



ANNUAL REPORT 2012





We see how life is evident in the flow of water and this enables us to follow our own course. From its primary state in our mountains, it prepares its way to bathe rivers and lakes, exuberant sources of natural life.

The transformation begins from where the city starts, providing us with abundant benefits that accompany our daily activities. Its functions are transformed and multiplied, filling us with life and health, before then returning to nature and continue. This is the flow of life.

For Aguas Andinas, the flow of life defines a process that we make our own, channeling all our efforts so that it is beneficial for the people and nature. Throughout 2012 we saw great landmarks set, we faced new challenges and we grew by reaching more sectors, providing our services to more people and taking more care for the environment.

The flow of our year in the flow of life we will explain in this annual report.

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01

OUR COMPANY

Aguas Andinas has as its mission to give life to the inhabitants and environment of the Santiago basin. We therefore work day and night to ensure continuous supply with high standards of safety, quality and reliability.

2 MILLION
CUSTOMERS

Including residential, comercial and industrial, are supplied by Aguas Andinas and its sanitation subsidiaries, providing them with the services of water, sewage collection and sewage treatment.

2012

A year of consolidation and continuous improvement.



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HIGHLIGHTS

Financial Summary

| AS OF DECEMBER 31 | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| Water revenues | 129.364 | 145.617 | 136.573 | 147.715 | 152.918 |
| Sewage revenues | 123.080 | 139.292 | 148.169 | 166.504 | 174.838 |
| Other regulated revenues | 15.500 | 12.681 | 12.994 | 11.707 | 14.948 |
| Other non-regulated revenues | 31.260 | 29.635 | 31.228 | 37.806 | 40.182 |
| Total revenue | 299.204 | 327.225 | 328.964 | 363.733 | 382.886 |
| Operating income | 146.041 | 155.684 | 149.786 | 173.230 | 186.713 |
| Earnings for the year | 88.226 | 123.048 | 103.850 | 111.479 | 121.270 |
| Total assets | 1.354.508 | 1.398.897 | 1.406.439 | 1.469.996 | 1.546.225 |
| Short-term liabilities | 122.580 | 115.639 | 92.932 | 197.886 | 166.752 |
| Long-term liabilities | 557.971 | 599.680 | 639.876 | 593.048 | 695.221 |
| Minority interest | 67.351 | 66.945 | 66.044 | 64.974 | 62.498 |
| Total equity | 606.606 | 616.633 | 607.588 | 614.088 | 621.754 |

Operational Information

| AS OF DECEMBER 31 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|-----------|-----------|-----------|-----------|-----------|
| Total water customers | 1.828.328 | 1.871.287 | 1.908.816 | 1.966.639 | 2.004.454 |
| Total sewage collection customers | 1.784.324 | 1.828.606 | 1.865.772 | 1.913.081 | 1.951.915 |
| Total water invoiced (millions of m3) | 492,3 | 510,4 | 520,5 | 535,5 | 539,2 |
| Sewage collection invoiced (millions of m3) | 481,4 | 495,9 | 507,2 | 521,8 | 526,5 |
| Sewage treatment & disposal invoiced (millions of m3) | 416,9 | 432,1 | 442,3 | 454,2 | 460,4 |
| Sewage connections invoiced (millions of m3) | 113,7 | 114,3 | 116,3 | 118,9 | 119,6 |
| Total water coverage | 100% | 100% | 100% | 100% | 100% |
| Total sewage collection coverage | 97,87% | 97,89% | 98,70% | 98,80% | (1) |
| Total sewage treatment coverage | 74,13% | 75,59% | 85,50% | 85,50% | (1) |
| Total employees | 1.821 | 1.801 | 1.926 | 1.805 | 1.839 |

(1) Estimate of the Superintendency of Sanitation Services to be published during 2013.

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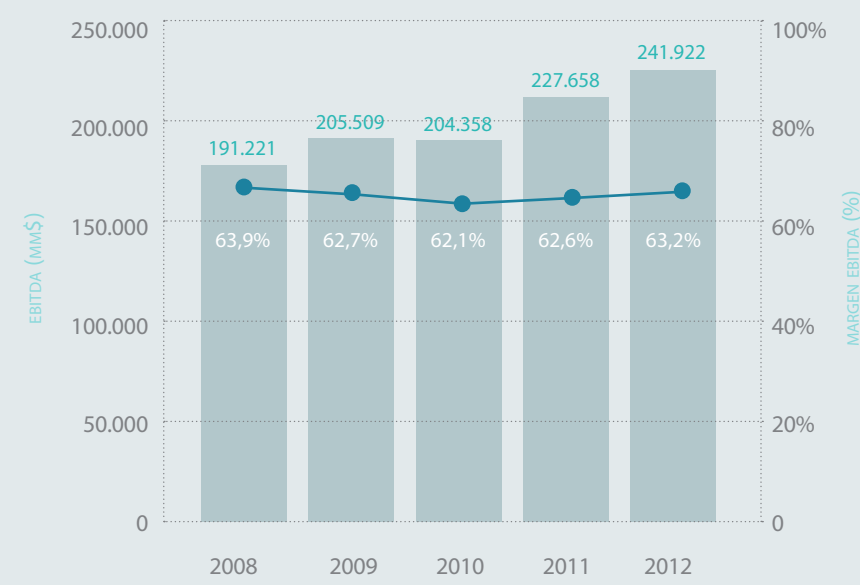
146 Financial statement subsidiaries



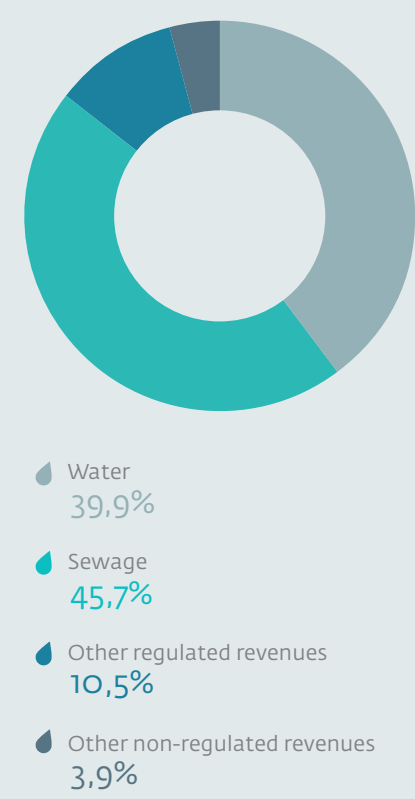


HIGHLIGHTS

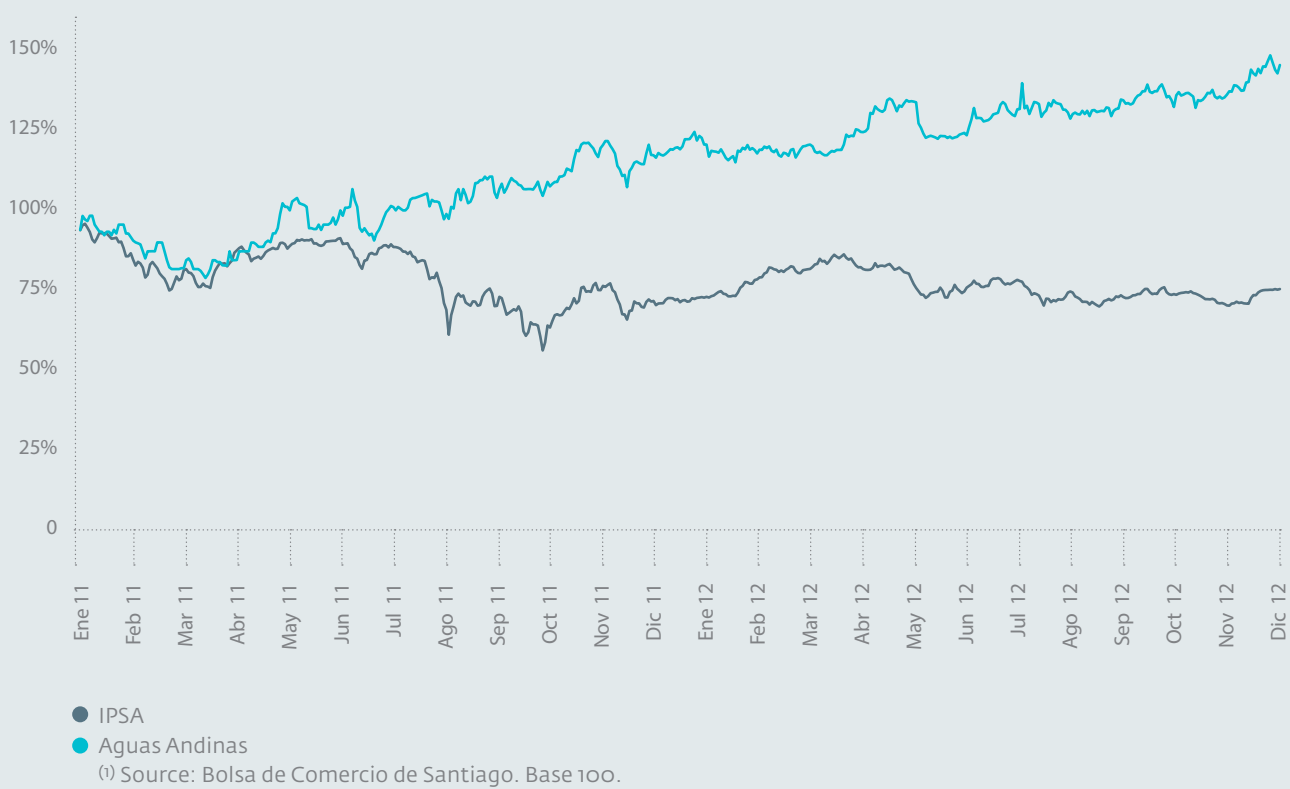
EBITDA - EBITDA Margin



2012 Revenue Breakdown



Stock Performance ⁽¹⁾



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THE YEAR'S ACHIEVEMENTS

MARCH ✓

In March, Aguas Andinas was chosen among the 10 companies of greatest credibility in the Corporate Transparency Report prepared by the Universidad del Desarrollo.



MAY ✓

In May, Aguas Andinas was distinguished as the company of greatest creation of value 2011 in the Large Caps category, by Banco Santander and Capital magazine.



JUNE ✓

In June, Aguas Andinas was awarded first place in the ranking EVA Business Performance 2012 prepared by Econsult and Qué Pasa magazine.

1^o

JUNE ✓

In June also, Aguas Andinas received the prestigious Best Company Prize, awarded by ICARE (Instituto Chileno de Administración Racional de Empresas), a Chilean business organization, being the highest distinction ever received by Aguas Andinas.



In 2012 we received society's recognition for the work well done.

OCTOBER ✓

In October, DUOC UC awarded us the distinction of Human Capital for Chile 2012, for the contribution to the development of its students and technical-professional education in the country.



NOVEMBER ✓

In November, the National Women's Service (Servicio Nacional de la Mujer, SERNAM) distinguished us with the IGUALA seal for the incorporation of good labor practices in terms of equality of gender.



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HISTORY

19th CENTURY

- 1861**
Empresa de Agua Potable de Santiago is formed.
- 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.

20th CENTURY

1909
Installation of 1,112 residential connections and the first taps in Santiago.

1917
Inauguration of the Laguna Negra aqueduct, 87 kilometers in length, to carry water from the Andes.

1946
The Las Vizcachas plant starts operating to produce drinking water for Santiago.



1967
The El Yeso reservoir comes into service.

1969
The Las Vizcachitas plant and Paralelo aqueduct start operating.



1977
Change of name to Empresa Metropolitana de Obras Sanitarias (EMOS).

1984
Inauguration of the Ingeniero Antonio Tagle water production plant.

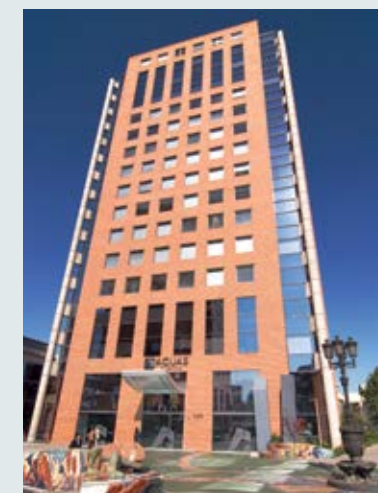
1989
EMOS is transformed into a corporation, subsidiary of Corporación de Fomento de la Producción (CORFO).

1990
First water purification projects begin in the region: the Zanjón sewer interceptor and the piping of the Canal A-H.



1993
The West Santiago sewage treatment plant starts operating.

1997
Inauguration of the corporate building, located in the Parque de los Reyes, Santiago.



1999
Privatization of the Company: 51.2% of its capital is acquired by Sociedad Inversiones Aguas Metropolitanas Ltda., formed by the Agbar Group (50%) and Suez (50%). La Florida water plant is inaugurated.



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HISTORY

21st CENTURY

2000

Start of construction of the El Trebal sewage treatment plant. Acquisition of 100% of Aguas Cordillera and 50% of Aguas Manquehue.



2001

The Company changes its name to Aguas Andinas S.A. El Trebal sewage treatment plant starts operations and the construction of La Farfana commences. 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 remaining 50% of Aguas Manquehue is acquired. The new San José de Maipo and Paine treatment plants start to operate.

2003

La Farfana sewage treatment plant starts operations. ISO 9.000 certification obtained for customer attention.



2004

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

2005

The OHSAS certification is obtained for health and occupational safety. The Talagante and Curacaví sewage treatment plants begin operations.



2006

Inauguration of the Aguas de Ramón nature park. The certification ISO 9.001 is obtained for the incorporation of the process of new customers.

2007

Certifications ISO 9.000, ISO 14.000 and OHSAS 18.000 are obtained for the tri-certification for its purification installations. Merger of Comercial Orbi II S.A. and Aguas Cordillera S.A.

2008

Acquisition of 53.5% of Empresa de Servicios Sanitarios De Los Lagos (ESSAL). Merger of the subsidiaries Aguas Cordillera S.A. and Aguas Los Dominicos S.A.

2009

The SAP platform is updated.

2010

The Clean Urban Mapocho project is inaugurated and construction starts of the Mapocho. Suez Environnement acquires 75.01% of the share capital of Agbar.



2011

Corfo sells most of its shares in the Company, remaining with a

5% shareholding, which implies the entry of new shareholders.

2012

The construction is completed of the Mapocho sewage treatment plant, the last step in the Santiago basin water purification plan. The company obtains the re-certification of the international standard OHSAS 18.001. Among other important distinctions, Aguas Andinas is awarded the "Best Company" prize by ICARE, one of the most prestigious awards in Chile.

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CHAIRMAN'S LETTER

It gives me great pleasure to provide you with the company's Annual Report and Financial Statements for the fiscal year ending December 31, 2012.

The completion of an important environmental milestone, both for our company and the country, made 2012 a historical year. After 12 years of work and an investment of approximately US\$ 1 billion, we achieved our goal of treating 100% of the sewage water in the Metropolitan Region.

This event entailed the completion of the third major treatment plant, the Planta Mapocho, the final link in the Water Sanitation Plan for the Santiago region for which Aguas Andinas has been an active driving force. With the commencement

of operations at this modern plant, we consider this important environmental milestone to be complete – a milestone that will rank Chile among the most developed countries in the world in terms of sanitation systems.

Simultaneously, we have had to face once again the drought which has affected the central part of the country for over three years now, implementing a plan to guarantee the availability of water for our customers in the greater Santiago area. We carried out concrete, coordinated measures with a number of groups that have access to the Río Maipo. This measure allowed us to increase significantly the reserves in the El Yeso Reservoir and to ensure normal supply levels for our customers during 2013.

We are a responsible company; the importance of our mission in society is clear to us and we have 151 years of history and experience in service to call upon. For these reasons, it makes sense that in 2012 we received recognition for a job well done from several institutions.

Amongst them, ICARE awarded Aguas Andinas "BUSINESS 2012" for our company's day to day contributions to the quality of life of Santiago residents. Also, we were given the Sello Iguala by SERNAM (The National Board for Women) for having applied good practices in providing equal opportunities to women within our company. Subsequently, we were named one of the 10 businesses with the best corporate credibility in the second edition of the Corporate



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CHAIRMAN'S LETTER

Transparency Report issued by the Universidad del Desarrollo. Additionally, Banco Santander and the magazine Capital named us as the company with the best value creation. As for business development, we placed first for the sanitation sector in Econsult and Que Pasa magazine's ranking. Finally, regarding our human capital, DuocUC considered us to be one of the most outstanding companies in support of the technical professional education of its students.

It was not luck that led to these accomplishments, but rather the conscientious, sustained effort that we put forth to do things well, with excellence and responsibility.

These same principles govern the development of our subsidiaries, both in the sanitation sector (ESSAL, Aguas Cordillera and Aguas Manquehue) and in the area of environmental services (ANAM, EcoRiles and Gestión y Servicios (Management and Services)).

Aguas Andinas has undeniable strengths as a company, and they have been widely recognized by our shareholders. These strengths include concern for our clients, environmentally-friendly practices, respect for our workers and our vocation for public service.

However, we recognize that today businesses must operate and function within a new social framework, a result of the changes affecting the entirety of our society as it develops. When we took over the company in 1999, Chile had a Gross Domestic Product of US\$75 billion, while in 2012 the GDP had reached US\$268 billion.

Today's citizens are connected to a network. They are more demanding, more critical, and they require higher-quality services. Our company has grown with society, undertaking a continuous process of adaptation and improvement in order to face the new challenges of a country in robust development.

Felipe Larrain Aspillaga
Chairman of the Board

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BOARD OF DIRECTORS

Directors

1. Chairman
Felipe Larrain Aspillaga
Civil Engineer
2. Vice Chairman
Patricio Prieto Sánchez
Lawyer
3. Director
Xavier Amorós Corbella
Lawyer
4. Director
Bruno Philippi Irrarrázabal
Civil Engineer
5. Director
Rodrigo Manubens Moltedo
Commercial Engineer
6. Director
Gonzalo Rojas Vildósola
Commercial Engineer
7. Director
Luis Hernán Paúl Fresno
Civil Engineer - MBA

Alternate Directors

- Pierre Alexander Lacarelle
Agronomist
- Ernesto Mata López
Economist
- Herman Chadwick Piñera
Lawyer
- Lorenzo Bernaldo de Quiroz
Economist, law degree
- Rodrigo Terré Fontbona
Civil Engineer
- Jaime Cuevas Rodríguez
Commercial Engineer
- Alejandro Danús Chirighin
Commercial Engineer



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OWNERSHIP STRUCTURE

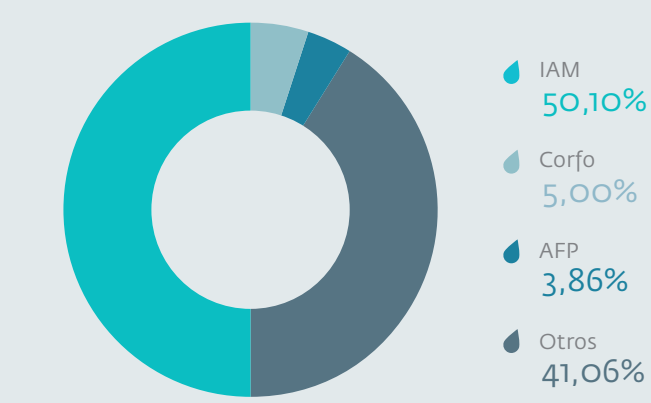
As of December 31, 2012, the capital of Aguas Andinas is divided into 6,118,965,160 shares, all fully subscribed and paid, distributed among 1,675 shareholders.

Major shareholders

The following were the 12 largest shareholders of Aguas Andinas at the end of 2012:

| NAME | TAX.NO | SHARES | SERIES | % |
|--|--------------|---------------|--------|---------|
| Inversiones Aguas Metropolitanas S.A. | 77.274.820-5 | 3.065.744.510 | A | 50,10% |
| Banco Itaú por cuenta de inversionistas | 76.645.030-k | 441.500.336 | A | 7,22% |
| Banco de Chile por cuenta de terceros no residentes | 97.004.000-5 | 408.612.739 | A | 6,68% |
| Corporación de Fomento de la Producción (CORFO) | 60.706.000-2 | 305.948.258 | B | 5,00% |
| Transacciones e Inversiones Arizona S.A. | 76.806.870-4 | 270.328.797 | A | 4,42% |
| Banco Santander por cuenta de inversionistas extranjeros | 97.036.000-k | 241.148.957 | A | 3,94% |
| Bethia S.A. | 78.591.370-1 | 232.252.947 | A | 3,80% |
| CorpBanca Corredores de Bolsa S.A. | 96.665.450-3 | 110.877.565 | A | 1,81% |
| Banchile Corredores de Bolsa S.A. | 96.571.220-8 | 101.161.615 | A | 1,65% |
| Celfin Capital S.A. Corredores de Bolsa | 84.177.300-4 | 80.034.328 | A | 1,31% |
| AFP Provida S.A. | 98.000.400-7 | 65.143.457 | A | 1,06% |
| AFP Habitat S.A. | 98.000.100-8 | 62.467.604 | A | 1,02% |
| Others Serie A(1.635 accionistas) | | 731.755.316 | A | 11,96% |
| Others Serie B (28 accionistas) | | 1.988.731 | B | 0,03% |
| | | 6.118.965.160 | | 100,00% |

Shareholder Breakdown



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 the Aguas Group.

Agbar is an international benchmark with more than 145 years of history and a presence in eleven countries (Spain, Chile, United Kingdom, Mexico, Cuba, Colombia, Algeria, Peru, Brazil, Turkey and USA). In Spain, it provides a service to 14 million inhabitants in over a thousand towns and villages, and a total of more than 26 million users around the world.

The Suez Environnement group controls Agbar with an indirect shareholding of 75.31%. With more than 120 years of experience and 80 thousand employees, Suez Environnement is a global leader in water and sewage management, with a presence in over 70 countries.

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MANAGEMENT

1. CHIEF EXECUTIVE OFFICER
Jesús García García
Civil Engineer
2. CORPORATE MANAGER, CUSTOMER SERVICE
Eugenio Rodríguez Mingo
Commercial Engineer
3. CORPORATE MANAGER, LEGAL AFFAIRS
Camilo Larraín Sánchez
Lawyer
4. CORPORATE MANAGER, PLANNING, ENGINEERING AND SYSTEMS
Joaquim Martí Marques
Engineer in Roads, Canals and Ports
5. CORPORATE MANAGER, OPERATIONS
Domingo Martínez Robledo
Industrial Engineer
6. CORPORATE MANAGER, COMMUNICATIONS AND ORGANIZATIONAL DEVELOPMENT
Lluc Orpella Bernat
Economist
7. CORPORATE MANAGER, FINANCE AND PROCUREMENT
Miguel Ángel Zarza Marcos
Economist

- CHIEF EXECUTIVE OFFICER
- Corporate Manager, Customer Service
 - Corporate Manager, Legal Affairs
 - Corporate Manager, Planning, Engineering and Systems
 - Corporate Manager, Operations
 - Corporate Manager, Communications and Organizational Development
 - Corporate Manager, Finance and Procurement



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GEOGRAPHICAL COVERAGE

Aguas Andinas and its sanitation subsidiaries supply water, sewage and sewage treatment services to over 1.9 million customers (residential, commercial and industrial), who represent an estimated population of over 6.8 million at the consolidated level, making it the principal sanitation group in the country and one of the largest in Latin America.

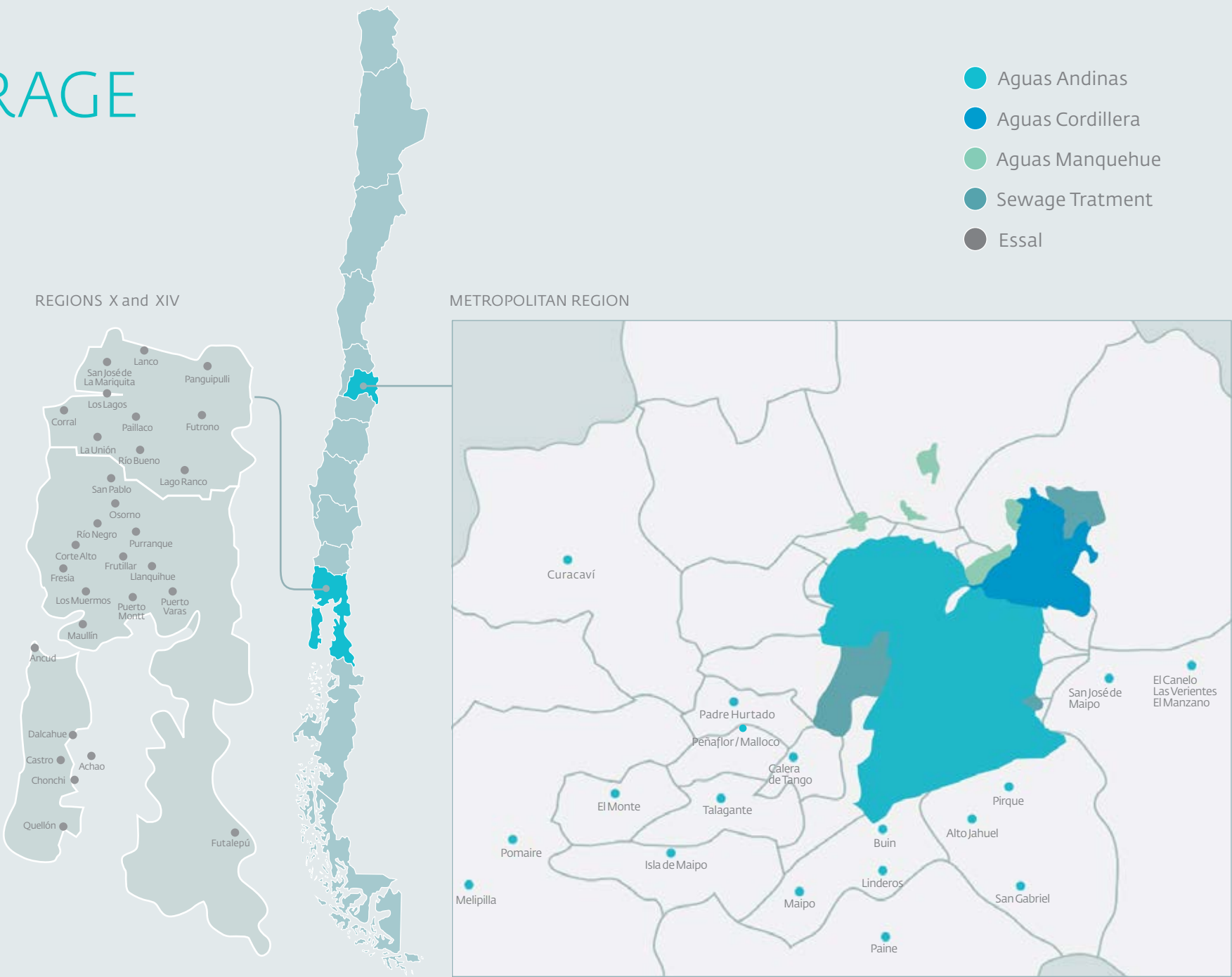
The concession zones of Aguas Andinas and subsidiaries include a territory of 70 thousand hectares in the Metropolitan Region, plus an area of 67 thousand hectares in the regions of De Los Lagos and De Los Ríos in the south of Chile.

