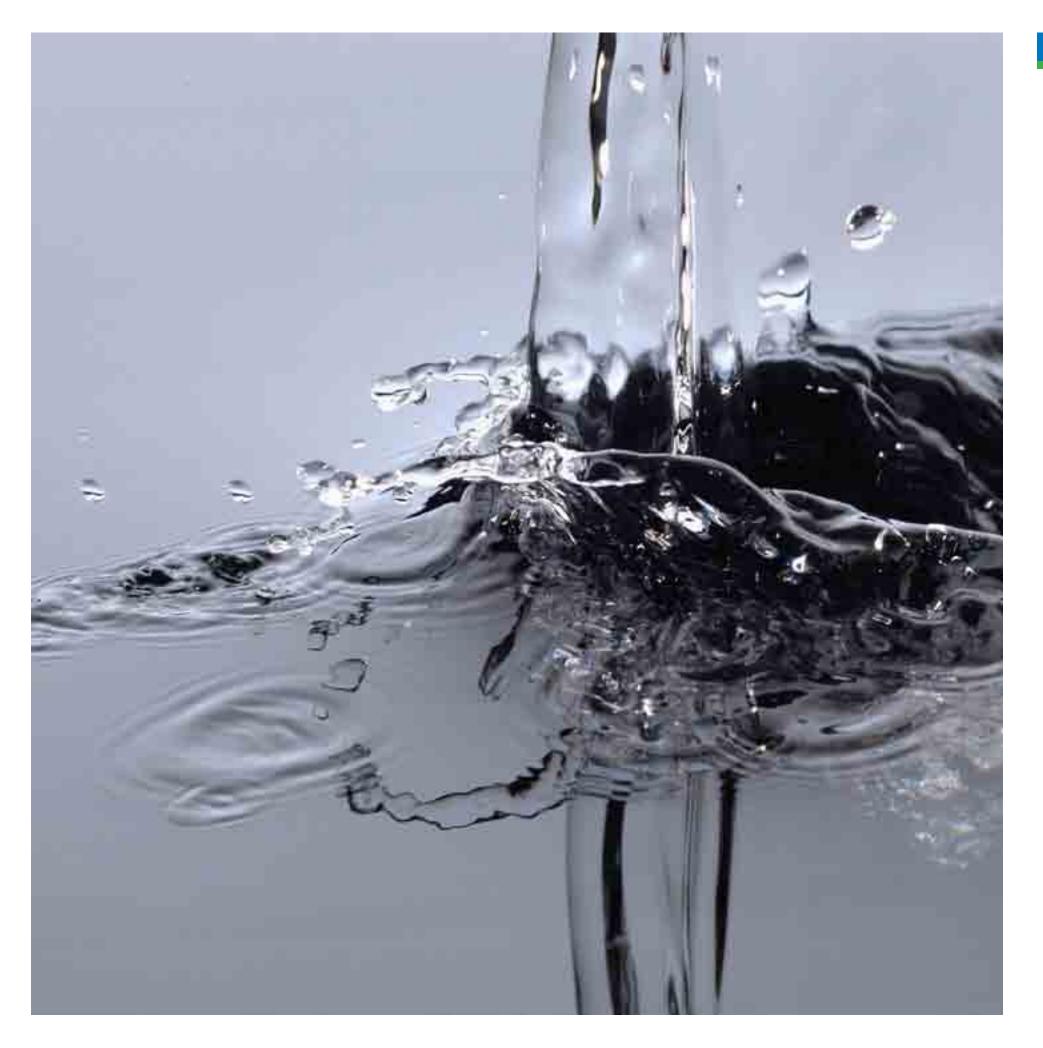
Net earnings for the year 2010	103,849,578
Reserve for future dividend payments	49
Interim dividends on account of net earnings for 2010	( 33,126,854)
Remaining distributable net earnings	70,722,773
Dividends paid as a % of the distributable net earnings	31.90%

(1) Includes two items: a dividend of CLP 9.25 per share, paid on May 22, 2007; and an interim dividend of CLP 4.9028 per share, on account of the net earnings of 2007, paid on October 24, 2007.

<sup>(2)</sup> Includes two items: a dividend of CLP 10.9224 per share, paid on May 20, 2008; and an interim dividend of CLP 5.30 per share, on account of the net earnings of 2008, paid on October 24, 2008.

(3) Includes two items: a dividend of CLP 12.43768 per share, paid on June 22, 2009; and an interim dividend for CLP 5.30 per share, on account of the net earnings of 2009, paid on November 29, 2009.

(4) Includes two items: a dividend of CLP 14.80945 per share, paid on May 17, 2010; and an interim dividend of CLP 5.4138 per share, on account of the net earnings of 2010, paid on November 22, 2010.



# FINANCIAL INFORMATION



# **SHARE STRUCTURE**

The registered capital of Aguas Andinas is divided into 6,118,965,160 shares, fully subscribed and paid in. As of December 31, 2010, 65% corresponded to the "A" Series, equivalent to 3,976,260,060 shares; and 35% corresponded to the "B" Series, equivalent to 2,142,705,100 shares.

Placed on record is the fact that it is necessary to bear in mind the preference of the B Series indicated in Article 5 of the Company's statutes, consisting in the special quorum required at the Extraordinary Meeting of Shareholders in order to take decisions on acts and contracts related to Aguas Andinas' rights to the use of waters and sanitation concessions.

Aguas Andinas' statutes are available to those interested on the Company's Web Page (www.aguasandinas.cl).

# SHARES TRADED BY MAJORITY SHAREHOLDERS AND RELATED PARTIES

No transactions of this type took place during the year 2010.

TRANSACTIONS ON THE SECONDARY MARKET



# **Santiago Stock Market**

2009	AVERAGE PRICE (CLP)	UNITS	AMOUNT (CLP)
Total 1st Quarter	190.63	11,072,533	2,110,798,127
Total 2 <sup>nd</sup> Quarter	215.03	75,014,964	16,130,478,608
Total 3 <sup>rd</sup> Quarter	216.66	26,989,092	5,847,331,584
Total 4 <sup>th</sup> Quarter	216.11	17,624,888	3,808,845,842
YEAR 2009	213.44	130,701,477	27,897,454,161
2010	PRECIO PROMEDIO (\$)	UNIDADES	MONTO (\$)
Total 1st Quarter	223.58	31,514,392	7,045,921,273
Total 2 <sup>nd</sup> Quarter	229.99	22,771,749	5,237,263,627
Total 3 <sup>rd</sup> Quarter	236.38	23,425,099	5,537,127,511
Total 4 <sup>th</sup> Quarter	243.71	101,303,919	24,688,336,984
YEAR 2010	237.46	179,015,159	42,508,649,395

# **Brokers Market – Stock Market**

# **Electronic Stock Market**

2009	AVERAGE PRICE (CLP)	UNITS	AMOUNT (CLP)
Total 1 <sup>st</sup> Quarter	189.28	30,681	5,807,191
Total 2 <sup>nd</sup> Quarter	223.52	223,800	50,024,197
Total 3 <sup>rd</sup> Quarter	214.92	517,984	111,322,771
Total 4 <sup>th</sup> Quarter	216.98	155,771	33,798,600
AÑO 2009	216.49	928,236	200,952,759
2010	AVERAGE PRICE (CLP)	UNITS	AMOUNT (CLP)
Total 1st Quarter	227.417	222,525	50,605,966
Total 2 <sup>nd</sup> Quarter	235.736	169,709	40,006,554
Total 3 <sup>rd</sup> Quarter	238.716	447,114	106,733,348
Total 4 <sup>th</sup> Quarter	243.408	471,794	114,838,540
AÑO 2010	236.352	1,311,142	312,184,408

2009	AVERAGE PRICE (CLP)	UNITS	AMOUNT (CLP)
Total 1st Quarter	182.12	1,475,906	268,790,606
Total 2 <sup>nd</sup> Quarter	217.44	1,065,867	231,763,348
Total 3 <sup>rd</sup> Quarter	214.46	124,793	26,763,125
Total 4 <sup>th</sup> Quarter	215.88	239,407	51,684,120
AÑO 2009	199.25	2,905,973	579,001,199
2010	AVERAGE PRICE (CLP)	UNITS	AMOUNT (CLP)
Total 1 <sup>st</sup> Quarter	219.94	299,213	65,809,922
Total 2 <sup>nd</sup> Quarter	231.17	516,326	119,360,142
Total 3 <sup>rd</sup> Quarter	233.37	307,083	71,663,321
Total 4 <sup>th</sup> Quarter	242.15	1,279,070	309,731,080

199.25

2,401,692

566,564,465



**AÑO 2010** 



# **ESSENTIAL FACTS**

1. ON MARCH 9, 2010 the Company informed the Superintendence of Securities and Insurance (SSI) that on that date, Alfredo Noman had presented his resignation from his post as Director and Chairman of the Board. As a result, the Board of Directors, with the unanimous vote of its members, proceeded to designate Joaquín Villarino as the new Chairman of the Company.

Furthermore, with the same quorum mentioned above, the Board appointed Juan Antonio Guijarro as Vice-Chairman. Guijarro had held the post of Alternate Director to Noman and replaced him following the latter's resignation.

2. ON APRIL 22, 2010 the Company informed the SSI that the Ordinary Meeting of Shareholders held on April 21 proceeded to renew the entire Board of Directors, electing the following as Directors and Alternate Directors:

DIRECTORS
Joaquín Villarino
Patricio Prieto
Arturo Vergara
Bruno Phillippi
Sergio Guzmán
Ricardo Sanhueza
Mario Puentes

# ALTERNATE DIRECTORS Diane D'Arras Antoni Siurana Salvador Villarino

Salvador Villarino Juan Antonio Guijarro Juan Antonio Figueroa Víctor Selman Andrés Rengifo

Left on record was the fact that Sergio Guzmán and his respective Alternate Director, Juan Antonio Figueroa, were elected as independent directors.

On this same date, the Company's Board of Directors held a meeting at which the members present elected Joaquin Villarino as Chairman of the Board and of the Company and Patricio Prieto as Vice-Chairman.

At the same meeting, the members decided that the following would comprise the Committee of Directors: Sergio Guzmán, Arturo Vergara and Mario Puentes.

3. ON JUNE 8, 2010 the Company informed the SSI that it had been advised on June 7, 2010 that Suez Environnement Company, S.A. (hereinafter, "Suez Environnement") had indirectly acquired 75.01% of the total shares issued by Sociedad General de Aguas de Barcelona, S.A. (hereinafter, "SGAB"). The latter – through various subsidiaries in which it holds 100% control – is the owner of 56.6% of Inversiones Aguas Metropolitanas S.A., which, in turn, owns 50.1% of Aguas Andinas S.A.

As a result of the above, as from June 7, 2010, the new controller of Aguas Andinas S.A. is Suez Environnement.

4. ON JULY 27, 2010 the Company informed the SSI that at its ordinary meeting held on that same date, the Company's Board of Directors agreed on the "General Policy on the Company's Habituality for Ordinary Operations in its Line of Business with Related Parties" (the "Policy on Habituality"), as indicated in Article 147, letter b) of Law N° 18,046 on Corporations.

According to the provisions of Article 147 of the Law on Corporations, this Policy on Habituality will permit the Company to be exempt from complying with the requirements and procedures indicated in numbers 1 to 7 of said article, to approve operations with related parties such as those indicated in the mentioned Policy on Habituality.

It was pointed out that the Policy on Habituality will be placed at the disposal of the shareholders in the Company's head office and on Aguas Andinas' Web site (www.aguasandinas.cl).

# "GENERAL POLICY ON HABITUALITY"

Letter b) of the final clause of article 147 of Law N° 18,046 on Corporations:

## 1. PURPOSE AND SCOPE OF THE POLICY ON HABITUALITY

The purpose of this Policy on Habituality is to determine the Company's habitual operations that, whilst being ordinary considering its line of business, may be carried out, executed or entered into with third parties (the "Habitual Operations"), without the need to comply with the requisites, formalities and procedures established in numbers 1 to 7 of article 147 of the Law on Corporations, provided that the purpose of such operations is intended to contribute to social interests and are similar in price, terms and conditions to those prevailing in the market at the time they are agreed.

Aguas Andinas' business lines are comprised of all activities related, directly or indirectly, to its corporate purpose, as defined in its statutes, which is to produce and distribute potable water, collect, treat and dispose of sewage and to provide services related to such activities.

# 2. POLICY ON HABITUALITY

The following are considered Habitual Operations:

1) Operations, acts and contracts with related parties involving the acquisition of goods or contracting services, provided the respective operation, act or contract has been subject to a prior public tender, complying fully with the requirements of article 67 of the Law on Sanitation Services contained in the Ministry of Public Works' Decree Law N° 382/88 and the Regulation of article 67 of the Ministry of Public Works' Supreme Decree Law 214/2005.

The purpose of these acts and contracts must be to contribute towards social interests and must be relevant and/or necessary for the achievement of the company's corporate purpose, which is, to produce and distribute potable water, collect, treat and dispose of sewage and to provide other services related to the activities within its line of business or deriving from it.

The purpose of Article 67 the Ministry of Public Works' Decree Law N° 382/88 and its Regulation is to ensure the existence of an open, egalitarian and competitive participation, with free access to all those interested in signing contracts with Aguas Andinas S.A., with conditions of openness, competitiveness and equality for all possible interested parties that must be permanent and carefully sought and complied with, in terms of assuring that the financial, economic, legal or contractual conditions required are no more demanding or onerous than those necessary for the type of operation in question, in order to be covered by these policies on habituality. Consequently, they must establish a mechanism for ensuring that the prices, terms and conditions of the contractual agreements are in accord with those prevailing in the market at the time they are approved and that they ensure the participation of possible interested parties in the most favorable economic conditions.

Just to give an example, the type of acts and contracts that may be agreed with related parties, after a public tender, as required by the law and regulation, which the related party has been adjudicated, and after the examination and report from the Committee of Directors and the approval of the Board of Directors, are:

i) Contracts signed for the supply, purchase or sale, or exchange of products, materials and consumables required for the production or distribution of potable water, collection, treatment or disposal of sewage (any nature).

ii) Contracts signed for providing services in engineering, construction, operations or maintenance of sanitation infrastructure, equipment and installations of any type and, in general, any type of contracts signed for renting services, be they professional or technical consultancy, required to be able to perform the corporate purpose.

iii) Contracts signed for acquisitions, sales, rental and commodatum agreements on machinery, equipment and goods, artifacts and implements in general, and real estate, installations and offices.

iv) Contracts signed for technical assistance, works, maintenance and operation of sanitation infrastructure, services of reading meters and distribution of invoices, marketing services, customer services, collections and sales; contracts for logistics required and related to the Company's business, and for construction and maintenance of intakes.

2) The contracts described above, but that for exceptional and duly justified reasons reported to the SSS, do not require a previous public tender, be it for reasons of force majeure or the inapplicability of article 67 of the Ministry of Public Works' Decree Law N° 382/88 to the specific case. To give an example, this refers to cases where it is urgent to contract the service, situations where no market exists for acquiring goods or contracting services, or where the service is intuitu personae or extremely personalized, etc.

3) Contracts of any nature signed with a subsidiary of Aguas Andinas S.A. in the business of providing sanitation services, notwithstanding the fact that the shareholding is below 95%.

4) Any modification to a contract that has been signed considering that it was included in the habituality policies, provided that, to do so, the legal requirements of a founded approval of at least 2/3 of the Board of Directors and the due and prompt advice to the Superintendence of Sanitation Services have been complied with, as per article 67 of the Law on Sanitation Services.

In any case, all the operations, acts and contracts considered to form part of the policy on habituality defined by the Board must be examined by the Committee of Directors and advised to the Board, applying the rules contained in point  $N^{\circ}$  3 of article 50 Bis of Law 18,046. In this case, the Committee of Directors may review the whole procedure for contracting and/or tendering, including the bidding conditions, the rating of the offers, the contractual terms, etc.

In accordance with the provisions of article 146 of Law 18,046, the Committee of Directors may, in any case and with good reason, identify as a related operation and apply the general procedure of approval of an operation with a related party, even though such an operation falls within the exceptional cases contemplated in the law.

Furthermore, the Board of Directors agrees to classify the previous agreement as an essential fact and empowers the General Manager to report it as such to the Superintendence of Securities and Insurance and the stock markets, and to place it at the disposal of the shareholders in the Company's offices and on the Company's Web site.

The specific acts and contracts approved within the bounds of the agreement on habituality policy must be reported as essential facts when they meet the conditions as such.

# 3. PUBLICIZING THE POLICY

For the purposes of complying with letter b) of the second clause of article 147 of Law  $N^{\circ}$  18,046 on Corporations, we advise that this Policy on Habituality is placed at the disposal of the shareholders in the Company's offices and will be duly published in the Company's Web page (www.aguasandinas.cl)

# 4. DURATION IN FORCE

This Policy on Habituality, approved by the Board of Directors of Aguas Andinas S.A, at its ordinary meeting N° 387 held on July 27, 2010 will come into force on that same date and will remain effective until the Board agrees to modify it. In this case, the pertinent modifications will be placed at the disposal of the Superintendence of Securities and Insurance and the requirements to publicize it, indicated in the Law on Corporations, must be met.

5. ON OCTOBER 25, 2010 the Company informed the SSI that, at its ordinary meeting held on that same date, the Company's Board of Directors agreed to distribute the sum of CLP 33,126,853,583, on account of the net earnings for the year 2010 as an interim dividend.

Consequently, the Company's interim dividend  $N^{\circ}$  51 amounted to CLP 5.4138 per share and was paid as from November 22, 2010.

6. ON NOVEMBER 25, 2010 the Company informed the SSI that on that same date, the members present at the meeting of the Board of Directors of the Company unanimously agreed to proceed to inscribe the two Bond Lines in the Securities Register of the Superintendence of Securities and Insurance. The principal characteristics of these are detailed as follows:

i) Maximum amount of each Bond Line: 4,400,000 Unidades de Fomento, which will be issued in Chilean Pesos or in Unidades de Fomento.

ii) Maturity of the Bond Lines: The maximum term of the Bond Lines will be 30 years from the date of the public deed that describes the issue, the period during which the payments of the different bond issues drawn from each Line mature.

iii) Security: They will not have any special security.

iv) Use of funds: Refinancing debts and financing investments, depending on what is established in each of the complementary deeds.

v) Other general conditions: The Bonds may be placed on the market, in general, dematerialized, to bearer, not convertible to shares in the Company and will be payable in Chilean Pesos.

Left expressly on record is the fact that, notwithstanding the total amounts of the bond lines referred to above, bonds may only be placed, or existing issued bonds held, for a maximum value of 4,400,000 Unidades de Fomento, considering jointly the bonds issued and the existing issued bonds drawn from the lines described.

Furthermore, the Board agreed with the same quorum mentioned, amongst other pertinent agreements, to empower its executives to carry out the issue and placement of the bonds, charged to the said lines, in the terms established at the time.

**BOARD OF DIRECTORS** AND SENIOR MANAGEMENT

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT

# **DIRECTORS' REMUNERATIONS**

In accordance with Law No. 18,046, the Ordinary General Meeting of Shareholders held on April 21, 2010 approved the remunerations for the Board of Directors, the Committee of Directors and their budgets for expenses for the year 2010.

The remuneration for the Board Members is divided into two types: one monthly fixed remuneration of UF 100 for the Chairman, UF 75 for the Vice-Chairman and UF 70 for the directors and alternate directors; and a variable remuneration that is paid according to the attendance at each meeting, of UF 80 for the Chairman, UF 60 for the Vice-Chairman, UF 20 for the directors and UF 20 for the alternate directors, only when they replace the director.

The remuneration for the Committee of Directors is comprised of: a fixed monthly remuneration of UF 25 for each member, a variable remuneration for each meeting attended of UF 20. Furthermore, a budget for expenses of up to a total of UF 3,000 was approved.

# Remunerations of the Board of Directors (thousands of Chilean Pesos)

Directores	Position	Remun	Remuneration		Sessión	
		2010	2009	2010	2009	
Alfredo Noman Serrano	Chairman	4,179	25,184	3,343	20,147	
Joaquín Villarino Herrera	Chairman	24,385	18,888	19,508	15,110	
Patricio Prieto Sánchez	Vice-Chairman	13,312	0	10,650	0	
Arturo Vergara Del Rio	Director	18,222	16,363	4,238	5,884	
Mónica Singer González	Director	5,376	16,363	1,256	6,303	
Jaime Arellano Quintana	Director	5,376	16,363	1,256	6,303	
Mario Castillo Astudillo	Alternate Director	5,376	16,363	0	0	
Jorge Bande Bruck	Alternate Director	5,376	16,363	0	0	
Antoni Siurana Zaragoza	Alternate Director	17,801	16,782	0	0	
José Vila Bassas	Director	5,376	16,363	838	5,884	
Rodrigo Azócar Hidalgo	Director	5,376	17,436	1,256	7,161	
Cristina Orellana Quezada	Alternate Director	0	4,215	0	0	
Osvaldo Andrade Lara	Alternate Director	2,925	13,198	0	0	
Bruno Philippi Irarrázabal	Director	12,425	0	3,830	0	
Sergio Guzmán Lagos	Director	12,425	0	3,830	0	
Ricardo Sanhueza Palma	Director	12,425	0	3,830	0	
Mario Puentes Lacámara	Director	12,425	0	3,830	0	
Juan Antonio Figueroa	Alternate Director	12,425	0	0	0	
Victor Sielman Biester	Alternate Director	12,425	0	0	0	
Andrés Rengifo Briceño	Alternate Director	12,425	0	0	0	
TOTALES		200,055	193,881	57,665	66,792	

Note: No expenses were incurred by the Board of Directors during the yea

# Remuneraciones del Comité de Directores (miles de pesos)

Directores	Cargo	Remuneration		
		2010	2009	
Joaquín Villarino Herrera	Chairman	3,176	10,914	
Joaquín Villarino Herrera	Vice-Chairman	0	10,914	
Mónica Singer González	Director	3,176	11,333	
Rodrigo Azócar Hidalgo	Director	3,176	11,333	
Carlos Mladinic Alonso	Director	0	0	
Arturo Vergara Del Río	Director	7,845	0	
Sergio Guzmán Lagos	Director	9,129	0	
Mario Puentes Lacámara	Director	9,129	0	
TOTALES		35,631	44,493	

Note:The activities carried out by this Committee correspond to those permitted by law. The expenses incurred as consultancies amounted to CLP 13.2 million.

# REPORT OF THE COMMITTEE OF DIRECTORS

In accordance with the provisions of Article N° 50 bis, clause N° 5, of Law 18,046 on Corporations, we report below on the activities of the Committee of Directors for the year ended on December 31, 2010, and the expenses incurred, including those of their consultants, which must be included in the Annual Report and reported on at the Ordinary Meeting of Shareholders.

Furthermore, at the end of this report we inform the Shareholders of the principal recommendations of this Committee.

# I COMPOSITION OF THE COMMITTEE

The Committee of Directors referred to in article 50 bis of Law 18,046 was comprised, during the first four months of 2010, of the following directors who are independent of the controlling interest: Mónica Singer and Rodrigo Azócar, and the Director related to the controller and Vice-Chairman of the Board of Directors of the company, Joaquín Villarino.

After it was established, following the Ordinary Meeting of Shareholders held in 2010, the Board of Directors appointed Sergio Guzmán, Mario Puentes and Arturo Vergara as members of the Committee of Directors. After the Committee was established at its meeting N° 110 on May 26, 2010, the members appointed independent director Sergio Guzmán as the Chairman of the Committee of Directors. Since it was formed, the Committee held ordinary meetings once a month to discuss matters delegated to it in Article N° 50 bis of Law 18,046.

In addition, the Committee met for extraordinary sessions whenever necessary in order to deal with matters entrusted to them by the law and the regulation.

# II PRINCIPAL ACTIVITIES DURING THE YEAR 2010

The principal activities performed by the Committee of Directors during the year ended on December 31, 2010 were:

II.A En el primer cuatrimestre del año 2010, el Comité integrado por los Directores independientes del controlador doña Mónica Singer González y don Rodrigo Azócar Hidalgo; y por el Director vinculado al controlador y Vicepresidente del Directorio de la sociedad, don Joaquín Villarino Herrera, realizó, en base a lo consignado en las respectivas actas, las siguientes labores y recomendaciones y adoptó los siguientes acuerdos:

II.A During the first four months of 2010, the Committee comprised of the following directors who are independent of the controlling interest, Mónica Singer and Rodrigo Azócar, and the Director related to the controller and Vice-Chairman of the Board of Directors of the company, Joaquín Villarino, and on the basis of the reports in the respective minutes, carried out the following tasks, submitted the following recommendations and reached the following agreements:

- 1. Approved of the annual report of the activities and expenses of the Committee of Directors for the year 2009.
- 2. Reviewed, during January 2010, the progress on the closure of the Balance Sheet and Financial Statements and their audit as of December 31, 2009, including the entire process of implementing the IFRS system and the revaluation of assets and the accounting policies and criteria to be applied under the new norms.
- 3. Examined the reports of the independent auditors, the balance sheet and other Financial Statements of Aguas Andinas S.A. corresponding to the year ended on December 31, 2009, presented in March 2010 by the management of the Company to the Committee and commented on them prior to their submission to the shareholders for their approval at the Ordinary Meeting of Shareholders.
- 4. Proposal to the Board of the candidates for independent auditors and the private risk rating agencies for the Company to be suggested at the Ordinary Meeting of Shareholders.

During 2009, Aguas Andinas S.A. sought consultancy services from Deloitte on the process of transition and implementation of the Financial Statements to comply with the IFRS norms, which included the revaluation of assets and the preparation of accounting policies and criteria under the new rules. As has been the custom, the principal partner in charge of the audit of the Company's Financial Statements changed during the year 2009. Considering the above, the Committee of Directors proposed that these independent auditors be proposed to the Ordinary Meeting of Shareholders for the review of the Financial Statements for the year 2010.

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT

With respect to the selection of the private risk rating company to be suggested at the Ordinary Meeting of Shareholders for the year 2010 for classifying shares and bonds issued by the Company, the Committee proposed continuing with the current risk raters, which are ICR and Feller Rate, in view of their satisfactory work with the Company.

II. B Following the Ordinary Meeting of Shareholders held in 2010, the Board of Directors appointed Sergio Guzmán, Mario Puentes and Arturo Vergara as members of the Committee of Directors. After the Committee was established at its meeting N° 110 on May 26, 2010, the members appointed independent director Sergio Guzmán as the Chairman of the Committee of Directors.

In 2010, during the term these members were in office, the Committee carried out the following tasks, made the following recommendations and reached the following agreements:

- 1. It was agreed that a permanent task for the Committee, within the framework established in article 50 bis of Law 18,046, would be to examine the Company's Financial Statements for each quarter prior to their being submitted to the Board of Directors for their approval. For this purpose, the Company's management must send the information to the Committee with a week's anticipation, and in those cases the meeting of the Committee will be brought forward.
- 2. Examined the proposal submitted by the Company's management and its Legal Management on the general policies of habituality of operations which would be considered as ordinary for the corporate purpose and that would later be submitted to the Board for its general approval in order to exclude them from the general procedures described in clause XVI of the Law on Corporations. Nevertheless, this Committee is empowered to identify operations with related parties and apply to them the general procedures, even to those exempted under any of the conditions contained in the final clause of article 147.
- 3. Prepared and approved the annual agenda for work on the matters to be dealt with in more depth by the Committee, within the framework of its powers and duties in accordance with article 50 bis, and the functions that might be delegated by the Board of Directors.
- 4. The Committee asked the General Manager for statistics on operations with parties related to Aguas Andinas S.A. and on the habitual bidders in the tenders for goods or services most frequently acquired by Aguas Andinas S.A.
- 5. Examined the public tender for the 2010 program to renew the sewage networks. In this respect, the Committee of Directors unanimously agreed that, considering:
- a. That this Committee examined the draft of the adjudication and evaluation of the Bids and the information related to the Public Tender for the 2010 program to renew the sewage networks prepared by the Company's management and sent to the Committee.
- b. That from this information, it is clear that there was a competitive tender process, given the interest in participating shown by eight Bidders, which later resulted in a competitive offer from six different Bidders in a public tender with free access to bidders, in accordance with

article 67 of the Law and regulation on Sanitation Services. All this ensures that the best offer, the adjudication and the operation carry prices, terms and conditions, which according to information received, prevail in the market at the time of its approval.

- c. That the proposed adjudication is to the consortium comprised of Gestión y Servicios S.A. and Incap Sudamericana, which made the best financial offer in all the various tasks required by the public tender.
- d. That the purpose of this operation is to contribute to the social interests of Aguas Andinas S.A., given that it involves a program for the renewal of sewage networks, corresponding to the year 2010, programmed to meet the needs for the correct operation of Aguas Andinas S  $\Delta$
- e. That the related party participating as a counterpart in this operation is Gestión y Servicios S.A., which forms part of the bidding consortium that submitted the best financial offer and is proposed as the winning bidder. Gestión y Servicios S.A. is a subsidiary of Aguas Andinas S.A. that holds, directly or indirectly, 100% of its equity.

The Committee agreed to advise the Board of Directors that, on the basis of the information on the Public Tender for the 2010 program to renew the sewage networks provided by management, and on the basis of the offers received, the adjudication of group 1, group 2 and group 3 of the works tendered in the contract for the 2010 renewal of the sewage networks to the Incap Sudamericana - Gestión y Servicios S.A. Consortium for a total lump sum of CLP 2,310,342,862 plus VAT, would correspond to an operation with prices, terms and conditions similar to those prevailing in the market at the time of its approval and that the purpose of this operation is to contribute towards Aguas Andinas S.A.'s social interests.

- 6. Examined the private Tender for the El Yeso electricity generating plant. The Committee abstained from commenting on this specific operation as it does not correspond to a tender or an operation with a related party that Aguas Andinas S.A. would carry out directly, notwithstanding the study and analysis of same to be made by the Board of Directors of Aguas Andinas S.A. and the obligations that the Board of Gestión y Servicios S.A. must comply with, in accordance with the Law on Corporations.
- 7. The Committee reviewed and approved the Company's quarterly Financial Statements as of June 30, 2010. For this purpose, the Committee examined the Financial Statements and the Balance Sheet of Aguas Andinas S.A. as of June 30, 2010 in addition to its corresponding notes prepared by the Company's management and which will be submitted to the Board of Directors for its comments. The Committee also examined the report on the limited review as of June 30, 2010 issued by the independent auditors, Deloitte, and the report on the intermediate review as of June 30, 2010 and 2009 of Aguas Andinas S.A. and subsidiaries. On the basis of this information and its own examination, the Committee did not find any reason for making observations and the members of the Committee gave a favorable opinion on same in order that they be submitted for their review by the Board of Directors.
- 8. Reviewed the annual independent audit plan for Aguas Andinas S.A. with the Independent Auditors.

