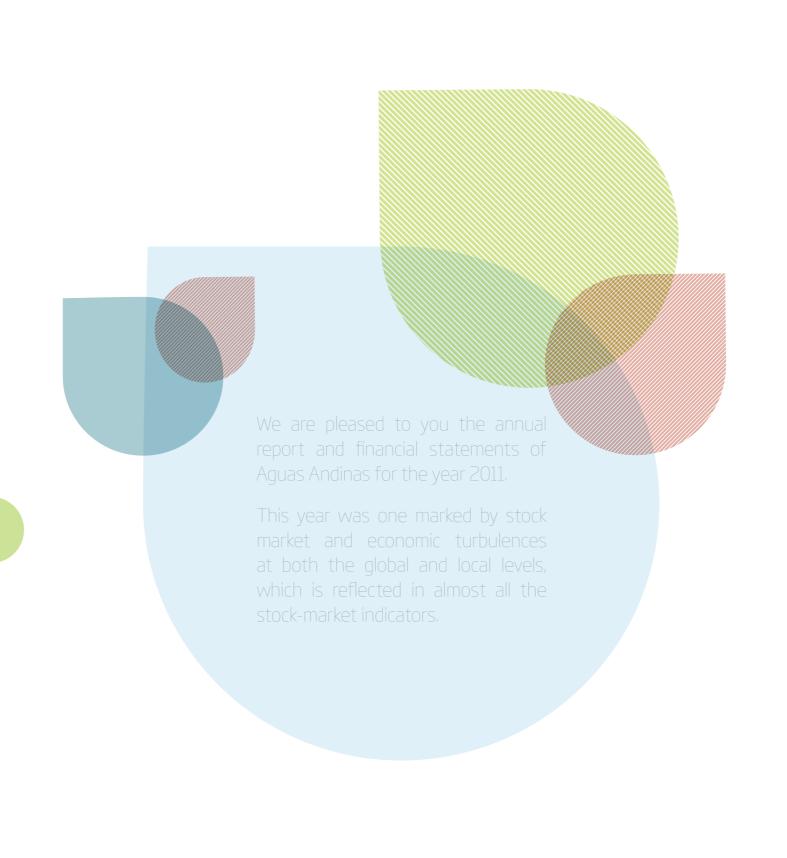
Annual 2011 Report







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O11 Our company

CLEAN CITY

Aguas Andinas has progressively increased its sewage treatment coverage, from 3% in 1999 to 86% in 2011.





Numbers and figures reflecting that achieved

FINANCIAL SUMMARY (1)

AS OF DECEMBER 31	2007	2008	2009	2010	2011
Water revenues	126.200	129.364	145.617	136.573	147.715
Sewage revenues	115.469	123.080	139.298	148.169	166.504
Other regulated revenues	8.720	15.500	11.157	12.994	11.708
Other non-regulated revenues	25.952	31.260	32.046	31.228	37.806
Total revenues	276.341	299.204	328.118	328.964	363.733
Operating income ⁽²⁾	132.111	146.041	155.031	149.786	173.230
Earnings for the year	105.697	88.226	123.048	103.850	111.479
Total assets	913.488	1.354.508	1.399.374	1.373.386	1.469.996
Short-term liabilities	84.551	122.580	115.613	92.932	197.886
Long-term liabilities	357.585	557.971	593.815	606.822	593.048
Non-controller participations	13	67.351	66.946	66.044	64.974
Total equity	471.339	606.606	623.000	607.588	614.088

OPERATIONAL FIGURES (3)

AS OF DECEMBER 31	2007	2008	2009	2010	2011
Total water customers	1.597.537	1.828.328	1.871.287	1.908.816	1.966.639
Total sewage-collection customers	1.569.392	1.784.324	1.828.606	1.865.772	1.913.081
Total water billed (millions of m³)	479,3	492,3	510,4	520,5	537,2
Sewage collection billed (millions of m³)	471,9	496,1	495,9	507,2	521,8
Sewage treatment & disposal billed (millions of m³)	407,3	416,9	432,1	442,3	454,2
Sewage interconnections billed (millions of m³)	101,9	113,7	114,3	116,3	118,9
Total water coverage	100%	100%	100%	100%	100%
Total sewage-collection coverage	97,78%	97,87%	97,89%	98,70%	(4)
Total sewage-treatment coverage	73,99%	74,13%	75,59%	85,50%	(4)
Total employees	1.484	1.821	1.801	1.924	1.805



⁽¹⁾ Figures for 2007 under generally accepted accounting principles in Chile, in millions of pesos at December 2008. Figures from 2008 to 2011 under IFRS, in millions of pesos of each year.

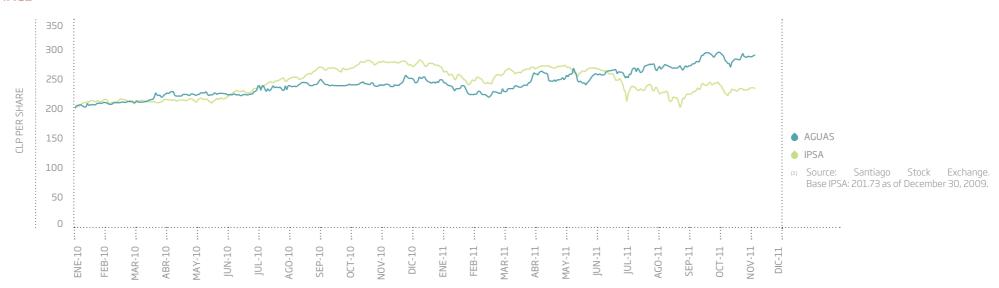
 $^{^{(2)}}$ Between 2008 and 2011, Operating income = Ordinary revenues - consumption of raw materials and secondary supplies - personnel expenses - depreciation & amortization - impairment losses - other operating expenses.

⁽³⁾ Includes ESSAL from July 2008.

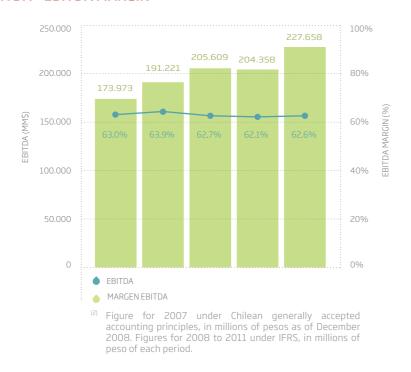
⁽⁴⁾ Estimate of the Superintendency of Sanitation Services to be published during 2012.

DESTACADOS

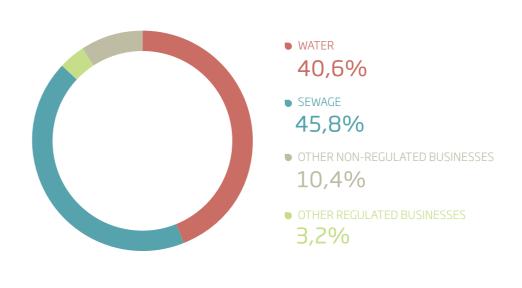
STOCK MARKET PERFORMACE (1)



EBITDA - EBITDA MARGIN (2)



SOURCES OF REVENUES 2011



HIGHLIGHTS 2011

a year of consolidation

Our Company has become a leading company with a clear orientation to customer, shareholders, the community and care for the environment. The performance and projects carried out in 2011 support this consolidation.



NEW SHAREHOLDERS

Following the sale by Corfo of most of its shares in our Company, new shareholders of good reputation entered during 2011, who have valued the knowledge we have of the sanitation sector.

DROUGHT COMMITTEE ACTIVATED

A transversal committee of the different management areas, whose mission is to anticipate possible risks generated by a water shortage situation in the winter of 2012

STANDARDS THAT DISTINGUISH US

100% water coverage, 98% in sewage and 86% in sewage treatment.

BEST SERVICES COMPANY

According to an image survey made by Adimark, the Aguas Group has been named as the best services company with the best historic results. 70% of those surveyed gave us a score of between 6 and 7 (out of 7).

90% PROGRESS IN MAPOCHO PLANT

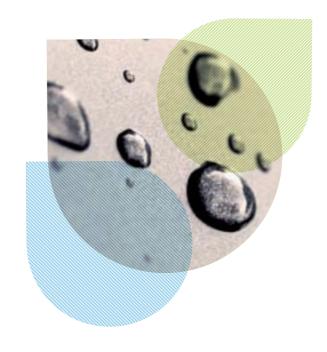
With a total investment of 300 million dollars, Aguas Andinas is close to carry out its compromise of 100% sewage treatment in Metropolitan Region.

INSTALLATION OF CUSTOMER STRATEGIC PLAN (PEC)

Start-up of two modules of the Customers Strategic Plan, customer attention and work performance, which permit global and substantial improvements in the service provided to our customers.

HISTORY 150 years of experience

Two important landmarks are commemorated in 2011: 150 years from the creation of Empresa de Agua Potable de Santiago, which is the origin of our Company; and 10 years of life of our name: Aguas Andinas.





1865

Construction of the first water storage tanks.

1894

Construction begins of drains in Vitacura and of a 20,000 cubic-meter tank in Antonio Varas street. 1903

The Sewage and Paving of Santiago Law is promulgated, motivating the construction of water and sewage networks in the city.

1909

Installation of 1,112 residential connection and the first taps in Santiago.

1917

Inauguration of the Laguna Negra aqueduct, 87 kilometers in length, to carry water from the Andes. 1967

The El Yeso reservoir comes into service.

1969

The Las Vizcachitas plan and Paralelo aqueduct start operating.

1977

Change of name: the company is now called Empresa Metropolitana de Obras Sanitarias (EMOS).

1984

Inauguration of the Ingeniero Antonio Tagle water production plant.

starts operating to produce drinking water for Santiago.

The Las Vizcachas plant

1946





1989

EMOS is made into a corporation, subsidiary of Corporación de Fomento de la Producción (CORFO). First water purification projects begin in the region: the Zanjón sewer

of the Canal A-H.

1990

1993

The West Santiago sewage treatment plant starts operating

1997

Inauguration of the corporate building, located in the Parque de los Reyes, Santiago

97

1999

Privatization of the Company: 51.2% of its capital is acquired by Sociedad Inversiones Aguas Metropolitanas, formed by the Agbar Group (50%) and Suez (50%). La Florida water plant

2000



Start of construction of the El Trebal sewage treatment plant. Acquisition of 100% of Aguas Cordillera and 50% of Aguas Manquehue. Launch of Plan Vita which seeks a service of excellence and to improve efficiency and product quality.

2001

Change of name: the Company is called Aguas Andinas S.A. El Trebal sewage treatment plant starts operations, the construction of La Farfana commences and the SAP computer platform is implemented. The subsidiaries Anam and EcoRiles are formed. Aguas Maipo S.A. changes its name to Gestión y Servicios S.A.

2002

Inauguration of the operative control center, the most advanced in Latin America.
The remaining 50% of Aguas Manquehue is acquired. Plan Eureka begins, to consolidate an on-line organization. The new San José de Maipo and Paine treatment plants start to operate



2003



La Farfana sewage treatment plant starts operations, the largest of its kind in Latin America. ISO 9.000 certification obtained for customer attention.





2005

Start-up of the Valdivia de Paine and El Monte treatment plants in those towns, the SAP software platform is updated and the 9,001 certification is obtained for billing, receipts and collections.

The OHSAS certification

the Talagante and Curacaví

2006

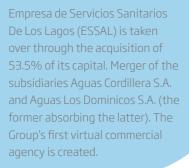
Start of the Plan Aura which defines ADN program which seeks to improve customer attention. Inauguration of the Aguas de Ramón nature park in the Andes foothills in the basin of Santiago. The certification ISO 9.001 is obtained for the incorporation of the process of

2007

of Comercial Orbi II S.A. and Aguas Cordillera S.A.. Gestión y Servicios S.A



2008





The SAP platform is updated to permit the application of the new IFRS standards. The fifth tariffsetting process of Aguas Andinas is concluded, fixing the values of water and sewage services for the



completed, a bicentenary landmark will enable the Company to achieve



2011

that seeks to renew the customer-attention Da Vinci is launched, seeking to prepare the sells most of its shares in the Company, remaining with a 5% shareholding, which implies the entry of new shareholders with a recognized history in the local market.

CHAIRMAN'S LETTER We continue to build



As chairman of the board of Aguas Andinas S.A., I have the pleasure to submit for your consideration the Annual Report and financial statements of our Company for the year 2011.

This year represented the commemoration of important landmarks for our Company: the celebration of our 150 years as an organization, and the incorporation of new shareholders and election of a new board of directors following the changes in ownership as a result of the sale of 30% of our shares by Corporación de Fomento de la Producción (CORFO), which retains a 5% shareholding.

Both events show that we continue to be a solid company, capable of giving confidence to our customers, our shareholders and the community. This follows from our having the broadest track record and recognized experience in the water industry. But also because we have as a company a country vision which enables us to face the future with decision, innovation and expectations in terms of services and projects directed to Chile's development.

An indicator that we are advancing along the correct road are the results obtained by Aguas Andinas in the Survey of Public-Utility Company Image (2011) made by ADIMARK GFK, where we were recognized by our customers as the best services company, which group includes other utility companies like gas, electricity and telephone.

This naturally fills us with pride. However, it also presents us with the challenge of continuing along the same line of leadership in quality of service and thus be able to successfully face the challenges presented to us by the country's growth and development.

But the road is not completely clear. We have since 2010 been experiencing a drought scenario as a result of the La Niña climatic phenomenon, so water shortage has become one of the most important matters the country faces. There is no development without water as every production project or human settlement requires it.

We are a responsible company. Today there is effectively less water available. We, in Aguas Andinas, have therefore taken the necessary measures and made the corresponding investments to ensure the service to the population continuously and to high quality standards, reducing to a minimum the effects that the shortage of rain might have on the supply of water to the people.

Aguas Andinas and its subsidiaries Aguas Cordillera, Aguas Manquehue and Essal serve aprox. 2 millions customers with the basic element for the development of life. That is not all as, at the same time, we again transform already-used water into clean water.

In 2011, we began the final phase of the construction of the Mapocho Sewage Treatment Plant, one of the most modern and technological in the world. When it starts operating in 2012, and together with the other 14 already-operating sewage treatment plants, which include La Farfana and El Trebal, our country will be able to show to the world the biggest environmental highlight in its history: that the sewage from the urban areas of the Metropolitan Region, where Chile's capital is situated, will be fully decontaminated.

Our works and results are the product of the strong desire that has motivated us for over 10 years. We work hard, we learn and, after making an investment of over US\$1,000 million, we can state that the reality we have today is due to the effort and dedication we have placed in this work and country objective.

In Aguas Andinas we are aware that confidence is built day by day and with concrete works. That is the key and seal of our company: to provide the best service always, in an efficient and innovative way, sustainable with the environment and in the face of the challenges that the future brings.



Felipe Larrain Aspillaga

Chairman



BOARD OF DIRECTORS



Alternate Economist



Xavier Amorós Corbella Lawyer

Alternate Lawyer



Bruno Philippi Irarrázabal Civil Engineer

Alternate Economist, law degree



Felipe Larrain Aspillaga Civil Engineer Director

Agronomist

Vice chairman Director

Patricio Prieto Sánchez Ernesto Mata López Lawyer Economist

Director

Xavier Amorós Corbella Herman Chadwick Piñera Lawyer

Lawyer

Director

Bruno Philippi Irarrázabal Lorenzo Bernaldo de Quiroz Civil Engineer Economist, law degree

Director

Rodrigo Terré Fontbona Rodrigo Manubens Moltedo Civil Engineer Business Administrator

Director

Gonzalo Rojas Vildósola Jaime Cuevas Rodríguez Business Administrator Business Administrator

Director

Luis Hernán Paúl Fresno Alejandro Danús Chirighin Business Administrator Civil Engineer- MBA



Director Rodrigo Manubens Moltedo Business Administrator Alternate Rodrigo Terré Fontbona Civil Engineer



Gonzalo Rojas Vildósola Business Administrator

Alternate Business Administrator



Director Luis Hernán Paúl Fresno Civil Engineer- MBA

Alternate Alejandro Danús Chirighin Business Administrator



Felipe Larrain Aspillaga

Pierre Alexander Lacarelle

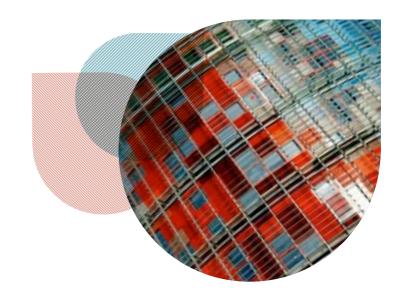
Civil Engineer

Agronomist

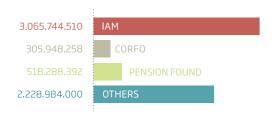
OWNERSHIP OF THE COMPANY

a great support

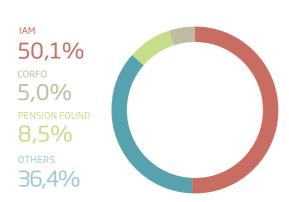
As of December 31, 2011, the capital of Aguas Andinas is divided into 6,118,965,160 shares, all fully subscribed and paid, distributed among 1,726 shareholders.



DISTRIBUTION BY TYPE OF SHAREHOLDER



DISTRIBUTION BY TYPE OF SHAREHOLDER



NAME	TAX NO.	SHARES	SERIE	%
Inversiones Aguas Metropolitanas S.A.	77.274.820-5	3.065.744.510	А	50,10%
Corporación de Fomento de la Producción	60.706.000-2	305.948.258	В	5,00%
Transacciones e Inversiones Arizona S.A.	76.806.870-4	270.328.797	А	4,42%
Banco de Chile por cuenta de terceros no residentes	97.004.000-5	248.460.044	А	4,06%
Banco Itaú por cuenta de inversionistas	76.645.030-k	242.625.893	А	3,97%
Bethia S.A.	78.591.370-1	223.927.893	А	3,66%
AFP Provida S.A.	98.000.400-7	197.369.417	А	3,23%
Banco Santander por cuenta de inv. extranjeros	97.036.000-k	166.827.621	А	2,73%
Banchile Corredores de Bolsa S.A.	96.571.220-8	159.790.981	Α	2,61%
AFP Cuprum S.A.	98.001.000-7	137.964.269	А	2,25%
CorpBanca Corredores de Bolsa S.A.	96.665.450-3	120.719.722	А	1,97%
AFP Habitat S.A.	98.000.100-8	106.743.628	А	1,74%
Others (1,685 shareholders)		870.511.711	Α	14,23%
Others Series B (29 shareholders)		2.002.416	В	0,03%
TOTAL		6.118.965.160		100,00%

STRATEGIC PARTNER

Sociedad General de Aguas de Barcelona (Agbar) is the controller of Aguas Andinas through its 56.6% shareholding in Inversiones Aguas Metropolitanas S.A. (IAM), which firm in turn holds 50.1% of the shares of Aquas Andinas and its subsidiaries.

Agbar, constituted over 140 years ago, is the head of a group of more than 150 companies employing over 16 thousand people. Agbar is one of the world's great experts in processes related to water management. In Spain, Agbar provides a service to 13 million inhabitants in more than a thousand localities and, worldwide, to over 26 million users in various countries, including Chile, the United Kingdom, Colombia, Algeria, Cuba, Turkey, Peru and Mexico.

The Suez Environnement group controls Agbar with an indirect shareholding of 75.01%.

Suez Environnement is a group of Franco-Belgian origin with more than 120 years of experience in the development of continuous advances for improving peoples' quality of life. With more than 79 thousand employees and a presence throughout the world, it is a global leader dedicated exclusively to water and sewage management services.

Suez Environnement has been distinguished for promoting numerous initiatives for the administration of natural resources more efficiently, particularly the development of specialized technology for recycling waste and the reutilization of waste waters.

MANAGEMENT a team with vision





Corporate Manager, Planning, Engineering and Systems Joaquim Martí Marques Engineer in Roads, Canals and Ports











Corporate Manager, Operations
Josep Oriol Mas Alcázar
Industrial Engineer

Corporate Manager, Communications and Organizational Development
María Elena Sanz Ibarra
Psychologist

Corporate Manager, Finance and Procurement
Miguel Ángel Zarza Marcos
Economist

GENERAL MANAGER

······> General Customer Service Manager

······> Corporate Manager of Legal Affairs

Corporate Manager,
Planning, Engineering
and Systems

······> Corporate Manager Operations

Corporate Manager,
Communications
and Organizational
Development

Corporate Manager,
Finance and Procurement

GEOGRAPHICAL COVERAGE

broad coverage

More than 6.7 million people are supplied with the sanitation services provided by the Aguas Group, making it the country's principal sanitation company and one of the largest in Latin America.



Aguas Andinas and its sanitation subsidiaries have 1.9 million customers, who represent an estimated population of over 6.7 million at the consolidated level, distributed among its concession zones which cover an area of 70 thousand hectares in the Metropolitan Region, and 67 thousand hectares in the regions of De Los Lagos and De Los Ríos in the south of Chile.

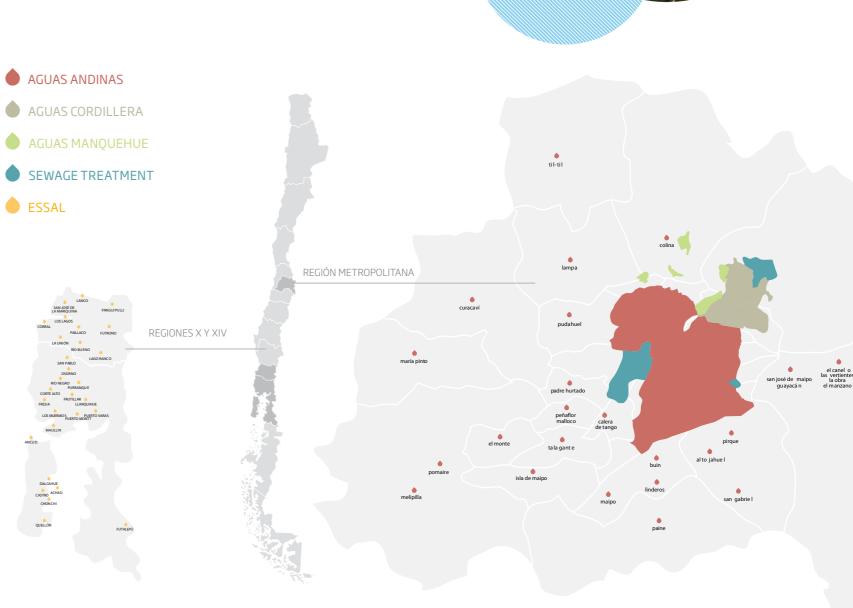
These customers, classified as residential, commercial and industrial, receive water, sewage and sewage treatment services.

COVERAGE IN GREATER SANTIAGO AND PERIPHERY COMMUNITIES

In the Metropolitan Region, the concession zone is located in the Santiago basin, found in an intermediate depression in central Chile, bordered to the north by the Chacabuco hills and to the south by Angostura de Paine.

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

In the south of the country, specifically in the X and XIV Regions, the concession belonging to ESSAL includes 33 communities in the provinces of Valdivia and Ranco in the region of De Los Ríos; and Osorno, Llanquihue, Chiloé and Palena in the region of De Los Lagos.



a service of excellence

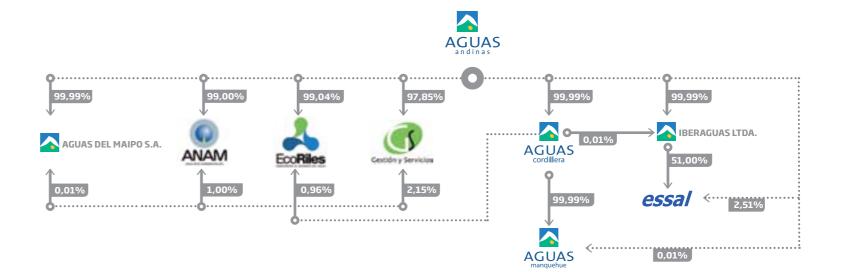
The Aguas Group is a combination of related companies that provide an integral service in the sanitation market.

The sanitation subsidiaries of the Aguas Group, regulated by Chilean legislation, provide the services of the production and distribution of water and the collection, treatment and final disposal of sewage.

These are: Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. y Empresa de Servicios Sanitarios De Los Lagos S.A. (ESSAL).

The non-regulated subsidiaries offer services in the treatment of industrial waste, the sale of equipment and non-conventional renewable energies, and laboratory analysis.

These are: **EcoRiles S.A.**, **Gestión y Servicios S.A.**, **Análisis Ambientales S.A.** (**Anam**) y **Aguas del Maipo S.A.**



D 2 2 2 2 1 1

CLEAR IDEAS

Aware that the supply of water is essential for life, the company meets this challenge with a genuine vocation of service and excellent performance.





YEAR 2011

the beginning of a new stage



WE ASSUME THE
COMMITMENT TO
CONTINUALLY IMPROVE THE
SERVICE WE PROVIDE TO
OUR MORE THAN 1.9 MILLION
CUSTOMERS.

In 2011, therefore, we completed the first stage of the Customers Strategic Plan, PEC, which will enable us to provide a more personalized, closer and friendly attention, together with greater efficiency.



ALWAYS FOCUSED ON EFFICIENT MANAGEMENT.

We work with a precious and scarce resource, which requires us to carry out operations of high quality and safety, with simple processes and state-of-the-art technologies.

THE SUBSIDIARY COMPANIES PROMOTE INNOVATION AND GROWTH. We seek to consolidate ourselves

as an environmental group and leader in the management of the water cycle.



We have therefore launched the Plan Da Vinci as a way to project ourselves into the future as a leading company.

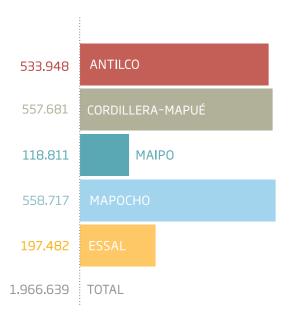




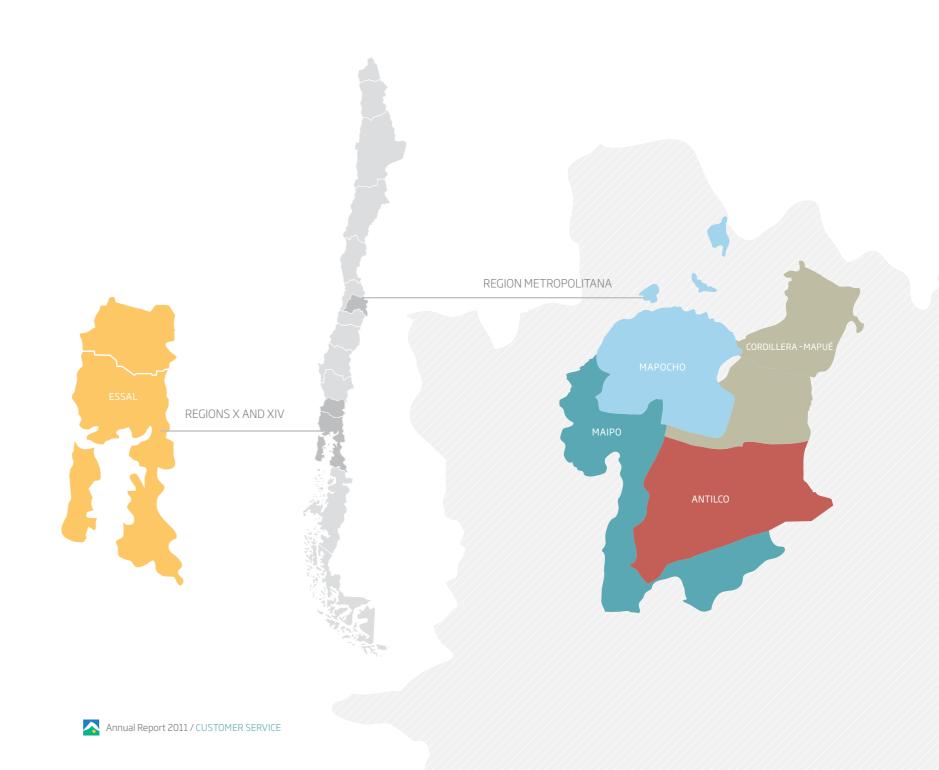
customer service pillar of our performance

ZONAL DIVISION

WATER CUSTOMERS*



"The term "customer" relates to the individual or legal entity that inhabits and/ or resides in the property that receives the public service of water distribution, sewage collection or both.



CUSTOMER ATTENTION

The efforts of Aguas Andinas since 2009 have been focused on increasing the levels of satisfaction of its customers, together with achieving greater efficiency in the management of their requirements.

The Customers Strategic Plan, PEC was born in response to these challenges and completed three years of life in 2011. The objectives of this corporate policy are to redefine procedures, implement best practices and world-class information systems, provide a differentiated service and have more efficient processes, in order to consolidate a culture centered on the customer.

PEC showed important progress during 2011, successfully implementing two of the three modules of this program: Customer Attention and Works Management.

All the information of the commercial systems was thus integrated into just one data base, in a world-class tool called Siebel, which replaced the previous Requirements Attention System, SAR. This involved an important adaptation of the software to the particular business of Aguas Andinas.

Complementing this, hard work was also dedicated to change management, which implied 108 training sessions, approximately 1,300 users trained in the new technology, with a total of 7 thousand hours of training equivalent to almost 25% of the total training hours of the Aguas

Group. An important role in this process was the work of the PEC tutors who were responsible for meeting the on-line needs and becoming true agents of change and project facilitators.

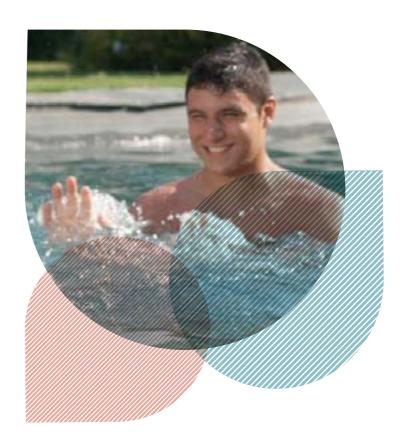
THE CUSTOMERS STRATEGIC PLAN, PEC, IMPLIES A MAJOR TECHNOLOGICAL CHANGE IN THE CUSTOMER AREA MADE BY THE AGUAS GROUP.

CUSTOMERS IN FIGURES

By the end of 2011, the number of customers (*) of Aguas Andinas with water service was 1,619,674, representing an increase of 2.7% over the previous year. The number of sewage services customers was 1,582,364, 2.1% more than in 2010.

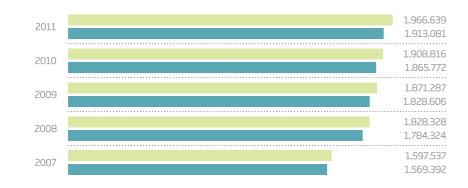
At the consolidated level, a figure that includes all the sanitation companies of the Aguas Group, the number of water services customers was 1,966,639 and of sewage services 1,913,081.

Of the total water services customers, 8.5 %, equivalent to 166,672, related to government subsidized customers, which supports a stable payment behavior and fewer bad debts for the Company.

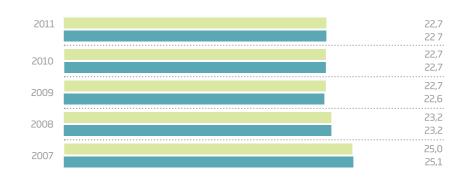


("Customers supplied are those billed and the associated homes of buildings and condominiums with general billing, and according to the criteria of the SISS.

CONSOLIDATED CUSTOMERS



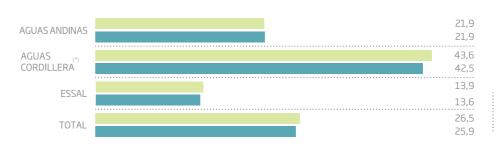
CONSOLIDATED AVERAGE CONSUMPTION (M³/CUSTOMER/MONTH)



NUMBER OF CUSTOMERS 2011

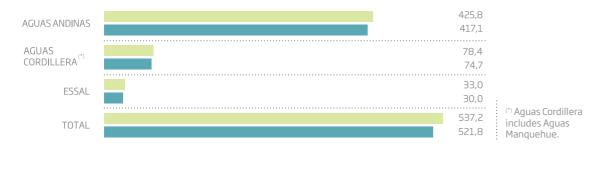


CONSOLIDATED AVERAGE CONSUMPTION 2011 (M³/CUSTOMER/MONTH)

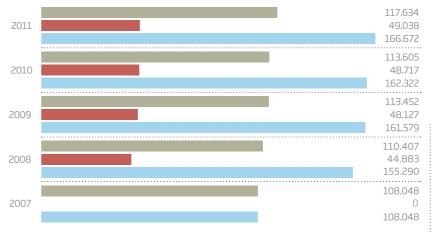


^(*) Aguas Cordillera includes Aguas Manquehue.

CONSOLIDATED CUBIC METERS BILLED 2011



NUMBER OF SUBSIDIES (*)



♠ AA+AC+AM

ESSAL

TOTAL

(*) Relate to meters of each family. Aguas Andinas and Aguas Cordillera provide these subsidies.

WATER

SEWAGE

NEW CONCESSIONS

During 2011 Aguas Andinas was adjudicated 11 requests for extension of the concession in the Metropolitan Region.

Requests for extension of concessions are being processed in the In the area supplied by ESSAL, 3 concession-extension requests were municipalities of Padre Hurtado, Paine, Buin, Pudahuel, Talagante, Melipilla and San José de Maipo which together involve an area of 70 hectares and 1,736 new customers.

granted, as follows:

EXPANSION OF CONCESSION	MUNICIPALITY	AREA (HA)	CUSTOMERS (HOMES)
Parcela 8 El Progreso	Padre Hurtado	4,3	290
Parcela 9 El Progreso	Padre Hurtado	2,9	189
El Conquistador	Peñaflor	1,1	78
Santa Beatriz	Talagante	11,0	750
Brisas del Maipo	San José de Maipo	0,8	22
Loteo IBSA	Buin	25,0	860
Lomas de Eyzaguirre	Puente Alto	10,4	600
Salvador Silva 2657	Peñaflor	1,2	64
Loteo Krugger	Buin	10,4	301
Los Ciruelos	Buin	13,8	530
Santa Catalina	Paine	3,6	189

EXPANSION OF CONCESSION	MUNICIPALITY	AREA (HA)	CUSTOMERS (HOMES)
Área A1 Sector La Chacra	Castro	2,3	128
Área A1 Sector Alto Bonito	Puerto Montt	14,7	548
Área A1 Sector Cerro Huaihuén	Ancud	3,1	140



NEW CUSTOMERS

17,373 domestic water and sewage projects were approved in 2011, involving the connection of 33,164 new customers to the Company's network.

166 public and private networks were also approved, totaling 139 kilometers of new infrastructure for the distribution of water and collection of sewage. 16 contracts were signed with property developers to expand our concession area by 103.6 hectares, to supply 3,694 homes.

For its part, the Superintendency of Sanitation Services granted new sanitation-service concessions for 65 hectares where 3,606 new homes will be built.

33,164 NEW CUSTOMERS WERE CONNECTED TO THE NETWORKS OF AGUAS ANDINAS IN 2011.

RURAL WATER

Aguas Andinas' area of action goes further than the urban areas. It also extends to the rural sector of the Metropolitan Region, as an active collaborator in the National Rural Drinking Water Program of the Ministry of Public Works, through the Hydraulic Works Section.

Under agreements signed with this entity, the Company acts as a technical unit, being responsible for the studies and designs of the works for the different communities, plus providing advice to the community organizations responsible for the operation and maintenance of the services and projects built.

43,542 homes currently benefit under the Rural Water Plan, with an estimated population of 261,252 peoples, which implies a coverage of 100% of the rural communities concentrated.

In particular, studies were made and works carried out during the year involving a total investment of over Ch\$ 796 million, principally for the construction of improvement works and extension of services

DETAIL	Nº	CH\$ MILLIONS
Improvement works	5	796
Design of improvement works	11	74
Construction of soundings	2	229
Emergency works	2	85
TOTAL		1.184

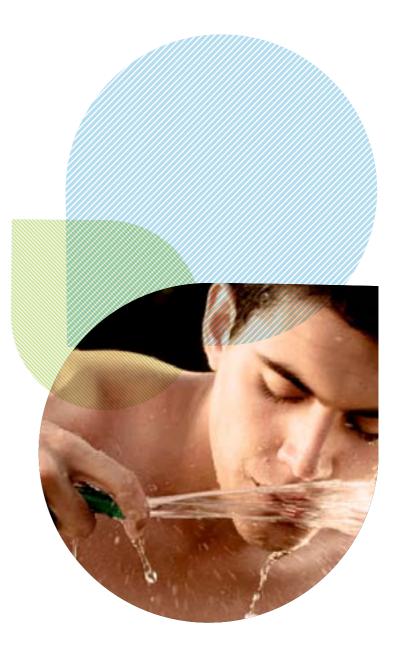
SANITATION REGULATIONS

Current Chilean legislation establishes that providers of sanitation services are subject to the supervision and regulation of the Superintendency of Sanitation Services (SISS), a functionally decentralized organism with its own legal status and equity, which is subject to the supervision of the President of the Republic through the Ministry of Public Works.

There are also a series of laws and regulations governing the functioning of the sector and the sanitation companies. The principal legal bodies are:

- General Sanitation Services Law (DFL MOP N° 382 of 1988).
 Contains the provisions regulating the concessions regime and the business of the providers of sanitation services.
- Regulations of the General Sanitation Services Law (DS MOP N° 1199/2004, published in November 2005). Establishes the regulations for the application of the General Sanitation Services Law.
- Sanitation Services Tariffs Law (DFL MOP N° 70 de 1988). Contains
 the provisions regulating the setting of tariffs for water and sewage and the
 amounts of reimbursable contributions.
- Regulations of the Sanitation Services Tariffs Law (DS MINECON N° 453 of 1989). Contains the regulations for the application of the Sanitation Services Tariffs Law.