Coverage in Greater Santiago and periphery communities

In the Metropolitan Region, the concession zone is located in the Santiago basin, in the intermediate depression of 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, 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.



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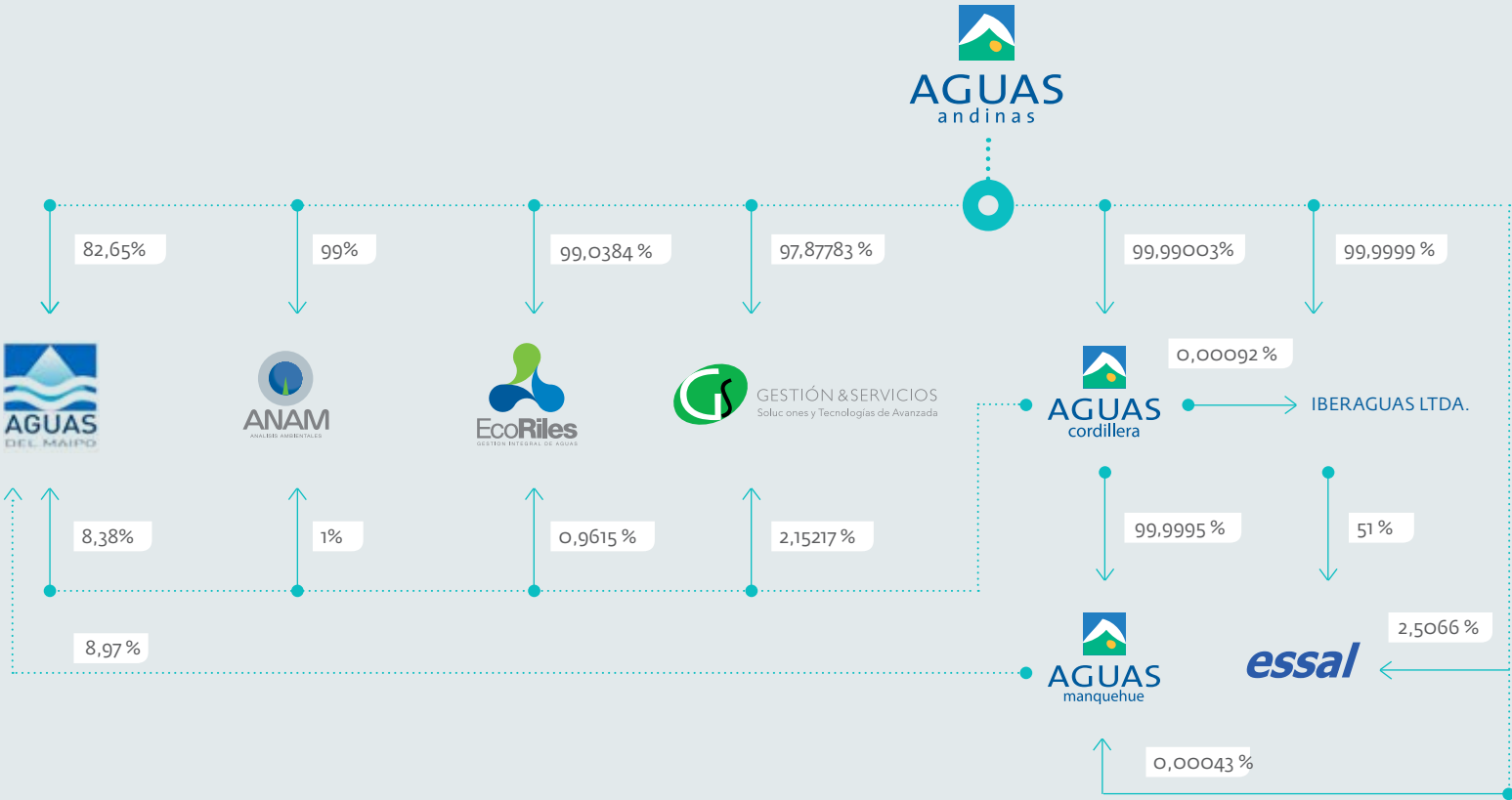


CORPORATE STRUCTURE

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

Aguas Andinas, Aguas Cordillera, Aguas Manquehue and Empresa de Servicios Sanitarios De Los Lagos S.A. (ESSAL) are the sanitation subsidiaries, which are regulated by Chilean legislation and provide water production and distribution services together with the collection, treatment and final disposal of sewage.

EcoRiles, Gestión y Servicios, Análisis Ambientales (Anam) and Aguas del Maipo represent the non-regulated subsidiaries and offer respectively the services of the treatment of industrial waste, the sale of equipment and non-conventional renewable energies, laboratory analysis and the development of energy projects relating to sanitation companies.



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O2 YEAR 2012

Following a year of hard work and heavy investment, we have been able to conclude the construction of the last stage to allow us to comply with our dream of purifying all the sewage of the Santiago basin.

6.8

Millions of inhabitants is the estimate population reached by the Aguas Group.

2012

A year of great achievements and recognitions by our customers.



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YEAR 2012

A year characterized by a serious, transparent and responsible management committed to excellence.

- ✓ We embarked on the excellence plan which seeks to reinforce our commitment with efficiency, quality and work safety.
- ✓ As part of the customers strategic plan, we attended over 1,000,000 telephone calls and processed more than 300,000 work orders.
- ✓ We invested 230,000,000 dollars in the construction of the Mapocho sewage treatment plant.
- ✓ We financed 70 projects with competitive funds for neighboring communities within our corporate social responsibility program.
- ✓ A timely and effective drought management enabled us to double the reserves of the El Yeso reservoir, thus ensuring normal supplies to all our customers for the years 2013 and 2014.
- ✓ The El Rutal biosolids integral management center started operating for processing 300 tons of sludge daily.
- ✓ Successful placement of bonds in local market for 4,95 million UF.



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PLAN OF EXCELLENCE



As a way to strengthen excellence within the Aguas Group, the Excellence Plan was launched in August, a program that seeks to promote continuous improvement, focusing on the areas of efficiency, quality and work safety, in order to consolidate ourselves as a global benchmark in the integral management of the water cycle.

The idea is to gradually transform the whole organization, starting with a pilot program involving initially 4 areas and the later extension of the methodology in phases which we call “waves” and which will continue over a year and a half in other areas of the Company.



With the support of the senior management and 12 navigators (staff trained as agents of change) the pilot stage was successfully completed, with more than 350 improvement levers or initiatives which will lead to the optimization of our processes and operations. The first wave began on November 12, involving another 290 people in this plan.

The methodology involved three key concepts: identification of tasks and measurement, lifting of levers or initiatives for improvement by everyone, and cultural change, pointing to the participation and implication of all the people.

In each transformed area, spaces for interchange are created where everyone has the opportunity to express their ideas in the area of their work, and where continuous improvement becomes a channel of communication and commitment by all.

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CUSTOMER SERVICE

Zonal Division

| CUSTOMERS FOR WATER | | |
|---------------------------|-----------|-----------|
| Zone | 2011 | 2012 |
| Antilco | 533.948 | 542.625 |
| Cordillera ⁽¹⁾ | 149.483 | 153.330 |
| Mapué | 408.198 | 413.916 |
| Maipo | 118.811 | 121.540 |
| Mapocho | 558.717 | 570.936 |
| ESSAL | 197.482 | 202.107 |
| Total | 1.966.639 | 2.004.454 |

(1) Includes Aguas Cordillera and Aguas Manquehue.

Customer Strategic Plan (PEC)

As part of its constant search for further excellence in its performance and, above all, in the quality of service it provides to its customers, Aguas Andinas began the implementation in 2009 of a big and ambitious project: the Customer Strategic Plan (PEC), a corporate program that seeks to provide the Company with new procedures and technological tools to significantly increase the levels of satisfaction of its customers, as well as securing greater efficiency in managing requirements. PEC has therefore been required to make a transversal revision of the form of relating with its customers and our commercial processes.

In October 2011, the Siebel system was introduced, a world-class tool for customer attention and works management. Since its start-up, the tool has permitted ensuring a more efficient interaction with customers as all the players are integrated to participate in the customer-attention process, achieving a complete traceability of each action taken, thus permitting a global, integrated and complete vision of the requirements. Since its implementation, over a million customer calls from all over the Metropolitan area have been attended, eight hundred thousand requirements have been generated and three hundred thousand on-site work orders issued successfully, thus managing to respond quickly and efficiently to the requirement of our customers.

Forming part of the development of the PEC, an important team of staff in 2012 worked on significant tasks for ensuring the implementation of a new commercial management platform, called AquaCIS. This

new technological tool, which covers all the commercial operation processes like the commercial attention of customers, contracting services, readings, billing and collections management, has already been successfully implemented by the Agbar group in various of its operations and has become a benchmark system in commercial management in the Spanish sanitation sector.

Finally, a start was made in 2012 with an ambitious training program for specialist contractors who are responsible for carrying out technical works in infrastructure which are generated from customer requirements. The project called Certification in Customer Attention seeks to ensure that sub-contracted personnel have the tools necessary for satisfactorily attending our consumers. Through an innovative teaching method, 377 workers of the companies Copergo, Eulen, Luxagua and Npasur began a formation cycle in 2012 that will enable them to be accredited by Aguas Andinas in this field.

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CUSTOMER SERVICE

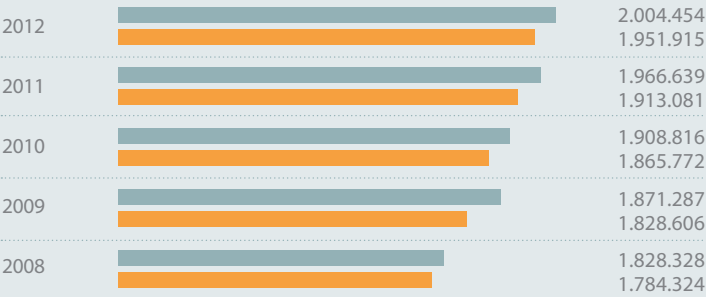
Customers in figures

By the end of 2012, the number of customers (*) of Aguas Andinas with water service was 1,649,674, representing an increase of 1.9% over the previous year. The number of sewage services customers was 1,622,608, 2.0% more than in 2011.

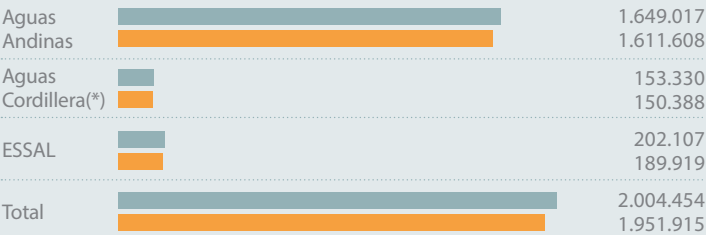
At the consolidated level, the number of water services customers was 2,004,454 and of sewage services 1,951,915.

Of the total water services customers, 8.4%, equivalent to 168,939, related to subsidized customers, which system supports a stable payment behavior and fewer bad debts for the Company.

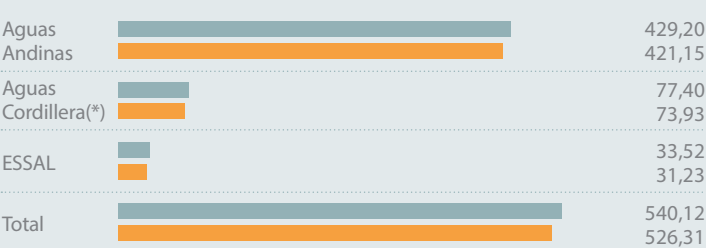
Consolidated customers



Number of customers



Consolidated cubic meters billed 2012



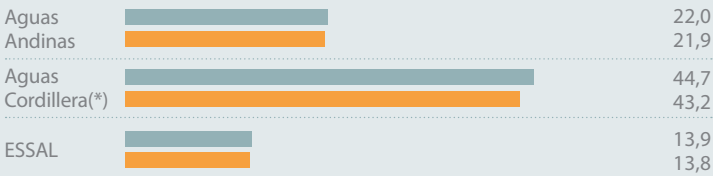
(*) Aguas Cordillera includes Aguas Manquehue.

● Agua Potable
● Alcantarillado

Consolidated average consumption (m³/customer /month)

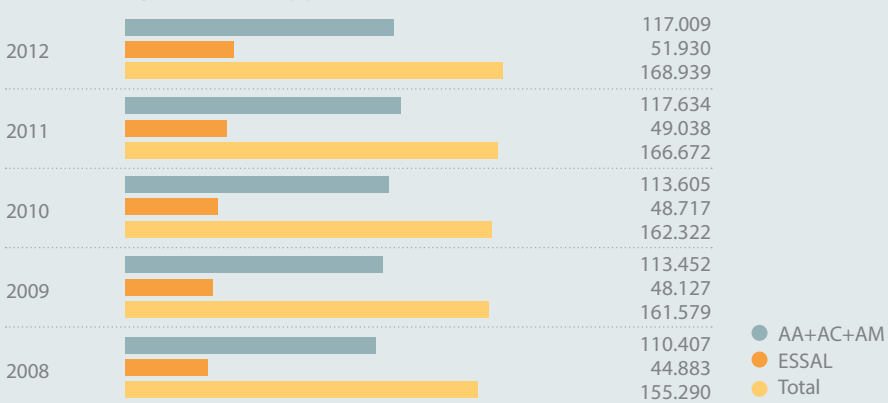


Consolidated average consumption (m³/customer /month)



(*) Aguas Cordillera includes Aguas Manquehue.

Number of subsidies (*)



● AA+AC+AM
● ESSAL
● Total

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CUSTOMER SERVICE

Management of new concessions

During 2012, Aguas Andinas was adjudicated 8 requests for extension of concession. The first, called El Canelo, located in the district of Padre Hurtado, covers an area of 7.5 hectares and 299 new customers. The second, Baquedano 152, is in the district of Paine and involves an area of 7.2 hectares and 412 customers. The third, called Bodegas MAUI, is in the district of Pudahuel and covers an area of 5.4 hectares and 1 new customer. The fourth, Kennedy 1.095, is in the district of Buin, with an area of 3.7 hectares and 167 new customers. The fifth, called Loteo IBSA Tercera Etapa, is located in the district of Buin and has 310 customers and an area of 15.5 hectares. The sixth, Colegio San José, is in the district of Talagante and relates to 1 customer in an area of 0.5 hectares. The seventh, called Krugger 1.280, is in the district of Buin, with an area of 2.2 hectares and 38 new customers. And the eighth, called Pasaje 7 and 8, is in the district of Melipilla and has an area of 0.6 hectares and 18 new customers.

At the end of 2012, requests for extension of concession were pending in the districts of Padre Hurtado, Peñaflor, Buin, Melipilla and Lo Barnechea, which together cover an area of 84.7 hectares and 1,979 new customers.

| Town | Area (hectares) | Customers (homes) |
|---------------|-----------------|-------------------|
| Padre Hurtado | 7,5 | 299 |
| Paine | 7,2 | 412 |
| Pudahuel | 5,4 | 1 |
| Buin | 3,7 | 167 |
| Buin | 15,5 | 310 |
| Talagante | 0,5 | 1 |
| Buin | 2,2 | 38 |
| Melipilla | 0,6 | 18 |

In the area covered by ESSAL, 6 concession-extension requests were granted, as follows:

| Town | Area (hectares) | Customers (homes) |
|--------------|-----------------|-------------------|
| Puerto Montt | 6,10 | 270 |
| Futrono | 6,37 | 250 |
| Puerto Montt | 13,00 | 493 |
| Río Negro | 11,98 | 669 |
| Osorno | 2,80 | 78 |
| Puerto Montt | 26,13 | 407 |

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CUSTOMER SERVICE

New customers

23,933 domestic water and sewage residential projects were approved in 2011, involving the connection of 32,875 new customers.

23.933 domestic water and sewage residential projects were approved in 2011, involving the connection of 32.875 new costumers.

298 public and private networks were also received, totaling 152 kilometers of new infrastructure for the distribution of water and collection of sewage. 16 contracts were signed during the year with property developers to expand our concession area by 128 hectares in the concession area of Aguas Andinas in various districts of the Metropolitan Region , to supply 2,476 homes.

For its part, the Superintendency of Sanitation Services granted new sanitation-service concessions for 89 hectares where 3,147new homes will be built.

Rural water

Aguas Andinas’ work also includes the rural sector of the Metropolitan Region, due to its collaboration with 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.

Various studies were made during the year, the most important being the design of 18 semi-concentrated localities involving a total investment of over Ch\$ 1,260 million. In addition, investments of Ch\$2,858 million were made mainly in the construction of improvement works and expansion of services.

In the area covered by essal, 6 concessiun-extensim requests were granted, as follow:

| Project | # | Millon of Pesos |
|-------------------------------------|----|-----------------|
| Improvement works | 9 | 2.087 |
| Design of improvement works | 8 | 92 |
| Construction of drilling area | 1 | 87 |
| Emergency works | 2 | 684 |
| Projects outside of concession area | 18 | 1.260 |
| Total 2012 | | 4.210 |

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CUSTOMER SERVICE

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 1990).** 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 in the payment for consumption of water and provision of sewage services.
- **Regulations to the Subsidy Law (DS Hacienda N° 195 of 1998).** Contains the regulatory provisions for the application of the Subsidy Law.



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WATER CYCLE



- CATCHMENT of raw water
- Water PRODUCTION
- Water DISTRIBUTION
- Sewage COLLECTION
- Sewage TREATMENT
- RETURN TO environment



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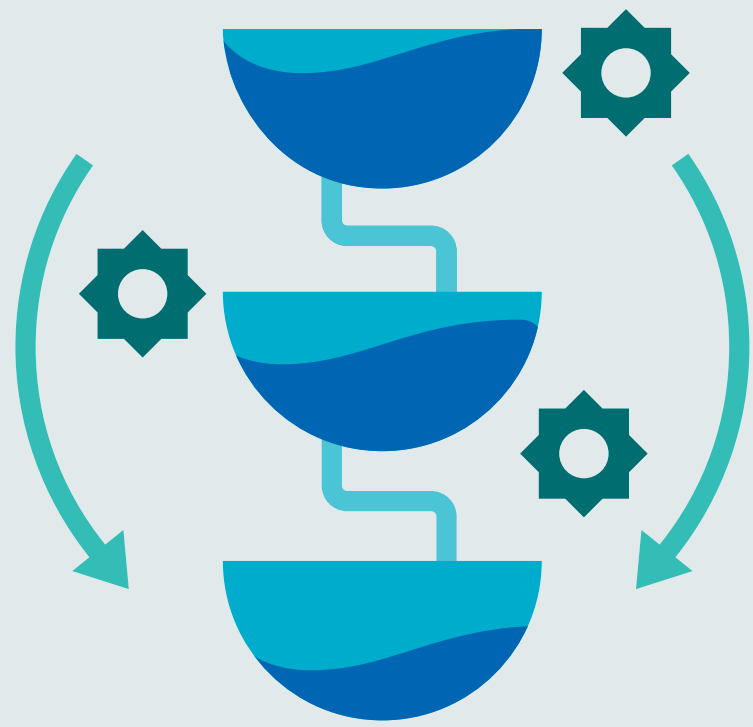




WATER CYCLE



- CATCHMENT of raw water
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WATER CYCLE

Electronic billing

Aguas Andinas began in May to produce and receive electronic bills and invoices, a process that made communication with the SII (taxation authority) automatic and enabled our customers to obtain an electronic copy of their payment documents quickly and safely. It also facilitated the reception of electronic invoices from our suppliers.

Thanks to the introduction of electronic billing, the company issues over 1.5 million electronic bills a month plus 120 thousand electronic invoices. As of December 31, 2012, 1,700 customers have decided to cease receiving their documents in paper form, choosing to receive them digitally through electronic means. A total of about 22 thousand electronic invoices were received from suppliers in 2012, providing greater agility and efficiency in the reception of documents in the company.

This project was developed and completed successfully thanks to the combined work of the commercial development, finance and systems and remote control management areas.

Voice and data systems 2012

In the area of mobile and fixed communications and new technologies, a radio-communications facility was introduced in 2012 in the Quebrada de Ramón Inter-Communal Park, to provide voice and data services to and from the La Farfana and Mapocho treatment plants and the rest of our properties, while meeting sustainability and social responsibility standards.

In our constant keenness to remain in the technological leadership with high-quality services, a system was installed for making audio and video communications in a centralized way, integrating simultaneously different points and types of communication, regardless of geographic location.

Finally, for seeking to ensure that only authorized users can have access to certain services, centralized systems were introduced for checking and ensuring that these accesses are carried out within the defined parameters.

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WATER CYCLE

Expansion of the CCO

In 2012, the coverage of the operative control center (CCO), a tool that enables an integral operative management of the water cycle, continued its expansion with the incorporation of 3 thousand new variables to its control and data acquisition software (SCADA). This world-size application consolidated its position in the public utilities sector, with more than 43 thousand variables and 745 remote stations connected.

The expansion of the CCO involved all the concessions. In production and distribution, the remote-controlled operation was integrated of the drought plan works, like the wells Laguna, Huelén, Huechuraba and Chamisero 9 and 10. Also incorporated were the terminal elevator plants Padre Hurtado, La Dehesa, Chamisero-Chicureo and Valle Grande, plus the systems El Litre and Cerro Negro (Lo Blanco tank and 7 wells).

In purification, the supervision was integrated of the Melipilla, Buin-Maipo and Til-Til purification plants. In collection, the remote-control infrastructures of the Lo Echevers 1 and 2, Airport and Lo Ovalle 4 elevator plants were renovated and the Puerta del Inca (Calera de Tango) sewage treatment plant was added.



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WATER CYCLE

Other technological advances

In order to be a leading and benchmark company in the national sanitation industry, the company in 2012 introduced new technological tools to produce greater efficiency and better management.

The technical systems for the operation of the water and sewage plants were therefore strengthened with an integrated computer application enabling the production of performance indicators and operative reports, thus improving the availability of information.

A new model was also developed for the storage of data and generation of reports for the Superintendency of Sanitation Services, providing greater agility in answering the information requirements requested periodically. The SAP BW corporate system was also modernized technologically; this is used as support for Datamart, budgets and consolidated financial statements.

Finally, the self-service terminals were renewed in the commercial agencies in order to improve the quality of attention to our customers.



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WATER CYCLE



Research and development

Aguas Andinas has a constant commitment with innovation and research and development (R+D) in order to improve the quality of its services in all its areas.

Thanks to the experience gained from the biogas project, two new technologies were introduced in the construction of the new Mapocho plant: thermal hydrolysis and co-generation. The first seeks a greater and faster degradation of the organic matter inside the digesters and an increase in the production of biogas. Co-generation for its part permits the burning of this biogas to generate electrical and thermal energy which can be used in the installation processes.

Regarding new projects, INNOVA financing was received in 2012 for developing a biofuel production strategy from the waste generated by the treatment plants (greases and primary sludge) in order to produce direct economic benefits while reducing their environmental impact. The project, costing Ch\$225 million, expects within three years to value the greases from the pre-treatment and primary treatment through their transformation into biodiesel.

The research work carried out during the year enabled the company to appear at important national and foreign forums, demonstrating the importance that Aguas Andinas gives to research and development, fundamental pillars in the management of the water cycle.

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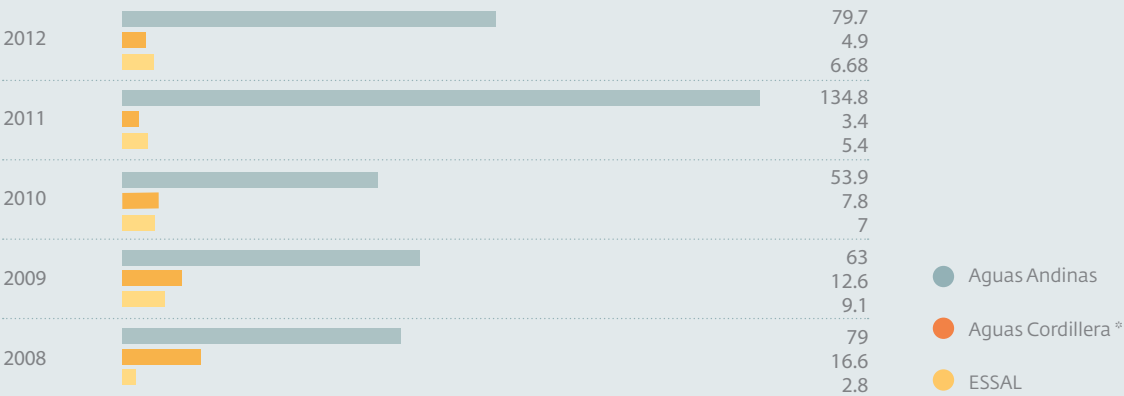
WATER CYCLE

New investments

The Company's investment plan in 2012 amounted to Ch\$92,307 million, of which Ch\$91,403 million was invested in the sanitation subsidiaries and Ch\$904 million in the non-sanitation subsidiaries.

Of the total investment made in the Group's sanitation companies, Ch\$52,388 million was used in installations for the collection and treatment of sewage. The rest, being Ch\$27,568 million, was for water works, mainly for distribution installations relating to the constant renovation of water networks.

Investments (Ch\$millions)



* Aguas Cordillera includes Aguas Manquehue.

| AGUAS GROUP 2012 (CH\$ MILLIONS) | | |
|----------------------------------|---------|--------|
| Investment stage | 2011 | 2012 |
| Water production | 7.214 | 12.391 |
| Water distribution | 12.563 | 15.177 |
| Sewage collection | 5.059 | 14.309 |
| Sewage disposal | 110.929 | 38.085 |
| Other activities | 8.008 | 11.442 |
| Non-sanitation subsidiaries | 399 | 904 |
| Total | 144.172 | 92.307 |

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EXTRACTION AND PRODUCTION

Sources, reserves and plants

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

We have important reserves that provide additional hydric resources and permit meeting the demand for water by residents of Greater Santiago, in order to guarantee the continuous supply to our customers. These reserves are the El Yeso reservoir, with an operative maximum capacity of 220 million m3, Laguna Negra, with 600 million m3, and Laguna Lo Encañado, with 50 million m3.

For the production of drinking water, we have the Las Vizcachas complex, the La Florida water production plant, and 12 smaller installations including Padre Hurtado, Lo Gallo, San Enrique and El Sendero. In the regions of De Los Lagos and De Los Ríos, we 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.