- 9. The Committee proposed and approved the inclusion in the bases of tenders on operations in which related parties are likely or have shown an interest in participating, a condition stating tacitly that all bids will be received and opened before a Notary Public.
- 10. The Committee agreed to ask management to endeavor to modify the criteria for recording in the accounts the contributions from third parties, providing their corresponding justification to the independent auditors or to the corresponding Superintendence.
- 11. Examined and approved the complementary proposals of the Committee's secretary and lawyer on the procedures, terms and forms for addressing the role of the Committee, with respect to the General Policy on Habituality approved by the Board of Directors, and approved a new Regulation for the Committee of Directors of Aguas Andinas S.A. from Article 50 bis of Law 18,046 on Corporations, modified by Law N° 20,382 of 2009, replacing the Regulation of the Committee of Directors approved in its inaugural session held on June 18, 2001.
- 12. The Committee requested and examined a comparative report from Management on the Fines imposed by the Superintendence of Sanitation Services (SSS) versus the rest of the sanitation industry in Chile.
- 13. Examination and report prepared for the Board of Directors on the convenience of contracting or not the services of the independent auditors for services that do not form part of the external audit, with respect to whether the nature of such services could generate a risk of losing independence. The Committee approved only a training course on the changes in income tax, rates and deferred and retained taxes as a result of the tax reform approved during the year 2010, at a cost of UF 98 for that service, which does not form part of its external audit services and is not a service prohibited by article 242 of Law 18,045 and, because of the nature of such services, there is no risk of loss of the independence of the auditors.
- 14. Examined the Financial Statements of Aguas Andinas S.A. as of September 30, 2010, the Ratio Analysis of these Financial Statements and the Essential Facts during the year and commented on them prior to their presentation to the Board of Directors. The Committee of Directors received and examined, in particular, the Income Statement, the Balance Sheet and the comparative variations and their explanations, requesting management to add two notes to the subsequent events following the closure, reporting on the verdict delivered on the appeal against a fine applied in respect of the La Farfana Plant and reporting on the collective negotiations. Furthermore, the Committee of Directors reviewed the correct addition of a note on the provisional payments received by Aguas Andinas S.A. as insurance indemnities for the effects or damages caused by the earthquake. Aside from this, the Committee made no further comments with respect to the Financial Statements of Aguas Andinas S.A. as of September 30, 2010, recommending their approval by the Board of Directors.
- 15. Requested, through the General Manager, that the Company's Independent Auditors present before the Committee of Directors their opinion on whether it is reasonable to bring forward the closure of the accounts in order to facilitate accounting consolidations with parent companies of Aguas Andinas.

- 16. Requested the General Manager to appear before the Committee of Directors to give its members information on Aguas Andinas' tender for laboratory services and its contract.
- 17. Examined the information prepared and supplied by management on the Public Tender for the 2011 Network Material program. From this report, it clear that there was a competitive tender process, given the interest in participating shown by 35 Bidders that acquired the conditions of the tender, and which later resulted in a competitive offer from 14 different Bidders in a public tender with free access to bidders, in accordance with article 67 of the Law and regulation on Sanitation Services. The offer could be made for different groups of materials for the network. All this ensures that the best offer, the adjudication and the operation carry prices, terms and conditions, which according to information received, prevail in the market at the time of its approval. The proposed adjudication contemplated the adjudication of the 23% of the items to the related company, Agbar Solutions Chile Ltda., which made the best financial offer in all the various items required by the public tender. The purpose of this operation is to contribute to the social interests of Aguas Andinas S.A., given that it involves a program for the renewal of the potable water meters, corresponding to the year 2011, programmed to meet the needs for the correct operation of Aguas Andinas S.A.

Considering the above, the Committee agreed to advise the Board of Directors that, on the basis of the information supplied by management on the Public Tender for the 2011 Program to Acquire Materials for the Network and considering the offers received, to adjudicate 23% of the items tendered, to the related company, Agbar Solutions Chile Ltda., which made the best financial offer in all the various items required by the public tender and that were specified in the Managements' presentation, at a total annual price of CLP 402 million, would corresponds to an operation with prices, terms and conditions similar to those prevailing in the market at the time of its approval and that the purpose of this operation is to contribute towards Aguas Andinas S.A.'s social interests.

18. The same examination was made of the proposed adjudication of the Public Tender for the 2011 Potable Water Meters program. The Committee examined the draft of the adjudication and evaluation of the Bids and the rest of the information related to the Tender prepared by the Company's Management and sent to the Committee. From this information, it is clear that there was a competitive tender process, given the interest in participating shown by 8 Bidders that acquired the conditions of the tender, and which later resulted in a competitive offer from 4 different Bidders in a public tender with free access to bidders, in accordance with article 67 of the Law and regulation on Sanitation Services. The offers could be made for different groups of meters. All this ensures that the best offer, the adjudication and the operation carry prices, terms and conditions, which, according to information received, prevail in the market at the time of its approval. The proposed adjudication contemplated adjudications of 100% of the items to the related company, Agbar Solutions Chile Ltda., which made the best financial offer in all the various items required by the public tender. The purpose of this operation is to contribute to the social interests of Aguas Andinas S.A., given that it involves a program for the renewal of the potable water meters, corresponding to the year 2011 and subsequent years, programmed to meet the needs for the correct operation of Aguas Andinas S.A.

Considering the above, the Committee agreed to advise the Board of Directors that,

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT

on the basis of the information supplied by management on the Public Tender for the 2011 Program to Acquire Potable Water Meters and considering the offers received, the adjudicattion 100% of the items tendered, to the related company, Agbar Solutions Chile Ltda., which made the best financial offer in all the various items required by the public tender and that were specified in the Managements' presentation, at a total annual price of CLP M 2,347,050, and with an expected savings of CLP M 21,812, would correspond to an operation with prices, terms and conditions similar to those prevailing in the market at the time of its approval and that the purpose of this operation is to contribute towards Aguas Andinas S.A.'s social interests.

19. Examined the Report on the Internal Control of Management issued by the Independent Auditors.

20. Requested and received the opinion of the Independent Auditors on whether it is reasonable to bring forward the closure of Aguas Andinas' accounts for their consolidation into the Financial Statements of the parent companies.

21. Requested and studied the progress made by the Independent Auditors on a change in accounting criteria for the registration of Contributions from Third Parties in the Company's Balance Sheet and Financial Statements under IFRS norms.

21. Performed a complete review of the policies on staff and the remunerations systems and compensation plans for the Company's managers, senior executives and workers, reaching the conclusion that the current policies applied to personnel and the remunerations and

compensations reported, fall within reasonable market ranges. Furthermore, the Committee was able to witness that the Company is undergoing a permanent process of improvement of its systems for evaluating staff and reviewing salaries and the compensation scheme.

# III. BUDGET AND EXPENSES INCURRED BY THE COMMITTEE OF DIRECTORS DURING THE YEAR 2010

The Ordinary Meeting of Shareholders held in April, 2010, approved an annual budget of UF 3,000 for the Committee of Directors and this was only partly utilized. The only expenses incurred by the Committee during the year 2010 were the fees paid to the legal advisor and the secretary of the Committee, amounting to CLP 1.2 million gross, per month, which were adjusted as of September 2010, making a total annual expenditure by the Committee of CLP 13,200,000, equivalent to 615 Unidades de Fomento.

# IV. RECOMMENDATIONS OF THE COMMITTEE TO THE SHAREHOLDERS

- 1. Designate Ernst & Young as the independent auditors for the year 2011.
- 2. Designate Feller Rate, associate of Standard & Poor's, and ICR as the private risk rating companies for the year 2011.

# **COMMENTS FROM THE SHAREHOLDERS**

No comments or proposals were received from the shareholders of the Company during the year.



# **MANAGERS AND SENIOR EXECUTIVES**

As of the close of the year, the list of managers and senior executives of Aguas Andinas was comprised of 48 university graduates. Total remunerations received during the year amounted to CLP 4,529 million and the indemnity for years' service was CLP 133 million.

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

Name	I.D. N°	Position	Degree
Felipe Larrain Aspillaga	6.922.002-9	General Manager	Civil Engineer
Víctor De La Barra Fuenzalida	4.778.218-K	Corporate Manager	Civil and Industrial Engineer
Camilo Larraín Sánchez	10.436.775-5	Corporate Manager	Attorney
Joaquim Martí Marques	21.176.102-4	Corporate Manager	Engineer – Roads, Canals and Ports
Josep Oriol Mas Alcázar	22.856.478-8	Corporate Manager	Civil Engineer
María Elena Sanz Ibarra	23.370.227-7	Corporate Manager	Economist
Miguel Ángel Zarza Marcos	23.444.798-k	Corporate Manager	Economist
Carlos Alarcón Araya	6.441.640-5	Manager	Construction Engineer
Víctor Salazar Villalobos	10.380.974-6	Manager	Civil and Industrial Engineer
Enrique Cruzat Torres	8.548.720-5	Manager	Civil Engineer
Ricardo Estay Caballero	6.027.966-7	Manager	Civil Engineer
Sergio Figueroa Ramírez	6.449.688-3	Manager	Construction Engineer
Luis Fuentes Contreras	6.190.810-2	Manager	Civil Engineer
Natalia Kent Geell	8.688.841-6	Manager	Civil and Industrial Engineer
Yves Lesty	14.709.240-7	Manager	Sanitation Engineer
Patricio Martínez Aguirre	9.246.593-4	Manager	Chartered Accountant
Hernán Ocariz Martín	6.613.091-6	Manager	Civil Engineer
Jorge Olivero Aliaga	10.874.987-3	Manager	Civil and Industrial Engineer
Alejandro Riquelme Hernández	10.200.262-8	Manager	Chartered Accountant
Eugenio Rodríguez Mingo	6.379.051-6	Manager	Business Administration
José Sáez Albornoz	9.447.215-6	Manager	Business Administration
Hernán Köning Besa	9.656.371-K	Manager	Civil Engineer
Pedro Soto Perretta	7.117.991-5	Manager	Civil Engineer
Sebastián Acevedo Walker	6.639.714-9	Sub-Manager	Civil Engineer

Name	I.D. N°	Position	Degree
Matías Anderson Pertuiset	10.024.290-7	Sub-Manager	Civil and Industrial Engineer
Juliete Arellano Maira	12.044.242-2	Sub-Manager	Business Administration
José Palominos Rojas	8.582.874-6	Sub-Manager	Business Administration
Andrés Duarte Pino	9.617.044-0	Sub-Manager	Civil Engineer
Víctor Dupré Silva	6.816.920-8	Sub-Manager	Civil Engineer
David Duverran Urra	6.223.665-5	Sub-Manager	Sanitation Works Engineer
Luis Faúndez Pérez	8.043.598-3	Sub-Manager	Civil Engineer
Christian Garcés Durán	8.153.554-K	Sub-Manager	Business Administration
Francisco Grau Mascayano	5.868.028-1	Sub-Manager	Civil Engineer
Francesca Guidugli Marchant	10.911.214-3	Sub-Manager	Business Administration
Carlos Jopia Palacios	10.077.119-5	Sub-Manager	Civil Engineer
Pablo Walton Lazo	10.579.432-0	Sub-Manager	Ingeniero Constructor
José Miguel Leonvendagar Hurtado	7.478.916-1	Sub-Manager	Civil Engineer Industrial
Bruno Luci Ghiardo	7.044.631-6	Sub-Manager	Construction Engineer
Adolfo Meyer Briceño	5.159.829-6	Sub-Manager	Civil and Industrial Engineer
Julio Muñoz Anrique	6.364.977-5	Sub-Manager	Civil and Construction Enginee
Patricio Norambuena Duncan	6.640.538-9	Sub-Manager	Construction Engineer
Rodrigo Reyes Cea	12.087.571-K	Sub-Manager	Chartered Accountant
Christian Reyes Miranda	10.201.064-7	Sub-Manager	Business Administration
Enrique Ruz Galvez	12.570.985-0	Sub-Manager	Civil Engineer in IT
Víctor Salazar Villalobos	10.380.974-6	Manager	Civil and Industrial Engineer
Juan Carlos Sanhueza Navarrete	8.641.413-9	Sub-Manager	Civil Engineer
Cristián Schwerter Loyola	12.343.884-1	Manager	Civil Engineer
Fernando Young Prieto	12.622.327-7	Sub-Manager	Civil Engineer

# PRINCIPAL CLIENTS AND SUPPLIERS

# PRINCIPAL CLIENTS AND SUPPLIERS

# **WATER AND SEWERAGE CLIENTS**

18 Comisaría Ñuñoa Prefectura Oriente J.Z.M.
Centro de Detención Preventiva Santiago 1
Cervecera CCU Chile Ltda.
Embotelladoras Chilenas Unidas S.A.
Gendarmería de Chile
Ilustre Municipalidad de Santiago
Industrial Ochagavía Ltda.
Pontificia Universidad Católica de Chile
Soprole S.A.
Universidad de Chile

# **SUPPLIERS**

Análisis Ambientales S.A. <sup>(2)</sup>
Chilectra S.A.
Constructora Oas Ltda.
Copergo Ltda.
Empresa Depuradora de Aguas Servidas Ltda. <sup>(1)</sup>
Empresa Depuradora de Aguas Servidas Mapocho-Trebal Ltda. <sup>(1)</sup>
Eulen Chile S.A.
Inmobiliaria y Constructora Nueva Pacífico Sur Ltda.
KDM S.A.
Obrascón Huarte Lain S.A.

# PROPERTY, EQUIPMENT AND INSURANCE

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

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

The main properties and installations owned by Aguas Andinas are: The El Yeso Reservoir, the Las Vizcachas Complex, the La Florida Potable Water Production Plant, potable water distribution and sewerage networks in all their extensions and the El Trebal and La Farfana sewage treatment installations.

<sup>(1)</sup> Company indirectly related through one of its principal shareholders

 $<sup>\</sup>ensuremath{^{\text{(2)}}}$  Subsidiary of Aguas Andinas S.A.



# STATEMENT OF LIABILITY

# STATEMENT OF LIABILITY

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

**Joaquín Villarino Herrera** R.U.T.: 9.669.100-9

Chairman

**Bruno Philippi Irarrázabal** R.U.T: 4.818.243-7

Director

**Sergio Guzmán Lagos** R.U.T.: 6.868.240-1

Director

**Mario Puentes Lacamara** RUT 4.773.810-5

Director

Patricio Prieto Sánchez

R.U.T.: 2.854.400-6 Vice-Chairman

**Arturo Vergara del Río** R.U.T: 7.524.214-K

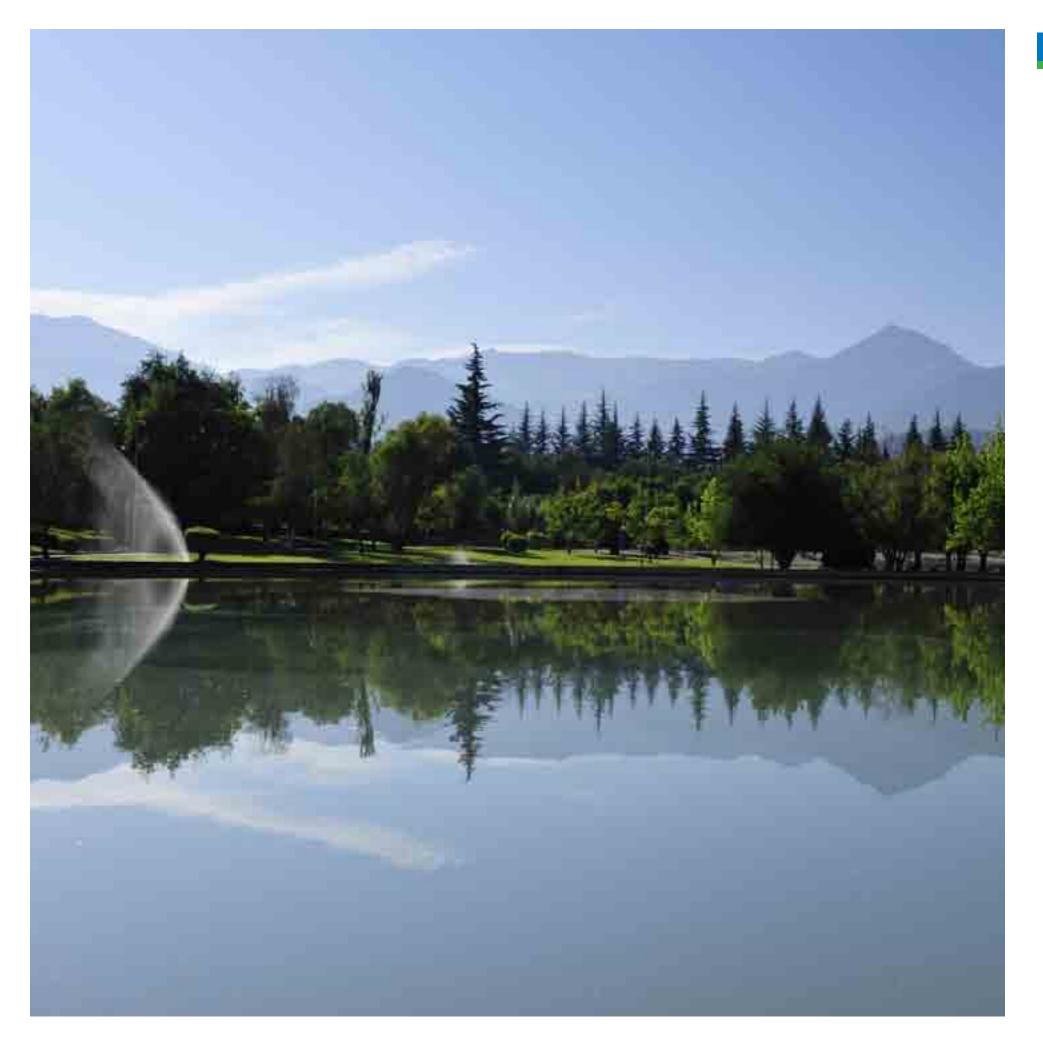
Director

Ricardo Sanhueza Palma

R.U.T. 8.296.285-9 Director

**Felipe Larrain Aspillaga** RUT 6.922.002-9

Chief Excecutive Officer



# COMPANY INFORMATION

# **COMPANY INFORMATION**

# **IDENTIFICACIÓN**

NAME:

Aguas Andinas S.A.

**ADDRESS:** 

Avenida Presidente Balmaceda N° 1398, Santiago, Chile

TAX I.D. N°:

61.808.000 - 5

TELEPHONE:

(56-2) 688 10 00

FAX:

(56-2) 496 27 77

E-MAIL:

comunicaciones@aguasandinas.cl

MANAGEMENT P.O. BOX:

1537, Santiago, Chile

**BUSINESS:** 

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

SERVICE TELEPHONE:

(56-2) 731 24 82

INSCRIPTION IN THE SECURITIES REGISTER:

No. 0346

WEB SITE:

www.aguasandinas.cl

# ISTOCK EXCHANGE INFORMATION

TRADING NAMES ON CHILEAN STOCK MARKET

Series A: "Aguas-A" Series B: "Aguas-B"

# CONTACTS FOR INFORMATION TO SHAREHOLDERS AND INVESTORS

# INFORMATION FOR SHAREHOLDERS

**CENTRAL SECURITIES DEPOSIT** 

ADDRESS:

Huérfanos 770 piso 22, Santiago, Chile

Telephone: (56-2) 393 90 03

Fax:

(56-2) 393 91 01

# INVESTOR RELATIONS

ADDRESS:

Avenida Presidente Balmaceda No. 1398, piso 3, Santiago, Chile

Telephones:

(56-2) 496 23 06 / (56-2) 496 27 32

Fax:

(56-2) 496 23 09

E-mail:

inversionistas@aguasandinas.cl

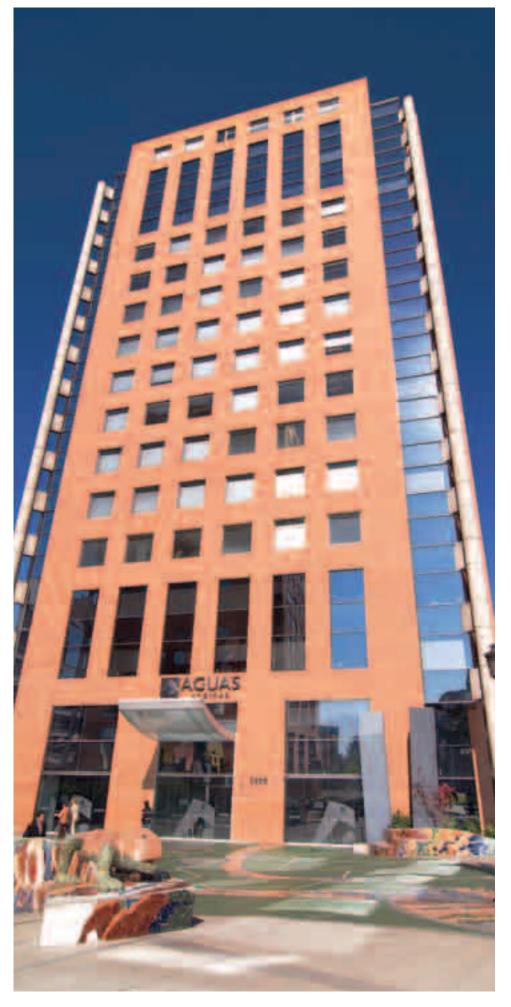
# **INCORPORATION OF THE COMPANY**

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

# **LEGAL INFORMATION**

The Company is inscribed in the Securities Register of the Superintendence of Securities and Insurance under N° 0346 as required by Law No. 18,777.

As a company in the sanitation sector, it is regulated by the Superintendence of Sanitation Services in accordance with Law  $N^{\circ}$  18,902 and Decree Laws No. 382 and No. 70, both of year 1988.



# FINANCIAL STATEMENTS

# CONSOLIDADTED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2010 and 2009

(Thousands of Chilean pesos - ThCh\$)

ASSETS	Note	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Activos Corrientes			
Cash & cash equivalents	6	6.089.962	24.996.283
Other financial assets, current	7	406.502	900.059
Other non-financial assets, current		770.747	418.580
Trade debtors & other accounts receivable, current	7	62.368.041	61.855.960
Accounts receivable from related entities	8	18.221	63.570
Inventories	9	1.883.409	1.694.961
Tax assets, current		4.170.701	1.467.090
TOTAL CURRENT ASSETS OTHER THAN ASSETS OR GROUPS OF ASSETS FOR DISPOSAL CLASSIFIED AS HELD FOR SALE OR HELD FOR DISTRIBUTION TO THE OWNERS		75.707.583	91.396.503
TOTAL CURRENT ASSETS		75.707.583	91.396.503
Non-Current Assets			
Other financial assets, non-current	7	7.238.651	17.517
Other non-financial assets, non-current		276.142	462.712
Collection rights, non-current	7	2.961.131	3.265.193
Intangible assets other than goodwill	10	218.513.009	217.800.680
Goodwill	11	36.592.577	36.592.577
Property, plant & equipment	12	1.031.875.461	1.018.308.407
Deferred tax assets	21	33.274.830	31.531.022
TOTAL NON-CURRENT ASSETS		1.330.731.801	1.307.978.108
TOTAL ASSETS		1.406.439.384	1.399.374.611

The accompanying Notes form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2010 and 2009

(Thousands of Chilean pesos - ThCh\$)

EQUITY & LIABILITIES	Note	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Current Liabilities			
Other financial liabilities, current	7	22.293.049	36.560.941
Trade creditors & other accounts payable	7	44.530.080	62.673.939
Accounts payable to related entities, current	8	20.018.775	4.993.546
Other short-term provisions	14	991.798	639.310
Fax liabilities, current		1.866	4.289.119
Provisions for employee benefites, current	18	3.607.781	3.824.586
Other non-financial liabilities, current		1.488.676	2.631.830
TOTAL CURRENT LIABILITIES OTHER THAN LIABILITIES INCLUDED N GROUPS OF ASSETS FOR DISPOSAL CLASSIFIED AS HELD FOR SALE		92.932.025	115.613.271
TOTAL CURRENT LIABILITIES		92.932.025	115.613.271
Non-Current Liabilities			
Other financial liabilities, non-current	7	549.288.012	508.405.440
Other long-term provisions	14	1.020.602	1.029.507
Deferred tax liabilities	21	74.260.083	76.579.980
Other accounts payable, non-current	7	1.192.731	1.557.754
Provisions for employee benefites, non-current	18	6.805.124	5.747.456
Other non-financial liabilities, non-current		7.309.028	495.290
TOTAL NON-CURRENT LIABILITIES		639.875.580	593.815.427
TOTAL LIABILITIES		732.807.605	709.428.698
Equity			
ssued capital		155.567.354	155.567.354
Accumulated earnings		293.922.289	309.334.336
Share premium		164.064.038	164.064.038
Other participations in equity		-5.965.555	-5.965.555
EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER		607.588.126	623.000.173
NON-CONTROLLER PARTICIPATIONS		66.043.653	66.945.740
TOTAL EQUITY	2.3	673.631.779	689.945.913
TOTAL EQUITY & LIABILITIES		1.406.439.384	1.399.374.611

The accompanying Notes form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE RESULTS

For the years ended December 31, 2010 and 2009

(Thousands of Chilean pesos - ThCh\$)

STATEMENT OF RESULTS BY NATURE	Note	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Statement of Results			
Revenues from ordinary activities, total	16	328.964.014	328.118.120
Raw materials & supplies used		-23.023.646	-27.837.125
Employee benefit expenses	18	-37.960.887	-35.350.862
Depreciation & amortization charges	10-12	-53.011.929	-50.578.521
Reversal of loss for impairment (deterioration in value) booked in the result for the period	13	-1.559.616	0
Other expenses		-63.621.781	-59.321.109
Other earnings (losses)	3	3.802.277	3.775.866
Financial income	3	4.274.666	5.116.191
inancial costs	3	-22.744.193	-22.407.783
Exchange differences	19	-23.630	41.911
Results of indexation		-10.866.290	8.730.221
ARNINGS BEFORE TAX		124.228.985	150.286.909
ncome tax charge	21	-19.276.686	-25.731.468
ARNINGS FROM CONTINUING OPERATIONS		104.952.299	124.555.441
ARNINGS		104.952.299	124.555.441
arnings attributable to:			
OWNERS OF THE CONTROLLER		103.849.578	123.047.509
Non-controller participations		1.102.721	1.507.932
ARNINGS		104.952.299	124.555.441
Basic earnings per share			
Basic earnings per share from continuing operations Ch\$		16,97	20,11
BASIC EARNINGS PER SHARE (CH\$)	22	16,97	20,11
STATEMENT OF COMPREHENSIVE RESULTS		31-12-2010 ThCh\$	31-12-2009 ThCh\$
EARNINGS		104.952.299	124.555.441
COMPREHENSIVE RESULT, TOTAL		104.952.299	124.555.441
Comprehensive result attributable to:			
DWNERS OF THE CONTROLLER		103.849.578	123.047.509
Ion-controller participations		1.102.721	1.507.932
COMPREHENSIVE RESULT, TOTAL		104.952.299	124.555.441

Las notas adjuntas forman parte integral de los estados financieros consolidados.

## CONSOLIDATED STATEMENTS OF DIRECT CASH FLOWS

For the years ended December 31, 2010 and 2009

## (Thousands of Chilean pesos - ThCh\$)

STATEMENT OF DIRECT CASH FLOWS	31-12-2010 Note ThCh\$	31-12-2009 ThCh\$
Proceeds of sale of goods & provision of services	386.941.692	393.446.002
Proceeds of premiums & provisions, annuities & other insurance benefits	3.953.665	418.058
Other proceeds of operating activities	3.848.773	4.155.603
Payments to suppliers of goods & services	-104.938.804	-104.586.276
Payment to & on behalf of employees	-38.099.654	-35.901.642
Payments of premiums and provisions, annuities & other obligations under insurance policies	-1.372.551	-1.104.112
Other operating activity payments	-38.716.454	-34.155.958
Dividends received	267.452	0
Interest paid	-14.472.547	-19.882.085
Interest received	408.004	473.883
Income taxes	-28.181.637	-23.754.535
Other cash outflows	-1.576.956	-1.058.377
NET CASH FLOW FROM OPERATING ACTIVITIES	168.060.983	178.050.561
Proceeds of sales of property, plant & equipment	628.897	4.416.715
Purchases of property, plant & equipment	-68.850.199	-86.623.815
Purchases of intangible assets	-639.231	-19.439
Other cash outflows	-1.290.543	-1.475.878
NET CASH FLOW USED IN INVESTMENT ACTIVITIES	-70.151.076	-83.702.417
Proceeds of long-term loans	68.583.714	75.370.746
Proceeds of short-term loans	2.459.434	8.573.144
TOTAL LOAN PROCEEDS	71.043.148	83.943.890
Loan repayments	-61.436.812	-44.152.739
Dividends paid	-125.874.413	-109.680.455
Other cash outflows	-548.151	-82.159
NET CASH FLOW USED IN FINANCING ACTIVITIES	-116.816.228	-69.971.463
NET INCREASE IN CASH & CASH EQUIVALENTS, BEFORE THE EFFECT OF EXCHANGE RATE CHANGES	-18.906.321	24.376.681
NET ICREASE IN CASH & CASH EQUIVALENTS	-18.906.321	24.376.681
CASH & CASH EQUIVALENTS AT START OF THE PERIOD	24.996.283	619.602
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	6 6.089.962	24.996.283

The accompanying Notes form an integral part of these consolidated financial statements.

## STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2010 and 2009

(Thousands of Chilean pesos - ThCh\$)

STATEMENT OF CHANGES IN EQUITY	Note	Issued capital ThCh\$	Share premium ThCh\$	Other participations in equity ThCh\$	Accumulated earnings (losses) ThCh\$	Equity attributable to owners of the controller ThCh\$	Non-controller participations ThCh\$	Total equity ThCh\$
Initial balance at 01-01-2010		155.567.354	164.064.038	-5.965.555	309.334.336	623.000.173	66.945.740	689.945.913
Restated initial balance		155.567.354	164.064.038	-5.965.555	309.334.336	623.000.173	66.945.740	689.945.913
Comprehensive result								
Earnings					103.849.578	103.849.578	1.102.721	104.952.299
Dividends	2.3				119.261.625	119.261.625		119.261.625
Reduction by transfers & other changes							-2.004.808	-2.004.808
Total changes to equity		0	0	0	-15.412.047	-15.412.047	-902.087	-16.314.134
CLOSING BALANCE AT 31-12-2010		155.567.354	164.064.038	-5.965.555	293.922.289	607.588.126	66.043.653	673.631.779

STATEMENT OF CHANGES IN EQUITY	Note	Issued capital ThCh\$	Share premium ThCh\$	Other participations in equity ThCh\$	Accumulated earnings (losses) ThCh\$	Equity attributable to owners of the controller ThCh\$	Non-controller participations ThCh\$	Total equity ThCh\$
Initial balance at 01-01-2009		155.567.354	164.064.038	-5.965.555	292.940.067	606.605.904	67.351.366	673.957.270
Increase due to correction of errors	2.3				6.366.743	6.366.743		6.366.743
Restated initial balance		155.567.354	164.064.038	-5.965.555	299.306.810	612.972.647	67.351.366	680.324.013
Comprehensive result								
Earnings					123.047.509	123.047.509	1.507.932	124.555.441
Dividends	2.3				113.019.983	113.019.983		113.019.983
Reduction by transfers & other changes					· · · · · · · · · · · · · · · · · · ·	0	-1.913.558	-1.913.558
Total changes to equity		0	0	0	10.027.526	10.027.526	-405.626	9.621.900
CLOSING BALANCE AT 31-12-2009		155.567.354	164.064.038	-5.965.555	309.334.336	623.000.173	66.945.740	689.945.913

The accompanying Notes form an integral part of these consolidated financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

## **NOTE 1. GENERAL INFORMATION**

Aguas Andinas S.A. (hereinafter the "Company") and its subsidiaries make up the Aguas Andinas S.A. group (hereinafter the "Group"). Its legal domicile is Avenida Presidente Balmaceda 1398, Santiago, Chile and its tax number is 61.808.000-5.