- Law creating the Superintendency of Sanitation Services (Law 18,902 of 1990). Establishes the functions of this service.
- Law of subsidies for the payment of water consumption and sewage services (Law 18,778 of 1989). Establishes a subsidy for the payment for consumption of water and provision of sewage services for low-income customers.
- Regulations to the Subsidies Law (DS Hacienda N° 195 of 1998). Contains the regulatory provisions for the application of the Subsidies Law.



water cycle integral management





WATER CYCLE

IMPORTANT TECHNOLOGICAL ADVANCES

Aguas Andinas invested large resources to implement new tools to enable it to become a leading and benchmark company in the Chilean sanitation industry.

The applications of the geographic information system (SIG), optimization system for assignment of on-site orders (Teseo), documental system, billing system and contact center were integrated into the new Siebel platform for customer service and works orders management.

The electronic billing system was also introduced to Aguas Cordillera, Aguas Manquehue and subsidiaries. A new computer and application platform was implemented for on-site meter-reading management, permitting the obtaining of process information on line, the distribution of work load via internet and the centralized and immediate checking or correcting of problems.

The technical operation systems at the water and sewage plants were consolidated with a computer application integrated with the SCADA and laboratory systems, which permit the recording of complementary information entered directly in the plants. The new application automates the production of operative reports and has improved the availability of information together with reducing data entry and checking times.

Applications were developed for obtaining new information required by the SISS on operative data of the sewage treatment plants. This organism requested new variables and changed the report's frequency and format. New versions were installed of the documental system, quality system, electronic mail system, help desk and content management on the intranet. Servers were acquired for the Company's new computer applications and the servers dedicated to maintenance and development of applications were "virtualized".

Within the framework of the business continuity plan and information security management system, annual contingency tests were made at the operative control center and the communications and telephone system, and information assets were updated.

VOICE AND DATA COMMUNICATIONS SYSTEMS

With respect to the communications systems, the fiber-optic network was extended in 2011 to ten water and sewage plants. The own network of radio communications, voice trunking and telecontrol data was improved, adding a new tower for ensuring coverage and availability.

A new satellite connection was added for the catchment of water in San Nicolás, in the Andes mountains inland from San Gabriel. And network security was reinforced by adding technologies for intrusive detection and internal data protection, especially in its servers network.

OPERATIVE CONTROL CENTER (CCO) IN CONSTANT GROWTH

The operative control center (CCO) is the hub of the Company's operations. This advanced-technology tool operates 24 hours a day, 365 days of the year, integrating information in real time, centralizing decision taking and optimizing management relating to the water cycle.

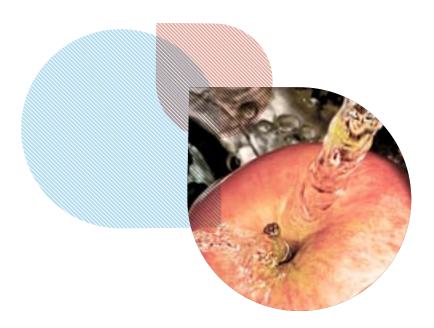
The coverage of the CCO during 2011 continued to expand, with the incorporation of 2 thousand new variables to its control software and data acquisition (SCADA), positioning itself among world-sized applications in the public-utilities sector, with more than 40 thousand variables and 725 connected remote stations.

CCO's growth involved all the concessions. In production and distribution, the telecontrolled operation of groundwater infrastructures was integrated, like the new wells of El Canelo, Huamachuco, Chamicero and Talagante; the improvement and expansion proceeded of the water elevation systems like Lo Gallardo, Camino El Alto, Reina Alta and Santa Corina; and 16 new control stations were incorporated in Maipo zone premises.

In collection, the operation of the Valdivia de Paine and Santa Bernardita elevator plants was integrated, and 9 quality measurement stations for controlling the operation were added to the Mapocho interceptor and 2 control stations on the Farfana–Trebal interceptor.



WATER CYCLE



UPDATING OF DEVELOPMENT PLANS

During 2011, the update of the development plans of the Aguas Group was completed. Taking into account the emergency and cut-off of water supply that affected the population in May 2008, the updating included a vulnerability analysis for handling events of extreme water cloudiness, which implied designing the safety works necessary for facing an event of this size.

The development plan of each concession area is updated every 5 years. It is an important instrument contemplated in the sanitation legislation which contains the principal solutions or expansion of infrastructure, required both for the production and distribution of water and the collection and treatment of sewage, in order to provide service to the new customers to be incorporated into the concession area in the next 15 years. In accordance with the committed investment program and the works schedule, the development plans are inspected annually by the SISS.

GENERAL PRODUCTION AND TRANSPORT PLAN

The general production and transport plan of the Aguas Group (PGPT11) is a long-term internal technical planning tool in order to propose investments for resolving problems detected in a demand horizon of 15 years.

The updating of this plan during 2011 consolidated in one document the production and transport plans made in 2004, which then existed separately.

PGPT11 concentrates updated and systemized information, both descriptive and analytical, for each procurement system of the Aguas Group, especially the importance the presentation offers in graph mode, thus being a powerful base of consultation for the use of the different internal customers. It also includes an important vulnerability analysis in the event of threats that reduce the production of water, such as extreme cloudiness, drought, falls in the levels of aquifers, the quality of sources, and particular events that temporarily cause the closing down of operation of some water production plant.

RESEARCH AND DEVELOPMENT

In order for the continuous improvement in the quality of its services while minimizing their impact on the environment to be reality, Aguas Andinas has followed the route of research and development.

In the area of purification, the Company has progressed in the preparation of a mathematical model that simulates the anaerobic digestion process, representatively and simply, in order for sewage treatment plant operators to have a better understanding, handling and control of the process.

The Company has also assumed a strong commitment with innovation, as its development permits the generation of new knowledge and abilities that become available to face future challenges. This is present in the construction of the new Mapocho plant. The experience of the bio-gas project has permitted the introduction of new technologies in that

purification facility: "thermal hydrolysis" and "co-generation". This first process permits a greater and faster degradation of organic matter within the digesters together with an increase in the production of bio-gas, which in turn is burned in co-generation engines to generate electricity that could be used in its processes.

With respect to water, a project was continued with the Fund for Scientific and Technological Development Promotion, Fondef, in 2011, to analyze the development of reactive sorbents means for the removal of ions from sources of drinking water. In the field of reutilization, a study was continued to analyze the feasibility of infiltration of rain waters in El Rutal, a sector located to the north of the city of Santiago.

As in previous years, the different research enabled the Company to be present in international and foreign forums, showing the importance that Aguas Andinas gives to research and development, basic pillars in the management of the water cycle and the quality of service provide to all its customers.

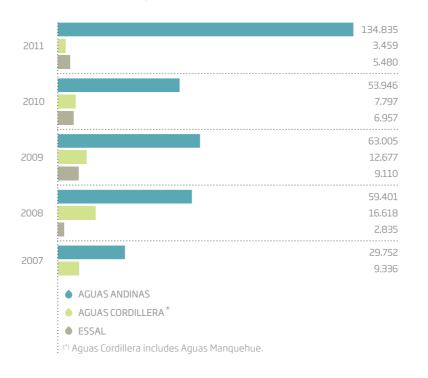
WATER CYCLE

NEW INVESTMENTS

The Company's investment plan in 2011 amounted to Ch\$144,173 million, of which Ch\$143,774 million was invested in the sanitation subsidiaries and Ch\$399 million in the non-sanitation subsidiaries.

Of the total investment made in the Group's sanitation companies, a large part was used in installations for the collection and treatment of sewage (Ch\$115,987 million). The rest was for water works (Ch\$19,778 million), mainly for distribution installations relating to the constant renovation of water networks, as well as in other activities (Ch\$8,089 million).

INVESTMENTS (CH\$ MILLIONS)



AGUAS GROUP 2011 (CH\$ MILLIONS)

INVESTMENT	2011
Water production	7.214
Water distribution	12.564
Sewage collection	5.059
Sewage disposal	110.928
Other activities	8.009
Non-sanitation subsidiaries	399
TOTAL	144.173





SOURCES, RESERVES AND PLANTS

The principal catchment sources of raw water of Aguas Andinas in the Metropolitan Region are the rivers Maipo and Mapocho, while the secondary sources are the natural aquifers that cross the concession area.

The Company has important reserves that provide additional hydric resources and permit meeting the capital's demand for water, guaranteeing the continuous supply to its customers. These reserves are the El Yeso reservoir, with an operative máximum capacity of 220 million m³, Laguna Negra, with 648 million m³, and Laguna Lo Encañado, with 50 million m³.

For the preparation of drinking water, the Company has production plants that follow the procedures of water purification. In the Metropolitan Region, it has the Las Vizcachas complex, the La Florida water production plant, and 12 smaller installations including Padre Hurtado, Lo Gallo, San Enrique and El Sendero. The Aguas Group's regions of De Los Lagos and De Los Ríos el Grupo Aguas have numerous production facilities that supply the requirements of the 33 communities of the concession area.

At the consolidated level, the Aguas Group has a production capacity of 37.7 m³ per second, of which 33.4 m³/s relate to Greater Santiago and 4.3 m³/s to ESSAL.

PRODUCTION BY TYPE OF SOURCE

In 2011, consolidated production of drinking water, measured at the output of the plants reached 770.9 million m^3 . Of these, 632.8 million m^3 were for surface water and 138.1 million m^3 of groundwater.

PRODUCTION BY TYPE OF SOURCE (MILLIONS OF M³)

COMPANY	2007	2008	2009	2010	2011
Aguas Andinas surface	517,9	508,1	521,3	531,6	545,0
Aguas Andinas groundwater	68,7	73,9	73,5	72,5	78,2
Aguas Cordillera ^(*) surface	65,7	68,1	72,9	72,8	68,6
Aguas Cordillera ^(*) groundwater	19,2	21,3	16,9	14,9	25,9
ESSAL surface	-	17,8	21,8	20,2	19,3
ESSAL groundwater	-	32,0	34,1	30,9	33,9

^(*) Aguas Cordillera includes Aguas Manquehue.



THE DROUGHT AND THE CONTRIBUTION OF EL YESO RESERVOIR

The year 2011 was a hydrologically dry period, making the second consecutive year of low flows from the thaw, which have been insufficient to full one of the Company's principal reserves, the El Yeso reservoir.

The flow of the river Maipo has a probability of an annual average surplus of 90%, making 2011 the tenth lowest flow in the last century.

MAIPO RIVER FLOWS IN MANZANO IN NORMAL CONDITIONS (M³/S)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year average
2007	239,4	138,1	107,2	72,1	61,4	58,2	54,5	48,7	56,6	89,4	127,9	137,9	
Percentage	32%	49%	37%	38%	40%	45%	55%	69%	64%	51%	66%	78%	52%
2008	130,7	98,6	66,6	53,1	94,4	93,6	61,9	81,7	81,9	120,1	248,8	286,8	
Percentage	78%	77%	83%	75%	11%	8%	41%	17%	25%	23%	14%	22	40%
2009	209,2	157,5	120,6	90,2	65,3	58,3	55,2	63,5	92,0	91,3	130,6	234,7	
Percentage	42%	37%	26%	18%	34%	45%	54%	38%	18%	48%	64%	36%	38%
2010	216,6	168,8	128,2	89,8	69,2	61,9	52,0	51,5	53,8	75,7	107,9	109,5	
Percentage	40%	31%	21%	18%	28%	37%	60%	63%	69%	67%	80%	89%	50%
2011	101,8	87,0	65,0	44,9	30,2	28,0	27,6	31,7	41,7	57,5	98,1	109,5	
Percentage	90%	85%	85%	89%	86%	98%	98%	96%	89%	87%	86%	89%	90%



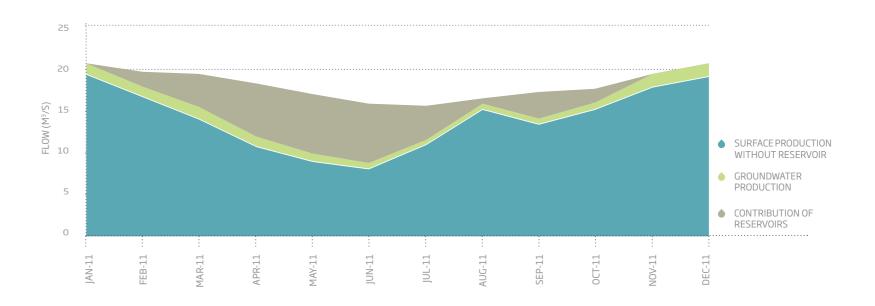


Because of these low flows, the Company needed the contribution of water from the El Yeso reservoir during most of the year, to meet the demand in Greater Santiago.

COMPOSITION OF WATER PRODUCTION

76% AGUAS ANDINAS SURFACE 11% AGUAS ANDINAS GROUND WATER 10% AGUAS ANDINAS SURFACE 4% AGUAS ANDINAS GROUND WATER

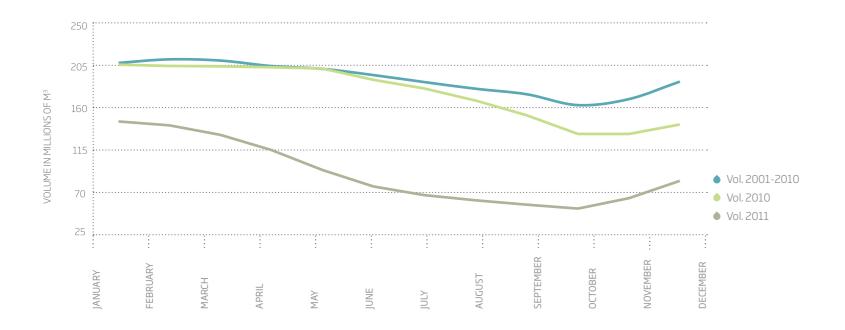
CONTRIBUTION OF EL YESO RESERVOIR TO THE PRODUCTION OF GREATER SANTIAGO





To confront the drought, Aguas Andinas launched an action plan in the second quarter in order to reach the next thaw season. This plan consisted of reaching agreements with the other users of the river Maipo in order to optimize the distribution of water, leasing water rights, preparing existing wells and building new ones, at a cost of Ch\$4,400 million, and carry out a loss reduction plan.

With these actions, the contribution necessary from El Yeso reservoir reduced from July. The reservoir ended the year with 90 Hm³, having had a minimum of 57 Hm³ in mid October.





The mission of the distribution network is to carry and supply water to all the Company's customers. The operation of this extensive combination of underground pipes is managed by the operative control center, which ensures its correct functioning and guarantees a continuous supply.

NETWORK MANAGEMENT

The water networks integrated management is an innovative model that tries to improve the continuity of service through the systematic reduction in fractures. Thanks to its application, the Company has managed to reduce the number of fractures drastically, reaching levels of below 0.1 faults/km, very much lower than that classified as excellent by the large world sanitation companies.

The number of fractures occurring in 2011 was 1,029.

FRACTURES / NUMBER OF FRACTURES PER YEAR

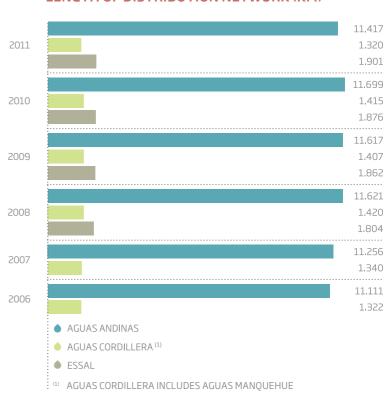
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2011	1.029
2010	1.036
2009	1.077
2008	1.288
2007	1.362

LENGTH OF DISTRIBUTION NETWORK

By the end of 2011, the length of the distribution network at the consolidated level was 14,638 kilometers. Of these, 12,737 kilometers related to the Metropolitan Region, comprising the networks of Aguas Andinas, Aguas Cordillera and Aguas Manquehue and 1,901 kilometers belong to the network of ESSAL in the south of the country.

Compared to 2010, there was a reduction in the network because of the retirement of sections out of use.

LENGTH OF DISTRIBUTION NETWORK (KM)





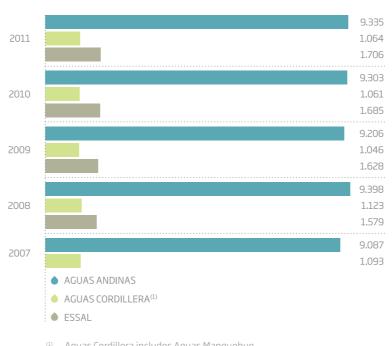
The sewage collection network, comprising the sewer system, enables the collection and evacuation of waste waters, avoiding their direct contact with people, to then be carried to the treatment plants or points of final disposal.

The correct functioning of this underground network prevents contagion and contamination problems.

LENGTH OF THE COLLECTION NETWORK

The length of the Company's collection network at the consolidated level in 2011 was 12,105 kilometers which implied growth of 56 kilometers over the year before, equivalent to 0.5%.

LENGTH OF THE COLLECTION NETWORK (KM)



(1) Aguas Cordillera includes Aguas Manquehue.



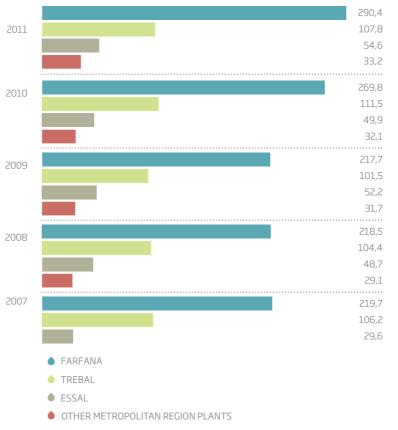


The Aguas Group purifies the waste waters produced by the inhabitants of its concession areas in modern sewage treatment plants, which restore them to the environment in suitable conditions for irrigation in accordance with the standards of current legislation.

In Greater Santiago, Aguas Andinas has two large treatment plants, El Trebal and La Farfana, three plants in the north-east zone and another 10 smaller plants in periphery communities. Altogether, these installations permit reaching a coverage of decontamination of sewage of around 86%.

In the regions of De Los Lagos and De Los Ríos, ESSAL has 29 waste-water treatment systems that contribute to the purifying of more than 91% of the sewage generated by the inhabitants of these zones.

SEWAGE TREATMENT AGUAS GROUP (MILLIONS OF M³)



ADVANCES IN TREATMENT

The construction of the Mapocho sewage treatment plant continued during 2011. The works are now 90% advanced and the plant will be operative in the first half of 2012.

At the same time, the construction was completed of the Farfana-El Trebal trunk sewer that interconnects these treatment plants and also with the future Mapocho plant. This interceptor was planned to conduct the flows of surplus untreated sewage from La Farfana gravitationally to the El Trebal plant for its final treatment. The total length of the interceptor sewer is 10.5 kilometers, with a design flow of 19 m³/s.

By this, it is expected to reach the full treatment of the sewage of Greater Santiago during 2012, when the hydric purification plan for the Santiago basin will be completed. This has involved an estimated total investment of 870 million dollars.

Since 2000, Aguas Andinas has followed a strategy of continuous investment that has enabled it to progress gradually to increase treatment coverage from 3% in 1999 to 86% in 2011.

sustainable development personnel

PLAN DA VINCI, THE START OF A CULTURAL CHANGE

One of the challenges that the Aguas Group established in the year, following deep thought made in 2010, was to ensure and maintain a successful integral management of the water cycle and, at the same time, develop new business areas based on the knowledge acquired through the Company's broad experience.

Under this new focus, it was necessary to start a process of transformation in the form of work and style of leadership. Thus the Plan Da Vinci was born, a route map that will allow the Company to prepare itself to navigate in ever more demanding future scenarios. This plan of change defines what and how the different challenges of Aguas Andinas should be approached, designing plans that involve all the Company's employees.

The Plan Da Vinci is in full development, through a work team responsible for certain initiatives. There is also a communications and change plan in order to share with the whole organization the project's objective and its progress. Among the actions is a direct communications space between employees and the senior management, called "Coffee with...". Every month, a group of technicians and professionals meet a representative of the senior management and chat informally about matters of interest.

Key pillars of the Plan Da Vinci

The Plan Da Vinci contemplates two key pillars: quality of life and management of talent.

In the first, the idea is to make Aguas Andinas a better place to work, balancing working demands with family and personal life. Through a series of actions taken under this premise, the Company at the end of the year obtained the distinction "Equal Company", an annual recognition given by the Chilean government to corporations committed to advance in equality of opportunities for men and women in the workplace.

The second pillar, talent management, seeks to design an individual professional development plan in order to have a complete and integral personnel management model, including management performance system (Crecer) evaluations, individual performance evaluations, and corporate formation.

Among the implementation of actions for consolidating Aguas Andinas as a good place to work and a recruiter of talent by excellence is the incorporation of modern personnel management practices. That is: the promotion of good labor practices with gender equality; policy of inclusive selection; training for the whole supervisory line in the equality module; formation of new management trends through Managing SXXI, communities of social practices and networks; talks on matters of conciliation of working life and the family; design and publication of a work harassment protocol; formalization of support for sports and recreational activities.

The next challenge for the Company will be to work for certification under the Chilean NCH Management Systems, a management standard for gender equality and conciliation of working lives and family and personal lives, which will enable it to obtain the Equality-Conciliation Seal granted by the National Women's Service, Sernam, from the second half of 2012.

DURING 2011, THE ORGANIZATION LAUNCHED THE PLAN DA VINCI, A CORPORATE PROGRAM THAT DEFINES AND TRACES THE START OF A CULTURAL CHANGE.

WORKFORCE

As of December 31, 2011, the workforce of the Aguas Group totaled 1,805 direct employees.

WORKFORCE 2011

LEVEL	AGUAS ANDINAS	AGUAS CORDILLERA*	AGUAS MANQUEHUE*	ESSAL	OTHERS	TOTAL GENERAL
Managers & senior executives	46	1	1	6	9	63
Managers & senior executives	619	77	11	134	188	1.029
Workers	334	57	10	159	153	713
TOTAL	999	135	22	299	350	1.805

^{*} Executive considered in Aguas Andinas.



SUSTAINABLE DEVELOPMENT COMMUNITY

Various activities and programs were organized in 2011 to foster relations with the community where the Company operates, providing education in the use of water, supporting customers with low incomes, maintaining good relations with the neighbors, promoting care for the environment and supporting initiatives for improving the surroundings.

"AGUAS ANDINAS IN MY DISTRICT"

Since its initiation 10 years ago, the "Aguas Andinas in my district" program has benefited 102,625 inhabitants, being poor housing districts in the Metropolitan Region. The idea of this initiative is to promote and educate with respect to the proper conduct in the use of the service and in care for their sanitation installations.

The program consists of the intervention of areas with sewage problems, unpaid bills, leakages in interior networks and the indiscriminate opening of taps in the summer. It begins by involving neighborhood leaders, neighbors and municipalities, with the collaboration of the Fundación Casa de La Paz. All those involved, operators of Aguas Andinas and the foundation's personnel, work for almost 10 months in resolving the problems identified, repairing sanitation installations and teaching how to look after them.

CUENTA AMIGA

The focus of this program is to support customers belonging to the poor sectors of the Metropolitan Region who have bills unpaid.

Days are arranged that seek to give an integral solution to the problems of each district, through a multi-disciplinary team that makes a diagnosis of the customers' sanitation installations, cleans the sewers and repairs the networks; plumbing workshops, and educational and recreational activities for the children; and the refinancing of the debts with special payment conditions and the application for state water and sewage subsidies. In this way, debts of Ch\$ 650,000,000 are absolved annually.

"SUEÑOS DE BARRIO" FUND

For the sixth consecutive year, Aguas Andinas has offered a competitive fund, "Sueños de Barrio", which provides financial contributions for improvements of the surroundings of areas close to the Company's sewage treatment plants.

The purpose of the fund, directed to social organizations of the municipalities of Pudahuel, Maipú (resident associations 1, 2 and 3), Padre Hurtado and Til Til, is to be a concrete help for improving the quality of life of the residents, strengthening citizen participation in environmental management, and promoting actions for preserving the environment.

The selection of the initiatives is made by a jury comprising members of the National Environmental Commission (CONAMA), the Metropolitan governor's office, Fundación Casa de la Paz, the Corporation for Sustainable Development (CDS), the municipalities of Maipú and Pudahuel and executives of Aguas Andinas.

Since 2006, 191 local projects have been carried out, directly impacting on community progress.

ANNUAL INVESTMENT IN COMPETITIVE FUNDS (CH\$ MILLIONS)

WORKING ROUND-TABLES

The principal object of the working round-tables is to establish and



sustainable development strength and confidence



maintain relations of trust and constant dialogue with communities neighboring the Company's sewage treatment installations. These communication opportunities enable the Company to listen to the opinions and concerns of the neighbors, especially from the districts of Til Til, Padre Hurtado, Maipú and Pudahuel.

This enables the Company to detect problems, difficulties and annoyance early, and also to promote the mutual knowledge of the communities and the Company. The members of the round tables are resident associations, community organizations and personnel of Aguas Andinas, with the collaboration of Fundación Casa de la Paz.

The principal results are the establishment of a space and a methodology of dialogue to permit understanding and to reduce the risk of disputes.

OPEN DOORS PROGRAM

This program, which coordinates guided visits to the La Florida water production plant and the La Farfana sewage treatment plant, seeks to bring the Company closer to the community through education about the water cycle.

Directed especially to school children, university students, members of residents associations and community organizations of the Metropolitan Region, this activity of a social nature consists of two-hour visits showing the processes carried out at the plant and making a tour of the installations.

"GOTAGOTHAM, THE WORLD OF WATER"

THE OPEN DOORS PROGRAM, SINCE ITS LAUNCHING NINE YEARS AGO, HAS HANDLED ALMOST 100,000 VISITS.

In order to foster a positive attitude to the environment and teach upper-school students about the water cycle, Aguas Andinas is carrying out the program "Gotagotham, the World of Water", which began in the second half of 2011.

This educational program was organized in 22 communities in the Metropolitan Region, in particular in 45 schools with environmental certification. It included the handing out of a school text in an album format with collectionable sheets, a teachers' guide, workshops, talks and a visit to the Aguas de Ramón park where the children could see for themselves where the water is caught and the importance of this resource for the environment.

3,021 students and 89 teachers benefited in this way during the year.

PROGRAM: EMPRENDE AGUAS ANDINAS

In the second half of 2011, the pilot program Emprende Aguas Andinas was developed, consisting of giving a course focused on micro-businesswomen from vulnerable sectors if the Company's concession area in the Santiago basin.

Through different workshops, the Company sought to generate skills, install abilities, transfer knowledge and secure the empowerment of the participants and their families.

This pilot program benefited 13 micro-businesswomen from the Communal Union Center of Mothers Renacer de Pudahuel, all of them approving the course with an average 88% attendance.

MAPOCHO PLANT

sustainable development the environment

The Mapocho sewage treatment plant is located in the district of Padre Hurtado in the province of Talagante, on land alongside the El Trebal treatment plant.

This installation, which will start operating in the first half of 2012, forms part of the sanitation infrastructure contemplated in the Santiago basin water purification plan. It will have a treatment capacity of 2.2 m³/s, with which it will achieve the target of 100% coverage of the sewage generated by the inhabitants of the Metropolitan Region.

The technology used in the Mapocho plant corresponds to conventional activated sludge with anaerobic digestion. Notable is the incorporation of a thermal hydrolysis sludge processing which facilitates its later digestion, and also electricity generation which uses the bio-gas produced.

Significant improvements were introduced for its functioning. The water line contemplates a unique pre-treatment unit for the Trebal and Mapocho plants, covered and equipped with de-odorization, with the possibility of being able to treat separately the north and south basins that supply the installation. With respect to the sludge line, automatic loading is introduced to the operation.

INTEGRAL MANAGEMENT CENTER FOR BIO-SOLIDS

The operation of the Integral Management Center for Bio-solids (CGIB) is included as part of the completion of the Santiago basin water purification plan, which will position Chile as the first South American country to decontaminate all its sewage. The center will be located on land of approximately 1,800 hectares, located at the northern approach to Santiago, in the district of Til Til. Its construction is proceeding and it is expected to be operating in the first half of 2012.

The CGIB will receive the treated and stabilized product, processed through a rigorous biological treatment of more than a month carried out at the sewage treatment plants. The final product, called "bio-solids" has a significantly lower level of odor with respect to non-stabilized sludge (the disposal of non-stabilized sludge is not foreseen within this center).

All the technical measures required will be taken to avoid environmental impacts:

- The transport of the bio-solids will be made in closed and sealed trucks whose movement will not affect nearby population centers as they have direct access to and from Route 5 North.
- There will be appropriate machinery for handling the platforms, which will use different kinds of drying according to weather and environmental conditions.
- The location of the process areas will be at sites far from the

community.

- Vegetal curtains will be constructed together with the planting of 25,000 native trees (hawthorns and carob trees).
- Bio-solids utilization areas will be established for agricultural and forestry use for mitigating the desertification of the zone.
- There will be a system for handling leaking liquids and their treatment in order to meet current regulations.

Notable is the current regulatory framework for the handling, use and disposal of the bio-solids generated (DS 4 /2009), which will be fully complied with.

Apart from the areas reserved for the operation of the CGIB, some 80 hectares are included to provide space for forestation, areas of research in the use of bio-solids for improving the present degraded soils at the site and neighboring communities, a nursery for the production of native species for internal use, paths for visitors with routes designed to show the ecological and archeological features of the site, plus premises for environmental diffusion and education.

In order to provide information to the community on the development of

SUSTAINABLE DEVELOPMENT



the project at all its stages, the Company has a communication channel through established round tables which meet periodically and where important projects for the local community have materialized.

BENEFICIAL USE OF BIO-SOLIDS

Aguas Andinas has a complete view of the use of bio-solids which seek to promote their quality as fertilizer, principally in extensive cultivations like corn, wheat and pastures, in a responsible, controlled and informed manner. This focus is consistent with the experience acquired internationally over 30 years in the United States and European Union, places where around 60% of sludge generated by sewage treatment plants is used beneficially.

During the year, 106,632 tons of bio-solids from the La Farfana sewage treatment plant have been used for agriculture, representing 61% of the total produced by this installation. The remaining tons were disposed of in authorized sanitation landfills.

DESTINATION OF BIOSOLIDS PRODUCED IN LA FARFANA YEAR 2011

DESTINATION	TON/SLUDGE
Agriculture	106.632
Sanitation landfills	67.978
TOTAL	174.610

CARBON FOOTPRINT MEASUREMENT

As a provider of sanitation services, Aguas Andinas is alert to and concerned about the global phenomenon of climate change. According to the latest conclusions of world-class scientists, global warming is evident and distinguishable from the natural variations in the climate, where man's contribution to this process is also doubtless.

Conscious of this phenomenon, the Company, within its strategy of facing climate change, considered it important to calculate the Aguas Group's carbon footprint. This measures the amount of greenhouse-effect gases (GEG) emitted over the life cycle of a product or service, expressed in units of CO₂ equivalent.

CAFCA was used for this calculation, a tool developed specifically for the sanitation sector by the Agbar water technology center, which accounts for the emissions of production, transport and distribution, collection and purification, plus the emissions of non-operative installations. The value obtained amounted to a total volume emitted of $187.8 \, \text{CO}_2 \, \text{eq/year}$ (2011).

From this measurement, the future challenge is to set targets related to the level of emissions and to promote initiatives in the field of energy efficiency with projects like co-generation at the Mapocho plant and the El Rutal bio-solids center.

NON-REGULATED COMPANIES Growth and innovation

ANÁLISIS AMBIENTALES S.A. (ANAM)

This is an environmental laboratory dedicated to the sampling and analysis of water, sludge, soil and air, accredited according to national demands and which follows the standards of the Agbar Group's network of laboratories. It provides services to various industries, particularly pulp and paper, mining, salmon farming, sanitation, food and drinks and agribusiness.

During the year, this subsidiary of Aguas Andinas, which has an important presence throughout the country, produced continued growth, consolidating its strong participation in the field of sampling and water analysis.

In recent years, Anam has begun to integrate other services in response to new requirements by some of its customers. It has thus developed an odors management area, a business of increasing importance due to its incidence in the sustainability of industrial companies.

ECORILES S.A.

This company provides advice and management services in waste waters to various industries in Chile, operating processes and fully resolving environmental problems associated with liquid waste.

The company has consolidated its position as the first operator of industrial-effluent plants, having 40 operations throughout Chile, from Arica to Osorno. With an important presence in the mid market in which companies in the areas of food and drinks, cold stores, agribusiness, chemicals and fishing predominate, EcoRiles has managed to position itself also in the paper industry in which it already has a relevant market share.

During 2011, the company continued with its growth, achieving 15% over the previous year as a result of the value added to its customers where the key has been the commitment that every employee shows in their daily activities.

GESTIÓN Y SERVICIOS S.A.

This subsidiary was created 10 years ago to sell water and sewagerelated network materials to the different contractors of the Aguas Group, ensuring the quality, availability and optimization of the logistics chain.

During 2011 Gestión y Servicios carried out a reorganization focused on the consolidation of the commercial and logistics areas of water and sewage-network materials, which resulted in increased satisfaction by its principal customers. At the same time, it has strengthened its labor, commercial and human relations with the operative zones and contractors of Aguas Andinas, managing to offer an efficient and quality service.

The company also began the process of its re-certification under the ISO 9.001 standard, in addition to the OHSAS 18.001 standard obtained in 2010, carrying on with the continuous improvement of its processes and management of occupational health and safety.

Gestión y Servicios continued to consolidate other businesses such as the operation of the La Farfana biogas plant, consultancy work in geographical information systems and the cleaning of sewers and production installations.

strength and confidence

In the financial area, the year 2011 was characterized by important investment and financing operations, and important activities in the local capital markets, enabling it to satisfactorily take advantage of opportunities that presented themselves in the market.



These operations included a successful placement of bonds whose proceeds were mainly used to finance the investments made by the Company during the year. The issue was made in two series: Series N bonds for UF 1.25 million with a spread of 71 basis points; and Series P bonds for UF 1.50 million, with a spread of 65 basis points.

In September, it carried out an obligatory redemption in advance of all the Series B bonds, sub-series B1 and B2, for a total of UF 1.69 million, which permitted an improvement in the Company's financial costs.

The Company also brought the debt covenants into line for all the bond series which were under Chilean accounting principles. The quorums of attendance and approval for the Series E and F by the bond-holders meeting exceeded 88%, while the Serie B bonds of ESSAL were approved by 99.8%.

The Santiago Stock Exchange reported in December that, under a first simulation of possible changes in the composition of stocks in the IPSA index, Aguas Andinas (Aguas – A) was prominent for its eventual entry. On December 16, the incorporation of the Company was ratified under the second simulation process of the annual revision of indices, becoming part of the index from the beginning of 2012 with a weighting of 2.243823. The index incorporates companies with a free float of at least 5% and the exclusion of companies that are not eligible for investment by pension funds (AFPs).

Regarding the sale of shares in Aguas Andinas by the Corporación de Fomento de la Producción (CORFO), the extraordinary shareholders meeting in March agreed to cooperate in the offer processes on the international and Chilean markets. The agreement thus considered the active participation of directors and executives in the road show, and the contracting of auditors and external advisers. Finally, on June 15, 2011, CORFO sold 29.98% of its holding in Aguas Andinas, thus raising 984 million dollars.

The sale of ESSAL, contemplated by CORFO and which the shareholders also agreed to support, did not take place in December as the cut-off price was below the minimum value established by CORFO for declaring the operation successful.

The low operating risk of the industry added to its solid financial profile permitted the ratification of the credit rating of Aguas Andinas as AA+ by the rating agencies Feller Rate and ICR, one of the best categories granted to a private-sector company in Chile.

RISK FACTORS

Aguas Andinas is in a favorable position in terms of risk due largely to the particular characteristics of the sanitation sector as well as its pro-active risk-management policy, supported by the wide experience of its controller.

OPERATING ASPECTS

New investments

In order to comply with the development plans committed with the Superintendency of Sanitation Services (SISS), Aguas Andinas is carrying out an important investment plan that involved large economic, administrative and technical resources.

This risk is attenuated as the tariffs charged for the Company's services incorporate these new investments, thus ensuring a minimum return. The experience of the controller group also guarantees the necessary knowledge for carrying out these investment plans efficiently.

Regulated market

Due to its monopoly position, the sanitation-services industry is tightly regulated by the Chilean state, exposing it to possible modifications of the established regulations.

The current legal framework regulates the exploitation of the concessions and also the tariffs charged to customers. While the tariff-setting mechanism is carried out every 5 years and is based on technical criteria, there can also be differences between the studies presented by the Company and those of the SISS. If no agreement is reached, these differences are resolved by a commission of experts formed by representatives of each of the parties.

During 2009 Aguas Andinas and the SISS reached agreement in this process for the period 2010 - 2015. This defined a clear tariff scenario for the following five years, and contemplated tariffs for the Clean Urban Mapocho project, the works necessary for achieving a 100% coverage of sewage treatment and investments in the safety of water production in Greater Santiago. The tariff formulas were set by Decree No.60 of the Ministry of the Economy on February 2, 2010 and came into effect in March that year.

The subsidiary Aguas Manquehue ended its tariff process and reached agreement with the SISS in February 2010. Aguas Cordillera, for its part, completed its tariff process in March that year.

ESSAL recently concluded its fifth tariff process with the publication on October 26, 2011 of the respective decree. The new tariffs came into

effect on September 12, 2011 and remain in force for the period 2011 - 2016. This company obtained an increase of 2.9% in the amount of its tariffs compared to the previous ones.

Climatic conditions

Climatic conditions in the hydrographic basins mostly determine the volume, quality and continuity of raw water available for the catchment and production of drinking water. Variables like meteorological precipitations (snow, sleet, rain, fog), temperature, humidity, dragging of sediments, river flows and cloudiness can potentially affect the optimum supply of sanitation services.

Due to the drought affecting Chile's northern and central zones, a condition explained by the La Niña phenomenon, Aguas Andinas has implemented measures for ensuring water production for 2012.

However, the company has taken various actions for mitigating the effect of the drought, including the formation of a drought committee and the purchase of water rights.

Customers

The Company supplies 1,966,639 customers with water during 2011, customers who are located within its concession areas in the Metropolitan,

De Los Lagos and De Los Ríos regions and who have Aguas Andinas and its sanitation subsidiaries as their suppliers.

The principal 100 customers represented just 7.9% of the total sales in 2011.

FINANCIAL ASPECTS

Currency risk

The revenues of Aguas Andinas are correlated to inflation in the Chilean economy, so a large part of its debt is issued in Unidades de Fomento (UF).

Obligations contracted by the Company in foreign currency are hedged with forward contracts.