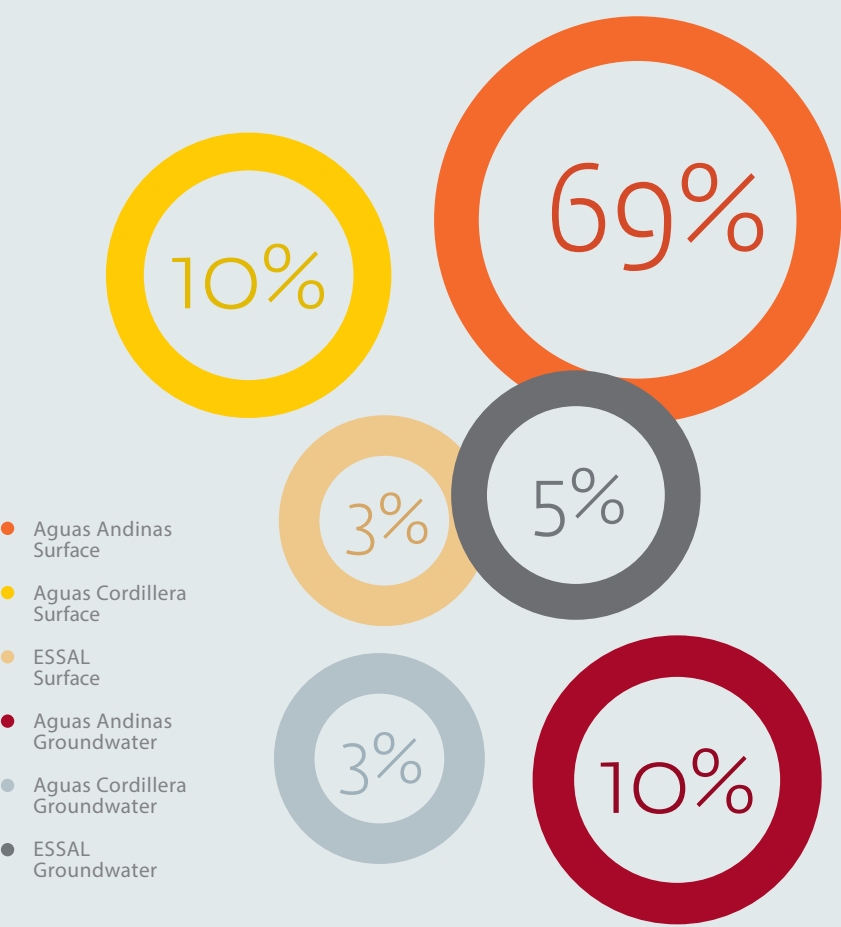
Production by type of source

Consolidated water production in 2011, measured at its outflow from the plants, amounted to 766 million m3. Of these, 616.2 million m3 corresponded to surface waters and 149.8 million m3 to groundwaters.

| PRODUCTION BY TYPE OF SOURCE (MILLIONS OF M3) | | | | | |
|---|-------|-------|-------|------|-------|
| Empresas | 2008 | 2009 | 2010 | 2011 | 2012 |
| Aguas Andinas Surface | 508,1 | 521,3 | 531,6 | 545 | 527,2 |
| Aguas Andinas Groundwater | 73,9 | 73,5 | 72,5 | 78,2 | 87,4 |
| Aguas Cordillera(*) Surface | 68,1 | 72,9 | 72,8 | 68,6 | 68,6 |
| Aguas Cordillera(*) Groundwater | 21,3 | 16,9 | 14,9 | 25,9 | 25,9 |
| ESSAL Surface | 17,8 | 21,8 | 20,2 | 19,3 | 20,4 |
| ESSAL Groundwater | 32,0 | 34,1 | 30,9 | 33,9 | 36,5 |

* Aguas Cordillera includes Aguas Manquehue.

Composition of water production



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EXTRACTION AND PRODUCTION

Level of El Yeso Reservoir and Drought Committee

Despite facing one of the worst droughts in the last 100 years in the center-north zone of the country, residential supplies of water are assured for the next two years (2013 and 2014) in the Metropolitan Region thanks to the plan prepared by Aguas Andinas in 2010 in coordination with the River Maipo Vigilance Association, the River Maipo Irrigation Canals Association and electricity companies in the sector.

The work consisted of the creation of a drought committee involving all the parties that use water from this source, in order to rationalize the resource with a system of purchase and rental of water, reinforcing the vigilance association to prevent theft and carrying out an effective coordination between the parties to avoid losses of the resource.

In this way, the El Yeso reservoir, the principal source of the river Maipo, increased its level considerably. In October 2011 it has just 52 million m3 of water (23.6% of its capacity) while in January 2013 its level reached 190 million m3 (90% of the total).

In order to increase the catchment of water, water was extracted from 300 wells in 2012, which enabled the supply capacity to rise by 4.5%.

| RIVER MAIPO NATURAL FLOWS, AT EL MANZANO (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 | 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 | 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 | 65 | 44,9 | 30,2 | 28 | 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% |
| 2012 | 93,1 | 86,7 | 69,4 | 50,3 | 52,0 | 60,8 | 43,0 | 36,0 | 49,9 | 57,0 | 146,7 | 158,0 | |
| Percentage | 93% | 85% | 80% | 80% | 59% | 39% | 80% | 92% | 76% | 87% | 52% | 68% | 74% |

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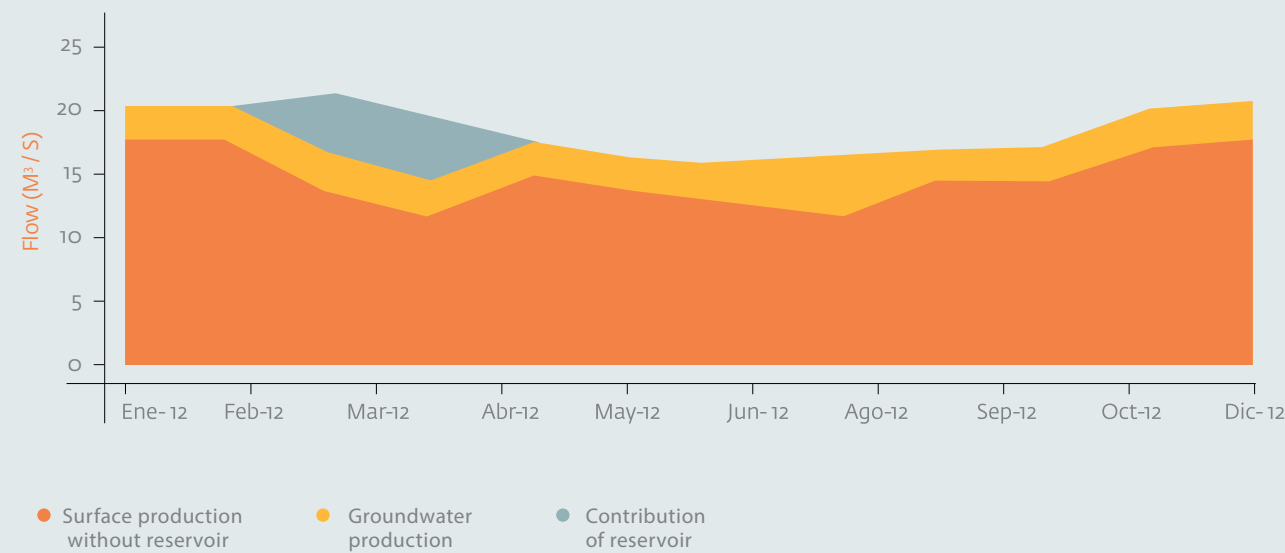
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EXTRACTION AND PRODUCTION

Embalse del Yeso's contribution to the production of Gran Santiago



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TRANSPORT AND DISTRIBUTION

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, which follow the lines of the roads, is managed by the operative control center, which ensures its correct functioning and guarantees a continuous supply.

Network management

Thanks to its water networks integrated management model, Aguas Andinas 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 world's large sanitation companies.

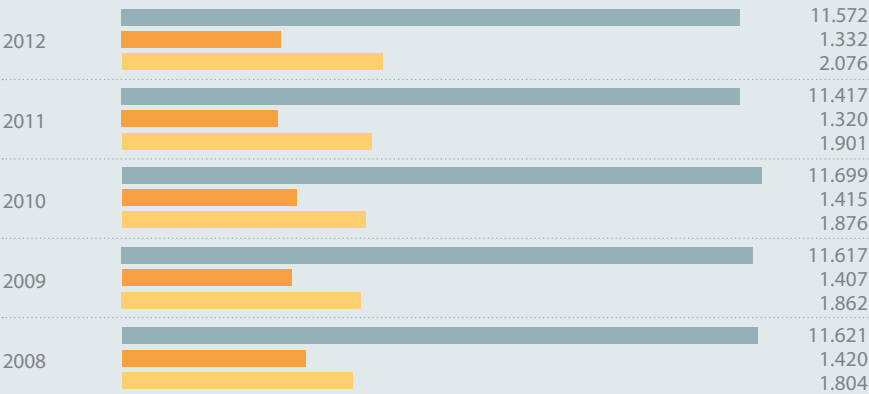
The number of fractures occurring in 2012 was 992, 3.6% less than in the year before.

| FRACTURES / NUMBER OF FRACTURES PER YEAR | |
|--|-------|
| 2012 | 992 |
| 2011 | 1.029 |
| 2010 | 1.036 |
| 2009 | 1.077 |
| 2008 | 1.288 |

Length of distribution network

By the end of 2012, the length of the distribution network at the consolidated level was 14,980 kilometers. Of these, 12,904 kilometers relate to the Metropolitan Region, comprising the networks of Aguas Andinas, Aguas Cordillera and Aguas Manquehue, and 2,076 kilometers belong to the network of ESSAL in the south of the country.

Length of distribution network (km)



(1) Aguas Cordillera includes Aguas Manquehue.

- Aguas Andinas
- Aguas Cordillera
- ESSAL

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COLLECTION

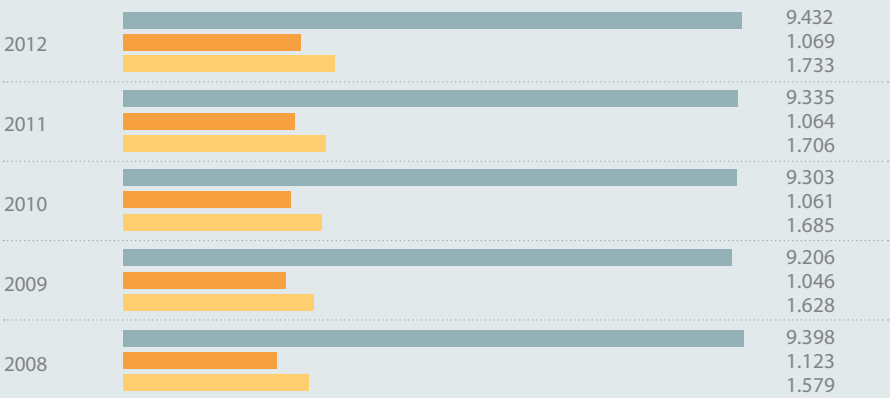
Our sewage collection network, comprising the sewer system, enables the collection and evacuation of waste waters, avoiding their direct contact with people, to then be carried to the treatment plants or points of final disposal.

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

Length of the collection network

The length of the Company's collection network at the consolidated level in 2012 was 12,234 kilometers which implied growth of 129 kilometers over the year before, equivalent to 1.1%.

Length of the collection network (km)



- Aguas Andinas
- Aguas Cordillera ⁽¹⁾
- ESSAL

⁽¹⁾ Aguas Cordillera includes Aguas Manquehue.

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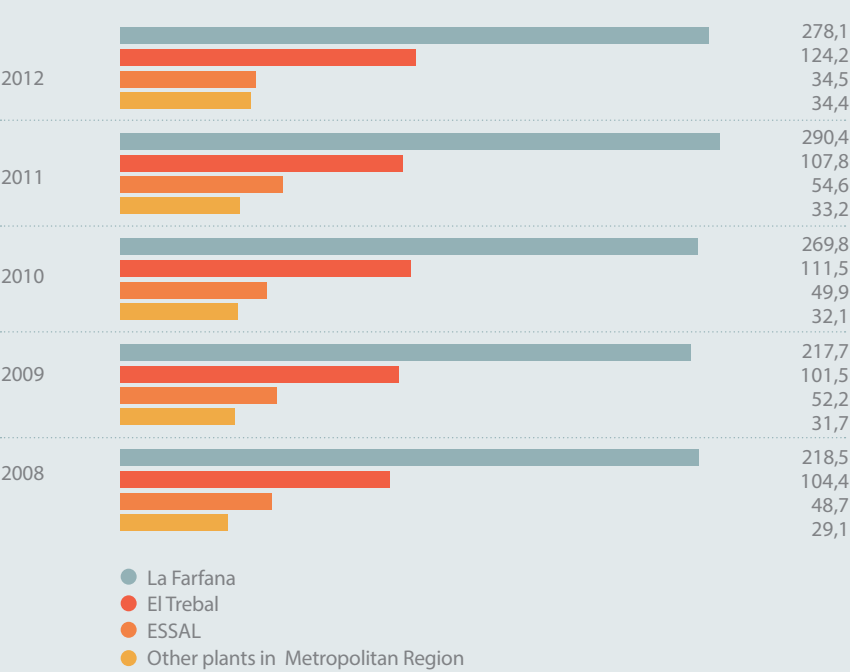
TREATMENT

The waste waters produced by the residents of the Metropolitan, De Los Ríos and De Los Lagos regions are purified at treatment plants belonging to Aguas Andinas and subsidiaries, in order to leave them in optimum conditions for their restitution to the environment.

In Greater Santiago, Aguas Andinas has two large treatment plants, El Trebal and La Farfana; a third large installation, the recently-finished Mapocho plant and in its final adjustment phase (still not operating); three plants in the north-east zone, and another 10 smaller plants in periphery communities. Altogether, these installations permit reaching coverage in sewage treatment of around 87%.

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

Sewage treatment Aguas Group (millions of m3)



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TREATMENT

Advances in treatment

The last great step in sanitation occurred at the end of 2012 with the successful conclusion of the construction of the Mapocho sewage treatment plant which, at the end of the year, was in its phase of final adjustments, prior to its start-up during the first quarter of 2013.

This installation, which is the most modern purification plant in the country, implied a total investment of 230 million dollars and will permit the completion of the Santiago basin water sanitation plan, achieving the treatment of all the sewage of the Metropolitan Region. This will make Santiago one of the cities with the highest levels of decontamination of collected sewage.

Thus the sanitation plan will be completed, following 12 years of work and an investment of around 1,000 million dollars, successfully carried out by Aguas Andinas, one of the most challenging projects that our company has led. It is also the last step for completing the comprehensive water cycle.

With the completion of the Mapocho sewage treatment plant 100% of sewage in the Metropolitan Region will be treated.



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SUSTAINABLE DEVELOPMENT

Personnel

Union relations

Collective bargaining took place in advance in 2012 with the Professionals and Technicians Union, which covers 278 employees of Aguas Andinas. Negotiations were carried out in an environment of comradeship, understanding and good relations between the parties, resulting in agreements satisfactory to both the company and the union, marking a big difference with respect to the negotiations in 2010 which were concluded in arbitration proceedings.

A new collective agreement project was also presented during the year by the No.1 and 2 Unions of Aguas Andinas, which includes as a negotiating group mainly 57 people who joined following the collective bargaining of these unions in 2010, which ended on good terms for a period of 4 years. In this way, there will be collective bargaining in all the even years with one of the two or both negotiating groups of Aguas Andinas.

Good labor practices

The company received the recognition IGUALA “Good Labor Practices with Equity of Gender, balancing family and working life”, granted by the Servicio Nacional de la Mujer, SERNAM. This certification was earned through the implementation of good labor practices and a final survey of employees.

Among the good practices applies are in recruitment and selection, development and training, working conditions, work harassment prevention and sanction, protection of maternity and parent responsibilities.

The company also participated in the creation of the Chilean standard No.3262 “Management of Gender Equality and Conciliation”, launched in November by SERNAM and the Instituto Nacional de Normalización, INN. To obtain this seal, a protocol of good labor practices has to be created, containing concrete and reciprocal actions for the company and its employees. Aguas Andinas expects to obtain this standard by the end of 2013.

Finally, spaces for comradeship, relaxation and possibilities of recreation of our employees and their families were expanded. In particular, through financial support, the company contributed to the development of sports and recreational schools that permitted the birth of branches for cooking, table tennis, theatre, tennis, chess, etc., in addition to the classical and popular branches of football and basketball.



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SUSTAINABLE DEVELOPMENT

Personnel

Personnel development

The development plan in accordance with the evaluations of the Crecer performance evaluation system was successfully carried in 2012, and an assessment center with the company's executives. Both contributed to the preparation of a talents chart for Aguas Andinas.

Training given in 2012 totaled 47,598 hours, which implied an increase of 7.5% over the year before.

Workforce

As of December 31, 2012, the workforce of the Aguas Group totaled 1,838 direct employees.

| WORKFORCE 2012 | | | | | | |
|------------------------------|---------------|--------------------|-------------------|-------|--------|-------|
| Level | Aguas Andinas | Aguas Cordillera * | Aguas Manquehue * | ESSAL | Others | Total |
| Managers & senior executives | 48 | 1 | 1 | 3 | 8 | 61 |
| Professionals & technicians | 642 | 78 | 11 | 132 | 202 | 1.065 |
| Workers | 325 | 51 | 8 | 164 | 164 | 712 |
| Total | 1.015 | 130 | 20 | 299 | 374 | 1.838 |

* Executive included in Aguas Andinas.

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SUSTAINABLE DEVELOPMENT

Community

Various activities and programs were organized in 2012 to provide education for children and the population in general in the good 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”

“Aguas Andinas in my district” was launched 11 years ago, a program directed to low-income sectors of the Metropolitan Region in order to promote proper conduct in the use of water and in care for the sanitation installations.

The program is carried out in areas with sewage problems, unpaid bills, leakages in interior networks and the indiscriminate opening of taps in the summer. In collaboration with Gestión Social, it involves neighborhood leaders, residents and municipalities, to work together , including employees of Aguas Andinas, for almost four 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.

Orientation days are arranged by members of the commercial area of Aguas Andinas 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 finally 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 seventh 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. “Sueños de Barrio” is directed to social organizations of the municipalities of Pudahuel, Maipú, Padre Hurtado and Til Til, and is 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, Gestión Social, the Corporation for Sustainable Development (CDS), the municipalities involved and executives of Aguas Andinas.

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SUSTAINABLE DEVELOPMENT

Community

Working round-tables

These are communication opportunities to enable the company to listen to the opinions and concerns of the neighbors of the sewage treatment plants, especially from the districts of Til Til, Padre Hurtado, Maipú and Pudahuel. The idea is to detect problems, difficulties and complaints early, and to promote mutual trust between the communities and our company.

The round tables include members of 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 educate on the integral water cycle and all the processes involved.

This activity is directed especially to school children, university students, members of residents associations and community organizations of the Metropolitan Region.



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SUSTAINABLE DEVELOPMENT

Community



“Gotagotham, the World of Water”

This educational program is given for half a year to junior-school students at certified schools. The objective is to foster a positive attitude to the environment and teach students about the integral water cycle.

It takes the form of a school text in an album format with collectionable sheets, a teachers’ guide, workshops, talks and a recreation day at the school, where matters relating to recycling and the integral water cycle are seen.

8,053 students from 75 schools in the Metropolitan Region have taken part in 3 half-years.

In order to promote the responsible use of water and care for the environment in pre-school education, Aguas Andinas developed an educational kit together with the Comité para la Infancia y la Familia of Santiago which permits through different games the teaching and promotion of these subjects to infant children (between 3 and 5 years), training and accompanying teachers at the kindergartens taking part in this initiative.

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SUSTAINABLE DEVELOPMENT

The environment

Mapocho plant

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

This installation, whose construction was completed at the end of 2012 and be operative in the first quarter of 2013, 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 of the Metropolitan Region.

Following an investment of 230 million dollars, the Mapocho plant uses state-of-the-art technology corresponding 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. Among its improvements is a water line with a pre-treatment unit, unique to the El 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, while automatic loading is introduced to the sludge line.

With this, the Mapocho plant becomes the most modern purification installation in the country, friendly with the environment and respectful with its surroundings and nearby communities.

El Rutal Center

The El Rutal biosolids integral management center, which started operating in August 2012 and implied an investment of 12 million dollars, has the capacity to process 300 tons of stabilized biosolids a day coming from the large sewage treatment plants, La Farfana and Mapocho-Trebal.

Located 58 kilometers north of Santiago, in the district of Til Til, El Rutal covers an area of 1,800 hectares where the activities of conditioning, handling, drying, use and/or disposal of biosolids are carried out.

In order to ensure a safe handling of the sludge, this center uses closed and sealed trucks for the transportation and suitable machinery for the management of platforms, with different types of drying according to weather and environmental conditions. Its processing areas are also located far from the community and vegetal screens were set up with the planting of 25,000 native species (hawthorns and algarrobos). In order to minimize the desertification of the zone, there are areas of biosolids for agricultural and forestry use. Finally, a system of percolated liquids handling and treatment was developed in accordance with current regulations.

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SUSTAINABLE DEVELOPMENT

The environment

As part of our good neighbor policy, the company has maintained a constant flow of information and contact with the neighboring community which has resulted in important projects for the residents of El Rotal, and it has a permanent dialogue with its residents.

Carbon Footprint Measurement

In the light of global phenomenon of climate change, Aguas Andinas considers it very important to calculate its carbon footprint, i.e. the amount of greenhouse-effect gases (GEG) emitted over the life cycle of a sanitation service, expressed in units of CO₂ equivalent.

The calculation of the carbon footprint was made during 2012 for the fourth consecutive year using CAFCA, a tool developed for the sanitation sector by Agbar's Water Technology Center. This permits accounting for emissions in production, transport and distribution, collection and purification, plus emissions at non-operative installations. The result was a total emission value of XXXX tons of CO₂ eq/year.

Our challenge is that these measurements serve to set targets with respect to the level of emissions and promote initiatives of energy efficiency and sustainable projects, like the co-generation at the Mapocho plant.

Total emission in 2012
was 188.910 tons of CO₂
eq/year.



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NON-REGULATED COMPANIES

Growth and innovation

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 2012, the company consolidated itself in the dairy-products market thanks to new accounts with companies like Nestlé and Colún, which enabled it to achieve a 50% national market share. In the paper-making industry, EcoRiles has also reached a 50% market share in liquid-waste treatment services, mainly due to its business with the company CMPC. In the drinks industry, new contracts were signed with important companies like CCU and Embotelladora Andina.

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 2012, it significantly increased its participation in the markets of mining, salmon industry and woodpulp, signing new contracts with companies like Codelco, Aquachile and CMPC.

ANAM also managed to position new products associated with the management of air quality and odorous gases in different industries, doubling its sales in this area and setting very ambitious targets for 2013. The solutions developed in this segment include engineering, measurement and remodeling services, plus turnkey projects for the mitigation of odorous gases.

Another project fundamental to the growth of ANAM was the approval of the construction of a new laboratory that will integrate all the functional operating and commercial areas, with an investment of 5 million dollars.

Aguas del Maipo S.A.

As part of the reorganization of the Aguas Group, the company Aguas del Maipo S.A. was formed in 2011 for the development of energy projects deriving from the sanitation business.

The company made a capital increase during 2012 with the contribution of shares in the company Eléctrica Puntilla S.A.. The contract for the generation of biogas produced at the La Farfana plant was also transferred to this subsidiary. The participation of the Aguas Group in the electricity and energy business is therefore located in Aguas del Maipo S.A.

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NON-REGULATED COMPANIES

Gestión y Servicios S.A.

Gestión y Servicios is a company founded in 2001 to market and sell network materials relating to water and sewage to the different contractors of the Aguas Group, ensuring quality, availability and optimization of the logistics chain. This business currently accounts for 96% of the company's sales.

Until the year 2010, this strategic business unit generated stable financial results. In 2011 it carried out a re-engineering focused on structuring its processes, consolidating the commercial and logistics areas, notably with the introduction of the Lean Six Sigma philosophy at the company level through the training of all the members of G&S. A SAP planning model was also introduced that integrates all the operative units of G&S (planning, purchases, logistics and sales). All this has led Gestión y Servicios to obtain growing results in the different commercial channels, particularly a 40% increase in sales outside the Aguas Group.

At the same time, labor, commercial and human relations were strengthened with the operative zones and contractors of Aguas Andinas, providing them with an efficient and quality service and showing the growing spirit of Gestión y Servicios to face the new challenges of the sanitation market.

The result of the work done in the different strategic business units of the supply chain enabled it to surpass the budget for 2012 by 6% and also achieve an increase of 22% over 2011.

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The year 2012 was characterized by important investment and financing operations, and important operations that satisfactorily took advantage of opportunities that presented themselves in the market.

These operations included two successful placements of bonds whose proceeds were mainly used to finance the investments made by the Company during the year. The first issue was made on January 12, 2012 for a total of UF 1.65 million in the one series, Series Q, structured as a 20.5-year bullet at a rate of 3.92% plus a spread of 115 basis points over the reference rate. Demand was 2.8 times the amount offered.

On April 19, 2012, Aguas Andinas S.A. made a second placement of bonds, for a total of UF 3.3 million, through the issue of two series: Series R with a 7-year term and Series S with a 23-year term. The placements were well received by the market and demand for the short-term series was 3.2 times and that for the long-term reached 2.6 times the offer. The placement rates of the bonds were 3.5% and 3.89% respectively, and the spreads were 106 and 110 basis points respectively over the reference rates.

Due to the high trading volume in the shares of Aguas Andinas, the Santiago Stock Exchange reported in December that the company's shares (Aguas – A) will remain in the IPSA stock price index during 2013, with a weighting of 2.434.745.

On May 4, 2012 the Corporación de Fomento de la Producción (CORFO) sold 387,676,815 shares in Empresa de Servicios Sanitarios de Los Lagos (ESSAL), corresponding to a 40.46% shareholding, thus retaining a 5% holding in the sanitation company. As a result, ESSAL held an extraordinary shareholders meeting on June 20 to renew the company's board of directors.

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 Fitch and ICR, one of the best categories granted to a private-sector company in Chile.

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FINANCIAL PERFORMANCE

Risk factors

Aguas Andinas is in a favorable position in terms of risk due 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 situation, 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 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.

The subsidiary ESSAL concluded its fifth tariff-setting process in October 2011.



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FINANCIAL PERFORMANCE

- **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.

Aguas Andinas currently has sufficient water rights to ensure an adequate production of water, including in adverse weather conditions. The Company also has the technical and human capacities necessary for overcoming critical situations.

- **Customers**

The Company supplied 2,004,454 customers with water during 2012, 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 8.5% of total sales in 2012.

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

- **Interest rates**

As of December 31, 2012, Aguas Andinas had 86.2% of its debt at fixed rates (comprising approximately 79.6% in short and long-term bonds and 20.4% in reimbursable financial contributions). The remaining 13.8 % is at variable rates and relates to loans from banks in Chile.

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FINANCIAL PERFORMANCE

Investment and financing policy

Investments

The investments made by Aguas Andinas in 2012 were employed 59% 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 January, the first placement of bonds was made on the local market. The issue amounted to UF 1.65 million and was of the same series (Series Q). It was structured as a 20.5-year bullet at a rate of 3.92% and a spread of 115 basis points above the reference rate.

In April, a second placement of this type was made for a total of UF 3.3 million, in two series: Series R at 7 years term and Series S at 23 years. The placement rates of the bonds were 3.5% and 3.89% respectively, with spreads of 106 and 110 basis points respectively above the reference rates.