Aguas Andinas S.A. was constituted as an open corporation by public deed dated May 31, 1989 in Santiago, before the notary Raúl Undurraga Laso. An abstract of the bylaws was published in the Official Gazette on June 10, 1989, and were registered in the Santiago Trade Register for 1989 (folio 13,981, No.7,040).

The Company's objects, according to the second clause of its bylaws, are to provide sanitation services, including the construction and exploitation of public utilities for the production and distribution of water and the collection and disposal of sewage. Its present concession area is Greater Santiago and surrounding areas.

The Company is the parent of three sanitation companies, two in Greater Santiago (Aguas Cordillera S.A. and Aguas Manquehue S.A.) and one in the Regions of De los Ríos and De Los Lagos (Empresa de Servicios Sanitarios de Los Lagos S.A., ESSAL). To provide a complete service within its business, the Company has non-sanitation subsidiaries providing services like liquid industrial waste treatment (Ecoriles S.A.), laboratory analysis (Análisis Ambientales S.A.) and the sale of materials and other services related to the sanitation sector (Gestión y Servicios S.A.).

The Company and its subsidiary Essal are registered in the Securities Register of the Superintendency of Securities and Insurance (S.V.S.) with the numbers 346 and 524 respectively. The subsidiaries Aguas Cordillera S.A. and Aguas Manquehue S.A. are registered in a special register of companies reporting to the S.V.S., with the numbers 170 and 2 respectively. As sanitation sector companies, they are regulated by the Superintendency of Sanitation Services, in accordance with Law 18,902 of 1989 and Decree Laws 382 and 70, both of 1988.

In the preparation of the consolidated financial statements, it is understood that there is a group when the parent has one or more subsidiary entities, which are controlled directly or indirectly. The applicable accounting policies in the preparation of the Group's consolidated financial statements are set out in Note 2.2.

The direct controller of the Company is Inversiones Aguas Metropolitanas S.A. ("IAM"), a corporation itself controlled by Sociedad General de Aguas Barcelona S.A. ("Agbar"), an entity based in Spain and one of the largest operators of sanitation services in the world.

As of December 31, 2010, the Group has 1,924 employees, divided into 65 senior executives, 479 professionals and 1,380 employees and staff.

## NOTE 2. BASES OF PREPARATION AND ACCOUNTING POLICIES

## 2.1 PREPARATION

These consolidated financial statements relate to the statement of financial position as of December 31, 2010 and 2009, and the comprehensive results of its operations, changes in equity and cash flows for the twelve-month periods ended December 31, 2010 and 2009, and have been prepared in accordance with International Financial Reporting Standards (IFRS) and represent the full, explicit and unreserved application of the IFRS, circulars 1,924 of April 24, 2009, 556 of December 3, 2009 and 473 of September 25, 2008 of the Superintendency of Securities and Insurance (S.V.S).

These consolidated financial statements fully comply with each IFRS current on this date.

The Group complies with all the legal conditions of the environment in which it carries on its business, particularly the sanitation subsidiaries with respect to the sanitation sector regulations, which operate normally in every area of their activities, projecting a profitable operation and with the ability to access the financial system to finance its business which, in the management's opinion, determines its ability to continue as an ongoing business, as established by the accounting standards under which these financial statements are issued.

## Functional and presentational currency

The unconsolidated financial statements of each of the Group's entities are shown using the currency of the principal economic environment in which the companies operate (functional currency). For the purposes of the consolidated financial statements, the results and financial position of each Group company are shown in Chilean pesos, which is the Company's functional currency and the presentational currency for the consolidated financial statements.

#### New accounting pronouncements

a) The following standards and interpretations have been adopted in these consolidated financial statements. Their adoption has had no significant impact on the figures reported in these consolidated financial statements but could affect the booking of future transactions or agreements.

Amendments to IFRS	Date of obligatory application
IFRS 1 (Revised), first-time adoption of IFRS	Annual periods starting July 1, 2009
IFRS 2, Share-based payments	Annual periods starting on or after January 1, 2010
IFRS 3 (Revised), Combination of businesses	Annual periods starting July 1, 2009
IAS 27 (Revised), Consolidated & unconsolidated financial statements	Annual periods starting July 1, 2009
IAS 39, Financial instruments: Measurement & booking – elegible covered items	Retroactive application for annual periods starting on or after July 1, 2009
Improvements to IFRS – collection of amendments to 12 IFRSs	Annual periods starting on or after January 1, 2010
News Interpretations	Date of obligatory application
CFRS 17, Distribution of non-monetary assets to owners	Annual periods starting on or after July 1, 2009
b) The following new regulations and interpretations have been issued but their date of application has still not become effective:	
New IFRS	Date of obligatory application
IFRS 9, Financial instruments	Annual periods starting on or after January 1, 2013
Amendments to IFRS	Date of obligatory application
IAS 12, Deferred taxes - Recovery of underlying asset	Annual periods starting on or after January 1, 2012
IAS 24, Disclosure of related parties	Annual periods starting on or after January 1, 2011
IAS 32, Classification of issue rights	Annual periods starting on or after February 1, 2010
Improvements to IFRSs May 2010 – collection of amendments to seven IFRSs	Annual periods starting on or after January 1, 2011
IFRS 7, Financial instruments: Disclosures - Disclosures - Transfers of financial assets	Annual periods starting on or after July 1, 2011
IFRS 9, Financial instruments – Additions to IFRS 9 for booking of financial liabilities	Annual periods starting on or after January 1, 2013
New interpretations	Date of obligatory application
1 2000	Street A characteristic
CFRS 19, Extinction of financial liabilities with equity instruments	Annual periods starting on or after July 1, 2010
Amendments to interpretations	Date of obligatory application
CFRS 14, The limit on assets for defined benefits, minimum funding requirements & their interaction	Annual periods starting on or after January 1, 2011

The management of the Company and its subsidiaries believes that the adoption of the standards, amendments and interpretations described above will have no significant impact on the Group's consolidated financial statements.

## Responsibility for the Information and Estimates Made

The information contained in these consolidated financial statements is the responsibility of the board of the Company, which shows that all the principles and criteria included in the International Financial Reporting Standards (IFRS) have been applied. The board approved these financial statements at its meeting held on January 25, 2011.

The consolidated financial statements of Aguas Andinas S.A. and subsidiaries for the year 2009 were approved by the board at its meeting held on March 9, 2010.

Estimates like the following have been used in the preparation of the financial statements:

- Useful lives of property, plant and equipment and intangible assets
- Valuation of assets and goodwill
- Impairment of assets
- Assumptions used in the actuarial calculation of employee severance benefits
- Assumptions used in the calculation of fair value of financial instruments
- Revenues for supplies pending invoicing
- Provisions for commitments acquired with third parties
- Risks arising from pending litigation

Although these estimates and judgments were made as a function of the best information available on the date of issue of these consolidated financial statements, it is possible that events may occur in the future that force them to be amended (upward or downward) in the next periods, which would be recorded as soon as the variation is known, booking the effects of such changes in the corresponding future consolidated financial statements.

## 2.2 ACCOUNTING POLICIES

The following describes the principal accounting policies adopted in the preparation of these consolidated financial statements.

## A. Consolidation

The consolidated financial statements include the financial statements of the Company and the entities controlled by it (its subsidiaries). Subsidiaries are those entities in which the Group has the power to direct the financial and operating policies, which is generally accompanied by a holding of over half the voting rights. When evaluating whether the Group controls another entity, the existence and effect of the potential voting rights that are currently being exercised or converted are taken into account. The subsidiaries are consolidated from the date on which control passes to the Group, and are excluded from the consolidation when such control ceases (see subsidiaries included in the consolidated financial statements of Aguas Andinas S.A. in Note 5).

The acquisition of subsidiaries is booked using the acquisition method as established in IFRS 3 Combinations of Businesses. The cost of a combination of business is the sum of the fair value of the assets acquired, the liabilities incurred or assumed and the equity instruments issued on the exchange date, plus costs directly attributable to the acquisition. The identifiable assets acquired and the liabilities and identifiable contingencies assumed in the combination of businesses are valued initially at their fair value on the date of acquisition, independently from the reach of minority interests. The excess of the acquisition cost over the fair value of the Group's participation in the net identifiable assets acquired is shown as goodwill. If, following a re-evaluation, the Group's participation in the fair value of the net identifiable assets acquired exceeds the cost of

acquisition, the excess is shown immediately in the statement of comprehensive results. The period for the valuation to determine the definitive fair value of assets and liabilities, as established in IFRS 3, should not exceed one year from the date of acquisition.

All transactions, balances, losses and gains between Group entities are eliminated in the consolidation.

When considered necessary, the subsidiaries' accounting policies have been adjusted to ensure their uniformity with the policies followed by the Group.

### **B.** Operative segments

The Group adopted IFRS 8, "Operative Segments", with effect from January 1, 2009. IFRS 8 sets the standards for reporting with respect to the operative segments and disclosures relating to products and services. Operative segments are defined as components of an entity for which separate financial information exists which are regularly revised by management for taking decisions on the assignment of resources and evaluating performance.

The Group manages and measures performance of its operations by business segment. The operative segments reported internally are:

- Operations related to the sanitation business (Water).
- Operations unrelated to the sanitation business (Non-Water).

## C. Intangible assets other than goodwill

The Company books an identifiable intangible asset when it can show that it is probable that the future economic benefits attributed to it flow to the entity and the cost may be correctly valued.

The basis for booking and measurement is the cost method. However and as indicated in IFRS 1, first adoption, certain water rights and easements were revalued and these values were used as their attributed cost.

#### i. Intangible assets acquired separately

Intangible assets acquired separately are shown at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated on a straight-line basis over the estimated useful lives. Estimated useful lives and the amortization method are revised at the closing of each statement of position, booking the effect of any change in the estimate from then on.

ii. Intangible assets generated internally – research and development expenses Research activity expenses are booked as an expense in the period in which they are incurred.

An internally-generated intangible asset originating from development projects (or development phase of an internal project) is booked only when the following has been proven:

- It is technically possible to complete the production of the intangible asset in such a way as to make it available for use or sale;
- The management has the intention of completing the intangible asset for its use or sale:
- There is the capacity to use or sell the intangible asset;
- It is possible to show how the intangible asset will generate probable economic benefits in the future;
- There are sufficient technical, financial and other resources available for completing the development and using or selling the intangible asset; and
- It is possible to value reliably the disbursements attributable to the intangible asset during its development.

The amount initially booked for the intangible assets generated internally is the sum of the expenses incurred from the date on which the intangible asset meets the criteria mentioned above for the first time. When an internally-generated intangible asset cannot be booked, the development expenses are taken to results in the period in which they were incurred.

After the initial booking, internally-generated intangible assets are shown at cost less accumulated amortization and accumulated impairment, on the same basis as for intangible assets acquired from third parties.

#### iii. Method of amortization of intangible assets:

#### Intangible assets with defined useful life.

The amortization method employed by the Company reflects the level to which the future economic benefits of the asset are used by the entity. The Company therefore uses the straight-line depreciation method.

#### Computer programs.

The estimated useful life of software is 4 years and, for those other assets of defined useful life, the useful life for amortization relates to the periods defined in the contracts or rights originating them.

## Intangible assets with undefined useful life.

Intangible assets with an undefined useful life relate mainly to water rights and easements which were obtained on an indefinite basis, as established in the acquisition contracts and the rights obtained from the Waters Authority of the Ministry of Public Works. These assets are not amortized unless annual deterioration is shown, as indicated in IAS 36.

## Determination of useful life

The factors that have to be considered for the estimation of the useful life include the following:

- Legal, regulatory or contractual limitations.
- Predictable life of the business or industry.
- Economic factors (obsolescence of products, changes in demand).
- Expected reactions by present or potential competitors.
- Natural or climatic factors and technological changes that affect the capacity to generate profits.

The useful life may require modifications over time due to changes in estimates as a result of changes in assumptions about the above-mentioned factors.

#### D. Goodwill

Goodwill generated in the consolidation represents the excess of acquisition cost over the Group's participation in the fair value of the assets and liabilities, including identifiable contingent liabilities of a subsidiary at the date of the acquisition.

The valuation of assets and liabilities acquired is made provisionally on the date of taking control of the company and then revised within one year from the acquisition date. Until the fair value of assets and liabilities is determined definitively, the difference between the acquisition price and the book value of the acquired company is shown provisionally as goodwill.

When the definitive determination of the goodwill is made in the financial statements of the year following the acquisition of the participation, the headings of the previous year shown for comparison purposes are modified to incorporate the value of the acquired assets and liabilities and the definitive goodwill from the date the participation was acquired.

Effective 2010, with the coming into effect of of the modifications included in IAS 27 "Consolidated and separate financial statements", any effect arising from a transaction

with the minority participations, not deriving from a change in control, are booked directly in equity and attributed to the owners of the controller. During the year 2010, there have been no transactions with non-controller participations.

Goodwill that was generated prior to the date of our transition to IFRS, i.e. January 1, 2008, is maintained at the net value booked at that date, while that generated later remains booked using the acquisition method.

Goodwill is not amortized but, at the end of each accounting period, an estimate is made of whether any impairment has occurred that reduces the recoverable value to below the net cost booked, in which case an adjustment for impairment is made, as required by IAS 36.

#### E. Property, plant and equipment

The Company follows the cost method for valuing the property, plant and equipment. However, for the first application of IFRS, certain land was revalued and the value obtained was considered as its attributed cost. Historic cost includes expenses directly attributable to the acquisition of the asset.

Subsequent costs are included in the value of the initial asset or are shown as a separate asset, only when it is probable that the future economic benefits associated with the elements of fixed assets are going to flow to the Group and the cost of the element can be determined reliably. The value of the component substituted is written off in the books. Remaining repairs and maintenance are charged to results in the period in which they are incurred.

Forming part of property, plant and equipment are property developments carried out and financed by construction companies in developing their projects, enabling their customers to be connected to sanitation services of the Aguas Andinas S.A. and its subsidiaries. These assets, relating basically to the water and sewage networks necessary for the normal development of the provision of sanitation services to new customers, and in accordance with article 9 of Law 70, do not constitute assets of the sanitation companies for the setting of tariffs.

Articles 36 to 43 and 53 of Law 382/1988 of the Ministry of Public Works (General Sanitation Services Law) establish the responsibilities with respect to the installation by the property developer and the maintenance and replacement costs, by the provider of the service.

On their reception, the Company and its sanitation subsidiaries book these assets at their fair value and show deferred income of the same amount. The assets booked as property, plant and equipment and the corresponding liability account are amortized in the same period of useful life of the related assets.

#### Method of depreciation and estimated useful life for property, plant and equipment:

The depreciation method employed by the Company reflects the extent to which economic benefits generated by asset are used. The Company therefore uses the straight-line depreciation method over the technical useful life, based on technical studies prepared by independent experts (external specialist firms). The residual value and useful life of assets are revised and adjusted if necessary at each closing of the statement of financial position.

When the value of an asset is higher than its estimated recoverable amount, this is reduced immediately to the recoverable amount (Note 13).

#### Useful lives

The useful lives used for the calculation of depreciation are based on technical studies prepared by external specialist firms, which are revised as new information arises that permits the useful life of some asset to be modified.

The assignment of the total useful life for assets is carried out on the basis of various factors, including the nature of the equipment. These factors generally include:

- 1. Nature of the materials and components of the equipment or buildings
- 2. Operating environment of the equipment
- 3. Intensity of usage
- 4. Legal, regulatory or contractual limitations

The range of useful lives (in years) by type of asset is the following:

	Useful life (years) Minimum	Useful life (years) Maximum
Buildings	25	80
Plant & equipment	5	50
Computer equipment	4	4
Fixed installations & accessories	5	80
Motor vehicles	7	7
Improvements to leased assets	5	5
Other property, plant & equipment	4	80

## Policy for estimating costs of dismantling, removal or renovation of property, plant and equipment:

Due to the nature of the assets of the Company and as there are no contractual obligations like those mentioned in IFRS, the concept of dismantling costs is not applicable at the date of these financial statements.

### Fixed assets sales policy

The results of fixed asset sales are calculated by comparing the proceeds received with the book value, and are booked in the statement of comprehensive results

#### F. Impairment of tangible and intangible assets except goodwill

The Group revises the book values of its tangible and intangible assets at each closing date of the statement of financial position to see whether there exists any indication of impairment. Should these exist, the recoverable value is estimated of such assets in order to determine the impairment suffered (if any). When it is not possible to estimate the recoverable value of an asset in particular, the Group estimates the fair value of the cashgenerating unit to which this asset belongs.

Intangible assets with undefined useful lives are tested annually for impairment or when there are indications that the asset might have suffered impairment before the end of the period.

The recoverable value is the greater of its fair value less sale costs and its value in use. In estimating the value in use, the present value is calculated of the future cash flows of the assets analyzed using a pre-tax discount rate that reflects both the actual conditions of the money market at the time and the specific risk associated with the asset.

When it is estimated that the recoverable value of an asset (or cash-generating unit) is less than its book value, the book value of that asset (or cash-generating unit) is adjusted to its recoverable value, booking immediately a loss for impairment in results. When a loss for impairment is reversed, the book value of the asset (or cash-generating unit) is adjusted to the revised estimate of its recoverable value, provided the adjusted book value does not exceed the book value that would have been determined if no loss for impairment of the asset (or cash-generating unit) had been booked in previous periods. The reversal of a loss for impairment is booked immediately to results unless the corresponding asset is booked at a revalued amount in which case the reversal is dealt with as an increase in the revaluation.

#### G. Lease

#### i. Financial leases

Leases are classified as financial leases when the lease conditions transfer substantially all the risks and benefits of ownership to the lessee. All other leases are classified as operative leases.

Assets acquired under financial leases are booked initially as Group assets at their fair value at the start of the lease or, if lower, the present value of the minimum lease installments. The corresponding lease obligation is included in the statement of financial position as an obligation for financial leases.

The minimum lease installments are assigned between financial expenses and a reduction in the obligation in order to obtain a constant interest rate, on the balance outstanding of the obligation. The financial expenses are charged directly to results unless they are directly related to qualified assets, in which case they are capitalized in accordance with the Group's general policy regarding financing costs. Contingent lease payments are booked as expenses in the period in which they are incurred.

#### ii. Operative leases

Operative lease payments are booked as an expense on a straight-line basis over the term of the lease, except when another systematic basis is more representative for reflecting the temporary pattern in which the economic benefits of the leased asset are consumed. Contingent leases are shown as expenses in the period in which they are incurred.

Should lease incentives be received in order to agree an operative lease, such incentives are booked as a liability. The accumulated benefit of incentives is shown on a straight-line basis as a deduction from the leasing expense, except when another systematic basis is more representative for reflecting the temporary pattern in which the economic benefits of the leased asset are consumed.

### H. Financial assets

Acquisitions and disposals of financial instruments are booked on the date of trading, i.e. the date on which the Group commits to acquire or sell the asset. Investments are written down when the rights to receive cash flows from the investments are transferred and the Group has transferred substantially all the risks and benefits deriving from ownership.

Financial assets are classified in the following categories:

- Financial assets at fair value with changes in results
- Investments held to maturity
- Loans and accounts receivable
- Financial assets available for sale

The classification depends on the nature and purpose of the financial assets and is determined at the time of their initial booking.

Aguas Andinas S.A. and its subsidiaries invest in low-risk instruments that meet the classification standards established in their investment policies. The mutual funds invested in must therefore have a rating of AAfm / M1 (quotas with high protection against loss associated with credit risks/quotas with the lowest sensitivity to changes in economic conditions). Time deposits and repurchase agreements are instruments classified N-1 (instruments with the highest capacity for paying the principal and interest on the agreed terms and maturities).

The issuers of these instruments are banks or their subsidiaries with an N-1 credit rating and whose instruments have a rating of least AA (very high capacity for paying the principal and interest on the agreed terms and maturities, which would not be affected significantly by possible changes in the issuer, the industry to which it belongs or the economy).

#### i. Effective interest-rate method

The effective interest-rate method is the method for calculating the amortized cost of a financial asset and of the assignment of interest income over the whole corresponding period. The effective interest rate is the rate that exactly discounts the estimated future cash flows receivable over the expected life of the financial asset and the net present value (NPV) equal to zero.

## ii. Financial assets at fair value with changes in results

Financial assets are shown at fair value through results when the asset is held for trading or is designated as at fair value with changes in results.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling or re-purchasing in the immediate future, or
- It forms part of a portfolio of identified financial instruments which the Group manages together and for which there is evidence of a recent and real pattern of obtaining short-term benefits, or
- It is a derivative that has not been designated nor is effective as a hedge instrument

A financial asset that has not been held for trading may be classified at fair value with changes in results in the initial booking if:

- Such designation eliminates or significantly reduces some inconsistency in the valuation or the booking that would arise by using different criteria for valuing assets, or in booking their losses or gains on different bases, or
- It forms part of a group of financial assets which is managed and its return evaluated according to fair value criteria, in accordance with an investment and risk management strategy documented by the Company, or
- It forms part of a contract that contains one or more implicit derivatives, and IAS 39 Financial Instruments: Booking and Measurement permits the whole combined contract (asset or liability) to be designated at fair value with changes in results.

Financial assets at fair value with changes in results are valued at fair value and any resultant loss or gain is booked in results. The net loss or gain booked in results includes any dividend or interest received on the financial asset.

As of December 31, 010, the Company and subsidiaries holds shares in Sociedad Eléctrica Puntilla S.A. which have been valued at fair value on the date of acquisition, as established in IAS 39, paragraph 43. Its later measurement will be at cost as there is no active market, as provided in paragraph 46 c of the same standard. The Company and subsidiaries, in consideration for the shares received, signed a permanence contract for which performance bonds are held for the term of the contract to ensure compliance.

#### iii. Financial assets held to maturity

Financial assets held to maturity correspond to non-derivative financial assets with fixed or determinable payments and established maturity dates that the Group has the intention and capacity to hold until maturity. Financial assets held to maturity are booked at amortized cost using the effective interest-rate method less any impairment of value, and income is booked on the basis of effective return

### iv. Loans and accounts receivable

Trade debtors, loans and other accounts receivable which have fixed or determinable payments and which are not traded on an active market are classified as loans and accounts receivable. Loans and accounts receivable are valued at amortized cost using the effective interest-rate method less any impairment in value. Interest income is booked by application of the effective interest rate, except for short-term accounts receivable where the booking of interest would be immaterial.

## Trade debtors and other accounts receivable.

Trade debtors relate to the billing of water consumption, sewage services, sewage treatment and other services and, to accrued income for consumption made between the date of the last reading (according to the established monthly calendar) and the closing date of the financial statements. These are shown net of the estimate of doubtful accounts or low probability of payment.

The trade debtors policy is subject to the credit policy which sets the payment conditions, and also the different scenarios for reaching agreements with overdue customers.

## Policy with respect to impairment of financial assets

The Company evaluates periodically impairments affecting its financial assets. The amount of the allowance is the difference between the book value and the present value of estimated future cash flows, discounted at the effective interest rate. The book value of an asset is reduced to the extent that the allowance account is used and the loss is booked in the statement of results in Other expenses. When an account receivable is not recoverable, it is written off against the allowances for accounts receivable.

The estimates are based on the following historic information: recovery statistics which indicate that following the eighth month from billing, the possibility of recovery is marginal, i.e. the probability of recovery of amount billed is minimal, less than 1%.

In Aguas Andinas S.A. and its subsidiaries Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., a 100% allowance is made for the overdue debt of customers with debts of over 8 months.

For Aguas Andinas S.A. and Aguas Cordillera S.A., an allowance of 100% of the agreed balance is made for consumption debts transformed into payment agreements.

For the subsidiaries Gestión y Servicios S.A., Anam S.A. and Ecoriles S.A., a 100% allowance is made for customers with debts overdue more than 120 days.

A 100% allowance is made for overdue notes receivable.

#### v. Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments that cannot be classified in the previous three categories. These are booked at fair value. Loss and gains arising from changes in the fair value are shown directly in equity in the reserve account for assets available for sale, except for impairment losses, interest calculated using the effective-rate method and losses and gains in foreign currency of monetary items, which are booked directly in results. When a financial asset is sold or it is determined that it is impaired, the accumulated loss or gain booked previously in reserves for assets available for sale is taken to results for the period.

At the closing date of these financial statements, the Group has no financial assets available for sale.

#### I. Inventories

Inventories are shown at cost which does not exceed their net realization value. The costing method is the weighted average cost. A valuation is made annually for inventories that have not turned over during the previous 12 months; these are booked at market value, if less.

In the case of the subsidiary Gestión y Servicios S.A., dedicated to the commercialization of materials, inventories are valued at cost which does not exceed their net realization value.

## J. Dividend policy

The dividend policy is to distribute 30% of the earnings for each year as a final dividend, plus 70% as an additional dividend provided financial conditions permit, and subject to approval by the ordinary shareholders meeting.

## K. Foreign currency transactions

The assets and liabilities in foreign currency are shown at their respective exchange rates at the close of each period, these being

Currency	31-12-2010 Ch\$	31-12-2009 Ch\$
US dollar	468,01	507,10
Euro	621,53	726,82

Foreign currency transactions are translated to the functional currency using the exchange rates on the date of the transactions. Foreign currency gains and losses resulting from the liquidation of these transactions and the translation at the closing exchange rates for monetary assets and liabilities denominated in foreign currency, are shown in the statement of comprehensive results, unless they are deferred in equity as cash-flow and net investment hedges.

Exchange differences are booked to the results of the period in which they accrue.

## L. Financial liabilities

Loans, bonds payable and similar documents are shown initially at their fair value, net of their transaction costs. They are later shown at amortized cost, using the effective interest rate, except for transactions for which hedge contracts have been signed, which are valued as described in the following section.

#### M. Derivative financial instruments and accounting of hedges

The employment of derivative financial instruments by Aguas Andinas S.A. and subsidiaries is governed by the Group's financial risk management policies, which establish the guidelines for their use.

The Group does not use derivative financial instruments for speculative purposes but exclusively as hedging instruments to eliminate or significantly reduce existing interestrate and exchange risks on equity positions to which it is exposed due to its business.

The treatment of hedge operations with derivative instruments is as follows:

Hedges of fair value. Changes in the market value of derivative financial instruments designated as hedges as well as the items hedged are shown as a credit or charge to results in the respective result accounts (Note 7).

Hedges of cash flows and net foreign-currency investments. Changes in the fair value of these derivative financial instruments are shown, for the part that is effective, directly in a reserve of net equity called Cash flow hedge, while the ineffective part is shown in the results. The amount shown in equity is not passed to the results account until the results of the transactions hedged are shown there or until the expiry date of such transactions.

In the case of discontinuation of the hedge, the loss or gain accumulated to that date in equity is maintained until the underlying hedged transaction is realized. At that moment, the accumulated loss or gain in equity will be reversed in the results account affecting that transaction.

Financial instruments are shown at their fair value at the close of each period. In the case of derivatives not traded on formal markets, the Group uses assumptions based on market conditions on that date for their valuation.

A hedge is considered to be highly effective when the changes in the fair value or cash flows of the underlying item directly attributable to the risk hedged are offset by changes in the fair value or cash flows of the hedging instrument, with an effectiveness of between 80% and 125%.

The Group also evaluates the existence of derivatives implicit in contracts and financial instruments to determine whether their characteristics and risks are closely related to the principal contract, provided the combination is not being booked at fair value. If they are not closely related, they are booked separately, with the variations in value being taken directly to the statement of results.

## N. Provisions and contingent liabilities

The Group makes a provision when there is a present obligation as a consequence of past events and for which it is probable that the group will use resources to settle the obligation and on which it can make a fair estimate of the amount of the obligation.

The quantification of the provisions is made taking into account the best available information on the matter and its consequences, and is reviewed at each accounting closing. The provisions made are used to cover the specific risks for which they were originally shown, their full or partial revision being required when such risks disappear or reduce.

Contingent liabilities are possible obligations arising from past events whose future materialization and associated equity damage is considered to have a low probability. According to IFRS, the Group makes no provision for these concepts although, as required in the same rule, they are shown in Note 14 if they do exist.

## O. Employee benefits

The obligation for severance payments which are estimated to accrue to employees who retire from Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., are shown at the actuarial value determined with the projected credit-unit method. Actuarial gains and losses on indemnities deriving from changes in the estimates or changes in the rates of turnover, mortality, advance retirements on dismissal, wage increases, inflation, discount rate or of the personnel, are shown directly in results.

#### Aguas Andinas S.A.

The severance payments of Aguas Andinas S.A. are governed by the Labor Code, except for the amount of the indemnity in any event accumulated to July 31, 2002 and the severance payment of 1.45 monthly wages, excluding voluntary resignation, without any amount or age limit for workers subject to current collective agreements and those, who through their individual work contract, enjoy this benefit. The amount in any event accumulated to that date is adjusted quarterly in line with changes in the consumer price index. The mentioned collective agreement also states that workers who retire from Aguas Andinas S.A. within 120 days of the date when they reach the legal retirement age, can have access to the benefits under the collective contract, and continue to accrue this benefit after July 2002.

#### Aguas Cordillera S.A. and Aguas Manquehue S.A.

The severance payments in Aguas Cordillera S.A. and Aguas Manquehue S.A. are governed as indicated in the Labor Code, except the amount of the indemnity in any event accumulated to December 31, 2002 and the severance payment of 1 monthly wage without any amount or age limit for workers subject to current collective agreements and those, who through their individual work contract, are extended this benefit. The amount in any event accumulated

to that date is adjusted quarterly in line with changes in the consumer price index. The mentioned collective agreement also states that workers who retire from Aguas Cordillera S.A. and Aguas Manquehue S.A. continue to accrue this benefit after December 2002.

#### ESSAL S.A.

Indemnities to workers forming part of or incorporated into the current collective agreement at the date of the financial statements are calculated at their actuarial value only in the case of retirement and death, with a limit of six months for their payment. In other cases, the rules of the Labor Code apply, i.e. they have no right to an indemnity except for dismissal and with a limit of 11 months.

#### Actuarial assumptions

The obligation of the Company and subsidiaries for the accrued severance payments of employees until July and December 2002 and the obligation for the additional indemnity estimated to accrue to workers retiring from the Company, are shown at their actuarial value, determined in accordance with the projected credit-unit method, at a discount rate of 6.4% annually and with mortality rates obtained from the tables RV-2004 of the Superintendency of Securities and Insurance (SVS) and from turnover obtained from internal studies. In addition, there are indemnities agreed in individual work contracts that are booked using the same method.

Advances granted to personnel against this fund are shown deducted from the current obligations. These will be imputed in the final indexed settlement in accordance with the provisions of the mentioned contracts.

There are no benefits of this kind in the other subsidiaries.

#### P. Income tax and deferred taxes

The charge for income tax relates to the sum of income tax payable and variations in deferred tax assets and liabilities

Income tax payable is determined on the basis of the tax result for the period. The income tax payable by the Group is calculated using the tax rates that have been approved or that are in the approval process, on the closing date of the statement of financial position.