Interest rates

As of December 31, 2011, Aguas Andinas had 80.5% of its debt at fixed rates (comprising approximately 81.0% in short and long-term bonds and 19.0% in reimbursable financial contributions). The remaining 19.5 % is at variable rates and relates to loans from banks in Chile.



INVESTMENT AND FINANCING POLICY

INVESTMENTS

The investments made by Aguas Andinas in 2011 were employed 84.5% in expansion works in order to comply with the long-term development plan committed to by the Company with the SISS. The remaining resources relate mainly to the replacement of operating assets.

FINANCING

In April, a placement of bonds was made on the local market. The issue was made in two series: Series N for UF 1.25 million, at a rate of 3.18% and a spread of 71 basis points; and Series P for UF 1.50 million, at a rate of 3.75% and a spread of 65 basis points.

As of the close of the year, the real average interest rate on financing was 4.1%, compared to 3.8% in 2010, as a result of a rise in the real interest rate for bank loans.

DISTRIBUTABLE EARNINGS

DISTRIBUTABLE EARNINGS	THCH\$
Earnings for 2011	111.479.263
Reserves future dividends	49
Interim dividends against 2011 earnings	(34.257.026)
Remaining distributable earnings	77.222.286
% of dividends distributed out of distributable earnings	30,73%

DIVIDEND POLICY

The twentieth ordinary shareholders meeting agreed a dividend policy consisting of the distribution of all the earnings, being 30% of earnings for the year as the obligatory dividend and the remaining 70% as an additional dividend.

This policy will remain in effect while the present level of capitalization of the Company remains and while it is compatible with the investment and financing policies for each year.

DIVIDENDS PAID PER SHARE

\$ PER SHARE	2007	2008	2009	2010	2011
Book value	70,73	77,77	100,77	99,3	100,36
Earnings	15,86	17,83	20,11	16,97	18,22
Amount paid	14,15 ⁽¹⁾	16,22 ⁽²⁾	17,74 ⁽³⁾	19,49 ⁽⁴⁾	17,16 ⁽⁵⁾

(1) Includes two items: a dividend of Ch\$9.25 per share paid on May 22, 2007, and an interim dividend of Ch\$4.9028 per share against the earnings of 2007, paid on October 24, 2007.

(2) Includes two items: a dividend of Ch\$10.9224 per share paid on May 20, 2008, and an interim dividend of Ch\$5.30 per share against the earnings of 2008, paid on October 29, 2008.

(3) Includes two items: a dividend of Ch\$12.43768 per share paid on May 17, 2009, and an interim dividend of Ch\$5.30 per share against the earnings of 2009, paid on November 23, 2009.

(4) Includes two items: a dividend of Ch\$14.80945 per share paid on May 17, 2010, and an interim dividend of Ch\$5,4138 per share against the earnings of 2010, paid on November 22, 2010.

(5) Includes two items: a dividend of Ch\$11.5579 per share paid on May 23, 2011, and an interim dividend of Ch\$5,5985 per share against the earnings of 2011, paid on November 23, 2011.



SITUATION OF SHARES

The capital of Aguas Andinas is divided into 6,118,965,160 shares, all fully subscribed and paid. As of December 31, 2011, 94.97% corresponded to the Series A, equivalent to 5,811,014,486 shares, and 5.03% to the Series B, equivalent to 307,950,674 shares.

The preference of the Series B, contained in clause 5 of the Company's bylaws, consists of a special quorum required for an extraordinary shareholders meeting to decide on acts and contracts related to the water-usage rights and sanitation concessions of Aguas Andinas.

The bylaws of Aguas Andinas are available to interested parties on the Company's web site (www.aguasandinas.cl).

TRANSACTIONS BY MAJOR SHAREHOLDERS AND RELATED PERSONS

The following were transactions of this kind carried out during 2011:

SHAREHOLDER	DATE OF TRANSACTION	REPORTED TO SVS	SALE			AMOUNT (CH\$)	RELATIONSHIP
Adm. de fdos. de Inv. Sinergy S.A.	08/11/2011	10/11/2011		275.100	291	80.003.524	Director of Aguas Andinas
Adm. de fdos. de Inv. Sinergy S.A.	08/11/2011	10/11/2011		275.100	291	80.003.524	Alternate director of Aguas Andinas
Adm. de fdos. de Inv. Sinergy S.A.	05/10/2011	06/10/2011		371.000	267	99.242.500	Director of Aguas Andinas
Adm. de fdos. de Inv. Sinergy S.A.	05/10/2011	06/10/2011		371.000	267	99.242.500	Alternate director of Aguas Andinas
Bethia S.A.	22/09/2011	23/09/2011		1.616.086	267	431.494.962	Director of Aguas Andinas
Bethia S.A.	22/09/2011	23/09/2011		1.616.086	267	431.494.962	Alternate director of Aguas Andinas
Axxion S.A.	08/08/2011	08/08/2011		2.758.100	253	698.396.664	Director of Aguas Andinas
Axxion S.A.	08/08/2011	10/08/2011		2.758.100	253	698.396.664	Alternate director of Aguas Andinas
Corporación de Fomento de la Producción	17/06/2011	17/06/2011	611.513.173		250	152.878.293.250	Alternate director of Aguas Andinas
Corporación de Fomento de la Producción	17/06/2011	17/06/2011	611.513.173		250	152.878.293.250	By share auction
Corporación de Fomento de la Producción	17/06/2011	17/06/2011	611.513.173		250	152.878.293.250	By share auction
Gimeno Aranda María Ximena	17/06/2011	22/06/2011		5.174	250	1.293.500	Wife of Luis Fuentes Contreras, Engineering Manager of Aguas Andinas

SECONDARY MARKET TANSACTIONS

SANTIAGO STOCK EXCHANGE

2009

VALPARAISO STOCK EXCHANGE

ELECTRONIC EXCHANGE

	/ 11 = 10 10 = 1 11 0 = (01 14)	0	7 (01.14)
Santiago Stock Exchan		11.072.533	2.110.798.127
Total 2° trimestre	215,03	75.014.964	16.130.478.608
Total 3° trimestre	216,66	26.989.092	5.847.331.584
Total 4° trimestre	216,11	17.624.888	3.808.845.842
YEAR 2009	213,45	130.701.477	27.897.454.161
			•••••
2010	AVERAGE PRICE (CH\$)	UNITS	AMOUNT (CH\$)
Total 1st quarter	223,58	31.514.392	7.045.921.273
Total 2nd quarter	229,99	22.771.749	5.237.263.627
Total 3rd quarter	236,38	23.425.099	5.537.127.511
Total 4th quarter	243,71	101.303.919	24.688.336.984
YEAR 2010	237,46	179.015.159	42.508.649.395
••••••			
2011	AVERAGE PRICE (CH\$)	UNITS	AMOUNT (CH\$)
Total 1st quarter	232,38	32.923.809	7.650.703.762
Total 2nd quarter	249,72	761.289.599	190.110.236.316
Total 3rd quarter	263,13	147.660.310	38.854.046.564
Total 4th quarter	287,66	90.132.038	25.927.502.532
YEAR 2011	254,40	1.032.005.756	262.542.489.174
•••••		•	•••••

AVERAGE PRICE (CH\$)

UNITS AMOUNT (CH\$)

2009	AVERAGE PRICE (CH\$)	UNITS	AMOUNT (CH\$)
Total 1st quarter	189,28	30.681	5.807.191
Total 2nd quarter	223,52	223.800	50.024.197
Total 3rd quarter	214,92	517.984	111.322.771
Total 4th quarter	216,98	155.771	33.798.600
YEAR 2009	216,49	928.236	200.952.759
			•••••
2010	AVERAGE PRICE (CH\$)	UNITS	AMOUNT (CH\$)
Total 1st quarter	227,42	222.525	50.605.966
Total 2nd quarter	235,74	169.709	40.006.554
Total 3rd quarter	238,72	447.114	106.733.348
Total 4th quarter	243,41	471.794	114.838.540
YEAR 2010	238,10	1.311.142	312.184.408
2011	AVERAGE PRICE (CH\$)	UNITS	AMOUNT (CH\$)
Total 1st quarter	235,82	220.258	51.941.334
Total 2nd quarter	249,78	784.369	195.917.884
Total 3rd quarter	264,93	308.959	81.851.098
Total 4th quarter	289,31	217.311	62.871.136
YEAR 2011	256,44	1.530.897	392.581.452

2009	AVERAGE PRICE (CH\$)	UNITS	AMOUNT (CH\$)
Total 1st quarter	182,12	1.475.906	268.790.606
Total 2nd quarter	217,44	1.065.867	231.763.348
Total 3rd quarter	214,46	124.793	26.763.125
Total 4th quarter	215,88	239.407	51.684.120
YEAR 2009	199,24	2.905.973	579.001.199
2010	AVERAGE PRICE (CH\$)	UNITS	AMOUNT (CH\$)
Total 1st quarter	219,94	299.213	65.809.922
Total 2nd quarter	231,17	516.326	119.360.142
Total 3rd quarter	233,37	307.083	71.663.321
Total 4th quarter	242,15	1.279.070	309.731.080
YEAR 2010	235,90	2.401.692	566.564.465
2011	AVERAGE PRICE (CH\$)	UNITS	AMOUNT (CH\$)
Total 1st quarter	238,52	720.371	171.822.065
Total 2nd quarter	249,59	47.644.170	11.891.518.248
Total 3rd quarter	264,05	12.985.119	3.428.694.886
Total 4th quarter	291,03	21.787.914	6.341.017.054
YEAR 2011	262,61	83.137.574	21.833.052.253

essentials 2011



On March, 29, 2011, the SVS was informed that the board of Aguas Andinas S.A. had agreed to the formation of a subsidiary whose objects would be to develop any kind of energy project related to services or natural assets of sanitation companies such as the generation of bio-gas, electricity cogeneration, hydro-electricity. It would be a closely-held corporation in which Aguas Andinas would hold 99.99% of the shares and Aguas Cordillera the remaining 0.1%. The initial capital of the company would be Ch\$250,000,000.

With respect to the reserved information given to the SVS on December 22, 2010, conversations have taken place with the company AES Gener S.A. (Gener) relating to the that company's hydroelectric project, called Alto Maipo (the Project).

The board of Aguas Andinas S.A. approved the terms of an understanding with Gener regarding the Project, which would be formalized in one or more contracts signed between Gener and a subsidiary of Aguas Andinas S.A.

The principal matters forming part of this agreement are:

- i) To ensure that Aguas Andinas continues to use without restrictions the El Yeso reservoir and the associated water rights in order to meet its obligations as concession-holder for the production of water to supply the Metropolitan Region.
- ii) To guarantee it will continue to extract water stored in the El Yeso reservoir at the foot of its dam as before, in such a way for Gener to be able to use this in the exercise of the non-consumptive water rights related to the Project.

- iii) To provide Gener, for its non-consumptive use in the Project, a flow of at least 2.5 cubic meters of the waters received from the lakes Negra and Lo Encañado, with the obligation of Gener to return waters upstream of the independent sluice.
- iv) Regulations referring to the form for using the duct projected which will connect the El Yeso reservoir with the Lake Negra aqueduct in cases of cloudiness or contamination of the waters or their surpluses.
- v) The form of use of properties with respect to which Aguas Andinas S.A. has easements and assignments of mining concessions related to the Project.
- vi) Payments by Gener for the obligations assumed.
- vii) Guarantees of Gener with respect to the payments mentioned (bank performance bond).
- viii) Functioning protocols in the phases of construction and operation of the Project.
- ix) Term of the agreements, i.e. 40 years.

In economic terms, the payments the subsidiary would receive once the Project is operating (estimated by Gener for the years 2015 and 2016), would vary according to the hydrology of the year and the cost of electricity. It was expected that the respective agreements between Gener and a subsidiary of Aquas Andinas S.A. would be signed in the following six months.

On June 7, 2011, the SVS was informed, in relation to the reports dated December 22, 2010 and March 29, 2011, that an extraordinary shareholders meeting of Aguas Andinas S.A. on June 3 approved the signing of a contract with Gener on the terms approved by the board and that, on June 6, Aguas Andinas S.A. signed an agreement with AES Gener S.A. relating to the Alto Maipo hydroelectric project.

The principal matters of the agreements covered the following:

- i) To guarantee Aguas Andinas will continue to extract water stored in the El Yeso reservoir at the foot of its dam as before, in such a way for Gener to be able to use this in the exercise of the non-consumptive water rights related to the project.
- ii) To provide Gener, for its non-consumptive use in the project, a flow of up to 2.5 cubic meters of the waters received from the lakes Negra and Lo Encañado, with the obligation of Gener to return waters upstream of the independent sluice.
- iii) The payments that Gener makes to Aguas Andinas for the obligations assumed will be received once the project is in operation, estimated to be from 2016, which would be variable according to the hydrology for the year and the cost of electricity, and be calculated based on the following:
- 50% of the net energy sold by the project during the immediately preceding calendar month with the flows from Laguna Negra and Lo Encañado, valued at the average weighted marginal cost at the Alto Jahuel node.



MATERIAL INFORMATION

- The expected value equivalent to 70 GWh annually by the flows provided by El Yeso reservoir, valued at the average marginal cost at the Alto Jahuel node.
- 50% of the difference between the firm capacity recognized by the authority or competent entity for the project and 160 MW (or between sufficiency capacity and 235MW), if positive, multiplied by the capacity node price.
- iv) A regulation is established referring to the form of use of the projected duct to connect the El Yeso reservoir with the Laguna Negra aqueduct in cases of cloudiness or contamination of the waters or their surpluses.
- v) The form of use of properties is regulated with respect to which Aguas Andinas S.A. has easements.
- vi) Functioning protocols are established in the project's construction and operating phases.
- vii) The term of the agreement is 40 yaers.

On June 22, 2011, the SVS was informed that the Company's board, on June 22, 2011 agreed to call an extraordinary shareholders meeting for July 26, 2011 at 10 a.m. to renew the members of the board through their revocation and the election of a new board. This was in consideration of the fact that Corporación de Fomento de la Producción had sold 1,834,539,519 shares, representing 29.98% of the share capital of Aguas Andinas.

On July 26, 2011, the SVS was informed that the board had agreed to proceed with the obligatory redemption in advance of all the Series B bonds, sub-series B1 and B2, whose issue is registered in the Securities Register under number 266, on August 13, 2001.

The redemption was made on September 1, 2011 at their nominal value plus interest to that date.

The board expressly authorized the chief executive, Víctor De La Barra Fuenzalida, to follow all the procedures which in accordance with the law and the indenture are necessary for carrying out the redemption and prepayment of the bonds indicated.

On July 26, 2011, the SVS was informed that Felipe Larrain Aspillaga had resigned from his position as Chief Executive of the Company. It was also informed that the extraordinary shareholders meeting held that day proceeded with the revocation and subsequent renovation of the board, resulting in the following being elected:

DIRECTORS	ALTERNATE DIRECTORS
Felipe Larrain Aspillaga	Pierre Alexander Lacarelle
Patricio Prieto Sánchez	Ernesto Mata López
Xavier Amorós Corbella	Herman Chadwick Piñera
Bruno Philippi Irarrázabal	Lorenzo Bernaldo de Quiroz
Rodrigo Manubens Moltedo	Rodrigo Terré Fontbona
Gonzalo Rojas Vildósola	Jaime Cuevas Rodríguez
Luis Hernán Paúl Fresno	Alejandro Danús Chirighin

MATERIAL INFORMATION

Rodrigo Manubens Moltedo, Gonzalo Rojas Vildósola, Luis Hernán Paúl Fresno and their respective alternates Rodrigo Terré Fontbona, Jaime Cuevas Rodríguez and Alejandro Danús Chirighin, were elected as independent directors.

The Company's board then met and agreed to appoint Felipe Larrain Aspillaga as chairman of the board and the Company, and Patricio Prieto Sánchez as vice chairman.

It was then agreed that Rodrigo Manubens, Luis Hernán Paúl and Xavier Amorós, and their respective alternates would conform the directors' committee.

The meeting finally agreed to appoint Víctor De La Barra Fuenzalida as Chief Executive of the Company from that date.

On October 25, 2011, the SVS was informed that the Company's board on that date unanimously agreed to register in the Securities Register of the SVS two lines of bonds whose main characteristics are the following:

- Maximum amount of each line: 5,500,000 Unidades de Fomento, notwithstanding the limitation mentioned below. The bonds may be issued in pesos or Unidades de Fomento.
- Maximum term of the lines: Up to 30 years from the date of registration in the Securities Register of the SVS, during which all the payment obligations of the different bond issues against the lines should mature.

- Security: None.
- Use of the funds: Refinancing of liabilities and financing of investments, as determined in each of the indentures.
- Other general conditions: The bonds may be placed in the general market, shall be issued dematerialized, to bearer, not convertible into shares of the Company and be payable in pesos.

Despite the total amounts of the lines of bonds referred to above, bonds may be placed and/or be already placed against both lines for up to a total of 5,500,000 Unidades de Fomento, considering all the bonds placed and outstanding issued against these lines.

The board also agreed to grant powers for carrying out the issue and placing the bonds against these lines, on the terms and conditions determined at the time.

On October 26, 2011, the SVS was informed that the board had agreed to distribute the sum of Ch\$34,257,026,448 against the earnings for 2011, as an interim dividend.

The Company's interim dividend No.53 therefore amounts to Ch\$5.5985 per share, payable as from November 23, 2011.



corporate governance

DIRECTORS' REMUNERATION

In accordance with Law 18,046, the ordinary shareholders meeting held on April 26, 2011 agreed the remuneration of the members of the board, and the directors' committee and its expense budget for the year 2011.

The directors' remuneration is divided into two kinds: a fixed monthly fee, of UF100 for the chairman, UF75 for the vice chairman and UF70 for the titular and alternate directors; and a variable fee payable for attendance at each meeting of UF80 for the chairman, UF60 for the vice chairman, UF20 for directors, and UF20 for alternate director when replacing titular directors.

The remuneration of members of the directors' committee for 2011 was the following: a fixed monthly fee of UF25 and a variable fee for attendance at each meeting of UF20. An expense budget was also agreed of UF3,000.

DIRECTORS' REMUNERATION (THOUSANDS OF PESOS)

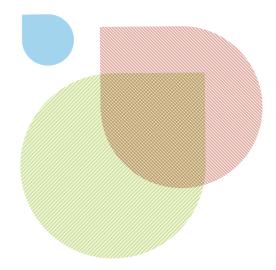
DIRECTORS	POSITION	REMUNE	RATION	SESSION	
	POSITION	2011	2010	2011	2010
Alfredo Noman Serrano	Presidente	0	4.179	0	3.343
Felipe Larrain Aspillaga	Presidente	9.196	0	8.820	0
Joaquín Villarino Herrera	Presidente	6.458	24.385	5.167	19.508
Patricio Prieto Sánchez	Vicepresidente	19.356	13.312	16.063	10.650
Arturo Vergara Del Río	Director titular	10.380	18.222	3.031	4.238
Bruno Philippi Irarrázabal	Director titular	18.378	12.425	6.117	3.830
Gonzalo Rojas Vildósola	Director titular	7.998	0	2.211	0
Jaime Arellano Quintana	Director titular	0	5.376	0	1.256
José Vila Bassas	Director titular	0	5.376	0	838
Luis Hernán Paúl Fresno	Director titular	7.998	0	2.651	0
Mario Puentes Lacámara	Director titular	10.380	12.425	3.902	4.259
Mónica Singer González	Director titular	0	5.376	0	1.256
Ricardo Sanhueza Palma	Director titular	10.380	12.425	3.902	3.406
Rodrigo Azócar Hidalgo	Director titular	0	5.376	0	1.256
Rodrigo Manubens Moltedo	Director titular	7.998	0	2.651	0
Sergio Guzmán Lagos	Director titular	10.380	12.425	3.902	4.259
Alejandro Danús Chirighin	Director suplente	7.998	0	0	0
Andrés Rengifo Briceño	Director suplente	10.380	12.425	0	0
Antoni Siurana Zaragoza	Director suplente	10.809	17.801	0	0
Ernesto Mata López	Director suplente	6.437	0	444	0
Herman Chadwick Piñera	Director suplente	7.998	0	0	0
Jaime Cuevas Rodríguez	Director suplente	7.998	0	0	0
Jorge Bande Bruck	Director suplente	0	5.376	0	0
Juan Antonio Figueroa	Director suplente	10.380	12.425	0	0
Lorenzo Bernaldo de Quiroz	Director suplente	6.437	0	0	0
Mario Castillo Astudillo	Director suplente	0	5.376	0	0
Osvaldo Andrade Lara	Director suplente	0	2.925	0	0
Rodrigo Terré Fontbona	Director suplente	7.998	0	0	0
Víctor Selman Biester	Director suplente	10.380	12.849	0	0
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REMUNERATION OF THE DIRECTORS' COMMITTEE (THOUSANDS OF PESOS)

DIRECTORS	POSITION	REMUNER	REMUNERATION		
	POSITION	2011	2010		
Joaquín Villarino Herrera	Presidente	0	3.176		
Mónica Singer González	Director titular	0	3.176		
Rodrigo Azócar Hidalgo	Director titular	0	3.176		
Arturo Vergara Del Río	Director titular	7.176	7.845		
Sergio Guzmán Lagos	Presidente	8.047	9.129		
Mario Puentes Lacámara	Director titular	8.047	9.129		
Luis Hernán Paúl Fresno	Director titular	4.992	0		
Rodrigo Manubens Moltedo	Presidente	4.992	0		
TOTAL		33.255	35.631		

The Director's Comittee of the company incurred expenses of 20.5 millions during the year.





REPORT OF THE DIRECTORS' COMMITTEE

(ARTÍCULO 50 BIS DE LA LEY 18.046)

In accordance with article 50 bis, eight paragraph, No.5, of the Corporations Law 18.046, the following activities carried out by the directors' committee is reported, for the year ended December 31, 2011, plus the expenses incurred including those of its advisers, that should be shown in the annual report and reported at the ordinary shareholders meeting. The principal recommendations of this committee to shareholders are reported at the end.

I.- MEMBERSHIP OF THE COMMITTEE

The members of the directors' committee until July 25, 2011, as referred to in article 50 bis of Law 18.046, were the independent directors Sergio Guzmán Lagos and Mario Puentes Lacámara and the director Arturo Vergara del Río, who, at their meeting No.110 of May 26, 2010, elected the independent director Sergio Guzmán Lagos as its chairman.

Following the resignation of these directors, the members became Rodrigo Manubens Moltedo, Luis Hernán Paul Fresno and Xavier Amorós Corbella, and, in the case of impediment or impossibility of exercising or attending, by their respective alternate directors, all elected at the extraordinary shareholders meeting of July 26, 2011.

Rodrigo Manubens Moltedo and Luis Hernán Paul Fresno and their respective alternates were elected as independent directors, for the

purposes of article 50 bis of Law 18.046. They were all appointed to form this directors' committee at the board meeting of July 26, 2011.

The committee was constituted at its meeting No.132 held on August 18, 2011, electing the independent director Rodrigo Manubens Moltedo as its chairman.

Extraordinary meetings are held the number of times necessary to discuss the matters entrusted to it by the law and regulations.

II.- PRINCIPAL ACTIVITIES OF 2011

The principal activities of the committee during the year ended December 31, 2011 were the following:

II.A In the first period of 2011, the committee comprising the independent directors Sergio Guzmán Lagos and Mario Puentes Lacámara and the director Arturo Vergara del Río, carried out the following work and recommendations, and adopted the following agreements, as evidenced in the respective minutes:

1.- It examined the remuneration systems and compensation plans of the managers, senior executives and workers of the Company, agreeing to report that the personnel policies applied, and the remuneration and compensations, were within reasonable market ranges, and as it could be appreciated that the Company was in a constant improvement process of its personnel evaluation systems, wage revisions and compensation systems.

2.- It examined the financial statements as of 31.12.2010 and reports of the external auditors presented by the Company's management. It examined the management's analysis of these financial statements and the material information reported during 2010, and the reports of the external auditors presented to the Company's management, prior to their presentation to the board and shareholders for their approval.

In particular, it knew and examined the statement of results and financial position and their principal comparative variations and their explanations. The directors' committee reported that it had no comments to make with respect to the financial statements of Aguas Andinas S.A. as of 31.12.2010, and the reports of the external auditors presented to the Company's management, recommending their approval by the board and shareholders meeting.

3.-It approved the annual report of activities and performance of the committee for 2010 and its recommendations to the shareholders.

4.- It agreed to propose to the board as external auditors of Aguas Andinas S.A. for the year 2011 the firm Ernst & Young and to incorporate this recommendation to shareholders in the annual report of the committee's activities for 2010. It was also agreed to propose these auditors to the shareholders meeting, and should there be any discrepancy with the board over the budget, the board would make its own suggestion, submitting both for consideration by the shareholders.

The directors' committee also agreed to propose to the board that the credit-rating agencies of Aguas Andinas S.A. for the year 2011 be the firms Feller Rate and ICR-DBR, and to incorporate this recommendation to shareholders in the annual report of the committee's activities for 2010. It was also agreed to propose these rating agencies to the shareholders meeting, and should there be any discrepancy with the board over the proposal, the board would make its own suggestion, submitting both for consideration by the shareholders.

- 5.- It requested from the management and examined an annual plan for resolving the observations in the internal control report of the external auditors Deloitte to the management in late 2010.
- 6.- It examined the Information and details provided by the management to the committee about a business reorganization plan, with the creation of a new energy-business subsidiary, contributing to it the water rights of El Yeso reservoir, Laguna Negra and Lo Encañado. As it was necessary to make a taxation and accounting analysis of the operation, the committee approved contracting the Company's current external auditors, Deloitte, to make an analysis and report on the matter, whose cost was UF 200, given that it was believed there would be no impediments nor that the external auditors Deloitte lose their independence in carrying out such analysis and report.
- 7.- It examined the details provided by the management to the committee relating to the cooperation of Aguas Andinas in the sale of all or part of the shareholding of Corporación de Fomento de la Producción ("CORFO") in Aguas Andinas, through offers on the international and Chilean markets,

the sales process and signing of agreements with CORFO concerning the matter, including cooperation agreements, as resolved by the extraordinary shareholders meeting of April 14, 2011. This in accordance with article 50 bis of Law 18.046 as being an operation between related parties, governed by Chapter XVI of Law 18.046.

The following was authorized, subject to the terms of the above cooperation agreement:

- The contracting of external auditors and legal advisers in Chile and the United States with respect to the sale process.
- The provision of information to CORFO, its financial advisers and their respective advisers, especially in the process of due diligence of Aguas Andinas, subject to agreements of reserve and confidentiality, all habitual conditions for this kind of operation; as well as the delivery of that or other information to the competent regulatory authorities in Chile and in the markets where the international offer will be made, if appropriate.
- The preparation of the offer documents by Aguas Andinas and its advisers and of documentation that corresponds for the offer abroad and in Chile.
- The participation of directors or executives of Aguas Andinas in the road show in Chile and abroad, prior to carrying out the sale process.

The directors' committee informed the board which noted the terms proposed for collaboration agreement with CORFO and that no

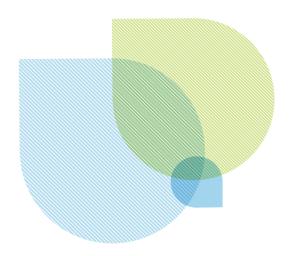
impediments were foreseen for it to be signed, in the terms proposed by CORFO in its letter received by the Company on April 13, 2011, and that the committee believed that such collaboration agreement complied with normal and equitable conditions similar to those prevailing in the market for this type of operation.

8.- It examined the details provided by the management to the committee with respect to the convenience or not of contracting Deloitte Auditores y Consultores Limitada, to provide their collaboration to Aguas Andinas in the sale process, on habitual matters for this type of operation, including the issue of comfort letters for an international sale offer, and other necessary documentation, taking into account that the habitual costs and fees for this type of operation will be for the account of CORFO; this through the application of No.6 of the 6th paragraph of article 50 bis of Law 18.046.

The committee informed the board that, subject to the terms of the cooperation agreement, already approved by the shareholders meeting, the committee sees no impediment to agreeing to proceed to:

i. The contracting of external auditors and legal advisers in Chile and the United States with respect to the sale process, provided they are not functions incompatible with the Company's external auditors, in accordance with article 242 of Law 18.045.

ii. Contract Deloitte as auditors in the framework of the sale process and in accordance with article 50 bis of Law 18.046, considering that there is no impediment to contracting them as they do not relate to work incompatible



with the external audit work, in accordance with article 242 of Law 18.045, their external audit is now finished and other external auditors will be proposed for the year 2011 to the shareholders meeting, and provided it is not believed that such contracting affects the independence of the auditors in their external audit work which is finishing.

9.- It examined and approved the financial statements as of March 31, 2011. The committee informed the board that it had examined the financial statements of Aguas Andinas S.A. as of 31.03.2011, the management's analysis of the financial statements, the material information reports submitted and the report of the external auditors presented to the company's management, for the committee's pronouncement prior to their submission to the board for their approval. In particular, it saw and examined the statements of results and financial position and the principal comparative variations and reasoned explanations. The committee had no comments to make on the statement of financial position, the financial statements of Aguas Andinas S.A. as of 31.03.2011 and the report of the external auditors on those presented to the Company's management, recommending their approval by the board.

10.- It examined the details provided by the management to the committee concerning the private tender and proposal of the eventual adjudication by the subsidiary Gestión Servicios S.A. (a closely-held corporation in a nonsanitation business) of the contract to prepare the preliminary project of the El Yeso plant hydroelectric generation works to the related company Agua Ambiente S.A., previously called Aquaplan S.A. The committee informed the board that such tender and contract cannot be adjudicated, recommending its re-tender on the basis of identical technical requirements and services from interested parties, and considering importantly in their evaluation the specific professionals who will take part in the consultancy, their technical qualifications and experience. The committee also recommended considering for the later stage the appointment of a technician and/or the external contracting of an ITO of the preliminary project with the civil works and electricity generation merged.

11.-It examined the details provided by the management and their proposal to contract directly technical assistance for the design and construction of the Padre Renato Poblete park on the river Mapocho, to the related company AQUAMBIENTE. The services of this contract are part of the contributions and donations that the board of Aguas Andinas S.A. had approved for the design and construction of that park. This does not relate to an acquisition of goods or services of the sanitation business as such, so it was believed inappropriate to carry out a public tender nor have the prior approval of the SISS of a direct contract.

The directors' committee informed the board that it had examined the proposed operation to contract technical assistance directly for the design and construction of the Padre Renato Poblete park to the related company AQUAMBIENTE, controlled by AGBAR, with dedication of approximately one week a month over a period of 24 months, with a maximum of 12 effective months. Only that actually used would be invoiced. Price: 1,440 EUR/day. Maximum amount: 172,800 EUR (over 2 years). The committee believed that this was an operation that benefited the Company and that its price conditions, terms and conditions were similar to those prevailing in the market for similar consultancies.

12.- It examined the details provided by the management with respect to the requests and its proposal to amend the contract with the consortium Agbar - Sonda for the Customers Strategic Plan (PEC), tendered in the second half of 2008, for services in customer attention, on-site works management and the billing cycle. The committee agreed to inform the board that, having examined the requests and proposals to amend the contract signed with the related company ASTERION, which was built by the consortium of Agbar and Sonda for the PEC, tendered publicly in the second half of 2008, for services in customer attention, on-site works management and the billing cycle, it was believed that such amendment was necessary, met the interests of the Company and was based on a proposed increase of term for implementation of the customer attention module from June to October 2011 and to bring forward the implementation of the works management module from March 2012 to October 2011. The committee also believed that such amendment was necessary, met the interests of the Company and the proposed higher costs were justified, implying the payment of additional days outside the scope of the original project tendered and contracted in which 47 implications were recognized (out of a total of 80 requested by ASTERION), which equates to 234 man-days, and pay the days at a rate of UF15.5. With this, the additional cost of the implementation of the modules was UF 3,627 plus VAT, so the complete contract with these amendments has a total price in which the price differential or lower cost with respect to the second best offer of the services or original scope of the project of Synapsis was UF 148,319. The committee believed that this concerned necessary and founded amendments that benefited the Company and that its conditions of price, term and conditions

were similar to those prevailing in the market. However, the approval of the committee was subject to two conditions: 1) that the approvals established in article 67 of the general sanitation services law and its regulations be met, and 2) that the contractual amendment should expressly state that there would be no further requests for amendment of term or additional charges by the contractor in relation to the services under this contract.

13.- It examined the details provided by the management and its proposal to contract directly the related company Aqua Development Network, belonging to the AGBAR Group, for carrying out the implementation of the 360° evaluation and its integration into the SGD computer system through Evaluation 360° of the group of 11 corporate managers or executives who form part of the management committee of Aguas Andinas S.A. The reasons, objectives and deliverables of the contract were examined. The amount of the contract is 7,000 euros (without VAT or freight costs). The committee believed that it was a necessary contract that benefited the Company and that its conditions of price, term and conditions were similar to those prevailing in the market.

14.- It examined the details provided by the management and its proposal to contract directly the related entity AQUAGEST SERVICIOS, belonging to the Agbar Group, to carry out the global supervision and make the methodological contribution to the execution of the information safety director plan of Aguas Andinas S.A. The amount of the contract was UF 485. The committee believed that it was a necessary contract that benefited the Company and that its conditions of price, term and conditions were similar to those prevailing in the market.

II.B.-In the second period of the year 2011, the committee comprising the independent directors Rodrigo Manubens Moltedo, Luis Hernán Paul Fresno and Xavier Amorós Corbella, and their respective alternates, carried out the following work and recommendations, and adopted the following agreements, as evidenced in the respective minutes:

15.- It examined the financial statements as of June 30, 2011 and the report of the limited revision of these financial statements made by the external auditors Ernst & Young. The committee noted that it had examined this report of revision of the interim consolidated statement of financial position of Aguas Andinas S.A. and subsidiaries as of June 30, 2011 and the interim consolidated statements of comprehensive results for the periods of three and six months ended on June 30, 2011, and the corresponding interim consolidated statements of cash flows and changes in equity for the period of six months ended on that date, who stated that they are unaware of any significant modification that should be made to these interim consolidated financial statements in order for these to be in accordance with IAS NIC 34 of the International Financial Reporting Standards.

Based on this information and its own examination, it did not find any matters worthy of comment, so the members of the committee pronounced favorably on them prior to being submitted to the board for its consideration.

16.- It examined the details provided by the management and its proposal to amend the network materials unit price contract. The directors' committee approved the amendment of the contract which was adjudicated under a public tender to the related company AGBAR Solutions, increasing

the volume of the families of materials adjudicated to acquire from that company during 2011 by a net maximum annual amount of Ch\$ 400 million, as this was an operation necessary and convenient for the interests of Aguas Andinas S.A., as it needed them for its operations as a function of the demand for more construction, and because the Company gained a margin on the sale of surpluses of these imported materials to third parties. The purchase prices to the supplier AGBAR Solutions would be the same unit prices resulting from the open and competitive international public tender at the end of 2010, examined by the committee, adjudicated by items from various suppliers including AGBAR Solutions, as a function of the lowest price in each family of materials. It was therefore an operation that was in line with the prices, terms and conditions of those in the market at the time of approval. According to article 67 of the General Sanitation Services Law and its regulations, the conditions of contracts signed under public tenders with related parties may only be altered for founded reasons with the agreement of at least two thirds of the Company's board and previously and promptly reported to the SISS, which the management duly and promptly complied with.

17.- It examined the details provided by the management and its proposed assignment of the La Florida sewage treatment plant electrical supply contract. The committee approved the assignment of the contract for supplying the treatment plant of Aguas Andinas S.A., from Sociedad de Canalistas del Maipo to Eléctrica Puntilla S.A., a contract with a term running from 1997 to 2022, considering that it was a contract signed at the time with a third party on conditions of equity prevailing in the market, and which followed a business reorganization of SCM, so it was an operation necessary

for Aguas Andinas; assignment in which were the rights of the other party in Eléctrica Puntilla S.A. of which Aguas Andinas is an 8% shareholder, so it was convenient for the interests of Aguas Andinas S.A.

18.- It examined the details provided by the management and its proposed contracting of the related company Aqua Ambiente Servicios Integrales S.A. to make an updated study of the operation and safety of the La Dehesa dam. The directors' committee informed the board that it examined the operation proposed by the management to contract directly with the company a study of the operation and safety of the La Dehesa dam, similar to that prepared for the El Yeso reservoir, which permitted the implementation of the best operating practices to earth dams and in particular improve the safety conditions of the dam in situations of overflows and earthquakes. Name of the contract: "updated study of the operation and safety of the La Dehesa dam". Amount of the contract: 3,779 UF (not subject to VAT). Start date: June 2011. Termination date: June 2012. The committee believed that this was a necessary contract which benefited the Company and whose price, terms and conditions were similar to those in the market for similar consultancies. However, as it was a contract or operation that exceeds UF 500, the chief executive would have to check whether the operation and signing of the contract should be the subject of a prior public tender or alternatively obtain a special authorization from the SISS.

19.- It prepared and approved a new annual agenda for the directors' committee in replacement of that approved per Agreement No.117-1-2010 which ceased to have effect.

20.- It was shown and examined the annual external audit plan of the new external auditors, Ernst & Young, appointed by the ordinary shareholders meeting of 2011.

21.- It re-examined the details provided by the management on the remunerations systems and compensation plans of the managers, executives and employees of Aguas Andinas, informing the board that the committee believed that generally there were adequate remuneration and compensation policies that were applied in Aguas Andinas S.A. and its subsidiaries, which sought internal and external equity and were in line with market conditions.

22.-It started to examine the ethics code of Aguas Andinas.

23.- It examined the details provided by the management and its proposed adjudication to the related company AQUAMBIENTE of the contract for developing the preliminary EI Yeso plant electricity-generation project. This was a private tender called by the subsidiary Gestión y Servicios S.A. for this service. The previous directors' committee asked the management to request new economic offers from the two best bidders, Valgesta Energía S.A. and Aquambiente S.A., which exceeded the reference terms, bur requiring them now to present a new economic offer with identical technical offers and services provided. In these new offers submitted on July 14, 2011, the company Aquambiente S.A., related to AGBAR, offered a price of Ch\$ 60,000,000, and Valgesta S.A. offered Ch\$ 70,000,000. The committee informed that this was an operation whose object was to contribute to the interests of Aguas Andinas S.A. and its correct operation,



and that adjudicating the project to the related company AQUAMBIENTE S.A. at a price of Ch\$ 60,000,000, the best economic offer for the same services, would be an operation that met the prices, terms and conditions as those prevailing in the market at the time of the approval and was an operation whose object is to contribute to the correct operation and interests of Aguas Andinas S.A.