As of the close of the year, the real average interest rate on financing was 3.94%, compared to 4.1% in 2011, as a result of a rise in the real interest rate for bank loans.

| DISTRIBUTABLE EARNINGS | M\$ |
|---|---------------|
| Earnings 2012 | 121.269.559 |
| Accumulated distributable earnings | 49 |
| Interim dividends paid against 2012 earnings | (35.456.344) |
| Remaining distributable earnings | 85.813.264 |
| % dividends distributed to distributable earnings | 29,24% |

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FINANCIAL PERFORMANCE

Dividend policy

The twenty-second 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

| BOOK VALUE | | | | | |
|----------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| \$ por acción | 2008 | 2009 | 2010 | 2011 | 2012 |
| Book value | 77,77 | 100,77 | 99,3 | 100,36 | 101,61 |
| Earnings | 17,83 | 20,11 | 16,97 | 18,22 | 19,82 |
| Dividends paid | 16,7774 ⁽¹⁾ | 17,7377 ⁽²⁾ | 20,2233 ⁽³⁾ | 17,1564 ⁽⁴⁾ | 18,4147 ⁽⁵⁾ |

- (1) 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.
- (2) Includes two items: a dividend of Ch\$12.43768 per share paid on June 22, 2009, and an interim dividend of Ch\$5.30 per share against the earnings of 2009, paid on November 23, 2009.
- (3) 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.
- (4) 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.
- (5) Includes two items: a dividend of Ch\$12.62015 per share paid on May 23, 2012, and an interim dividend of Ch\$5.7945 per share against the earnings of 2012, paid on November 13, 2012.

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, 2012, 94.97% corresponded to the Series A, equivalent to 5,811,028,171 shares, and 5.03% to the Series B, equivalent to 307,936,989 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).

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TRANSACTIONS BY MAJOR SHAREHOLDERS AND RELATED PERSONS

The following were transactions of this kind carried out during 2012:

| Name | Date transaction | Date reported to SVS | Sale | Purchase | Unit price in pesos or average weighted rate of instrument traded (Ch\$) | Transaction Total Amount (Ch\$) | Observations |
|---|------------------|----------------------|---------|-----------|--|---------------------------------|--|
| Sociedad de Inversiones e Inmobiliaria K2 Ltda. | 05/07/2012 | 10/07/2012 | | 14.244 | 313 | 4.458.372 | Ricardo Estay, Aguas Andinas executive, is a partner of Sociedad de Inversiones e Inmobiliaria K2 Ltda. |
| Bruno Philippi Irrázabal | 30/05/2012 | 12/06/2012 | | 10.000 | 296 | 2.959.000 | |
| Yamile Lorena Valenzuela Pérez | 07/05/2012 | 09/05/2012 | 334 | | 315 | 105.210 | Spouse of Luis Faúndez, executive of Aguas Andinas. |
| Bruno Philippi Irrázabal | 19/04/2012 | 12/06/2012 | | 10.000 | 315 | 3.149.500 | |
| Bruno Philippi Irrázabal | 11/04/2012 | 12/06/2012 | | 7.000 | 302 | 2.111.200 | |
| Bruno Philippi Irrázabal | 03/04/2012 | 12/06/2012 | | 13.500 | 400 | 4.043.250 | |
| Bethia S.A. | 03/04/2012 | 04/04/2012 | | 6.708.968 | 298 | 1.998.588.464 | Director of Aguas Andinas, Mr. Gonzalo Rojas. V. |
| Bethia S.A. | 03/04/2012 | 04/04/2012 | | 6.708.968 | 298 | 1.998.588.464 | Alternate Director of Aguas Andinas, Mr. Jaime Cuevas R. |
| Bruno Philippi Irrázabal | 30/03/2012 | 12/06/2012 | | 34.000 | 293 | 9.962.000 | |
| Inversiones Arizona S.A. | 27/01/2012 | 31/01/2012 | 107.644 | | 288 | 31.001.472 | Informed by Inversiones Arizona S.A., Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana, controlling company of Aguas Andinas. |
| Inversiones Arizona S.A. | 27/01/2012 | 31/01/2012 | 43.467 | | 287 | 12.475.029 | Informed by Inversiones Arizona S.A., Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana, controlling company of Aguas Andinas. |

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| Name | Date transaction | Date reported to SVS | Sale | Purchase | Unit price in pesos or average weighted rate of instrument traded (Ch\$) | Transaction Total Amount (Ch\$) | Observations |
|--------------------------|------------------|----------------------|---------|----------|--|---------------------------------|--|
| Inversiones Arizona S.A. | 26/01/2012 | 31/01/2012 | 10.000 | | 286 | 2.863.100 | Informed by Inversiones Arizona S.A., Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana, controlling company of Aguas Andinas. |
| Inversiones Arizona S.A. | 26/01/2012 | 31/01/2012 | 14.281 | | 286 | 4.088.650 | Informed by Inversiones Arizona S.A., Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana, controlling company of Aguas Andinas. |
| Inversiones Arizona S.A. | 26/01/2012 | 31/01/2012 | 20.000 | | 286 | 5.720.200 | Informed by Inversiones Arizona S.A., Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana, controlling company of Aguas Andinas. |
| Inversiones Arizona S.A. | 26/01/2012 | 31/01/2012 | 416.020 | | 286 | 118.981.720 | Informed by Inversiones Arizona S.A., Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana, controlling company of Aguas Andinas. |
| Inversiones Arizona S.A. | 24/01/2012 | 24/01/2012 | 14.272 | | 290 | 4.137.453 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 24/01/2012 | 24/01/2012 | 36.547 | | 290 | 10.598.630 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 24/01/2012 | 24/01/2012 | 20.000 | | 291 | 5.810.001 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 24/01/2012 | 24/01/2012 | 30.000 | | 289 | 8.670.300 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 24/01/2012 | 24/01/2012 | 40.000 | | 290 | 11.580.000 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |

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|--------------------------|------------------|----------------------|---------|----------|--|---------------------------------|---|
| Inversiones Arizona S.A. | 24/01/2012 | 24/01/2012 | 121.992 | | 289 | 35.254.469 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 24/01/2012 | 24/01/2012 | 320.621 | | 289 | 92.659.469 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 24/01/2012 | 24/01/2012 | 28.500 | | 289 | 8.233.650 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 24/01/2012 | 24/01/2012 | 148.425 | | 288 | 42.746.400 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 24/01/2012 | 24/01/2012 | 1.731 | | 288 | 498.701 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 24/01/2012 | 24/01/2012 | 28.908 | | 287 | 8.282.142 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 24/01/2012 | 24/01/2012 | 36.100 | | 287 | 10.360.700 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 24/01/2012 | 24/01/2012 | 86.022 | | 289 | 24.868.960 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 24/01/2012 | 24/01/2012 | 5.000 | | 287 | 1.435.500 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |

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|--------------------------|------------------|----------------------|---------|----------|--|---------------------------------|---|
| Inversiones Arizona S.A. | 24/01/2012 | 24/01/2012 | 185.000 | | 289 | 53.465.000 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 23/01/2012 | 24/01/2012 | 34.004 | | 290 | 9.877.822 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 23/01/2012 | 24/01/2012 | 35.600 | | 291 | 10.359.600 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 23/01/2012 | 24/01/2012 | 239.343 | | 290 | 69.505.207 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 20/01/2012 | 24/01/2012 | 821.702 | | 291 | 238.704.431 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 20/01/2012 | 24/01/2012 | 16.199 | | 290 | 4.697.710 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 20/01/2012 | 24/01/2012 | 72.697 | | 291 | 21.155.554 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 20/01/2012 | 24/01/2012 | 123.749 | | 291 | 36.010.959 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 20/01/2012 | 24/01/2012 | 553.578 | | 290 | 160.808.875 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |

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FINANCIAL PERFORMANCE

| Name | Date transaction | Date reported to SVS | Sale | Purchase | Unit price in pesos or average weighted rate of instrument traded (Ch\$) | Transaction Total Amount (Ch\$) | Observations |
|--------------------------|------------------|----------------------|---------|----------|--|---------------------------------|---|
| Inversiones Arizona S.A. | 20/01/2012 | 24/01/2012 | 59.139 | | 291 | 17.179.881 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 20/01/2012 | 24/01/2012 | 310.567 | | 292 | 90.530.281 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 20/01/2012 | 24/01/2012 | 1.150 | | 290 | 334.052 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 20/01/2012 | 24/01/2012 | 21.508 | | 290 | 6.239.471 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 20/01/2012 | 24/01/2012 | 343 | | 293 | 100.328 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |
| Inversiones Arizona S.A. | 20/01/2012 | 24/01/2012 | 343 | | 293 | 100.328 | Company related to Ignacio Guerrero Gutiérrez, Director of Inversiones Aguas Metropolitana. |

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FINANCIAL PERFORMANCE

Secondary market tansactions

| SANTIAGO STOCK EXCHANGE | | | |
|-------------------------|----------------------|---------------|-----------------|
| 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 |
| Total 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 |
| Total 2011 | 254,4 | 1.032.005.756 | 262.542.489.174 |
| 2012 | Average Price (Ch\$) | Units | Amount (Ch\$) |
| Total 1st quarter | 328,47 | 277.630.132 | 91.192.982.300 |
| Total 2nd quarter | 304,53 | 689.031.112 | 209.830.369.663 |
| Total 3rd quarter | 315,32 | 194.777.772 | 61.417.733.647 |
| Total 4th quarter | 328,26 | 286.329.677 | 93.990.803.201 |
| Total 2012 | 315,27 | 1.447.768.693 | 456.431.888.811 |

| ELECTRONIC EXCHANGE OF CHILE | | | |
|------------------------------|----------------------|-------------|----------------|
| 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 |
| Total 2010 | 199,25 | 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 |
| Total 2011 | 262,61 | 83.137.574 | 21.833.052.253 |
| 2012 | Average Price (Ch\$) | Units | Amount (Ch\$) |
| Total 1st quarter | 292,18 | 16.502.504 | 4.825.326.205 |
| Total 2nd quarter | 307,11 | 77.933.241 | 23.618.043.274 |
| Total 3rd quarter | 315,34 | 12.623.863 | 3.983.136.896 |
| Total 4th quarter | 322,99 | 12.541.351 | 4.049.318.831 |
| Total 2012 | 304,99 | 119.600.959 | 36.475.825.206 |

| VALPARAISO STOCK EXCHANGE | | | |
|---------------------------|----------------------|-----------|---------------|
| 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 |
| Total 2010 | 236,35 | 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 |
| Total 2011 | 256,44 | 1.530.897 | 392.581.452 |
| 2012 | Average Price (Ch\$) | Units | Amount (Ch\$) |
| Total 1st quarter | 291,32 | 177.140 | 51.605.029 |
| Total 2nd quarter | 305,26 | 221.796 | 67.704.562 |
| Total 3rd quarter | 314,51 | 210.635 | 66.247.383 |
| Total 4th quarter | 324,57 | 203.493 | 66.046.876 |
| Total 2012 | 309,45 | 813.064 | 251.603.850 |

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MATERIAL INFORMATION



On July 31, 2012 the Superintendency of Securities and Insurance (SVS) was informed that, for personal reasons, Víctor de La Barra Fuenzalida had resigned as chief executive officer of the company. However he would continue to be linked to the Aguas Group in new functions.

The board unanimously agreed to appoint Jesús García García, currently assistant chief executive of Aguas Andinas S.A., as the chief executive officer of the company.

On October 23, 2012 the SVS was informed that the board agreed to distribute the sum of Ch\$35,456,343,620 against the earnings for 2012, as an interim dividend. The Company's interim dividend No.55 therefore amounts to Ch\$5.7945 per share, payable as from November 13, 2012.

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BOARD OF DIRECTORS AND MANAGEMENT

Directors' remuneration

In accordance with Law 18,046, the ordinary shareholders meeting held on April 17, 2012 agreed the remuneration of the members of the board, and of the directors' committee and its expense budget for the year 2012.

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 2012 was the following: a fixed monthly fee of UF25 for each member and a variable fee for attendance at each meeting of UF20. An expense budget was also agreed of UF3,000.

| DIRECTOR'S REMUNERATION (THOUSANDS OF PESOS) | | REMUNERATION | | SESSIONS | |
|---|---------------|--------------|---------|----------|--------|
| Director | Position | 2012 | 2011 | 2012 | 2011 |
| Joaquín Villarino Herrera | Chairman | 0 | 6.458 | 0 | 5.167 |
| Felipe Larraín Aspillaga | Chairman | 27.088 | 9.196 | 25.287 | 8.820 |
| Patricio Prieto Sánchez | Vice chairman | 20.357 | 19.356 | 16.286 | 16.063 |
| Bruno Philippi Irrarázabal | Director | 19.000 | 18.378 | 4.972 | 6.117 |
| Rodrigo Manubens Moltedo | Director | 19.000 | 7.998 | 5.881 | 2.651 |
| Gonzalo Rojas Vildósola | Director | 19.000 | 7.998 | 4.972 | 2.211 |
| Luis Hernán Paúl Fresno | Director | 19.000 | 7.998 | 5.881 | 2.651 |
| Ernesto Mata López | Director | 18.962 | 6.437 | 0 | 444 |
| Herman Chadwick Piñera | Director | 19.000 | 7.998 | 0 | 0 |
| Lorenzo Bernaldo de Quiroz | Director | 19.414 | 6.437 | 0 | 0 |
| Rodrigo Terré Fontbona | Director | 19.000 | 7.998 | 0 | 0 |
| Jaime Cuevas Rodríguez | Director | 19.000 | 7.998 | 0 | 0 |
| Alejandro Danús Chirighin | Director | 19.000 | 7.998 | 0 | 0 |
| Arturo Vergara Del Río | Director | 0 | 10.380 | 0 | 3.031 |
| Ricardo Sanhueza Palma | Director | 0 | 10.380 | 0 | 3.902 |
| Mario Puentes Lacámara | Director | 0 | 10.380 | 0 | 3.902 |
| Sergio Guzmán Lagos | Director | 0 | 10.380 | 0 | 3.902 |
| Antoni Siurana Zaragoza | Director | 0 | 10.809 | 0 | 0 |
| Víctor Selman Biester | Director | 0 | 10.380 | 0 | 0 |
| Andrés Rengifo Briceño | Director | 0 | 10.380 | 0 | 0 |
| Juan Antonio Figueroa Rodas | Director | 0 | 10.380 | 0 | 0 |
| Total | | 237.820 | 205.717 | 63.280 | 58.861 |

| REMUNERATION OF THE DIRECTORS' COMMITTEE (THOUSANDS OF PESOS) | | | |
|--|----------|----------------------|----------------------|
| Director | Position | Remuneration 2012 | Remuneration 2011 |
| Rodrigo Manubens Moltedo | Director | 14.025 | 4.992 |
| Luis Hernán Paúl Fresno | Director | 14.025 | 4.992 |
| Arturo Vergara Del Río | Director | 0 | 7.176 |
| Mario Puentes Lacámara | Director | 0 | 8.047 |
| Sergio Guzmán Lagos | Director | 0 | 8.047 |
| Total | | 28.050 | 33.254 |

The activities of this committee are those stipulated in law. The expenses incurred in advisory services in 2012 amounted to Ch\$22.6 million.

There were no board expenses during the period.

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BOARD OF DIRECTORS AND MANAGEMENT

Report of the Director's Committee

In accordance with article 50 bis), eighth paragraph, No.5, of the Corporations Law 18.046, the following activities carried out by the directors' committee are reported, for the year ended December 31, 2012, plus the expenses incurred.

The principal recommendations of this committee to shareholders are reported.

I.- Membership and functioning of the committee

The members of the directors' committee were the independent directors Rodrigo Manubens Moltedo and Luis Hernán Paúl Fresno and the director Xavier Amorós Corbella, all elected with their respective alternates for a period of two years at the extraordinary shareholders meeting held on July 26, 2011 and at the meeting of the elected board of the same day.

The committee at its meeting of August 18, 2012 elected the independent director Rodrigo Manubens Moltedo as its chairman.

Since its constitution, the committee has had ordinary meetings once a month and extraordinary meetings whenever required, in order to consider the matters reserved for it by article 50 bis) of Law 18.046.

II.- Activities and actions of the director's committee in 2012

In all cases concerning the examination and approval of transactions with related parties, this was done on the basis of information provided by the company's management and were approved only when fully complying with the following conditions: that they were within the company's policy of habituality, their object was to contribute to the corporate interest and they met the price, terms and conditions then prevailing in the market. These criteria are considered and applied to all related transactions included in this report, without reproducing them in each case.

1. It examined the proposals of private credit-rating agencies for the shares, bonds and other instruments issued by the company during 2012. The committee agreed to propose to the shareholders meeting that the credit-rating agencies of Aguas Andinas S.A. for the year 2012 be the firms Fitch Ratings and ICR, as they suitably meet the conditions demanded for their appointment and whose offers were the most economic for the company.
2. It agreed to propose to the board and the shareholders meeting that the firm Ernst & Young be appointed as external auditors of Aguas Andinas S.A. for the year 2012 and to incorporate this in its recommendation to shareholders.



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3. It examined the degree of progress of the measures for resolving the observations in the internal control report of the external auditors of 2010.
4. It was informed of the request of the related company and contractor, EDAM Limitada, for the extension of ceratin contract terms for the construction of the third sewage treatment plant (Mapocho SPT). The request included its general justifications plus the opinion of the management of Aguas Andinas S.A.

The committee basically agreed:

- 4.1 To propose to the board that it grant for Aguas Andinas S.A. the material facilities and extension of term requested only provided they permit the full and correct execution of the works contracted, thus ensuring that the works meet the technical, design and operational requirements of the Mapocho STP in accordance with the bases, proposal and the contract, as well as the Metropolitan Region sewage treatment system.
- 4.2 However, not pronouncing nor renouncing the application of contractual fines for the longer terms requesterd by the contractor EDAM Ltda., until the causes of the extension of term invoked are fully examined and evaluated previously with respect

to their effectiveness and eventual propriety for independent third parties like ITO (Technical Inspection of Works), and through the mechanisms foreseen in the contract signed between Aguas Andinas S.A. and the contractor EDAM Ltda.

- 4.3. A detailed report was also required from the Technical Inspection of Works, being the firm Cruz y Dávila, on the causes of the extension of term requested by EDAM Ltda., and their opinion with respect to the contractual propriety of such extension to be presented to the committee.
 5. It was informed of and examined the information provided by the management of Aguas Andinas S.A. with respect to the request for extension of term presented by the contractor Empresa Depuradora de Aguas Servidas Mapocho-Trebal Limitada (EDAM Ltda.), an entirt related tyo the controller, but only with respect to the target corresponding to "Finalization Complementary Civil Works", which involves works corresponding to paving, landscaping and fencing.
- Regarding the causes of the extension of term invoked by EDAM Ltda. For the target "Finalization Complementary Civil Works", these were evaluated and verified by the committee between January 2 and February 29, 2012 with respect to their effectiveness and propriety because they arose from the express and formal requests to the principal, Aguas Andinas S.A., by letter dated November 8,

2011, No.435-11, whose copy was seen by the committee on new works, project changes and requests for postponement which affected the term of such target. Having verified this and with such information, the committee therefore agreed to concede the extension of the term of the target "Finalization Complementary Civil Works", approving the extension to February 29, 2012 without the application of fines.

6. It examined the financial statements as of 31.12.2011 and reports of the external auditors presented by the Company's management, and pronounced on them prior to their presentation to the shareholders, as follows:
 - a) The committee suggested the incorporation of two comments to the management's analysis of the financial statements in order to facilitate a better understanding of of some changes and their scope, relating to the increase in revenue before and after taxes, and in relation to the re-classification of the Series E bonds from non-current to current liabilities.
 - b) Regarding the report of the external auditors on the audited financial statements as of December 31, 2011 and their report of compliance with Joint Circular 960 of the SVS and SBIF, the committee met with the auditors to know their opinions and

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BOARD OF DIRECTORS AND MANAGEMENT

Report of the Director's Committee



make pertinent consultations directly. The auditors' report was unqualified and showed that the accounts of the company by the management of Aguas Andinas S.A. are managed with conservative and reasonable criteria.

- c) The committee made no other observations to the financial statements of Aguas Andinas S.A. at 31.12.2011, nor to the external auditors' report presented by the company's management, recommending their approval to the board and the shareholders meeting.
7. It examined the technical report of Cruz y Dávila Ingenieros, in charge of the Technical Inspection of Works, requested by the committee, about the construction term of the Mapocho STP and the requests for extension of term by the contractor EDAM Ltda. The committee asked the chief executive officer to formally request the contractor EDAM Ltda. to present a detailed report as soon as possible with all the information which, in its opinion, has adversely impacted on the progress of the project, together with supporting documentation.
8. It examined the annual audit plan together with the external auditors Ernst & Young, who presented the structure of their work team for the external audit, the work timetable, significant accounting and audit matters, the documents to be delivered and estimated dates, together with the reports to be issued.
9. It examined the program and progress report from the management

for resolving the comments in the internal controls report issued by the external auditors with respect to 2011. A priority chart was prepared of the contents of the internal-control letters of 2011 for the management to work on.

10. It examined and approved the proposed direct contracting with a related entity to carry out complementary emergency works for the repair of the damaged Archimedes screw at the La Farfana STP. The committee approved the direct complementary contracting of the related company EDAS for it itself or under its coordination to carry out the emergency works of the Archimedes screw installation at a total cost of UF 2.926, equivalent to Ch\$65,835,000; and the engine repairs, reducer box and ball bearings with a total cost of UF 5,603, equivalent to Ch\$126,063,000, all related to the damaged Archimedes screw at the La Farfana STP. Apart from compliance with the general approval requirements of operations with related parties set out above, this was an urgent operation in which EDAS coordinated with different suppliers and in which it has experience at the plant.
11. It analyzed the procedures and application of regulations for transactions with related parties.

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12. It examined an analysis of SISS fines applied to Aguas Andinas S.A. and subsidiaries in comparison with other sanitation companies, verifying a high standard. The board was recommended to adopt a resolution to require the company's management to report promptly to the board any and all fines applied to Aguas Andinas S.A. or its subsidiaries by the regulatory authorities.

13. It examined and approved the financial statements of Aguas Andinas S.A. as of March 31, 2012, together with the notes, management's analysis and material information reports submitted in the period, presented by the company's management. The committee pronounced favorably on these before their submission to the board.

14. The following transactions with related entities were examined:

a) Modification of electricity supply contract with Empresa Eléctrica Puntilla PSA.

b) Modification of the contract for the assembly of screws and pumps in La Farfana.

c) Public tender for the interface of self-service terminals with the billing system.
15. It examined again the most relevant aspects of the follow-up of observations in the auditors' report to management on internal control.

16. It analyzed the chart of audit and internal control instruments used by Aguas Andinas, including basically internal audit, internal control, risk management and follow-up of actions deriving from these. The committee concluded that for a proper independence of work made by internal audit, it is recommended that the board evaluate the change of dependence of internal audit, currently reporting to the corporate finance and procurement management, to another entity of management that the board determines.

17. It examined the note and reports presented by management relating to the proposal to contract the related company Aqualogy Medioambiente Chile S.A. for a technological test of the Ice Piging system in the cleaning of 28 kilometers of network of Aguas Andinas, within 55 days, at a total cost of Ch\$266 million and a cost per kilometer of Ch\$ 9.5 million. The following was reported to the board based on the information presented by the management:

a) That the object of the Ice Piging technological test is to verify its effectiveness in cleaning the drinking water networks of Aguas Andinas, as compared to other technologies.

b) That this is a contract that falls within the company's habituality policy.

c) That it is a transaction whose prices, terms and conditions are equivalent to those prevailing in the market at the time of their approval, taking into account the price benchmarking of Ice Piging and of other technologies that were made known to the committee.

d) That contracting the related company Aqualogy Medioambiente Chile S.A. is approved for making an Ice Piging technological test for cleaning 28 kilometer of network within 55 days, with a total cost of Ch266 million and a cost per kilometer of Ch\$9.5 million.

e) That this approval is subject to the condition that the contracting metes the provisions of article 67 of the General Sanitation Services Law and its regulations, establishing the exception before the SISS if necessary.
18. The Mapocho STP construction contract was analyzed again, with its term and the requests or claims pending between the parties.

19. The tariff treatment was analyzed of the tax changes and the projection of the possible effects that the proposed tax reform would have on the financial statements.

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20. It examined the financial statements as of June 30, 2012 and the report of the limited revision of these financial statements by the external at that date. No observations were made, except in parts of the management's analysis which were clarified or corrected by the management prior to presentation to the board. The committee pronounced favorably on them and submitted them for consideration by the board.
21. It examined the reports presented by the management relating to the state of the Archimedes screws of the La Farfana STP, which recommended the prompt replacement of screw 104. The management proposed the direct contracting of the related entity EDAS to carry out these works as it had already done this before at La Farfana, with a total offer price of UF 4,435, which was in line with previous and market prices. The committee agreed to inform the board that the direct complementary contracting of the related company EDAS was approved given that it is an operation whose objective is to contribute to the correct operation of the company and the corporate interest of Aguas Andinas S.A., especially considering the operational risks to the La Farfana STP and EDAS's ample experience, and unifies the responsibility and coordination of the dismantling, installation and start-up; that it is a supply contract that falls within the operations contemplated in the company's habituality policy; that it is an operation that is in line with prices, terms and conditions prevailing in the market

at the time of approval and with those previously charged by the same company; and that the price mainly corresponds to payments that EDAS will make to unrelated third parties for different services or purchases of goods which imply reimbursement of expenses necessary for carrying out the task.

The committee examined and approved the management's proposal for the compensation to be paid to the related entity Eléctrica Puntilla S.A. for the purchase of raw water from the Huidobro and Unidos de Buin canals, for a total maximum flow of 3.5 m³/s, placed at the independent intake of Aguas Andinas, valued at Ch7/m³. It was proposed that the m³ not generated be valued at Ch16.3/m³, which is similar to that which would have been obtained by valuing the m³ not generated according to the marginal cost of electricity generation.

22. It examined the management's proposal for the public tender "Mapocho Alto Operational Hydrogeological Simulation Model", whose purpose is to develop a groundwater flow model to simulate the behavior of aquifers in the short, medium and long term with high reliability, and to study the problem of arsenic contamination from the sector. The public tender opened on 20/04/12, the technical offers were presented on 06/06/12 and the economic offers on 13/06/12. Three bids were presented, one from the related company Aqualogy Aqua Ambiente Servicios



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- Integrales S.A. which was the cheapest at Ch\$55,000,000. The committee agreed to approve the operation.
23. It examined the essential aspects of the Mapocho STP construction contract, the principal highlights and compliance and the requests pending between the parties. The corporate manager, legal affairs, gave a presentation and all the contract documentation was given to every member of the committee. The committee agreed to request the CEO to prepare a sensitivity analysis of the economic effects of different kinds that are produced in different scenarios of entry into operation of the Mapocho STP.
24. It examined the remunerations systems and compensation plans of the company's managers, executives and employees, forming the opinion that generally there were adequate remuneration and compensation policies in Aguas Andinas S.A. and its subsidiaries, which sought internal and external equity and were in line with normal market conditions.
25. Regarding the procedure to be used for examining possible differences between Aguas Andinas S.A. and the related company EDAM Ltda. with respect to the Mapocho STP construction contracts and for the operation and maintenance of Trebal-Mapocho, the committee agreed to:

1. Handle these matters with assistance from top-level independent technical advisers and possibly independent legal advisers, who have the appropriate skills for these matters. They will be contracted when the committee decides and charged against the annual budget.
 2. All the members of the committee may propose the names of the technical and/or legal advisers, to be submitted for consideration by the committee.
 3. Carry out the examination and resolution of these matters in the committee with high standards of formality and argument.
26. Various proposals of independent technical and legal advisers having the appropriate skills were made to the committee on these matters.
27. It examined a presentation of sensitivity of the economic effects of different kinds produced in different scenarios of the entry into operation of the Mapocho STP.
28. It examined the financial statements as of September 30, 2012 with their corresponding notes, reasoned analysis and material information for the period, presented by the company's management.