Deferred taxes are shown on the basis of differences between the book values of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of the tax result, and are booked in accordance with the liability method. Deferred tax liabilities are booked for all taxable timing differences, and deferred tax assets are shown for all deductible timing differences provided it is probable that there will be future tax benefits to be able to offset such differences. Deferred tax assets or liabilities are not booked if the timing differences arise from the reduced value or initial booking (except in a combination of businesses) of other assets and liabilities in a transaction that does not affect the tax or financial results.

The book value of deferred tax assets is revised on each closing date of the statement of financial position and is reduced to the extent that it is improbable that there will be sufficient tax results available to permit the recovery of all or part of the asset.

Deferred tax assets and liabilities are measured at the tax rates expected to be in effect at the time that the liability is settled or asset realized, based on the tax rates that have been approved or are in the approval process at the close of the statement of financial position. The measurement of deferred assets and liabilities reflects the tax consequences that would be produced in the way the Group expects, at the date of report, to recover or settle the book values of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legal right to offset the amounts booked in these headings before the tax authority, and when the deferred tax

assets and liabilities derive from income tax corresponding to the same tax authority and the Group intends to liquidate its current tax assets and liabilities on a net basis.

#### Q. Ordinary revenues

### Policy for accounting for ordinary revenues

Revenue is booked arising from all the normal operations and other events at the fair value of the payment received or receivable taking into account the terms of payment, rebates and credit notes, and provided the amount of revenue can be measured reliably.

## Policy for booking of ordinary revenues for sales of goods

Revenue from sales of goods is booked once the risk and benefits are transferred. For the subsidiary Gestión y Servicios S.A., invoicing is made once the material is delivered. For the rest of the Group companies, if there are some sales of elements of Property, plant and equipment. The revenue is booked when it is feasible to value it reliably.

## Policy for booking ordinary revenues for sales of services

Revenue from sales of services is measured at fair value. Billing is carried out on the basis of actual consumption or work carried out of the consideration receivable, net of returns, trade discounts and rebates, so the revenue is booked when it is considered probable that the recovery, associated costs and possible discounts for mistaken collections is transferred to the buyer, and can be estimated reliably.

The services area of the sanitation companies is divided into billing groups which set dates for meter reading and later billing. This process is based on a monthly cycle which generates that at the close of each month there is un-read consumption and therefore not billed. For booking the revenue therefore, the Company estimates the non-billed consumption.

For some groups of billing for sanitation services, information is held on consumption metered, to which the corresponding tariff is applied. For other groups, there is no metering data available at the date of the monthly closing; an estimate is therefore made on the basis of data from the previous month valued at the current tariff, whether normal or for overconsumption. Any difference between the actual and estimated consumption is corrected the following month.

The services area of the sanitation companies is divided into billing groups which determine dates for meter-reading and later billing. This process is carried out on a monthly cycle basis.

The transfer of risks and benefits varies according the business of the company. For the sanitation service companies, the provision of services and all associated charges are made according to actual consumption, and a monthly provision is made for consumption not yet billed, based on the previous billing. For the companies Anam S.A., EcoRiles S.A. and Gestión y Servicios S.A., invoicing is made on the basis of work performed.

#### Method for determining the state of termination of services

The provision of the sanitation services is confirmed through the metering of consumption, in accordance with legal provisions, while the non-sanitation subsidiaries do so once the services and/or respective reports are completed.

Revenue under agreements with property developers is booked as ordinary revenue provided it complies with certain conditions in each contract, which ensures that the associated economic benefit will flow to the Company.

#### R. Earnings per share

The basic earnings per share are calculated as the earnings (loss) attributable to the holders of equity instruments of the controller divided by the average weighted number of common shares in circulation during the period.

During the years 2010 and 2009, the Group has carried out no kinds of operation with a potential diluting effect that supposes diluted earnings per share different to the basic earnings per share.

### S. The environment

Assets of an environmental kind are those used constantly in the business of the Company and subsidiaries, whose principal objective is the minimization of adverse environmental impacts and the protection and improvement of the environment, including the reduction or elimination of future contamination of the business of Aguas Andinas S.A. and its subsidiaries.

These assets are valued at cost, like any other asset. The Company and subsidiaries amortize these elements on a straight-line basis as a function of the estimated remaining years of useful life of the different elements.

#### T. Consolidated statement of cash flows

The cash flow statement is prepared according to the following criteria:

Cash and cash equivalents. Inflows and outflows of cash and equivalent financial assets, these being understood to be easily-liquidated short-term investments with a low risk of variations in their value (maximum term of 3 months from contracting and unrestricted).

**Operating activities.** Typical activities of the normal business operation of the Company and subsidiaries, plus others that cannot otherwise be defined as investment or financing activities.

**Investment activities.** The acquisition, disposal or use by other means of long-term assets and other investments not included in cash and cash equivalents.

**Financing activities.** Activities that produce changes in the amount and composition of equity and liabilities not forming part of ordinary activities.

## **U. Construction contracts**

The Group uses the "percentage progress method" for booking revenues and expenses according to the state of progress of the contract. The state of progress is determined by reference to the contract costs incurred at the date of the statement of financial position as a percentage of the total estimated costs for each contract. Costs incurred during the period in relation to the future activity of a contract are excluded from the contract costs to determine the percentage of progress.

Contract costs are booked as incurred. When the result of a construction contract cannot be estimated reliably, and it is probable that the contract is going to be profitable, contract revenues are recorded over the term of the contract. When it is probable that the contract costs are going to exceed its total revenues, the expected loss is recorded immediately as an expense in the period. When the result of a construction contract cannot be estimated reliably enough, contract revenues are booked only to the extent of the contract costs incurred which will probably be recovered.

The Group shows as an asset the gross amount due by customers for the work of all contracts in progress for which the costs incurred plus recognized profits (less recognized losses) exceed the partial invoicing. Partial invoicing still unpaid by customers and withholdings are included in Trade debtors and other accounts receivable.

The Group shows as a liability the gross amount due to customers for the work of all contracts in progress for which the partial invoicing exceeds the costs incurred plus recognized profits (less recognized losses).

## V. Capitalized financing costs

#### Interest-bearing loans policy:

The costs of loans directly attributable to the acquisition, construction or production of assets that meet the conditions for their qualification, are capitalized, thus forming part of the cost of such assets.

## Interest-cost capitalization policy:

Only interest paid or accrued on debt used exclusively to finance qualified assets is capitalized, as established in IAS 23.

## 2.3 CAPITAL AND EQUITY

The capital of the Company is divided into 6.118.965.160 nominative shares of no par value, comprising the following:

	31-12-2010	31-12-2009
Series A shares	3.976.260.060	3.976.257.342
Series B shares	2.142.705.100	2.142.707.818
TOTAL	6.118.965.160	6.118.965.160

There are no own shares held in portfolio, nor are there preference shares.

The Company manages its capital to ensure permanent and expedite access to the financial markets, which permits it to carry out its objectives of growth, solvency and profitability.

There have been no changes in the capital management objectives or policies in the periods reported.

- The ordinary shareholders meeting held on April 21, 2010 agreed to distribute 100% of the earnings for 2009 and to distribute ThCh\$1,563 from the reserves for future dividends, deducting the interim dividend paid in November 2009. The amount of dividend No.50 amounted to ThCh\$90,618,558, equivalent to Ch\$ 14.80945 per share. Payment was made on May 17, 2010 on the 6,118,965,160 shares.
- A board meeting held on October 26, 2010 agreed to distribute the sum of ThCh\$
   33,126,854 as an interim dividend against the earnings for 2010. The amount of
   dividend No.51 amounted to Ch\$ 5.4138 per share. Payment was made on November
   22, 2010 on the 6,118,965,160 shares.

In 2009 Aguas Andinas S.A. paid the following dividends

- The ordinary shareholders meeting held on April 16, 2009 agreed to distribute 100% of the earnings for 2008, deducting the interim dividend paid in October 2008. The amount of dividend No.48 amounted to ThCh\$76,105,731, equivalent to Ch\$ 12.43768 per share. Payment was made on June 22, 2009 on the 6,118,965,160 shares.
- A board meeting held on October 20, 2009 agreed to distribute the sum of ThCh\$
  32,430,515 as an interim dividend against the earnings for 2009. The amount of
  dividend No.49 amounted to Ch\$ 5.3 per share. Payment was made on november
  23, 2009 on the 6,118,965,160 shares.

#### Provision for minimum dividend

As of December 31, 2010, no provision was made for a minimum dividend as the interim dividend exceeded 30% of earnings. As of December 31, 2009 a provision was made to complement the minimum dividend to reach 30% of earnings, being ThCh\$ 36.914.252.

## Accumulated earnings

The amounts booked for revaluation of land and intangible assets and other adjustments of the first adoption are included in accumulated earnings and are subject to restrictions on their distribution as they first have to be booked as realized, through their use or sale, as established in IAS 16 and Circular 456 of June 20, 2008 of the S.V.S.

During 2010 and 2009, there were no accumulated earnings deriving from adjustments on the first adoption booked on January 1, 2008.

The subsidiary Aguas Cordillera S.A. booked retroactively an error amounting to ThCh\$ 6,366,643, booking a debit to deferred taxes asset account and a credit to accumulated earnings in equity. This adjustment arose in 2008 with its merger with the subsidiary Aguas Los Domínicos S.A., when the deferred tax was not determined on the timing difference generated in tax goodwill distributed among the land and intangible assets of undefined useful lives merged into Aguas Cordillera S.A.

## Share premium.

The amount shown as share premium relates to the premium on the sale of shares produced in 1999 due to the capital increase.

## Other participations in equity.

Other participations refer to the monetary correction of paid capital of the year 2008, the year of transition, in accordance with S.V.S Circular 456, and the effects of combinations of businesses of companies under common control (merger of subsidiaries in 2007 and 2008).

#### 2.4 RECLASSIFICATIONS

In accordance with instructions issued by the S.V.S in Circular 1975 of March 25, 2010, the Company has made certain reclassifications to the statement of financial position as of December 31, 2009, mainly related to the presentation of goodwill, personnel benefits and financial liabilities, all within the respective current and non-current headings as corresponds.

## 3. OTHER REVENUE AND EXPENSES

The following shows other non-operating revenues and expenses, as required by IAS 1:

Revenues & expenses other than operating	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Other earnings		
Insurance claims (1)	3.565.247	234.016
Gain on sale of non-current assets not held for sale	237.030	3.541.850
TOTAL	3.802.277	3.775.866
Financial costs		
Bank loans	3.122.137	6.102.173
nterest expense, AFRs	2.821.882	1.931.893
Interest expense, bonds	14.652.868	12.580.167
ntereste expense, others	451.029	309.549
Amortization of complementary costs relating to loan agreements	1.696.277	1.484.001
TOTAL	22.744.193	22.407.783
Financial income		
Interest income	2.924.925	3.154.492
Gain on redemption & extinction of debt	1.349.741	1.961.699
TOTAL	4.274.666	5.116.191

(1)Insurance claims relate mainly to: a) during 2010 the subsidiary Essal S.A. received from RSA Seguros Chile S.A. payment of its claim for damages to infrastructure in the town of Chaitén, affected by the eruption of the volcano of the same name in May 2008. The total amounted to ThCh\$ 1,494,474. b) Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A. in 2010 received advances from insurance companies against their claims for damage caused by the earthquake that affected Chile in February 2010. The total amount received was ThCh\$ 2,035,907.

Iberaguas Ltda. (Iberaguas Ltda.), a company which then held 488,712,657 shares in Empresa de Servicios Sanitarios de Los Lagos S.A., equivalent to 51% of its share capital. At the same time, it acquired 24,018,816 shares in Essal S.A. through a public share purchase offering, equivalent to 2.5064% of the share capital.

The cost of the combination of businesses amounted to ThCh\$81,122,784 (both

## companies).

## On July 1, 2009, the final assignment of fair value was made of the assets and liabilities acquired in Inversiones Iberaquas Ltda. and Essal S.A.. This produced goodwill of ThCh\$ 2,426,198 for the purchase of Inversiones Iberaguas Ltda. and ThCh\$343,332 for the purchase of Essal S.A.

The summarized statement of financial position of the acquired company including the assignment of fair value as of December 31, 2010 and 2009 is as follows:

## 4. COMBINATIONS OF BUSINESSES

## **DETAIL OF ACQUISITIONS**

On July 10, 2008, Aguas Andinas S.A., jointly with its subsidiary Aguas Cordillera S.A. acquired from Iberdrola Energía de Chile Ltda. all its corporate rights in Inversiones

IBERAGUAS LTDA. CONSOLIDATED	IBERAGUAS Consolidated 31-12-2010	Fair Value 31-12-2010	IBERAGUAS Consolidated 31-12-2010	IBERAGUAS Consolidated 31-12-2009	Fair Value 31-12-2009	IBERAGUAS Consolidated 31-12-2009
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Assets						
Current assets						
TOTAL CURRENT ASSETS	9.575.640	0	9.575.640	8.772.493	0	8.772.493
Non-current assets			0			0
Other non-financial assets, non-current	17.517	0	17.517	17.517	0	17.517
Intangible assets other than goodwill	6.536.309	4.169	6.540.478	6.536.146	4.574	6.540.720
Goodwill	26.716.713	-26.716.713	0	26.716.713	-26.716.713	0
Property, plant & equipment	121.834.677	86.464.023	208.298.700	121.198.546	92.035.336	213.233.882
Deferred tax assets	2.377.978	0	2.377.978	2.555.681	0	2.555.681
TOTAL NON-CURRENT ASSETS	157.483.194	59.751.479	217.234.673	157.024.603	65.323.197	222.347.800
TOTAL ASSETS	167.058.834	59.751.479	226.810.313	165.797.096	65.323.197	231.120.293
TOTAL CURRENT LIABILITIES	7.977.016	0	7.977.016	8.750.005	0	8.750.005
Other financial liabilities, non-current	42.825.441	5.288.644	48.114.085	43.869.549	5.592.298	49.461.847
Non-current liabilities	861.681	0	861.681	845.993	0	845.993
Deferred tax liabilities	12.441.346	14.005.202	26.446.548	11.697.405	14.900.773	26.598.178
Provisions for employee benefits, non-current	106.166	0	106.166	97.623	0	97.623
Other non-financial liabilities, non-current	14.945	0	14.945	0	0	0
TOTAL NON-CURRENT LIABILITIES	56.249.579	19.293.846	75.543.425	56.510.570	20.493.071	77.003.641
TOTAL LIABILITIES	64.226.595	19.293.846	83.520.441	65.260.575	20.493.071	85.753.646
Issued capital	49.090.900	0	49.090.900	49.090.900	0	49.090.900
Accumulated earnings (losses)	1.671.298	-5.878.860	-4.207.562	568.113	-3.539.292	-2.971.179
Other reserves	15.276.404	15.224.305	30.500.709	15.276.404	15.224.305	30.500.709
EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER	66.038.602	9.345.445	75.384.047	64.935.417	11.685.013	76.620.430
Non-controller participations	36.793.637	31.112.188	67.905.825	35.601.104	33.145.113	68.746.218
TOTAL EQUITY	102.832.239	40.457.633	143.289.872	100.536.521	44.830.126	145.366.647
TOTAL EQUITY & LIABILITIES	167.058.834	59.751.479	226.810.313	165.797.096	65.323.197	231.120.293
-						

	Essal	Fair Value	ESSAL with Fair Value	Essal	Fair Value	ESSAL with Fair Value
ESSAL	31-12-2010	31-12-2010	31-12-2010	31-12-2009	31-12-2009	31-12-2009
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
TOTAL CURRENT ASSETS	9.571.257	0	9.571.257	8.768.396	0	8.768.396
Other non-financial assets, non-current	17.517	0	17.517	17.517		17.517
Intangible assets other than goodwill	6.536.309	4.169	6.540.478	6.536.146	4.574	6.540.720
Property, plant & equipment	121.834.677	86.464.023	208.298.700	121.198.546	92.035.336	213.233.882
Deferred tax assets	2.377.978	0	2.377.978	2.555.681		2.555.681
TOTAL NON-CURRENT ASSETS	130.766.481	86.468.192	217.234.673	130.307.890	92.039.910	222.347.800
TOTAL ASSETS	140.337.738	86.468.192	226.805.930	139.076.286	92.039.910	231.116.196
TOTAL CURRENT LIABILITIES	8.999.103	0	8.999.103	9.910.401	0	9.910.401
Other financial liabilities, non-current	42.825.441	5.288.644	48.114.085	43.869.549	5.592.298	49.461.847
Non-current liabilities	861.681	0	861.681	845.993	0	845.993
Deferred tax liabilities	12.441.346	14.005.202	26.446.548	11.697.405	14.900.773	26.598.178
Provisions for employee benefits, non-current	106.166	0	106.166	97.623		97.623
Other non-financial liabilities, non-current	14.945	0	14.945	0		0
TOTAL NON-CURRENT LIABILITIES	56.249.579	19.293.846	75.543.425	56.510.570	20.493.071	77.003.641
TOTAL LIABILITIES	65.248.682	19.293.846	84.542.528	66.420.971	20.493.071	86.914.042
Issued capital	41.948.297	0	41.948.297	41.948.297		41.948.297
Accumulated earnings (losses)	36.031.051	-9.947.463	26.083.588	33.597.310	-5.574.970	28.022.340
Other reserves	-2.890.292	77.121.809	74.231.517	-2.890.292	77.121.809	74.231.517
EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER	75.089.056	67.174.346	142.263.402	72.655.315	71.546.839	144.202.154
Non-controller participations	0	0	0	0	0	0
TOTAL EQUITY	75.089.056	67.174.346	142.263.402	72.655.315	71.546.839	144.202.154
TOTAL EQUITY & LIABILITIES	140.337.738	86.468.192	226.805.930	139.076.286	92.039.910	231.116.196

## 5. CONSOLIDATED AND UNCONSOLIDATED FINANCIAL STATEMENTS

The subsidiary companies (as defined in Note 2.2 A) included in the consolidated financial statements of Aguas Andinas S.A. are the following:

Tax No.	Company	Direct %	Indirect %	Total 2010 (%)	Direct %	Indirect %	Total 2009 (%)
96.809.310-K	Aguas Cordillera S.A.	99,9903	0,000000	99,9903	99,9903	0,000000	99,9903
89.221.000-4	Aguas Manquehue S.A.	0,000400	99,999600	100,0000	0,000400	99,999600	100,0000
96.967.550-1	Análisis Ambientales S.A.	99,000000	1,000000	100,0000	99,000000	1,000000	100,0000
96.945.219-8	Ecoriles S.A.	99,038500	0,961500	100,0000	99,038500	0,961500	100,0000
95.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A.	2,506500	51,000000	53,5065	2,506500	51,000000	53,5065
96.828.120-8	Gestión y Servicios S.A.	97,847800	2,152200	100,0000	97,847800	2,152200	100,0000
96.897.320-7	Inversión Iberaguas Ltda.	99,999998	0,000002	100,000	99,99998	0,000002	100,0000

The summarized statement of financial position and of comprehensive results of each of the subsidiaries included in the consolidated financial position is as follows:

## SUMMARIZED FINANCIAL INFORMATION OF SUBSIDIARIES (STATEMENT OF FINANCIAL POSITION) AS OF 31-12-2010

31-12-2010	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Subsidiaries	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Aguas Cordillera S.A.	12.937.685	243.169.524	10.810.801	45.352.829	199.943.579
Aguas Manquehue S.A.	2.868.256	57.505.628	7.923.577	14.504.681	37.945.626
Inversiones Iberaguas Ltda.	1.035.811	65.012.132	9.341	0	66.038.602
Empresa de Servicios Sanitarios de Los Lagos S.A.	9.571.257	130.766.481	8.999.103	56.249.579	75.089.056
Ecoriles S.A.	9.376.986	169.664	1.201.190	0	8.345.460
Gestión y Servicios S.A.	6.739.134	1.845.971	3.223.124	0	5.361.981
Análisis Ambientales S.A.	3.888.774	1.358.229	340.877	0	4.906.126

## SUMMARIZED FINANCIAL INFORMATION OF SUBSIDIARIES (STATEMENT OF COMPREHENSIVE RESULTS) AS OF 31-12-2010

Result for the year	Ordinary revenues	Operating expenses (-)	Other expenses (-) / Net income (+)
ThCh\$	ThCh\$	ThCh\$	ThCh\$
13.572.932	37.565.890	-8.841.008	-15.151.950
2.248.910	6.205.486	-2.179.917	-1.776.659
3.428.618	1.080	0	3.427.538
6.741.358	32.228.930	-15.676.719	-9.810.853
1.587.788	8.396.784	-4.308.933	-2.500.063
993.311	8.638.283	-6.212.460	-1.432.512
1.034.804	4.288.034	-2.274.561	-978.669
	ThCh\$  13.572.932 2.248.910 3.428.618 6.741.358 1.587.788 993.311	ThCh\$         ThCh\$           13.572.932         37.565.890           2.248.910         6.205.486           3.428.618         1.080           6.741.358         32.228.930           1.587.788         8.396.784           993.311         8.638.283	Result for the year Ordinary revenues           ThCh\$         ThCh\$         ThCh\$           13.572.932         37.565.890         -8.841.008           2.248.910         6.205.486         -2.179.917           3.428.618         1.080         0           6.741.358         32.228.930         -15.676.719           1.587.788         8.396.784         -4.308.933           993.311         8.638.283         -6.212.460

## SUMMARIZED FINANCIAL INFORMATION OF SUBSIDIARIES (STATEMENT OF FINANCIAL POSITION) AS OF 31-12-2009

31-12-2009 Subsidiaries	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Subsidiaries	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Aguas Cordillera S.A.	18.466.182	240.558.843	8.899.779	43.224.192	206.901.054
Aguas Manquehue S.A.	2.612.051	54.840.181	8.488.866	13.266.650	35.696.716
Inversiones Iberaguas Ltda.	1.169.554	63.770.924	5.061	0	64.935.417
Empresa de Servicios Sanitarios de Los Lagos S.A.	8.768.396	130.307.890	9.910.401	56.510.570	72.655.315
Ecoriles S.A.	7.363.105	164.799	770.232	0	6.757.672
Gestión y Servicios S.A.	7.221.674	1.692.613	4.545.617	0	4.368.670
Análisis Ambientales S.A.	3.004.540	1.314.134	447.352	0	3.871.322

## SUMMARIZED FINANCIAL INFORMATION OF SUBSIDIARIES (STATEMENT OF COMPREHENSIVE RESULTS) AS OF 31-12-2009

31-12-2009 Subsidiaries	Result for the year	Ordinary revenues	Operating expenses (-)	Other expenses (-) / Net income (+)
Subsignaries	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Aguas Cordillera S.A.	20.380.118	35.691.065	-8.590.614	-6.720.333
Aguas Manquehue S.A.	3.488.866	7.613.382	-1.928.712	-2.195.804
Inversiones Iberaguas Ltda.	3.876.414	-2	0	3.876.416
Empresa de Servicios Sanitarios de Los Lagos S.A.	7.617.365	32.394.608	-16.012.988	-8.764.255
Ecoriles S.A.	1.455.812	6.368.093	-2.894.946	-2.017.335
Gestión y Servicios S.A.	1.031.870	9.579.596	-7.348.721	-1.199.005
Análisis Ambientales S.A.	927.886	3.518.528	-1.816.273	-774.369

## **DETAIL OF SIGNIFICANT SUBSIDIARIES**

The definition of significant subsidiaries is based on their percentage contribution to the operating results, their participation in Property, plant and equipment and Results for the period of the consolidated financial statements. The following companies are considered as significant subsidiaries:

Significant subsidiary	Aguas Cordillera S.A.	Essal S.A.
Tax No.	96809310-k	96579800-5
Country	Chile	Chile
Functional currency	Chilean pesos	Chilean pesos
Percentage shareholding in significant subsidiary	99,99003%	53,50650%
Percentage voting power in significant subsidiary	99,9903%	53,50650%
Percentage of consolidated values		
Contribution margin	12,09%	6,97%
Property, plant & equipment	8,66%	11,81%
Result for the year	10,35%	5,14%

## 6. CASH AND CASH EQUIVALENTS

The composition is as follows:

Cash & cash equivalents	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
Banks	1.755.962	970.103
Mutual funds	1.967.000	0
Time deposits (see Note 7.7)	2.367.000	24.026.180
TOTAL	6.089.962	24.996.283

Cash and cash equivalents relate to financial assets and time deposits with maturities of less than 90 days from the date of the transaction.

## DETAIL OF SOME ITEMS OF THE STATEMENT OF CASH FLOWS

Other inflows from operating activities relate to services connected with the business, principally agreements signed with property developers.

Other payments for operating activities relate mainly to the payment of value added tax (VAT).

## 7. FINANCIAL INSTRUMENTS

## 7.1 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that Group entities will continue as ongoing businesses by the maximization of profitability for shareholders through the optimization of the debt and capital structure. The Group's general strategy has not changed since 2008. The group's capital structure comprises debt, which includes the loans disclosed in Note 7.4, the capital attributable to equity holders of the controller, which includes the capital, reserves and retained earnings which are shown in Note 2.3.

## 7.2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods adopted, including booking criteria, the bases of measurement and the bases on which the revenues and expenses are booked, with respect to each class of financial assets and financial obligations, are described in Notes 2H and 2L to these financial statements.

## 7.3 CLASSES OF FINANCIAL INSTRUMENTS

Classes of financial instruments	Currency or	31-12-2010	31-12-2009
Classes of financial instruments	indexation unit	ThCh\$	ThCh\$
OTHER FINANCIAL ASSETS, CURRENT		406.502	900.059
Hedge assets, foreign currency derivatives	CLP	406.502	900.059
TRADE DEBTORS		65.329.172	65.121.153
Trade debtors & other accounts receivable, current	CLP	62.320.696	61.828.838
Trade debtors & other accounts receivable, current	USD	44.320	24.071
Trade debtors & other accounts receivable, current	EUR	3.025	3.051
Collection rights, non-current	CLP	2.961.131	3.265.193
OTHER FINANCIAL LIABILITIES, CURRENT		22.293.049	36.560.941
Bank loans	CLP	3.913.732	11.624.136
Bonds	CLP	17.604.950	23.594.341
Reimbursable Financial Contributions	CLP	355.944	357.532
Hedge liabilities, foreign currency derivatives	CLP	418.423	984.932
OTHER FINANCIAL LIABILITIES, NON-CURRENT		549.288.012	508.405.440
Bank loans	CLP	105.654.339	125.562.880
Bonds	CLP	365.846.377	314.310.984
Reimbursable Financial Contributions	CLP	77.787.296	68.531.576
TRADE CREDITORS		45.722.811	64.231.693
Trade credirors & other accounts payable, current	CLP	44.530.080	62.673.939
Other accounts payable, non-current	CLP	1.192.731	1.557.754
OTHER FINANCIAL ASSETS, NON-CURRENT	CLP	7.238.651	17.517

### 7.4 DISCLOSURES ON FINANCIAL LIABILITIES

## Other financial liabilities

Other financial liabilities include bank loans, bonds and reimbursable financial contributions (AFR), explained below:

The bonds, bank loans and AFRs are booked at amortized cost.

#### Reimbursable financial contributions (AFR)

According to article 42-A of decree MINECON 453 of 1989, "Reimbursable financial contributions, for extension and for capacity constitute a financing alternative for the

provider (company that provides sanitation services) for carrying out sanitation works of extension and capacity which, under the law, are at its expense and cost."

They consist of determined amounts of money or works that sanitation public utilities can require of those asking to be incorporated as customers or who request an expansion of service and which, according to current regulations, have defined forms and terms for their reimbursement.

The reimbursement of the amounts contributed by customers is made basically through the issue of endorsable promissory notes at 10 and 15 years and, in some minor cases, through reimbursement by the provision of sanitation services.