24.- It examined the details provided by the management and its minute of adjudication and evaluation of the offers and details related to the public proposal for the study of updating of the operation and safety of the La Dehesa dam whose objective was to make the study based on Spanish legislation, similar to that prepared for the El Yeso reservoir. This study would permit the implementation of best practices in the operation of earth dams and in particular improve the safety conditions of the dam in situations of overflows and earthquakes. The price offered by AQUAMBIENTE for this work was proportionally equivalent to the price offered for the similar study for El Yeso reservoir, being the best offer in the public tender in which there were other competing bidders. This was an operation whose object was to contribute to the correct operation and interests of Aguas Andinas S.A.. The board was informed that by adjudicating this project to the related company Aqua Ambiente Servicios Integrales S.A., at UF 3,762.84 (not subject to VAT), it would be an operation that met the prices, terms and conditions prevailing in the market at the time of the approval and was an operation whose object was to contribute to the correct operation and interests of Aguas Andinas S.A.

25.- It examined the details provided by the management with respect to the Customers Strategic Plan (PEC) and the costs of the current contracts for its development, duration and services included.

26.- It examined the details provided by the management with respect to an operation with a related party for the unit cleaning service in productive premises, prior to its examination by the board. It was an operation whose object was to contribute to the correct operation and interests of Aquas Andinas S.A.. There was a competitive tender in which 7 interested companies acquired the tender bases and 5 submitted bids. It was a regulated public tender open to all bidders in accordance with article 67 of the General Sanitation Services Law and its regulations. The bid could be made for different work modules. All this favored the best offer, and that the adjudication and operation were in line with the prices, terms and conditions, according to the information provided, prevailing in the market at the time of the approval. Adjudications were made to the lowest bids made by the bidders for each module, resulting in the adjudication to the subsidiary Gestión y Servicios S.A. of module 3 of clean wells, whose offer was Ch\$ 60,568,018 annually. The program for the renovation of sewage networks for the year 2011 onwards, programmed according to the needs of the correct operation of Aguas Andinas S.A., informing the board the adjudication of module 3 of clean wells to the subsidiary Gestión y Servicios S.A., which made the best economic bid for this module with a total annual price of Ch\$ 60.5 million, would be an operation that met the prices, terms and conditions prevailing in the market at the time of the approval and was an operation whose object was to contribute to the interests of Aguas Andinas S.A.

27.- It examined the details provided by the management with respect to an operation with a related party for the service of consultancy and preparation of remote control and hydrological alert for the Padre Renato Poblete river park project, prior to its examination by the board. The director's committee reported that it had examined the note of adjudication and evaluation of the bids and details related to the private tender for this service, prepared by the Company's management. It was an operation whose object was to contribute to the correct operation and interests of Aguas Andinas S.A., and also complied with its CSR policies as it was within the framework and limits of a donation by Aguas Andinas S.A. for the development of this river park. The information provided showed that there was a private tender process that invited various qualified and registered companies for this kind of project with the MOP and Aguas Andinas S.A. However, only one offer was submitted, by the related company AQUAMBIENTE. The offer amounted to Ch\$39,500,000 for carrying out the designs within 90 days. The project has a monthly cost of Ch\$ 6 million, which corresponds to a daily cost of Ch\$ 261,000, equivalent to UF 12 daily, including the necessary journeys. On the other hand, a comparative specialized international consultancy would have been over UF 50 daily. The budget for the preliminary investment project was Ch\$ 401 million. The percentage of the project to be carried out by AQUAMBIENTE, at a cost of Ch\$ 39,500,000, equated to 9.8%, was reasonable given the nature of the project. Aquambiente also has the company Clabsa in its business group, a mixed concession-holding company responsible for the management of the sewage and rain waters of the city of Barcelona. Clabsa was the designer, constructor and operator of the hydrological alert system of the Besòs river park in Barcelona, which in turn inspired the

design of the Renato Poblete river park. The committee therefore informed the board that adjudicating this service to the company AQUAMBIENTE, related to the controller AGBAR, for Ch\$ 39,500,000 corresponded to an operation that met the prices, terms and conditions prevailing in the market at the time of the approval and was an operation whose object is to contribute to the interests of Aquas Andinas S.A.

28.- It examined the quarterly financial statements as of September 30, 2011 presented by the management. The committee noted that it had examined the financial statements of Aguas Andinas S.A. as of September 30, 2011, and the corresponding notes, reasoned analysis and material information for the period, to be presented for consideration by the board. Based on this information and its own examination, it did not find any matters worthy of comment, except for minor parts of the reasoned analysis, to be clarified or corrected by the management prior to their presentation to the board for its approval, so the members of the committee pronounced favorably on them prior to being submitted to the board for its consideration

29.- It examined the internal controls report issued by the external auditors in December 2011, asking the auditors to categorize their observations and requiring the management to inform the committee in March of the state of progress in correcting each of the observations made, which were not of great relevance or were immaterial in their effects.

30.- It examined the details provided by the management with respect to the direct contracting of the related company EDAS to assemble the provisional pumping system in replacement of the Archimedes screw

damaged at the La Farfana sewage treatment plant, for a total of UF 5,238, a lower price than that offered by two other external contractors, Hidroval and Bural, who were asked to quote for the same service in a private tender. The committee approved the operation considering the urgency and the delay of 6 months implied by the manufacture of a new Archimedes screw, and requested the IDIEM report of the Universidad de Chile with respect to the causes of the damage, consideration of the responsibility for it and revision of the preventive maintenance systems for this equipment.

III.- BUDGET AND EXPENSES OF THE DIRECTORS' COMMITTEE FOR 2011.

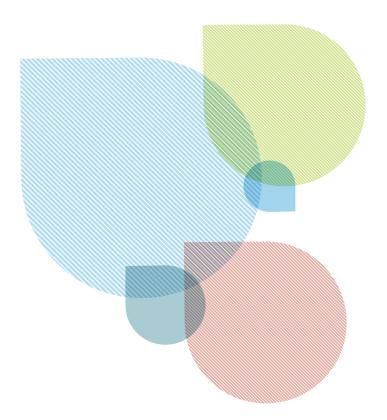
The ordinary shareholders meeting held in April 2011 set the annual budget of the directors' committee at UF 3,000, which was partially used. The only expenses of the committee were the fees of legal advisers and the secretary of the committee, totaling UF 978.

IV.- COMMITTEE RECOMMENDATIONS TO SHAREHOLDERS:

- 1.- Elect the firm Ernst & Young as external auditors for the year 2011.
- 2.- Elect the firms FELLER RATE and ICR as the private credit rating agencies for 2011

SHAREHOLDER COMMENTS

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



MANAGERS AND SENIOR EXECUTIVES

As of December 31, 2011, the managers and senior executives of Aguas Andinas consisted of 46 professionals. The total remuneration received during the year was Ch\$4,564 million and severance payments totaled Ch\$30 million.

The executive compensation policy is based on compliance with the Company's general objectives and with individual performance objectives.

TAX NO.	NAME	POSITION	PROFESSION
04.778.218-K	Víctor De La Barra Fuenzalida	Chief Executive	Civil Industrial Engineer
10.436.775-5	Camilo Ernesto Larraín Sánchez	Corporate Manager	Lawyer
23.370.227-7	María Elena Sanz Ibarra	Corporate Manager	Psychologist
22.856.478-8	Josep Oriol Mas Alcazar	Corporate Manager	Civil Engineer
23.444.798-K	Miguel Ángel Zarza Marcos	Corporate Manager	Economist
21.176.102-4	Joaquim Martí Marques	Corporate Manager	Engineer in Roads, Canals & Ports
07.746.808-0	Mario Alejandro Auger Hernández	Manager	Civil Engineer
06.027.966-7	Ricardo Estay Caballero	Manager	Civil Engineer
06.449.688-3	Sergio Martín Figueroa Ramírez	Manager	Construction Engineer
06.190.810-2	Luis Fuentes Contreras	Manager	Civil Engineer
08.688.841-6	Natalia Claudette Kent Geell	Manager	Civil Industrial Engineer
09.656.371-K	Hernán Vicente Konig Besa	Manager	Civil Engineer
14.709.240-7	Yves Lesty	Manager	Sanitation Engineer
09.246.593-4	Patricio Hiram Martínez Aguirre	Manager	Accountant Auditor
23.764.153-1	Domingo Martínez Robledo	Manager	Civil Industrial Engineer
06.613.091-6	Hernán Alfonso Ocariz Martín	Manager	Civil Engineer
10.874.987-3	Jorge Andrés Olivero Aliaga	Manager	Civil Industrial Engineer
10.200.262-8	Alejandro Riquelme Hernández	Manager	Accountant Auditor
06.379.051-6	Eugenio Julián Rodríguez Mingo	Manager	Business Administrator
09.447.215-6	José Raúl Sáez Albornoz	Manager	Business Administrator
10.380.974-6	Víctor Rubén Salazar Villalobos	Manager	Civil Industrial Engineer
07.117.991-5	Pedro Andrés Soto Perretta	Manager	Civil Engineer

RUT	NOMBRE	CARGO	PROFESIÓN
08.796.191-5	Reinaldo Javier Witto Arentsen	Manager	Information Technology Engineer
06.639.714-9	Sebastián Acevedo Walker	Assistant Manager	Civil Engineer
10.024.290-7	Matías Anderson Pertuiset	Assistant Manager	Civil Industrial Engineer
12.044.242-2	Juliette Rebeca Arellano Maira	Assistant Manager	Business Administrator
06.816.920-8	Víctor Dupre Silva	Assistant Manager	Civil Engineer
06.223.665-5	David Héctor Duverran Urra	Assistant Manager	Sanitation Works Execution Engineer
08.043.598-3	Luis Alberto Faúndez Pérez	Assistant Manager	Civil Engineer
08.153.554-K	Christian Raúl Garcés Durán	Assistant Manager	Business Administrator
05.868.028-1	Francisco Grau Mascayano	Assistant Manager	Civil Engineer
10.911.214-3	Francesca Guidugli Marchant	Assistant Manager	Business Administrator
10.077.119-5	Carlos David Jopia Palacios	Assistant Manager	Civil Engineer
07.044.631-6	Bruno Antonio Luci Ghiardo	Assistant Manager	Civil Constructor
05.159.829-6	Adolfo Meyer Briceño	Assistant Manager	Construction Engineer
06.364.977-5	Julio Raúl Muñoz Anrique	Assistant Manager	Civil Industrial Engineer
06.640.538-9	Patricio Norambuena Duncan	Assistant Manager	Construction Engineer
08.582.874-6	José Gonzalo Palominos Rojas	Assistant Manager	Business Administrator
12.087.571-K	Rodrigo Andrés Reyes Cea	Assistant Manager	Accountant Auditor
10.201.064-7	Christian Rolando Reyes Miranda	Assistant Manager	Business Administrator
12.570.985-0	Enrique Andrés Ruz Gálvez	Assistant Manager	Information Technology Civil Engineer
12.675.829-4	Orlando Ernesto Salgado Céspedes	Assistant Manager	Civil Works Engineer
08.641.413-9	Juan Carlos Sanhueza Navarrete	Assistant Manager	Civil Engineer
12.343.884-1	Cristián Bernardo Schwerter Loyola	Assistant Manager	Civil Engineer
09.383.964-1	Carlos René Torres Barrientos	Assistant Manager	Electrical Execution Engineer
12.867.840-9	Cristián Patricio Torres Rojas	Assistant Manager	Business Administrator

PRINCIPAL CUSTOMERS AND SUPPLIERS value chain

WATER AND SEWAGE CUSTOMERS

Centro de Detención Preventiva Santiago 1

Cervecera CCU Chile Ltda.

Embotelladoras Chilenas Unidas S.A.

Gendarmería de Chile

Ilustre Municipalidad de La Florida

Ilustre Municipalidad de Peñalolén

Ilustre Municipalidad de Puente Alto

Ilustre Municipalidad de Santiago

Soprole S.A.

Universidad de Chile

SUPPLIERS

Acciona Infraestructura S.A

Chilectra S.A.

Consorcio EDEPE S.A

Constructora Pérez y Gómez

Empresa Depuradora de Aguas Servidas Ltda. (1)

Empresa Depuradora de Aguas Servidas Mapocho - Trebal Ltda. (1)

Gestión y Servicios S.A. (2)

Inmobiliaria y Constructora Nueva Pacífico Sur Ltda.

KDM S.A.

Navarrete y Díaz Cumsille Ingenieros Civiles S.A.

⁽¹⁾ Companies indirectly related through one of the principal shareholders.

(2) Subsidiary of Aguas Andinas S.A.



PROPERTY, EQUIPMENT AND INSURANCES

our assets

The principal properties and equipment for the provision of the water production and distribution services and the collection and treatment of sewage are owned by Aguas Andinas and are in good working order.

The Company has insurance cover for all its assets of infrastructure, buildings and their contents, plus its water production and distribution installations and those for the collection and treatment, offices and warehouses. The insurance mainly covers risks of nature and fire.

The principal properties and installations of Aguas Andinas are: the El Yeso reservoir, the Las Vizcachas complex, La Florida water production plant, networks for water distribution and sewage collection in all their extension, and the El Trebal and La Farfana sewage treatment installations.



declaration of responsibility

The directors of Aguas Andinas S.A. and the chief executive, signatories to this declaration, accept responsibility under oath for the accuracy of the information provided in this Annual Report, in accordance with the provisions of General Rule No.30 of the Superintendency of Securities and Insurance.

XAVIER AMOROS CORBELLA

R.U.T.: 23.530.463-5 Director

RODRIGO MANUBENS MOLTEDO

R.U.T.: 6.575.050-3 Director

R.U.T.: 7.289.965-2 Director

LUIS HERNÁN PAÚL FRESNO

BRUNO PHILLIPPI IRARRÁZAVAL R.U.T.: 4.818.243-7

Director

GONZALO ROJAS VILDÓSOLA

R.U.T.: 6.179.689-4 Director

VÍCTOR DE LA BARRA FUENZALIDA

R.U.T. 4.778.218-k Chief Executive Office



Vice Chairman

FELIPE LARRAIN ASPILLAGA

R.U.T.: 6.922.002-9

Chairman



identification of the company



IDENTIFICATION OF THE COMPANY

Name: Aguas Andinas S.A.

Legal domicile: Avenida Presidente Balmaceda N°1398, Santiago, Chile

Tax No.: 61.808.000 - 5

Telephone: (56-2) 688 10 00

Fax: (56-2) 569 27 77

Electronic mail: comunicaciones@aguasandinas.cl

Management PO Box: 1537 Santiago

Business: Captación, purificación y distribución de agua potable, recolección

y disposición de aguas servidas

Telephone: (56-2) 731 24 82

Securities Register: N° 0346

Web site: www.aguasandinas.cl

STOCK MARKET INFORMATION

MARKET CODES

Series A: "Aguas-A"

Series B: "Aguas-B

CONTACTS FOR INFORMATION TO SHAREHOLDERS AND INVESTORS

SHAREHOLDER INFORMATION

Depósito Central de Valores

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) 569 26 46 / (56-2) 569 24 37

Fax: (56-2) 569 23 09

Electronic mail: inversionistas@aguasandinas.cl

CONSTITUTION

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

LEGAL ASPECTS

The Company is registered in the Securities Register of the Superintendency of securities and Insurance under No.0346, in accordance with Law 18.777.

As a company in the sanitation sector, it is regulated by the Superintendency of Sanitation Services, in accordance with Law 18.902 and Decree Laws 382 and 70, both of the year 1988.

financial statements







CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2011 and 2010 (Thousands of Chilean pesos - ThCh\$)

		31-12-2011	31-12-2010
ASSETS	NOTE	THCH\$	THCH\$
CURRENT ASSETS			
Cash & cash equivalents	8	5.051.499	6.089.962
Other financial assets	9	0	406.502
Other non-financial assets		1.374.821	855.505
Trade debtors & other accounts receivable	9	70.201.189	62.368.041
Accounts receivable from related entities	10	9.176	18.221
Inventories	11	3.005.481	1.883.409
Tax assets, current		3.001.095	4.170.701
TOTAL CURRENT ASSETS OTHER THAN ASSETS OR GROUPS OF ASSETS FOR DISPOSAL CLASSIFIED AS HELD FOR SALE OR HELD FOR DISTRIBUTION TO THE OWNERS		82.643.261	75.792.341
TOTAL CURRENT ASSETS		82.643.261	75.792.341
NON-CURRENT ASSETS			
Other financial assets	9	7.238.651	7.238.651
Other non-financial assets		460.475	276.142
Collection rights	9	2.018.870	2.961.131
Intangible assets other than goodwill	12	223.106.257	218.513.009
Goodwill	13	36.592.577	36.592.577
Property, plant & equipment	14	1.117.686.163	1.031.790.701
Deferred tax assets	24	249.422	221.638
TOTAL NON-CURRENT ASSETS		1.387.352.415	1.297.593.849
TOTAL ASSETS		1.469.995.676	1.373.386.190

 $The \, accompanying \, Notes \, 1 \, to \, 28 \, form \, an \, integral \, part \, of \, these \, consolidated \, financial \, statements.$



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2011 and 2010 (Thousands of Chilean pesos - ThCh\$)

EQUITY & LIABILITIES	NOTE	31-12-2011 THCH\$	31-12-2010 THCH\$
CURRENT LIABILITIES			
Other financial liabilities	9	84.776.754	22.154.584
Trade creditors & other accounts payable	9	64.350.380	44.668.545
Accounts payable to related entities	10	42.332.651	20.018.775
Other short-term provisions	16	1.482.989	991.798
Tax liabilities		315.970	1.866
Provisions for employee benefites	20	3.590.075	3.607.781
Other non-financial liabilities		1.036.882	1.488.676
TOTAL CURRENT LIABILITIES OTHER THAN LIABILITIES INCLUDED IN GROUPS OF ASSETSFOR DISPOSAL CLASSIFIED AS HELD FOR SALE		197.885.701	92.932.025
PASIVOS CORRIENTES TOTALES		197.885.701	92.932.025
NON-CURRENT LIABILITIES			
Other financial liabilities	9	540.949.948	548.638.527
Other provisions	16	1.066.784	1.020.602
Deferred tax liabilities	24	34.186.391	41.206.891
Other accounts payable	9	1.570.602	1.842.214
Provisions for employee benefites	20	7.927.200	6.805.124
Other non-financial liabilities		7.347.230	7.309.028
TOTAL NON-CURRENT LIABILITIES		593.048.155	606.822.386
TOTAL LIABILITIES		790.933.856	699.754.411
EQUITY			
Issued capital	3	155.567.354	155.567.354
Accumulated earnings	3	300.422.138	293.922.289
Share premium	3	164.064.038	164.064.038
Other participations in equity	3	-5.965.555	-5.965.555
Equity attributable to owners of the controller	3	614.087.975	607.588.126
Non-controller participations	4	64.973.845	66.043.653
TOTAL EQUITY		679.061.820	673.631.779
TOTAL EQUITY & LIABILITIES		1.469.995.676	1.373.386.190

The accompanying Notes 1 to 28 form an integral part of these consolidated financial statements.





CONSOLIDATED STATEMENTS OF COMPREHENSIVE RESULTS BY NATURE

For the years ended December 31, 2011 and 2010 (Thousands of Chilean pesos - ThCh\$)

STATEMENT OF RESULTS BY NATURE	NOTE	31-12-2011 THCH\$	31-12-2010 THCH\$
STATEMENT OF RESULTS		THOTA	THEIT
Revenues from ordinary activities, total	18	363.733.124	328.964.014
Raw materials & supplies used		-26.646.147	-23.023.645
Employee benefit expenses	20	-38.129.099	-37.960.887
Depreciation & amortization charges	12-14	-53.605.477	-53.011.929
Reversal of loss for impairment (deterioration in value) booked in the result for the period	15	-822.344	-1.559.615
Other expenses	22	-71.299.649	-63.621.784
Other earnings (losses)	5	2.863.423	3.802.277
Financial income	5	6.483.046	4.274.665
Financial costs	5	-25.647.705	-22.744.193
Exchange differences	21	7.331	-23.630
Results of indexation		-19.082.322	-10.866.289
EARNINGS BEFORE TAX		137.854.181	124.228.984
Income tax charge	24	-25.687.519	-19.276.685
EARNINGS FROM CONTINUING OPERATIONS		112.166.662	104.952.299
		112.166.662	104.952.299
EARNINGS			
EARNINGS ATTRIBUTABLE TO:		111.479.263	103.849.578
Owners of the controller	4	687.399	1.102.721
NON-CONTROLLER PARTICIPATIONS		112.166.662	104.952.299
EARNINGS			
Basic earnings per share		18,21	16,97
BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS CH\$	25	18,21	16,97
BASIC EARNINGS PER SHARE (CH\$)			
		31-12-2011	31-12-2010
STATEMENT OF COMPREHENSIVE RESULTS		THCH\$	THCH\$
EARNINGS		112.166.662	104.952.299
COMPREHENSIVE RESULT, TOTAL		112.166.662	104.952.299
COMPREHENSIVE RESULT ATTRIBUTABLE TO:			
OWNERS OF THE CONTROLLER		111.479.263	103.849.578
Non-controller participations	4	687.399	1.102.721
COMPREHENSIVE RESULT, TOTAL		112.166.662	104.952.299

 $The accompanying \ Notes\ 1\ to\ 28\ form\ an\ integral\ part\ of\ these\ consolidated\ financial\ statements.$





CONSOLIDATED STATEMENTS OF DIRECT CASH FLOWS

For the years ended December 31, 2011 and 2010 (Thousands of Chilean pesos - ThCh\$)

STATEMENT OF DIDECT CASH FLOWS	NOTE	31-12-2011	31-12-2010
STATEMENT OF DIRECT CASH FLOWS	NOTE	THCH\$	THCH\$
CLASSES OF PROCEEDS OF OPERATING ACTIVITIES			
Proceeds of sale of goods & provision of services		419.622.303	386.941.692
Proceeds of premiums & provisions, annuities & other insurance benefits		2.943.968	3.953.665
Other proceeds of operating activities		2.450.911	3.848.773
Classes of payments			
Payments to suppliers of goods & services		-104.589.468	-104.938.804
Payment to & on behalf of employees		-38.464.432	-38.099.654
Payments of premiums and provisions, annuities & other obligations under insurance policies		-1.714.885	-1.372.551
Other operating activity payments		-32.811.782	-38.716.454
Interest paid		-17.647.204	-14.472.547
Interest received		2.129.081	438.083
Income taxes		-30.225.081	-28.181.637
Other cash outflows		-1.652.158	-1.576.957
NET CASH FLOW FROM OPERATING ACTIVITIES		200.041.253	167.823.609
Proceeds of sales of property, plant & equipment		379.597	628.897
Purchases of property, plant & equipment		-120.125.943	-68.850.199
Purchases of intangible assets		-143.985	-639.231
Otras entradas (salidas) de efectivo		-2.374.553	-1.290.543
NET CASH FLOW USED IN INVESTMENT ACTIVITIES		-122.264.884	-70.151.076
Proceeds of long-term loans		76.126.842	68.583.714
Proceeds of short-term loans		50.105.012	2.459.434
TOTAL LOAN PROCEEDS		126.231.854	71.043.148
Loan repayments		-97.952.724	-61.436.812
Dividends paid		-106.861.120	-125.637.039
Other cash inflows (outflows)		-232.842	-548.151
NET CASH FLOW USED IN FINANCING ACTIVITIES		-78.814.832	-116.578.854
NET INCREASE IN CASH & CASH EQUIVALENTS, BEFORE THE EFFECT OF EXCHANGE RATE CHANGES		-1.038.463	-18.906.321
NET ICREASE IN CASH & CASH EQUIVALENTS		-1.038.463	-18.906.321
CASH & CASH EQUIVALENTS AT START OF THE PERIOD		6.089.962	24.996.283
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	8	5.051.499	6.089.962
		· · · · · · · · · · · · · · · · · · ·	

 $The accompanying \ Notes\ 1\ to\ 28\ form\ an\ integral\ part\ of\ these\ consolidated\ financial\ statements.$





STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2011 and 2010 (Thousands of Chilean pesos - ThCh\$)

STATEMENT OF CHANGES IN EQUITY	NOTE	ISSUED CAPITAL	SHARE PREMIUM THCH\$	OTHER PARTICIPATIONS	ACCUMULATED EARNINGS (LOSSES)	EQUITY ATTRIBUTABLE TO OWNERS OF THE	NON-CONTROLLER PARTICIPATIONS	TOTAL EQUITY THCH\$
		THCH\$		IN EQUITY	THCH\$	CONTROLLER	THCH\$	
				THCH\$		THCH\$		
Initial balance at 01-01-2011		155.567.354	164.064.038	-5.965.555	293.922.289	607.588.126	66.043.653	673.631.779
Restated initial balance		155.567.354	164.064.038	-5.965.555	293.922.289	607.588.126	66.043.653	673.631.779
COMPREHENSIVE RESULT								
Earnings					111.479.263	111.479.263	687.399	112.166.662
Dividends	3				104.979.414	104.979.414		104.979.414
Reduction by transfers & other changes							-1.757.207	-1.757.207
Total changes to equity			0	0	6.499.849	6.499.849	-1.069.808	5.430.041
CLOSING BALANCE AT 31-12-2011	3,4	155.567.354	164.064.038	-5.965.555	300.422.138	614.087.975	64.973.845	679.061.820
STATEMENT OF CHANGES IN EQUITY	NOTE	ISSUED	SHARE	OTHER	ACCUMULATED	EQUITY ATTRIBUTABLE	NON-CONTROLLER	TOTAL EQUITY
		CAPITAL	PREMIUM	PARTICIPATIONS	EARNINGS (LOSSES)	TO OWNERS	PARTICIPATIONS	THCH\$
		THCH\$	THCH\$	IN EQUITY	THCH\$	OF THE CONTROLLER	THCH\$	
				THCH\$		THCH\$		
Saldo Inicial al 01-01-2010		155.567.354	164.064.038	-5.965.555	309.334.336	623.000.173	66.945.740	689.945.913
Saldo inicial reexpresado		155.567.354	164.064.038	-5.965.555	309.334.336	623.000.173	66.945.740	689.945.913
Resultado Integral								
Ganancia					103.849.578	103.849.578	1.102.721	104.952.299
Dividendos	3				119.261.625	119.261.625		119.261.625
Disminución por transferencias y otros cambios						0	-2.004.808	-2.004.808
Total de cambios en Patrimonio		0	0	0	-15.412.047	-15.412.047	-902.087	-16.314.134
SALDO FINAL AL 31-12-2010	3,4	155.567.354	164.064.038	-5.965.555	293.922.289	607.588.126	66.043.653	673.631.779

The accompanying Notes 1 to 28 form an integral part of these consolidated financial statements.



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.). During 2011 also, it created a new subsidiary whose objects are to carry out activities related to water-usage rights and energy projects deriving from the installations and assets of sanitation companies (Aguas del Maipo S.A.).

The Company and its subsidiary Essal are registered in the Securities Register of the Superintendency of Securities and Insurance (SVS) 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 SVS, 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. This is in turn controlled by Suez Environnement (Francia), this being controlled by GDF (France).

As of December 31, 2011, the Group employed 1,805 people distributed as to 63 senior executives, 623 professionals and 1,119 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, 2011 and 2010, and the comprehensive results of its operations, changes in equity and cash flows for the twelve-month periods ended December 31, 2011 and 2010, and have been prepared in accordance with International Financial Reporting Standards (IFRS) and represent the full, explicit and unreserved application of the IFRS, as established in Circulars 1,924 of April 24, 2009, 556 of December 3, 2009 and 658 of February 2, 2011 of the SVS.

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 financial statements of each Group entity are presented in the currency of primary economic environment in which companies operate (functional currency). For purposes of the consolidated financial statements, results and financial position of each Group company are expressed in Chilean pesos, which is the functional currency of the Company, its subsidiaries and the presentation 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.



FINANCIAL STATEMENTS

The following new standards and interpretations have been adopted in these financial statements:

AMENDMENTS TO IFRS	DATE OF OBLIGATORY APPLICATION
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

b) The following new regulations and interpretations have been issued but their date of application has still not become effective:

IAS 12, INCOME TAXES	ANNUAL PERIODS STARTING ON OR AFTER JANUARY 1, 2012
IFRS 9, Financial assets	Annual periods starting on or after January 1, 2013
IFRS 10, Consolidated financial statements	Annual periods starting on or after January 1, 2013
IFRS 11, Joint agreements	Annual periods starting on or after January 1, 2013
IDRS 12 Disclosures of participation in other entities	Annual periods starting on or after January 1, 2013
IFRS 13 Measurements of fair value	Annual periods starting on or after January 1, 2013
IAS 1 Presentation of financial statements – Presentation of other comprehensive results	Annual periods starting on or after July 1, 2012
IAS 19 Employee benefits	Annual periods starting on or after January 1, 2013

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 February 28, 2012.

The consolidated financial statements of Aguas Andinas S.A. and subsidiaries for the year 2010 were approved by the board at its meeting held on January 25, 2011.

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 7).

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

The Company and its subsidiaries exercise uniformity in 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.

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 Method of amortization for 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 indefinite useful life

Intangible assets with an indefinite 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 impairment 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 2011, 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.

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 15).

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 use
- 4. Legal, regulatory or contractual limitations

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

ITEM	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 built in the Company, and as there are no contractual obligations or other requirements 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 this 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 cash-generating unit to which this asset belongs.

Intangible assets with indefinite 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 risks 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. LEASES

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.

Assets sold under financial leases are booked initially in the statement of position and are shown as a receivable for an amount equal to the net investment in the lease.

In this operation, all the risks are passed to the lessee and the successive installments receivable are considered as revenue in the period.

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.

The Company and subsidiaries do not currently have financial leases for purchases at the ends of the years.

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.

iii. Implicit leases

The Company and subsidiaries revise their contracts to check for the possible existence of implicit lease, in accordance with CFRS 4.

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 or liability and of the assignment of interest income or expense 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 makes 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 is an implicit derivative which has to separated from its original contract, as indicated in IAS 39.



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, 2011, 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. The Company and subsidiaries do not currently show any investments held to maturity.

iv. Loans and accounts receivable

Trade debtors, loans and other accounts receivable are non-derivative financial assets which have fixed or determinable payments and which are not traded on an active market and 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, except for short-term accounts receivable where the booking of interest would be immaterial. Interest income is booked by application of the effective interest rate method.

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 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 provision 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 provision 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 provisions 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% provision is made for customers with debts overdue for more than 8 months.

For Aguas Andinas S.A. and Aguas Cordillera S.A., a provision 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% provision is made for customers with debts overdue more than 120 days.

A 100% provision is made for overdue notes receivable.

v. Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments that do not qualify to 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

Materials, supplies and inputs 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 with no turnover during the previous 12 months; these are booked at market value, if less.

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 that 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 year, as follows:

CURRENCY	31-12-2011 CH\$	31-12-2010 CH\$
US dollar	519,20	468,01
Euro	672,97	621,53

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.

Exchange differences are booked to the results of the year 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 interest-rate 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 9).

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 in 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.

Effectiveness. A hedge is considered to be highly effective when 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%.

Implicit derivative. 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.

A closing date of these financial statements, the group has no derivative financial instruments.

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 16 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., is shown at the actuarial value determined using 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 6.1% 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 tax assets against tax and these are related with the same entity and tax authority.

O. 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.

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 over-consumption. 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 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 the associated regulations, 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 twelve-month period ended December 31, 2011.

During the years 2011 and 2010, the Group has not carried any kind 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 with the direct method and 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. Under this method, revenues deriving from the contract are compared with the costs incurred according to the current degree of progress, so that the amount is shown in revenues from ordinary activities, expenses and gains that can be

attributed to the portion of the contract carried out.

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 booked 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 booked immediately as an expense in the period. When the result of a construction contract cannot be estimated reliably enough, contract revenues are booked only up to the level 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 any booked 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 booked profits (less booked 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.

W. DIVIDENDS

The booking of the minimum dividend established in the Corporations Law will be done at the end of the year provided there has not been any interim dividend or this was for less than the 30% set out in the law.

X. RECLASSIFICATIONS

For comparison purposes, the following reclassifications have been made in the statements of financial position and of cash flows for 2010.

RUBRO	CHARGE/(CREDIT) THCH\$
RECLASSIFICATIONS OF STATEMENT OF FINANCIAL POSITION	
Current assets: Other non-financial assets	84.758
Non-current assets: Property, plant & equipment	-84.758
Current liabilities: Trade creditors & other accounts payable	-138.464
Current liabilities: Other financial liabilities	138.464
Non-current liabilities: Other accounts payable	-649.484
Non-current liabilities: Other financial liabilities	649.484
Non-current assets: Deferred tax assets	-33.053.192
Non-current liabilities: Deferred tax liabilities	33.053.192
RECLASSIFICATIONS TO THE STATEMENT OF CASH FLOWS - DIRECT	
Net cash flow from operating activities: Dividends received	-267.452
Net cash flow from operating activities: Interest received	30.079
Net cash flow used in financing activities: Dividends paid	237.373

3. EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER

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

	31-12-2011	31-12-2010
Series A shares	5.811.014.486	3.976.260.060
Series B shares	307.950.674	2.142.705.100
TOTALES	6.118.965.160	6.118.965.160

The capital as of December 31, 2011 and 2010 amounts to ThCh\$ 155,567,354.

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 26, 2011 agreed to distribute 100% of the earnings for 2010, after deducting the interim dividend paid in November 2010. The amount of dividend No.52 amounted to ThCh\$70,772,387, equivalent to Ch\$ 11.55778 per share. Payment was made on May 23, 2011 on the 6,118,965,160 shares.
- The board on October 26, 2011 agreed to distribute the sum of ThCh\$ 34,257,027 as an interim dividend against the earnings for 2011. The amount of dividend No.53 therefore amounted to Ch\$ 5.5985 per share. Payment was made on November 23, 2011 on the 6,118,965,160 shares.

In 2010 Aguas Andinas S.A. agreed and paid the following dividends:

- 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 and included the amount of ThCh\$ 4,483,737 provisioned the previous year.
- The board 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 therefore amounted to Ch\$ 5.4138 per share. Payment was made on November 22, 2010 on the 6,118,965,160 shares.

As of December 31, 2011, no provision was made for a minimum dividend as the interim dividend exceeded 30% of earnings.

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 SVS Circular 456 of June 20, 2008. The balance as of December 31, 2011 and 2010 is ThCh\$ 300,422,138 and ThCh\$ 293,922,289 respectively.

During 2011 and 2010, there were no accumulated earnings deriving from adjustments on the first adoption booked on January 1, 2008.

• 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. The balance as of December 31, 2011 and 2010 amounts to ThCh\$ 164,064,038 in each year.

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 SVS Circular 456, and the effects of combinations of businesses of companies under common control made in 2007 and 2008. The balance as of December 31, 2011 and 2010 amounts to ThCh\$ -5,965,555 in each year.

4. EQUITY ATTRIBUTABLE TO NON-CONTROLLER PARTICIPATIONS

The following is the detail by company of the effects of the participation of third parties in the equity and results as of December 31, 2011 and 2010:

The amounts in the line Reduction through transfers and other changes of equity for ThCh\$1,757,207 in 2011 and ThCh\$2,004,808 in 2010 relate mainly to dividends of non-controller participations.

	%	PARTICIPATION		NON-CONTROLLER PARICIPATION			
COMPANY			31-12-2011			31-12-2010	
	31-12-2011 %	%	EQUITY THCH\$	RESULT THCH\$	EQUITY THCH\$	RESULT THCH\$	
Aguas Cordillera S.A.	0,00997%	0,00997%	20.388	1.831	19.934	1.353	
Essal S.A. (1)	46,49350%	46,49350%	64.953.457	685.568	66.023.719	1.101.368	
TOTAL			64.973.845	687.399	66.043.653	1.102.721	

(1) Includes third-party participations for the apportionment at market value of the assets and liabilities originating from the purchase of Inversiones Iberaguas Ltda. and Essal S.A. at the time of the combination of businesses.

5. OTHER REVENUE AND EXPENSES

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

DEVENUES S EVERNISES OTHER THAN OPERATING	31-12-2011	31-12-2010
REVENUES & EXPENSES OTHER THAN OPERATING	THCH\$	THCH\$
OTHER REVENUES		
Insurance claims	2.430.959	3.565.248
Gain on sale of non-current assets not held for sale	443.561	365.396
Other revenues (losses)	-11.097	-128.367
TOTAL	2.863.423	3.802.277
FINANCIAL COSTS		
Bank loans	6.674.474	3.122.137
Interest expense, AFRs	3.100.764	2.821.882
Interest expense, bonds	12.983.572	14.652.868
Intereste expense, others	430.912	451.029
Amortization of complementary costs relating to loan agreements	2.457.983	1.696.277
TOTAL	25.647.705	22.744.193
Financial income		
Interest income	4.992.670	2.924.924
Gain on redemption & extinction of debt	1.490.376	1.349.741
TOTAL	6.483.046	4.274.665

(1) In fiscal 2011 the subsidiary Aguas SA and SA Water Manquehue received by insurance companies, RSA Seguros Chile SA and ACE Seguros SA, compensation payments for damage caused by the earthquake occurred in February 2010, a total of M $\,$ 2,266,544.



Insurance claims in 2010 relate mainly to the subsidiary Essal S.A. which 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, for a total amount of ThCh\$ 1,494,474.

Aguas Andinas S.A. and its subsidiariesa Aguas Cordillera S.A. and Aguas Manquehue S.A. 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.

6. 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. (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 Iberaguas 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 Empresa de Servicios Sanitarios de Los Lagos S.A.