- The convenience was analyzed of explaining more fully the effects of the change in taxation rates both in the financial statements and in the management's analysis of them, which was complemented by the management prior to their presentation to the board. No other matters merited observations, so the committee pronounced favorably on them.
29. The committee examined the ethics code proposed for Aguas Andinas S.A. and agreed to recommend its prompt approval by the board.
30. It examined the note presented by the management relating to the dismantling, installation and start-up needs of the Archimedes screws at the La Farina STP in the coming months, and the management's proposal to directly contract the related entity EDAS to carry out the work of replacing screws which it had done before at the La Farfana STP, with an offer that met the previous and market prices. This was approved by the committee given that this is an operation whose purpose is to contribute to the correct operation of the company and the corporate interest of Aguas Andinas S.A., especially considering the operational risks to the La Farfana STP and that EDAS has ample experience and unifies the responsibility and coordination of the dismantling, installation and start-up; these are works or tasks difficult to segregate; that it is a supply contract falling within the operations contemplated in the company's habituality

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BOARD OF DIRECTORS AND MANAGEMENT

Report of the Director's Committee



policy; that it is an operation that is in line with prices, terms and conditions prevailing in the market at the time of its approval and the previous operations carried out by the same company.

31. With respect to the operation and maintenance contract of the south and north basins sewage treatment plants (Trebala-Mapocho) and the construction of the Mapocho STP, and the documents that integrate it, the committee agreed to request an external technical opinion by the specialist engineer Jacobo Homsi, in order to revise and validate, if necessary, the proposals of the CEO of Aguas Andinas S.A. on the following matters:
- a) Whether the proposed provisional acceptance certificate to be signed by Aguas Andinas S.A. complies with all the procedures and requirements in the form and substance established in the contract in matters referring to the construction of the Mapocho STP.
 - b) In particular, it was the duty of the external technical adviser to give to the committee its opinions on the following matters: Whether there were observations that put at risk the reliability of the operation or stability in time of the treatment processes.

If appropriate, give an external technical opinion with a recommendation to accept, reject or observe with recommendations the action plan which sets measures and term for resolving such observations.

Whether the proposed action plan, which states measures and terms for the resolution of such observations, is appropriate for recommending and approving the provisional acceptance, notwithstanding the prior technical inspection report.

32. The committee agreed to contract an external legal adviser specialized in fixed sum and turnkey contracts, for which the lawyer Luis Felipe Bahamondez Prieto was selected, to inform on the following matters:
- a) Revise and validate whether it is proper for Aguas Andinas S.A. to grant the provisional acceptance certificate to Empresa Depuradora de Aguas Servidas Mapocho-El Trebal Limitada (EDAM) with respect to the construction of the Mapocho STP. This revision was made by the external legal adviser on the basis of the provisions of the contract and the documents forming part of it, and taking into account the legal analyses of the CEO of Aguas Andinas S.A. of the applicable legislation, requirements and conclusions in relation to this matter.

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- b) Revise and validate, on the basis of the provisions of the contract and the documents forming part of it, and taking into account the legal analyses of the CEO of Aguas Andinas S.A., whether the granting of the provisional acceptance certificate in the terms proposed by the management, affects or could affect in some way the rights, actions and/or claims that Aguas Andinas S.A. might have for the solution of possible disputes with the contractor in this and other matters of the contract and, if necessary and feasible, establish a clause reserving rights.
33. It examined the internal control management reports issued by the external auditors Ernst & Young with respect to 2012. The management plan for resolving the observations and deficiencies within the proposed term was analyzed , and that the internal auditor, without being responsible to the committee, make a report to the committee on the matters for which he is responsible and reports made, twice each year.
34. An extension of 4 months was approved to the contract with the related company Asterión in order to demonstrate in parallel that the new billing process is correct and timely, for the following reasons:
- A successful parallel confirms that the new system makes calculations equivalent to the actual ones.

- It is a function or task that is difficult to split with respect to the provider of the service of installation of the new system of billing of customers and their first tests.
- The management provided information that indicates that the prices and term proposed are on conditions of equity habitually prevailing in market at this date, which results in a total monthly price of UF 8,624 over the 4 months, with 30 people participating in the project.

III.- Budget and Expenses of the Directors' Committee for 2012

The ordinary shareholders meeting held in April 2012 set the annual budget of the directors' committee at UF 3,000, which was partially used. The expenses of the committee were the fees of the legal adviser and the secretary of the committee, totaling approximately UF 935.

IV.- Directors' Committee Recommendations to Shareholders

1. Elect the firm Ernst & Young as external auditors for the year 2013.
2. Elect the firms Feller Rate, associate of Standard and Poor's, and ICR as the private credit rating agencies for 2013.

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BOARD OF DIRECTORS AND MANAGEMENT

Managers and senior executives

As of December 31, 2012, the managers and senior executives of Aguas Andinas consisted of 48 professionals. The total remuneration received during the year was Ch\$4,748 million and severance payments totaled Ch\$866 million.

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

| Name | Tax. No | Position | Profession |
|------------------------------|--------------|-------------------|-----------------------------------|
| Jesús García García | 23.900.916-6 | Chief Executive | Civil Industrial Engineer |
| Camilo Larraín Sánchez | 10.436.775-5 | Corporate Manager | Lawyer |
| Joaquim Martí Marques | 21.176.102-4 | Corporate Manager | Engineer in Roads, Canals & Ports |
| Miguel Ángel Zarza Marcos | 23.444.798-K | Corporate Manager | Economist |
| Lluc Orpella Bernat | 23.918.197-K | Corporate Manager | Economist |
| Domingo Martínez Robledo | 23.764.153-1 | Corporate Manager | Industrial Engineer |
| Eugenio Rodríguez Mingo | 6.379.051-6 | Corporate Manager | Business Administrator |
| Alejandro Riquelme Hernández | 10.200.262-8 | Manager | Accountant Auditor |
| Cristián Schwerter Loyola | 12.343.884-1 | Manager | Civil Engineer |
| Hernán Köning Besa | 9.656.371-K | Manager | Civil Engineer |
| Hernán Ocariz Martín | 6.613.091-6 | Manager | Civil Engineer |

| Name | Tax. No | Posotion | Profession |
|----------------------------|--------------|-------------------|---------------------------|
| José Sáez Albornoz | 9.447.215-6 | Manager | Business Administrator |
| Juliete Arellano Maira | 12.044.242-2 | Manager | Business Administrator |
| Luis Faúndez Pérez | 8.043.598-3 | Manager | Civil Engineer |
| Luis Maldonado Lemus | 11.313.403-8 | Manager | Civil Industrial Engineer |
| Luis Fuentes Contreras | 6.190.810-2 | Manager | Civil Engineer |
| Mario Auger Hernández | 7.746.808-0 | Manager | Civil Engineer |
| Natalia Kent Geell | 8.688.841-6 | Manager | Civil Industrial Engineer |
| Pedro Soto Perretta | 7.117.991-5 | Manager | Civil Engineer |
| Reinaldo Witto Arentsen | 8.796.191-5 | Manager | Engineer |
| Ricardo Estay Caballero | 6.027.966-7 | Manager | Civil Engineer |
| Sergio Figueroa Ramírez | 6.449.688-3 | Manager | Construction Engineer |
| Víctor Salazar Villalobos | 10.380.974-6 | Manager | Civil Industrial Engineer |
| Yves Lesty | 14.709.240-7 | Manager | Sanitation Engineer |
| Adolfo Meyer Briceño | 5.159.829-6 | Assistant Manager | Construction Engineer |
| Bruno Luci Ghiardo | 7.044.631-6 | Assistant Manager | Construction Engineer |
| Carlos Jopia Palacios | 10.077.119-5 | Assistant Manager | Civil Engineer |
| Carlos Torres Barrientos | 9.383.964-1 | Assistant Manager | Electric Engineer |
| Christian Garcés Durán | 8.153.554-K | Assistant Manager | Business Administrator |
| Christian Reyes Miranda | 10.201.064-7 | Assistant Manager | Business Administrator |
| Cristián Torres Rojas | 12.867.840-9 | Assistant Manager | Business Administrator |
| David Duverrán Urra | 6.223.665-5 | Assistant Manager | Sanitation Engineer |
| Enrique Ruz Gálvez | 12.570.985-0 | Assistant Manager | Engineer |
| Francisca Blanc Mendiberri | 7.741.356-1 | Assistant Manager | Lawyer |

| Name | Tax. No | Position | Profession |
|--------------------------------|--------------|-------------------|---------------------------|
| Francisco Grau Mascayano | 5.868.028-1 | Assistant Manager | Civil Engineer |
| Jorge Ramírez Salgado | 13.037.982-6 | Assistant Manager | Civil Engineer |
| José Palominos Rojas | 8.582.874-6 | Assistant Manager | Business Administrator |
| Juan Antonio Cárdenas Espinosa | 9.982.435-2 | Assistant Manager | Lawyer |
| Juan Carlos Sanhueza Navarrete | 8.641.413-9 | Assistant Manager | Civil Engineer |
| Juan Luis Tapia Donoso | 6.669.733-9 | Assistant Manager | Civil Engineer |
| Julio Muñoz Anrique | 6.364.977-5 | Assistant Manager | Civil Industrial Engineer |
| Mary Elizabeth Laverty | 21.212.774-4 | Assistant Manager | Business Administrator |
| Matías Anderson Pertuiset | 10.024.290-7 | Assistant Manager | Civil Industrial Engineer |
| Orlando Salgado Céspedes | 12.675.829-4 | Assistant Manager | Civil Engineer |
| Patricio Norambuena Duncan | 6.640.538-9 | Assistant Manager | Construction Engineer |
| Rodrigo Reyes Cea | 12.087.571-K | Assistant Manager | Accountant Auditor |
| Sebastián Acevedo Walker | 6.639.714-9 | Assistant Manager | Civil Engineer |
| Víctor Dupré Silva | 6.816.920-8 | Assistant Manager | Civil Engineer |

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MAIN CUSTOMERS AND SUPPLIERS

Water and sewage customers

Ilustre Municipalidad de Santiago
Cervecera CCU Chile Ltda.
Ilustre Municipalidad de Puente Alto
Embotelladoras Chilenas Unidas S.A.
Ilustre Municipalidad de Peñalolén
Universidad de Chile
Embotelladora Andina
Gendarmería de Chile
Soprole S.A.
Centro de Detención Preventiva Santiago 1

Suppliers

Empresa Depuradora de Aguas Servidas Mapocho Trebal (EDAM) ⁽¹⁾
Empresa Depuradora de Aguas Servidas Ltda. (EDAS) ⁽¹⁾
Inmobiliaria y Constructora Nueva Pacífico Sur Ltda.
Constructora Pérez y Gómez
Consortio EDEPE S.A.
Acciona Infraestructura S.A.
Consortio de Construcción Inlac Axis Ltda.
Chilectra S.A.
Asterión S.A. ⁽¹⁾
Inlac S.A.

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

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PROPERTY, PLANT AND EQUIPMENT

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.

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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.

Felipe Larrain Aspillaga
RUT: 6.922.002-9
Chairman

Xavier Amorós Corbella
RUT: 23.530.463-5
Director

Luis Hernán Paúl Fresno
RUT: 7.289.965-2
Director

Gonzalo Rojas Vildósola
RUT: 5.179.589-4
Director

Patricio Prieto Sánchez
RUT: 2.854.400-6
Vicechairman

Rodrigo Manubens Moltedo
RUT: 6.575.050-3
Director

Bruno Phillippi Irrarázabal
RUT: 4.010.243-7
Director

Jesús García García
RUT: 23.900.916-6
Chief Executive Officer

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IDENTIFICATION OF THE COMPANY

Name: Aguas Andinas S.A.

Legal domicile: Av. Presidente Balmaceda N°1398, Santiago, Chile

Tax No.: 61.808.000 - 5

Telephone: (56-2) 2688 1000

Fax: (56-2) 2569 2777

Electronic mail: comunicaciones@aguasandinas.cl

Management PO Box: 1537 Santiago

Business: Catchment, purification and distribution of water, and collection and disposal of sewage.

Service telephone: (56-2) 2731 2482

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) 2393 9003

Fax: (56-2) 2393 9101

Investor relations

Address: Av. Presidente Balmaceda N° 1398, piso 3, Santiago, Chile

Telephones: (56-2) 2569 2306 / (56-2) 2569 2380

Fax: (56-2) 2569 2309

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.

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03 FINANCIAL STATEMENTS

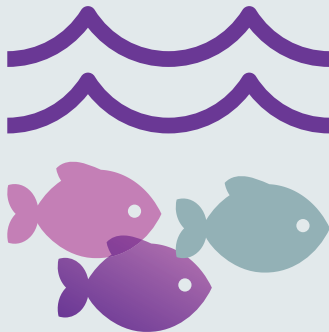
In order to comply with the development plans agreed with the SISS, Aguas Andinas is carrying out a large investment program which involves large financial, administrative and technical resources.

Dividend Policy

100%

2012

A year of important financing operations.



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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2012 AND 2011 (THOUSANDS OF CHILEAN PESOS - THCH\$)

| ASSETS | Note | 31-12-2012 | 31-12-2011 |
|--|------|---------------|---------------|
| | | ThCh\$ | ThCh\$ |
| CURRENT ASSETS | | | |
| Cash & cash equivalents | 7 | 35.644.437 | 5.051.499 |
| Other non-financial assets | | 1.768.870 | 1.374.821 |
| Trade debtors & other accounts receivable | 8 | 78.138.154 | 70.201.189 |
| Accounts receivable from related entities | 9 | 8.215 | 9.176 |
| Inventories | 10 | 4.383.030 | 3.005.481 |
| Tax assets | | 1.340.037 | 3.001.095 |
| Total current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners | | 121.282.743 | 82.643.261 |
| | | | |
| TOTAL CURRENT ASSETS | | 121.282.743 | 82.643.261 |
| NON-CURRENT ASSETS | | | |
| Other financial assets | 7 | | |
| Other non-financial assets | 8 | 7.367.236 | 7.238.651 |
| Collection rights | | 408.949 | 460.475 |
| Intangible assets other than goodwill | 8 | 3.035.747 | 2.018.870 |
| Goodwill | 11 | 225.272.517 | 223.106.257 |
| Property, plant & equipment | 12 | 36.233.012 | 36.592.577 |
| Deferred tax assets | 13 | 1.152.300.877 | 1.117.686.163 |
| Activos por impuestos diferidos | 23 | 324.398 | 249.422 |
| TOTAL NON-CURRENT ASSETS | | 1.424.942.736 | 1.387.352.415 |
| | | | |
| TOTAL ASSETS | | 1.546.225.479 | 1.469.995.676 |

The accompanying Notes 1 to 27 form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2012 AND 2011 (THOUSANDS OF CHILEAN PESOS - THCH\$)

| Equity & liabilities | Note | 31-12-2012 | 31-12-2011 |
|--|------|---------------|---------------|
| | | ThCh\$ | ThCh\$ |
| CURRENT LIABILITIES | | | |
| Other financial liabilities | 8 | 56.804.996 | 84.776.754 |
| Trade creditors & other accounts payable | 8 | 74.682.140 | 64.350.380 |
| Accounts payable to related entities | 9 | 27.662.460 | 42.332.651 |
| Other provisions | 15 | 1.331.679 | 1.482.989 |
| Tax liabilities | | 1.422.685 | 315.970 |
| Provisions for employee benefits | 19 | 2.906.724 | 3.590.075 |
| Other non-financial liabilities | | 1.941.637 | 1.036.882 |
| Total current liabilities other than liabilities included in groups of assets for disposal classified as held for sale | | 166.752.321 | 197.885.701 |
| Total current liabilities | | 166.752.321 | 197.885.701 |
| NON-CURRENT LIABILITIES | | | |
| Other financial liabilities | 8 | 637.349.551 | 540.949.948 |
| Other provisions | 15 | 1.094.239 | 1.066.784 |
| Deferred tax liabilities | 23 | 37.557.315 | 34.186.391 |
| Other accounts payable | 8 | 1.498.799 | 1.570.602 |
| Provisions for employee benefits | 19 | 8.677.001 | 7.927.200 |
| Other non-financial liabilities | | 9.043.975 | 7.347.230 |
| Total non-current liabilities | | 695.220.880 | 593.048.155 |
| Total liabilities | | 861.973.201 | 790.933.856 |
| EQUITY | | | |
| Issued capital | | 155.567.354 | 155.567.354 |
| Accumulated earnings | | 308.088.569 | 300.422.138 |
| Share premium | | 164.064.038 | 164.064.038 |
| Other participations in equity | | -5.965.550 | -5.965.555 |
| Equity attributable to owners of the controller | | 621.754.411 | 614.087.975 |
| Non-controller participations | 4 | 62.497.867 | 64.973.845 |
| Total equity | | 684.252.278 | 679.061.820 |
| Total equity & liabilities | | 1.546.225.479 | 1.469.995.676 |

The accompanying Notes 1 to 27 form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE RESULTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (THOUSANDS OF CHILEAN PESOS - THCH\$)

| Statement of results by nature | Note | 31-12-2012 | 31-12-2011 |
|--|-------|-------------|-------------|
| Statement of Results | | ThCh\$ | ThCh\$ |
| Revenue from ordinary activities | 17 | 382.885.743 | 362.767.808 |
| Raw materials & supplies used | | -29.162.856 | -26.646.147 |
| Employee benefit expenses | 19 | -38.668.809 | -38.129.099 |
| Depreciation & amortization charges | 11-13 | -55.209.591 | -52.640.160 |
| Reversal of loss for impairment (deterioration in value) booked in the result for the period | 14 | 0 | -822.344 |
| Other expenses, by nature | 21 | -73.131.256 | -71.299.649 |
| Other earnings (losses) | 5 | 628.694 | 2.863.423 |
| Financial income | 5 | 8.291.012 | 6.483.046 |
| Financial costs | 5 | -24.170.380 | -25.647.705 |
| Exchange differences | 20 | -26.013 | 7.331 |
| Results of indexation adjustments | | -13.888.896 | -19.082.323 |
| Earnings before tax | | 157.547.648 | 137.854.181 |
| Charge for income tax | 23 | -35.793.146 | -25.687.519 |
| Earnings from continuing operations | | 121.754.502 | 112.166.662 |
| Earnings | | 121.754.502 | 112.166.662 |
| Earnings attributable to: | | | |
| Owners of the controller | | 121.269.559 | 111.479.262 |
| Non-controller participations | 4 | 484.943 | 687.399 |
| Earnings | | 121.754.502 | 112.166.662 |
| Basic earnings per share | | | |
| Basic earnings per share from continuing operations Ch\$ | | 19,82 | 18,22 |
| Basic earnings per share (Ch\$) | 24 | 19,82 | 18,22 |
| STATEMENT OF COMPREHENSIVE RESULTS | | 31-12-2012 | 31-12-2011 |
| | | ThCh\$ | ThCh\$ |
| Earnings | | 121.754.502 | 112.166.662 |
| Comprehensive result, total | | 121.754.502 | 112.166.662 |
| Comprehensive result attributable to: | | | |
| Owners of the controller | | 121.269.559 | 111.479.263 |
| Non-controller participations | 4 | 484.943 | 687.399 |
| Comprehensive result, total | | 121.754.502 | 112.166.662 |

The accompanying Notes 1 to 27 form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF DIRECT CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (THOUSANDS OF CHILEAN PESOS - THCH\$)

| Statement of direct cash flows | Note | 31-12-2012 | 31-12-2011 |
|---|------|--------------|--------------|
| | | ThCh\$ | ThCh\$ |
| Proceeds from operating activities | | | |
| Proceeds of sale of goods & provision of services | | 447.904.655 | 419.622.303 |
| Proceeds of premiums & provisions, annuities & other insurance benefits | | 218.176 | 2.943.968 |
| Other proceeds of operating activities | | 3.363.931 | 2.450.911 |
| Kinds of payments | | | |
| Payments to suppliers of goods & services | | -121.106.985 | -104.589.468 |
| Payment to & on behalf of employees | | -40.480.725 | -38.464.432 |
| Payments of premiums and provisions, annuities & other obligations under insurance policies | | -2.348.327 | -1.714.885 |
| Other operating activity payments | | -42.893.387 | -32.811.782 |
| Interest paid | | -14.858.268 | -17.647.204 |
| Interest received | | 3.402.516 | 2.129.081 |
| Income taxes | | -27.844.087 | -30.225.081 |
| Other cash outflows | | -1.938.561 | -1.652.160 |
| Net cash flow from operating activities | | 203.418.938 | 200.041.251 |
| Proceeds of sales of property, plant & equipment | | 366.659 | 379.597 |
| Purchases of property, plant & equipment | | -97.590.330 | -120.125.943 |
| Purchases of intangible assets | | -345.465 | -143.985 |
| Other cash (outflows) inflows | | -7.800.063 | -2.374.553 |
| Net cash flow used in investment activities | | -105.369.199 | -122.264.884 |
| Proceeds of long-term loans | | 135.805.272 | 76.126.843 |
| Proceeds of short-term loans | | 3.168.591 | 50.105.012 |
| Proceeds of short-term loans | | 138.973.863 | 126.231.855 |
| Loan repayments | | -90.191.909 | -97.952.724 |
| Loan repayments | | -115.387.450 | -106.861.120 |
| Other cash outflows | | -851.305 | -232.841 |
| Net cash flow used in financing activities | | -67.456.801 | -78.814.830 |
| Net increase in cash & cash equivalents, before the effect of exchange rate changes | | 30.592.938 | -1.038.463 |
| Effects of variation in exchange rates on cash & cash equivalents | | 0 | 0 |
| Net icrease in cash & cash equivalents | | 30.592.938 | -1.038.463 |
| Cash & cash equivalents at start of the period | | 5.051.499 | 6.089.962 |
| Cash & cash equivalents at end of the period | 7 | 35.644.437 | 5.051.499 |

The accompanying Notes 1 to 27 form an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF DIRECT CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (THOUSANDS OF CHILEAN PESOS - THCH\$)

| Statement of Changes in Equity | Note | Issued capital | Share premium | Other participations in equity | Accumulated earnings (losses) | Equity attributable to owners of the controller | Non-controller participations | Total equity |
|--|------|----------------|---------------|--------------------------------|-------------------------------|---|-------------------------------|--------------|
| | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Initial balance at 01-01-2012 | | 155.567.354 | 164.064.038 | -5.965.555 | 300.422.138 | 614.087.975 | 64.973.845 | 679.061.820 |
| Restated initial balance | | 155.567.354 | 164.064.038 | -5.965.555 | 300.422.138 | 614.087.975 | 64.973.845 | 679.061.820 |
| Comprehensive result | | | | | | | | |
| Earnings | | | | | 121.269.559 | 121.269.559 | 484.943 | 121.754.502 |
| Dividends | 3 | | | | -113.603.128 | -113.603.128 | | -113.603.128 |
| Reduction by transfers & other changes | 4 | | | 5 | | 5 | -2.960.921 | -2.960.916 |
| Total changes to equity | | 0 | 0 | 5 | 7.666.436 | 7.666.436 | -2.475.978 | 5.190.458 |
| Closing balance at 31-12-2012 | 3,4 | 155.567.354 | 164.064.038 | -5.965.550 | 308.088.569 | 621.754.411 | 62.497.867 | 684.252.278 |

| Statement of Changes in Equity | Note | Issued capital | Share premium | Other participations in equity | Accumulated earnings (losses) | Equity attributable to owners of the controller | Non-controller participations | Total equity |
|--|------|----------------|---------------|--------------------------------|-------------------------------|---|-------------------------------|--------------|
| | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | 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 |
| Saldo inicial reexpresado | | 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 | 4 | | | | | 0 | -1.757.207 | -1.757.207 |
| Total changes to equity | | 0 | 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 |

The accompanying Notes 1 to 27 form an integral part of these consolidated financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

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.), the sale of materials and other

services related to the sanitation sector (Gestión y Servicios S.A.) and activities related to water-usage rights and energy projects deriving from sanitation companies’ installations and assets (Aguas del Maipo S.A.).

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

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

The direct controller of the Company is Inversiones Aguas Metropolitanas S.A. (“IAM”), a corporation itself controlled by Sociedad General de Aguas Barcelona S.A. (“Agbar”), an entity based in Spain and one of the largest operators of sanitation services in the world, which is in turn controlled by Suez Environnement (Francia), which is controlled by GDF (France).

2. BASES OF PREPARATION AND ACCOUNTING POLICIES

2.1 PREPARATION

These consolidated financial statements relate to the statement of financial position, comprehensive results of its operations, changes in equity and cash flows as of December 31, 2012 and 2011, and have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (“IASB”), and represent the full, explicit and unreserved application of the IFRS, in accordance with Circulars 1,924 of April 24, 2009, 556 of December 3, 2009 and 658 of February 2, 2011 of the Superintendency of Securities and Insurance (S.V.S).

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.

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Functional and presentational currency

The individual 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 (rounded to the nearest thousands), which is the Company's functional currency and the presentational currency for the consolidated financial statements.

New accounting pronouncements

a) The following show the IFRS improvements and modifications standards and interpretations that have been published in the year. These standards have not come into effect as of the date of these financial statements and the Company has not applied/has applied them in advance:

| Amendments to IFRS | Date of obligatory application |
|--|--|
| IFRS 9, Financial assets | Annual periods starting or after January 1, 2015 |
| IFRS 10, Consolidated financial statements | Annual periods starting or after January 1, 2013 |
| IFRS 11, Joint agreements | Annual periods starting or after January 1, 2013 |
| IFRS 12 Disclosures of participation in other entities | Annual periods starting or after January 1, 2013 |
| IFRS 13 Measurements of fair value | Annual periods starting or after January 1, 2013 |
| CFRS 20, Costs of dismantling in production phase of an open-cast mine | Annual periods starting or after January 1, 2013 |

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

| New & amendments | Date of obligatory application |
|--|---|
| IFRS 7, Financial instruments: disclosures | Annual periods starting or after July 1, 2013 |
| IFRS 10, Consolidated financial statements | Annual periods starting or after January 1, 2013 & 2014 |
| IFRS 11, Joint agreements | Annual periods starting or after January 1, 2013 |
| IFRS 12 Disclosures of participation in other entities | Annual periods starting or after January 1, 2013 & 2014 |
| IAS 1 Presentation of financial statements | Annual periods starting or after January 1, 2013 |
| IAS 16 Property, plant & equipment | Annual periods starting or after January 1, 2013 |
| IAS 19, Employee benefits | Annual periods starting or after January 1, 2013 |
| IAS 27 Separate financial statements | Annual periods starting or after January 1, 2013 & 2014 |
| IAS 28, Investments in associates & joint ventures | Annual periods starting or after January 1, 2013 |
| IAS 32 Presentation of financial statements | Annual periods starting or after January 1, 2013 & 2014 |
| IAS 34, Summarized financial information | Annual periods starting 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 not have any significant impact on the Group's consolidated financial statements.