The detail of bank loans as of December 31, 2010 and 2009 is as follows:

## Bank loan balances, current.

			Rank	Tax No. Creditor		C	Balance	Total	Total book value ThCh\$			Total nominal value ThCh\$			
Debtor	Tax No.	Country			Country	Currency or indexation	31-12-2010	31-12-	31-12-2010				_ Nominal	Effective	Repayments
	Debtor	debtor			creditor	unit	ThCh\$	Up to 90 days	91 to 365 days	ThCh\$	31-12-2010	31-12-2009	rate	rate	
Aguas Andinas S.A.	61.808.000-5	CL	BANCO BBVA	97.032.000-8	CL	CLP	0	222.294	0	4.328.402	239.989	4.349.278	4,83%	5,00%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	BANCO DE CHILE	97.004.000-5	CL	CLP	0	118.939	0	1.531.625	153.496	1.536.625	5,29%	5,19%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	BANCO CORPBANCA	97.023.000-9	CL	CLP	2.600.000	237.661	2.600.000	2.628.275	2.887.143	2.685.418	4,83%	5,23%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	BANCO SANTANDER	97.036.000-K	CL	CLP	0	156.226	0	2.723.897	162.272	2.749.750	4,98%	5,12%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	BANCO DE CHILE	97.004.000-5	CL	CLP	0	401.035	0	300.273	463.050	388.700	3,78%	3,86%	Semi-annual
Aguas Manquehue S.A	89.221.000-4	CL	BANCO ESTADO	97.030.000-7	CL	CLP	0	177.577	0	111.664	177.577	111.664	4,58%	4,58%	Semi-annual
						TOTAL	2.600.000	1.313.732	2.600.000	11.624.136	4.083.527	11.821.436			

Nominal value = principal (+) accrued interest Residual value = total principal due Book value= principal (+) accrued interest (-) deferred issue costs (amortized cost method)

## Bank loan balances, non-current.

							Yea	Years to maturity			31-12	31-12-2010		2009			
Debtor	Tax No. Debtor	Country debtor	Bank	Tax No. Creditor	Country	Or indexation unit	13 months to 3 years	3 to 5 years	More than 5 years	Final maturity	Total Non- current (book value)	Total Non- current (nominal value)	Total Non- current (book value)	Total Non- current (nominal value)	Nominal rate	Effective rate	Repayments
							ThCh\$	ThCh\$	ThCh\$		ThCh\$	ThCh\$	ThCh\$	ThCh\$			
Aguas Andinas S.A	61.808.000-5	CL	BANCO BBVA	97.032.000-8	CL	CLP	2.301.347	4.779.720	10.649.950	28-08-2016	17.731.016	17.702.667	28.030.496	28.072.000	4,83%	5,00%	Semi-annual
Aguas Andinas S.A	61.808.000-5	CL	BANCO DE CHILE	97.004.000-5	CL	CLP	746.130	2.131.800	7.857.310	17-07-2017	10.735.240	10.659.000	9.908.088	9.918.000	5,29%	5,19%	Semi-annual
Aguas Andinas S.A	61.808.000-5	CL	BANCO CORPBANCA	97.023.000-9	CL	CLP	14.735.864	0	0	28-08-2013	14.735.865	14.800.000	17.285.809	17.400.000	4,83%	5,23%	Semi-annual
Aguas Andinas S.A	61.808.000-5	CL	BANCO SANTANDER	97.036.000-K	CL	CLP	0	9.515.735	0	28-08-2015	9.515.735	9.537.000	17.696.436	17.748.000	4,98%	5,12%	Semi-annual
Aguas Andinas S.A	61.808.000-5	CL	BANCO DE CHILE	97.004.000-5	CL	CLP	3.150.000	9.000.000	32.810.483	17-07-2017	44.960.483	45.000.000	44.666.051	45.000.000	3,78%	3,86%	Semi-annual
Aguas Manquehue S.A	89.221.000-4	CL	BANCO ESTADO	97.030.000-7	CL	CLP	7.976.000	0	0	09-07-2012	7.976.000	7.976.000	7.976.000	7.976.000	4,58%	4,58%	At maturity
						TOTAL	28.909.341	25.427.255	51.317.743		105.654.339	105.674.667	125.562.880	126.114.000			

Nominal value = principal (+) accrued interest Book value= principal (+) accrued interest (-) deferred issue costs (amortized cost method)

The detail of reimbursable financial contributions as of December 31, 2010 and 2009 is as follows:

## Reimbursable Financial Contributions, current portion

Identification of the instrument	Currency or	Balance UF	Book	value	Contract		Placement				
	indexation	Balance UF	31-12-2010	31-12-2009	real interest	Effective rate	in Chile or	Issuer	Tax No. Debtor	Repayment	Secured (Yes/No)
	unit	31-12-2010	ThCh\$	ThCh\$	rate		abroad				(103/140)
AFR	UF	2.194	47.068	30.906	3,76%	3,55%	Chile	Aguas Andinas S.A	61.808.000-5	At maturity	No
AFR	UF	13.403	287.577	109.251	6,28%	5,98%	Chile	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	940	20.161	216.238	3,58%	3,44%	Chile	Aguas Manquehue S.A	89.221.000-4	At maturity	No
AFR	UF	53	1.138	1.137	3,93%	3,72%	Chile	Essal S.A.	96.579.800-5	At maturity	No
TOTAL		16.590	355.944	357.532							

## Reimbursable Financial Contributions, non-current portion

Identification of	Currency or	Balance UF	Book	value	– Maturity	Contract	Effective		Tax No.		Secured
the instrument	indexation	Dalarice Of	31-12-2010	31-12-2009	<ul><li>Maturity</li><li>date</li></ul>	real interest	rate	Issuer	Debtor	Repayment	(Yes/No)
	unit	31-12-2010	ThCh\$	ThCh\$		rate	Tate				(103/140)
AFR	UF	2.226.276	47.772.214	41.539.157	09-12-2025	3,76%	3,55%	Aguas Andinas S.A	61.808.000-5	At maturity	No
AFR	UF	1.152.005	24.716.899	22.286.719	08-09-2025	6,28%	5,98%	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	105.895	2.272.038	1.957.883	03-08-2025	3,58%	3,44%	Aguas Manquehue S.A	89.221.000-4	At maturity	No
AFR	UF	141.043	3.026.145	2.747.817	24-11-2025	3,93%	3,72%	Essal S.A.	96.579.800-5	At maturity	No
TOTAL		3.625.219	77.787.296	68.531.576							

The detail of bonds outstanding as of December 31, 2010 and 2009 is as follows:

## **BONDS**

## **Total current portion**

	Amount	Amount Book value ThCh\$				=======================================	Payments of					
Time of document	outstanding	31-12	31-12-2010		— — Final maturity	Nominal annual	Effective			 Issuer	Tax No. Issuer	Country
Type of document	UF	Up to 90 days	91 to 365 days	ThCh\$	— Final maturity	interest rate	annual interest rate	Interest	terest Principal		lax INO. ISSUEI	issuer
BEMOS-B1	22.580	454.156	258.385	576.268	01-09-2022	6,25%	7,04%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL
BEMOS-B2	35.484	713.680	406.041	903.738	01-09-2022	6,25%	7,04%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-C1	0	0	0	3.480.972	01-12-2010	4,25%	5,24%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-C2	0	0	0	10.442.955	01-12-2010	4,25%	5,24%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-E	0	0	0	0	01-06-2012	4,00%	4,47%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-F	263.158	0	5.568.806	5.448.256	01-12-2026	4,15%	4,74%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-G	0	0	201.729	182.918	01-04-2014	3,00%	3,43%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-I	320.000	0	6.868.295	0	01-12-2015	3,70%	4,07%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-J	0	0	40.471	40.067	01-12-2018	4,00%	4,20%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-K	0	0	117.953	0	01-10-2016	2,90%	3,10%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-M	0	0	399.956	0	01-04-2031	4,20%	4,14%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5	CL
BESAL-B	115.789	91.152	2.484.326	2.519.167	01-06-2028	6,00%	6,63%	Semi-annual	Semi-annual	Essal S.A.	96.579.800-5	CL
TOTAL CURRENT PORTION	757.011	1.258.988	16.345.962	23.594.341								

## Total non-current portion

	Amount		Book va	lue ThCh\$			Nominal	Effective	Paym	nents of			
Type of document	outstanding		31-12-2010			Final	annual	annual			 Issuer	Tax No.	Country
Type of document	UF	13 months to 3 years	3 to 5 years	More than 5 years	31-12-2009	maturity	interest rate	interest rate	Interest	Principal	issuei	Issuer	issuer
BEMOS-B1	645.805	1.356.521	1.756.277	10.234.554	13.423.032	01-09-2022	6,25%	7,04%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL
BEMOS-B2	1.014.838	2.131.704	2.759.923	16.082.831	21.093.311	01-09-2022	6,25%	7,04%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-C1	0	0	0	0	0	01-12-2010	4,25%	5,24%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-C2	0	0	0	0	0	01-12-2010	4,25%	5,24%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-E	1.650.000	35.336.023	0	0	34.337.100	01-06-2012	4,00%	4,47%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-F	3.947.368	11.292.399	10.544.001	59.978.096	84.934.701	01-12-2026	4,15%	4,74%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-G	2.500.000	0	53.151.383	0	51.687.899	01-04-2014	3,00%	3,43%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-I	1.680.000	13.731.552	22.012.200	0	41.455.597	01-12-2015	3,70%	4,07%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-J	1.000.000	0	0	21.208.334	20.665.315	01-12-2018	4,00%	4,20%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-K	1.000.000	6.865.776	6.803.766	7.675.276	0	01-10-2016	2,90%	3,10%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL
BAGUA-M	1.750.000	0	0	37.837.821	0	01-04-2031	4,20%	4,14%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5	CL
BESAL-B	1.910.526	4.968.652	4.968.652	35.150.636	46.714.029	01-06-2028	6,00%	6,63%	Semi-annual	Semi-annual	Essal S.A.	96.579.800-5	CL
TOTAL NON-CURRENT PORTION	17.098.537	75.682.627	101.996.202	188.167.548	314.310.984								

## 7.5 RISK MANAGEMENT

The principal objectives of financial risk management are to ensure the availability of funds to meet financial commitments and protect the value of the economic flows of the Group's assets and liabilities.

This management is carried out through the identification of the risks, the determination of tolerance to each risk, the hedging of such financial risks and the control of hedge transactions. Financial risk management is therefore based on hedging all significant exposures, provided there are suitable instruments and they are reasonably priced.

#### i. Credit risk

Credit risk is the possibility of financial loss arising from default of obligations by our counterparties (customers).

Aguas Andinas and its sanitation subsidiaries have a well-spread market which implies that the credit risk of a customer in particular is not significant.

The objective is to maintain minimum levels of bad debts. There is a credit policy which sets the conditions and types of payment and also conditions for reaching payment agreements with overdue customers. The management processes are to control, estimate and evaluate bad debts in order to take corrective actions to achieve the objectives. One of the principal actions and measures for maintaining low levels of bad debts is to suspend supplies. The method for analysis is based on historic data on customer accounts receivable and other debtors.

Credit risk	31-12-2010	31-12-2009
Credit risk	ThCh\$	ThCh\$
Gross exposure per balance sheet for risks of accounts receivable	94 049 674	91.301.937
Gross exposure according to estimates of risks of accounts receivable	-28.720.502	-26.180.784
NET EXPOSURE, CONCENTRATIONS OF RISK	65.329.172	65.121.153

Too do de bases O sabase assessed assessable	31-12-2010	31-12-2009	
Trade debtors & other accounts receivable	ThCh\$	ThCh\$	
Less than 3 months	62.041.555	61.564.005	
Between 3 & 6 months	69.468	123.632	
Between 6 & 12 months	257.018	168.323	
Over 12 months	2.961.131	3.265.193	
TOTAL	65.329.172	65.121.153	

## ii. Liquidity risk

Liquidity risk is the possibility that adverse situations in the capital markets prevent the Group from having access to sources of finance and from being able to finance its acquired commitments like long-term investments and working capital needs at reasonable market prices.

The management controls forecasts of the Group's liquidity reserve as a function of expected cash flows.

The following preventive measures are taken to manage the liquidity risk:

- Diversification of financing sources and instruments
- Agree maturity dates with creditors in order to avoid the concentration of large repayments in one period

## Maturity structure (flows not discounted)

	Up to 90 days		91 days	to 1 year	13 months	s to 3 years	3 to 5	years	ears Over 5 y	
Balances at December 31, 2010	ThCh\$	Contract interest rate	ThCh\$	Contract interest rate	ThCh\$	Contract interest rate	ThCh\$	Contract interest rate	ThCh\$	Contract interest rate
Bank loans	3.259.668	4,69%	3.695.399	4,64%	37.875.867	4,64%	31.787.374	4,56%	54.669.495	4,26%
Bonds	1.716.279	6,25%	25.484.501	4,04%	93.697.283	4,04%	115.849.148	3,59%	204.626.183	4,45%
AFRs	215.250	7,19%	48.325	5,50%	13.754.437	7,56%	6.017.515	4,77%	80.033.774	4,03%
TOTAL	5.191.197		29.228.225		145.327.587		153.654.037		339.329.452	

The liquidity risk is controlled periodically in order to perceive, detect and correct deviations for mitigating the possible effects on results.

### iii. Interest rate risk

Aguas Andinas has an interest-rate structure of both floating and fixed rates, as shown in the following table:

Debt instrument	Rate	%
Bank loans	Variable	19,04%
Bonds	Fixed	67,37%
AFRs	Fixed	13,60%
TOTAL		100,00%

## Interest rate sensitivity analysis

A rate analysis is made, with respect to TAB (Banking Asset Rate), assuming that all other variables remain constant. The method consists of measuring the positive or negative

changes in nominal TAB at the date of presentation of the report with respect to the average TAB of the latest setting of the loans.

The analysis method is based on historic data with respect to the average daily market price of 180-day TAB over the past 3 years to the date of the report, with a reliability level of 95%.

Company	Nominal amount debt (ThCh\$)	Variable rate	Points (+/-)	Impact result (ThCh\$) (+/-)
Aguas Andinas S.A	100.298.667	TAB 180 days	35	346.334
Aguas Manquehue S.A	7.976.000	TAB 360 days	88	69.942

For loans based on 180-day TAB, the positive or negative change in nominal TAB of 35 basis points, calculated annually, would have an impact on results of +/-ThCh\$346,334.

For loans based on 360-day TAB, the positive or negative change in nominal TAB of 88 basis points, calculated annually, would have an impact on results of +/-ThCh\$69,942.

## 7.6 DERIVATIVE INSTRUMENTS

The Aguas Andinas Group has the following hedges at the date of the financial statements:  $\frac{1}{2} \int_{\mathbb{R}^{n}} \left( \frac{1}{2} \int$ 

C	Hadaa tastaasa ast	Description of	Maria la adara d	Nature of risk	Current assets	Current liabilities	Current assets	Current liabilities
Company	Hedge instrument	hedge	Item hedged	hedged	31-12-	31-12-2010 31-12-20		
					ThCh\$	ThCh\$	ThCh\$	ThCh\$
Gestión y Servicios S.A.	Forward purchase	Exchange rate	pasivos	Fair value	406.502	418.423	900.059	984.932

## 7.7 CASH EQUIVALENTS

The detail by type of instrument for each company is as follows:

Company	Instruments	31-12-2010	31-12-2009	
Company	instruments	ThCh\$	ThCh\$	
Aguas Andinas S.A.	term	0	1.937.006	
Aguas Andinas S.A.	mutual fund	773.000	0	
Aguas Cordillera S.A.	term	0	11.593.082	
Aguas Cordillera S.A.	mutual fund	580.000	0	
Análisis Ambientales S.A.	term	0	2.000.019	
Gestión y Servicios S.A.	term	0	1.740.014	
Eco-Riles S.A.	term	1.744.000	5.800.059	
ESSAL S.A.	term	623.000	956.000	
ESSAL S.A.	mutual fund	614.000	0	
TOTAL (CASH EQUIVALENTS)		4.334.00	24.026.180	

## 7.8 TRADE CREDITORS AND OTHER ACCOUNTS PAYABLE

The principal concepts are the following:

Trade creditors & other	Currency or	31-12-2010	31-12-2009
accounts payable	indexation unit	ThCh\$	ThCh\$
Dividends	CLP	981.590	3.348.395
Tax (VAT, monthly prepayments, sole tax, etc.)	CLP	5.039.364	8.578.623
Suppliers of investments in progress	CLP	9.695.345	18.452.848
Personnel	CLP	1.928.074	2.224.134
Suppliers	CLP	9.680.835	18.429.727
Suppliers	USD	175.143	98.778
Suppliers	EUR	273.821	5.385
Accrued services	CLP	16.161.478	11.241.004
Accrued services	USD	91.243	1.526
Others	CLP	503.187	293.519
TOTAL		44.530.080	62.673.939

## 7.9 FAIR VALUE OF FINANCIAL INSTRUMENTS

#### Fair value of financial instruments booked at amortized cost

The following summarizes the fair values of the principal assets and financial obligations, including those that are not shown at fair value in the statement of financial position:

	31-12-2010		
	Amortized cost	Fair value	
	ThCh\$	ThCh\$	
OTHER FINANCIAL ASSETS	4.334.000	4.334.000	
INVESTMENTS HELD AT AMORTIZED COST	4.334.000	4.334.000	
Mutual funds	1.967.000	1.967.000	
Time deposits	2.367.000	2.367.000	
OTHER FINANCIAL LIABILITIES	571.174.559	577.562.925	
FINANCIAL LIABILITIES HELD AT AMORTIZED COST	571.162.638	577.551.004	
Bank debt	109.568.071	105.706.062	
Bonds	383.451.327	393.701.703	
AFRs	78.143.240	78.143.239	
NET FINANCIAL LIABILITIES HELD AT FAIR VALUE	11.921	11.921	
Foreign currency forwards	11.921	11.921	

#### Methodology and assumptions used in the calculation of fair value

The fair value of financial assets and liabilities was determined using the following methodology:

- a) The amortized cost of time deposits is a good approximation of fair value as they are very short-term operations.
- b) The amortized cost of AFR liabilities is a good approximation of fair value as they are not very liquid in the market but their issue rate is determined in line with the regulation (Decree Law 70).
- c) Foreign currency forwards are booked at their market value in the financial statements. These were valued using forward exchange rate quotations derived from the forward curves, supplied by an independent supplier of prices, applied to the remaining term of the instrument's maturity.
- d) The fair value of bonds was determined based on market price references as these

instruments are traded on the market under normal conditions and with a high level of liquidity.

e) The fair value of bank debt was determined through the cash flow analysis methodology, applying the discount curves corresponding to the remaining term to the maturity of the obligation

## Booking of fair value measurements in the statements of financial information

- Level 1 relates to fair-value measurement methodologies by market quotas (without adjustments) in active markets and considering the same assets and liabilities valued.
- Level 2 relates to fair-value measurement methodologies by market quotation data not included in Level 1, observable for the assets and liabilities valued, whether directly (prices) or indirectly (derivative of the prices).
- Level 3 relates to fair-value measurement methodologies by valuation techniques which include data on the assets and liabilities valued, not based on observable market data.

	december-10					
Financial liabilities at fair value booked as gain/loss	Level 1	Level 2	Level 3	Total		
	ThCh\$	ThCh\$	ThCh\$	ThCh\$		
Foreign currency forwards	0	-11.921		-11.921		
TOTAL	0	-11.921	0	-11.921		

There were no transfers between Levels 1 and 3 in the period.

## 7.10 OTHER FINANCIAL ASSETS

These relate mainly to the acquisition of shares in Sociedad Eléctrica Puntilla S.A. (EPSA) for a total amount of ThCh\$7.221.134.-

## 8. INFORMATION ON RELATED ENTITIES

## **BALANCES AND TRANSACTIONS WITH RELATED ENTITIES**

Transactions between the Company and its subsidiaries reflect market conditions. These transactions have been eliminated in the consolidation and are not detailed in this Note.

## ACCOUNTS RECEIVABLE FROM RELATED ENTITIES

Tax No. related party	Related party	Relationship	Country of origin		Currency	Term	Security		(ThCh\$) 31-12-2009
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	CL	Reimbursement of expenses	CLP	30 days	Unsecured	27	0
96.713.610-7	Agbar Chile S.A.	Related to controller	CL	Joint business with Gestión y Servicios S.A.	CLP	30 days	Unsecured	3.566	0
96.864.190-5	Brisaguas S.A.	Related to controller	CL	Chemical & bactereological analysis services	CLP	30 days	Unsecured	573	916
59.066.560-6	Degremont S.A. Agencia en Chile	Related to controller	CL	Withholding in arbitration proceedings of Degremont with third party	CLP	30 days	Unsecured	0	48.784
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to controller	CL	Sale of laboratory inputs & services	CLP	30 days	Unsecured	10.839	0
59.094.680-K	Aguas de Levante	Related to controller	CL	Sale of materials	CLP	30 days	Unsecured	2.067	0
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to controller	CL	Chemical & bactereological analysis services	CLP	30 days	Unsecured	1.149	13.870
TOTAL ACCO	UNTS RECEIVABLE							18.221	63.570

## ACCOUNTS PAYABLE TO RELATED ENTITIES

Tax No.	Related party Relationship Country Transaction Currency Term Security		Security	Current	ent (ThCh\$)				
related party			of origin	Harisaction	- Currency			31-12-2010	31-12-2009
93.713.610-7	Agbar Chile S.A.	Related to controller	CL	Joint business with Gestión y Servicios S.A.	CLP	30 days	Unsecured	102.216	60.547
59.127.140-K	Aquagest Services Company S.A.	Related to controller	CL	Purchase of materials	CLP	30 days	Unsecured	39.747	1.024.596
76.080.553-K	Agbar Solutions Chile Ltda	Related to controller	CL	Purchase of materials	CLP	30 days	Performance bond ThCh\$ 244.800	708.636	0
Sin RUT	Aquaplan	Related to controller	CL	Modification of operation & safety El Yeso reservoir	CLP	30 days	Unsecured	0	23.769
76.046.628-K	Asterión S.A.	Related to controller	CL	Re-engineering of processes & implantation of new information systems for customer service	CLP	30 days	Performance bond ThCh\$ 845.149	1.314.675	197.967
96.864.190-5	Brisaguas S.A.	Related to controller	CL	Collections payable	CLP	30 days	Unsecured	33.581	46.410
59.066.560-6	Degremont S.A. Agencia en Chile	Related to controller	CL	Principal contract construction La Farfana sewage treatment plant	CLP	30 days	Unsecured	382.617	333.346
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to controller	CL	Operation & maintenance services La Farfana sewage treatment plant	CLP	30 days	Contract performance bond UF 194.249,62	2.265.320	1.049.491
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to controller	CL	Operation & maintenance services Biogas purification plant	CLP	30 days	Contract performance bond UF 112,24	27.300	8.307
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to controller	CL	Operation & maintenace services El Trebal sewage treatment plant and construction, operation & maintenance of Mapocho sewage treatment plant	CLP	90 days	Contract performance bond UF 357.863	15.128.000	0
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	CL	Dividends payable	CLP	-	Unsecured	0	2.246.457
Sin RUT	Clavegueram de Barcelona S.A.	Related to controller	CL	Technical assistance Renato Poblete park study	CLP	30 days	Unsecured	15.144	0
Sin RUT	Sorea	Related to controller	CL	Reimbursement of expenses	CLP	30 days	Unsecured	1.539	2.656
TOTAL ACC	COUNTS RECEIVABLE							20.018.775	4.993.546

## **TRANSACTIONS**

						Current (ThCh\$			Ch\$)		
					31-12-2010		2-2010	31-12-2009			
Tax No. Related party	Relationship	Country of origin	Transaction	Tipo de Moneda	Amount	Efect on result (Charge)/ (Credit)	Amount	Efect on result (Charge)/ (Credit)			
59.127.140-K	Aquagest Services Company S.A.	Other related parties	CL	Purchase of materials	CLP	1.535.459	-1.274.096	3.659.909	-3.659.909		
79.046.628-K	Asterión S.A.	Other related parties	CL	Re-engineering of processes & implantation of new information systems for customer service	CLP	2.027.997	-329.857	421.121	-85.912		
76.080.553-K	Agbar Solutions Chile Ltda	Other related parties	CL	Purchase of materials	CLP	1.790.806	-1.789.659	0	0		
59.066.560-6	Degremont S.A. Agencia en Chile	Other related parties	CL	Principal contract construction La Farfana sewage treatment plant	CLP	36.965	-30.294	284.562	0		
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Other related parties	CL	Operation & maintenace services El Trebal sewage treatment plant and construction, operation & maintenance of Mapocho sewage treatment plant		22.178.406	-4.540.592	0	0		
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Other related parties	CL	Operation & maintenance services La Farfana sewage treatment plant	CLP	11.927.844	-10.453.441	10.599.385	-9.807.820		
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	CL	Dividends paid	CLP	60.191.329	0	54.379.195	0		

The criterion of materiality for reporting transactions with related entities is of amounts of over ThCh\$ 100.000.

# REMUNERATION PAID TO THE DIRECTORS OF THE AGUAS ANDINAS S.A. AND SUBSIDIARIES AND MEMBERS OF THE DIRECTORS' COMMITTEE

	December 2010 (ThCh\$)	December 2009 (ThCh\$)
Directors	309.489	314.326
Directors' Committee	35.631	33.579
TOTAL	345.120	347.905

These relate to fees related to their functions as defined by the ordinary shareholders meetings.

As of December 31, 2010, the number of managers and senior executives of the Aguas Andinas and its subsidiaries totaled 59 professionals. The total remuneration received during the year amounted to Ch\$5.223 million and severance payments amounts to Ch\$237 million.

## DETAIL OF RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES BY THE DIRECTORS AND EXECUTIVES.

The management of the Company is unaware of any transactions between related parties and directors and/or executives.

## 9. INVENTORIES

Classes of inventoriess	31-12-2010	31-12-2009	
Classes of inventoriess	ThCh\$	ThCh\$	
Merchandise	1.342.120	840.584	
Supplies for production	482.589	782.680	
Other inventories	58.700	71.697	
TOTAL INVENTORIES	1.883.409	1.694.961	

The cost of the inventories shown as an expense during 2010 and 2009 amounts to ThCh\$4.730.977 and ThCh\$7.475.841 respectively.

## 10. INTANGIBLE ASSETS OTHER THAN GOODWILL

The following shows the required information on the Company's intangible assets, as per IAS 38 Intangible assets:

	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
NTANGIBLE ASSETS, NET	218.513.009	217.800.680
ntangible assets with finite life, net	8.963.783	9.310.245
ntangible assets with undefined lives, net	209.549.226	208.490.435
DENTIFIABLE INTANGIBLE ASSETS, NET	218.513.009	217.800.680
Patents, registered trademarks & other rights, net	6.079.377	6.267.281
Computer programs, net	2.884.406	3.042.964
Other identifiable intangible assets, net	209.549.226	208.490.435
NTANGIBLE ASSETS, GROSS	241.501.386	239.472.591
ntangible assets, gross	241.501.386	239.472.591
OTHER IDENTIFIABLE INTANGIBLE ASSETS, GROSS	241.501.386	239.472.591
dentifiable intangible assets, gross	219.211.797	218.364.360
Patents, registered trademarks & other rights, gross	7.653.655	7.654.344
Computer programs, gross	14.635.934	13.453.887
	31-12-2010	31-12-2009
Classes of accumulated amortization & impáirment of value, intangible assets	ThCh\$	ThCh\$
ACCUMULATED AMORTIZATION & IMPAIRMENT, INTANGIBLE ASSETS, TOTAL	22.988.377	21.671.911
Accumulated amortization & impairment, patents, registered trademarks & other rights	1.574.278	1.387.063
Accumulated amortization & impairment, computer programs	11.751.528	10.410.923
Accumulated amortization & impairment, other identifiable intangible assets	9.662.571	9.873.925

## **MOVEMENT IN INTANGIBLE ASSETS**

**Current period (31-12-2010)** 

Movement in identifiable intangible assets	Patents, registered trademarks & other rights, net	Computer programs, net	Other identifiable intangible assets net
	ThCh\$	ThCh\$	ThCh\$
INITIAL BALANCE AT 01-01-2010	6.267.281	3.042.964	208.490.435
Additions	0	840.017	1.058.791
Amortization	187.215	1.351.609	0
Increases (decreases) for revaluation booked in statement of results			0
Other increases (decreases)	-689	353.034	0
CHANGES, TOTAL	-187.904	-158.558	1.058.791
CLOSING BALANCE AT 31-12-2010	6.079.377	2.884.406	209.549.226

Previous period (31-12-2009)

Movement in identifiable intangible assets	Patents, registered trademarks & other rights, net	Computer programs, net	Other identifiable intangible assets net	
	ThCh\$	ThCh\$	ThCh\$	
INITIAL BALANCE AT 01-01-2009	6.253.207	2.244.563	207.439.165	
Additions	1.317.213	1.937.653	262.183	
Rises from combination of businesses	0	0	0	
Amortization	216.794	1.145.395	0	
Other increases (decreases)	-1.086.345	6.143	789.087	
CHANGES, TOTAL	14.074	798.401	1.051.270	
CLOSING BALANCE AT 31-12-2009	6.267.281	3.042.964	208.490.435	

## Detail of significant identifiable intangible assets:

Water rights and easements are the principal intangible assets with indefinite useful lives; their detail by company is as follows:

## Current period at December 31, 2010

6	Water rights	Easements
Company	ThCh\$	ThCh\$
A A I' C A	72.042.724	7.057.000
Aguas Andinas S.A.	73.843.631	7.257.938
Aguas Cordillera S.A.	92.502.072	7.853.889
Aguas Manquehue S.A.	21.207.340	900.644
Essal S.A.	5.032.372	951.340
TOTAL	192.585.415	16.963.811

Fully-amortized identifiable intangible assets in use correspond to a minor portion of software.

## Identifiable intangible assets with indefinite useful lives:

Both the water rights and easements are rights of the Company for which it is not possible to establish a finite useful life, i.e. the period of economic benefits associated with these assets are indefinite. Both assets are legal rights that are not extinguished nor affected by restrictions.

There are no disbursements in research and development booked as an expense.

## Commitments for the acquisition of intangible assets:

Commitments for the acquisition of intangible assets relate to water rights and easements necessary for the normal operation of the Group companies and in particular for new works under development or prior study stages, plus the expansion of concession zones, shown as follows:

	01-01-2011
Company	31-12-2011
	ThCh\$
Aguas Andinas S.A.	2.429.067
Aguas Cordillera S.A.	62.518
Aguas Manquehue S.A.	28.799
Essal S.A.	73.010
TOTAL	2.593.394
-	

## 11. GOODWILL

The following is a detail of goodwill for the different cash-generating units or groups of these to which this is assigned, and their movement during 2010 and 2009.

T NI-	6	31-12-2010	31-12-2009
Tax No.	Company	ThCh\$	ThCh\$
96.809.310-K	Aguas Cordillera S.A.	33.823.049	33.823.049
95.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A. (Essal S.A.)	343.332	343.332
96.897.320-7	Inversiones Iberaguas Ltda.	2.426.196	2.426.196
TOTAL		36.592.577	36.592.577

## 12. PROPERTY, PLANT AND EQUIPMENT

	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
PROPERTY, PLANT & EQUIPMENT, NET	1.031.875.461	1.018.308.407
Construction in progress	71.171.543	108.193.775
Land	148.941.768	149.179.546
Buildings	70.432.661	71.758.052
Plant & equipment	199.622.110	209.746.022
Computer equipment	1.386.254	1.602.794
Fixed ilnstallatios & accessories	537.158.355	474.261.342
Motor vehicles	1.307.299	1.456.189
Improvements to leased assets	70.636	92.778
Other property, plant & equipment	1.784.835	2.017.909
PROPERTY, PLANT & EQUIPMENT, GROSS	1.867.465.640	1.812.025.602
Construction in progress	71.171.543	108.193.775
Land	148.941.768	149.179.546
Buildings	88.617.443	88.398.891
Plant & equipment	351.036.540	344.274.493
Computer equipment	10.307.322	10.572.434
Fixed iInstallatios & accessories	1.188.318.180	1.101.457.657
Motor vehicles	4.627.828	5.083.834
Improvements to leased assets	440.754	425.036
Other property, plant & equipment	4.004.262	4.439.936
ACCUMULATED DEPRECIATION	835.590.179	793.717.195
Buildings	18.184.782	16.640.839
Plant & equipment	151.414.430	134.528.471
Computer equipment	8.921.068	8.969.640
Fixed ilnstallatios & accessories	651.159.825	627.196.315
Motor vehicles	3.320.529	3.627.645
Improvements to leased assets	370.118	332.258
Other property, plant & equipment	2.219.427	2.422.027

## RECONCILIATION OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT BY CLASS:

As required by IAS 16, paragraph 73, the following is information on each of the Company's classes of property, plant and equipment.

Property developments carried out and financed by construction companies contributed to the subsidiaries as of December 31, 2010 amount to ThCh\$17.062.539.

## **Current year 31-12-2010**

	Initial balance	Additions	Divestments	Depreciation charge	Other increases (decreases)	Total changes	Closing balance
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Construction in progress, net	108.193.775	28.038.863	-36.792	0	-65.024.303	-37.022.232	71.171.543
Land	149.179.546	0	-31.431	0	-206.347	-237.778	148.941.768
Buildings, net	71.758.052	285.663	-320.958	-1.731.668	441.572	-1.325.391	70.432.661
Plant & equipment, net	209.746.022	5.891.598	-178.261	-18.182.631	2.345.382	-10.123.912	199.622.110
Computer equipment, net	1.602.794	462.414	-710	-736.682	58.438	-216.540	1.386.254
Fixed ilnstallatios & accessories, net	474.261.342	32.371.339	-2.330.519	-30.322.638	63.178.831	62.897.013	537.158.355
Motor vehicles, net	1.456.189	335.555	-42.163	-444.747	2.465	-148.890	1.307.299
Improvements to leased assets, net	92.778	15.716	0	-37.858	0	-22.142	70.636
Other property, plant & equipment, net	2.017.909	0	-1.231	-16.880	-214.963	-233.074	1.784.835
CLASSES OF PROPERTY, PLANT & EQUIPMENT, NET	1.018.308.407	67.401.148	-2.942.065	-51.473.104	581.075	13.567.054	1.031.875.461

## Previous year 31-12-2009

	Initial balance	Additions	Divestments	Depreciation charge	Other increases (decreases)	Total changes	Closing balance
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
		05.400.444	4.40.000		<b></b>	05.000.550	400 400 777
Construction in progress, net	83.100.017	25.192.644	-163.909	0	65.023	25.093.758	108.193.775
Land	149.438.810	572.701	-831.965	0	0	-259.264	149.179.546
Buildings, net	71.346.387	2.325.993	-198.275	-1.708.564	-7.489	411.665	71.758.052
Plant & equipment, net	212.168.715	15.462.872	-122.236	-17.882.021	118.692	-2.422.693	209.746.022
Computer equipment, net	1.183.322	1.089.634	-136	-669.981	-45	419.472	1.602.794
Fixed ilnstallatios & accessories, net	470.795.474	32.156.293	-176.518	-28.415.162	-98.745	3.465.868	474.261.342
Motor vehicles, net	1.657.368	283.142	-53.656	-430.665	0	-201.179	1.456.189
Improvements to leased assets, net	111.515	17.967	0	-37.654	950	-18.737	92.778
Other property, plant & equipment, net	2.017.063	1.431.683	0	-17.478	-1.413.359	846	2.017.909
CLASSES OF PROPERTY, PLANT & EQUIPMENT, NET	991.818.671	78.532.929	-1.546.695	-49.161.525	-1.334.973	26.489.736	1.018.308.407

The detail of each consolidated Group company of amounts of future commitments for acquisitions of property, plant and equipment during 2011, is as follows:

Company	ThCh\$
Aguas Andinas S.A.	110.780.445
Aguas Cordillera S.A.	3.261.613
Aguas Manquehue S.A.	838.197
Essal S.A.	5.496.628
Ecoriles S.A.	82.820
Gestión y Servicios S.A.	206.400
Análisis Ambientales S.A.	201.513
TOTAL	120.867.616

## ELEMENTS OF PROPERTY, PLANT AND EQUIPMENT TEMPORARILY OUT OF SERVICE:

Commons	31-12-2010
Company	ThCh\$
Aguas Andinas S.A.	123.344
Aguas Cordillera S.A.	170.076
TOTAL	293.420

#### 13. IMPAIRMENT OF VALUE OF ASSETS

## INFORMATION ABOUT ASSET IMPAIRMENT PER CASH GENERATING UNIT:

Each company as a whole is defined as a cash-generating unit as each is individually capable of generating future economic benefits. According to the standard, the company will evaluate on each closing of its statement of financial position whether there is any sign of impairment of value of any asset. If there is, the company will estimate the amount recoverable for the asset. For assets with an indefinite useful life, the impairment test will be made at the close of the period or when there are indications.