The summarized statement of financial position of the acquired company including the assignment of fair value as of December 31, 2011 and 2010 is as follows:

IBERAGUAS LTDA. CONSOLIDATED	IBERAGUAS CONSOLIDATED 31-12-2011 THCH\$	FAIR VALUE 31-12-2011 THCH\$	IBERAGUAS ONSOLIDATED C 31-12-2011 THCH\$	IBERAGUAS CONSOLIDATED 31-12-2010 THCH\$	FAIR VALUE 31-12-2010 THCH\$	IBERAGUAS CONSOLIDATED 31-12-2011 THCH\$
ASSETS				· · · · · · · · · · · · · · · · · · ·		
CURRENT ASSETS						······
TOTAL CURRENT ASSETS	11.935.892	0	11.935.892	9.660.399	0	9.660.399
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	6.517.763	3.764	6.521.527	6.536.309	4.169	6.540.478
Goodwill	26.716.713	-26.716.713	0	26.716.713	-26.716.713	0
Property, plant & equipment	120.894.415	80.892.710	201.787.125	121.749.918	86.464.023	208.213.941
TOTAL NON-CURRENT ASSETS	154.146.408	54.179.761	208.326.169	155.020.457	59.751.479	214.771.936
TOTAL ASSETS	166.082.300	54.179.761	220.262.061	164.680.856	59.751.479	224.432.335
TOTAL CURRENT LIABILITIES	7.616.140	0	7.616.140	7.977.016	0	7.977.016
Other financial liabilities, non-current	42.635.207	4.984.990	47.620.197	42.809.522	5.288.644	48.098.166
Non-current liabilities	917.629	0	917.629	877.600	0	877.600
Deferred tax liabilities	10.031.994	13.109.631	23.141.625	10.063.368	14.005.202	24.068.570
Provisions for employee benefits, non-current	114.689	0	114.689	106.166	0	106.166
Other non-financial liabilities, non-current	0	0	0	14.945	0	14.945
TOTAL NON-CURRENT LIABILITIES	53.699.519	18.094.621	71.794.140	53.871.601	19.293.846	73.165.447
TOTAL LIABILITIES	61.315.659	18.094.621	79.410.280	61.848.617	19.293.846	81.142.463
Issued capital	49.090.900	0	49.090.900	49.090.900	0	49.090.900
Accumulated earnings (losses)	2.591.137	-8.218.428	-5.627.291	1.671.298	-5.878.860	-4.207.562
Other participations in the equity	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	66.958.441	7.005.877	73.964.318	66.038.602	9.345.445	75.384.047
Non-controller participations	37.808.200	29.079.263	66.887.463	36.793.637	31.112.188	67.905.825
TOTAL EQUITY	104.766.641	36.085.140	140.851.781	102.832.239	40.457.633	143.289.872
TOTAL EQUITY & LIABILITIES	166.082.300	54.179.761	220.262.061	164.680.856	59.751.479	224.432.335

ESSAL S.A.	ESSAL 31-12-2011 THCH\$	FAIR VALUE 31-12-2011 THCH\$	ESSAL WITH FAIR VALUE 31-12-2011 THCH\$	ESSAL 31-12-2010 THCH\$	FAIR VALUE 31-12-2010 THCH\$	ESSAL WITH FAIR VALUE 31-12-2010 THCH\$
ASSETS		•				
CURRENT ASSETS						
CURRENT ASSETS, TOTAL	11.929.000	0	11.929.000	9.656.016	0	9.656.016
Other non-financial assets, non-current	17.517	0	17.517	17.517	0	17.517
Intangible assets other than goodwill	6.517.763	3.764	6.521.527	6.536.309	4.169	6.540.478
Property, plant & equipment	120.894.415	80.892.710	201.787.125	121.749.918	86.464.023	208.213.941
TOTAL NON-CURRENT ASSETS	127.429.695	80.896.474	208.326.169	128.303.744	86.468.192	214.771.936
TOTAL ASSETS	139.358.695	80.896.474	220.255.169	137.959.760	86.468.192	224.427.952
TOTAL CURRENT LIABILITIES	8.499.585	0	8.499.585	8.999.103	0	8.999.103
Other financial liabilities, non-current	42.635.207	4.984.990	47.620.197	42.809.522	5.288.644	48.098.166
Non-current liabilities	917.629	0	917.629	877.600	0	877.600
Deferred tax liabilities	10.031.994	13.109.631	23.141.625	10.063.368	14.005.202	24.068.570
Provisions for employee benefits, non-current	114.689	0	114.689	106.166	0	106.166
Other non-financial liabilities, non-current	0	0	0	14.945	0	14.945
TOTAL NON-CURRENT LIABILITIES	53.699.519	18.094.621	71.794.140	53.871.601	19.293.846	73.165.447
TOTAL LIABILITIES	62.199.104	18.094.621	80.293.725	62.870.704	19.293.846	82.164.550
Issued capital	45.681.696	0	45.681.696	45.681.696	0	45.681.696
Accumulated earnings (losses)	35.211.294	-14.319.956	20.891.338	33.140.759	-9.947.463	23.193.296
Others participations in equity	-3.733.399	77.121.809	73.388.410	-3.733.399	77.121.809	73.388.410
EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER	77.159.591	62.801.853	139.961.444	75.089.056	67.174.346	142.263.402
Non-controller participations	0	0	0	0	0	0
TOTAL EQUITY	77.159.591	62.801.853	139.961.444	75.089.056	67.174.346	142.263.402
TOTAL EQUITY & LIABILITIES	139.358.695	80.896.474	220.255.169	137.959.760	86.468.192	224.427.952



7.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:

		DIRECT	INDIRECT	TOTAL 2011	DIRECT	INDIRECT	TOTAL 2010
IAX NO.	COMPANY	%	%	%	%	%	%
96.809.310-K	Aguas Cordillera S.A.	99,990300	0,000000	99,9903	99,990300	0,000000	99,9903
89.221.000-4	Aguas Manquehue S.A.	0,000400	99,999600	100,000	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	99,999998	0,000002	100,0000
76.190.084 -6	Aguas del Maipo S.A.	80,000000	20,000000	100,0000	0,000000	0,000000	0,0000

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 31-12-2011

31-12-2011	CURRENT ASSETS	NON-CURRENT ASSETS	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	EQUITY
SUBSIDIARIES	EQUITY	THCH\$	THCH\$	THCH\$	THCH\$
Aguas Cordillera S.A.	19.597.806	232.723.159	12.178.572	35.652.483	204.489.910
Aguas Manquehue S.A.	3.275.668	56.173.713	9.956.126	7.819.496	41.673.759
Inversiones Iberaguas Ltda.	901.480	66.068.105	11.144	0	66.958.441
Empresa de Servicios Sanitarios de Los Lagos S.A.	11.929.000	127.429.695	8.499.585	53.699.519	77.159.591
Ecoriles S.A.	4.166.662	193.088	1.409.571	0	2.950.179
Gestión y Servicios S.A.	5.772.506	1.772.187	2.175.087	0	5.369.606
Análisis Ambientales S.A.	2.283.730	1.385.679	484.559	0	3.184.850
Aguas del Maipo S.A.	125	0	0	0	125

SUMMARIZED FINANCIAL INFORMATION OF SUBSIDIARIES (STATEMENT OF COMPREHENSIVE RESULTS) AS OF 31-12-2011

31-12-2011	SUBSIDIARIES	ORDINARY REVENUES	OPERATING EXPENSES (-)	OTHER EXPENSES () (NET INCOME () THEHE
SUBSIDIARIES	THCH\$	THCH\$	THCH\$	OTHER EXPENSES (-) / NET INCOME (+) THCH\$
Aguas Cordillera S.A.	18.363.246	42.485.859	-23.967.949	-154.664
Aguas Manquehue S.A.	3.728.133	8.301.736	-5.021.471	447.868
Inversiones Iberaguas Ltda.	2.972.983	0	-4.813	2.977.796
Empresa de Servicios Sanitarios de Los Lagos S.A.	5.847.039	35.513.184	-24.134.509	-5.531.636
Ecoriles S.A.	1.408.812	9.683.463	-8.121.390	-153.261
Gestión y Servicios S.A.	7.625	8.298.258	-8.286.606	-4.027
Análisis Ambientales S.A.	1.091.586	4.543.200	-3.282.330	-169.284

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	230.848.606	10.871.593	32.971.119	199.943.579
Aguas Manquehue S.A.	2.868.256	57.366.759	7.923.577	14.365.812	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.	9.656.016	128.303.744	8.999.102	53.871.602	75.089.056
Ecoriles S.A.	9.376.986	169.664	1.201.191	0	8.345.459
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

31-12-2010	RESULT FOR THE YEAR	ORDINARY REVENUES	OPERATING EXPENSES (-)	OTHER EXPENSES (-) / NET INCOME (+)
SUBSIDIARIES	THCH\$	THCH\$	THCH\$	THCH\$
Aguas Cordillera S.A.	13.572.932	37.407.277	-23.615.188	-219.157
Aguas Manquehue S.A.	2.248.910	6.205.486	-5.059.330	1.102.754
Inversiones Iberaguas Ltda.	3.428.618	1.080	-8.698	3.436.236
Empresa de Servicios Sanitarios de Los Lagos S.A.	6.741.358	32.228.930	-21.813.135	-3.674.437
Ecoriles S.A.	1.587.788	8.396.784	-6.641.345	-167.651
Gestión y Servicios S.A.	993.311	8.638.283	-7.430.905	-214.067
Análisis Ambientales S.A.	1.034.804	4.288.034	-3.106.707	-146.523

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.	AGUAS MANQUEHUE S.A.	ESSAL S.A.
Tax No.	96.809.310-k	89.221.000-4	95.579.800-5
Country	Chile	Chile	Chile
Functional currency	Chilean pesos	Chilean pesos	Pesos chilenos
Percentage shareholding in significant subsidiary	99,99003%	100,00000%	53,50650%
Percentage voting power in significant subsidiary	99,99003%	100,00000%	53,50650%
PERCENTAGE OF CONSOLIDATED VALUES			
Contribution margin	10,38%	1,84%	6,37%
Property, plant & equipment	7,87%	2,94%	18,05%
Result for the year	13,10%	3,34%	0,70%

8. CASH AND CASH EQUIVALENTS

The composition is as follows:

CASH & CASH EQUIVALENTS	31-12-2011 THCH\$	31-12-2010 THCH\$
Banks	2.518.752	1.755.962
Mutual funds (see Note 9.7)	0	1.967.000
Time deposits (see Note 9.7)	2.532.747	2.367.000
TOTAL	5.051.499	6.089.962

Cash equivalents relate to financial assets in mutual funds 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).

9. FINANCIAL INSTRUMENTS

9.1 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 2009. The group's capital structure comprises debt, which includes the loans disclosed in Note 9.4, the capital attributable to equity holders of the controller, which includes the capital, reserves and retained earnings which are shown in Note 3.

9.2 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.

9.3 CLASSES OF FINANCIAL INSTRUMENTS:

	······			
CLASSES OF FINANCIAL INSTRUMENTS			31-12-2011	31-12-2010
			THCH\$	THCH\$
OTHER FINANCIAL ASSETS, CURRENT			0	406.502
Hedge assets, interest-rate derivatives			0	0
Hedge assets, foreign currency derivatives	CLP	9.6	0	406.502
TRADE DEBTORS			72.220.059	65.329.172
TRADE DEBTORS, CURRENT			70.201.189	62.368.041
Trade debtors & other accounts receivable, current	CLP	9.5	70.150.105	62.320.696
Trade debtors & other accounts receivable, current	USD	9.5	47.501	44.320
Trade debtors & other accounts receivable, current	EUR	9.5	3.583	3.025
COLLECTION RIGHTS, NON-CURRENT		•	2.018.870	2.961.131
Collection rights, non-current	CLP	9.5	2.018.870	2.961.131
OTHER FINANCIAL LIABILITIES, CURRENT		•	84.776.754	22.154.584
Bank loans	CLP	9.4	27.418.868	3.913.731
Bonds	CLP	9.4	57.334.977	17.604.950
Reimbursable Financial Contributions	CLP	9.4	22.909	217.480
Hedge liabilities, foreign currency derivatives	CLP	9.4	0	418.423
OTHER FINANCIAL LIABILITIES, NON-CURRENT	CLP	9.4	540.949.948	548.638.527
Bank loans	CLP	9.4	94.789.758	105.654.339
Bonds	CLP	9.4	350.517.275	365.846.377
Reimbursable Financial Contributions	CLP	9.4	95.642.915	77.137.811
TRADE CREDITORS		•	79.320.982	46.510.759
TRADE CREDITORS & OTHER ACCOUNTS PAYABLE, CURRENT			77.750.380	44.668.545
Trade credirors & other accounts payable, current	CLP	9.8	77.227.726	44.128.338
Trade credirors & other accounts payable, current	USD	9.8	352.342	266.386
Trade credirors & other accounts payable, current	EUR	9.8	170.312	273.821
OTHER ACCOUNTS PAYABLE, CURRENT			1.570.602	1.842.214
Other accounts payabale, non-current	CLP	9.8	1.570.602	1.842.214
	······································	······································		

9.4 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 sums 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 or 15 years and, in some minor cases, through reimbursement by the provision of sanitation services.

The detail of bank loans as of December 31, 2011 and 2010 is as follows:

BANK LOAN BALANCES, CURRENT

DEBTOR	TAX NO.	COUNTRY	BANK TA	BANK TAX NO. CREDITOR				RESIDUAL	•	TOTAL E	BOOK VALUE	TOTAL NON	MINAL VALUE	NOMINAL RATE	EFFECTIVE	REPAYMENTS
	DEBTOR	DEBTOR			CREDITOR	DITOR 31-12-2011 THCH\$	31-12-2	2011	THCH\$ 31-12-2010	31-12-2011	THCH\$		RATE			
							UP TO 90	91 TO	THCH\$							
							DAYS	365 DAYS								
Aguas Andinas S.A.	61.808.000-5	CL	BANCO BBVA	97.032.000-8	CL	0	393.888	0	222.294	400.611	239.989	6,57%	6,62%	Semi-annual		
Aguas Andinas S.A.	61.808.000-5	CL	BANCO DE CHILE	97.004.000-5	CL	0	337.237	0	118.939	340.608	153.496	6,93%	6,97%	Semi-annual		
Aguas Andinas S.A.	61.808.000-5	CL	BANCO CORPBANCA	97.023.000-9	CL	2.800.000	1.716.125	1.400.000	2.837.660	3.127.277	2.887.143	6,42%	6,54%	Semi-annual		
Aguas Andinas S.A.	61.808.000-5	CL	BANCO SANTANDER	97.036.000-K	CL	0	212.163	0	156.226	215.822	162.272	6,57%	6,61%	Semi-annual		
Aguas Andinas S.A.	61.808.000-5	CL	BANCO DE CHILE	97.004.000-5	CL	0	1.423.763	0	401.035	1.437.975	463.050	6,93%	6,97%	Semi-annual		
Aguas Andinas S.A.	61.808.000-5	CL	BANCO BBVA	97.032.000-8	CL	8.000.000	8.011.439	0	0	8.011.439	0	8,12%	9,15%	At maturity		
Aguas Andinas S.A.	61.808.000-5	CL	BANCO CORPBANCA	97.023.000-9	CL	5.000.000	5.009.000	0	0	5.009.000	0	8,10%	9,13%	At maturity		
Aguas Andinas S.A.	61.808.000-5	CL	BANCO BBVA	97.032.000-8	CL	676.699	676.699	0	0	676.699	0	7,18%	7,18%	At maturity		
Aguas Manquehue S.A	89.221.000-4	CL	BANCO ESTADO	97.030.000-7	CL	7.976.000	0	8.238.554	177.577	8.238.554	177.577	6,85%	6,85%	Semi-annual		
		***************************************	TOTALES			24.452.699	17.780.314	9.638.554	3.913.731	27.457.985	4.083.527		·····			

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

DEBTOR	TAX NO.	COUNTRY	BANK	TAX NO.	COUNTRY	CURRENCY		YEARS TO MA	ATURITY			31-12-2011		31-12-2010 N	IOMINAL	EFFECTIVE	REPAYMERNTS
	DEBTOR	DEBTOR		CREDITOR	CREDITOR	OR	13 MONTHS	3 TO	MORE	FINAL	TOTAL	TOTAL	TOTAL	TOTAL	RATE	RATE	
					1	IDEXATION	TO 3 YEARS	5 YEARS	THAN 5 YEARS	MATURITY	NON-CURRENT	NON-CURRENT	NON-CURRENT	NON-CURRENT			
						UNIT	THCH\$	THCH\$	THCH\$		(BOOK VALUE)	(NOMINAL VALUE)	(BOOK VALUE)	(NOMINAL VALUE)			
											THCH\$	THCH\$	THCH\$	THCH\$			
Aguas Andinas S.A	61.808.000-5	CL	BANCO BBVA	97.032.000-8	CL	CLP	4.602.694	13.079.654	0	8-28-2016	17.682.348	17.702.667	17.731.016	17.702.667	6,57%	6,62%	Semi-annual
Aguas Andinas S.A	61.808.000-5	CL	BANCO DE CHILE	97.004.000-5	CL	CLP	1.492.260	2.771.340	6.381.796	7-17-2017	10.645.396	10.659.000	10.735.240	10.659.000	6,93%	6,97%	Semi-annual
Aguas Andinas S.A	61.808.000-5	CL	BANCO CORPBANCA	97.032.000-8	CL	CLP	11.993.419	0	0	8-28-2013	11.993.419	12.000.000	14.735.865	14.800.000	6,42%	6,54%	Semi-annual
Aguas Andinas S.A	61.808.000-5	CL	BANCO SANTANDER	97.023.000-9	CL	CLP	0	9.526.061	0	8-28-2015	9.526.061	9.537.000	9.515.735	9.537.000	6,57%	6,61%	Semi-annual
Aguas Andinas S.A	61.808.000-5	CL	BANCO DE CHILE	97.032.000-8	CL	CLP	6.300.000	11.700.000	26.942.534	7-17-2017	44.942.534	45.000.000	44.960.483	45.000.000	6,93%	6,97%	Semi-annual
Aguas Manquehue	89.221.000-4	CL	BANCO ESTADO	97.030.000-7	CL	CLP	0	0	0	7-9-2012	0	0	7.976.000	7.976.000	6,85%	6,85%	At maturity
•••••				•••••••••••••••••••••••••••••••••••••••	•••••••••••••••••••••••••••••••••••••••	TOTALES	24.388.373	37.077.055	33.324.330		94.789.758	94.898.667	105.654.339	105.674.667		•••••••••••••••••••••••••••••••••••••••	

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, 2011 and 2010 is as follows:

REIMBURSABLE FINANCIAL CONTRIBUTIONS, CURRENT PORTION

IDENTIFICATION OF THE	DENTIFICATION OF THE	RESIDUAL UF	воок	VALUE	CONTRACT REAL	EFFECTIVE RATE	PLACEMENT IN	ISSUER	TAX	REPAYMENT	SECURED (YES/NO)	
INSTRUMENT	INSTRUMENT	31-12-2011 THCH\$	31-12-2011 THCH\$	31-12-2010 THCH	INTEREST RATE	EFFECTIVE RATE	CHILE OR ABROAD	ISSUER	NO. DEBTOR	REPATIMENT	(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
AFR	UF	0	0	0	3,69%	3,54%	Chile	Aguas Andinas S.A	61.808.000-5	At maturity	No	
AFR	UF	1.028	22.909	217.480	6,18%	5,91%	Chile /	Aguas Cordillera S.A.	96.809.310-k	At maturity	No	
AFR	UF	0	0	0	3,56%	3,40%	Chile Ag	guas Manquehue S.A	89.221.000-4	At maturity	No	
AFR	UF	0	0	0	3,82%	3,65%	Chile	Essal S.A.	96.579.800-5	At maturity	No	
TOTAL		1.028	22.909	217.480			•					



REIMBURSABLE FINANCIAL CONTRIBUTIONS, NON-CURRENT PORTION

IDENTIFICATION	OF CURRENCY OR	RESIDUAL UF		BOOK VALUE	MATURITY	CONTRACT REAL	EFFECTIVE RATE	ISSUER	TAX	REPAYMENT	SECURED
THE INSTRUMEN	T INDEXATION UNIT		31-12-2011	31-12-2010		INTEREST RATE			NO. DEBTOR		(YES/NO)
		31-12-2011	THCH\$	THCH\$							
		2.682.305	59.799.378	47.175.342	12-26-2026	3,69%	3,54%	Aguas Andinas S.A	61.808.000-5	At maturity	No
AFR	UF	1.277.244	28.474.918	24.703.780	12-26-2026	6,18%	5,91%	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	164.720	3.672.266	2.248.463	11-29-2026	3,56%	3,40% A	Aguas Manquehue S.A	89.221.000-4	At maturity	No
AFR	UF	165.800	3.696.353	3.010.226	12-17-2026	3,82%	3,65%	Essal S.A.	96.579.800-5	At maturity	No
TOTAL		4.290.069	95.642.915	77.137.811							

The detail of bonds outstanding as of December 31, 2011 and 2010 is as follows:

BONDS

TOTAL CURRENT PORTION

TYPE OF	AMOUNT	BOOK VALU	E THCH\$	•	FINAL	NOMINAL	FFFCTIVE	DAVAGENTO	0.5	•	
DOCUMENT	OUTSTANDING	12-31-2	011	31-12-2010	MATURITY	ANNUAL	EFFECTIVE ANNUAL	PAYMENTS	OF	ISSUER	TAX
	UF	UP TO 90 DAYS	91 TO 365 DAYS	THCH\$		INTEREST RATE	INTEREST RATE	INTEREST	PRINCIPAL		NO. ISSUER
BEMOS-B1	0	0	0	712.540	9-1-2022	6,25%	7,04%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BEMOS-B2	0	0	0	1.119.721	9-1-2022	6,25%	7,04%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-E	1.650.000	0	36.840.674	-0	6-1-2012	4,00%	4,45%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-F	263.158	0	5.832.936	5.568.806	12-1-2026	4,15%	4,71%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-G	0	208.796	0	201.729	4-1-2014	3,00%	3,41%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-I	320.000	0	7.139.137	6.868.295	12-1-2015	3,70%	4,06%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-J	0	0	41.867	40.471	12-1-2018	4,00%	4,20%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-K	160.000	1.943.654	1.749.199	117.953	10-1-2016	2,90%	3,08%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-M	0	404.578	10.505	399.956	4-1-2031	4,20%	5,04%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-N	0	165.060	0	0	10-1-2016	3,17%	3,33%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-P	0	318.967	7.360	0	10-1-2033	3,86%	3,80%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BESAL-B	115.789	209.865	2.672.245	2.575.477	6-1-2028	6,00%	6,63%	Semi-annual	Semi-annual	Essal S.A.	96.579.800-5
TOTAL CURRENT PORTION	2.508.947	3.219.358	54.115.619	17.604.950							

TOTAL NON-CURRENT PORTION

TYPE OF DOCUMENT	AMOUNT		BOOK VALUE TI	HCH\$		FINAL	NOMINAL	EFFECTIVE		PAYMENTS OF	ISSUER	TAX NO. ISSUER
	OUTSTANDING UF FR	OM 13 MONTHS O	31-12-2011 VER 3 YEARS TO 5 YEARS	MORE THAN 5 YEARS	31-12-2010	MATURITY	ANNUAL INTEREST RATE	ANNUAL INTEREST RATE	INTEREST	PRINCIPAL		
BEMOS-B1	0	0	0	0	13.347.352	1-9-2022	6,25%	7,04%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BEMOS-B2	0	0	0	0	20.974.457	1-9-2022	6,25%	7,04%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-E	0	0	0	0	35.336.023	1-6-2012	4,00%	4,47%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-F	3.684.210	11.733.705	11.002.078	56.839.415	81.814.497	1-12-2026	4,15%	4,74%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-G	2.500.000	55.469.492	0	0	53.151.383	1-4-2014	3,00%	3,43%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-I	1.360.000	14.268.179	15.859.281	0	35.743.752	1-12-2015	3,70%	4,07%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-J	1.000.000	0	0	22.078.317	21.208.334	1-12-2018	4,00%	4,20%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-K	840.000	7.134.090	11.516.487	0	21.344.818	1-10-2016	2,90%	3,08%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-M	1.750.000	0	0	39.304.181	37.837.821	1-4-2031	4,20%	5,04%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-N	1.250.000	0	27.711.404	0	0	1-10-2016	3,17%	3,33%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-P	1.500.000	0	0	33.676.802	0	1-10-2033	3,86%	3,80%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BESAL-B	1.794.737	5.162.826	5.162.826	33.598.192	45.087.940	1-6-2028	6,00%	6,63%	Semi-annual	Semi-annual	Essal S.A.	96.579.800-5
TOTAL NON-CURRENT PORTION	15.678.947	93.768.292	71.252.077	185.496.907	365.846.377							

9.5 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 any one customer 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	31-12-2011 THCH\$	31-12-2010 THCH\$
Gross exposure per balance sheet for risks of accounts receivable	102.803.132	94.049.674
Gross exposure according to estimates of risks of accounts receivable	-30.583.073	-28.720.502
NET EXPOSURE, CONCENTRATIONS OF RISK	72.220.059	65.329.172
MOVEMENT CREDIT RISK ACCOUNTS RECEIVABLE	THCH\$	
Initial balance at 01-01-2011	28.720.502	
Increase in current provisions	9.893.982	
Reductions	-8.031.411	
Changes, total	1.862.571	
CLOSING BALANCE AT 31-12-2011	30.583.073	
	31-12-2011	31-12-2010
TRADE AND OTHER RECEIVABLES	THCH\$	THCH\$
less than three months	69.354.415	62.041.555
between three and six months	208.393	69.468
between six and twelve months	638.381	257.018
more than twelve months	2.018.870	2.961.131
TOTAL	72.220.059	65.329.172

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 any one period.

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 INSTRUMENTS	RATE	%
Bank Loans	Variable	19,55%
Bonds	Fixed	65,16%
AFR	Fixed	15,29%
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%.

SOCIETY	BALANCE OF DEBT CAPITAL CLP	VARIABLE RATE		IMPACT RESULTS (\$) (+/-)
Aguas Andinas S.A	110.698.667	TAB 180 days	241	2.671.821
Aguas Manquehue S.A	7.976.000	TAB 360 days	211	168.102

MATURITY STRUCTURE (FLOWS NOT DISCOUNTED)

BALANCES		UP TO 90 DAYS		91 DAYS TO 1 YEAR		13 MONTHS TO 3 YEARS		3 TO 5 YEARS		OVER 5 YEARS	
AT DECEMBER 31, 2011	THCH\$	CONTRACT INTEREST RATE	тнсн\$	CONTRACT INTEREST RATE	тнсн\$	CONTRACT INTEREST RATE	THCH\$	CONTRACT INTEREST RATE	THCH\$	CONTRACT INTEREST RATE	
Bank loans	4.771.787	6,66%	12.924.586	6,78%	35.859.542	6,67%	45.143.188	6,73%	35.590.365	6,93%	
Bonds	4.822.723	3,42%	66.118.822	4,09%	119.487.349	3,59%	91.527.416	3,79%	253.305.534	4,60%	
AFRs	23.494	7,95%	0	7,15%	18.852.798	7,15%	10.772.429	4,24%	101.173.564	3,81%	
TOTAL	9.618.004		79.043.408		174.199.689		147.443.033		390.069.463		

For loans based on 180-day TAB, the positive or negative change in nominal TAB of 68 basis points, calculated annually, would have an impact on results of \pm 1.

For loans based on 360-day TAB, the positive or negative change in nominal TAB of 80 basis points, calculated annually, would have an impact on results of \pm 1. ThCh\$168,102.

9.6 DERIVATIVE INSTRUMENTS

The Aguas Andinas Group has no hedges at the date of the financial statements, but shows the following hedge at fair value in 2010:

COMPANY	DETAIL INSTRUMENT COVERAGE	DESCRIPTION OF COVER	HEDGED	NATURE OF RISK COVERED	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT ASSETS	CURRENT LIABILITIES
						31-12-2011		31-12-2010
					THCH\$	THCH\$	THCH\$	THCH\$
Gestión y Servicios S.A.	Forward of purchase	Exchange rate	liabilities	fair value	0	0	406.502	418.423

9.7 CASH EQUIVALENTS

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

SOCIETY	TOOLS	31-12-2011 THCH\$	31-12-2010 THCH\$
Aguas Andinas S.A.	Mutual Fund	0	773.000
Aguas Cordillera S.A.	Mutual Fund	0	580.000
Eco-Riles S.A.	Time Deposit	0	1.744.000
ESSAL S.A.	Time Deposit	2.532.747	623.000
ESSAL S.A.	Mutual Fund	0	614.000
TOTAL (CASH EQUIVALENTS)		2.532.747	4.334.000

9.8 TRADE CREDITORS AND OTHER ACCOUNTS PAYABLE

The principal concepts are the following:

TRADE CREDITORS & OTHER	OR INDEXATION	31-12-2011	31-12-2010
A CCOUNTS DAVABLE	INDEXATION		
ACCOUNTS PAYABLE		THCH\$	THCH\$
	UNIT		
Dividends	CLP	857.049	981.590
Tax (VAT, monthly prepayments, sole tax, etc.)	CLP	11.757.412	5.039.364
Suppliers of investments in progress	CLP	14.767.252	9.695.345
Personnel	CLP	2.372.162	1.928.074
Suppliers	CLP	20.470.765	9.819.300
Suppliers	USD	243.519	175.143
Suppliers	EUR	170.312	273.821
Accrued services	CLP	12.965.555	16.161.478
Accrued services	USD	91.243	91.243
Others	CLP	637.531	503.187
Others	USD	17.580	0
TOTAL		64.350.380	44.668.545

9.9 FAIR VALUE OF FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS BOOKED AT AMORTIZED COST

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

	31-12	-2011
	AMORTIZED COSTM\$	FAIR VALUE
	THCH\$	THCH\$
Other financial assets	2.532.747	2.532.747
Investments held at amortized cost	2.532.747	2.532.747
Time deposits	2.532.747	2.532.747
Other financial liabilities	625.726.702	642.146.335
Financial liabilities held at amortized cost	625.726.702	642.146.335
Bank debt	122.208.626	131.715.773
Bonds	407.852.252	414.764.738
AFRs	95.665.824	95.665.824

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 MEASUREMENTS AT FAIR VALUE IN THE FINANCIAL STATEMENTS

- Level 1 relates to fair-value measurement methodologies by market quotes (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.

9.10 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 (see Note 2.2, h, ii), over which the Company has no control or significant influence. This cross-entry for this amount is deferred income for the samer amount in Other non-financial liabilities. The balance of ThCh\$ 17.517 relates to other financial investments.

10. 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	RELATIONSHIP	COUNTRY OF ORIGINC	URRENCY	TERM	SECURITY	31-12-2011 3 THCH\$	31-12-2010 THCH\$
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	CL	Reimbursement of expenses	CLP	30 Días	Sin Garantías	179	27
96.713.610-7	Agbar Chile S.A.	Related to controller	CL	Development & implementatio geographic information system	CLP	30 Días	Sin Garantías	213	3.566
76.080.553-K	Agbar Solutions Chile Ltda	Related to controller	CL	Reimbursement of personnel expenses	CLP	30 Días	Sin Garantías	4.567	0
96.864.190-5	Brisaguas S.A.	Related to controller	CL	Chemical & bactereological analysis services	CLP	30 Días	Sin Garantías	0	573
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to controller	CL	Sale of laboratory inputs & services	CLP	30 Días	Sin Garantías	3.805	10.840
76.148.998-4	Agbar Medioambiente Chile S.A.	Related to controller	CL	Reimbursement of personnel expenses	CLP	30 Días	Sin Garantías	25	0
59.094.680-K	Aguas de Levante	Related to controller	CL	Sale of materials	CLP	30 Días	Sin Garantías	0	2.066
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to controller	CL	Chemical & bactereological analysis services	CLP	30 Días	Sin Garantías	387	1.149
TOTAL ACCOUNTS RE	ECEIVABLE				•			9.176	18.221

ACCOUNTS PAYABLE TO RELATED ENTITIES

TAX NO. RELATED PARTY	RELATED PARTY	RELATIONSHIP	COUNTRY OF ORIGIN	TRANSACTION	CURRENCY	TERM	SECURITY	31-12-2011 THCH\$	31-12-2010 THCH\$
93.713.610-7	Agbar Chile S.A.	Related to controller	CL	Development & implementatio geographic information system	CLP	30 days	Unsecured	41.404	102.216
59.127.140-K	Aquagest Services Company S.A.	Related to controller	CL	Purchase of materials	CLP	30 days	Unsecured	0	39.747
Sin RUT	Aqua Development Network S.A.	Related to controller	CL	Human resources advisory services	CLP	30 days	Unsecured	12.253	0
Sin RUT	Aqua Ambiente Servicios Intregrales S.A.	Related to controller	CL	Reimbursement of expenses	CLP	30 days	Unsecured	23.394	0
76.080.553-K	Agbar Solutions Chile Ltda	Related to controller	CL	Purchase of materials on consignment	CLP	30 days	Performance bond ThCh\$ 244.800	404.861	708.636
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	3.188.030	1.314.675
96.864.190-5	Brisaguas S.A.	Related to controller	CL	Collections payable	CLP	30 days	Unsecured	0	33.581
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	0	382.619
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	2.343.631	2.265.319
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	27.462	27.300
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	36.290.795	15.127.999
Foreign	Clavegueram de Barcelona S.A.	Related to controller	CL	Technical assistance Renato Poblete park study	CLP	30 days	Unsecured	0	15.144
Foreign	Sorea	Related to controller	CL	Reimbursement of expenses	CLP	30 days	Unsecured	821	1.539
TOTAL ACCOUNTS	S PAYABLE	*						42.332.651	20.018.775

TRANSACTIONS

		-	······································			3	1-12-2011	31-	12-2010
TAX NO. RELATED PARTY	RELATED PARTY	RELATIONSHIP	COUNTRY OF ORIGIN	TRANSACTION	CURRENCY	THCH\$	THCH\$ EFECT ON RESULT (CHARGE)/ (CREDIT)	THCH\$	THCH\$ EFECT ON RESULT (CHARGE)/ (CREDIT)
59.127.140-K	Aquagest Services Company S.A.	Other related parties	CL	Purchase of materials on consignment	CLP	0	0	1.535.459	-1.274.096
79.046.628-K	Asterión S.A.	Other related parties	CL	Re-engineering of processes & implantation of new information systems for customer service	CLP	2.564.591	-366.173	2.027.997	-329.857
76.080.553-K	Agbar Solutions Chile Ltda	Other related parties	CL	Purchase of materials on consignment	CLP	3.461.767	-2.104.253	1.790.806	-1.789.659
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Other related parties	CL t	Operation & maintenace services El Trebal sewage reatment plant and construction, operation & maintenance of Mapocho sewage treatment plant	CLP	91.945.888	-6.107.995	22.178.406	-4.540.592
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Other related parties	CL	Operation & maintenance services La Farfana sewage treatment plant	CLP	12.663.709	-11.141.512	11.927.844	-10.453.441
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Other related parties	CL	Operation & maintenance biogas purification plant	CLP	160.768	-160.768	36.965	-30.294
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	CL	Dividends paid	CLP	105.124.163	0	60.191.329	0

The criterion of materiality for reporting transactions with related entities is of accumulated 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

	31-12-2011	31-12-2010
Directors	323.788	310.347
Directors' Committee	33.255	36.918
TOTAL	357.043	347.265

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

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.

11. INVENTORIES

31-12-2011 M\$	31-12-2010 M\$
2.403.677	1.342.120
538.067	482.589
63.737	58.700
3.005.481	1.883.409
	M\$ 2.403.677 538.067 63.737

The cost of the inventories shown as an expense during 2011 and 2010 amounts to ThCh\$7,913,420 and ThCh\$4,730,977 respectively.





12. INTANGIBLE ASSETS OTHER THAN GOODWILL

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

	21.12.2011	21 12 2010
	31-12-2011 THCH\$	31-12-2010 THCH\$
INTANGIBLE ASSETS, NET	223.106.257	218.513.009
Intangible assets with finite life, net	13.205.680	8.963.783
Intangible assets with undefined life, net	209.900.577	209.549.226
IDENTIFIABLE INTANGIBLE ASSETS, NET	223.106.257	218.513.009
Patents, registered trademarks & other rights, net	5.892.614	6.079.377
Computer programs, net	7.313.066	2.884.406
Other identifiable intangible assets, net	209.900.577	209.549.226
INTANGIBLE ASSETS, GROSS	247.579.584	241.501.386
Intangible assets, gross	247.579.584	241.501.386
OTHER IDENTIFIABLE INTANGIBLE ASSETS, GROSS	247.579.584	241.501.386
Identifiable intangible assets, gross	219.563.148	219.211.797
Patents, registered trademarks & other rights, gross	7.654.107	7.653.655
Computer programs, gross	20.362.329	14.635.934
CLASSES OF ACCUMULATED AMORTIZATION & IMPÁIRMENT OF VALUE, INTANGIBLE ASSETS	31-12-2011	31-12-2010
CLASSES OF ACCOMOLATED AMORTIZATION & IMPAIRMENT OF VALUE, INTANGIBLE ASSETS	THCH\$	THCH\$
Accumulated amortization & impairment, intangible assets, total	24.473.327	22.988.377
Accumulated amortization & impairment, patents, registered trademarks & other rights	1.761.493	1.574.278
Accumulated amortization & impairment, computer programs	13.049.263	11.751.528
Accumulated amortization & impairment, other identifiable intangible assets	9.662.571	9.662.571

MOVEMENT OF INTANGIBLE ASSETS

CURRENT PERIOD (31-12-2011)

MOVEMENT IN IDENTIFIABLE INTANGIBLE ASSETS	PATENTS, REGISTERED TRADEMARKS & OTHER RIGHTS, NET THCH\$	COMPUTER PROGRAMS, NET THCH\$	OTHER IDENTIFIABLE INTANGIBLE ASSETS, NET THCH\$
INITIAL BALANCE AT 01-01-2011	6.079.377	2.884.406	209.549.226
Additions	452	3.143.077	346.648
Amortization	187.215	1.592.777	0
Other increases (decreases)	0	2.878.360	4.703
Changes, total	-186.763	4.428.660	351.351
CLOSING BALANCE AT 31-12-2011	5.892.614	7.313.066	209.900.577
MOVEMENT IN IDENTIFIABLE INTANGIBLE ASSETS	PATENTS, REGISTERED TRADEMARKS & OTHER RIGHTS, NET THCH\$	COMPUTER PROGRAMS, NET THCH\$	OTHER IDENTIFIABLE INTANGIBLE ASSETS, NET THCH\$
INITIAL BALANCE AT 01-01-2010	6.267.281	3.042.964	208.490.435
Additions	0	840.017	1.058.791
Desapropiaciones	187.214	1.351.609	0
Amortization	-690	353.034	0
OTHER INCREASES (DECREASES)	-187.904	-158.558	1.058.791
CHANGES, TOTAL	6.079.377	2,884,406	209.549.226

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 31-12-2011

COMPANY	WATER RIGHTS THCH\$	EASEMENTS THCH\$
Aguas Andinas S.A.	74.020.926	7.350.200
Aguas Cordillera S.A.	92.506.463	7.853.889
Aguas Manquehue S.A.	21.207.395	900.294
Essal S.A.	5.051.316	1.010.094
TOTAL	192.786.100	17.114.477
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Fully-amortized identifiable intangible assets relate to minor part 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 for the year 2012 relate to water rights, easements and computer programs necessary for the normal operation of the Group companies and in particular for new works under development or in prior study stages, plus the expansion of concession zones, shown as follows:

COMPANY	THCH\$
Aguas Andinas S.A.	3.479.471
Aguas Cordillera S.A.	205.230
Aguas Manquehue S.A.	125.214
Essal S.A.	75.022
Gestión y Servicios S.A.	55.455
Análisis Ambientales S.A.	22.620
TOTAL	3.963.012

13. 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 2011 and 2010.