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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 March 26, 2013.

The consolidated financial statements of Aguas Andinas S.A. and subsidiaries for the year 2011 were approved by the board at its meeting held on February 28, 2012.

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.

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

The Company and its subsidiaries apply the policies followed by the Group uniformly.

The following are the subsidiaries included in the consolidated financial statements of Aguas Andinas S.A.:

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| R.U.T | Nombre Sociedad | Directo % | Indirecto % | Total 2012 (%) | Directo % | Indirecto % | Total 2011(%) |
|--------------|---|-----------|-------------|----------------|-----------|-------------|---------------|
| 96.809.310-K | Aguas Cordillera S.A. | 99,990300 | 0,000000 | 99,990300 | 99,990300 | 0,000000 | 99,990300 |
| 89.221.000-4 | Aguas Manquehue S.A. | 0,000400 | 99,999600 | 100,0000 | 0,000400 | 99,999600 | 100,0000 |
| 96.967.550-1 | Análisis Ambientales S.A. | 99,000000 | 1,000000 | 100,0000 | 99,000000 | 1,000000 | 100,0000 |
| 96.945.219-8 | Ecoriles S.A. | 99,038500 | 0,961500 | 100,0000 | 99,038500 | 0,961500 | 100,0000 |
| 95.579.800-5 | Empresa de Servicios Sanitarios de Los Lagos S.A. | 2,506500 | 51,000000 | 53,5065 | 2,506500 | 51,000000 | 53,5065 |
| 96.828.120-8 | Gestión y Servicios S.A. | 97,847800 | 2,152200 | 100,0000 | 97,847800 | 2,152200 | 100,0000 |
| 96.897.320-7 | Inversiones Iberaguas Ltda. | 99,999998 | 0,000002 | 100,0000 | 99,999998 | 0,000002 | 100,0000 |
| 76.190.084-6 | Aguas del Maipo S.A. | 82,649996 | 17,350004 | 100,0000 | 80,000000 | 20,000000 | 100,0000 |

b) **Operative segments**

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 of intangible assets:**

Intangible assets with defined useful life

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

Computer programs

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

Intangible assets with undefined useful life

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

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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", the effects arising from transactions with the non-controller (minority) participations without producing a change of controller, are booked directly in equity attributable to the owners of the controller. During the year 2012, there have been no transactions with non-controller participations.

Goodwill 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 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.

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

Useful lives

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

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

- Nature of the materials and components of the equipment or buildings
- Operating environment of the equipment
- Intensity of usage
- 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 | 10 |
| Improvements to leased assets | 5 | 5 |
| Other property, plant & equipment | 5 | 80 |

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

Due to the nature of the assets of the Company and as there are no contractual obligations like those mentioned in IFRS and in regulations, 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 consolidated statement of financial position to see whether there exists any indication of impairment. Should these exist, the recoverable value is estimated of such assets in order to determine the impairment suffered (if any). When it is not possible to estimate the recoverable value of an asset in particular, the Group estimates the fair value of the cash-generating unit to which this asset belongs.

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

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

When it is estimated that the recoverable value of an asset (or cash-generating unit) is less than its book value, the book value of that asset (or cash-generating unit) is adjusted to its recoverable value, booking immediately a loss for impairment in results. When a loss for impairment is reversed, the book value of the asset (or cash-generating unit) is adjusted to the revised estimate of its recoverable value, provided the

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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.

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, shown as a receivable for the amount of the net investment in the leased asset.

In this transaction, all the risks are transferred by the lessor and therefore the successive installments receivable are treated 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 and subsidiaries have no financial-leased assets purchased at the year-ends.

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 leases, 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.

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

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

i. Effective interest-rate method

The effective interest-rate method is the method for calculating the amortized cost of a financial asset and of the assignment of interest income 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 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, 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, 2012, the subsidiary Aguas del Maipo S.A 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.

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 have no assets held to maturity

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iv. Loans and accounts receivable

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

Trade debtors and other accounts receivable.

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

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

Policy with respect to impairment of financial assets

The Company evaluates periodically impairments affecting its financial assets. The amount the amounts in booked in the provisions account. The book value of an asset is reduced to the extent that the provisions account is used and the loss is booked in the consolidated statement of comprehensive 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.

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 the overdue debt of customers with debts of over 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 cannot be classified in the previous three categories. These are booked at fair value. Loss and gains arising from changes in the fair value

are shown directly in equity in the reserve account for assets available for sale, except for impairment losses, interest calculated using the effective-rate method and losses and gains in foreign currency of monetary items, which are booked directly in results. When a financial asset is sold or it is determined that it is impaired, the accumulated loss or gain booked previously in reserves for assets available for sale is taken to results for the period.

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

i) Inventories

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

j) Dividend policy

The dividend policy is to distribute 30% of the earnings for each year as a final dividend, plus 70% as an additional dividend provided financial conditions permit, and subject to approval by the ordinary shareholders meeting, provided the Company's present level of capitalization is maintained and is compatible with the investment policies.

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The booking of the minimum dividend established in the Corporations Law is shown at the end of each period if there were no interim dividend or if this were less than the 30% mentioned in that law.

k) Foreign currency transactions

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

| Currency | 31-12-2012 | 31-12-2011 |
|-----------|------------|------------|
| | Ch\$ | Ch\$ |
| US dollar | 479,96 | 519,20 |
| Euro | 634,45 | 672,97 |

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 period in which they accrue.

l) Financial liabilities

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

m)Derivative financial instruments and accounting of hedges

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

The Group does not use derivative financial instruments for speculative purposes but exclusively as hedging instruments to eliminate or significantly reduce existing 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 of net equity called Cash flow hedge, while the ineffective part is shown in 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 organized markets, the Group uses assumptions based on market conditions on that date for

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their valuation.

Effectiveness. A hedge is considered to be highly effective when the changes in fair value or the 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.

The Group has no derivative financial instruments as of the close of these financial statements.

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 15 if they do exist.

o) Employee benefits

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

AGUAS ANDINAS S.A.

The severance payments of the subsidiary 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

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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.

Severance payments of the subsidiary Aguas Cordillera 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 covered by current collective agreements and for 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 the subsidiaries 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 are 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. In those cases there is a limit of six months for purposes of the 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 wages.

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, is shown at its 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. 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 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

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offset tax assets against tax liabilities and these are related to the same entity and tax authority.

q) Ordinary revenue

Policy for accounting for ordinary revenue

Revenue is booked arising from all 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 accounting for ordinary revenue for sales of goods

Revenue from sales of goods is booked once the risk and benefits are transferred.

Policy for accounting for ordinary revenue 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 customer, and can be estimated reliably.

The services area of the sanitation companies is divided into billing groups which determine dates for meter readings and later billing, based on a calendar month. This results in consumption not read and thus not billed. For the booking of revenue, the subsidiaries make an estimate of

non-billed consumption.

For some sanitation services billing groups, 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 on 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. 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 corresponding legislation, 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 the conditions of each contract that

ensure that the related economic benefits will flow to the Company.

r) Earnings per share

Basic earnings per share is calculated as the earnings (loss) attributable to the holders of equity of the controller divided by the average weighted number of common shares in circulation during the period of twelve months ended December 31, 2012.

During the years 2012 and 2011, the Group has carried out no kind of operation with a potential diluting effect that supposes that diluted earnings per share are different to 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 to minimize adverse environmental impacts and ensure the protection and improvement of the environment, including the reduction or elimination of the future contamination of the subsidiaries' businesses.

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 their useful lives.

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t) Consolidated statement of cash flows

The cash flow statement gathers the cash movements during the year, including VAT and determined by the direct method, and is prepared according to the following criteria:

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

Operating activities. Typical activities of the normal business operation of the Company and subsidiaries, plus others that cannot otherwise be defined as for 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 the ordinary activities

u) Construction contracts

The Group uses the “percentage progress method” for booking revenues and expenses referring to a contract being carried out. By this method, the revenues under the contract are compared with the related costs incurred in the degree of progress made, which results in the amount of the ordinary revenue, expenses and earnings that may be attributed to the portion of the contract carried out.

Contract costs are booked when 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 the 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 to the extent of the contract costs incurred that will probably be recovered.

The Group shows as an asset the gross amount due by customers for the work of all the contracts in progress for which the costs incurred plus booked profits (less booked losses) exceed the partial invoicing. Partial invoicing still unpaid by customers and the 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 stipulated in IAS 23.

w) Reclassifications

For comparison purposes, certain reclassifications have been made in the statement of results by nature as of December 31, 2011, as follows:

| | Increase/ (Decrease) ThCh\$ |
|---|-----------------------------------|
| Reclassifications in the statement of results by nature | |
| Ordinary activity revenues | -965.316 |
| Charge for depreciation & amortization | 965.316 |

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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, fully subscribed and paid, corresponding to 94.97% of the A series and 5.03% to the B series.

The B series shares have a veto or preference, contained in article 5 of the Company's bylaws, consisting of a special quorum required for extraordinary shareholder meetings for matters relating to the water-usage rights and the sanitation concessions of Aguas Andinas.

The composition of each series is as follows:

| | 31-12-2012 | 31-12-2011 |
|-----------------|---------------|---------------|
| Series A shares | 5.811.028.171 | 5.811.014.486 |
| Series B shares | 307.936.989 | 307.950.674 |
| Total | 6.118.965.160 | 6.118.965.160 |

The capital as of December 31, 2012 and 2011 amounts to ThCh\$155,567,354. There are no own shares held in portfolio, nor are there any 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 following dividends were agreed and paid in 2012:

- The ordinary shareholders meeting held on April 17, 2012 agreed to distribute 100% of the earnings for 2011, after deducting the interim dividend paid in November 2011. The amount of dividend No.54 was ThCh\$77,222,260, equivalent to Ch\$12.62015 per share. The payment was made as from May 23, 2012.
- On October 23, 2012, an interim dividend No.55 of Ch\$5.7945 per share, totaling ThCh\$35,456,344, was paid against the earnings for 2012. Payment was made on November 13, 2012.

The following dividends were agreed and paid in 2011:

- 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 was

ThCh\$34,257,027, equivalent to Ch\$11.55778 per share. The payment was made as from May 23, 2011.

- On October 26, 2011, the board agreed to distribute an interim dividend No.53 of Ch\$5.5985 per share was paid against the earnings for 2011. The total dividend of ThCh\$34,257,027 was paid on November 23, 2011.

Provision for minimum dividend

As of December 31, 2012, a provision was made to complement the minimum dividend of 30% of earnings, amounting to ThCh\$924,524.

The Company made no provision for the minimum dividend as of December 31, 2011 as the Company had paid more than 30% of the year's earnings as an interim dividend.

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 the use or sale, as established in IAS 16 and Circular 456 of June 20, 2008 of the SVS. The balance as of December 31, 2012 and 2011 amounts to ThCh\$308,088,574 and ThCh\$300,422,138 respectively.

During 2012 and 2011 there were no accumulated results from the first-adoption adjustments booked on January 1, 2008.

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Share premium

The amount shown in share premium relates to the share sale in 1999 due to the capital increase. The balance as of December 31, 2012 and 2011 amounts to ThCh\$ 164,064,038.

Other participations in equity.

Other participations refer to the monetary correction of paid capital of the year 2008, the year of transition to IFRS, in accordance with SVS Circular 456, and the effects of combinations of businesses of companies under common control in 2007 and 2008. The balance as of December 31, 2012 and 2011 is ThCh\$-5,965,555.

4. NON-CONTROLLER PARTICIPATIONS

The detail by company of the effects caused by the participation of third parties in the equity and results as of December 31, 2012 and 2011 is as follows:

| Company | % Participation | | Non-controller participations | | | |
|---------------------------|-----------------|------------|-------------------------------|---------|------------|---------|
| | 31-12-2012 | 31-12-2011 | 31-12-2012 | | 31-12-2011 | |
| | % | % | Equity | Result | Equity | Result |
| | | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Aguas Cordillera S.A. | 0,00997% | 0,00997% | 19.516 | 1.583 | 20.387 | 1.831 |
| Essal S.A. ⁽¹⁾ | 46,49350% | 46,49350% | 62.478.351 | 483.360 | 64.953.458 | 685.568 |
| Total | | | 62.497.867 | 484.943 | 64.973.845 | 687.399 |

(1) Includes third party participations through the assignment to market value of the assets and liabilities arising from the purchase of Inversiones Iberaguas Ltda. and Essal S.A. at the time of the combination of businesses.

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Transfers and other changes in the statement of changes in equity refer to dividends paid to minority participations amounting to ThCh\$ 2,960,921 and ThCh\$ 1,757,207 as of December 31, 2012 and 2011 respectively.

5. OTHER REVENUE AND EXPENSES

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

| Revenues & expenses other than operating | 31-12-2012 | 31-12-2011 |
|--|------------|------------|
| | ThCh\$ | ThCh\$ |
| Other earnings | | |
| Insurance claims | 39.437 | 2.430.959 |
| Gain on sale of non-current assets not held for sale | 610.736 | 443.561 |
| Other losses | -21.479 | -11.097 |
| Total | 628.694 | 2.863.423 |

| | | |
|---|-------------|-------------|
| Financial costs | | |
| Bank loans | -6.603.504 | -6.674.474 |
| Interest expense, AFRs | -3.593.670 | -3.100.764 |
| Interest expense, bonds | -12.619.707 | -12.983.572 |
| Intereste expense, others | -372.853 | -430.912 |
| Amortization of complementary costs relating to loan agreements | -980.646 | -2.457.983 |
| Total | -24.170.380 | -25.647.705 |

| | | |
|---|-----------|-----------|
| Financial income | | |
| Interest income | 7.000.827 | 4.992.670 |
| Gain on redemption & extinction of debt | 1.290.185 | 1.490.376 |
| Total | 8.291.012 | 6.483.046 |

(1) During 2011 the subsidiaries Aguas Andinas S.A. and Aguas Manquehue S.A. received from the insurance companies RSA Seguros Chile S.A. and ACE Seguros S.A. payments in settlement of their claims for damage caused by the earthquake of February 2010. The total amount received was ThCh\$ 2,266,544.

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6. CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

The following is summarized information on the statement of financial position and statement of comprehensive results of each of the subsidiaries included in consolidated financial statements:

Statement of financial position of subsidiaries (summarized) as of December 31, 2012

| 31-12-2012 | Activos corrientes | Activos no corrientes | Pasivos corrientes | Pasivos no corrientes | Patrimonio |
|---|--------------------|-----------------------|--------------------|-----------------------|-------------|
| Filial | M\$ | M\$ | M\$ | M\$ | M\$ |
| Aguas Cordillera S.A. | 17.483.411 | 234.106.952 | 27.378.573 | 28.463.630 | 195.748.160 |
| Aguas Manquehue S.A. | 2.420.975 | 57.320.378 | 3.051.130 | 12.616.821 | 44.073.402 |
| Inversiones Iberaguas Ltda. | 1.162.650 | 66.682.330 | 13.014 | 0 | 67.831.966 |
| Empresa de Servicios Sanitarios de Los Lagos S.A. | 15.695.515 | 128.022.490 | 10.929.850 | 54.424.201 | 78.363.954 |
| Ecoriles S.A. | 4.043.103 | 216.291 | 1.304.359 | 0 | 2.955.035 |
| Gestión y Servicios S.A. | 7.527.597 | 329.548 | 3.676.247 | 64.668 | 4.116.230 |
| Análisis Ambientales S.A. | 3.245.982 | 1.900.236 | 974.628 | 0 | 4.171.590 |
| Aguas del Maipo S.A. | 753.481 | 8.766.378 | 436.044 | 16.949 | 9.066.866 |

Statement of comprehensive results of subsidiaries (summarized) as of December 31, 2012

| 31-12-2012 | Resultado del ejercicio | Ingresos ordinarios | Gastos operacionales (-) | Otros gastos (-) / Ingresos netos (+) |
|---|-------------------------|---------------------|--------------------------|---------------------------------------|
| Filial | M\$ | M\$ | M\$ | M\$ |
| Aguas Cordillera S.A. | 15.870.397 | 42.692.838 | -24.339.382 | -2.483.059 |
| Aguas Manquehue S.A. | 2.416.288 | 8.112.953 | -4.310.645 | -1.386.020 |
| Inversiones Iberaguas Ltda. | 3.850.525 | 0 | -4.840 | 3.855.365 |
| Empresa de Servicios Sanitarios de Los Lagos S.A. | 7.567.547 | 38.913.676 | -24.227.120 | -7.119.009 |
| Ecoriles S.A. | 1.413.668 | 10.442.333 | -8.772.900 | -255.765 |
| Gestión y Servicios S.A. | 283.619 | 8.281.044 | -7.901.870 | -95.555 |
| Análisis Ambientales S.A. | 986.741 | 4.983.083 | -3.831.766 | -164.576 |
| Aguas del Maipo S.A. | 180.028 | 826.534 | -612.864 | -33.642 |

Statement of financial position of subsidiaries (summarized) as of December 31, 2011

| 31-12-2011 | Activos corrientes | Activos no corrientes | Pasivos corrientes | Pasivos no corrientes | Patrimonio |
|---|--------------------|-----------------------|--------------------|-----------------------|-------------|
| Filial | M\$ | M\$ | M\$ | M\$ | M\$ |
| 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 |

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Statement of comprehensive results of subsidiaries (summarized) as of December 31, 2011

| 31-12-2011 | Result for the year | Ordinary revenues | Operating expenses (-) | Other expenses (-) / Net income (+) |
|---|---------------------|-------------------|------------------------|-------------------------------------|
| Subsidiary | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Aguas Cordillera S.A. | 18.363.246 | 42.478.752 | -23.960.842 | -154.664 |
| Aguas Manquehue S.A. | 3.728.133 | 8.288.747 | -5.008.462 | 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 | 35.144.206 | -23.765.530 | -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 |

DETAIL OF SIGNIFICANT SUBSIDIARIES

The definition of significant subsidiaries is based on their percentage participation in the operating results, their participation in fixed assets and results for the period with respect to the consolidated financial statements. The following are considered to be 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 peso | Chilean peso | Chilean peso |
| 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 | 9,55% | 1,98% | 7,64% |
| Property, plant & equipment | 7,53% | 2,92% | 10,54% |
| Result for the year | 10,27% | 1,52% | 2,86% |

7. CASH AND CASH EQUIVALENTS

The composition is as follows:

| Cash & cash equivalents | 31-12-2012 | 31-12-2011 |
|--------------------------|------------|------------|
| | ThCh\$ | ThCh\$ |
| Banks | 2.804.022 | 2.518.752 |
| Time deposits (Note 8.7) | 32.840.415 | 2.532.747 |
| Total | 35.644.437 | 5.051.499 |

Cash equivalents relate to financial assets in 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 operating activity receipts: relate to services connected with the business, principally agreements signed with property developers.

Other operating activity payments: relate principally to the payment of value added tax (VAT).

Other investment activity outflows: relate mainly to interest associated with bond issues, which have been capitalized as a result of investments in property, plant and equipment.

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8. FINANCIAL INSTRUMENTS

8.1 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that Group entities continue as ongoing businesses through the maximization of profitability for shareholders by 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 8.4, the capital attributable to equity holders of the controller, which includes the capital, reserves and retained earnings which are shown in Note 3.

8.2 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, 2L and 2M to these financial statements.

8.3 CLASSES OF FINANCIAL INSTRUMENTS

The following is a summary of the financial instruments as of December 31, 2012 and 2011:

| Class of financial instruments | | | 31-12-2012 | 31-12-2011 |
|--|-----|-----|-------------|-------------|
| | | | ThCh\$ | ThCh\$ |
| Trade debtors | | | 81.173.901 | 72.220.059 |
| Trade debtors, current | | | 78.138.154 | 70.201.189 |
| Trade debtors & other accounts receivable, current | CLP | 8.5 | 78.133.751 | 70.150.105 |
| Trade debtors & other accounts receivable, current | USD | 8.5 | 882 | 47.501 |
| Trade debtors & other accounts receivable, current | EUR | 8.5 | 3.521 | 3.583 |
| Colection rights, non-current | | | 3.035.747 | 2.018.870 |
| Collection rights, non-current | CLP | 8.5 | 3.035.747 | 2.018.870 |
| Other financial liabilities, current | | | 56.804.996 | 84.776.754 |
| Bank loans | CLP | 8.4 | 20.744.471 | 27.418.868 |
| Bonds | CLP | 8.4 | 21.727.323 | 57.334.977 |
| Reimbursable Financial Contributions | CLP | 8.4 | 14.333.202 | 22.909 |
| Other financial liabilities, non-current | CLP | 8.4 | 637.349.551 | 540.949.948 |
| Bank loans | CLP | 8.4 | 76.631.832 | 94.789.758 |
| Bonds | CLP | 8.4 | 452.897.896 | 350.517.275 |
| Reimbursable Financial Contributions | CLP | 8.4 | 107.819.823 | 95.642.915 |
| Trade creditors | | | 74.682.140 | 64.350.380 |
| Trade creditors & other accounts payable, current | CLP | 8.7 | 73.992.425 | 63.827.726 |
| Trade credirors & other accounts payable, current | USD | 8.7 | 531.414 | 352.342 |
| Trade credirors & other accounts payable, current | EUR | 8.7 | 158.301 | 170.312 |
| Trade credirors & other accounts payable, current | | | 1.498.799 | 1.570.602 |
| Other accounts payable, non-current | CLP | 8.7 | 1.498.799 | 1.570.602 |
| Other accounts payable, non-current | CLP | 8.7 | 1.498.799 | 1.570.602 |

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8.4 INFORMATION ON FINANCIAL LIABILITIES

Other financial liabilities

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

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

Reimbursable financial contributions (AFRs)

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

The reimbursement of the amounts contributed by customers is made basically through the issue of endorsable promissory notes at 10 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, 2012 and 2011 is as follows:

Bank loan balances, current.

| Debtor | Tax No. of debtor | Country of debtor | Bank | Tax No. creditor | Country of creditor | Residual | Total book value ThCh\$ | | | Total nominal value ThCh\$ | | Nominal rate | Effective rate | Repayments |
|----------------------|-------------------|-------------------|-----------------|------------------|---------------------|------------|-------------------------|----------------|------------|----------------------------|------------|--------------|----------------|----------------|
| | | | | | | 31-12-2012 | 31-12-2012 | | 31-12-2011 | 31-12-2012 | 31-12-2011 | | | |
| | | | | | | ThCh\$ | Up to 90 days | 91 to 365 days | ThCh\$ | | | | | |
| Aguas Andinas S.A. | 61.808.000-5 | CL | BANCO BBVA | 97.032.000-8 | CL | 2.501.350 | 1.550.907 | 1.147.677 | 393.888 | 2.704.577 | 400.611 | 6.56% | 6.61% | Semestral |
| Aguas Andinas S.A. | 61.808.000-5 | CL | BANCO DE CHILE | 97.004.000-5 | CL | 746.130 | 695.228 | 370.369 | 337.237 | 1.070.990 | 340.608 | 6.57% | 6.61% | Semestral |
| Aguas Andinas S.A. | 61.808.000-5 | CL | BANCO CORPBANCA | 97.023.000-9 | CL | 12.000.000 | 1.667.067 | 10.596.723 | 3.116.125 | 12.267.500 | 3.127.277 | 6.41% | 6.68% | Semestral |
| Aguas Andinas S.A. | 61.808.000-5 | CL | BANCO SANTANDER | 97.036.000-K | CL | 213.287 | 213.287 | | 212.162 | 217.232 | 215.822 | 6.56% | 6.61% | Semestral |
| Aguas Andinas S.A. | 61.808.000-5 | CL | BANCO DE CHILE | 97.004.000-5 | CL | 3.150.000 | 2.937.350 | 1.565.863 | 1.423.762 | 4.521.488 | 1.437.975 | 6.57% | 6.61% | Semestral |
| Aguas Andinas S.A. | 61.808.000-5 | CL | BANCO BBVA | 97.032.000-8 | CL | 0 | 0 | 0 | 8.011.439 | 0 | 8.011.439 | - | - | Al vencimiento |
| Aguas Andinas S.A. | 61.808.000-5 | CL | BANCO CORPBANCA | 97.023.000-9 | CL | 0 | 0 | 0 | 5.009.000 | 0 | 5.009.000 | - | - | Al vencimiento |
| Aguas Andinas S.A. | 61.808.000-5 | CL | BANCO BBVA | 97.032.000-8 | CL | 0 | 0 | 0 | 676.699 | 0 | 676.699 | - | - | Al vencimiento |
| Aguas Manquehue S.A. | 89.221.000-4 | CL | BANCO ESTADO | 97.030.000-7 | CL | 0 | 0 | 0 | 8.238.554 | 0 | 8.238.554 | - | - | Semestral |
| | | | TOTAL | | | 18.410.766 | 7.063.839 | 13.680.632 | 27.418.866 | 20.781.787 | 27.457.985 | | | |

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

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Saldos de los préstamos bancarios, no corriente.

| Debtor | Tax No. of debtor | Country of debtor | Bank | Tax No. creditor | Country of creditor | Currency or indexation unit | Years to maturity | | | | 31-12-2012 | | 31-12-2011 | | Nominal rate | Effective rate | Repayments |
|-------------------|-------------------|-------------------|-----------------|------------------|---------------------|-----------------------------|----------------------|--------------|--------------|---------------|--------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--------------|----------------|------------|
| | | | | | | | 13 months to 3 years | 3 to 5 years | Over 5 years | Final matuity | Total non-current (book value) | Total non-current (nominal value) | Total non-current (book value) | Total non-current (nominal value) | | | |
| | | | | | | | ThCh\$ | ThCh\$ | ThCh\$ | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | | | |
| Aguas Andinas S.A | 61.808.000-5 | CL | BANCO BBVA | 97.032.000-8 | CL | CLP | 4.775.259 | 10.611.687 | 0 | 28/08/2016 | 15.386.947 | 15.401.320 | 17.682.348 | 17.702.667 | 6.56% | 6.61% | Semestral |
| Aguas Andinas S.A | 61.808.000-5 | CL | BANCO DE CHILE | 97.004.000-5 | CL | CLP | 2.130.031 | 7.774.615 | 0 | 17/07/2017 | 9.904.646 | 9.912.870 | 10.645.396 | 10.659.000 | 6.57% | 6.61% | Semestral |
| Aguas Andinas S.A | 61.808.000-5 | CL | BANCO CORPBANCA | 97.023.000-9 | CL | CLP | 0 | 0 | 0 | 28/08/2013 | 0 | 0 | 11.993.419 | 12.000.000 | 6.41% | 6.68% | Semestral |
| Aguas Andinas S.A | 61.808.000-5 | CL | BANCO SANTANDER | 97.036.000-K | CL | CLP | 9.529.981 | 0 | 0 | 28/08/2015 | 9.529.981 | 9.537.000 | 9.526.061 | 9.537.000 | 6.56% | 6.61% | Semestral |
| Aguas Andinas S.A | 61.808.000-5 | CL | BANCO DE CHILE | 97.004.000-5 | CL | CLP | 8.991.454 | 32.818.805 | 0 | 17/07/2017 | 41.810.259 | 41.850.000 | 44.942.534 | 45.000.000 | 6.57% | 6.61% | Semestral |
| | | | | | | Total | 25.426.725 | 51.205.107 | 0 | | 76.631.833 | 76.701.190 | 94.789.758 | 94.898.667 | | | |