The company and subsidiaries make impairment tests annually for their intangible assets with undefined useful lives, property, plant and equipment and goodwill

As of December 31, 2010 and 2009, the respective impairments tests were made based on the Group's estimates and projections. These estimates indicated that the benefits attributable to the participations with lower associated values exceed individually their consolidated book value in all cases.

As of December 31, 2010, revisions were made of the Group's tangible assets following the earthquake of February 2010, estimating an impairment of ThCh\$ 1.559.616, which was shown within Losses for impairment in the statement of comprehensive results, associated with the following:

- -Water treatment and pumping plants
- -Sewage treatment and pumping plants

- -Operative premises (enclosures and others)
- -Water storage tanks
- Sewers
- -Other administrative assets (warehouse, agencies and offices).

The detail by company is the following:

6	31-12-2010
Company	ThCh\$
Aguas Andinas S.A.	429.363
Aguas Cordillera S.A.	9.782
Aguas Manquehue S.A.	1.120.471
TOTAL	1.559.616

#### 14. PROVISIONS AND CONTINGENT LIABILITIES

#### A. PROVISIONS

The detail of these as of December 31, 2010 and 2009 is as follows:

	31-12-2010	31-12-2009
Classes of provisions	ThCh\$	ThCh\$
Provision for legal claims	991.798	639.310
PROVISIONS, CURRENT	991.798	639.310
Other provisions, non-current	1.020.602	1.029.507
PROVISIONS, NON-CURRENT	1.020.602	1.029.507

The movement in current provisions in the year is:

	Legal claims	Total
	ThCh\$	ThCh\$
INITIAL BALANCE PROVISIONS	639.310	639.310
Changes in provisions		
Increase in existing provisions	578.524	578.524
Provision used	-248.187	-248.187
Other increases (decreases)	22.151	22.151
CHANGES IN PROVISIONS, TOTAL	352.488	352.488
CLOSING BALANCE PROVISIONS	991.798	991.798

The provisions comprising this heading are described as follows:

#### 1.-Legal claims

The Company makes the corresponding provision for lawsuits currently before the courts and about which there is some probability that the result might be unfavorable to the Company and subsidiaries.

The following are the provisions for legal claims that could affect the Company:

a) Nature of class of provision: The Sanitation Services Superintendency (SISS) has ordered fines on Aguas Andinas S.A. and subsidiaries, mainly for non-compliance with instructions and breach of the continuity and quality of the service provided by the Company.

Timetable foreseen for release of class of provision: Not determined

Uncertainties about the timing and amount of a class of provision: It is believed that the Company did not commit the breach and therefore that its appeal should be accepted.

b) Nature of class of provision: Aguas Andinas S.A. sold land to CORFO located at Quebrada de Ramón. The sale contract stated that there was a lawsuit pending with a third party who claimed ownership of 7.8 hectares of land, for which the court should determine its location. Depending on the location is the amount to be returned to CORFO and this to the individual.

Timetable foreseen for release of class of provision: during 2011

Principal assumptions concerning future events relating to class of provision: the court determined the location of the land.

Uncertainties about the timing and amount of a class of provision: pending a determination of the value of the land.

c) Nature of class of provision: There are lawsuits relating to labor demands against Aguas Andinas by former employees of the company with respect to severance payments.

Timetable foreseen for release of class of provision: Undetermined.

Uncertainties about the timing and amount of a class of provision: The lawsuits relate to demands amounting to ThCh\$ 52.000.

Principal assumptions regarding future events relating to the class of provision: Sentences in first instances given and appealed against to the Supreme Court.

d) Nature of class of provision: Demand for damages. Plaintiff alleges incorrect feasibility certificate issued by the company.

Timetable foreseen for release of class of provision: Not determined

Uncertainties about the timing and amount of a class of provision: Demand accepted for UF 1,500. Aguas Andinas appealed against the sentence. The case is currently pending allegations in the Santiago Appeals Court.

e) Nature of class of provision: Demand for non-compliance with contract, Constructora Bengol Ltda. v. Aguas Andinas S.A.

Timetable foreseen for release of class of provision: Not determined

Uncertainties about the timing and amount of a class of provision: Pending notification of conciliation audience. Demand amounts to ThCh\$ 146.000, interest, indexation and costs. There is a high probability that the demand will be rejected.

f) Nature of class of provision: The Metropolitan COREMA (regional environmental authority) applied a fine of 1.000 UTM by its Resolution 177/2004 of May 28, 2004 for the alleged infringement of the environmental qualification resolution for the La Farfana sewage treatment plant.

Timetable foreseen for release of class of provision: Not determined.

Uncertainties about the timing and amount of a class of provision: The Company believes that it has not committed the fault denounced by the authority, and therefore expects its appeal will be accepted.

g) Nature of class of provision: CONAMA (the national environmental authority) applied a fine of 720 UTM for alleged infringement caused by foul odors originating from the La Farfana sewage treatment plant.

Timetable foreseen for release of class of provision: Not determined.

Uncertainties about the timing and amount of a class of provision: 10% of the fine has been paid in order to appeal to the courts. The parties are called to hear sentence; there are moderate probabilities that the demand will be accepted.

#### 2.- Other provisions, non-current

These relate to a transaction on July 10, 2007, signed before the notary María Gloria Acharan Toledo, between Aguas Cordillera S.A. and property developers in which it is provided that should Aguas Cordillera S.A. in the future abandon and sell the land transferred to it, it should pay at least U.F.52.273,29. This amount will be set off against the debt receivable from the developers.

#### **B.- CONTINGENT LIABILITIES**

- 1.- A demand was made on Aguas Andinas S.A for an alleged breach of the environmental Law 19,300 due to defects and technical faults that caused bad odors to arise from the La Farfana sewage treatment plant, affecting the physical and mental health of the residents. The demand is for damages for environmental damage due to the production of bad odors from the Santiago West and later La Farfana sewage treatment plants. The demands amount to a total of UF 1.390.888. The Company has presented several defenses with respect to the fines and the civil demands for damages, expecting to obtain positive results in all cases.
- 2.- The Treasury has made demand on Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A., seeking the return of sums paid during 2004 with respect to the transfer of sanitation infrastructure in the Costanera Norte section. This demand amounts to ThCh\$ 2.705.451 plus indexation, interest and costs. The case is in the evidence stage. The management believes that it will have no adverse effect on the financial statements.
- 3.- Demand for damages brought against Aguas Cordillera S.A. by 79 residents of Lo Barnechea district due to supply problems in October and November 1996. The amount demanded is ThCh\$ 728.626. There are good probabilities of obtaining a favorable result.
- 4.- In September 2009, Aguas Manquehue S.A. was sued by Comsa de Chile S.A. for breach of contract in projects awarded under public tender, in the so-called North Sewer Project of Aguas Manquehue. An indemnity is claimed because Aguas Manquehue S.A. is considered to have defaulted negligently under its obligations as follows:
  - Aguas Manquehue has not complied with its obligation to pay the agreed price.
  - Aguas Manquehue did not comply on time with its obligation to provide land (to start the works).
  - Aguas Manquehue did not design a feasible project.

The amount claimed is ThCh\$ 5.942.000. The demand was notified on September 25, 2009. The case was settled out of court following due consideration of the facts. The

settlement was reached following the recognition of Aguas Manquehue S.A. of the greater works carried out by Comsa de Chile, for amounts substantially lower than those claimed.

The Company and subsidiaries are parties to other lawsuits of smaller amounts. It is believed that these will not have a material adverse effect on the financial statements of the respective companies.

#### 15. GUARANTEES AND RESTRICTIONS

#### A) DIRECT GUARANTEES

Guarantee policies and performance bonds have been granted in favor of various institutions, the principal ones being the SISS, to guarantee the conditions for the provision of services and development programs in the Company's concession areas, SERVIU Metropolitano to guarantee the replacement of paving, and other institutions, for ThCh\$22,180,609 as of December 31, 2010 and ThCh\$17,814,253 as of December 31, 2009.

The detail of guarantees exceeding ThCh\$ 10.000 is as follows:

Beneficiary of guarantee	Debtor	Kind of guarantee	31-12-2010	31-12-2009
Chilectra S.A.	Aguas Andinas S.A	Perf. Bond	10.728	20.943
S.I.S.S.	Aguas Andinas S.A	Insce. Policy	12.208	2.098.874
Soc. Conc. Via Santa Rosa	Aguas Andinas S.A	Perf. Bond	15.427	15.058
Secretaría Reg. Minist. De Obra	Aguas Andinas S.A	Perf. Bond	19.658	8.739
Mun. De Santiago	Aguas Andinas S.A	Perf. Bond	19.945	38.928
Soc. Conc. Via Santa Rosa	Aguas Andinas S.A	Insce. Policy	21.799	21.278
Dir. Regional de Vialidad	Aguas Andinas S.A	Perf. Bond	23.215	76.031
Serectaría Reg. Ministerial	Aguas Andinas S.A	Perf. Bond	29.306	3.545
Munic. De Providencia	Aguas Andinas S.A	Perf. Bond	42.193	82.337
Direc. De Obras Hidraulica	Aguas Andinas S.A	Perf. Bond	75.867	90.160
Director de Vialidad	Aguas Andinas S.A	Perf. Bond	311.105	672.266
MOP	Aguas Andinas S.A	Perf. Bond	582.368	398.526
Serviu Metropolitano	Aguas Andinas S.A	Perf. Bond	1.265.714	3.372.732
S.I.S.S.	Aguas Andinas S.A	Perf. Bond	6.045.981	3.734.388
Asoc. Canal Soc Maipo	Aguas Andinas S.A	Perf. Bond	6.680.021	2.094
Munic. Lo Barnechea	Aguas Cordillera S.A.	Perf. Bond	10.728	20.943
Serviu Metropolitano	Aguas Cordillera S.A.	Perf. Bond	19.929	40.067
Munic. De Vitacura	Aguas Cordillera S.A.	Perf. Bond	42.911	41.886
S.I.S.S.	Aguas Cordillera S.A.	Perf. Bond	764.461	865.153
Asociación Canal de Maipo	Aguas Cordillera S.A.	Perf. Bond	1.060.151	0
S.I.S.S.	Aguas Manquehue S.A.	Insce. Policy	84.770	902.849
S.I.S.S.	Aguas Manquehue S.A.	Perf. Bond	888.038	845.287
Essbio S.A.	Anam S.A.	Perf. Bond	30.723	0
Cía Minera Doña Inés de Collahuasi	Ecoriles S.A.	Perf. Bond	22.034	0
Municipalidad de Las Condes	Gestión y Servicios S.A.	Perf. Bond	16.091	7.500
Serviu	Gestión y Servicios S.A.	Perf. Bond	779.109	0
Director de Obras Hidraulicas	Essal S.A	Perf. Bond	184.403	127.227
Serviu	Essal S.A	Perf. Bond	218.444	37.790
S.I.S.S.	Essal S.A	Insce. Policy	2.272.349	2.073.819
TOTAL			21.549.676	15.598.420

#### **B) BOND ISSUE COVENANTS**

The Company has restrictions and covenants relating to bond issues made on the domestic market, as follows:

#### i. Aguas Andinas S.A.

- 1.- Send the bond-holders' representative a copy of the unconsolidated and consolidated financial statements of the subsidiary corporations registered with the S.V.S, both the quarterly and the audited annual statements, in the same time period that these have to be presented to the Superintendencia de Valores y Seguros, plus all public information reported to the Superintendencia de Valores y Seguros.
- 2.- Book in its accounts the provisions arising from adverse contingencies that, in the opinion of the Company's management, should be reflected in its financial statements and/or those of its subsidiaries.
- 3.- Maintain insurance to cover reasonably its assets, including its corporate offices, buildings, plants, furniture and office equipment and vehicles, in line with usual practices for industries of the Company's kind.
- 4.- The Company is obliged to ensure that the transactions carried out with its subsidiaries or other related parties are made on equitable conditions similar to those normally prevailing in the market.
- 5.- Maintain a debt ratio no higher than 1.5:1, measured on its consolidated and unconsolidated balance sheets, defined as the ratio of debt to equity.
- 6.- Not to sell, assign or transfer essential assets (public-utility concession granted by the S.I.S.S. for Greater Santiago), except for contributions or transfers of essential assets to subsidiary companies.

The Company is in compliance with all the covenants established in the bond indentures as of December 31, 2010.

#### ii) Empresa de Servicios Sanitarios de los Lagos S.A (Essal S.A)

The Company has restrictions and covenants relating to bond issues made on the domestic market, as follows:

- 1.- Send to the bond-holders' representative a copy of the financial statements, both the quarterly and the audited annual statements, in the same time period that these have to be presented to the Superintendencia de Valores y Seguros, plus all public information reported to the Superintendencia de Valores y Seguros.
- 2.- Book in its accounts the provisions arising from adverse contingencies that, in the opinion of the company's management, should be reflected in its financial statements.
- 3.- Maintain insurance to cover reasonably its assets in line with usual practices for industries of the company's kind.
- 4.- The company is obliged to ensure that the transactions carried out with related parties are made on equitable conditions similar to those normally prevailing in the market.
- 5.- Maintain a debt ratio no higher than 1.2, measured on its balance sheets, defined as the ratio of debt to equity.
- 6.- Maintain a ratio of Ebitda to Financial expenses of no less than 3.5:1.

7.- Not to sell, assign or transfer essential assets.

The company is in compliance with all the requirements stated in the bond indenture as of December 31, 2010.

#### C) BANK LOAN COVENANTS

The Company has covenants and restrictions in loan agreements with various Chilean banks, as follows:

- 1.- Maintain a debt ratio no higher than 1.5:1, measured on its consolidated and unconsolidated balance sheets, defined as the ratio of total liabilities to equity.
- 2.- Prohibition on disposal of or loss of title to essential assets, except for contributions or transfers of essential assets to subsidiary companies.
- 3.- Send to the different banks with which the company has loans, a copy of the unconsolidated and consolidated financial statements, both the quarterly and the audited annual statements, within no more than five days of their presentation to the Superintendencia de Valores y Seguros.
- 4.- Book in its accounts the provisions arising from adverse contingencies that, in the opinion of the Company's management, should be reflected in its financial statements.
- 5.- Maintain insurance to cover reasonably its assets, including its corporate offices, buildings, plants, furniture and office equipment and vehicles, in line with usual practices for industries of the Company's kind.
- 6.- Send a certificate signed by the Company's chief executive officer declaring compliance with the obligations under the loan agreement.
- 7.- Prohibition on distribution of dividends, except for the obligatory minimum, if there is a situation of default or delay in the payment of any loan installment.
- 8.- Maintain a financial expense coverage ratio of at least 3:1, measured on the figures in its consolidated and unconsolidated statements of financial position, defined as the ratio between operating income plus depreciation for the period and amortization of intangible assets divided by financial expenses.
- 9.- Prohibition on liquidating or dissolving the Company, liquidating its operations or businesses that constitute its business, or entering into any act or contract of merger or consolidation, except for mergers with its present subsidiaries.
- 10.- Ensure that the transactions carried out with its subsidiaries or other related parties are made on equitable conditions similar to those normally prevailing in the market.

The Company is in compliance with all the covenants set out in bank loan agreements as of December 31, 2010.

The Company and sanitation subsidiaries are in compliance with all the provisions of DFL.  $N^{\circ}$  382 of the General Sanitation Services Law of 1988, and its Regulations (D.S. MOP  $N^{\circ}$ 1199/2004 published in November 2005).

#### D.- GUARANTEES RECEIVED FROM THIRD PARTIES.

As of December 31, 2010 and 2009, the Company has received documents in guarantee for ThCh\$ 40.553.766 and ThCh\$ 33.581.866 respectively, arising mainly from works contracts with construction companies to ensure due performance of contracts. There

are also other guarantees for service contracts and acquisition of materials, to ensure their timely delivery.

A detail of the more important bank guarantees received as of December 31, 2010 is summarized below:

Contractor or supplier	Company	31-12-2010 ThCh\$	Expiry
EMP DEPURADORA DE A.S. MAPOCHO TREBAL LTDA	Aguas Andinas S.A	7.675.922	15-04-2012
EMPRESA DEPURADORA DE AGUAS SERVIDAS LTDA	Aguas Andinas S.A	4.166.524	31-12-2012
EMP. DEP. DE A.S. MAPOCHO TREBAL LTDA	Aguas Andinas S.A	3.634.503	01-06-2017
CONSTRUCTORA OAS LTDA.	Aguas Andinas S.A	3.589.288	29-03-2011
OBRASCON HUARTE LAIN S.A. AGENCIA EN CHILE	Aguas Andinas S.A	2.021.254	07-05-2011
ACCIONA INFRAESTRUCTURAS S.A. AGENCIA EN CHILE	Aguas Andinas S.A	1.547.000	31-08-2011
ACCIONA INFRAESTRUCTURAS S.A. AGENCIA EN CHILE	Aguas Andinas S.A	1.437.201	23-07-2013
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	Aguas Andinas S.A	654.572	15-05-2013
CONSTRUCTORA OAS LTDA	Aguas Andinas S.A	497.733	29-03-2011
ING. Y CONSTRUCCION MST S.A.	Aguas Andinas S.A	475.750	31-03-2011
ING. Y CONST. M. S. T. S.A.	Aguas Andinas S.A	436.381	15-05-2013
CIA DE PETROLEOS DE CHILE COPEC S.A.	Aguas Andinas S.A	360.667	22-03-2011
SOC. GRAL DE AGUAS DE BARCELONA S.A.	Aguas Andinas S.A	314.746	31-10-2012
SONDA S.A.	Aguas Andinas S.A	314.746	31-10-2012
NAVARRTE Y DIAZ CUMSILLE ING CIVILES	Aguas Andinas S.A	267.624	31-08-2011
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	Aguas Andinas S.A	229.494	15-03-2013
INMOBILIARIA BUIN S.A.	Aguas Andinas S.A	221.752	01-04-2013
CHILECTRA S.A.	Aguas Andinas S.A	214.493	01-08-2011
VIVIENDAS METROPOLITANAS S.A.	Aguas Andinas S.A	214.493	30-09-2011
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	Aguas Andinas S.A	214.099	31-08-2011
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	Aguas Andinas S.A	211.222	31-08-2011
ICAFAL	Aguas Andinas S.A	205.066	12-02-2011
ITT FLYGT CHILE S.A.	Aguas Andinas S.A	203.893	31-03-2011
COMSA DE CHILE S.A.	Aguas Manquehue S.A	214.493	27-10-2011
FONDO DE INVERSION PRIVADO LOS CASTAÑOS DE LA DEHESA	Aguas Manquehue S.A	857.973	30-04-2012
TOTAL		30.180.889	

#### **16. ORDINARY REVENUES**

The detail of ordinary revenues generated by Group companies is as follows:

	31-12-2010	31-12-2009
Classes of ordinary revenues	ThCh\$	ThCh\$
Ordinary revenues		
Sales of goods	6.004.137	8.054.885
Provision of services	322.959.877	320.063.235
TOTAL	328.964.014	328.118.120

#### 17. LEASES

#### **OPERATIVE LEASES AS LESSEE:**

Included under this heading are certain installations where mainly commercial agencies operate.

	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Minimum future lease payments within one year, lessees	1.354.691	1.272.332
Minimum future lease payments between one & five years, lessees	5.418.765	5.089.327
MINIMUM FUTURE LEASE PAYMENTS, LESSEES, TOTAL	6.773.456	6.361.659
Minimum lease payments under operative leases	2.436.193	2.674.026
LEASE & SUB-LEASE PAYMENTS SHOWN IN STATEMENT OF RESULTS, TOTAL	2.436.193	2.674.026

#### Significant operative leasing agreements:

The most significant operative leases relate to the commercial agencies in different districts of the Metropolitan Region and the rental of vehicles. In these cases, the terms range from 1 to 5 years with automatic one-year renewals. These contracts may be terminated in advance subject to giving notice within the term and conditions established with each lessor.

#### Bases for determining a contingent rental:

Should it be decided to terminate in advance without complying with the period of notice, the installments stipulated in the original contract must be paid.

## Existence and terms of renewal or purchase options and revision clauses, operative leasing contracts:

There are agreed for automatic one-year renewal periods.

#### Operative leases as lessors:

The Company has contracts of this kind where it acts as lessor, referring principally to parts of its operative premises and mostly with telecommunications companies. The terms fluctuate between one and ten years, but the Company has the power to terminate in advance at any time.

Minimum future lease manuscrate leasens total	31-12-2010	31-12-2009
Minimum future lease payments, lessors, total	ThCh\$	ThCh\$
Minimum future lease payments within one year, lessors	215.887	191.880
Amount of contingent lease payments shown in statements of results	173.619	202.632
TOTAL	389.507	394.512

#### Significant operative leases of the lessor:

Revenue from these sources is immaterial for the Company.

#### **18. EMPLOYEE BENEFITS**

The Company, at the consolidated level, has a workforce of 1,924, of whom 59 are managers and senior executives. Workers who are parties to collective agreements and individual work contracts with special indemnity clauses, total 1,283 and 58 respectively, while 583 workers are covered by the Labor Code.

The current collective agreement for the Nos. 1 and 2 Employee and Operative Unions was signed on July 31, 2010 for a term of 4 years.

The Professionals and Technicians No.3 Union agreement was submitted to arbitration as no agreement was reached with the Company. On September 8, 2010, the arbitrator resolved by fully accepting as the collective work agreement the offer made by the company on July 30, 2010 before the labor authority; it became effective the day following the expiry of the previous collective agreement and its term is two years.

The current collective agreements of the subsidiary Aguas Cordillera S.A., and the personnel of the subsidiary Aguas Manquehue S.A., were signed on November 26, 2010, November 30, 2010 and December 23, 2010 for the Nos. 1 and 2 Unions and the Workers and Supervisors Union respectively, all for a term of four years.

#### POLICIES FOR DEFINED BENEFITS PLANS

Workers who are not party to the collective agreements of Aguas Andinas S.A. and its subsidiaries are governed by the rules contained in articles 159, 160 and 161 of the Labor Code, for which no provision is made for severance payments.

The actuarial calculation is applied for workers who recorded indemnity at present value until 2002 (including indemnities in any event booked at that date), as well as advances granted against this indemnity.

For workers who form part of or were incorporated into current collective agreements at the date of the financial statements, the actuarial valuation calculation is applied for severance payments.

## ACCOUNTING POLICIES FOR RECORDING GAINS AND LOSSES IN DEFINED BENEFITS PLANS

The obligation for the indemnity which is estimated to accrue to workers who retire from Aguas Andinas S.A., Aguas Cordillera S.A. and Essal S.A., are shown at their actuarial value, determined using the projected credit-unit method. The positive or negative effect on indemnities deriving from changes in estimates or in rates of turnover, mortality, advanced retirements through dismissal, wage increases, inflation, discount rate or of the workers, are booked directly in results.

#### **Actuarial assumptions**

Years of service: In Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A., it is assumed that workers will remain with the companies until reaching the legal retirement age (women at 60 years of age and men at 65). In the subsidiary Essal S.A., there is a limit of 6 months indemnity payable to people who retire or die.

Participants in each plan: These benefits are extended to all workers who are part of a union agreement and to workers who are not unionized. Unionized workers forming part of collective agreements are as follows, by company: Aguas Andinas S.A. 764, Aguas Cordillera S.A. 128, Aguas Manquehue S.A. 22 and Essal S.A. 261.

**Death rate:** The RV-2004 mortality tables of the Superintendencia de Valores y Seguros are used.

Employee turnover and disability rates and early retirements: Based on the Group's statistical experience, the turnover rate used is 6.4% for the objective workers. Disabled and early retirements have not been considered due to their infrequent nature.

Rate of discount: A rate of 6.4% p.a. is used, corresponding to the risk-free rate, plus the credit risk and the estimation of expected long-term inflation.

Rate of inflation: The forecast long-term inflation rate reported by the Banco Central de Chile was used in 2010 and 2009, amounting to 3.0%, for making long-term estimates.

These assumptions were modified in the year ended December 31, 2010 with respect to 2009, the changes being the turnover rate (1,1%) and rate of discount (7,1%)

#### General description of defined benefits plans

The following benefits are in addition to those indicated in Note 2, O:

In the event of the death of a worker, an indemnity will be paid to their direct family in accordance with article 60 of the Labor Code.

In the case of the worker who retires from the Company in accordance with 2, 4 or 5 of article 159, 1 a) or 6 of article 160 of the Labor Code, an indemnity will be paid for the accumulated amount for this concept until July 31, 2002, in Aguas Andinas S.A., and December 31, 2002 in Aguas Cordillera S.A., adjusted quarterly for changes in the consumer price index, if positive.

For personnel not forming part of the collective agreements, their individual work contracts will apply.

The provision for severance payments is shown after deducting advances made to the employees.

The following are the movements in actuarial provisions to December 31, 2010 and 2009, which include movements in provisions:

Providence for any love by a fire	31-12-2010	31-12-2009
Provisions for employee benefits	ThCh\$	ThCh\$
Movements actuarial provision		
Initial balance	6.990.792	6.370.438
Benefits paid	-1.834.738	-1.296.864
Actuarial increases	2.341.793	1.917.218
SUB-TOTAL	7.497.847	6.990.792
PROFITS SHARING & BONUSES	2.915.058	2.581.250
TOTAL PROVISION FOR EMPLOYEE BENEFITS, CURRENT & NON-CURRENT	10.412.905	9.572.042

#### Information on benefits on termination of the contractual relationship

The indemnity on termination of the labor relationship is governed by the provisions of the Labor Code, except for those special clauses in the respective collective agreements or individual contracts.

#### Profit sharing and bonuses

This relates to the Company's obligation with its personnel with respect to profit-sharing bonuses payable in February and March the following year. The accrued participation payable to personnel, as stipulated in current contracts, is settled during February on the basis of the statement of financial position for the immediately-preceding year. For the years 2010 and 2009, the amounts are ThCh\$ 2,915,058 and ThCh\$ 2,581,250 respectively. In addition, advances are made against this bonus in the months of March, June, September and December each year.

The annual amount will depend on the earnings generated by each Group company.

#### Personnel expenses

Personnel expenses to December 31, 2010 and 2009 are as follows:

	01-01-2010	01-01-2009
Personnel expenses	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
Wages & salaries	23.542.007	23.145.935
Defined benefits	8.792.983	8.747.931
Severance payments	4.186.973	2.229.509
Other personnel expenses	1.438.924	1.227.487
TOTAL PERSONNEL EXPENSES	37.960.887	35.350.862

#### 19. EFFECT OF EXCHANGE DIFFERENCES

The detail of the exchange differences is as follows:

Exchange differences	6	31-12-2010	31-12-2009	
	Currency -	ThCh\$	ThCh\$	
	eur	-690	2.118	
Trade debtors & other accounts receivable	usd	-76	-46.382	
Accounts receivable from related entities	eur	112	-454	
Other financial assets	usd	77.741	-51.949	
TOTAL ASSETS		77.087	-96.668	
To de condition 0 estamana estamana del c	eur	4.202	8.454	
Trade creditors & other accounts payable	usd	-12.441	127.289	
Accounts payable to related entities	eur		2.835	
Other financial liabilities	usd	-13.775		
Other non-financial liabilities	usd	-78.703		
TOTAL LIABILITIES		-100.718	138.578	
GAIN (LOSS) FOR EXCHANGE DIFFERENCES		-23.630	41.911	

#### **NOTE 20. CAPITALIZED FINANCING COSTS**

The detail of capitalized financing costs as of December 31, 2010 and 2009 is as follows:

#### **CAPITALIZED INTEREST COSTS:**

Capitalized interest costs, Property, plant & equipment	31-12-2010	31-12-2009
Rate of capitalization of capitalized interest costs, property, plant & equipment	7,58%	5,69%
Amount of capitalized interest costs, property, plant & equipment	M\$ 1.824.396	M\$ 2.586.750

#### 21. INCOME TAX AND DEFERRED TAXES

Due to the legal modification approved in 2010, referring to temporary change in the tax rate applicable to corporations, the reversal of timing differences for deferred taxes for the years 2011 and 2012 have been calculated as a function of the applicable rate in those years, i.e. 20% and 18.5% respectively, while reversals in the following years will continue as a function of a rate of 17%.