TAX NO.	COMPANY	31-12-2011	31-12-2010
IAX 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

14. PROPERTY, PLANT AND EQUIPMENT

DDODEDTY DI ANT C FOLIDMENT	31-12-2011	31-12-2010	
PROPERTY, PLANT & EQUIPMENT	THCH\$	THCH\$	
PROPERTY, PLANT & EQUIPMENT, NET	1.117.686.163	1.031.790.701	
Construction in progress	169.583.994	71.171.543	
Land	151.262.638	148.941.768	
Buildings	69.943.651	70.432.667	
Plant & equipment	193.175.614	199.622.110	
Computer equipment	1.966.760	1.386.254	
Fixed installatios & accessories	528.763.450	537.158.355	
Motor vehicles	1.234.200	1.307.299	
Improvements to leased assets	36.951	70.636	
Other property, plant & equipment	1.718.905	1.700.075	
PROPERTY, PLANT & EQUIPMENT, GROSS	2.000.580.488	1.867.380.880	
Construction in progress	169.583.994	71.171.543	
Land	151.262.638	148.941.768	
Buildings	89.806.468	88.617.443	
Plant & equipment	361.204.538	351.036.540	
Computer equipment	9.498.364	10.307.322	
Fixed installatios & accessories	1.210.118.981	1.188.318.180	
Motor vehicles	4.713.955	4.627.828	
Improvements to leased assets	442.267	440.754	
Other property, plant & equipment	3.949.283	3.919.502	
ACCUMULATED DEPRECIATION	882.894.325	835.590.179	
Buildings	19.862.817	18.184.782	
Plant & equipment	168.028.924	151.414.430	
Computer equipment	7.531.604	8.921.068	
Fixed installatios & accessories	681.355.531	651.159.825	
Motor vehicles	3.479.755	3.320.529	
Improvements to leased assets	405.316	370.118	
Other property, plant & equipment	2.230.378	2.219.427	



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.

PRESENT PERIOD 31-12-2011

	INITIAL BALANCE	ADDITIONS	DIVESTMENTS	DEPRECIATION CHARGE	TOTAL CHANGES	FINAL BALANCE
	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
Construction in progress, net	71.171.543	98.412.451	0	0	98.412.451	169.583.994
Land	148.941.768	2.406.597	-85.727	0	2.320.870	151.262.638
Buildings, net	70.432.661	1.412.051	-143.115	-1.757.946	-489.010	69.943.651
Plant & equipment, net	199.622.110	11.704.040	-561.029	-17.589.507	-6.446.496	193.175.614
Computer equipment, net	1.386.254	1.321.892	-1	-741.385	580.506	1.966.760
Fixed installatios & accessories, net	537.158.355	23.151.463	-293.417	-31.252.951	-8.394.905	528.763.450
Motor vehicles, net	1.307.299	473.386	-109.544	-436.941	-73.099	1.234.200
Improvements to leased assets, net	70.636	2.118	0	-35.803	-33.685	36.951
Other property, plant & equipment, net	1.700.075	29.782	0	-10.952	18.830	1.718.905
CLASSES OF PROPERTY, PLANT & EQUIPMENT, NET	1.031.790.701	138.913.780	-1.192.833	-51.825.485	85.895.462	1.117.686.163

PREVIOUS PERIOD 31-12-2010

	INITIAL BALANCE THCH\$	ADDITIONS THCH\$	DIVESTMENTS THCH\$	DEPRECIATION CHARGE THCH\$	TOTAL CHANGES THCH\$	FINAL BALANCE THCH\$
Construction in progress, net	108.193.775	-36.985.440	-36.792	0	-37.022.232	71.171.543
Land	149.179.546	-206.347	-31.431	0	-237.778	148.941.768
Buildings, net	71.758.052	727.235	-320.958	-1.731.668	-1.325.391	70.432.661
Plant & equipment, net	209.746.022	8.236.980	-178.261	-18.182.631	-10.123.912	199.622.110
Computer equipment, net	1.602.794	520.852	-710	-736.682	-216.540	1.386.254
Fixed installatios & accessories, net	474.261.342	95.550.170	-2.330.519	-30.322.638	62.897.013	537.158.355
Motor vehicles, net	1.456.189	338.020	-42.163	-444.747	-148.890	1.307.299
Improvements to leased assets, net	92.778	15.716	0	-37.858	-22.142	70.636
Other property, plant & equipment, net	2.017.909	-299.723	-1.231	-16.880	-317.834	1.700.075
CLASSES OF PROPERTY, PLANT & EQUIPMENT, NET	1.018.308.407	67.897.463	-2.942.065	-51.473.104	13.482.294	1.031.790.701

The detail of each consolidated Group company of amounts of future commitments for acquisitions of property, plant and equipment during 2012, is as follows:

COMPANY	THCH\$
Aguas Andinas S.A.	70.109.729
Aguas Cordillera S.A.	3.436.640
Aguas Manquehue S.A.	3.876.389
Essal S.A.	6.474.291
Ecoriles S.A.	47.056
Gestión y Servicios S.A.	325.722
Análisis Ambientales S.A.	954.526
TOTAL	85.224.353

ELEMENTS OF PROPERTY, PLANT AND EQUIPMENT TEMPORARILY OUT OF SERVICE BUT MIGHT BE USED IN THE FUTURE:

COMPANY	31-12-2011
COMPANY	THCH\$
Aguas Andinas S.A.	114.342
Aguas Cordillera S.A.	168.125
TOTAL	282.467

15. IMPAIRMENT 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 and represents the smallest group of assets that generates independent cash flows. 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 any asset. If there is, the company will estimate the amount recoverable for the asset. For assets with an indefinite useful life and goodwill, the impairment test will be made at the close of the period or when there are indications.

The Company and subsidiaries make annual impairment tests on their intangible assets with indefinite lives and goodwill.

As of December 31, 2011 and 2010, 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, 2011 Aguas Manquehue booked a loss for impairment for the termination of operations at two sewage treatment plants and a pumping plant following the full start-up of the north trunk sewer through which the sewage id treated at the La Farfana treatment plant. In Aguas Andinas S.A., impairmant was booked with respect to disused installations.

As of December 31, 2011, revisions were made of the Group's tangible assets following the earthquake of February 2010, estimating an impairment 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 administration assets (warehouses, agencies and offices).

COMPANY	31-12-2011	31-12-2010	
COMPANY	THCH\$	THCH\$	
Aguas Andinas S.A.	199.280	429.363	
Aguas Cordillera S.A.	2.281	9.781	
Aguas Manquehue S.A.	620.783	1.120.471	
TOTAL	822.344	1.559.615	
	022.0		

The detail by company is the following:

16. PROVISIONS AND CONTINGENT LIABILITIES

A. PROVISIONS

CLASSES OF PROVISIONS	31-12-2011 THCH\$	31-12-2010 THCH\$
Provision for legal claims	1.482.989	991.798
PROVISIONS, CURRENT	1.482.989	991.798
Other provisions, non-current	1.066.784	1.020.602
PROVISIONS, NON-CURRENT	1.066.784	1.020.602

The detail of these as of December 31, 2011 and 2010 is as follows:

	LEGAL CLAIMS THCH\$	TOTAL THCH\$
INITIAL BALANCE PROVISIONS	991.798	991.798
CHANGES IN PROVISIONS		
Increase in existing provisions	625.401	625.401
Provision used	-60.249	-60.249
Other increases (decreases)	-73.961	-73.961
CHANGES IN PROVISIONS, TOTAL	491.191	491.191
CLOZING BALANCE OF PROVISIONS	1.482.989	1.482.989

The movement in current provisions in the year was:

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 will 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 2012.

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, which was demanded severally. In the event the demands are accepted the amount should be less than that demanded.

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\$ 325,996.

Principal assumptions regarding future events relating to the class of provision: Sentences in first instances given and appealed against to the Appeals Court and the Supreme Court. There are also lawsuits pending before the Santiago labor and social-security collection court.

d) Nature of class of provision: DeDemand 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 plus interest, indexation and costs. There is a high probability that the demand will be rejected.

e) Nature of class of provision: The Metropolitan COREMA (regional environmental authority) applied a fine of 500 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. 10% of the fine was paid prior to the lawsuit.

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 was paid into court to start the claim. The parties are called to hear sentence. There are moderate probabilities that the demand will be accepted.

f) Nature of class of provision: CONAMA (the national environmental authority) applied a fine of 300 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 bring an appeal to the courts. The parties are called to hear sentence; there are moderate probabilities that the demand will be accepted.

g) Nature of class of provision: CONAMA applied a fine of 500 UTM for non-compliance with RCA 458/01.

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 bring an appeal to the courts. The parties are awaiting sentence

h) Nature of class of provision: An individual made demand against Aguas Andinas for payment of an indemnity for devaluation of land as the result of a previous judgment which ordered Aguas Andinas S.A to indemnify the deterioration in value.

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

Uncertainties about the timing and amount of a class of provision: sentence given accepting the demand and ordering Aguas Andinas to pay the sum of ThCh\$296.866 plus costs. An appeal has been made.

2. OTHER PROVISIONS, NON-CURRENT

These relate basically to a transaction on July 10, 2007, signed before the notary María Gloria Acharan Toledo, between Aguas Cordillera S.A. and property developers by which should Aguas Cordillera S.A. in the future abandon and sell the land transferred to it, it would 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.-Aguas Andinas S.A. was demanded for damages and extra-contractual liability due to bad odors coming from the Western Santiago and later La Farfana sewage treatment plants, affecting the physical and mental health of the residents. The demands amount to a total of UF 1,391,850.91. The Company has presented several defenses against the civil demands for damages, expecting to obtain positive results in all cases.
- 2.- There is a suit for damages against Aguas Andinas S.A. The lawyer Bertolone, representing 314 residents of the district of El Trebal, adjoining the sewage plant of that name, alleging moral damage produced by odors coming from the plant, plus other environmental damage. The demands amount to a total of ThCh\$10,990,000 plus interest, indexation and costs. The demand was notified and Aguas Andinas S.A. is preparing its defense. Given the present state of the case and the information provided, the Company believes that there are low probabilities that the demand will be accepted.
- 3.- Aguas Andinas. S.A. was sued in a special case to determine the amount of an expropriation that the Ministry of Public Works made on behalf of

the Company of land related to the Farfana Trebal interceptor project, second stage. The expropriated party is claiming the amount of provisional compensation consigned by Aguas Andinas S.A. The amount claimed is ThCh\$ 365,000. Sentence was given fixing compensation at UF 2 per square meter. This was rejected by the Treasury, the final compensation payable remaining at UF 2 per square meter. The amount will be consigned in the court, probably during the first half of 2012.

- 4.- The Treasury has made demand on Aguas Andinas S.A. and Aguas Cordillera 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 this will have no adverse effect on the financial statements.
- 5.- Demand for damages brought against Aguas Cordillera S.A. by a 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; final evidence stage pending.
- 6.- In 2009 Condominio Polo Manquehue sued Aguas Manquehue S.A. for damages caused to its property due to Works carried out. Amount ThCh\$150,000 plus interest, indexation and costs. On the discussion stage, so it is premature to estimate the result.
- 7.- In 2007 Leon Woppke demanded the Chilean Treasury (Aguas Manquehue S.A.) for determination of the amount of expropriation of a land. The plaintiff claimed the amount of provisional compensation. The amount consigned in the court was ThCh\$173,408 and the amount claimed by the plaintiff is ThCh\$910,392 plus interest, indexation and costs. The estimated result is uncertain. If the claim is accepted, it should be for less than that claimed, with the amount already consigned being imputed to it. This procedure is being handled judicially by the State Defense Council.

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..

17. 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\$36.762.989 and ThCh\$22,180,609 as of December 31, 2011 and 2010 respectively.

The detail of guarantees exceeding ThCh\$ 10,000 is as follows:

DENIELICIA DV OF CHADANTEE	PERTOR	KIND OF CHARANTES	31-12-2011	31-12-2010
BENEFICIARY OF GUARANTEE	DEBTOR	KIND OF GUARANTEE	THCH\$	THCH\$
Asociación Canal Sociedad Maipo	Aguas Andinas S.A.	Boleta	6.940.407	6.680.021
Chilectra S.A.	Aguas Andinas S.A.	Boleta	31.692	10.728
Constructora Santa Rosa	Aguas Andinas S.A.	Boleta	29.116	0
Constructora San Francisco	Aguas Andinas S.A.	Boleta	119.139	5.450
Dirección Regional de Vialidad	Aguas Andinas S.A.	Boleta	49.069	23.215
Dirección de Obras Hidraulica	Aguas Andinas S.A.	Boleta	85.638	75.867
Dirección Regional de Obras Hidraulica	Aguas Andinas S.A.	Boleta	30.600	0
Director de Vialidad	Aguas Andinas S.A.	Boleta	1.215.024	311.105
Ministrerio de Obras Publicas	Aguas Andinas S.A.	Boleta	786.734	582.368
Municipalidad de Lo Barnechea	Aguas Andinas S.A.	Boleta	22.294	0
Municipalidad de Peñalolen	Aguas Andinas S.A.	Boleta	72.403	6.436
Municipalidad de Pirque	Aguas Andinas S.A.	Boleta	32.345	0
Municipalidad de Providencia	Aguas Andinas S.A.	Boleta	45.725	42.193
Municipalidad de Santiago	Aguas Andinas S.A.	Boleta	20.733	19.945
S.I.S.S.	Aguas Andinas S.A.	Póliza	0	12.208
S.I.S.S.	Aguas Andinas S.A.	Boleta	13.665.728	6.045.981
Secretaría Ministerial de Obra	Aguas Andinas S.A.	Boleta	13.339	19.658
Serectaría Regional Ministerial	Aguas Andinas S.A.	Boleta	38.520	29.306
Serviu Metropolitano	Aguas Andinas S.A.	Boleta	1.107.420	1.265.714
Sociedad Concecionaria Via Santa Rosa	Aguas Andinas S.A.	Póliza	0	21.799
Sociedad Concecionaria Via Santa Rosa	Aguas Andinas S.A.	Boleta	0	15.427
Soc. Con. Aut. Acon	Aguas Andinas S.A.	Boleta	55.735	0
S.I.S.S.	Aguas Cordillera S.A.	Boleta	1.411.301	764.461
Ministrerio de Obras Publicas	Aguas Cordillera S.A.	Boleta	331.780	0
Serviu Metropolitano	Aguas Cordillera S.A.	Boleta	111.470	19.929
Municipalidad de Las Condes	Aguas Cordillera S.A.	Boleta	17.000	5.500
Municipalidad de Lo Barnechea	Aguas Cordillera S.A.	Boleta	0	10.728
Municipalidad de Vitacura	Aguas Cordillera S.A.	Boleta	44.588	42.911
Asociación Canal de Maipo	Aguas Cordillera S.A.	Boleta	769.803	1.060.151
S.I.S.S.	Aguas Manquehue S.A.	Boleta	682.978	888.038
S.I.S.S.	Aguas Manquehue S.A.	Póliza	0	84.770
Municipalidad de Las Condes	Gestión y Servicios S.A.	Boleta	16.721	16.091
Subsecretaria de Agricultura	Gestión y Servicios S.A.	Boleta	1.062.731	0
Serviu	Gestión y Servicios S.A.	Boleta	837.158	779.109
Essbio S.A	Anam S.A	Boleta	0	30.723
cía minera doña inés de collahuasi	ecoriles s.a	boleta	0	22.034
DIRECTOR DE OBRAS HIDRAULICAS	ESSAL S.A.	boleta	287.985	184.403
SERVIU	ESSAL S.A.	boleta	238.964	218.444
GOBIERNO REGIONAL DE LA REGIÓN DE LOS RÍOS	ESSAL S.A	boleta	14.372	4.269
DIRECTOR DE VIALIDAD	ESSAL S.A.	boleta	481.880	0
E.F.E	ESSAL S.A	boleta	11.147	0
S.I.S.S.	ESSAL S.A.	boleta	1.966.070	2.272.349

B) BOND ISSUE COVENANTS

i) Aguas Andinas S.A.

The Company has covenants and obligations arising from issues of bonds on the domestic market, as follows:

- 1.- Send to the bond-holders' representative a copy of the unconsolidated and consolidated financial statements of the subsidiary corporations registered with the SVS, both the quarterly and the audited annual statements, in the same time period that these have to be presented to the SVS, plus all public information reported to the SVS.
- 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 reasonably protect 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.- Obligation to ensure that 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 debt to equity ratio.

Starting in 2010, the above covenant will be adjusted according to the difference between the consumer price index (CPI) of the month in which the debt level is calculated and the CPI for December 2009. This ratio will be adjusted up to a maximum of 2.0:1 (debt ratio = total liabilities/total equity).

6.- Not 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, 2011.

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

The company has covenants and obligations arising from issues of bonds 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 SVS, plus all public information reported to the SVS.
- 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 reasonably protect its assets in line with usual practices for industries of the company's kind.
- 4.- Obligation to ensure that 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 1.29:1, measured on its balance sheets, defined as the debt to equity ratio.

Starting in 2010, the above covenant will be adjusted according to the difference between the consumer price index (CPI) of the month in which the debt level is calculated and the CPI for December 2009. This ratio will be adjusted up to a maximum of 2.0:1 (debt ratio = total liabilities/total 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 covenants established in the bond indentures as of December 31, 2011.

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 SVS.
- 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 reasonably protect 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 objects, or entering into any act or contract of merger or consolidation, except for mergers with its present subsidiaries.
- 10.- Ensure that 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, 2011.

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

D.- GUARANTEES RECEIVED FROM THIRD PARTIES

As of December 31, 2011 and 2010, the Company has received documents in guarantee for ThCh\$33,152,515 and ThCh\$40,553,766 respectively, arising mainly from works contracts with construction companies to ensure their due performance. There are also other guarantees for service contracts and acquisition of materials to ensure timely delivery.

A detail of the more important bank guarantees received as of December 31, 2011 is summarized below:

CONTRACTOR OR SUPPLIER	THCH\$	EXPIRY
COSTANERA CENTER S.A.	222.940	31-03-2012
CHILECTRA S.A.	222.940	01-08-2012
INMOBILIARIA BUIN S.A.	230.485	01-04-2013
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	238.532	15-03-2013
AGBAR SOLUTIONS CHILE LTDA.	279.299	03-05-2012
SOC. GRAL DE AGUAS DE BARCELONA S.A.	314.746	31-10-2012
SONDA S.A.	314.746	31-10-2012
C. DE PETROLEOS DE CHILE COPEC S.A.	374.870	22-03-2012
ING. Y CONST. M. S. T. S.A.	453.567	15-05-2013
CONSORCIO EDEPE S.A	481.172	23-08-2013
CONSTRUCTORA OAS LTDA.	668.821	16-05-2012
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	680.350	15-05-2013
NICOLAIDES S.A.	840.039	20-09-2013
ACCIONA INFRAESTRUCTURAS S.A. AGENCIA EN CHILE	1.493.800	23-07-2013
EMP. DEP. DE A.S. MAPOCHO TREBAL LTDA	3.777.634	01-06-2017
EMPRESA DEPURADORA DE AGUAS SERVIDAS LTDA	4.330.607	31-12-2012
EMP DEPURADORA DE A.S. MAPOCHO TREBAL LTDA	7.978.208	15-04-2012
FONDO DE INV. PRIVADO LOS CASTAÑOS DE LA DEHESA	891.761	30-04-2012
COMSA DE CHILE S.A.	222.940	27-10-2012
CONSTRUCCIONES Y MONTAJES COM S.A.	110.239	08-03-2012
TOTAL	24.127.696	



18. ORDINARY REVENUES

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

CLASSES OF ORDINARY REVENUES	31-12-2011 THCH\$	31-12-2010 THCH\$
Sales of goods	6.201.682	6.004.137
Provision of services	357.531.442	322.959.877
TOTALES	363.733.124	328.964.014

19. LEASES

FINANCIAL LEASES AS LESSORS:

The Company has a contract of this kind where it acts as lessor, referring to equipment (dryer centrifuges) used for treating liquid waste.

DISCLOSURE OF LEASE, LANDLORD	31-12-2011	31-12-2010
	THCH\$	THCH\$
Investment Total Brutal	70.027	0
Minimum lease payments receivable under finance leases	78.096	0
TOTAL	8.069	0
MINIMUM CHARGES TO RECEIVE LEASES	31-12-2011 THCH\$ GROSS	31-12-2010 THCH\$ RATE
No later than one year	35.269	9.207
After one year but less than five years	42.827	4.504
More than five years	0	0
TOTAL	78.096	13.711
FEES LEASES RECOGNIZED IN THE INCOME STATEMENT, TOTAL	17.482	4.325

OPERATIVE LEASES AS LESSEE:

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

	31-12-2011	31-12-2010 THCH\$
	THCH\$	
Minimum future non-cancelable lease payments within one year, lessees	1.409.641	1.354.691
Minimum future non-cancelable lease payments between one & five years, lessees	5.638.563	5.418.765
MINIMUM FUTURE NON-CANCELABLE LEASE PAYMENTS, LESSEES, TOTAL	7.048.204	6.773.456
Minimum lease payments under operative leases	2.668.023	2.436.193
LEASE & SUB-LEASE PAYMENTS SHOWN IN STATEMENT OF RESULTS, TOTAL	2.668.023	2.436.193

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, which would not generate contingent payments.

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 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 them in advance at any time.

MINIMUM FUTURE NON-CANCELABLE LEASE PAYMENTS, LESSORS, TOTAL		31-12-2010 THCH\$
Minimum future non-cancelable lease payments within one year, lessors	235.395	215.888
Amount of contingent lease payments shown in statements of results	402.814	173.619
TOTAL	638.209	389.507

SIGNIFICANT OPERATIVE LEASES OF THE LESSOR:

Income from these sources is immaterial for the Company.

20. EMPLOYEE BENEFITS

The Company at the consolidated level has a workforce of 1,805, of whom 63 are managers and senior executives. Workers who are parties to collective agreements and individual work contracts with special indemnity clauses, total 1,368 and those with special indemnity clauses are 36, while 401 workers are covered by the Labor Code.

As of December 31, 2011, the Company has launched its Proyecta program to motivate voluntary and assisted retirement that provides a series or economic, health and non-monetary benefits. This is for the benefit of our employees suffering from illnesses that make it difficult for them to perform their duties normally or are close to the legal retirement age. Indemnities were paid during May to the people benefiting from this program.

The Company's current collective contract for the employees and operatives Nos. 1 and 2 unions were signed on July 31, 2010 for a term of four years. The No.3 Professionals and Technicians Union contract has a term of two years.

The collective contracts of Aguas Cordillera S.A., and personnel of Aguas Manquehue S.A., were signed on November 26, 2010, November 30, 2010 and December 23, 2010 for the No.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 have indemnities at present value until 2002 (including indemnities in any event recognized to that date), as well as for advances granted against such indemnities.

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 GAINS AND LOSSES ON DEFINED BENEFITS PLANS

The obligation for the indemnity which it is estimated will accrue to workers who retire from Aguas Andinas S.A., Aguas Cordillera S.A. and Essal S.A., is booked at its 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 or discount of the workers, are booked directly in results.

ACTUARIAL ASSUMPTIONS

Years of service: In Aguas Andinas S.A. and Aguas Cordillera S.A., it is assumed that workers will remain with those 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 with individual contracts with en indemnity clause in any event. Workers forming part of the calculation of the actuarial indemnity are as follows, by company: Aguas Andinas S.A.: 765, Aguas Cordillera S.A.: 125, Aguas Manquehue S.A.: 21, and Essal S.A. 255.

Mortality: The RV-2009 mortality tables of the SVS are used.

Employee turnover and disability rates and early retirements:

Based on the Group's statistical experience, the turnover rate used is 6.5% for the objective workers. Disabled and early retirements have not been considered due to their infrequent nature.

Discount rate: A rate of 6.1% p.a. is used, corresponding to the risk-free rate, plus the credit risk and the estimation of expected long-term inflation (a rate of 6.4% was used at December 2010).

Inflation rate: The forecasted long-term inflation rate reported by the Banco Central de Chile was used, amounting to 3.0%, for making long-term estimates for both 2011 and 2010.

General description of defined benefits plans

The following benefits are in addition to those indicated in Note 2, 0:

In the event of the death of a worker, an indemnity will 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 Nos.2, 4 or 5 of article 159, 1 a) or No.6 of article 160 of the Labor Code, he will be paid as an indemnity the accumulated amount for this concept until July 31, 2002 in Aguas Andinas and December 31, 2002 in Aguas Cordillera, adjusted quarterly for changes in the consumer price index, provided the change is positive.

The terms of their respective individual work contracts apply for employees of Aguas Andinas and its subsidiaries who are not party to collective agreements. The non-sanitation companies, Gestión y Servicios, Ecoriles and Anam, apply what is indicated in the labor code.

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

The following are the movements in actuarial provisions in 2011 and 2010, which include movements in provisions:

PROVISIONS FOR EMPLOYEE BENEFITS	31-12-2011	31-12-2010
	THCH\$	THCH\$
MOVEMENTS ACTUARIAL PROVISION		
Initial balance	7.497.847	6.990.792
Cost of services	363.394	386.011
Interest cost	479.862	560.193
Actuarial losses	1.381.163	681.818
Benefits paid	-1.586.439	-1.834.738
Provision benefits for termination	422.294	713.771
SUB-TOTAL	8.558.121	7.497.847
PROFITS SHARING & BONUSES	2.959.154	2.915.058
TOTAL PROVISION FOR EMPLOYEE BENEFITS, CURRENT	3.590.075	3.607.781
TOTAL PROVISION FOR EMPLOYEE BENEFITS, NON-CURRENT	7.927.200	6.805.124

INFORMATION ON BENEFITS ON TERMINATION OF THE CONTRACTUAL 21. EFFECT OF EXCHANGE DIFFERENCES RELATIONSHIP

The indemnity on termination of the labor relationship is governed by the provisions of the Labor Code, except for any 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 2011 and 2010, the amounts are ThCh\$2,959,154 and ThCh\$2,915,058 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, 2011 and 2010 are as follows::

PERSONNEL EXPENSES	31-12-2011 THCH\$	31-12-2010 THCH\$
Wages & salaries	23.805.870	23.542.007
Defined benefits	9.328.282	8.792.983
Severance payments	3.347.737	4.186.973
Other personnel expenses	1.647.210	1.438.924
TOTAL PERSONNEL EXPENSES	38.129.099	37.960.887

The detail of exchange differences is as follows:

EXCHANGE DIFFERENCES	CURRENCY	31-12-2011 THCH\$	31-12-2010 THCH\$
T. I. I. I. C. II.	eur	2.507	-690
Trade debtors & other accounts receivable	usd	-6.348	-76
Accounts receivable from related entities	eur	392	112
Other financial assets	usd	-15.990	77.741
	eur	-63	0
TOTAL ASSETS		-19.502	77.087
Trade creditors & other accounts payable	eur	-5.239	4.202
	usd	2.069	-12.441
Accounts payable to related entities	eur	76	0
Other financial liabilities	usd	14.522	-13.775
Other non-financial liabilities	usd	15.405	-78.703
TOTAL LIABILITIES		26.833	-100.717
GAIN (LOSS) FROM EXCHANGE DIFFERENCES		7.331	-23.630

22. OTHER EXPENSES BY NATURE

The detail of these is as follows:

OTHER EXPENSES BY NATURE	31-12-2011	31-12-2010
	THCH\$	THCH\$
Treatment plant operation	26.362.191	22.187.032
Basic supplies & services	9.077.328	8.318.760
Commercial services	17.202.272	16.476.730
Equipment maintenance & repairs	6.873.910	6.636.672
Insurance, licenses & municipal permits	4.495.338	3.860.193
Other expenses	7.288.610	6.142.397
TOTAL	71.299.649	63.621.784

23. CAPITALIZED FINANCING COSTS

The detail of capitalized financing costs as of December 31, 2011 and 2010 is as follows:

CAPITALIZED INTEREST COSTS

CAPITALIZED INTEREST COSTS, PROPERTY, PLANT & EQUIPMENT	31-12-2011	31-12-2010
Rate of capitalization of capitalized interest costs, property, plant & equipment	7,99%	7,58%
Amount of capitalized interest costs, property, plant & equipment	M\$ 4.518.261	M\$ 1.824.396

24. INCOME TAX AND DEFERRED TAXES

As established in IAS 12, the following shows the net position of deferred tax assets and liabilities, determined by each individual entity and shown in the statement of financial position adding each position.

	31-12-2011	31-12-2010
NET DEFERRED TAXES	J J	31 12 2013
	THCH\$	THCH\$
Deferred tax assets	249.422	221.638
Deferred tax liabilities	-34.186.391	-41.206.891
Net deferred taxes position	-33.936.969	-40.985.253

The net position shown originates from a variety of concepts constituting timing and permanent differences which at the consolidated level permit being shown under the following concepts.

DEFERRED TAX ASSETS

DEFENDED TAY ACCETS	31-12-2011	31-12-2010
DEFERRED TAX ASSETS	THCH\$	THCH\$
Water rights (amortization)	155.284	121.467
Provision doubtful debtors	5.240.881	4.914.826
Provision vacations	287.264	289.310
Litigation	564.464	526.362
Severance payments	935.404	833.913
Other provisions	114.117	236.314
Unearned income	59.623	41.521
Tax goodwill	11.387.799	11.500.104
Variation monetary correction & depreciation assets	13.638.184	11.520.130
Deferred income	4.092.306	1.732.743
La Dehesa dam transaction	198.115	191.870
Others	1.371.160	1.366.270
DEFERRED TAX ASSETS	38.044.601	33.274.830

DEFERRED TAX LIABILITIES

DEFERRED TAX LIABILITIES	31-12-2011	31-12-2010
	THCH\$	THCH\$
Depreciation fixed assets	14.741.263	15.575.275
Amortization	1.030.584	1.572.926
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	13.109.631	14.005.202
Others	11.050	17.638
DEFERRED TAX LIABILITIES	71.981.570	74.260.083
NET DEFERRED TAXES POSITION	33.936.969	40.985.253
MOVEMENTS IN DEFERRED TAX LIABILITIES		
Deferred tax liabilities, initial balance	74.260.083	76.579.980
Increases (decreases) in deferred tax liabilities	-2.054.620	-1.424.326
Acquisitions through combinations of business	-223.893	-895.571
CHANGES IN DEFERRED TAX LIABILITIES	-2.278.513	-2.319.897
CHANGES IN DEFERRED TAX LIABILITIES, TOTAL	71.981.570	74.260.083
	· · · · · · · · · · · · · · · · · · ·	

Due to the legal modification approved in 2010 referring to temporary change in the tax rate applicable to companies, the reversal of the timing differences for deferred taxes of the years 2011 and 2012 has been

calculated on the basis of the applicable rate for those years, 20% and 18.5% respectively, while reversals of the following years continue based on a rate of 17%.

Reconciliation of tax charge using the legal tax rate and the charge using the effective rate

	31-12-2011	31-12-2010
CHARGE (CREDIT) FOR INCOME TAX FOR CURRENT & DEFERRED PARTS	THCH\$	THCH\$
CURRENT CHARGE FOR INCOME TAX		
Charge for current taxes	31.225.336	23.314.963
Adjustment tax charge previous year	1.203.090	-10.902
CURRENT CHARGE FOR INCOME TAX, NET, TOTAL	32.428.426	23.304.061
Deferred charge (credit) for taxes relating to the creation & reversal of timing differences	-7.048.282	-4.063.707
Other charge for deferred taxes	307.375	36.331
CHARGE FOR DEFERRED TAXES, NET, TOTAL	-6.740.907	-4.027.376
CHARGE (CREDIT) FOR INCOME TAX	25.687.519	19.276.685

Numeric reconciliation between the (charge) credit for tax and the result of multiplying the accounting gain by the applicable tax rate(s)

	31-12-2011 THCH\$	31-12-2010
		THCH\$
TAX CHARGE USING LEGAL RATE	27.570.836	21.118.927
Permanent difference for monetary correction tax equity	3.156.431	1.505.988
Other permanent differences	-1.273.114	336.254
ADJUSTMENTS TO TAX CHARGE USING THE LEGAL RATE, TOTAL	1.883.317	1.842.242
TAX CHARGE USING THE EFFECTIVE RATE	25.687.519	19.276.685

RECONCILIATION OF THE LEGAL RATE WITH THE EFFECTIVE TAX RATE

Numeric reconciliation between the average effective rate and the applicable tax rate, specifying how the applicable rate used was calculated

	31-12-2011	31-12-2010
LEGAL TAX RATE	20,00%	17,00%
Permanent difference for monetary correction tax equity	-2,29%	-1,21%
Other permanent differences	0,92%	-0,27%
EFFECTIVE TAX RATE	18,63%	15,52%

25. EARNINGS PER SHARE

Basic earnings per share are calculated as the earnings (losses) for the period attributed to holders of equity instruments of the controller divided by the weighted average number of common shares in circulation during the period.

	31-12-2011	31-12-2010
Earnings (loss) attributable to holders of equity instruments of the controller	ThCh\$ 111.479.263	ThCh\$ 103.849.578
Results available to common shareholders, basic	ThCh\$ 111.479.263	ThCh\$ 103.849.578
Average weighted number of shares, basic	6.118.965.160	6.118.965.160
Earnings per share (in pesos)	18,21	16,97

DILUTED EARNINGS (LOSSES) PER SHARE

The Company has not carried out any type of transaction with a potential diluting effect that supposes diluted earnings per share to be different from the basic earnings per share.

26. 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 (water).
- Operations unrelated to the water business (non-water).

TYPES OF PRODUCTS AND SERVICES THAT PROVIDE THE ORDINARY REVENUES OF 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 the subsidiaries 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, liquid 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., Gestión y Servicios S.A. and Aguas del Maipo S.A

GENERAL INFORMATION ON RESULTS, ASSETS, LIABILITIES AND EQUITY

	31-12-2011			31-12-2010
GENERAL INFORMATION ON RESULTS.	WATER	NON-WATER	WATER	NON-WATER
	THCH\$	THCH\$	THCH\$	THCH\$
Proceeds of ordinary activities from external customers, total	344.772.399	18.960.725	307.640.913	21.323.101
Proceeds of ordinary activities between segments, total	744.185	3.246.690	678.109	2.797.734
Gastos de la operación	-122.195.610	-18.960.217	-113.065.785	-16.801.619
Depreciation & amortization	-53.192.874	-412.603	-52.634.591	-377.337
Other revenue & expenses	2.866.319	-2.896	3.803.060	-784
Financial income	6.329.306	245.046	4.087.596	187.069
Financial expense	-25.667.259	-71.752	-22.693.004	-51.189
Result od indexation adjustments & exchange differences	-19.114.518	39.527	-10.870.772	-19.147
Charge for income tax	-25.151.021	-536.498	-18.630.925	-645.760
Earnings by segment	109.390.927	2.508.022	98.314.601	6.412.068
EARNINGS OF SEGMENT ATTRIBUTABLE TO OWNERS OF THE CONTROLLER	108.703.528	2.508.022	97.211.880	6.412.068
Earnings of segment attributable to non-controller participations	687.399	0	1.102.721	0
		31-12-2011		31-12-2010
GENERAL INFORMATION ON ASSETS & LIABILITIES	WATER	NON-WATER	WATER	NON-WATER
	THCH\$	THCH\$	THCH\$	THCH\$
Current assets	74.528.552	12.193.047	66.669.934	19.925.285
Non-current assets	1.384.001.461	3.350.955	1.294.541.841	3.373.864
TOTAL ASSETS	1.458.530.013	15.544.002	1.361.211.775	23.299.149
Current liabilities	197.924.797	4.039.243	99.371.171	4.685.584
Non-current liabilities	593.048.155	0	606.822.390	0
Equity attributable to owners of the controller	602.583.216	11.504.759	588.974.561	18.613.565
Non-controller participations	64.973.845	0	66.043.653	0
TOTAL EQUITY & LIABILITIES	1.458.530.013	15.544.002	1.361.211.775	23.299.149
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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 for depreciation, personnel and other sundry expenses including outsourced services.

Revenues

Our revenues are mainly generated by the regulated services we provide related 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, sewer use and sewage treatment. It is also possible to identify revenues from the sale of fixed assets.

Tariffs

The most important factor determining the results of our operations and financial position are the tariffs set for our regulated sales and services. Having a natural monopoly, 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 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, Aguas Cordillera and Aguas Manquehue respectively for the period 2010–2015.

Essal concluded its tariff negotiations in 2011 covering the five-year period 2011 - 2016. These were approved by Decree No.116 of August 31, 2011.

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 liquid-waste treatment plants, and sewage services and analysis.

SIGNIFICANT EXPENSE ITEMS

Water segment

The significant expense items are mainly those related to remuneration, electricity, sewage treatment-plant operation, depreciation of assets, interest expenses and charge for income tax.

Non-water segment

The significant items of expenses are mainly those related to remuneration, the cost of materials for sale and charge for income tax.

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 as 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 assignment criteria.