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, 2012 and 2011 is as follows:

Reimbursable financial contributions, current portion

| Nº de Inscripción o Identificación del Instrumento | Moneda Índice de Reajuste | Residual UF | Valor contable | | Tasa interés real contrato | Tasa efectiva | Colocación en Chile o en el Extranjero | Empresa emisora | Rut Deudora | Tipo de Amortización | Garantizada (Sí/No) |
|--|---------------------------|-------------|----------------|------------|----------------------------|---------------|--|-----------------------|--------------|----------------------|---------------------|
| | | | 31-12-2012 | 31-12-2011 | | | | | | | |
| | | | M\$ | M\$ | | | | | | | |
| AFR | UF | 79.929 | 1.825.642 | 0 | 2.75% | 2.64% | Chile | Aguas Andinas S.A | 61.808.000-5 | Al vencimiento | No |
| AFR | UF | 547.599 | 12.507.560 | 22.909 | 8.30% | 7.91% | Chile | Aguas Cordillera S.A. | 96.809.310-k | Al vencimiento | No |
| Total | | 627.528 | 14.333.202 | 22.909 | | | | | | | |

Reimbursable financial contributions, non-current portion

| Nº de Inscripción o Identificación del Instrumento | Moneda Índice de Reajuste | Residual UF | Valor contable | | Fecha Vencimiento | Tasa interés real contrato | Tasa efectiva | Empresa emisora | Rut Deudora | Tipo de Amortización | Garantizada (Sí/No) |
|--|---------------------------|-------------|----------------|------------|-------------------|----------------------------|---------------|-----------------------|--------------|----------------------|---------------------|
| | | | 31-12-2012 | 31-12-2011 | | | | | | | |
| | | | M\$ | M\$ | | | | | | | |
| AFR | UF | 3.321.821 | 75.872.878 | 59.799.378 | 26/09/2027 | 3.77% | 3.61% | Aguas Andinas S.A | 61.808.000-5 | Al vencimiento | No |
| AFR | UF | 910.130 | 20.788.046 | 28.474.918 | 26/09/2027 | 4.76% | 4.56% | Aguas Cordillera S.A. | 96.809.310-k | Al vencimiento | No |
| AFR | UF | 290.291 | 6.630.461 | 3.672.266 | 30/07/2027 | 3.74% | 3.60% | Aguas Manquehue S.A | 89.221.000-4 | Al vencimiento | No |
| AFR | UF | 198.261 | 4.528.438 | 3.696.353 | 13/08/2027 | 3.68% | 3.68% | Essal S.A. | 96.579.800-5 | Al vencimiento | No |
| Total | | 4.720.503 | 107.819.823 | 95.642.915 | | | | | | | |

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The detail of bonds outstanding as of December 31, 2012 and 2011 is as follows:

Bonds, current portion

| Type of document | Amount outstanding | Book value ThCh\$ | | | Final maturity | Real annual interest rate | Effective annual interest rate | Payments of | | Issuer | Tax No.- issuer |
|-------------------------|--------------------|-------------------|----------------|------------|----------------|---------------------------|--------------------------------|-------------|----------------|--------------------|-----------------|
| | | 31-12-2012 | | 31-12-2011 | | | | Interest | Principal | | |
| | UF | Up to 90 days | 91 to 365 days | ThCh\$ | | | | | | | |
| BAGUA-E | 0 | 0 | 0 | 36.840.674 | 01/06/2012 | 4,00% | 4,45% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-F | 263.158 | 288.060 | 5.692.467 | 5.832.936 | 01/12/2026 | 4,15% | 4,70% | Semestral | Semestral | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-G | 0 | 212.871 | 0 | 208.796 | 01/04/2014 | 3,00% | 3,39% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-I | 320.000 | 94.909 | 7.220.145 | 7.139.137 | 01/12/2015 | 3,70% | 4,04% | Semestral | Semestral | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-J | 0 | 42.500 | 0 | 41.866 | 01/12/2018 | 4,00% | 4,19% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-K | 160.000 | 1.950.953 | 1.812.850 | 3.692.853 | 01/10/2016 | 2,90% | 3,08% | Semestral | Semestral | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-M | 0 | 426.823 | 0 | 415.083 | 01/04/2031 | 4,20% | 4,14% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-N | 0 | 167.191 | 0 | 165.061 | 01/10/2016 | 3,17% | 3,36% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-P | 0 | 335.437 | 0 | 326.326 | 01/10/2033 | 3,86% | 3,81% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-Q | 0 | 135.291 | 0 | 0 | 01/06/2032 | 4,00% | 3,94% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-R | 0 | 115.303 | 0 | 0 | 01/04/2019 | 3,30% | 3,63% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-S | 0 | 500.563 | 0 | 0 | 01/04/2035 | 3,90% | 3,93% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BESAL-B | 115.789 | 201.980 | 2.529.980 | 2.672.245 | 01/06/2028 | 6,00% | 6,63% | Semestral | Semestral | Essal S.A. | 96.579.800-5 |
| Total Porción Corriente | 858.947 | 4.471.881 | 17.255.442 | 57.334.977 | | | | | | | |

Bonds, non-current portion

| Type of document | Amount outstanding | Book value ThCh\$ | | | | Final maturity | Real annual interest rate | Effective annual interest rate | Payments of | | Issuer | Tax No.- issuer |
|----------------------------|--------------------|-------------------|----------------------|--------------|-------------|----------------|---------------------------|--------------------------------|-------------|----------------|--------------------|-----------------|
| | | 31-12-2012 | | | 31-12-2011 | | | | Interest | Principal | | |
| | | UF | 13 months to 3 years | 3 to 5 years | | | | | | | | |
| BAGUA-E | 0 | 0 | 0 | 0 | 0 | 01/06/2012 | 4,00% | 4,45% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-F | 3.684.210 | 11.676.384 | 11.676.384 | 52.543.683 | 79.575.198 | 01/12/2026 | 4,15% | 4,70% | Semestral | Semestral | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-G | 2.500.000 | 57.048.527 | | | 55.469.493 | 01/04/2014 | 3,00% | 3,39% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-I | 1.360.000 | 23.650.860 | | | 30.127.460 | 01/12/2015 | 3,70% | 4,04% | Semestral | Semestral | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-J | 1.000.000 | | | 22.657.929 | 22.078.317 | 01/12/2018 | 4,00% | 4,19% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-K | 840.000 | 7.286.645 | 8.197.475 | | 18.650.577 | 01/10/2016 | 2,90% | 3,08% | Semestral | Semestral | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-M | 1.750.000 | | | 40.251.148 | 39.304.181 | 01/04/2031 | 4,20% | 4,14% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-N | 1.250.000 | | 28.444.037 | | 27.711.404 | 01/10/2016 | 3,17% | 3,36% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-P | 1.500.000 | | | 34.489.410 | 33.676.802 | 01/10/2033 | 3,86% | 3,81% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-Q | 1.650.000 | | | 37.985.428 | 0 | 01/06/2032 | 4,00% | 3,94% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-R | 1.000.000 | 5.029.027 | 10.058.054 | 7.543.541 | 0 | 01/04/2019 | 3,30% | 3,63% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BAGUA-S | 2.300.000 | | | 52.319.190 | 0 | 01/04/2035 | 3,90% | 3,93% | Semestral | Al vencimiento | Aguas Andinas S.A. | 61.808.000-5 |
| BESAL-B | 1.794.737 | 5.152.941 | 5.152.941 | 31.734.292 | 43.923.843 | 01/06/2028 | 6,00% | 6,63% | Semestral | Semestral | Essal S.A. | 96.579.800-5 |
| Total Porción No Corriente | 20.628.947 | 109.844.384 | 63.528.891 | 279.524.621 | 350.517.275 | | | | | | | |

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8.5 Risk management

The principal objectives of financial risk management are to ensure the availability of funds to meet financial commitments and to 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 the default of obligations by our counterparties (customers).

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

The objective is to maintain minimum levels of bad debts. There is a credit policy which sets the conditions and types of payment and also conditions for reaching payment agreements with overdue customers. The management processes are to control, estimate and evaluate bad debts in order to take corrective actions to achieve the objectives. One of the principal actions and measures for maintaining low levels of bad

debts is to suspend supplies. The method for analysis is based on historic data on customer accounts receivable and other debtors.

| Credit risk | 31-12-2012 | 31-12-2011 |
|---|-------------|-------------|
| | ThCh\$ | ThCh\$ |
| Gross exposure per balance sheet for risks of accounts receivable | 112.197.434 | 102.803.132 |
| Gross exposure per estimates of risks of accounts receivable | -31.023.533 | -30.583.073 |
| Net exposure, risk concentration | 81.173.901 | 72.220.059 |

| Movement of credit risk, accounts receivable | ThCh\$ |
|--|------------|
| Initial balance at 01-01-2012 | 30.583.073 |
| Increase in existing provisions | 3.438.892 |
| Decreases | -2.998.432 |
| Changes, total | 440.460 |
| Closing balance at 31-12-2012 | 31.023.533 |

The following shows the ageing of gross debt:

| Ageing of gross debt | 31-12-2012 | 31-12-2011 |
|----------------------|-------------|-------------|
| | ThCh\$ | ThCh\$ |
| Less than 3 months | 75.832.558 | 68.377.685 |
| 3 to 6 months | 2.176.991 | 2.417.865 |
| 6 to 8 months | 906.418 | 985.542 |
| More than 8 months | 33.281.467 | 31.022.040 |
| Total | 112.197.434 | 102.803.132 |

The following is a detail of overdue gross debt by ageing, in accordance with IFRS 7:

| Gross overdue debt | 31-12-2012 | 31-12-2011 |
|--------------------|------------|------------|
| | ThCh\$ | ThCh\$ |
| Less than 3 months | 9.588.420 | 8.295.279 |
| 3 to 6 months | 1.090.508 | 952.091 |
| 6 to 8 months | 1.056.237 | 945.360 |
| More than 8 months | 29.237.321 | 28.113.888 |
| Total | 40.972.486 | 38.306.618 |

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Gross overdue debt comprises all balances receivable of over two months, because the debtor has ceased to make payment when contractually due; it is considered to be overdue from that date.

ii. Liquidity risk

Liquidity risk is the possibility that adverse situations in the capital markets prevent the Group from having access to financing 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 preventive measures taken to manage the liquidity risk include the following:

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

Maturity structure (non-discounted flows)

| Balances as of 31-12-2012 | Up to 90 days | | 91 days to 1 year | | 13 months to 3 years | | 3 to 5 years | | More than 5 years | |
|------------------------------|---------------|------------------------|-------------------|------------------------|----------------------|------------------------|--------------|------------------------|-------------------|------------------------|
| | ThCh\$ | Contract interest rate | ThCh\$ | Contract interest rate | ThCh\$ | Contract interest rate | ThCh\$ | Contract interest rate | ThCh\$ | Contract interest rate |
| Bank loans | 7.605.198 | 6,52% | 16.658.592 | 6,45% | 34.853.897 | 6,56% | 56.534.649 | 6,57% | 0 | - |
| Bonds | 6.276.719 | 2,90% | 31.463.896 | 4,11% | 141.789.841 | 3,43% | 89.308.502 | 3,57% | 396.534.800 | 4,20% |
| AFR | 1.545.172 | 7,48% | 13.441.308 | 7,61% | 6.554.818 | 4,82% | 38.755.578 | 4,51% | 104.200.878 | 3,69% |
| TOTAL | 15.427.089 | | 61.563.796 | | 183.198.556 | | 184.598.729 | | 500.735.678 | |

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 | 14,05% |
| Bonds | Fija (UF) | 68,34% |
| AFR | Fija (UF) | 17,61% |
| Total | | 100,00% |

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Interest rate sensitivity analysis

A rate analysis is made, with respect to TAB (Banking Asset Rate), assuming that all the 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%.

| Sociedad | Saldo Capital de Deuda CLP | Tasa Variable | Ptos (+/-) | Impacto resultado (\$) (+/-) |
|-------------------|----------------------------|---------------|------------|------------------------------|
| Aguas Andinas S.A | 94.898.667 | TAB 180 días | 96 | 910.785 |

For loans based on 180-day TAB, the positive or negative change in nominal TAB of 96 basis points, calculated annually, would have an impact on results of +/- ThCh\$ 910,785.

8.6 Cash equivalents

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

| Company | Instrument | 31-12-2012 | 31-12-2011 |
|---------------------------|---------------|------------|------------|
| | | ThCh\$ | ThCh\$ |
| Aguas Andinas S.A. | Time deposits | 15.534.711 | 0 |
| Aguas Cordillera S.A. | Time deposits | 8.925.063 | 0 |
| Análisis Ambientales S.A. | Time deposits | 1.684.220 | 0 |
| Eco-Riles S.A. | Time deposits | 1.133.107 | 0 |
| ESSAL S.A. | Time deposits | 5.563.314 | 2.532.747 |
| Total (cash equivalents) | | 32.840.415 | 2.532.747 |

The Company and subsidiaries make investments with portfolio limits of a maximum of 40% of the total per issuing institution, and limits for types of instruments, e.g. mutual funds – 10% of the fund’s assets, and time deposits – 10% of the bank’s equity.

8.7 Trade creditors and other accounts payable

The principal concepts are the following:

| Trade creditors & other accounts payable, current & non-current | Currency or indexation unit | 31-12-2012 | 31-12-2011 |
|---|-----------------------------|------------|------------|
| | | ThCh\$ | ThCh\$ |
| Dividends | CLP | 1.567.984 | 857.049 |
| Taxes (VAT, prepayments, sole tax, others) | CLP | 11.551.548 | 11.757.412 |
| Suppliers for investments in progress | CLP | 24.854.971 | 14.767.252 |
| Personnel | CLP | 2.149.166 | 2.372.162 |
| Suppliers | CLP | 16.740.975 | 20.470.765 |
| Suppliers | USD | 422.591 | 243.519 |
| Suppliers | EUR | 158.301 | 170.312 |
| Accrued services | CLP | 16.417.188 | 12.965.555 |
| Accrued services | USD | 91.243 | 91.243 |
| Others | CLP | 710.593 | 637.531 |
| Others | USD | 17.580 | 17.580 |
| Sub-total current | | 74.682.140 | 64.350.380 |
| Afr water | CLP | 467.433 | 472.042 |
| Suppliers for investments in progress | CLP | 961.402 | 1.029.147 |
| Sundry creditors | CLP | 69.964 | 69.413 |
| Sub-total non-current | | 1.498.799 | 1.570.602 |

| | | | |
|-----------------------------|--|------------|------------|
| Total current & non-current | | 76.180.939 | 65.920.982 |
|-----------------------------|--|------------|------------|

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8.8 Fair value of financial instruments

Fair value of financial instruments booked at amortized cost

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

| | 31-12-2012 | |
|--|----------------|-------------|
| | Amortized cost | Fair value |
| | ThCh\$ | ThCh\$ |
| Investments held at amortized cost | | |
| Time deposits | 32.840.415 | 32.840.415 |
| | | |
| Other financial liabilities | 694.154.547 | 703.719.034 |
| Financial liabilities held at amortized cost | 694.154.547 | 703.719.034 |
| Bank debt | 97.376.303 | 100.445.587 |
| Bonds | 474.625.219 | 481.120.421 |
| AFR | 122.153.025 | 122.153.026 |

Methodology and assumptions used in the calculation of fair value

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

- The amortized cost of time deposits is a good approximation of fair value as they are very short-term operations.
- 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).
- 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.
- The fair value of bank debt was determined through the cash flow analysis (disbursements of principal and interest) methodology, applying the discount curves corresponding to the remaining term to the maturity of the obligation. This term relates to the number of days between the closing date of the month of the financial statements and the date of disbursements of each cash flow.

Booking of fair value measurements in the financial information 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.

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8.9 OTHER FINANCIAL ASSETS

These mainly relate to the acquisition of shares in Sociedad Eléctrica Puntilla S.A. (EPSA) for a total amount of ThCh\$7,349,719 and ThCh\$ 7,221,134 as of December 31, 2012 and 2011 respectively (see Note 2.2, h, ii), over which the Company has no control or significant influence. The balance of ThCh\$17.518 relates to other financial investments.

9. INFORMATION ON RELATED ENTITIES

Balances and transactions with related entities

Transactions between the Company and its subsidiaries meet 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 | Name of related party | Relationship | Country of origin | Transaction with related party | Currency | Term | Security | 31-12-2012 | 31-12-2011 |
|---------------------------|--|-----------------------|----------------------|--|----------|---------|-----------|------------|------------|
| | | | | | | | | ThCh\$ | ThCh\$ |
| 77.274.820-5 | Inversiones Aguas Metropolitanas S.A. | Controller | CL | Reimbursement of expenses | CLP | 30 days | Unsecured | 0 | 179 |
| 96.713.610-7 | Agbar Chile S.A. | Related to controller | CL | Development & implementation geographic information system | CLP | 30 days | Unsecured | 2.379 | 213 |
| 76.080.553-K | Aqualogy Solutions Chile Ltda | Related to controller | CL | Reimbursement personnel expenses | CLP | 30 days | Unsecured | 75 | 4.567 |
| 76.078.231-9 | Empresa Depuradora de Aguas Servidas Mapocho El Trebal | Related to controller | CL | Sale of inputs & laboratory services | CLP | 30 days | Unsecured | 5.249 | 3.805 |
| 76.148.998-4 | Aqualogy Medioambiente Chile S.A. | Related to controller | CL | Reimbursement personnel expenses | CLP | 30 days | Unsecured | 59 | 25 |
| 76.938.110-4 | Empresa Depuradora de Aguas Servidas Ltda. | Related to controller | CL | Chemical & bacteriological analysis services | CLP | 30 days | Unsecured | 453 | 387 |
| Total accounts receivable | | | | | | | | 8.215 | 9.176 |

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Accounts payable to related entities

| Tax No. related party | Name of related party | Relationship | Country of origin | Transaction with related party | Currency | Term | Security | 31-12-2012 | 31-12-2011 |
|------------------------|--|-----------------------|-------------------|---|----------|---------|--|------------|------------|
| | | | | | | | | ThCh\$ | ThCh\$ |
| 93.713.610-7 | Agbar Chile S.A. | Related to controller | CL | Development & implementation geographic information system | CLP | 30 days | Unsecured | 46.047 | 41.404 |
| - | Aqualogy Development Network S.A. | Related to controller | CL | Human resources advice | CLP | 30 days | Unsecured | 0 | 12.253 |
| 59.127.140-K | Aqualogy Aqua Ambiente Servicios Integrales S.A. | Related to controller | CL | Technical assistance Renato Poblete park design & construction | CLP | 30 days | Unsecured | 105.513 | 23.394 |
| 76.080.553-K | Aqualogy Solutions Chile Ltda | Related to controller | CL | Purchase of materials | CLP | 30 days | Performance bond. Amount ThCh\$279,298 | 746.659 | 404.861 |
| 76.046.628-K | Asterión S.A. | Related to controller | CL | Process re-engineering service contract & implementation of new customer service information systems | CLP | 30 days | Performance bond for ThCh\$845,149 | 2.296.412 | 3.188.031 |
| 76.938.110-4 | Empresa Depuradora de Aguas Servidas Ltda. | Related to controller | CL | La Farfana sewage treatment plant operation & maintenance services | CLP | 30 days | Performance bond for UF194,249.62 | 2.747.486 | 2.343.631 |
| 76.938.110-4 | Empresa Depuradora de Aguas Servidas Ltda. | Related to controller | CL | Operation & maintenance services biogas purification plant | CLP | 30 days | Performance bond for UF112.24 | 0 | 27.462 |
| 76.078.231-9 | Empresa Depuradora de Aguas Servidas Mapocho El Trebal | Related to controller | CL | Operation & maintenance services El Trebal sewage treatment plant, construction, operation & maintenance Mapocho sewage treatment plant | CLP | 90 days | Performance bond for UF357,863 | 21.131.244 | 36.290.795 |
| 76.080.553-K | Aqualogy Solutions Chile Ltda | Related to controller | CL | Purchase of materials | CLP | 30 days | Unsecured | 101.745 | 0 |
| 76.148.998-4 | Aqualogy Medioambiente Chile S.A. | Related to controller | CL | Ice-Piggins service contract | CLP | 30 days | Unsecured | 24.146 | 0 |
| 77.274.820-5 | Inversiones Aguas Metropolitanas S.A. | Controller | CL | Dividends payable | CLP | | Unsecured | 463.208 | 0 |
| - | Sorea | Related to controller | CL | Reimbursement of expenses | CLP | 30 days | Unsecured | 0 | 820 |
| Total accounts payable | | | | | | | | 27.662.460 | 42.332.651 |

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Transactions

| Tax No. related party | Name of related party | Relationship | Country of origin | Transaction | Currency | 31-12-2012 | | 31-12-2011 | |
|-----------------------|--|-----------------------|-------------------|---|----------|------------|------------------------------------|------------|------------------------------------|
| | | | | | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| | | | | | | Amount | Effect on results (Charge)/ Credit | Amount | Effect on results (Charge)/ Credit |
| 79.046.628-K | Asterión S.A. | Other related parties | CL | Process re-engineering service contract & implementation of new information systems for customer service | CLP | 2.043.532 | -349.060 | 2.564.591 | -366.173 |
| 76.080.553-K | Aqualogy Solutions Chile Ltda | Other related parties | CL | Purchase of materials on consignment | CLP | 4.242.518 | -2.947.079 | 3.461.767 | -2.104.253 |
| 76.078.231-9 | Empresa Depuradora de Aguas Servidas Mapocho El Trebal | Other related parties | CL | Operation & maintenance services El Trebal sewage treatment plant, construction, operation & maintenance Mapocho sewage treatment plant | CLP | 36.392.047 | -7.324.614 | 78.545.888 | -6.107.995 |
| 76.938.110-4 | Empresa Depuradora de Aguas Servidas Ltda. | Other related parties | CL | Operation & maintenance services La Farfana sewage treatment plant | CLP | 13.572.350 | -11.281.407 | 12.663.709 | -11.141.512 |
| 76.938.110-4 | Empresa Depuradora de Aguas Servidas Ltda. | Other related parties | CL | Operation & maintenance services biogas purification plant | CLP | 183.651 | -183.651 | 160.738 | -160.768 |
| 77.274.820-5 | Inversiones Aguas Metropolitanas S.A. | Other related parties | CL | Dividends paid | CLP | 57.123.687 | 0 | 52.451.675 | 0 |

The criterion of materiality for reporting transactions with related entities is accumulated amounts of over ThCh\$ 100,000.

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Remuneration paid to the directors of Aguas Andinas S.A. and subsidiaries, and to members of the directors' committee

| | 31-12-2012 | 31-12-2011 |
|----------------------|------------|------------|
| | ThCh\$ | ThCh\$ |
| Directors | 386.969 | 323.788 |
| Directors' committee | 28.051 | 33.254 |
| Total | 415.020 | 357.042 |

These correspond only to fees related to their functions as members of the board and directors' committee as agreed by the ordinary shareholders meeting.

At the end of 2012, the total of managers and senior executives of Aguas Andinas comprised 54 professionals. The total remuneration received in 2011 was ThCh\$ 5.221 million and severance payments of senior executives was ThCh\$ 877 million.

Detail of related parties and transactions with related parties by the directors and executives.

The management of the Company is unaware of any transactions between related parties and directors and/or executives, other than their fees and remuneration.

10. INVENTORIES

| Class of inventories | 31-12-2012 | 31-12-2011 |
|-------------------------|------------|------------|
| | ThCh\$ | ThCh\$ |
| Spares & meters | 3.778.480 | 2.403.677 |
| Supplies for production | 586.283 | 538.067 |
| Others | 18.267 | 63.737 |
| Total inventories | 4.383.030 | 3.005.481 |

The cost of the inventories shown as an expense in the statement of results as of December 31, 2012 and 2011 amounts to ThCh\$8,973,554 and ThCh\$7,913,420 respectively.

11. INTANGIBLE ASSETS OTHER THAN GOODWILL

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

| | 31-12-2012 | 31-12-2011 |
|---|-------------|-------------|
| | ThCh\$ | ThCh\$ |
| Intangible assets, net | 225.272.517 | 223.106.257 |
| Intangible assets with finite life, net | 15.010.122 | 13.205.680 |
| Intangible assets with undefined lives, net | 210.262.395 | 209.900.577 |

| | | |
|--|-------------|-------------|
| Identifiable intangible assets, net | 225.272.517 | 223.106.257 |
| Patents, registered trademarks & other rights, net | 5.705.135 | 5.892.614 |
| Computer programs, net | 9.304.987 | 7.313.066 |
| Other identifiable intangible assets, net | 210.262.395 | 209.900.577 |

| | | |
|--------------------------|-------------|-------------|
| Intangible assets, gross | 253.011.694 | 247.587.806 |
| Intangible assets, gross | 253.011.694 | 247.587.806 |

| | | |
|--|-------------|-------------|
| Other identifiable intangible assets, gross | 253.011.694 | 247.587.806 |
| Identifiable intangible assets, gross | 219.924.966 | 219.563.148 |
| Patents, registered trademarks & other rights, gross | 7.653.843 | 7.654.107 |
| Computer programs, gross | 25.432.885 | 20.370.551 |

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| Classes of accumulated amortization & impairment of value, intangible assets | 31-12-2012 | 31-12-2011 |
|--|------------|------------|
| | ThCh\$ | ThCh\$ |
| Accumulated amortization & impairment, intangible assets, total | 27.739.177 | 24.481.549 |
| Accumulated amortization & impairment, patents, registered trademarks & other rights | 1.948.708 | 1.761.493 |
| Accumulated amortization & impairment, computer programs | 16.127.898 | 13.057.485 |
| Accumulated amortization & impairment, other intangible assets | 9.662.571 | 9.662.571 |

Movement of intangible assets during 2012

| Movement in identifiable intangible assets | Patents, registered trademarks & other rights, net | Computer programs, net | Other intangible assets, net |
|--|--|------------------------|------------------------------|
| | ThCh\$ | ThCh\$ | ThCh\$ |
| Initial balance at 01-01-2012 | 5.892.614 | 7.313.066 | 209.900.577 |
| Additions | 1.589 | 4.999.336 | 367.767 |
| Disposals | -1.853 | 0 | -5.949 |
| Amortization | -187.215 | -3.007.415 | 0 |
| Changes, total | -187.479 | 1.991.921 | 361.818 |
| Closing balance at 31-12-2012 | 5.705.135 | 9.304.987 | 210.262.395 |

Movement of intangible assets during 2011

| Movement in identifiable intangible assets | Patents, registered trademarks & other rights, net | Computer programs, net | Other intangible assets, net |
|--|--|------------------------|------------------------------|
| | ThCh\$ | ThCh\$ | ThCh\$ |
| Initial balance at 01-01-2011 | 6.079.377 | 2.884.406 | 209.549.226 |
| Additions | 452 | 6.021.437 | 352.096 |
| Disposals | 0 | 0 | -745 |
| Amortization | -187.215 | -1.592.777 | 0 |
| Changes, total | -186.763 | 4.428.660 | 351.351 |
| Closing balance at 31-12-2011 | 5.892.614 | 7.313.066 | 209.900.577 |

Detail of significant individual identifiable intangible assets:

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

| Company | 31-12-2012 | | 31-12-2011 | |
|-----------------------|--------------|------------|--------------|------------|
| | Water rights | Easements | Water rights | Easements |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Aguas Andinas S.A. | 74.099.786 | 7.489.600 | 74.020.926 | 7.350.200 |
| Aguas Cordillera S.A. | 92.506.464 | 7.865.577 | 92.506.463 | 7.853.889 |
| Aguas Manquehue S.A. | 21.207.395 | 900.294 | 21.207.395 | 900.294 |
| Essal S.A. | 5.159.524 | 1.033.755 | 5.051.316 | 1.010.094 |
| Total | 192.973.169 | 17.289.226 | 192.786.100 | 17.114.477 |

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 foreseeable 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.