#### **DEFERRED TAX ASSETS**

Deferred tax assets	31-12-2010	31-12-2009
Deferred tax assets	ThCh\$	ThCh\$
Water rights (amortization)	121.467	90.915
Allowance doubtful debtors	4.914.826	4.450.682
Provision vacations	289.310	273.486
Litigation	526.362	490.538
Severance payments	833.913	609.397
Other provisions	236.314	116.914
Unearned income	41.521	51.091
Tax goodwill	11.500.104	11.500.996
Variation monetary correction & depreciation assets	11.520.130	12.037.369
Deferred income	1.732.743	442.198
La Dehesa reservoir transaction	191.870	186.108
Others	1.366.270	1.281.328
DEFERRED TAX ASSETS	33.274.830	31.531.022

#### **DEFERRED TAX LIABILITIES**

Deferred tax liabilities:	31-12-2010	31-12-2009	
Deterred tax liabilities:	ThCh\$	ThCh\$	
Depreciation fixed assets	15.575.275	16.717.181	
Amortization	1.572.926	1.853.742	
Investment expense related companies	71.945	71.945	
Revaluations of property, plant & equipment	14.283.665	14.283.665	
Revaluation intangible assets	28.733.432	28.733.432	
Fair value of assets on purchase ESSAL	14.005.202	14.900.773	
Others	17.638	19.242	
DEFERRED TAX LIABILITIES	74.260.083	76.579.980	

	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
Movements in deferred tax liabilities		
Deferred tax liabilities, initial balance	76.579.980	78.075.211
Increases (decreases) in deferred tax liabilities	-1.424.326	-821.921
Acquisitions through combinations of business	-895.571	-673.310
CHANGES IN DEFERRED TAX LIABILITIES	-2.319.897	-1.495.231
CHANGES IN DEFERRED TAX LIABILITIES, TOTAL	74.260.083	76.579.980

## RECONCILIATION OF TAX CHARGE USING THE LEGAL RATE AND THE CHARGE USING THE EFFECTIVE TAX RATE

Charge (credit) for income tax for current & deferred parts	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Current charge for income tax		
Charge for current taxes	23.314.963	26.583.772
Adjustment tax charge previous year	-10.902	245.847
CURRENT CHARGE FOR INCOME TAX, NET, TOTAL	23.304.061	26.829.619
Deferred charge (credit) for taxes relating to the creation & reversal of timing differences	-4.063.707	-1.130.730
Other charge for deferred taxes	36.332	32.579
CHARGE FOR DEFERRED TAXES, NET, TOTAL	-4.027.375	-1.098.151
CHARGE (CREDIT) FOR INCOME TAX	19.276.686	25.731.468

## THE NUMERIC RECONCILIATION BETWEEN THE CHARGE (CREDIT) FOR TAX AND THE RESULT OF MULTIPLYING THE ACCOUNTING GAIN BY THE APPLICABLE TAX RATE(S).

	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
Tax charge using legal rate	21.118.927	25.548.775
Permanent difference for monetary correction tax equity	-1.505.987	12.938
Other permanent differences	-336.254	169.756
ADJUSTMENTS TO TAX CHJARGE USING THE LEGAL RATE, TOTAL	-1.842.241	182.694
TAX CHARGE USING THE EFFECTIVE RATE	19.276.686	25.731.469

## RECONCILIATION OF THE LEGAL RATE WITH THE EFFECTIVE TAX RATE

Numeric reconciliation between the average effective rate and the applicable tax rate, specifying the way the applicable rate used is calculated

	31-12-2010	31-12-2009
Legal tax rate	17.00%	17.00%
Permanent difference for monetary correction tax equity	-1,21%	0,01%
Other permanent differences	-0,27%	0,11%
EFFECTIVE TAX RATE	15,52%	17,12%

#### 22. EARNINGS PER SHARE

#### INFORMATION REGARDING EARNINGS PER SHARE

Basic earnings per share are calculated as the earnings (loss) for the period attributable to the holders of equity instruments of the controller and the weighted average number of common shares in circulation during the period.

	31-12-2010	31-12-2009
Earnings (loss) attributable to holders of equity instruments of the controller	M\$ 103.849.578	M\$ 123.047.509
Results available to common shareholders, basic	M\$ 103.849.578	M\$ 123.047.509
Average weighted number of shares, basic	6.118.965.160	6.118.965.160
Earnings per share (in pesos)	16,97	20,11

#### **DILUTED EARNINGS (LOSS) PER SHARE**

The Company has not carried out any type of transaction with a potential diluting effect that supposes ganancia por acción diluida diferente del beneficio básico por acción.

#### 23. BUSINESS SEGMENTS

The Group discloses information by segment in accordance with IFRS 8, "Operative Segments", which sets the reporting standards with respect to operative segments and related disclosures for products and services. The operative segments are defined as components of an entity for which separate financial information exists which is regularly used by management for taking decisions, assigning resources and evaluating performance.

The Group manages and measures the performance of its operations by business segment. The operative segments reported internally are the following:

- Operations related to the water business.
- Operations unrelated to the water business.

## TYPES OF PRODUCTS AND SERVICES THAT PROVIDE THE ORDINARY REVENUES FOR EACH SEGMENT REPORTED.

The water segment consists only of sanitation services that permit the provision of products and production services, the distribution of water and the collection and treatment of sewage. This segment comprises Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A., and Essal S.A. through Iberaguas Ltda.

The non-water segment consists of services related to environmental analysis, industrial waste treatment and integral engineering services, plus the sale of products related to the services mentioned. The subsidiaries included are EcoRiles S.A., Anam S.A. and Gestión y Servicios S.A.

#### GENERAL INFORMATION ON RESULTS, ASSETS AND LIABILITIES.

	31-12-2010		31-12-2009	
General information on results.	WATER	NON-WATER	WATER	NON-WATER
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Proceeds of ordinary activities from external customers, total	307.640.913	21.323.101	308.827.797	19.290.323
Proceeds of ordinary activities between segments, total	678.109	2.797.734	347.729	2.351.657
Interest income, total segments	4.087.596	187.070	4.896.250	219.941
Interest expense, total segments	22.693.004	51.189	22.340.120	67.663
Financial result, net	-18.605.408	135.880	-17.443.870	152.278
Depreciation & amortization, total segments	52.634.591	377.337	50.252.316	326.205
Sums of significant revenue items, total	308.319.023	24.120.835	309.175.526	21.641.980
Sums of significant expense items, total	116.669.291	19.617.715	93.615.449	17.371.417
Earnings (loss) by segment, total	103.849.578	3.615.902	123.047.509	3.415.568
Charge (credit) for income tax, total	18.630.925	645.761	25.050.400	681.068

	31-12-2010		31-12-2009	
General information on assets & liabilities WATER NON-WAT ThCh\$	WATER	NON-WATER	WATER	NON-WATER
	ThCh\$	ThCh\$	ThCh\$	
Sums other significant non-monetary items, total segments	1.364.203.984	3.602.344	1.223.224.940	4.016.541
Segment assets, total	1.413.838.637	12.772.720	1.404.751.555	11.607.006
Segment liabilities, total	740.721.047	4.487.230	719.071.404	5.726.615

#### SIGNIFICANT ITEMS OF REVENUES AND EXPENSES BY SEGMENT

#### Water and non-water segments

The significant items of ordinary revenues and expenses are principally those related to the business of the segment. There are also significant sums in relation to expenses in depreciation, personnel and other sundry expenses including outsourced services.

#### Revenues

The Company's revenues are mainly generated by the regulated services provided relating to the production and distribution of water, the collection, treatment and disposal of sewage and other regulated services (including revenues from suspending and restoring supplies, the monitoring of liquid waste discharges and fixed charges).

#### **DETAIL OF SIGNIFICANT REVENUE ITEMS**

#### **Water Segment**

The significant items of ordinary revenues are principally those related to the water and sewage businesses, i.e. from the sale of water, excess consumption, variable charge, fixed charge, sewage service, collector use and sewage treatment. It also possible to identify revenues from the sale of fixed assets

#### **Tariffs**

The most important factor determining the results of the Company's operations and financial position are the tariffs set for our regulated sales and services. Having a natural monopoly, Aguas Andinas and its sanitation subsidiaries are regulated by the SISS and our tariffs are set in accordance with the Sanitation Services Tariffs Law (No.70 of 1988).

The tariff levels are reviewed every five years and, during that period, are subject to additional adjustments linked to indexation if the accumulated variation since the previous adjustment is 3.0% or more, according to calculations made as a function of different inflation indices.

Specifically, the adjustments are applied as a function of a formula that includes the consumer price index, the wholesale price index for imported industrial goods and the wholesale price index for national industrial goods, all published by the Chilean National Institute of Statistics. Tariffs are also subject to adjustment to reflect additional services previously authorized by the SISS.

Decrees Nos.60/2010, 176/2010 and 170/2010 set the tariffs for Aguas Andinas S.A., Aguas Cordillera S.A and Aguas Manquehue S.A. respectively for the five-year period 2010–2015.

#### Non-water segment

The significant items of ordinary revenues are mainly those related to a segment's business and are closely related to the principal business of each subsidiary, involving the sale of materials to third parties, operation of industrial-waste treatment plants, and sewage services and analysis.

#### SIGNIFICANT ITEMS OF EXPENSES

#### Water segment

The significant items of expenses are mainly those related to remunerations, electricity, treatment-plant operation, depreciation of assets, financial expenses and charge for income tax.

#### Non-water segment

The significant items of expenses are mainly those related to remunerations, the cost materials for sale and charge for income tax.

## DETAIL OF EXPLANATION OF MEASUREMENT OF RESULTS, ASSETS AND LIABILITIES OF EACH SEGMENT

The measurement applicable to the segment relates to the grouping of those subsidiaries directly related to the segment.

The accounting criteria relates to the booking of economic events giving rise to rights and obligations in the same way that these arise in economic relations with third parties. These records will generate committed balances in an asset and liability account according to the spirit of the transaction in each related company according to the segment in which it operates. This account called Accounts receivable or payable from/to related companies should be netted in the consolidation of the financial statements in accordance with the same rules of consolidation explained in IAS 27.

There are no differences in the nature of the measurement of results as, according to the standard, there are no accounting policies that show different criteria of assignment of costs or similar.

There are no differences in the nature of the measurement of assets and liabilities as, according to the standard, there are no accounting policies that show different criteria of assignment of either.

	31-12-2010	31-12-2009
Reconciliation of revenues from ordinary activities	ThCh\$	ThCh\$
Reconciliation of total revenues of ordinary activities of the segments	332.439.857	330.817.506
Reconciliation of other revenues from ordinary activities	0	0
Reconciliation of elimination of ordinary activities between segments	-3.475.843	-2.699.386
ORDINARY REVENUES, TOTAL	328.964.014	328.118.120
Deconsilitation of commissions	31-12-2010	31-12-2009
Reconciliation of earnings	ThCh\$	ThCh\$
Consolidation total earnings (loss) of segments	107.465.480	126.463.077
Consolidation of other gains (losses)	0	0
Consolidation of elimination of earnings (losses) between segments	-3.615.902	-3.415.568
CONSOLIDATION OF EARNINGS ATTRIBUTABLE TO OWNERS OF THE CONTROLLER	103.849.578	123.047.509
Reconciliations of revenues from ordinary activities, results, & assets & liabilities of the segments	31-12-2010	31-12-2009
Reconciliations of revenues from ordinary activities, results, & assets & liabilities of the segments	ThCh\$	ThCh\$
Reconciliation of assets		
Consolidation total assets of segments	1.426.611.357	1.416.358.562
Consolidation of other assets	0	0
Elimination of accounts receivable of corporate office to the segments	-20.171.973	-16.983.951
ASSETS, TOTAL	1.406.439.384	1.399.374.611
Reconciliation of liabilities		
Consolidation total liabilities of the segments	745.208.276	724.798.019
Consolidation of other liabilities	0	0
Reconciliation of elimination of accounts payable by the corporate office to segments	-12.400.671	-15.369.321
LIABILITIES, TOTAL	732.807.605	709.428.698

#### INFORMATION ON THE ENTITY AS A WHOLE

#### Information on the principal customers:

Principal customers for water and sewage:

- -Administradora Plaza Vespucio S.A
- -Centro de detención preventiva Santiago 1
- -Cervecera CCU Chile Ltda
- -Ejercito de Chile
- -Embotelladoras Chilenas Unidas S.A
- -Gendarmería de Chile
- -Ilustre Municipalidad de Santiago
- -Industrial Ochagavía Ltda
- -Pontificia Universidad Católica de Chile
- -Soc. Concecionaria Autopista Central S.A
- -Soprole S.A
- -Universidad de Chile

Principal customers in non-sanitation segment:

- -CMPC Cordillera S.A
- -Watt`s S.A.
- -Soprole S.A

- -Agroindustrial El Paico Ltda.
- -DSM S.A
- -Frigorífico O`higgins S.A.
- -Soc. Proc. de leche del sur (Prolesur) S.A
- -Industrial Ochagavía Ltda.
- -Sopraval S.A
- -Trendy S.A.
- -Cía Pesquera Camanchaca S.A.
- -Codelco
- -Colun Ltda.
- -Metrogas S.A

#### TYPES OF PRODUCTS WATER – NON-WATER SEGMENTS:

#### **Water segment**

The types of products and services for the water segment are:

- Production and distribution of water.
- Collection and treatment of sewage.

This segment comprises Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A., Essal S.A. and Iberaguas Ltda.

#### **Non-Water Segment**

The types of products and services for the non-water segment are:

- Outsourcing service in operations of industrial waste treatment plants and the treatment of excess organic load (subsidiary Ecoriles S.A.).
- Physical, chemical and biological analysis of water, air and solids (subsidiary Anam S.A.).
- Integral engineering services and sale of products like pipes, valves, taps and other related items (subsidiary Gestión y Servicios S.A.).

#### **24. THE ENVIRONMENT**

## INFORMATION ON DISBURSEMENTS RELATED TO THE ENVIRONMENT:

The following disbursements related to the environment are reported in accordance with Circular 1901 of October 30, 2008:

## DETAILED INFORMATION ON DISBURSEMENTS RELATED TO THE ENVIRONMENT:

#### **Parent Aguas Andinas**

D : .	31-12-2010	31-12-2009
Project	ThCh\$	ThCh\$
Expansion & improvements PEAS	48.106	43.378
Expansio & improvements Buin Maipo PTAS (sewage treatment plant)	6.865	1.366.170
Expansion & improvement El Monte PTAS	825.844	149.346
Expansion & improvements Greater Santiago PTAS	8.399.723	2.588.625
Expansion & improvements Melipilla PTAS	15.309	18.774
Expansion & improvements other localities PTAS	6.308	22.028
Expansion & improvements Paine PTAS	19.710	31.704
Expansion & improvements Pomaire PTAS	34.043	17.180
Expansion & improvements Talagante PTAS	75.713	17.465
Farfana - Trebal trunk sewer	4.085.009	1.136.264
Clean Urban Mapocho trunk sewer	15.212.503	35.828.425
Improvement & renovation equipment & installations	365.624	366.929
TOTAL	29.094.757	41.586.287

#### **Aguas Manquehue**

Project	31-12-2010 ThCh\$	31-12-2009 ThCh\$
North zone sewer	1.686.570	4.522.378
Improvement & renovation equipment & installations	16.335	20.417
PTAS improvements	61.474	1.103
TOTAL	1.764.379	4.543.897

#### Gestión y Servicios

Designet	31-12-2010	31-12-2009
Project	ThCh\$	ThCh\$
Biogas purification plant	31.003	111.439
TOTAL	31.003	111.439

#### **ESSAL**

Project	31-12-2010	31-12-2009
Project	ThCh\$	ThCh\$
Improvement disposal infrastructure	270.246	782.786
Improvement EDAR system	207.002	332.011
New treatment system projects	411.190	992.343
Renovation treatment disposal equipment	108.088	884.882
TOTAL	996.526	2.992.022

#### **Environmental investments projected for 2011**

Company	ThCh\$
Aguas Andinas S.A.	90.308.456
Aguas Manquehue S.A.	16.936
Essal S.A.	775.460
TOTAL	91.100.852

## Indication of whether the disbursement forms part of the cost of an asset or is reflected as an expense, disbursements in the period:

All the projects mentioned form part of the cost of construction of the respective works.

## Certain or estimated date on which future disbursements will be made, disbursements in the period::

The projected disbursements are estimated to be made during 2011.

#### **Future commitments:**

The estimated amounts for the year 2011 are:

Total ThCh\$ 91.100.852

The Company and its subsidiaries are affected by disbursements related to the environment, i.e. compliance with orders, laws relating to industrial processes and installations and any other that could directly or indirectly affect protection of the environment.

## 25. EVENTS OCCURRING AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

At the date of issue of these consolidated financial statements, the management of the Company and its subsidiaries are unaware of any other subsequent events that significantly affect the financial position and/or results of the Company and its subsidiaries as of December 31, 2010.

# FINANCIAL STATEMENTS OF SUBSIDIARIES

#### MANAGEMENT'S ANALYSIS

December 2010

#### I GENERAL ASPECTS

#### **SHARE CAPITAL**

The capital of Aguas Andinas S.A. is split into 6,118,965,160 shares of no par value. As of December 31, 2010, our largest shareholders are Inversiones Aguas Metropolitanas S.A., with 50.1%, and CORFO, with 35% of the share capital.

#### **REVENUES FROM ORDINARY ATIVITIES**

Our revenues derive mainly from the regulated services we provide related to the production and distribution of water, the collection, treatment and disposal of sewage, other regulated services (which include revenues related to charges for the disconnecting and re-connecting of supplies, the monitoring of liquid industrial waste discharges and fixed charges).

Ordinary revenues in 2010 amounted to Ch\$328,964 million, an increase of Ch\$846 million (0.3%) over those of the previous year. The earnings of Aguas Andinas S.A. for the year 2010 were Ch\$103,850 million, a decline of Ch\$19,198 (15.6%) compared to 2009.

#### **OPERATING COSTS AND EXPENSES**

Operating costs and expenses consist of personnel costs, depreciation and amortization, consumption of supplies and secondary materials, other expenses by nature and losses through impairment booked in the results for the year. The most important items are other expenses, by nature, 35.5%, associated with the outsourcing of certain services; depreciation, which represented 29.6%; personnel benefit expenses, 21.2%; consumption of raw materials and secondary materials, 12.8%, and impairment of assets, 0.9%.

#### **TARIFFS**

The most important factor determining the results of our operations and financial situation are the tariffs that are set for our regulated sales and services. As a sanitation company, we are regulated by the SISS and our tariffs are set in accordance with the Sanitation Services Tariffs Law, No.70 of 1988.

Our tariff levels are reviewed every five years and, during that period, are subject to additional adjustments linked to indexation, which are applied when the accumulated variation since the previous adjustment is 3.0% or more, according to calculations made based on various inflation indices. Specifically, the adjustments are applied as a function of a formula that includes the consumer price index, the wholesale price index for imported industrial goods and the wholesale price index for national industrial goods, all as published by the Chilean National Institute of Statistics. Tariffs are also adjusted to reflect additional services previously authorized by the SISS.

The tariff negotiation processes for the period 2010-2015 for Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A. were concluded during 2009. The new tariffs approved by the Ministry of the Economy, Decree No.60 of February 2, 2010, for Aguas Andinas S.A., came into effect on March 1, 2010, while, for Aguas Cordillera and Aguas Manquehue S.A., the corresponding decrees were No. 176 of June 8, 2010 and No.170 of May 20, 2010 respectively. Empresa de Servicios Sanitarios de los Lagos S.A. (Essal S.A.) concluded its tariff negotiation process in 2006, covering the period 2006 – 2011, and these tariffs were approved by Decree No.265 of December 12, 2006.

#### **MARKET RISK**

Mainly due to the particular characteristics of the sanitation sector, our company enjoys a favorable position in terms of risk. Our business is seasonal and revenues vary from one quarter to another. We tend to show the highest levels of demand and revenues are in the summer months (December to March), while the lowest are in the winter months (June to September). In general, demand for water is greatest in the warmer months than in the cooler months, mainly due to the additional water needs for irrigation and other external uses.

Adverse weather conditions can possibly affect the optimum provision of sanitation services because the water catchment and production processes largely depend on weather conditions in the hydrographic basins. Factors like rainfalls (snow, sleet, rain, fog), temperature, humidity, sediment dragging, river flows and their transparency, determine the volume, quality and continuity of raw water at each intake that is suitable for treatment in a water plant. In the event of drought, we have large reserves of water which we have stored in the El Yeso reservoir, Laguna Negra and Lo Encañado, plus the contingency plans we have developed which permit reducing the eventual negative impact that adverse weather might cause to our operations.

#### **CAPITAL INVESTMENTS**

One of the variables that most affects the results of our operations and financial position is capital investments. These are of two kinds:

**Comitted investments.** We are obliged to agree an investment plan with the SISS, which describes the investments we have to make within the next fifteen years from the plan's approval. Specifically, the investment plan reflects a commitment by us to carry out certain projects related to the maintenance of certain quality and coverage standards. This investment plan is subject to revision every five years, and modifications may be requested when certain relevant events occur.

Approval dates of updating development plans of the Aguas Group.

#### Aguas Andinas S.A.

Greater Santiago: December 30, 2010 Local districts: December 22 and 28, 2010

#### Aguas Cordillera S.A.

Aguas Cordillera and Villa Los Dominicos: December 29, 2010

#### Aguas Manquehue S.A.

Santa María and Los Trapenses: December 28, 2010

#### Essal S.A

X and XIV Regions January 27 and December 10, 2006

**Non-committed investments.** These consist of those that are not contemplated in the investment plan and which we carry out voluntarily to ensure the quality of our services and replace obsolete assets. These are generally related to the replacement of network infrastructure and other assets, the acquisition of water rights and investments in non-regulated businesses.

In accordance with international financial reporting standards current in Chile, interest on capital investments is capitalized in works in progress. Consequently, changes in our

investment plan affect the amount of interest charged against the statement of results, reported as works in progress in Property, plant and equipment in our statement of financial position.

## II COMPARATIVE ANALYSIS AND EXPLANATIONS OF VARIATIONS

#### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following shows the composition of assets and liabilities:

Consolidated statements of financial position	December 2010	December 2009	Variation Dec 10 - Dec 09	
	MM\$	MM\$	%	
Current assets	75.708	91.397	-17,2%	
Non-current assets	1.330.732	1.307.978	1,7%	
TOTAL ASSETS	1.406.440	1.399.375	0,5%	
Current liabilities	92.932	115.614	-19,6%	
Non-current liabilities	639.876	593.815	7,8%	
TOTAL LIABILITIES	732.808	709.429	3,3%	
Equity attributable to owners of the controller	607.588	623.000	-2,5%	
Non-controller participations	66.044	66.946	-1,3%	
EQUITY	673.632	689.946	-2,4%	
TOTAL EQUITY AND LIABILITIES	1.406.440	1.399.375	0,5%	

#### **Assets**

The total assets of Aguas Andinas S.A. and subsidiaries as of December 31, 2010 increased by 0.5% with respect to December 2009, from Ch\$ 1,399,375 million to Ch\$ 1,406,440 million. The following explains the most important variations.

#### **Current assets**

Comparing December 2010 with December 2009, these have fallen by Ch\$15,689 million (17.2%), mainly explained by the reduction in cash and cash equivalents of Ch\$18,906 million, due to investment payments during 2010, partially compensated by an increase in current tax assets of Ch\$2,704 million due to a greater remaining fiscal credit.

#### Non-current assets

These show an increase of Ch\$22,754 million (1.7%), mainly explained by the increase in property, plant and equipment of Ch\$13,567 million following investments made in

2010 and the acquisition of shares in Eléctrica Puntilla S.A. (EPSA) in November 2010 for Ch\$ 7,221 million.

The following table shows the principal investment works:

Investment project	Acum Dec 2010 (Ch\$ millions)
Third Greater Santiago sewage treatment plant	18.752
Mapocho sewage interceptor	5.054
Investments Essal	6.957
Starters & meters	4.484
Sewage networks	3.056
Computer development	4.936
Computer development	4.936

#### LIABILITIES AND EQUITY

#### Liabilities

Liabilities at December 2010 grew by 3.3% over December 2009, by Ch\$23,379 million. The most significant variations are the following:

#### **Current liabilities**

Comparing December 2010 with December 2009, these declined by Ch\$22,682 million (19.6%). The principal variation is a lower current financial debt of Ch\$14,268 million (reduced bank loans and short-term bonds payable, following prepayments made during 2010), lower trade debtors and other accounts payable of Ch\$18,144 million and a smaller current tax payable of Ch\$4,287 million, partly compensated by an increase in accounts payable to related companies of Ch\$15,025 million.

#### Non-current liabilities

These increased by Ch\$46,061 million (7.8%) with respect to December 2009. The main

variation is the rise in other financial liabilities of Ch\$40,883 million, explained by the new bond issue of Aguas Andinas S.A. in April 2010 and higher deferred income on investments in companies of Ch\$7,221 million in the acquisition of shares in EPSA in November 2010.

#### **Equity**

Comparing December 2010 with December 2009, the equity declined by Ch\$16,314 million, while equity attributable to owners of the controller reduced by Ch\$15,412 million.

The above reduction in equity is due to the distribution of final dividends for the year 2009 for Ch\$90,619 million (of which Ch\$4,485 million relates to the difference between the 30% of earnings for 2009 and the interim dividend paid on November 23, 2009), partially compensated by the earnings for 2010 of Ch\$70,723 million (Ch\$103,850 million of earnings less Ch\$33,127 million of interim dividends paid on November 22, 2010).

#### **FINANCIAL INDICATORS**

INDICATOR		December 2010	December 2009	Variation Dec 10 - Dec 09
Liquidity				
Current ratio	veces	0,81	0,79	2,5%
Acid test	veces	0,07	0,22	-69,4%
Debt				
Total debt	%	108,78	102,82	5,8%
Current debt	%	12,68	16,30	-22,2%
Non-current debt	%	87,32	83,70	4,3%
Financial expense coverage	veces	6,46	7,71	-16,2%
Profitability				
Return on equity of controller	%	16,88	20,01	-15,6%
Return on assets	%	7,40	8,94	-17,2%
Earnings per share	\$	16,97	20,11	-15,6%
Dividend yield	%	8,25	8,25	0,0%

The current ratio at December 2010 improved by 2.5% due to the reduction in current liabilities of Ch\$22,689 million (19.5%) and in current assets of Ch\$15,772 million (17.0%), with respect to December 2009. The principal variations in current liabilities and assets relate to reduced current financial debt of Ch\$14,268 million, lower accounts payable to suppliers of Ch\$3,119 million, reduced current taxes payable of Ch\$4,287 million and a reduction in cash and cash equivalents of Ch\$18,906 million, partially offset by an increase in current tax assets of Ch\$2,704 million.

The acid test reduced significantly, mainly due to the already-mentioned reduction in cash and cash equivalents as a result of larger payments of loans and dividends and reduced drawings of loans, partially compensated by the reduction in current liabilities, as detailed in the analysis of the statement of financial position.

The debt ratio improved by 5.8%, basically due to the increase in non-current liabilities,

explained by the new bond issue of Aguas Andinas S.A. in April 2010 and higher deferred income for investment in companies of Ch\$7,221 million, compensated by a reduction in current liabilities (explained above) and in equity as a result of reduced accumulated earnings of Ch\$16,314 million.

The return on equity shows a fall of 15.6%, mainly due to the reduction in earnings compared to 2009.

#### STATEMENTS OF RESULTS BY NATURE

The following table shows the most important items in the statements of results for years 2010 and 2009:

Statement of results by nature	December 2010	December 2009	Variation Dec 10 - Dec 09
	MM\$	MM\$	%
Ordinary revenues	328.964	328.118	0,3%
Consumption raw materials & secondary materials	( 23.024)	( 27.837)	-17,3%
Losses through impairment booked in results for the year	( 1.560)	0	100,0%
Personnel benefits expenses	( 37.961)	( 35.351)	7,4%
Charges for depreciation & amortization	( 53.012)	( 50.579)	4,8%
Other expenses, by nature	( 63.621)	( 59.320)	7,3%
OPERATING RESULT	149.786	155.031	-3,4%
Financial income	4.275	5.116	-16,4%
Financial costs	( 22.744)	( 22.408)	1,5%
Exchange differences	( 23)	42	-154,8%
Result of indexation units	( 10.866)	8.730	-224,5%
FINANCIAL RESULT	( 29.358)	( 8.520)	244,6%
Others earnings	3.802	3.776	0,7%
EARNINGS BEFORE TAX	124.230	150.287	-17,3%
Income taxes	( 19.277)	( 25.731)	-25,1%
Minority interest	( 1.103)	( 1.508)	-26,9%
RESULT FOR THE YEAR	103.850	123.048	-15,6%

#### Ordinary revenues:

Aguas Andinas S.A. and subsidiaries obtained revenues of Ch\$328,964 million in 2010, an increase of Ch\$846 million (0.3%) over those of 2009.

The following composition or revenues accounts for this variation:

Onding	December	r 2010	Decembe	er 2010	Variation Dec	10 - Dec 09
Ordinary revenues	MM\$	%	MM\$	%	MM\$	%
Water	136.573	41,5%	145.617	44,4%	-9.044	-6,2%
Sewage	148.169	45,0%	139.298	42,5%	8.871	6,4%
Other regulatyed revenues	12.994	3,9%	11.157	3,4%	1.837	16,5%
Non-regulated businesses	31.228	9,6%	32.046	9,7%	-818	-2,6%
TOTAL ORDINARY REVENUES	328.964	100,0%	328.118	100,0%	846	0,3%

a) Water: this heading includes the production and distribution of water. These show a fall of Ch\$9,044 million compared to the year before. The main explanation is the reduced average tariff, compensated only partly by a larger sales volume of 10 million m3. The change in the average tariff is explained by the accumulated effect of negative indexation during 2009 and January 2010. In addition, the new decreed tariff for Aguas Andinas S.A. came into effect on March 1, 2010, which implied a reduction in the tariffs for current services. This is partially compensated by a positive indexation on June 15, 2010.

b) Sewage: ethis heading includes the services of collection, treatment, disposal and interconnection of sewage. Revenues from these services show an increase of Ch\$8,871 million (6.4%), the product of:

- Higher collection revenues of Ch\$3,023 million (Ch\$74,534 million in 2010 compared to Ch\$71,511 million the year before), due to a larger sales volume of 11.3 million m3 and a higher average tariff applied.
- Higher revenue from sewage treatment of Ch\$4,566 million (Ch\$58,486 million in 2010 compared to Ch\$53,920 in 2009) due a larger sales volume of 10.3 million m3, plus a higher average tariff applied.
- Larger revenues from sewage interconnections of Ch\$1,283 million (Ch\$15,149 million in 2010 compared to Ch\$13,867 million the year before), due to the higher average tariff applied and a higher sales volume of 2 million m3.

The variations in average tariffs reflect the accumulated effect of negative indexations in 2009 and January 2010. In addition, the new decreed tariff for Aguas Andinas S.A. came into effect on March 1, 2010, which implied a reduction in the tariffs for current services. However, these falls were offset by the coming into effect of the Mapocho interceptor collector tariff, within the sewage variable charge, from April 1, 2010, together with a positive indexation on June 15, 2010.

c) Other regulated revenues: this heading considers customers' fixed charges, the services of disconnection and re-connection and provisions for non-billed consumption. These revenues increased by Ch\$1,836 million, mainly explained by a larger provision for revenues of Ch\$2,849 million, partially compensated by reduced revenue from other distribution sales of Ch\$449 million and reduced disconnections and re-connections of Ch\$306 million.

d) Non-regulated businesses: these show a reduction of Ch\$818 million (2.6%) compared to the previous year, mainly explained by:

- Sanitation: reduction of Ch\$502 million, mainly associated with fewer propertydevelopment agreements.
- Non-sanitation: reduction of Ch\$316 million, mainly explained by the reduced revenues of Gestión y Servicios of Ch\$2,657 million. This was partly compensated by increased revenues of EcoRiles of Ch\$2,092 million (operation of liquid waste treatment plants and the treatment of excess organic load for industries) and higher revenues of Ch\$249 million of ANAM (laboratory services, sampling and analysis).

Consolidated Group	Real	Real	Real 2 Real	
Amounts in Ch\$ millions	2010	2009	Abs.	%
NON-REGULATED NON-SANITATION PRODUCTS	16.154	16.470	( 316)	-1,9%
Ecoriles	9.178	7.086	2.092	29,5%
G y S	5.729	8.386	( 2.657)	-31,7%
Anam	1.247	998	249	24,9%

#### Raw materials and inputs used

These costs amounted to Ch\$23,024 million in 2010, Ch\$4,813 million lower than in 2009. This is mainly explained by lower electricity costs of Ch\$2,913 million and reduced sundry material costs of Ch\$2,025 million.