RECONCILIATION OF REVENUES FROM ORDINARY ACTIVITIES	31-12-2011	31-12-2010
	THCH\$	THCH\$
Reconciliation of ordinary revenues of the segments	367.723.999	332.439.857
Elimination of ordinary activities between segments	-3.990.875	-3.475.843
REVENUES FROM ORDINARY ACTIVITIES, TOTAL	363.733.124	328.964.014
RECONCILIATION OF EARNINGS		
Consolidation total earnings (loss) of segments	111.211.550	103.623.948
Consolidation of elimination of earnings (losses) between segments	267.713	225.630
CONSOLIDATION OF EARNINGS (LOSS)	111.479.263	103.849.578
RECONCILIATION OF ASSETS, LIABILITIES & EQUITY OF THE SEGMENTS		
RECONCILIATION OF ASSETS		
Consolidation total assets of the segments	1.474.074.015	1.384.510.924
Elimination of accounts between segments	-4.078.339	-11.124.734
TOTAL ASSETS	1.469.995.676	1.373.386.190
RECONCILIATION OF LIABILITIES		
Consolidation total liabilities of segments	795.012.195	710.879.145
Elimination of accounts between segments	-4.078.339	-11.124.734
TOTAL LIABILITIES	790.933.856	699.754.411
RECONCILIATION OF EQUITY		
Consolidation total equities of the segments	614.087.975	607.588.126
EQUITY ATTRIBUTABLE TO OWNERSD OF THE CONTROLLER	614.087.975	607.588.126

INFORMATION ON THE ENTITY AS A WHOLE

Information on the principal customers:

Principal water and sewage customers:

- -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
- -llustre Municipalidad de Santiago
- -Industrial Ochagavía Ltda
- -Pontificia Universidad Católica de Chile
- -Soc. Concecionaria Autopista Central S.A
- -Soprole S.A
- -Universidad de Chile
- Principal non-sanitation segment customers:
- -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

- 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. and 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.).
- Energy projects (Aguas del Maipo S.A.).

27. THE ENVIRONMENT

INFORMATION ON DISBURSEMENTS RELATED TO THE ENVIRONMENT:

The following disbursements related to the environment are reported in accordance with SVS Circular 1901 of October 30, 2008:

THE FOLLOWING IS DETAILED INFORMATION ON DISBURSEMENTS RELATED TO THE ENVIRONMENT:

Matriz Aguas Andinas

DDG IFCT	31-12-2011	31-12-2010
PROJECT	THCH\$	THCH\$
Expansion & improvements PEAS	0	48.106
Expansion & improvements Buin Maipo PTAS (sewage treatment plant)	42.934	6.865
Expansion & improvement El Monte PTAS	326.054	825.844
Expansion & improvements Greater Santiago PTAS	59.994.594	8.399.723
Expansion & improvements Melipilla PTAS	5.502	15.309
Expansion & improvements Isla de Maipo PTAS	15.100	5.029
Expansion & improvements San José de Maipo PTAS	15.959	1.144
Expansion & improvements other localities PTAS	4.322	135
Expansion & improvements Paine PTAS	263.778	19.710
Expansion & improvements Pomaire PTAS	313.874	34.043
Expansion & improvements Talagante PTAS	150.611	75.713
Farfana - Trebal trunk sewer	16.920.445	4.085.009
Clean Urban Mapocho trunk sewer	137.059	15.212.503
Improvemernt & renovation equipment & installations	474.722	365.624
TOTAL	78.664.954	29.094.757

Aguas Manquehue

PROJECT	31-12-2011 THCH\$	31-12-2010 THCH\$
North zone sewer	63.245	1.686.570
Improvemernt & renovation equipment & installations	37.295	16.335
PTAS improvements	3.502	61.474
TOTAL	104.042	1.764.379

Gestión y Servicios

PROJECT	31-12-2011 THCH\$	31-12-2010 THCH\$
Biogas purification plant	0	31.003
TOTAL	0	31.003

ESSAL

-12-2011	31-12-2010
THCH\$	THCH\$
215.621	270.246
209.613	207.002
0	411.190
48.026	108.088
473.260	996.526
	THCH\$ 215.621 209.613 0 48.026

Projected investment in the environment for 2012:

COMPANY	THCH\$
Aguas Andinas S.A.	38.056.221
Aguas Manquehue S.A.	13.565
Essal S.A.	568.500
TOTAL	38.638.286

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.

FIXED OR ESTIMATED DATE ON WHICH FUTURE DISBURSEMENTS WILL BE MADE, DISBURSEMENTS IN THE PERIOD:

The projected disbursements are estimated to be made during 2012.

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.

28. EVENTS OCCURRING AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

On January 12, 2012, the subsidiary Aguas Andinas S.A. successfully placed corporate bonds for a total of UF 1,650,000. The issue comprised one series: the Series Q, for a total of UF 1.65 million, structured as a 20.5 year bullet, which was placed at a rate of 3.92%, with a total demand of UF 4.6 million which meant demand of 2.8 times the offer, and a spread of 115 basis points over the reference rate. Aguas Andinas S.A. used the proceeds for finance its investment plan.

As at the date of issue of these consolidated financial statements, the management of the Company and subsidiaries are unaware of other important events.



ANÁLISIS AMBIENTALES S.A.

GENERAL INFORMATION

Name: Análisis Ambientales S.A.

Kind of entity: Closely-held corporation

Address: Avda. Presidente Balmaceda N° 1398, Santiago

Telephone: (56-2) 569 22 30

Fax: (56-2) 569 22 97

Tax No.: 96.828.120-8

Subscribed and paid capital:ThCh\$ 262.456

External auditors: Ernst & Young

Tax number: 77.802.430-6

Cornorate Objects

The urbanization, purchase and sale of sanitation materials, sale of biogas, construction and advice in specialist works.

Constitution Documents

The company was constituted with the name Aguas del Maipo S.A. by public deed dated June 6, 1997 signed before the Santiago notary Patricio Zaldivar Mackenna. The bylaws were later 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: Felipe Larraín Aspillaga (Presidente de Aguas Andinas S.A.)

Directors: Xavier Amorós Corbella (Director en Aguas Andinas S.A. Lionel Quezada Miranda

General Manager: Juan Jose Gross Rudloff

Parent's percentage participation: 99,00%

Investment as percentage of parent's assets:

The investment in the company represents 0.25%

Business Relations with the Parent

During 2011, the Company had service contracts for the purchase and sale of materials, the renewal of sewers, purchase of biogas and property rental with the parent. It is expected to maintain similar commercial relations in the future.

2. BASES OF PREPARATION AND ACCOUNTING POLICIES

2.1 PREPARATION

These financial statements relate to the statements of financial position as of December 31, 2011 and 2010 and of the comprehensive results of its operations, changes in equity and cash flows for the years then ended.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and represent the full, explicit and unreserved application of the IFRS, as established in Circulars 1,924 of April 24, 2009, Circulars 555 and 556 of December 3, 2009 and Circular 473 of September 25, 2008 of the Superintendency of Securities and Insurance (SVS).

These financial statements contain only the statements of financial position, comprehensive results, changes in equity and cash flows, plus this note of accounting criteria in accordance with Circular 555 of the SVS. They do not therefore contain all the information requirements and disclosures required by IFRS.

The Company complies with all the legal conditions of the environment in which it carries on its business. The Company operates normally in each area of its 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 financial statements are shown in the currency of the principal economic environment in which the company operates (functional currency). For the purposes of the financial statements, the results and financial position are

shown in Chilean pesos, which is the functional currency of the Company and the presentational currency for the financial statements.

New accounting pronouncements

a) The following new standards and interpretations have been adopted in these financial statements:

Their adoption has had no significant effect on the figures reported in these financial statements, but they could affect the booking of future transactions or agreements.

IFRS AMENDMENTS	DATE OF OBLIGATORY APPLICATION
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 IFRS May 2010 - collection of amendments to seven IFRS	Annual periods starting on or after January 1, 2011

b) The following new regulations and interpretations have been issued but their date of application has still not become effective:

NEW AND AMENDMENTS	DATE OF OBLIGATORY APPLICATION
IAS 12, Icome tax	Annual periods starting on or after January 1, 2012
IFRS 9, Financial assets	Annual periods starting on or after January 1, 2013
IFRS 10, Consolidated financial statements	Annual periods starting on or after January 1, 2013
IFRS 11, Joint agreements	Annual periods starting on or after January 1, 2013
IFRS 12 Disclosures of participations in other entities	Annual periods starting on or after January 1, 2013
IFRS 13 Measurements at fair value	Annual periods starting on or after January 1, 2013
IAS 1 Presentation of financial statements – Presentation of other comprehensive results	Annual periods starting on or after July 1, 2012
IAS 19 Employee benefits	Annual periods starting on or after January 1, 2013
NIC 19 Beneficios a los empleados	Períodos anuales iniciados en o después del 01 de enero 2013



The Company's management is analyzing the eventual impact of the above amendments and interpretations on the respective 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, except for the information and disclosure requirements of IFRS, as indicated in 2.1 above. The board approved these financial statements at its meeting held on February 24, 2012.

The financial statements of Análisis Ambientales S.A. for the year 2010 were approved by the board at its meeting held on January 24, 2011.

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

- Useful lives of property, plant and equipment and intangible assets
- Impairment losses of assets
- 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 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 financial statements.

2.2 ACCOUNTING POLICIES

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

A. 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 the booking and measurement shall be the cost method.

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. Method of amortization for intangible assets:

Intangible assets with defined useful life

The amortization method employed by the Company reflects the level to which future economic benefits of the asset are expected to be 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.

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.



B. PROPERTY, PLANT AND EQUIPMENT

The Company follows the cost method for valuing the property, plant and equipment. 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 Company and the cost of the element can be determined reliably. The value of the component substituted is written off in the books. Other repairs and maintenance are charged to results in the period in which they are incurred.

Method of depreciation for property, plant and equipment:

The depreciation method employed by the Company reflects the extent to which economic benefits generated by asset are used by the entity during the period in which these generate economic benefits. 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.

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 of assets is carried out on the basis of various factors, including the nature of the equipment. These factors generally include:

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

The range of useful lives (in years) by type of asset is as follows:

ITEM	USEFUL LIFE (YEARS) MINIMUM	USEFUL LIFE (YEARS) MAXIMUM
Plant & equipment	5	50
Computer equipment	4	4
Fixed installations & accessories	5	80
Motor vehicles	7	7

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

Due to the nature of the assets built in the Company, and as there are no contractual obligations or other requirements 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.

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

Due to the nature of the assets built in the Company, and as there are no contractual obligations or other requirements 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.

C.IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCEPT GOODWILL

The Company 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 this 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 Company estimates the fair value of the cash-generating unit to which this asset belongs.

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 risks 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.

D. LEASES

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 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.

The Company does not currently have financial leases at the end of the year.

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.

iii. Implicit leases

The Company revises its contracts to verify the possible existence of implicit leases, as required by CFRS 4.

E. FINANCIAL ASSETS

Acquisitions and disposals of financial instruments are booked on the date of trading, i.e. the date on which the Company 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 Company 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.

The Company invests in low-risk instruments that meet the classification standards established in its 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 or liability and of the assignment of interest income or expense 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 makes 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, and the information on such group is provided internally on
 that basis, or
- It is an implicit derivative that has to be separated from its original contract, according to IAS 39.

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 the date of these financial statements, the Company has no financial assets at fair value with changes in results.

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 are non-derivative financial assets which have fixed or determinable payments and which are not traded on an active market and 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, except for short-term accounts receivable where the booking of interest would be immaterial. Interest income is booked by application of the effective interest rate method.

TRADE DEBTORS AND OTHER ACCOUNTS RECEIVABLE

Trade debtors and other accounts receivable are booked initially at fair value, and then net of estimates of doubtful accounts.

POLICY WITH RESPECT TO IMPAIRMENT OF TRADE DEBTORS AND OTHER ACCOUNTS RECEIVABLE

The Company evaluates periodically impairments affecting its financial assets. The amount of the provision 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 provision 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 provisions for accounts receivable.

Estimates are based on the ageing of the debts and their historical recovery, as follows:

Customers with debts overdue more than 120 days and notes receivable carry a provision of 100% of the debt.

v. Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments that do not qualify to be classified in the previous three categories. These are booked at fair value. Losses 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 Company has no financial assets available for sale.

F. FOREIGN CURRENCY TRANSACTIONS

The assets and liabilities in foreign currency are shown at their respective exchange rates at the close of each year, as follows:

CURRENCY	31-12-2011 CH\$	31-12-2010 CH\$
US dollar	519,20	468,01
Euro	672,97	621,53

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.

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

G. FINANCIAL LIABILITIES

Loans 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.H. Provisions and contingent liabilities

The Company makes a provision when there is a present obligation as a consequence of past events whose settlement will probably involve a cash outflow for an amount and for which a reasonable estimate of the amount can be made.

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. In accordance with IFRS, the Company makes no provision for these concepts.

I. EMPLOYEE BENEFITS

As of December 31, 2011, the Company has 136 employees including 3 senior executives, 51 professionals and 82 workers and staff.

Policy regarding defined benefit plans

The employees of Análisis Ambientales S.A. are covered by the provisions of articles 159, 160 and 161 of the Labor Code, therefore no provision for severance payments is made.

J. 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 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.

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, and that these are related to the same tax authority.

K. 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 ordinary revenues for sales of services

Revenue from sales of services is measured at fair value. Invoicing 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 the risks are transferred to the buyer, recovery is considered probable, and the associated costs and possible discounts for mistaken collections can be estimated reliably.

Policy for booking of ordinary revenues for sales of goods

In the event of the sale of any element of property, plant and equipment, the gain should be booked when its value can be measured reliably.

L. 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 Análisis Ambientales S.A.

These assets are valued at cost, like any other asset.

The Company amortizes these elements on a straight-line basis as a function of the estimated remaining years of useful life of the different elements.

M. STATEMENT OF CASH FLOWS

The following expressions are used in the cash flow statement, with following meanings:

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, 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.



ANÁLISIS AMBIENTALES S.A.

STATEMENT OF FINANCIAL POSITION	2011 THCH\$	2010 THCH\$
ASSETS	Inch	ПСПф
Current assets	2.283.730	3.888.774
Non-current assets	1.385.679	1.358.229
TOTAL ASSETS	3.669.409	5.247.003
LIABILITIES		
Current liabilities	484.559	340.877
Non-current liabilities		- 0
Equity	3.184.850	4.906.126
TOTAL LIABILITIES & EQUITY	3.669.409	5.247.003
STATEMENT OF COMPREHENSIVE RESULTS	2011 THCH\$	2010 THCH\$
Ordinary revenue	4.543.200	4.288.034
Cost of sales	(3.282.330)	(3.109.094)
Financial result	76.857	38.436
Other non-operating	584	1.668
Income tax	(246.725)	(184.240)
EARNINGS FOR THE YEAR	1.091.586	1.034.804
STATEMENT OF CASH FLOWS	2011 THCH\$	2010 THCH\$
Net cash flow from operating activities	1.193.057	880.334
Net cash flow from investment activities	1.565.010	(2.847.706)
Net cash flow from financing activities	(2.812.861)	- 0
Net increase (decrease) in cash & cash equivalents	(54.795)	(1.967.372)
Initial balance of cash & cash equivalents	56.169	2.023.541
CLOSING BALANCE OF CASH & CASH EQUIVALENTS	1.374	56.169



ANÁLISIS AMBIENTALES S.A.

Statement of Changes in Equity
As of December 31, 2011 and 2010

	ISSUED CAPITAL	OTHER EQUITY PARTICIPATIONS	ACCUMULATED (LOSSES) EARNINGS	EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER	NON-CONTROLLER PARTICIPATIONS	TOTAL EQUITY
	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
Initial balance as of 01/01/2013	262.456	(21.449)	4.665.119	4.906.126	-	4.906.126
Restated initial balance	262.456	(21.449)	4.665.119	4.906.126	-	4.906.126
Earnings			1.091.586	1.091.586	-	1.091.586
Dividends			(2.812.862)	(2.812.862)		(2.812.862)
Total equity changes			(1.721.276)	(1.721.276)	-	(1.721.276)
CLOSING BALANCE AS OF 31/12/2011	262.456	(21.449)	2.943.843	3.184.850	-	3.184.850
Initial balance as of 01/01/2010	262.456	(21.449)	3.630.315	3.871.322	-	3.871.322
Restated initial balance	262.456	(21.449)	3.630.315	3.871.322	-	3.871.322
Earnings		•	1.034.804	1.034.804	-	1.034.804
Total equity changes			1.034.804	1.034.804	-	1.034.804
CLOSING BALANCE AS OF 31/12/2010	262.456	(21.449)	4.665.119	4.906.126	-	4.906.126
					*	

ECORILES S.A.

GENERAL INFORMATION

Name: Ecoriles S.A

Kind of entity: Closely-held corporation, governed by its constitution bylaws and applicable legal provisions

Address: Avda. Presidente Balmaceda Nº 1398, Santiago

Telephone: (56-2) 569 22 29

Fax: (56-2) 569 22 44

Tax No.: 96.828.120-8

Subscribed and paid capital: ThCh\$ 333,787

External auditors: Ernst & Young

Tax number : 77.802.430-6

Corporate Objects

The treatment of liquid waste and all activities associated with or linked to sewage and waste-water treatment, through the provision of technical advice and development of training, design, construction, commercialization, equipment, maintenance and operating services of all kinds of installations.

Constitution Documents

Ecoriles S. A. was constituted by public deed dated December 15, 2000 signed before the notary Juan Ricardo San Martín Urrejola, and its abstract was published in the Official Gazette on January 16, 2001.

Board of Directors

Chairman: Felipe Larraín Aspillaga (Presidente de Aguas Andinas S.A.)

Directors: Xavier Amorós Corbella (Director en Aguas Andinas S.A. Lionel Quezada Miranda

General Manager: Juan Jose Gross Rudloff

Parent's percentage participation: 99,03846%

Investment as percentage of parent's assets:

The investment in the company represents 0.23%

Business Relations with the Parent

During 2011, the Company had service contracts for the treatment of excess of load and property rental. It is expected to maintain similar commercial relations in the future.

2. BASES OF PREPARATION AND ACCOUNTING POLICIES

2.1 PREPARATION

These financial statements relate to the statements of financial position as of December 31, 2011 and 2010 and of the comprehensive results of its operations, changes in equity and cash flows for the years then ended.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and represent the full, explicit and unreserved application of the IFRS, as established in Circulars 1,924 of April 24, 2009, Circulars 555 and 556 of December 3, 2009 and Circular 473 of September 25, 2008 of the Superintendency of Securities and Insurance (SVS).

These financial statements contain only the statements of financial position, comprehensive results, changes in equity and cash flows, plus this note of accounting criteria in accordance with Circular 555 of the SVS. They do not therefore contain all the information requirements and disclosures required by IFRS.

The Company complies with all the legal conditions of the environment in which it carries on its business. The Company operates normally in each area of its 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 financial statements are shown in the currency of the principal economic environment in which the Company operates (functional currency). For the purposes of the financial statements, the results and financial position are

shown in Chilean pesos, which is the functional currency of the Company and the presentational currency for the financial statements.

New accounting pronouncements

a) The following new standards and interpretations have been adopted in these financial statements:

Their adoption has had no significant effect on the figures reported in these financial statements, but they could affect the booking of future transactions or agreements.

IFRS AMENDMENTS	DATE OF OBLIGATORY APPLICATION	
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 IFRS May 2010 – collection of amendments to seven IFRS	Annual periods starting on or after January 1, 2011	

b) The following new regulations and interpretations have been issued but their date of application has still not become effective:

NEW AND AMENDMENTS	DATE OF OBLIGATORY APPLICATION
IAS 12, Icome tax	Annual periods starting on or after January 1, 2012
IFRS 9, Financial assets	Annual periods starting on or after January 1, 2013
IFRS 10, Consolidated financial statements	Annual periods starting on or after January 1, 2013
IFRS 11, Joint agreements	Annual periods starting on or after January 1, 2013
IFRS 12 Disclosures of participations in other entities	Annual periods starting on or after January 1, 2013
IFRS 13 Measurements at fair value	Annual periods starting on or after January 1, 2013
IAS 1 Presentation of financial statements – Presentation of other comprehensive results	Annual periods starting on or after July 1, 2012
IAS 19 Employee benefits	Annual periods starting on or after January 1, 2013

The Company's management is analyzing the eventual impact of the above amendments and interpretations on the respective 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, except for the information and disclosure requirements of IFRS, as indicated in 2.1 above. The board approved these financial statements at its meeting held on February 24, 2012.

The financial statements of Análisis Ambientales S.A. for the year 2010 were approved by the board at its meeting held on January 24, 2011.

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

- Useful lives of property, plant and equipment and intangible assets
- Impairment losses of assets
- 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 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 financial statements.

2.2 ACCOUNTING POLICIES

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

A. 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 the booking and measurement shall be the cost method.

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 thereafter.

ii. Method of amortization for intangible assets:

Intangible assets with defined useful life

The amortization method employed by the Company reflects the level to which future economic benefits of the asset are expected to be 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.

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.

B. PROPERTY, PLANT AND EQUIPMENT

The Company follows the cost method for valuing the property, plant and equipment. 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 Company and the cost of the element can be determined reliably. The value of the component substituted is written off in the books. Other repairs and maintenance are charged to results in the period in which they are incurred.

Method of depreciation for property, plant and equipment:

The depreciation method employed by the Company reflects the extent to which economic benefits generated by asset are used by the entity during the period in which these generate economic benefits. 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.

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 of assets is carried out on the basis of various factors, including the nature of the equipment. These factors generally include:

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

The range of useful lives (in years) by type of asset is as follows:

ITEM	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

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

Due to the nature of the assets built in the Company, and as there are no contractual obligations or other requirements 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.

C.IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCEPT GOODWILL

The Company 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 this 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 Company estimates the fair value of the cash-generating unit to which this asset belongs.

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 risks 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.

D. LEASES

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 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.

Assets sold under financial leases are booked initially in the statement of position and are shown as a receivable for an amount equal to the net investment in the leased asset. In this operation, all the risks are transferred by the lessor and therefore the successive installments receivable are considered as revenue in each period.

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.

The Company does not currently have financial leases at the end of the year.

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.

iii. Implicit leases

The Company revises its contracts to verify the possible existence of implicit leases.

E. FINANCIAL ASSETS

Acquisitions and disposals of financial instruments are booked on the date of trading, i.e. the date on which the Company 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 Company 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.

The Company invests in low-risk instruments that meet the classification standards established in its 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 or liability and of the assignment of interest income or expense 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 makes 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, and the information on such group is provided internally on that basis, or
- It is an implicit derivative that has to be separated from its original contract, according to IAS 39.

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 the date of these financial statements, the Company has no financial assets at fair value with changes in results.

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.

As of the date of these financial statements, the Company has no financial assets in this category.

iv. Loans and accounts receivable

Trade debtors, loans and other accounts receivable are non-derivative financial assets which have fixed or determinable payments and which are not traded on an active market and 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, except for short-term accounts receivable where the booking of interest would be immaterial. Interest income is booked by application of the effective interest rate method.

TRADE DEBTORS AND OTHER ACCOUNTS RECEIVABLE

Trade debtors and other accounts receivable are booked initially at fair value, and then net of estimates of doubtful accounts.

The trade debtors policy is subject to the credit policy which establishes the payment conditions and all other scenarios for reaching agreements with overdue customers.

POLICY WITH RESPECT TO IMPAIRMENT OF TRADE DEBTORS AND OTHER ACCOUNTS RECEIVABLE

The Company evaluates periodically impairments affecting its financial assets. The amount of the provision 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 provision 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 provisions for accounts receivable.

Estimates are based on the ageing of the debts and their historical recovery, as follows:

Customers with debts overdue more than 120 days and notes receivable carry a provision of 100% of the debt.

v. Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments that do not qualify to be classified in the previous three categories. These are booked at fair value. Losses 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 Company has no financial assets available for sale.

F. FOREIGN CURRENCY TRANSACTIONS

The assets and liabilities in foreign currency are shown at their respective exchange rates at the close of each year, as follows:

CURRENCY	31-12-2011 CH\$	31-12-2010 CH\$
US dollar	519,20	468,01
Euro	672,97	621,53

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.

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

G. FINANCIAL LIABILITIES

Loans 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.H. Provisions and contingent liabilities

The Company makes a provision when there is a present obligation as a consequence of past events whose settlement will probably involve a cash outflow for an amount and for which a reasonable estimate of the amount can be made.

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. In accordance with IFRS, the Company makes no provision for these concepts.

I. EMPLOYEE BENEFITS

As of December 31, 2011, the Company has 136 employees including 3 senior executives, 51 professionals and 82 workers and staff.

Policy regarding defined benefit plans

The employees of Análisis Ambientales S.A. are covered by the provisions of articles 159, 160 and 161 of the Labor Code, therefore no provision for severance payments is made.

J. 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 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.

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, and that these are related to the same tax authority.

K. 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 ordinary revenues for sales of services

Revenue from sales of services is measured at fair value. Invoicing 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 the risks are transferred to the buyer, recovery is considered probable, and the associated costs and possible discounts for mistaken collections can be estimated reliably. In the event of the sale of any element of property, plant and equipment, the gain should be booked when its value can be measured reliably.

L. 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 Ecoriles S.A.

These assets are valued at cost, like any other asset.

The Company amortizes these elements on a straight-line basis as a function of the estimated remaining years of useful life of the different elements.

M. STATEMENT OF CASH FLOWS

The following expressions are used in the cash flow statement, with following meanings:

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, 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.

ECORILES S.A.

STATEMENT OF FINANCIAL POSITION	2011 THCH\$	2010 THCH\$
ASSETS	THEIR	Then
Current assets	4.166.662	9.376.986
Non-current assets	193.088	169.664
TOTAL ASSETS	4.359.750	9.546.650
LIABILITIES		
Current liabilities	1.409.571	1.201.190
Equity	2.950.179	8.345.460
TOTAL LIABILITIES & EQUITY	4.359.750	9.546.650
STATEMENT OF COMPREHENSIVE RESULTS	2011 THCH\$	2010 THCH\$
Ordinary revenue	9.683.463	8.396.784
Cost of sales	(8.121.390)	(6.641.344)
Financial result	164.216	117.065
Other non-operating	10.688	2.669
Income tax	(328.165)	(287.386)
EARNINGS FOR THE YEAR	1.408.812	1.587.788
STATEMENT OF CASH FLOWS	2011 THCH\$	2010 THCH\$
Net cash flow from operating activities	1.442.761	1.193.172
Net cash flow from investment activities	3.202.322	(4.787.639)
Net cash flow from financing activities	(6.804.092)	0
Net increase (decrease) in cash & cash equivalents	(2.159.009)	(3.594.467)
Initial balance of cash & cash equivalents	2.260.278	5.854.745
CLOSING BALANCE OF CASH & CASH EQUIVALENTS	101.269	2.260.278



ECORILES S.A.

Statement of Changes in Equity
As of December 31, 2011 and 2010

	ISSUED CAPITAL	OTHER EQUITY	ACCUMULATED	EQUITY ATTRIBUTABLE	NON-CONTROLLER	TOTAL EQUITY
		PARTICIPATIONS	(LOSSES) EARNINGS	TO OWNERS OF THE CONTROLLER	PARTICIPATIONS	
	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
Initial balance as of 01/01/2011	333.787	(27.279)	8.038.952	8.345.460	-	8.345.460
Restated initial balance	333.787	(27.279)	8.038.952	8.345.460	-	8.345.460
Earnings			1.408.811	1.408.811	-	1.408.811
Dividends			(6.804.092)	(6.804.092)		(6.804.092)
Total equity changes			(5.395.281)	(5.395.281)	-	(5.395.281)
CLOSING BALANCE AS OF 31/12/2011	333.787	(27.279)	2.643.671	2.950.179	-	2.950.179
Initial balance as of 01/01/2010	333.787	(27.279)	6.451.164	6.757.672	-	6.757.672
Restated initial balance	333.787	(27.279)	6.451.164	6.757.672	-	6.757.672
Earnings			1.587.788	1.587.788	-	1.587.788
Total equity changes			1.587.788	1.587.788	-	1.587.788
CLOSING BALANCE AS OF 31/12/2010	333.787	(27.279)	8.038.952	8.345.460	-	8.345.460

GESTION Y SERVICIOS S.A.

GENERAL INFORMATION

Name: Gestión y Servicios S.A.

Kind of entity: Closely-held corporation

Address: Avda. Presidente Balmaceda N° 1398, Santiago

Telephone: (56-2) 569 23 42

Fax: (56-2) 569 23 98

Tax No.: 96.828.120-8

Subscribed and paid capital: ThCh\$ 710,194

External auditors: Ernst & Young

Tax number: 77.802.430-6

Corporate Object

The urbanization, purchase and sale of sanitation materials, sale of biogas, construction and advice in specialist works.

Constitution Documents

The company was constituted with the name Aguas del Maipo S.A. by public deed dated June 6, 1997 signed before the Santiago notary Patricio Zaldivar Mackenna. The bylaws were later 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: Felipe Larraín Aspillaga (Presidente de Aguas Andinas S.A.)

Directors: Xavier Amorós Corbella (Director en Aguas Andinas S.A.

Ivan Yarur Sairafi Lionel Quezada Miranda

Camilo Larraín Sánchez (Ejecutivo Principal en Aguas Andinas S.A.)

General Manager: Hernan Konig Besa (Ejecutivo Principal en Aguas Andinas S.A.)

Parent's percentage participation: 97,84783%

Investment as percentage of parent's assets:

The investment in the company represents 0.41%

Business Relations with the Parent

During 2011, the Company had service contracts for the purchase and sale of materials, the renewal of sewers, purchase of biogas and property rental with the parent. It is expected to maintain similar commercial relations in the future.

2. BASES OF PREPARATION AND ACCOUNTING POLICIES

2.1 PREPARATION

These financial statements relate to the statements of financial position as of December 31, 2011 and 2010 and of the comprehensive results of its operations, changes in equity and cash flows for the years then ended.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and represent the full, explicit and unreserved application of the IFRS, as established in Circulars 1,924 of April 24, 2009, Circulars 555 and 556 of December 3, 2009 and Circular 473 of September 25, 2008 of the Superintendency of Securities and Insurance (SVS).

These financial statements contain only the statements of financial position, comprehensive results, changes in equity and cash flows, plus this note of accounting criteria in accordance with Circular 555 of the SVS. They do not therefore contain all the information requirements and disclosures required by IFRS.

The Company complies with all the legal conditions of the environment in which it carries on its business. The Company operates normally in each area of its 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 financial statements are shown in the currency of the principal economic environment in which the Company operates (functional currency), in

accordance with IAS 21. The financial statements are shown in Chilean pesos, which is the Company's functional and presentational currency.

New accounting pronouncements

a) The following new standards and interpretations have been adopted in these financial statements. Their adoption has had no significant effect on

the figures reported in these financial statements, but they could affect the booking of future transactions or agreements.

IFRS AMENDMENTS	DATE OF OBLIGATORY APPLICATION
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 IFRS May 2010 – collection of amendments to seven IFRS	Annual periods starting on or after January 1, 2011

b) The following new regulations and interpretations have been issued but their date of application has still not become effective:

NEW AND AMENDMENTS	DATE OF OBLIGATORY APPLICATION
IAS 12, Icome tax	Annual periods starting on or after January 1, 2012
IFRS 9, Financial assets	Annual periods starting on or after January 1, 2013
IFRS 10, Consolidated financial statements	Annual periods starting on or after January 1, 2013
IFRS 11, Joint agreements	Annual periods starting on or after January 1, 2013
IFRS 12 Disclosures of participations in other entities	Annual periods starting on or after January 1, 2013
IFRS 13 Measurements at fair value	Annual periods starting on or after January 1, 2013
IAS 1 Presentation of financial statements – Presentation of other comprehensive results	Annual periods starting on or after July 1, 2012
IAS 19 Employee benefits	Annual periods starting on or after January 1, 2013

The Company's management is analyzing the eventual impact of the above amendments and interpretations on the respective 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, except for the information and disclosure requirements of IFRS, as indicated in 2.1 above. The board approved these financial statements at its meeting held on February 24, 2012.

The financial statements of Análisis Ambientales S.A. for the year 2010 were approved by the board at its meeting held on January 24, 2011.

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

- Useful lives of property, plant and equipment and intangible assets
- Impairment losses of assets
- 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 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 financial statements.

2.2 ACCOUNTING POLICIES

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

A. 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 the booking and measurement shall be the cost method.

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 thereafter.

ii. Method of amortization for intangible assets:

Intangible assets with defined useful life

The amortization method employed by the Company reflects the level to which future economic benefits of the asset are expected to be 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.

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.

B. PROPERTY, PLANT AND EQUIPMENT

The Company follows the cost method for valuing the property, plant and equipment. 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 Company and the cost of the element can be determined reliably. The value of the component substituted is written off in the books. Other repairs and maintenance are charged to results in the period in which they are incurred.



Method of depreciation for property, plant and equipment:

The depreciation method employed by the Company reflects the extent to which economic benefits generated by asset are used by the entity during the period in which these generate economic benefits. 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.

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 of assets is carried out on the basis of various factors, including the nature of the equipment. These factors generally include:

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

The range of useful lives (in years) by type of asset is as follows:

ITEM	USEFUL LIFE (YEARS) MINIMUM	USEFUL LIFE (YEARS) MAXIMUM
Plant & equipment	5	50
Computer equipment	4	4
Fixed installations & accessories	5	80
Motor vehicles	7	7

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

Due to the nature of the assets built in the Company, and as there are no contractual obligations or other requirements 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.

C.IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCEPT GOODWILL

The Company 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 this 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 Company estimates the fair value of the cash-generating unit to which this asset belongs.

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 risks 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.

D. LEASES

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 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.

The Company does not currently have financial leases at the end of the year.

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.

iii. Implicit leases

The Company revises its contracts to verify the possible existence of implicit leases.

E. FINANCIAL ASSETS

Acquisitions and disposals of financial instruments are booked on the date of trading, i.e. the date on which the Company 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 Company 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.

The Company invests in low-risk instruments that meet the classification standards established in its 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 or liability and of the assignment of interest income or expense 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 makes 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 is an implicit derivative that has to be separated from its original contract, according to IAS 39.

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 the date of these financial statements, the Company has no financial assets at fair value with changes in results.

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.

As of the date of these financial statements, the Company has no financial assets in this category.

iv. Loans and accounts receivable

Trade debtors, loans and other accounts receivable are non-derivative financial assets which have fixed or determinable payments and which are not traded on an active market and 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, except for short-term accounts receivable where the booking of interest would be immaterial. Interest income is booked by application of the effective interest rate method.

TRADE DEBTORS AND OTHER ACCOUNTS RECEIVABLE

Trade debtors and other accounts receivable are booked initially at fair value, and then net of estimates of doubtful accounts.

POLICY WITH RESPECT TO IMPAIRMENT OF TRADE DEBTORS AND OTHER ACCOUNTS RECEIVABLE

The Company evaluates periodically impairments affecting its financial assets. The amount of the provision 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 provision 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 provisions for accounts receivable.

Estimates are based on the ageing of the debts and their historical recovery, as follows:

Customers with debts overdue more than 120 days and notes receivable carry a provision of 100% of the debt.

v. Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments that do not qualify to be classified in the previous three categories. These are booked at fair value. Losses 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 Company has no financial assets available for sale.

F. INVENTORIES

Inventories are shown valued at cost which does not exceed the net realization value. The method is the weighted average cost method. Inventories with no turnover in 12 months are valued and their market value booked if less.

G. FOREIGN CURRENCY TRANSACTIONS

The assets and liabilities in foreign currency are shown at their respective exchange rates at the close of each year, as follows:

CURRENCY	31-12-2011 CH\$	31-12-2010 CH\$
US dollar	519,20	468,01
Euro	672,97	621,53

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.

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

H. FINANCIAL LIABILITIES

Loans 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 operations for which hedge contracts have been signed which are valued as described in the following section.

I. DERIVATIVE FINANCIAL INSTRUMENTS AND ACCOUNTING OF HEDGES

The employment of derivative financial instruments is governed by the Company's financial risk management policies, which establish the guidelines for their use.

The Company does not use derivative financial instruments for speculative purposes but exclusively as hedging instruments to eliminate or significantly reduce existing interest-rate 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.

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 in 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 Company uses assumptions based on market conditions on that date for their valuation.

Effectiveness. A hedge is considered to be highly effective when 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%.

Implicit derivative. The Company 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.

As at the date of these financial statements, the Company has no derivative financial instruments.

J. PROVISIONS AND CONTINGENT LIABILITIES

The Company makes a provision when there is a present obligation as a consequence of past events whose settlement will probably involve a cash outflow for an amount and for which a reasonable estimate of the amount can be made.

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. In accordance with IFRS, the Company makes no provision for these concepts.

K. EMPLOYEE BENEFITS

The Company has 25 employees including 2 senior executives and 13 professionals and 10 technicians, workers and staff.

Policy regarding defined benefit plans

The employees of Gestión y Servicios S.A. are covered by the provisions of articles 159, 160 and 161 of the Labor Code, therefore no provision for severance payments is made.

L. 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 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.

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 Company 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, and that these are related to the same tax authority.

M. 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 ordinary revenues for sales of goods

Ordinary revenue from sales of goods are booked once the risk and benefits atr transferred. For the Company, invoicing is made once the material is deliveredn. 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 the Company.

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

O. STATEMENT OF CASH FLOWS

The statement of cash flows is prepared in accordance with 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, 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.

GESTIÓN Y SERVICIOS S.A.

STATEMENT OF FINANCIAL POSITION	2011 THCH\$	2010 THCH\$
ASSETS		
Current assets	5.772.506	6.739.134
Non-current assets	1.772.187	1.845.971
TOTAL ASSETS	7.544.693	8.585.105
LIABILITIES		
Current liabilities	2.175.087	3.223.124
Equity	5.369.606	5.361.981
TOTAL LIABILITIES & EQUITY	7.544.693	8.585.105
STATEMENT OF COMPREHENSIVE RESULTS	2011 THCH\$	2010 THCH\$
Ordinary revenue	8.298.258	8.638.283
Cost of sales	(8.286.605)	(7.430.905)
Financial result	(67.779)	(19.621)
Other non-operating	25.359	(20.312)
Income tax	38.392	(174.134)
EARNINGS FOR THE YEAR	7.625	993.311
STATEMENT OF CASH FLOWS	2011 THCH\$	2010 THCH\$
Net cash flow from operating activities	(1.142.371)	(1.023.370)
Net cash flow from investment activities	309.576	(372.196)
Net cash flow from financing activities	469.000	0
Net increase (decrease) in cash & cash equivalents	(363.795)	(1.395.566)
Initial balance of cash & cash equivalents	366.428	1.761.994
CLOSING BALANCE OF CASH & CASH EQUIVALENTS	2.633	366.428



GESTIÓN Y SERVICIOS S.A.