#### Impairment losses shown in the results for the period

The loss for impairment of assets due to the earthquake amounted to Ch\$1,560 million, mainly in Aguas Manquehue for Ch\$1,120 million (North Zone collector) and Aguas Andinas for Ch\$429 million.

#### Personnel benefits expenses

These expenses amounted to Ch\$37,961 million in 2010, an increase of Ch\$2,610 million over 2009, mainly explained by higher severance payments and bonuses related to the end of the collective bargaining process.

#### Depreciation and amortization

These charges amounted to Ch\$53,012 million in 2010, a rise of Ch\$2,433 million over those for 2009, mainly explained by the company's new investments.

#### • Other expenses by nature

These expenses amounted to Ch\$63,621 million in 2010, an increase of Ch\$4,301 million over 2009, mainly explained by higher treatment-plant operating expenses of Ch\$5,406 million, partially offset by reduced advisory expenses of Ch\$1,401 million.

#### Financial income

The Aguas Andinas consolidated group obtained financial income of Ch\$4,275 million, a decrease of Ch\$841 million from that obtained in 2009, explained by reduced interest income on customer debt and reduced income on financial assets.

#### Financial costs

Financial costs in 2010 amounted to Ch\$22,744 million, an increase of Ch\$336 million over those of 2009, explained mainly by greater interest payments due to the new bond issue in April 2010.

#### Results of indexation

The result in 2010 was Ch\$(10,866) million, lower than the Ch\$19,596 million obtained in 2009, mainly explained by a greater revaluation of the debt due to the accumulated effect of the positive change in the UF in 2010, in contrast with the negative change in 2009.

#### Other earnings

The Aguas Andinas consolidated group obtained a result of Ch\$3,802 million, Ch\$26 million more than in 2009 mainly explained by the advance received from insurance companies as partial compensation for damages suffered from the earthquake in February 2010, offset by reduced sales of assets.

#### Income tax charge

The provision for income tax at the end of 2010 was Ch\$6,454 million lower than in 2009, mainly due to the reduced earnings before tax.

#### Earnings

Due to the factors set out above, the earnings of Aguas Andinas S.A. and subsidiaries for 2010 amounted to Ch\$103,850 million, a reduction of Ch\$19,198 million (15.6%) compared to 2009.

The principal items in the cash-flow statement are as follows:

Consolidated statement	December 2010	December 2009	Variation Dec 10 - Dec 09
of cash flows	MM \$		%
Operating cash flow	168.061	178.051	-5,6%
Investment cash flow	-70.151	-83.702	-16,2%
Financing cash flow	-116.816	-69.971	66,9%
NET CASH FLOW FOR YEAR	-18.906	24.378	-177,6%
Initial balance of cash	24.996	619	3938,1%
CLOSING BALANCE OF CASH	6.090	24.996	-75,6%

The cash flow from operating activities declined by Ch\$9,990 million (5.6%) compared to December 2009, the principal reductions being the amount charged to customers (Ch\$6,504 million), an increase in payment of other operating activities (mainly value added tax) for Ch\$4,560 million and an increase in income taxes paid of Ch\$4,427 million, compensated by higher interest payments of Ch\$5,410 million as a result of lower interest on bank loans in pesos.

Cash flow from investment activities fell by Ch\$13,551 million (16.2%), due to reduced disbursements in the acquisition of property, plant and equipment of Ch\$17,774 million, compensated by reduced proceeds from sales of property, plant and equipment of Ch\$3,788 million.

Cash flow from financing activities rose by Ch\$46,845 million (66.9%) over the year before, due to increased loan repayments of Ch\$17,284 million, larger dividend payments of Ch\$16,194 million and reduced proceeds from drawings of short and long-term loans of

#### **CONSOLIDATED STATEMENTS OF CASH FLOWS**

Ch\$12,901 million.

#### Market analysis

The Company shows no change in the market in which it participates as, due to the nature of its services and prevailing legislation, it is not possible for other providers to act in the concession area.

Aguas Andinas S.A. has a 100% coverage in water, 98.6% in sewage services and 85.8% in sewage treatment.

Aguas Cordillera S.A. has a 100% coverage in water and 98.8% in sewage services.

Aguas Manquehue S.A. has a 100% coverage in water, 99.4% in sewage services and 65.2% in sewage treatment.

ESSAL has a 100% coverage in water, 92.0% in sewage services and 91.7% in sewage treatment.

Group sales volumes (in thousands of invoiced m3)	December 2010	December 2009	Variation Dec 10 - Dec 09
Water	520.482	510.407	2,0%
Sewage collection	507.229	495.945	2,3%
Sewage treatment & disposal	442.314	432.061	2,4%
Sewage interconnection services	116.281	114.256	1,8%
Group Customers	December 2010	December 2009	Variation Dec 10 - Dec 09
Water	1.908.816	1.871.287	2,0%
Sewage collection	1.865.772	1.828.606	2.0%

#### **Financial aspects**

Currency risks: our revenues are largely related to local currency. Our debt is therefore issued mainly in this currency, so we do not have significant risks in foreign-currency operations.

As of December 31, 2010, the Group's interest-rate risk comprises 81% at fixed rates and 19% at variable rates. The fixed-rate debt consists of the short and long-term bonds payable (83%) and reimbursable financial contributions (17%), while that at variable rates relates to Chilean bank loans.

As of December 31, 2009, the Group's interest-rate risk comprised 75% at fixed rates and 25% at variable rates. The fixed-rate debt consisted of the short and long-term bonds

payable (83%) and reimbursable financial contributions (17%), while that at variable rates related to Chilean bank loans.

The Company has an interest-rate monitoring and management policy in order to optimize the cost of financing and to constantly evaluate the hedge instruments available in the financial market.

This favorable position has led the credit-rating agencies have assigned us a rating of AA+ for our long-term debt. In the case of the shares, Feller Rate assigned us a rating of first class level 3 while ICR classified us as first class level 2.

# SUMMARIZED FINANCIAL STATEMENTS OF SUBSIDIARIES

M

## ANÁLISIS AMBIENTALES S.A.

#### **GENERAL INFORMATION**

#### Name:

Análisis Ambientales S.A.

#### Type of entity:

Closed corporation, governed by its constitution bylaws and applicable legislation

#### Domicile:

Avda. Presidente Balmaceda 1398, Santiago

#### Telephone:

(56-2) 569 22 30

#### Fax:

(56-2) 569 22 97

#### Tax No.:

96.967.550-1

#### **External auditors:**

Deloitte Auditores y Consultores Ltda.

#### Subscribed & paid capital:

ThCh\$ 262.456

#### **CORPORATE OBJECTS**

The objects of the company are the making of all kinds of physical, chemical and biological analyses of water, air and solids, including soils, sludge and waste, plus any other element directly or indirectly related to the environment.

#### **CONSTITUTION DOCUMENTS**

Análisis Ambientales S. A. was constituted by public deed dated August 20, 2001 before the notary Ivan Torrealba Acevedo and its abstract was published in the Official Gazette on September 20, 2001. Its trading name is ANAM S.A.

#### **BOARD OF DIRECTORS**

#### Chairman

Felipe Larrain Aspillaga (Chief Executive Aguas Andinas S.A.)

#### **Directors**

Joaquín Villarino Herrera (Chairman Aguas Andinas S.A.)

Salvador Villarino Krumm

#### **General Manager**

Lionel Quezada Miranda

#### Parent's shareholding

99,00%

#### Investment as proportion of Parent's assets

0,35%.

#### **Trading relationship with Parent**

During the year ended December 31, 2010, the company maintained a contract for water and sludge physical, chemical and biological analysis services with its Parent. It is expected to maintain similar trading relations in the future.

STATEMENT OF FINANCIAL POSITION	2010 ThCh\$	2009 ThCh\$
ASSETS		
Current Assets	3.888.774	2.004.540
Non-Current Assets	1.358.229	3.004.540 1.314.134
TOTAL ASSETS	5.247.003	4.318.674
TOTAL ASSETS	3.247.003	4.310.074
LIABILITIES		
Current Liabilities	340.877	447.352
Non-Current Liabilities	0	0
Equity	4.906.126	3.871.322
TOTAL LIABILITIES & EQUITY	5.247.003	4.318.674
Ordinary Revenues	4.288.034	3.518.528
Ordinary Revenues	4 288 034	3 518 528
Cost of Sales	-3.109.094	-2.449.284
Financial Result	38.436	44.784
Other non-operating revenue	1.668	1.101
Income tax	-184.240	-187.243
EARNINGS FOR THE YEAR	1.034.804	927.886
STATEMENT OF CASH FLOWS		
Net Cash Flow from Operating Activities	880.334	700.206
Net Cash Flow from Investment Activities	-2.847.706	1.299.951
Net Cash Flow from Financing Activities	0	0
Net increase (decrease) in Cash & Cash Equivalents	-1.967.372	2.000.157
INITIAL BALANCE OF CASH & CASH EQUIVALENTS	2.023.541	23.384
CLOSING BALANCE OF CASH & CASH EQUIVALENTS	56.169	2.023.541

### ECORILES S.A.

#### **GENERAL INFORMATION**

#### Name

Ecoriles S.A.

#### Type of entity:

Closed corporation, governed by its constitution bylaws and applicable legislation

#### Domicile:

Av. Presidente Balmaceda N° 1398 - Santiago

#### Telephone:

(56-2) 569 22 29

#### Fax:

(56-2) 569 22 44

#### Tax No.:

96.945.210-3

#### **External auditors:**

Deloitte Auditores y Consultores Ltda.

#### Subscribed & paid capital:

ThCh\$ 333.787

#### **CORPORATE OBJECTS**

The objects of the company are to treat liquid waste and all activities associated or linked to the treatment of sewage and waste waters, through the provision of technical assistance and the development of training, design, construction, equipment sale, maintenance and operating services of all kinds of installations.

#### **CONSTITUTION DOCUMENTS**

Ecoriles S. A. was constituted by public deed dated December 15, 2000 before the notary Juan Ricardo San Martín Urrejola and its abstract was published in the Official Gazette on January 16, 2001.

#### **BOARD OF DIRECTORS**

#### **Directors**

Felipe Larrain Aspillaga (Chief Executive Aguas Andinas S.A.)

#### Joaquín Villarino Herrera

(Chairman Aguas Andinas S.A.)

Salvador Villarino Krumm

#### **General Manager**

Lionel Quezada Miranda

#### Parent's shareholding:

99,03846%

#### Investment as proportion of Parent's assets

0,59%.

#### **Trading relationship with Parent**

During the year ended December 31, 2010, the company maintained a contract for the treatment of excess load and property rental. It is expected to maintain similar trading relations in the future.

STATEMENT OF FINANCIAL POSITION	2010 ThCh\$	2009 ThCh\$
ASSETS		
Current Assets	9.376.986	7.363.105
Non-Current Assets	169.664	164.799
TOTAL ASSETS	9.546.650	7.527.904
LIABILITIES		
Current Liabilities	1.201.190	770.232
Non-Current Liabilities	0	0
Equity	8.345.460	6.757.672
TOTAL LIABILITIES & EQUITY	9.546.650	7.527.904
Ordinary Revenues	8.396.784	6.368.093
	8.396.784	6.368.093
Cost of Color	6 6/1 2//	1 775 161
Cost of Sales  Financial Popult	-6.641.344	-4.775.464
Financial Result	117.065	158.999
Financial Result Other non-operating revenue	117.065 2.669	158.999 24
Financial Result	117.065	158.999
Financial Result Other non-operating revenue Income tax	117.065 2.669 -287.386	158.999 24 -295.840
Other non-operating revenue Income tax  EARNINGS FOR THE YEAR	117.065 2.669 -287.386	158.999 24 -295.840
Other non-operating revenue Income tax EARNINGS FOR THE YEAR STATEMENT OF CASH FLOWS	117.065 2.669 -287.386 1.587.788	158.999 24 -295.840 1.455.812
Other non-operating revenue  Income tax  EARNINGS FOR THE YEAR  STATEMENT OF CASH FLOWS  Net Cash Flow from Operating Activities  Net Cash Flow from Investment Activities	117.065 2.669 -287.386 1.587.788	158.999 24 -295.840 1.455.812 2.102.993
Cother non-operating revenue  Income tax  EARNINGS FOR THE YEAR  STATEMENT OF CASH FLOWS  Net Cash Flow from Operating Activities  Net Cash Flow from Investment Activities  Net Cash Flow from Financing Activities	117.065 2.669 -287.386 1.587.788 1.193.172 -4.787.639	158.999 24 -295.840 1.455.812 2.102.993 3.691.000
Other non-operating revenue Income tax EARNINGS FOR THE YEAR STATEMENT OF CASH FLOWS  Net Cash Flow from Operating Activities	117.065 2.669 -287.386 1.587.788 1.193.172 -4.787.639	158.999 24 -295.840 1.455.812 2.102.993 3.691.000 0

### GESTION Y SERVICIOS S.A.

#### **GENERAL INFORMATION**

#### Name:

Gestión y Servicios S.A.

#### Type of entity:

Closed corporation, governed by its constitution bylaws and applicable legal provisions.

#### Domicile:

Av. Presidente Balmaceda 1398, Santiago

#### Telephone:

(56 2) 569 23 42

#### Fax:

(56 2) 569 23 98

#### Tax No.:

96.828.120-8

#### **External auditors:**

Deloitte Auditores y Consultores Ltda.

#### Subscribed & paid capital:

ThCh\$ 710,194

#### **CORPORATE OBJECTS**

The objects of the company are property development, the purchase and sale of sanitation equipment, sale of biogas, construction and advice in specialized works.

#### **CONSTITUTION DOCUMENTS**

The company was constituted as a corporation called Aguas del Maipo S.A. by public deed dated June 6, 1997 before the notary Patricio Zaldivar Mackenna. Later, its bylaws were amended by public deed dated November 10, 2000, signed before the notary Patricio Zaldivar Mackenna, changing its name to Gestión y Servicios S.A.

#### **BOARD OF DIRECTORS**

#### Chairman

Joaquín Villarino Herrera (Chairman of Aguas Andinas S. A.)

#### **Directors**

Felipe Larrain Aspillaga (Chief Executive of Aguas Andinas S. A.)

Ivan Yarur Sairafi

Salvador Villarino Krumm (Director Aguas Andinas S.A.)

Camilo Larraín Sánchez (Ejecutivo Principal de Aguas Andinas S.A.)

#### **General Manager**

Santiago Fredes Echeverria

#### Parent's shareholding:

97.84783%

#### Investment as proportion of Parent's assets

0,37%.

#### **Trading relationship with Parent**

During the year ended December 31, 2010, the company maintained contracts for the purchase and sale of materials, renovation of sewers, purchase of biogas and rentals with its Parent. It is expected to maintain similar trading relations in the future.

STATEMENT OF FINANCIAL POSITION	2010 ThCh\$	2009 ThCh\$
ASSETS		
Current Assets	6.739.134	7.221.674
Non-Current Assets	1.845.971	1.692.613
TOTAL ASSETS	8.585.105	8.914.287
LIABILITIES		
Current Liabilities	3.223.124	4.545.617
Non-Current Liabilities	0	0
Equity	5.361.981	4.368.670
TOTAL LIABILITIES & EQUITY	8.585.105	8.914.287
Ordinary Revenues	8.638.283	9.579.596
Ordinary Revenues	8.638.283	9.579.596
Cost of Sales	-7.427.734	-8.320.569
Financial Result	-19.621	-51.506
Other non-operating revenue	-23.483	22.334
Income tax	-174.134	-197.985
EARNINGS FOR THE YEAR	993.311	1.031.870
STATEMENT OF CASH FLOWS	2010 M\$	2009 M\$
Net Cash Flow from Operating Activities	-1.023.370	3.514.232
Net Cash Flow from Investment Activities	-32.196	-29.037
Net Cash Flow from Financing Activities	-340.000	-1.723.255
Net increase (decrease) in Cash & Cash Equivalents	-1.395.566	1.761.940
nitial Balance of Cash & Cash Equivalents	1.761.994	54
CLOSING BALANCE OF CASH & CASH EQUIVALENTS	366.428	1.761.994

## INVERSIONES IBERAGUAS LTDA. AND SUBSIDIARY

#### **GENERAL INFORMATION**

#### Name

Inversiones Iberaguas Limitada

#### Type of entity:

Investment limited partnership subject to the provisions of the Civil Code, Commercial Code and Law 3,918.

#### Legal domicile:

Avenida Presidente Balmaceda N° 1398, Santiago Chile

#### Telephone:

(56-2) 569 2382

#### Fax:

(56-2) 569 2309

#### Tax No. (RUT):

96.897.320-7

#### PO Box:

1537 Santiago

#### Subscribed & paid capital:

ThCh\$ 49,090,900

#### **External auditors:**

Deloitte Auditores y Consultores Ltda.

#### Tax No. (RUT):

80.276.200-3

#### **CORPORATE OBJECTS**

The Company's objects are, according to clause 4 of its bylaws, the investment and participation in sanitation-services businesses, especially in companies whose objects are the provision of the public utilities of the production and distribution of water, the collection and disposal of sewage, and any other service related to these activities.

#### **CONSTITUTION DOCUMENTS**

The Company was constituted under public deed dated May 20, 1999, before the notary Aliro Veloso Muñoz. An abstract was published in the Official Gazette of May 27, 1999 and was registered in the Santiago Trade Register for (folio 19,028, No.15,038). At the shareholders meeting of Iberaguas S.A. held on August 9, 1999 it was agreed to transform Iberaguas S.A. into a limited partnership called Inversiones Iberaguas Ltda. On June 10, 2008, the companies Aguas Andinas S.A. and Aguas Cordillera S.A. acquired the partnership rights in Inversiones Iberaguas Ltda. in the proportions of 99.999998% and 0.000002% respectively; the deed was registered in the notary's office of Raúl Undurraga Laso.

#### Administration:

Aguas Andinas S.A.

#### Representatives:

Felipe Larrain Aspillaga (Chief Executive of Aguas Andinas S.A.)

Joaquín Villarino Herrera (Chairman of Aguas Andinas S.A.)

Iván Yarur Sairafi (Chief Exective of Inversiones Aguas Metropolitana S.A.)

#### Percentage holding of the parent:

99.99998% direct of Aguas Andinas S.A 0.000002% indirect through Aguas Cordillera S.A.

## Investment as a proportion of the parent company's assets.

The investment in the company represents 6.3%

## Commercial relationships with the parent and its subsidiaries

During the year ended December 31, 2010, the company had no trading relations with the parent or its related companies.

STATEMENT OF FINANCIAL POSITION	2010 ThCh\$	2009 ThCh\$
ASSETS		
Current assets	9.575.640	8.772. 494
Non-current assets	157.483.194	157.024.604
TOTAL ASSETS	167.058.834	165.797.098
LIABILITIES		
Current liabilities	7.977.016	8.750.005
Non-current liabilities	56.249.579	56.510.571
Equity	66.038.602	64.935.418
Minority holdings	36.793.637	35.601.104
TOTAL LIABILITIES & EQUITY	167.058.834	165.797.098
STATEMENT OF COMPREHENSIVE RESULTS		
Ordinary revenues	32.230.010	32.394.610
Cost of operations	(21.821.821)	(22.085.755)
Financial result	(2.710.673)	(2.502.004)
Other non-operating revenue	416.995	1.363.231
Income tax	(1.382.627)	(1.561.158)
Minority participation	(3.303.265)	(3.732.509)
EARNINGS ATTRIBUTABLE TO OWNERS OF THE CONTROLLER	3.428.619	3.876.415
STATEMENT OF CASH FLOWS		
Net cash flow for operating activities	14.825.512	15.220.709
Net cash flow for investment activities	(5.265.520)	(5.297.746)
Net cash flow for financing activities	(9.424.416)	(9.102.867)
Net increase (decrease) in cash & cash equivalents	135.576	820.096
Initial balance of cash & cash equivalents	1.199.234	379.138
CLOSING BALANCE OF CASH & CASH EQUIVALENTS	1.334.810	1.199.234

## AGUAS CORDILLERA S.A. AND SUBSIDIARIES

#### **GENERAL INFORMATION**

#### Name

Aguas Cordillera S.A.

#### Type of entity:

Open corporation

#### Legal domicile:

Avenida Presidente Balmaceda N° 1398, Santiago, Chile

#### Telephone:

(56-2) 569 2500

#### Fax:

(56-2) 569 2509

#### Tax No. (RUT):

96.809.310-K

#### PO Box:

1818 Santiago-centro

#### **Business:**

Catchment, purification and distribution of water and disposal of sewage.

#### Subscribed & paid capital:

ThCh\$ 153,608,183

#### **External auditors:**

Deloitte Auditores y Consultores Ltda.

Tax No. (RUT):

80.276.200-3

#### **CORPORATE OBJECTS**

The objects of the company and its subsidiary Aguas Manquehue S. A., according to clause 2 of its bylaws, are the provision of sanitation services, comprising the construction and exploitation of water and the collection and disposal of sewage. Its present concession area is the districts of Vitacura, Las Condes, Lo Barnechea, Colina and Lampa.

#### **CONSTITUTION DOCUMENTS**

The company was constituted under public deed dated April 22, 1996, before the Santiago notary René Benavente Cash. An abstract was registered in the Santiago Trade Register for that year (folio 14,143, No.8,258) and ratified in folio 11,059 No.8,996 of 1996, and was published in the Official Gazette of May 4, 1996.

The company is registered in the special register of reporting entities of the Superintendency of Securities and Insurance under No. 170. As a sanitation sector company, it is regulated by the Superintendency of Sanitation Services, in accordance with Law 18,902 and decree laws 382 and 70, both of 1988.

#### **BOARD OF DIRECTORS**

#### Chiarman:

Felipe Larrain Aspillaga (Chief Executive of Aguas Andinas S.A.)

#### **Directores titulares:**

Camilo Larraín Sánchez (Senior executive in Aguas Andinas S.A.)

Mario Varela Herrera

Osvaldo Carvajal Rondenelli

Iván Yarur Sairafi (Chief Executive of Inversiones Aguas Metropolitana S.A.)

#### **Chief Executive:**

Víctor de la Barra Fuenzalida (Senior executive in Aquas Andinas S.A.)

#### Percentage shareholding of the parent:

99.99003% direct

## Investment as a proportion of the parent company's assets.

The investment in the company represents 16.7%

## Commercial relationships with the parent and its subsidiaries

During the year ended December 31, 2010, the company had contracts for water and sewage interconnections, rentals, and purchases and sale of materials with its parent, whose accounts are payable within 30 days. It is expected that similar commercial relations will be maintained in the future.

STATEMENT OF FINANCIAL POSITION	2010 ThCh\$	2009 ThCh\$
ASSETS		
Current assets	15.619.135	20.955.089
Non-current assets	262.472.597	259.445.369
TOTAL ASSETS	278.091.732	280.400.458
LIABILITIES		
Current liabilities	18.351.271	17.008.407
Non-current liabilities	59.796.719	56.490.843
Equity	199.943.579	206.901.054
Minority participations	163	154
TOTAL LIABILITIES & EQUITY	278.091.732	280.400.458
Ordinary revenues	42.716.739	42.831.906
Ordinary revenues	72.7 10.7 37	42.031.900
Cost of sales	(27.820.005)	(21.921.531)
Cost of sales		
	(27.820.005)	(21.921.531)
Cost of sales Financial result	(27.820.005) (357.055)	(21.921.531) (89.207)
Cost of sales Financial result Other non-operating revenue	(27.820.005) (357.055) 724.264	(21.921.531) (89.207) 3.753.792
Cost of sales Financial result Other non-operating revenue Income tax	(27.820.005) (357.055) 724.264 (1.691.002)	(21.921.531) (89.207) 3.753.792 (4.194.827)
Cost of sales Financial result Other non-operating revenue Income tax Minority participation	(27.820.005) (357.055) 724.264 (1.691.002) (9)	(21.921.531) (89.207) 3.753.792 (4.194.827) (15)
Cost of sales  Financial result  Other non-operating revenue  Income tax  Minority participation  EARNINGS ATTRIBUTABLE TO OWNERS OF THE CONTROLLER	(27.820.005) (357.055) 724.264 (1.691.002) (9)	(21.921.531) (89.207) 3.753.792 (4.194.827) (15)
Cost of sales Financial result Other non-operating revenue Income tax Minority participation EARNINGS ATTRIBUTABLE TO OWNERS OF THE CONTROLLER STATEMENT OF CASH FLOWS Net cash flow from operating activities	(27.820.005) (357.055) 724.264 (1.691.002) (9) 13.572.932	(21.921.531) (89.207) 3.753.792 (4.194.827) (15) 20.380.118
Cost of sales  Financial result  Other non-operating revenue  Income tax  Minority participation  EARNINGS ATTRIBUTABLE TO OWNERS OF THE CONTROLLER  STATEMENT OF CASH FLOWS  Net cash flow from operating activities  Net cash flow from investment activities	(27.820.005) (357.055) 724.264 (1.691.002) (9) 13.572.932	(21.921.531) (89.207) 3.753.792 (4.194.827) (15) 20.380.118
Cost of sales  Financial result  Other non-operating revenue  Income tax  Minority participation  EARNINGS ATTRIBUTABLE TO OWNERS OF THE CONTROLLER  STATEMENT OF CASH FLOWS  Net cash flow from operating activities  Net cash flow from investment activities  Net cash flow from financing activities	(27.820.005) (357.055) 724.264 (1.691.002) (9) 13.572.932 19.826.118 (11.227.768)	(21.921.531) (89.207) 3.753.792 (4.194.827) (15) 20.380.118 22.231.872 2.554.747
Cost of sales  Financial result  Other non-operating revenue  Income tax  Minority participation  EARNINGS ATTRIBUTABLE TO OWNERS OF THE CONTROLLER  STATEMENT OF CASH FLOWS	(27.820.005) (357.055) 724.264 (1.691.002) (9) 13.572.932  19.826.118 (11.227.768) (18.814.649)	(21.921.531) (89.207) 3.753.792 (4.194.827) (15) 20.380.118 22.231.872 2.554.747 (13.131.625)

BALANCE SHEETS	Aguas Cordillera S.A. and Filiales		Aguas Manquehue S.A.		Iberaguas Ltda. and Subsidiary	
	2010	2009	2010	2009	2010	2009
	M\$	M\$	M\$	M\$	M\$	M\$
ASSETS						
Current assets	15.619.135	20.955.089	2.868.256	2.612.051	9.575.640	8.772.494
Non-current assets	262.472.597	259.445.369	57.505.628	54.840.181	157.483.194	157.024.604
TOTAL ASSETS	278.091.732	280.400.458	60.373.884	57.452.232	167.058.834	165.797.098
LIABILITIES						
Current liabilities	18.351.271	17.008.407	7.923.577	8.488.866	7.977.016	8.750.005
Non-current liabilities	59.796.719	56.490.843	14.504.681	13.266.650	56.249.579	56.510.571
Equity	199.943.579	206.901.054	37.945.626	35.696.716	66.038.602	64.935.418
Minority participations	163	154			36.793.637	35.601.104
TOTAL LIABILITIES & EQUITY	278.091.732	280.400.458	60.373.884	57.452.232	167.058.834	165.797.098
STATEMENT OF RESULTS						
Ordinariy revenues	42.716.739	42.831.906	6.205.486	7.613.382	32.230.010	32.394.610
Costs of sales	(27.820.005)	(21.921.531)	(5.059.331)	(3.230.353)	(21.821.821)	(22.085.755)
Financial result	(357.055)	(89.207)	151.861	(241.526)	(2.710.673)	(2.502.004)
Other non-operating revenue	724.264	3.753.792	1.035.478	27.423	416.995	1.363.231
Income tax	(1.691.002)	(4.194.827)	(84.584)	(680.060)	(1.382.627)	(1.561.158)
Minority participations	(9)	(15)			(3.303.265)	(3.732.509)
EARNINGS FOR YEAR	13.572.932	20.380.118	2.248.910	3.488.866	3.428.619	3.876.415
STATEMENT OF CASH FLOWS						
Net cash flow from operating activities	19.826.118	22.231.872	5.396.924	4.330.662	14.825.512	15.220.709
Net cash flow from investment activities	(11.227.768)	2.554.747	(6.352.825)	(10.199.622)	(5.265.520)	(5.297.746)
Net cash flow from financing activities	(18.814.649)	(13.131.625)	946.826	5.930.579	(9.424.416)	(9.102.867)
Net increase (decrease) in cash & cash equivalents	(10.216.299)	11.654.994	(9.075)	61.619	135.576	820.096
Initial balance of cash & cash equivalents	11.698.910	43.916	68.706	7.087	1.199.234	379.138
CLOSING BALANCE OF CASH & CASH EQUIVALENTS	1.482.611	11.698.910	59.631	68.706	1.334.810	1.199.234

Essa	Essal S.A.		Ecoriles S.A. Gestión y Servicios S.A.		Ecoriles S.A. Gestión y Servicios S.A. Análisis		Gestión y Servicios S.A.		Gestión y Servicios S.A. Análisis Ambientales S.A.	
2010 M\$	2009 M\$	2010 M\$	2009 M\$	2010 M\$	2009 M\$	2010 M\$	2009 M\$			
9.571.257	8.768.396	9.376.986	7.363.105	6.739.134	7.221.674	3.888.774	3.004.540			
130.766.481	130.307.890	169.664	164.799	1.845.971	1.692.613	1.358.229	1.314.134			
140.337.738	139.076.286	9.546.650	7.527.904	8.585.105	8.914.287	5.247.003	4.318.674			
8.999.103	9.910.401	1.201.190	770.232	3.223.124	4.545.617	340.877	447.352			
56.249.579	56.510.570	-	-	-	-	-	-			
75.089.056	72.655.315	8.345.460	6.757.672	5.361.981	4.368.670	4.906.126	3.871.322			
140.337.738	139.076.286	9.546.650	7.527.904	8.585.105	8.914.287	5.247.003	4.318.674			
32.228.930	32.394.608	8.396.784	6.368.093	8.638.283	9.579.596	4.288.034	3.518.528			
(21.813.134)	(22.078.101)	(6.641.344)	(4.775.464)	(7.427.734)	(8.320.569)	(3.109.094)	(2.449.284)			
(2.710.673)	(2.502.004)	117.065	158.999	(19.621)	(51.506)	38.436	44.784			
416.995	1.363.045	2.669	24	(23.483)	22.334	1.668	1.101			
(1.380.760)	(1.560.183)	(287.386)	(295.840)	(174.134)	(197.985)	(184.240)	(187.243)			
6.741.358	7.617.365	1.587.788	1.455.812	993.311	1.031.870	1.034.804	927.886			
14.830.698	15.241.800	1.193.172	2.102.993	(1.023.370)	3.524.232	880.334	700.206			
(5.265.519)	(5.312.932)	(4.787.639)	3.691.000	(32.196)	(29.037)	(2.847.706)	1.299.951			
(9.429.849)	(9.112.870)	-	-	(340.000)	(1.723.255)	-	-			
135.330	815.998	(3.594.467)	5.793.993	(1.395.566)	1.771.940	(1.967.372)	2.000.157			
1.195.136	379.138	5.854.745	60.752	1.761.994	54	2.023.541	23.384			
1.330.466	1.195.136	2.260.278	5.854.745	366.428	1.771.994	56.169	2.023.541			