Statement of Changes in Equity
As of December 31, 2011 and 2010

	ISSUED CAPITAL	OTHER EQUITY PARTICIPATIONS	ACCUMULATED (LOSSES) EARNINGS	EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER	NON-CONTROLLER PARTICIPATIONS	TOTAL EQUITY
	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
Initial balance as of 01/01/2011	710.194	(58.042)	4.709.829	5.361.981	-	5.361.981
Restated initial balance	710.194	(58.042)	4.709.829	5.361.981	-	5.361.981
Earnings			7.625	7.625	-	7.625
Total equity changes			7.625	7.625	-	7.625
CLOSING BALANCE AS OF 31/12/2011	710.194	(58.042)	4.717.454	5.369.606	-	5.369.606
Initial balance as of 01/01/2010	710.194	(58.042)	3.716.518	4.368.670	-	4.368.670
Restated initial balance	710.194	(58.042)	3.716.518	4.368.670	-	4.368.670
Earnings			993.311	993.311	-	993.311
Total equity changes			993.311	993.311	-	993.311
CLOSING BALANCE AS OF 31/12/2010	710.194	(58.042)	4.709.829	5.361.981	-	5.361.981
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INVERSIONES IBERAGUAS LTDA. Y FILIAL

GENERAL INFORMATION

Name: Inversiones Iberaguas Limitada

Type of entity: Sociedad de inversiones limitada sujeta a las disposiciones del Código Civil, Código de Comercio y Ley N° 3.918.

Legal domicile: Avda. Presidente Balmaceda Nº 1398, Santiago

Telephone: (56-2) 569 2382

Fax: (56-2) 569 2309

Tax No.: 96.897.320-7

PO Box: 1537 Santiago

Subscribed and paid capital: M\$ 49.090.900

External auditors: Ernst & Young

Tax number: 77.802.430-6

Corporate Objects

In accordance with the fourth clause of its bylaws, the investment and participation in sanitation service businesses, especially in companies whose objects are the provision of public utilities in 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 by public deed dated May 20, 1999 signed before the notary Aliro Veloso Muñoz. Its abstract was published in the Official Gazette on May 27, 1999 and registered in the Santiago Trade Register for 1999, folio 19,028 No.15,038. At a partners 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 July 10, 2008, Aguas Andinas S.A. and Aguas Cordillera S.A. acquired the partnership rights in Inversiones Iberaguas Ltda., with participations of 99.99998% and 0.000002% respectively. The deed was signed before the notary Raúl Undurraga Laso.

Management: Aguas Andinas S.A.

Authorized representatives: Felipe Larrain Aspillaga (Chief Executive of Aguas Andinas S.A.)

Iván Yarur Sairafi (Chairman of Inversiones Aguas Metropolitana S.A.)

Parent's percentage participation:: 99,99998% directa de Aguas Andinas S.A 0,000002% indirecta a través de Aguas Cordillera

Investment as percentage of parent's assets:

The investment in the company represents 5.8%

Business Relations with the Parent

During 2011, the Company had no commercial relations with the parent or its related companies.

2. BASES OF PREPARATION AND ACCOUNTING POLICIES

2.1 PREPARATION

These consolidated financial statements relate to the years 2011 and 2010, in accordance with Circular 1,924 of April 24, 2009, and Circulars 556 of December 3, 2009 and 658 of February 2, 2011 of the Superintendency of Securities and Insurance (SVS).

The Company and its subsidiary comply with all the legal conditions of the environment in which they carry on their businesses, particularly the regulations of the sanitation sector. Essal S.A. operates normally in each area of its 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 consolidated financial statements are shown using the currency of the principal economic environment in which the company operates (functional currency). For the purposes of the financial statements, the results and financial position are shown in Chilean pesos, which is the functional currency of the Company and the presentational currency for the financial statements.

New accounting pronouncements

a) The following new standards and interpretations have been adopted in these financial statements:

DATE OF OBLIGATORY APPLICATION
Annual periods starting on or after January 1, 2011
Annual periods starting on or after February 1, 2010
Annual periods starting on or after January 1, 2011
DATE OF OBLIGATORY APPLICATION
Annual periods starting on or after July 1, 2010
DATE OF OBLIGATORY APPLICATION
Annual periods starting on or after January 1, 2011

The application of these standards has had no significant effect on the figures reported in these financial statements, but they could affect the booking of future transactions or agreements.

b) The following new regulations and interpretations have been issued but their date of application has still not become effective:

NEW AND AMENDMENTS	DATE OF OBLIGATORY APPLICATION
IAS 12, Icome tax	Annual periods starting on or after January 1, 2012
IFRS 9, Financial assets	Annual periods starting on or after January 1, 2013
IFRS 10, Consolidated financial statements	Annual periods starting on or after January 1, 2013
IFRS 11, Joint agreements	Annual periods starting on or after January 1, 2013
IFRS 12 Disclosures of participations in other entities	Annual periods starting on or after January 1, 2013
IFRS 13 Measurements at fair value	Annual periods starting on or after January 1, 2013
IAS 1 Presentation of financial statements – Presentation of other comprehensive results	Annual periods starting on or after July 1, 2012
IAS 19 Employee benefits	Annual periods starting on or after January 1, 2013

The Company's management is analyzing the eventual impact of the above amendments and interpretations on the respective 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 and its subsidiary, 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 February 27, 2012.

The financial statements of Análisis Ambientales S.A. for the year 2010 were approved by the board at its meeting held on January 24, 2011.

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

Useful lives of property, plant and equipment and intangible assets with defined useful lives

- Impairment losses of assets
- Assumptions used in the actuarial calculation of employee severance benefits
- $\bullet \quad \text{Assumptions used in the calculation of fair value of financial instruments} \\$
- 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 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 financial statements.

2.2 ACCOUNTING POLICIES

The following describes the principal accounting policies adopted in the preparation of these 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 Company 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 Company 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 Company, and are excluded from the consolidation when such control ceases.

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

When necessary, the accounting policies of the subsidiaries have been adjusted to ensure uniformity with the policies used by the Company.

B. SEGMENTOS OPERATIVOS

The Company has considered that the information made public shall be similar to that provided to the senior management of the Aguas Andinas

Group, to which Iberaguas Ltda. belongs, and has therefore defined the following segments for reporting purposes:

- 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 the booking and measurement shall be the cost method. However, and as indicated in IFRS 1, first adoption, the water rights were revalued and these amounts were used as the 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. Internally generated intangible assets - 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 (oe development phase of an internal project) is booked only if the following can be shown:



- It is technically possible to complete the production of the intangible asset so that it can be available for use or sale;
- The management intends to complete the intangible asset for its use or sale;
- There is the capacity to use or sell the intangible asset;
- How the intangible asset will generate probable economic benefits in the future;
- There are sufficient technical, financial or other kind of resources available for completing the development, and use or sale, of 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 internally-generated intangible assets is the sum of the expenses incurred from the date on which the intangible asset meets the above criteria for the first time. When an internally-generated intangible asset cannot be booked, the development expenses are booked to results in the period in which incurred.

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

The company does not currently have any capitalized research and development expenses.

ii. Method of amortization for intangible assets:

Intangible assets with defined useful life

The amortization method employed by the Company reflects the level to which future economic benefits of the asset are expected to be 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 indefinite useful life

Intangible assets with an indefinite useful life relate mainly to water rights and easements which were obtained on an indefinite basis. These assets are not amortized unless impairment 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 participation of the Company and its subsidiary 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 the modifications included in IAS 27 "Consolidated and separate financial statements", the effects arising from a transaction with the minority participations, not deriving from a change of controller, are booked directly in equity and attributed to the owners of the controller. During the year 2011, 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. 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 Company and the cost of the element can be determined reliably. The value of the component substituted is written off in the books. Other repairs and maintenance are charged to results in the period in which they are incurred.

Method of depreciation for property, plant and equipment:

The depreciation method employed by the Company reflects the extent to which economic benefits generated by asset are used by the entity during the period in which these generate economic benefits. 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.

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 of assets is carried out on the basis of various factors, including the nature of the equipment. These factors generally include:

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

The Company depreciates its assets using the straight-line method as a function of the estimated useful lives, as follows:

ITFM	USEFUL LIFE (YEARS)	USEFUL LIFE (YEARS)	
TI LIVI	MINIMUM	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 built in the Company, and as there are no contractual obligations or other requirements 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 Company 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 this 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 Company estimates the fair value of the cash-generating unit to which this asset belongs.

Intangible assets with indefinite 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 risks 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. LEASES

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 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.

The Company does not currently have financial leases at the end of the year.

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.

x 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.

The Company revises its contracts to verify the possible existence of implicit leases.

H. FINANCIAL ASSETS

Acquisitions and disposals of financial instruments are booked on the date of trading, i.e. the date on which the Company 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 Company 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
- Financial assets available for sale
- Loans and accounts receivable

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

The Company invests in low-risk instruments that meet the classification standards established in its 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 or liability and of the assignment of interest income or expense 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 makes 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 repurchasing 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 an implicit derivative. IAS
 3 Financial instruments Bookinh and measurement permits all the
 combined contract (asset of 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 the date of these financial statements, Essal S.A. has no financial assets at fair value with changes in results.

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 are non-derivative financial assets which have fixed or determinable payments and which are not traded on an active market and 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, except for short-term accounts receivable where the booking of interest would be immaterial. Interest income is booked by application of the effective interest rate method.

v. 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 the different scenarios for reaching agreements with overdue customers.

vi. Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments that do not qualify to 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, Essal S.A. has no financial assets available for sale.

I. 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 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 provision 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 provision 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 provisions for accounts receivable.

The analysis of the behavior of different types of debt segments is affected by i) division between subsidized and non-subsidized debtors and ii) the fact that the Company has the legal right to suspend service supplies to customers who do not pay their debts.

The estimates are based on the following historic information: i) 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%, and ii) debtors whose service has been suspended, for which there is very little probability of recovery. Based on these factors, the appropriate percentage is extrapolated to apply to the calculation of the provision according to the type of dent according to its ageing.

A 100% provision is made for customers with debts overdue for more than 8 months.

J. INVENTORIES

Inventories are valued at cost provided this does not exceed the respective net realization value at the end of the period. For materials that have had no movement in the previous 12 months, a market quotation is obtained and compared with the book value, the latter being adjusted to the lower of the two.

The Company uses the weighted average cost system for valuing its inventories.

K. FOREIGN CURRENCY TRANSACTIONS

The assets and liabilities in foreign currency are shown at their respective exchange rates at the close of each year, as follows:

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.

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

L. FINANCIAL LIABILITIES

Loans 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 operations for which hedge contracts have been

CURRENCY	31-12-2011 CH\$	31-12-2010 CH\$
US dollar	519,20	468,01
Euro	672,97	621,53

signed which are valued as described in the following section.

M. DERIVATIVE FINANCIAL INSTRUMENTS AND ACCOUNTING OF HEDGES

The employment of derivative financial instruments is governed by the Company's financial risk management policies, which establish the guidelines for their use.

The Company does not use derivative financial instruments for speculative purposes but exclusively as hedging instruments to eliminate or significantly reduce existing interest-rate 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.

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 in 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, assumptions based on market conditions on that date 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, assumptions based on market conditions on that date are used for their valuation.

Effectiveness. A hedge is considered to be highly effective when 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%.

Implicit derivative. The Company 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.

As at the date of these financial statements, the Company has no derivative financial instruments.

N. PROVISIONS AND CONTINGENT LIABILITIES

The Company makes a provision when there is a present obligation as a consequence of past events whose settlement will probably involve a cash outflow for an amount and/or in a term unknown with certainty but able to be estimated with reasonable reliability.

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, Essal S.A. makes no provision for these concepts although, as required in the same standard, they are detailed if they do exist.

O. EMPLOYEE BENEFITS

The obligation for severance payments which are estimated to accrue to employees who retire from Essal S.A., is shown at the actuarial value determined using 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.

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 estimated to accrue to workers retiring from the Essal S.A., or on their death, are shown at their actuarial value, determined in accordance with the projected credit-unit method, at a discount rate of 6.1% annually and with mortality rates obtained from the tables RV-2009 of the Superintendency of Securities and Insurance (SVS) and from turnover obtained from internal studies. The positive or negative effect on indemnities deriving from changes in estimates or variations in the rate of turnover, mortality, early retirements through dismissal, wage increases, inflation, the discount rate or workers are booked directly to results.

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 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, and when deferred tax assets and liabilities derive from income tax corresponding to the same tax authority and the Company intends to settle 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 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.

For some groups of billing, 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 over-consumption. Any difference between the actual and estimated consumption is corrected the following month.

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

The transfer of risks and benefits occurs according to actual consumption and a monthly provision is made for metered consumption not yet billed for the month, which calculation is made based on the previous billing.

Policy for booking of ordinary revenues for sales of goods

Revenue from sales of goods is booked once the risk and benefits are transferred. In the event of the sale of any element of property, plant and equipment, the gain should be measured reliably.

Method for determining the state of termination of services

The provision of the service is confirmed through the metering of consumption, in accordance with the associated regulations.

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. 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 Essal S.A.

These assets are valued at cost, like any other asset.

The Company depreciates these elements on a straight-line basis as a function of the estimated remaining years of useful life of the different elements.

S. STATEMENT OF CASH FLOWS

The following expressions are used in the cash flow statement, with following meanings:

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 Essal S.A., 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.

T. RECLASSIFICATIONS

For comparison purposes, the following reclassifications have been made in the statements of financial position and of cash flows for 2010.

RUBRO	"CHARGE/(CREDIT) THCH\$
Reclassifications to statement of financial position	
Current assets: Other non-financial assets	84.758
Non-current assets: Property, plant & equipment	-84.758
Current liabilities: Trade creditors & other accounts payable	-1.137
Current liabilities: Other financial liabilities	1.137
Non-current liabilities: Other accounts payable	-15.918
Non-current liabilities: Other financial liabilities	15.918



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STATEMENT OF FINANCIAL POSITION	2011 THCH\$	2010 THCH\$
ASSETS	THOM	Titota
Current assets	11.935.892	9.660.399
Non-current assets	156.512.614	157.398.435
TOTAL ASSETS	168.448.506	167.058.834
LIABILITIES		
Current liabilities	7.616.140	7.977.016
Non-current liabilities	56.065.725	56.249.579
Equity	66.958.441	66.038.602
Non-controller participations	37.808.200	36.793.637
TOTAL LIABILITIES & EQUITY	168.448.506	167.058.834
STATEMENT OF COMPREHENSIVE RESULTS	2011 THCH\$	2010 THCH\$
Ordinary revenue	35.513.184	32.230.010
Cost of sales	(24.139.321)	(21.821.821)
Financial result	(2.492.249)	(2.710.673)
Other non-operating	(1.878.986)	416.995
Income tax	(1.164.596)	(1.382.627)
Non-controller participations	2.865.049	3.303.265
EARNINGS FOR THE YEAR	2.972.983	3.428.619
STATEMENT OF CASH FLOWS	2011 THCH\$	2010 THCH\$
Net cash flow from operating activities	15.588.755	14.825.512
Net cash flow from investment activities	(5.750.266)	(5.265.520)
Net cash flow from financing activities	(8.467.284)	(9.424.416)
Net increase (decrease) in cash & cash equivalents	1.371.205	135.576
Initial balance of cash & cash equivalents	1.334.810	1.199.234



IBERAGUAS

Estado de Cambios en el Patrimonio Neto Al 31 de diciembre de 2011 y 31 de diciembre de 2010

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	ISSUED CAPITAL	OTHER EQUITY	ACCUMULATED	EQUITY ATTRIBUTABLE	NON-CONTROLLER	TOTAL EQUITY
		PARTICIPATIONS	(LOSSES) EARNINGS	TO OWNERS	PARTICIPATIONS	
				OF THE CONTROLLER		
	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
Initial balance as of 01/01/2011	262.456	(21.449)	4.665.119	4.906.126	-	4.906.126
Restated initial balance	262.456	(21.449)	4.665.119	4.906.126	-	4.906.126
Earnings			1.091.586	1.091.586	-	1.091.586
Dividends			(2.812.862)	(2.812.862)		(2.812.862)
Total equity changes			(1.721.276)	(1.721.276)	-	(1.721.276)
CLOSING BALANCE AS OF 31/12/2011	262.456	(21.449)	2.943.843	3.184.850	-	3.184.850
Initial balance as of 01/01/2010	262.456	(21.449)	3.630.315	3.871.322	-	3.871.322
Restated initial balance	262.456	(21.449)	3.630.315	3.871.322	-	3.871.322
Earnings			1.034.804	1.034.804	-	1.034.804
Total equity changes			1.034.804	1.034.804	-	1.034.804
CLOSING BALANCE AS OF 31/12/2010	262.456	(21.449)	4.665.119	4.906.126	-	4.906.126

AGUAS CORDILLERA S.A. Y FILIALES

GENERAL INFORMATION

Name: Aguas Cordillera S.A.

Type of entity: Open corporation

Legal domicile: Avda. Presidente Balmaceda Nº 1398, Santiago

Telephone: (56-2)(56-2) 569 2500

Fax: (56-2) 569 2509

Tax No.: 96.809.310-K

PO Box: 1818 Santiago Centro

Business: Catchment, purification and distribution of water, and sewage disposal.

Subscribed and paid capital: ThCh\$ 153,608,183

External auditors: Ernst & Young

Tax No.: 77.802.430-6

Corporate Objects

The object of the company and its subsidiary Aguas Manquehue S. A. are the provision of sanitation services, as established in the second clause of its bylaws, which contemplate 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 the districts of Vitacura, Las Condes, Lo Barnechea, Colina and Lampa

Constitution Documents

The company was constituted on April 22, 1996 by public deed signed before the Santiago notary René Benavente Cash, and 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, both of 1996, published in the Official Gazette on May 4, 1996 and ratified on May 9, 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

Chairman: Felipe Larraín Aspillaga (Chairman of Aguas Andinas S.A.)

Directors: Camilo Larraín Sánchez (Ejecutivo principal en Aguas Andinas S.A.)

Iván Yarur Sairafi Mario Varela Herrera Osvaldo Carvajal Rondanelli

General Manager: Víctor de la Barra Fuenzalida (Senior executive of Aguas Andinas S.A.)

Parent's percentage participation: 99,99003% directa

Investment as percentage of parent's assets:

The investment in the company represents 16.04%

Commercial relations with parent and parent's subsidiaries

During the year 2011, the company had water and sewage interconnection, rental, and purchase and sale of materials contracts with its parent, which are payable within 30 days. It is expected to maintain similar commercial relations in the future.

2. BASES OF PREPARATION AND ACCOUNTING POLICIES

2.1 PREPARATION

These consolidated financial statements relate to the years 2011 and 2010, in accordance with Circular 1,924 of April 24, 2009, and Circulars 556 of December 3, 2009 and 658 of February 2, 2011 of the Superintendency of Securities and Insurance (SVS).

The Company and its subsidiary comply with all the legal conditions of the environment in which they carry on their businesses, particularly the regulations of the sanitation sector. Essal S.A. operates normally in each area of its 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 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 functional currency of the Company and its subsidiaries, 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.

IFRS AMENDMENTS	DATE OF OBLIGATORY APPLICATION
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 IFRS May 2010 - collection of amendments to seven IFRS	Annual periods starting on or after January 1, 2011

b) The following new regulations and interpretations have been issued but their date of application has still not become effective:

DATE OF OBLIGATORY APPLICATION
Annual periods starting on or after January 1, 2012
Annual periods starting on or after January 1, 2013
Annual periods starting on or after January 1, 2013
Annual periods starting on or after January 1, 2013
Annual periods starting on or after January 1, 2013
Annual periods starting on or after January 1, 2013
Annual periods starting on or after July 1, 2012
Annual periods starting on or after January 1, 2013

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 and its subsidiary, 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 February 27, 2012.

The consolidated financial statements of Aguas Cordillera S.A. and subsidiary for the year 2010 were approved by the board at its meeting held on January 24, 2011.

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

- Useful lives of property, plant and equipment and intangible assets
- Impairment losses 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 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 financial statements.

2.2 ACCOUNTING POLICIES

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

A. CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and the entity controlled by it (subsidiary Aguas Manquehue S.A.). 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.

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

The Company and its subsidiary exercise uniformity in the policies followed.

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.

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.

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

The Company and its subsidiary do not currently have any capitalized research and development expenses.

ii. Method of amortization for intangible assets:

Intangible assets with defined useful life

The amortization method employed by the Company reflects the level to which future economic benefits of the asset are expected to be 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 indefinite useful life

Intangible assets with an indefinite useful life relate mainly to water rights and easements which were obtained on an indefinite basis. These assets are not amortized unless impairment 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. PROPERTY, PLANT AND EQUIPMENT

The Company follows the cost method for valuing the property, plant and equipment. 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.

Method of depreciation 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.

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 of 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 use
- 4. Legal, regulatory or contractual limitations

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

ITEM	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 built in the Company, and as there are no contractual obligations or other requirements 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.

E. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCEPT GOODWILL

The Company 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 this 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 Company estimates the fair value of the cash-generating unit to which this asset belongs.

Intangible assets with indefinite 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 risks associated with the asset.

When it is estimated that the recoverable value of an asset or CGU is less than its book value, the book value of that asset or CGU 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 CGU 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 CGU had been booked in previous periods.

F. LEASES

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.

Aguas Cordillera and Aguas Manquehue do not currently have financial leases at the ends of the years.

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.

iii. Implicit leases

The Company and its subsidiary revise their contracts to check for the possible existence of implicit lease, in accordance with CFRS 4.

G. FINANCIAL ASSETS

Acquisitions and disposals of financial instruments are booked on the date of trading, i.e. the date on which the Company 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 Company 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

- Financial assets available for sale
- Loans and accounts receivable

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

Aguas Cordillera and its subsidiary 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 or liability and of the assignment of interest income or expense 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 makes 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 repurchasing 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

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, 2011, the Company and subsidiary hold 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. The Company and subsidiaries do not currently show any investments held to maturity.

iv. Loans and accounts receivable

Trade debtors, loans and other accounts receivable are non-derivative financial assets which have fixed or determinable payments and which are not traded on an active market and 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, except for short-term accounts receivable where the booking of interest would be immaterial. Interest income is booked by application of the effective interest rate method.

v. 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 the different scenarios for reaching agreements with overdue customers.

Policy with respect to impairment of trade debtors and other accounts receivable

The Company evaluates periodically impairments affecting its financial assets. The amount of the provision 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 provision 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 provisions 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%.

For Aguas Cordillera S.A. and Aguas Manquehue S.A., a provision of 100% of the agreed balance is made for consumption debts transformed into payment agreements.

A 100% provision is made for overdue notes receivable.

vi. Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments that do not qualify to be classified in the previous three categories or are designated specifically as available for sale. 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, Aguas Cordillera S.A. and subsidiary have no financial assets available for sale.

H. 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 with no turnover during the previous 12 months; these are booked at market value, if less.

I. FOREIGN CURRENCY TRANSACTIONS

The assets and liabilities in foreign currency are shown at their respective exchange rates at the close of each year, as follows:

MONEDA	31-12-2011 CH\$	31-12-2010 CH\$
US dollar	519,20	468,01
Euro	672,97	621,53

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.

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

J. 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.

K. DERIVATIVE FINANCIAL INSTRUMENTS AND ACCOUNTING OF HEDGES

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

Aguas Cordillera S.A. and subsidiary do not use derivative financial instruments for speculative purposes but exclusively as hedging instruments to eliminate or significantly reduce existing interest-rate and exchange risks on equity positions to which it is exposed due to their operations.

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.

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 in equity called Cash flow hedge, while the ineffective part is shown in the results. The amount shown in equity is not passed to results 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, Aguas Cordillera S.A. and subsidiary use assumptions based on market conditions on that date for their valuation.

Effectiveness. A hedge is considered to be highly effective when 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%.

Implicit derivative. Aguas Cordillera S.A. and subsidiary also evaluate 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.

The group has no derivative financial instruments as of the close of the financial statements.

L. PROVISIONS AND CONTINGENT LIABILITIES

Aguas Cordillera S.A. and its subsiodiary make a provision when there is a present obligation as a consequence of past events and for which it is probable that they will use resources to settle the obligation and of which it can make a fair estimate of the amount of the obligation.

The quantification of 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, Aguas Cordillera S.A. and subsidiary make no provision for these concepts although, as required in the same rule, they are detailed if they do exist.

M. DIVIDEND POLICY

The dividend policy is to distribute 50% of the earnings for each year as a final dividend, subject to approval by the ordinary shareholders meeting.

N. EMPLOYEE BENEFITS

The obligation for severance payments of the Company and subsidiary is governed by the Labor Code, except for the amount of the indemnity in any event accumulated to December 31, 2002 and the payment for dismissal of 1 monthly wage without limit as to amount or time, for workers who are subject to current collective agreements and those to whom the same benefit is extended through their individual work contacts. The accumulated amount in any event to that date is adjusted quarterly according to changes in the consumer price index. These collective agreements also establish that workers who retire from Aguas Cordillera S.A. and Aguas Manquehue S.A. continue to accrue this benefit after December 2002.

Actuarial assumptions

The obligation of the Company and subsidiary for the accrued severance payments of employees until 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 6.1% 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.

Actuarial gains and losses from indemnities due to changes in the estimates or variations in rates of turnover, mortality, advanced retirements due to dismissal, wage increases, inflation or discount rate, are booked directly to results.

Ñ. 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 Aguas Cordillera S.A. and subsidiary 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 Aguas Cordillera S.A. and subsidiary expect, 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 tax assets against tax and these are related with the same entity and tax authority.

O. 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.

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 produces at the close of each month an 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 over-consumption. Any difference between the actual and estimated consumption is corrected the following month.

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.

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 the associated regulations.

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

P. THE ENVIRONMENT

Assets of an environmental kind are those used constantly in the business of the Company, 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 Cordillera S.A. and its subsidiary Aguas Manquehue S.A.

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

O. CONSOLIDATED STATEMENT OF CASH FLOWS

The cash flow statement is prepared by the direct method and 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 Aguas Cordillera and subsidiary, 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.

R. CONSTRUCTION CONTRACTS

Aguas Cordillera and subsidiary use the "percentage progress method" for booking revenues and expenses according to the state of progress of the contract. Under this method, revenues deriving from the contract are compared with the costs incurred according to the current degree of progress, so that the amount is shown in revenues from ordinary activities, expenses and gains that can be attributed to the portion of the contract carried out.

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 booked 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 booked immediately as an expense in the period. When the result of a construction contract cannot be estimated reliably enough, contract revenues are booked only up to the level of the contract costs incurred which will probably be recovered.

Aguas Cordillera and subsidiary show 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 any booked losses) exceed the partial invoicing. Partial invoicing still unpaid by customers and withholdings are included in Trade debtors and other accounts receivable.

Aguas Cordillera and subsidiary show 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 booked profits (less booked losses).

S. 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.

T. RECLASSIFICATIONS

For comparison purposes, the following reclassifications have been made in the statements of financial position and of cash flows for 2010.

RUBRO	CHARGE/(CREDIT) THCH\$
Reclassifications to statement of financial position	
Current assets: Other non-financial assets	84.758
Non-current assets: Property, plant & equipment	-84.758
Current liabilities: Trade creditors & other accounts payable	-1.137
Current liabilities: Other financial liabilities	1.137
Non-current liabilities: Other accounts payable	-15.918
Non-current liabilities: Other financial liabilities	15.918

AGUAS CORDILLERA

STATEMENT OF FINANCIAL POSITION	2011	2010
	THCH\$	THCH\$
ASSETS		
Current assets	22.732.377	15.619.135
Non-current assets	246.966.199	250.012.809
TOTAL ASSETS	269.698.576	265.631.944
LIABILITIES		
Current liabilities	21.736.507	18.351.271
Non-current liabilities	43.471.980	47.336.931
Equity	204.489.910	199.943.579
Non-controller participations	179	163
TOTAL LIABILITIES & EQUITY	269.698.576	265.631.944
STATEMENT OF COMPREHENSIVE RESULTS	2011 THCH\$	2010 THCH\$
Ordinary revenue	49.844.382	42.716.739
Cost of sales	(28.046.207)	-27.778.497
Financial result	(738.522)	(357.055)
Other non-operating	374.828	682.756
Income tax	(3.071.219)	(1.691.002)
Non-controller participations	(16)	(9)
EARNINGS FOR THE YEAR	18.363.246	13.572.932
STATEMENT OF CASH FLOWS	2011 THCH\$	2010 THCH\$
Net cash flow from operating activities	27.339.397	19.826.118
Net cash flow from investment activities	(10.494.973)	(11.227.768)
Net cash flow from financing activities	(17.401.898)	(18.814.649)
Net increase (decrease) in cash & cash equivalents	(557.474)	(10.216.299)
Initial balance of cash & cash equivalents	1.482.611	11.698.910

AGUAS CORDILLERA

Statement of Changes in Equity
As of December 31, 2011 and 2010

		······································			
ISSUED CAPITAL	OTHER EQUITY PARTICIPATIONS	ACCUMULATED (LOSSES) EARNINGS	EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER	NON-CONTROLLER PARTICIPATIONS	TOTAL EQUITY
THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
153.608.183	(61.032.198)	107.367.594	199.943.579	163	199.943.742
153.608.183	(61.032.198)	107.367.594	199.943.579	163	199.943.742
		18.363.246	18.363.246	16	18.363.262
		(13.816.915)	(13.816.915)		(13.816.915)
		4.546.331	4.546.331	16	4.546.347
153.608.183	(61.032.198)	111.913.925	204.489.910	179	204.490.089
153.608.183	(61.032.198)	114.325.069	206.901.054	154	206.901.208
153.608.183	(61.032.198)	114.325.069	206.901.054	154	206.901.208
		13.572.932	13.572.932	9	13.572.941
		(20.530.407)	(20.530.407)		(20.530.407)
		(6.957.475)	(6.957.475)	9	(6.957.466)
153.608.183	(61.032.198)	107.367.594	199.943.579	163	199.943.742
	THCH\$ 153.608.183 153.608.183 153.608.183 153.608.183	THCH\$ THCH\$ 153.608.183 (61.032.198) 153.608.183 (61.032.198) 153.608.183 (61.032.198) 153.608.183 (61.032.198) 153.608.183 (61.032.198)	THCH\$ THCH\$ THCH\$ 153.608.183 (61.032.198) 107.367.594 153.608.183 (61.032.198) 107.367.594 18.363.246 (13.816.915) 4.546.331 4.546.331 153.608.183 (61.032.198) 111.913.925 153.608.183 (61.032.198) 114.325.069 153.608.183 (61.032.198) 114.325.069 153.608.183 (61.032.198) 114.325.069 (20.530.407) (6.957.475)	PARTICIPATIONS (LOSSES) EARNINGS TO OWNERS OF THE CONTROLLER THCH\$ THCH\$ THCH\$ THCH\$ 153.608.183 (61.032.198) 107.367.594 199.943.579 153.608.183 (61.032.198) 107.367.594 199.943.579 18.363.246 18.363.246 18.363.246 153.608.183 (61.032.198) 111.913.925 204.489.910 153.608.183 (61.032.198) 114.325.069 206.901.054 153.608.183 (61.032.198) 114.325.069 206.901.054 153.608.183 (61.032.198) 114.325.069 206.901.054 153.608.183 (61.032.198) 114.325.069 206.901.054 153.608.183 (61.032.198) 107.325.069 206.901.054 153.608.183 (61.032.198) 114.325.069 206.901.054 153.608.183 (61.032.198) 107.325.069 206.901.054 153.608.183 (61.032.198) 107.325.069 206.901.054 153.608.183 (61.032.198) 107.325.069 206.901.054 153.608.183 (61.032.198)	PARTICIPATIONS CLOSSES) EARNINGS TO OWNERS OF THE CONTROLLER

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2011

	AGUAS ANDINAS S.A. AND SUBSIDIARIES		AGUAS CORDILLERA S.A. AND SUBSIDIARIES		AGUAS MANQUEHUE S.A.		IBERAGUAS LTDA. AND SUBSIDIARIES		ESSAL S.A.		ECORILES S.A.		GESTIÓN Y SERVICIOS S.A.		ANÁLISIS AMBIENTALES S.A.	
	2011 THCH\$	2010 THCH\$	2011 THCH\$	2010 THCH\$	2011 THCH\$	2010 THCH\$	2011 THCH\$	2010 THCH\$	2011 THCH\$	2010 THCH\$	2011 THCH\$	2010 THCH\$	2011 THCH\$	2010 THCH\$	2011 THCH\$	2010 THCH\$
ASSETS																
Current assets	82.643.261	75.792.341	22.732.377	15.619.135	3.275.668	2.868.256	11.935.892	9.660.399	11.929.000	9.656.016	4.166.662	9.376.986	5.772.506	6.739.134	2.283.730	3.888.774
Non-current assets	1.387.352.415	1.297.593.849	246.966.199	250.012.809	56.173.713	57.366.759	156.512.614	157.398.435	127.429.695	128.303.744	193.088	169.664	1.772.187	1.845.971	1.385.679	1.358.229
TOTAL ASSETS	1.469.995.676	1.373.386.190	269.698.576	265.631.944	59.449.381	60.235.015	168.448.506	167.058.834	139.358.695	137.959.760	4.359.750	9.546.650	7.544.693	8.585.105	3.669.409	5.247.003
LIABILITIES					-											
Current liabilities	197.885.701	92.932.025	21.736.507	18.351.271	9.956.126	7.923.577	7.616.140	7.977.016	8.499.584	8.999.103	1.409.571	1.201.190	2.175.087	3.223.124	484.559	340.877
Non-current liabilities	593.048.155	606.822.386	43.471.980	47.336.931	7.819.496	14.365.812	56.065.725	56.249.579	53.699.519	53.871.601	0	0	0	0	0	0
Equity	614.087.975	607.588.126	204.489.910	199.943.579	41.673.759	37.945.626	66.958.441	66.038.602	77.159.592	75.089.056	2.950.179	8.345.460	5.369.606	5.361.981	3.184.850	4.906.126
Non-controller participations	64.973.845	66.043.653	179	163	0	0	37.808.200	36.793.637	0	0	0	0	0	0	0	0
TOTAL LIABILITIES & EQUITY	1.469.995.676	1.373.386.190	269.698.576	265.631.944	59.449.381	60.235.015	168.448.506	167.058.834	139.358.695	137.959.760	4.359.750	9.546.650	7.544.693	8.585.105	3.669.409	5.247.003
STATEMENT OF RESULTS					·····							······				
Ordinary revenue	363.733.124	328.964.014	49.844.382	42.716.739	8.301.736	6.205.486	35.513.184	32.230.010	35.513.184	32.228.930	9.683.463	8.396.784	8.298.258	8.638.283	4.543.200	4.288.034
Cost of sales	(190.502.716)	(179.177.860)	(28.046.207)	(27.778.497)	(5.021.471)	(5.059.331)	(24.139.321)	(21.821.821)	(24.134.508)	(21.813.134)	(8.121.390)	(6.641.344)	(8.286.605)	(7.430.905)	(3.282.330)	(3.106.707)
Financial result	(19.164.659)	(18.469.528)	(738.522)	(357.055)	(352.546)	151.861	(2.492.249)	(2.710.673)	(2.492.222)	(2.710.673)	164.216	117.065	(67.779)	(19.621)	76.857	38.436
Others non-operating	(16.211.568)	(7.087.642)	374.828	682.756	1.331.719	1.035.478	(1.878.986)	416.995	(1.878.986)	416.995	10.688	2.669	25.359	(20.312)	584	(719)
Income tax	(25.687.519)	(19.276.685)	(3.071.219)	(1.691.002)	(531.305)	(84.584)	(1.164.596)	(1.382.627)	(1.160.429)	(1.380.760)	(328.165)	(287.386)	38.392	(174.134)	(246.725)	(184.240)
Non-controller participations	(687.399)	(1.102.720)	(16)	(9)	0	0	(2.865.049)	(3.303.265)	0	0	0	0	0	0	0	0
Earnings attributable to owners of the controller	111.479.263	103.849.578	18.363.246	13.572.932	3.728.133	2.248.910	2.972.983	3.428.619	5.847.039	6.741.358	1.408.812	1.587.788	(7.625)	993.311	1.091.586	1.034.804
STATEMENT OF CASH FLOWS																
Net cash flow from operating activities	200.041.253	167.823.609	27.339.397	19.826.118	6.265.925	5.396.924	15.588.755	14.825.512	15.595.920	14.830.698	1.442.761	1.193.172	(1.142.371)	(1.023.370)	1.193.057	880.334
Net cash flow from investment activities	(122.264.884)	(70.151.076)	(10.494.973)	(11.227.768)	(1.387.001)	(6.352.825)	(5.750.266)	(5.265.520)	(5.750.266)	(5.265.519)	3.202.322	(4.787.639)	309.576	(372.196)	1.565.010	(2.847.706)
Net cash flow from financing activities	(78.814.832)	(116.578.854)	(17.401.898)	(18.814.649)	(4.770.798)	946.826	(8.467.284)	(9.424.416)	(8.476.997)	(9.429.849)	(6.804.092)	0	469.000	0	(2.812.861)	0
Net increase (decrease) in cash & cash equivalents	(1.038.463)	(18.906.321)	(557.474)	(10.216.299)	108.126	(9.075)	1.371.205	135.576	1.368.657	135.330	(2.159.009)	(3.594.467)	(363.795)	(1.395.566)	(54.795)	(1.967.372)
Initial balance of cash & cash equivalents	6.089.962	24.996.283	1.482.611	11.698.910	59.631	68.706	1.334.810	1.199.234	1.330.466	1.195.136	2.260.278	5.854.745	366.428	1.761.994	56.169	2.023.541
CLOSING BALANCE OF CASH & CASH EQUIVALENTS	5.051.499	6.089.962	925.137	1.482.611	167.757	59.631	2.706.015	1.334.810	2.699.123	1.330.466	101.269	2.260.278	2.633	366.428	1.374	56.169