Commitments for acquiring intangible assets:

Commitments for acquisitions of intangible assets in 2013 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 prior study stages, plus the expansion of concession zones, shown as follows:

| Company | ThCh\$ |
|---------------------------|-----------|
| Aguas Andinas S.A. | 3.191.782 |
| Aguas Cordillera S.A. | 190.097 |
| Aguas Manquehue S.A. | 106.250 |
| Essal S.A. | 423.860 |
| Análisis Ambientales S.A. | 33.300 |
| Total | 3.945.289 |

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12. GOODWILL

The following is a detail of goodwill for the different cash-generating units or groups of them to which this is assigned and its movement during 2012 and 2011.

| Tax No. | Company | 31-12-2012 | 31-12-2011 |
|--------------|--|------------|------------|
| | | 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. | 2.066.631 | 2.426.196 |
| Total | | 36.233.012 | 36.592.577 |

13. PROPERTY, PLANT AND EQUIPMENT

| | 31-12-2012 | 31-12-2011 |
|-----------------------------------|---------------|---------------|
| | ThCh\$ | ThCh\$ |
| Property, plant & equipment, net | 1.152.300.877 | 1.117.686.163 |
| Construction in progress | 90.147.941 | 169.583.994 |
| Land | 151.936.301 | 151.262.638 |
| Buildings | 73.255.245 | 69.943.651 |
| Plant & equipment | 269.308.541 | 193.175.614 |
| Computer equipment | 2.012.780 | 1.966.760 |
| Fixed installations & accessories | 562.408.958 | 528.763.450 |
| Motor vehicles | 1.014.335 | 1.234.200 |
| Improvements to leased assets | 31.478 | 36.951 |
| Other property, plant & equipment | 2.185.298 | 1.718.905 |

| | | |
|------------------------------------|---------------|---------------|
| Property, plant & equipment, gross | 2.083.643.414 | 2.000.580.488 |
| Construction in progress | 90.147.941 | 169.583.994 |
| Land | 151.936.301 | 151.262.638 |
| Buildings | 94.884.369 | 89.806.468 |
| Plant & equipment | 453.700.638 | 361.204.538 |
| Computer equipment | 10.518.469 | 9.498.364 |
| Fixed installations & accessories | 1.272.959.964 | 1.210.118.981 |
| Motor vehicles | 4.768.271 | 4.713.955 |
| Improvements to leased assets | 463.266 | 442.267 |
| Other property, plant & equipment | 4.264.195 | 3.949.283 |

| | | |
|-----------------------------------|-------------|-------------|
| Accumulated depreciation | 931.342.537 | 882.894.325 |
| Buildings | 21.629.124 | 19.862.817 |
| Plant & equipment | 184.392.097 | 168.028.924 |
| Computer equipment | 8.505.689 | 7.531.604 |
| Fixed installations & accessories | 710.551.006 | 681.355.531 |
| Motor vehicles | 3.753.936 | 3.479.755 |
| Improvements to leased assets | 431.788 | 405.316 |
| Other property, plant & equipment | 2.078.897 | 2.230.378 |

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Reconciliation of changes in property, plant and equipment by class:
The following is information on each of the Company's classes of property, plant and equipment.

Movement of property, plant and equipment during 2012

| Concept | Initial balance | Additions | Disposals | Depreciation | Total | Final balance |
|---|-----------------|-------------|------------|--------------|-------------|---------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Construction in progress, net * | 169.583.994 | -79.156.928 | -279.125 | 0 | -79.436.053 | 90.147.941 |
| Land | 151.262.638 | 688.257 | -14.594 | 0 | 673.663 | 151.936.301 |
| Buildings, net | 69.943.651 | 5.146.218 | -49.985 | -1.784.639 | 3.311.594 | 73.255.245 |
| Plant & equipment, net | 193.175.614 | 94.840.613 | -197.639 | -18.510.047 | 76.132.927 | 269.308.541 |
| Computer equipment, bet | 1.966.760 | 1.001.157 | 0 | -955.137 | 46.020 | 2.012.780 |
| Fixed installations & accessories, net | 528.763.450 | 65.301.104 | -1.337.829 | -30.317.767 | 33.645.508 | 562.408.958 |
| Motor vehicles, net | 1.234.200 | 313.295 | -122.759 | -410.401 | -219.865 | 1.014.335 |
| Improvements to leased assets, net | 36.951 | 20.999 | 0 | -26.472 | -5.473 | 31.478 |
| Other property, plant & equipment, net | 1.718.905 | 477.070 | -179 | -10.498 | 466.393 | 2.185.298 |
| Classes of property, plant & equipment, net | 1.117.686.163 | 88.631.785 | -2.002.110 | -52.014.961 | 34.614.714 | 1.152.300.877 |

Movement of property, plant and equipment during 2011

| Concept | Initial balance | Additions | Disposals | Depreciation | Total | Final balance |
|---|-----------------|-------------|------------|--------------|------------|---------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | M\$ |
| 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 | 199.513.013 | 11.704.040 | -561.029 | -17.480.410 | -6.337.399 | 193.175.614 |
| Computer equipment, bet | 1.386.254 | 1.321.892 | -1 | -741.385 | 580.506 | 1.966.760 |
| Fixed installations & accessories, net | 536.302.135 | 23.151.463 | -293.417 | -30.396.731 | -7.538.685 | 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 | 1.030.825.384 | 138.913.780 | -1.192.833 | -50.860.168 | 86.860.779 | 1.117.686.163 |

*The negative additions relate to transfers from works under construction to definitive assets.

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The detail of each consolidated Group company of amounts of future commitments for acquisitions of property, plant and equipment during 2013, is as follows:

| Company | ThCh\$ |
|---------------------------|------------|
| Aguas Andinas S.A. | 54.289.061 |
| Aguas Cordillera S.A. | 2.715.285 |
| Aguas Manquehue S.A. | 4.623.730 |
| Essal S.A. | 6.977.529 |
| Ecoriles S.A. | 64.600 |
| Gestión y Servicios S.A. | 3.245 |
| Análisis Ambientales S.A. | 1.592.674 |
| Total | 70.266.124 |

Elements of property, plant and equipment temporarily out of service, which it is believed might be re-used in the future:

| Company | 31-12-2012 |
|-----------------------|------------|
| | ThCh\$ |
| Aguas Andinas S.A. | 105.617 |
| Aguas Cordillera S.A. | 166.175 |
| Total | 271.792 |

14. IMPAIRMENT OF VALUE OF ASSETS

Asset impairment by 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 generate independent cash flows. According to the accounting standards, the Company evaluates on each closing of its statement of financial position whether there is any sign of impairment of value of any asset. If there is, the Company will estimate the amount recoverable for the asset. For assets with an indefinite useful life and goodwill, the impairment test will be made at least at the close of the period or when there are signs.

The Company and subsidiaries make annual impairment tests of their intangible assets of indefinite useful life, property, plant and equipment and goodwill.

The respective tests for impairment were made as of December 31, 2012 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 values in all cases.

No impairment of assets has been booked as of December 31, 2012.

As of December 31, 2011 an impairment was booked in the subsidiary Aguas Manquehue S.A. as a result of the termination of the operation of two sewage treatment plants and a pumping plant due to the full operation of the new North Sewer, whereby the sewage is treated at the La Farfana sewage treatment plant, and in the subsidiary Aguas Andinas S.A. reflecting disused premises.

The detail of imparment losses by subsidiary is as follows:

| Company | 31-12-2012 | 31-12-2011 |
|-----------------------|------------|------------|
| | ThCh\$ | ThCh\$ |
| Aguas Andinas S.A. | 0 | 199.280 |
| Aguas Cordillera S.A. | 0 | 2.281 |
| Aguas Manquehue S.A. | 0 | 620.783 |
| Total | 0 | 822.344 |

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15. PROVISIONS AND CONTINGENT LIABILITIES

a) Provisions

The detail of these as of December 31, 2012 and 2011 is as follows:

| Classes of provisions | 31-12-2012 | 31-12-2011 |
|-------------------------------|------------|------------|
| | ThCh\$ | ThCh\$ |
| Provision for legal claims | 1.331.679 | 1.482.989 |
| Provisions, current | 1.331.679 | 1.482.989 |
| Other provisions, non-current | 1.094.239 | 1.066.784 |
| Provisions, non-current | 1.094.239 | 1.066.784 |

The movement in current provisions in the year was:

| | Legal claims | Total |
|---------------------------------|--------------|-----------|
| | ThCh\$ | ThCh\$ |
| Initial balance provisions | 1.482.989 | 1.482.989 |
| Changes in provisions | 120.253 | 120.253 |
| Increase in existing provisions | -186.128 | -186.128 |
| Other decreases | -85.435 | -85.435 |
| Changes in provisions, total | -151.310 | -151.310 |
| Closing balance | 1.331.679 | 1.331.679 |

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 2013.

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 were demanded directly or under sub-contracts, and 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.

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Uncertainties about the timing and amount of a class of provision:
The lawsuits relate to demands amounting to ThCh\$ 420,319.

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

d) Nature of class of provision: The SISS began proceedings to sanction Aguas Andinas S.A. with respect to overflows of waste waters due to an obstruction of the trunk sewer in the districts of El Bosque and San Bernardo. Currently in the discussion stage.

Timetable foreseen for release of class of provision:
Undetermined.

Uncertainties about the timing and amount of a class of provision:
Aguas Andinas S.A. was fined the sum of 301 UTA. An appeal has been made which has not yet been resolved.

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.

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. Currently pending resolution of request for abandonment of proceedings presented by Metropolitan COREMA.

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. The notification of sentence in the first instance is pending, rejecting the claim made by the company.

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. Final sentence given rejecting the appeal; when this is notified, an appeal has been made to the Santiago courts of appeal.

h) Nature of class of provision: The CEA (the environmental evaluation commission) 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:
the claim brought before the courts; currently in the discussion stage.

i) 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.

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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) Pasivos Contingentes

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 1,153,222 which includes different cases accumulated in the 5th Civil Court of Santiago. 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. with respect to bad odors from the El Trebal sewage treatment plant. The lawyer Bertolone, representing 314 residents of the district of El Trebal,

adjoining the sewage plant of that name, alleges moral damages 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 discussion stage has now expired and a resolution adopted to receive evidence, but this has not been notified to date.

3. 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\$ 2,745,994 plus indexation, interest and costs. The management believes that this will have no adverse effect on the financial statements.

4. Demand for damages brought against Aguas Cordillera S.A. by 79 residents of Lo Barnechea district due to supply problems in October and November 1996. The amount demanded is ThCh\$ 728,626. Sentence was given in the first instance rejecting the demand in all its parts. It is too early to estimate the result of the case.

5. 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. Currently in the discussion stage, so it is premature to estimate the result.

6. In 2007 the estate of 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. Sentence was given partially accepting the claim and requiring the Company to pay UF 1.5 UF per square meter expropriated. Agreement has been reached with the claimant which has accepted a final settlement of ThCh\$ 173,408.

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.

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16. 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\$31,283,530 and ThCh\$36,762,989 as of December 31, 2012 and 2011 respectively.

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

| Creditor | Debtor | Type of guarantee | 31-12-2012 | 31-12-2011 |
|--|--------------------------|-------------------|------------|------------|
| | | | ThCh\$ | ThCh\$ |
| Asociación Canal Sociedad Maipo | Aguas Andinas S.A. | Performance bond | 6.361.888 | 6.940.407 |
| Chilectra S.A. | Aguas Andinas S.A. | Performance bond | 31.965 | 31.692 |
| Constructora San Francisco | Aguas Andinas S.A. | Performance bond | 124.254 | 119.139 |
| Constructora Santa Rosa | Aguas Andinas S.A. | Performance bond | 23.206 | 29.116 |
| Dirección Regional de Vialidad | Aguas Andinas S.A. | Performance bond | 13.133 | 49.069 |
| Dirección de Obras Hidráulica | Aguas Andinas S.A. | Performance bond | 248.879 | 85.638 |
| Dirección Regional de Obras Hidráulica | Aguas Andinas S.A. | Performance bond | 0 | 30.600 |
| Director de Vialidad | Aguas Andinas S.A. | Performance bond | 331.191 | 1.215.024 |
| Gobierno Regional Metropolitano | Aguas Andinas S.A. | Performance bond | 125.438 | 4.780 |
| Ministerio de Obras Públicas | Aguas Andinas S.A. | Performance bond | 806.027 | 786.734 |
| Municipalidad de Lo Barnechea | Aguas Andinas S.A. | Performance bond | 11.420 | 22.294 |
| Municipalidad de Peñalolén | Aguas Andinas S.A. | Performance bond | 37.089 | 72.403 |
| Municipalidad de Pirque | Aguas Andinas S.A. | Performance bond | 0 | 32.345 |
| Municipalidad de Providencia | Aguas Andinas S.A. | Performance bond | 0 | 45.725 |
| Municipalidad de Santiago | Aguas Andinas S.A. | Performance bond | 21.472 | 20.733 |
| Municipalidad de La Pintana | Aguas Andinas S.A. | Performance bond | 51.440 | 0 |
| S.I.S.S. | Aguas Andinas S.A. | Performance bond | 8.229.248 | 13.665.728 |
| Secretaría Ministerial de Obra | Aguas Andinas S.A. | Performance bond | 4.599 | 13.339 |
| Serectaría Regional Ministerial | Aguas Andinas S.A. | Performance bond | 34.098 | 38.520 |
| Serviu Metropolitano | Aguas Andinas S.A. | Performance bond | 4.255.744 | 1.107.420 |
| Soc. Con. Aut. Acon. | Aguas Andinas S.A. | Performance bond | 0 | 55.735 |
| S.I.S.S. | Aguas Cordillera S.A. | Performance bond | 495.621 | 1.411.301 |
| Ministerio de Obras Públicas | Aguas Cordillera S.A. | Performance bond | 339.916 | 331.780 |
| Serviu Metropolitano | Aguas Cordillera S.A. | Performance bond | 215.322 | 111.470 |
| Municipalidad de Las Condes | Aguas Cordillera S.A. | Performance bond | 17.000 | 17.000 |
| Municipalidad de Vitacura | Aguas Cordillera S.A. | Performance bond | 45.682 | 44.588 |
| Asociación Canal de Maipo | Aguas Cordillera S.A. | Performance bond | 788.681 | 769.803 |
| S.I.S.S. | Aguas Manquehue S.A. | Performance bond | 971.463 | 682.978 |
| Asociación Canal de Maipo | Aguas Manquehue S.A. | Performance bond | 887.201 | 0 |
| Municipalidad de Las Condes | Gestión y Servicios S.A. | Performance bond | 17.131 | 16.721 |
| Subsecretaría de Agricultura | Gestión y Servicios S.A. | Performance bond | 0 | 1.062.731 |

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| Acreedor de la Garantía | Nombre Deudor | Performance bond | 31-12-2012 | 31-12-2011 |
|--|-------------------------|------------------|------------------|------------|
| | | | Performance bond | M\$ |
| Serviu | Gestión y Servicio S.A. | Performance bond | 2.997.341 | 837.158 |
| ESSBIO S.A. | Anam S.A. | Performance bond | 13.704 | 0 |
| Siderúrgica Huachipato | Anam S.A. | Performance bond | 45.682 | 0 |
| Director de Obras Hidráulicas | Essal S.A. | Performance bond | 586.391 | 287.985 |
| Serviu | Essal S.A. | Performance bond | 350.035 | 238.964 |
| Municipalidad de Futaleufú | Essal S.A. | Performance bond | 24.176 | 7.933 |
| Gobierno Regional de la Región de Los Ríos | Essal S.A | Performance bond | 59.231 | 14.372 |
| Director de Vialidad | Essal S.A. | Performance bond | 49.545 | 481.880 |
| E.F.E. | Essal S.A | Performance bond | 68.563 | 11.147 |
| S.I.S.S. | Essal S.A. | Insurance policy | 2.042.428 | 1.966.070 |
| Total | | | 30.726.204 | 32.660.322 |

b) Bond issue covenants

i. Aguas Andinas S.A.

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

1. Send to the bond-holders' representative a copy of the individual and consolidated financial statements of the subsidiary corporations registered with the SVS, both the quarterly and the audited annual statements, within 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 which, 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 individual and unconsolidated balance sheets, defined as the debt to equity ratio.

Starting in 2010, the above covenant was 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). As of December 31, 2012, the debt level os 1.26:1.

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 September 30, 2012.

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

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

1. Send to the bond-holders' representative a copy of the financial statements, both the quarterly and the audited annual statements, within 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 which, 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). As of December 31, 2012, the debt level is 0.83:1.

6. Maintain a ratio of Ebitda to Financial expenses of no less than 3.5:1. As of September 30, 2012, the ratio is 7.36:1.

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, 2012 and 2011de 2011.

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c) Bank loan covenants

The Company has covenants and restrictions in loan agreements with various banks in Chile, 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 the disposal 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 individual 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 which, 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 business, 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 subsidiary is in compliance with all the covenants set out in bank loan agreements as of December 31, 2012.

The Company and 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).

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d) Guarantees received from third parties

As of December 31, 2012 and 2011, the Company has received documents in guarantee for ThCh\$34,313,739 and ThCh\$33,152,515 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, 2012 is summarized below:

| Contrator or supplier | ThCh\$ | Expiry date |
|---|------------|-------------|
| COSTANERA CENTER S.A. | 228.408 | 31-03-2013 |
| CHILECTRA S.A. | 228.408 | 11-07-2013 |
| CHILECTRA S.A. | 228.408 | 01-08-2013 |
| BAPA S.A. | 232.839 | 10-04-2013 |
| INMOBILIARIA BUIN S.A. | 236.137 | 01-04-2013 |
| NAVARRETE Y DIAZ CUMSILLE ING CIVILES | 244.381 | 15-03-2013 |
| CAPTAGUA INGENIERIA S.A. | 258.345 | 05-09-2013 |
| CAPTAGUA INGENIERIA S.A. | 267.700 | 31-07-2013 |
| AQUALOGY SOLUTIONS CHILE LTDA. | 279.298 | 03-05-2014 |
| SOCIEDAD GENERAL DE AGUAS DE BARCELONA S.A. | 314.746 | 31-12-2013 |
| SONDA S.A. | 314.746 | 31-10-2013 |
| CONSTRUCTORA PEREZ Y GOMEZ LTDA. | 328.342 | 13-09-2013 |
| COMPAÑIA DE PETROLEOS DE CHILE COPEC S.A. | 384.063 | 22-03-2013 |
| INGENIERIA Y CONSTRUCCION M. S. T. S.A. | 464.690 | 15-05-2013 |
| CONSORCIO EDEPE S.A. | 492.972 | 23-08-2013 |
| NAVARRETE Y DIAZ CUMSILLE ING CIVILES | 697.035 | 15-05-2013 |
| ACCIONA INFRAESTRUCTURAS S.A. AGENCIA EN CHILE | 1.530.433 | 23-07-2013 |
| EMPRESA DEPURADORA DE AGUAS SERVIDAS MAPOCHO TREBAL LTDA. | 3.870.274 | 01-06-2017 |
| EMPRESA DEPURADORA DE AGUAS SERVIDAS LTDA. | 4.436.807 | 31-12-2017 |
| EMPRESA DEPURADORA DE AGUAS SERVIDAS MAPOCHO TREBAL LTDA. | 8.173.859 | 31-03-2013 |
| CONSTRUCTORA MOLLER Y PEREZ COTAPOS | 263.559 | 15-11-2013 |
| CONSTRUCTORA MOLLER Y PEREZ COTAPOS | 263.559 | 15-07-2013 |
| COMSA DE CHILE S.A. | 228.408 | 01-06-2013 |
| INMOBILIARIA V Y R LTDA. | 159.885 | 13-03-2014 |
| Total | 24.127.302 | |

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17. ORDINARY REVENUE

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

| Classes of ordinary revenues | 31-12-2012 | 31-12-2011 |
|------------------------------|-------------|-------------|
| | ThCh\$ | ThCh\$ |
| Sale of assets | 7.606.468 | 6.201.682 |
| Provision of services | 375.279.275 | 356.566.126 |
| Total | 382.885.743 | 362.767.808 |

18. LEASES

Financial leases as lessor

| Financial leases, lessor | 31-12-2012 | 31-12-2011 |
|---|------------|------------|
| | ThCh\$ | ThCh\$ |
| Total gross investment | 89.299 | 89.299 |
| Minimum amounts receivable under financial leases | 51.620 | 78.096 |

| Mininum amounts receivable under financial leases | Gross | Interest |
|--|--------|----------|
| | ThCh\$ | ThCh\$ |
| Up to 1 year | 30.972 | 5.139 |
| Between 1 & 5 years | 20.648 | 1.119 |
| Total | 51.620 | 6.258 |
| Lease installments booked in statement of results, total | 28.100 | 8.260 |

Operative leases as lessee:

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

| | 31-12-2012 | 31-12-2011 |
|--|------------|------------|
| | ThCh\$ | ThCh\$ |
| Future minimum non-cancellable lease paymentss, up to 1 year, lessees | 1.533.102 | 1.132.672 |
| Future minimum non-cancellable lease paymentss, 1 to 5 years, lessees | 3.612.285 | 3.385.249 |
| Future minimum non-cancellable lease paymentss, lessees, total | 5.145.387 | 4.517.921 |
| Minimum lease payments under operative leases | 2.670.830 | 2.668.023 |
| Lease & sub-lease installments booked in the statement of results, total | 2.670.830 | 2.668.023 |

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 lease 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.

| Future minimum non-cancellable lease receivables, lessors | 31-12-2012 | 31-12-2011 |
|---|------------|------------|
| | ThCh\$ | ThCh\$ |
| Future minimum non-cancellable lease receivables, up to 1 year, lessors | 280.271 | 235.395 |
| Amount of rentals booked in statement of results | 400.554 | 402.814 |
| Total | 680.825 | 638.209 |

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Significant operative leases of the lessor:
Income from these sources is immaterial for the Company.

19. EMPLOYEE BENEFITS

The Company at the consolidated level has a workforce of 1,838, of whom 61 are managers and senior executives. Workers who are parties to collective agreements and individual work contracts with special indemnity clauses total 1.163 and 98 respectively, while 577 workers are covered by the Labor Code.

The Company launched its Proyecta program on December 31, 2011 to motivate voluntary and assisted retirement that provides a series of 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.

The current collective agreements relate to the employees and operatives Nos. 1 and 2 unions and No.3 Professionals and Technicians Union de Aguas Andinas S.A.,, which have a term of four years and were signed on July 31 and June 22, 2012 respectively.

The current collective agreements 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 terms 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., Aguas Manquehue 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., Aguas Cordillera S.A. and Aguas Manquehue 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 an 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.: 123, Aguas Manquehue S.A.: 20, and ESSAL S.A.: 255.

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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 5.7% p.a. is used, corresponding to the risk-free rate, plus the credit risk and the estimate of expected long-term inflation. (A rate of 6.1% was used in December 2011)

Inflation rate: The forecast long-term inflation rate of 3.0% reported by the Banco Central de Chile was used for making long-term estimates for both 2012 and 2011

Rate of remuneration increases: The rate uses for 2012 was 3.6%.

General description of defined benefits plans

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

In the event of the death of a worker, an indemnity will paid to their direct family in accordance with article 6o 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 16o of the Labor Code, he will be paid as an indemnity the accumulated amount for this concept until July 31, 2002 in Aguas Andinas S.A., and December 31, 2002 in Aguas Cordillera S.A., adjusted quarterly for changes in the consumer price index, provided the change is positive.

The terms of their respective individual work contracts apply for employees of Aguas Andinas S.A. and its subsidiaries who are not party to collective agreements. The non-sanitation companies, Gestión y Servicios, Ecoriles, Anam and Aguas de Maipo apply the provisions of 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 during 2012 and 2011, which include movements in the provisions:

| Provisions for employee benefits | 31-12-2012 | 31-12-2011 |
|--|------------|------------|
| | ThCh\$ | ThCh\$ |
| Movement in actuarial provision | | |
| Initial balance | 8.622.789 | 7.497.847 |
| Cost of services | 346.817 | 363.394 |
| Interest cost | 487.903 | 479.862 |
| Actuarial (gains) or losses | -15.451 | 1.381.163 |
| Benefits paid | -1.275.276 | -1.586.439 |
| Provision severance payments | 409.072 | 422.294 |
| Sub-total | 8.575.854 | 8.558.121 |
| Profit sharing & bonuses | 3.007.871 | 2.959.154 |
| Total provision for employee benefits, current | 2.906.724 | 3.590.075 |
| Total provision for employee benefits, non-current | 8.677.001 | 7.927.200 |

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Information on benefits on termination of the contractual relationship

The indemnity on termination of the labor relationship is governed by the provisions of the Labor Code, except for 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. As of December 31, 2012 and 2011, the amounts are ThCh\$3.007.871 and ThCh\$2,959,154 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, 2012 and 2011 are as follows:

| Personnel expenses | 31-12-2012 | 31-12-2011 |
|--------------------------|-------------|-------------|
| | ThCh\$ | ThCh\$ |
| Defined benefits | -10.315.236 | -9.328.282 |
| Severance payments | -1.346.816 | -3.347.737 |
| Other personnel expenses | -1.498.325 | -1.647.210 |
| Total personnel expenses | -38.668.809 | -38.129.099 |

20.EFFECT OF EXCHANGE DIFFERENCES

The detail of exchange differences is as follows:

| Exchange differences | Currency | 31-12-2012 | 31-12-2011 |
|---|----------|------------|------------|
| | | ThCh\$ | ThCh\$ |
| Trade debtors & other accounts receivable | eur | 2.247 | 2.507 |
| | usd | -1.356 | -6.348 |
| Accounts receivable from related entities | eur | 0 | 392 |
| Other financial assets | usd | -929 | -15.990 |
| | eur | -847 | -63 |
| Total Activos | | -885 | -19.502 |
| Trade creditors & other accounts payable | eur | -23.829 | -5.239 |
| | usd | -2.126 | 2.069 |
| Accounts payable to related entities | eur | 827 | 76 |
| Other financial liabilities | usd | 0 | 14.522 |
| Other non-financial liabilities | usd | 0 | 15.405 |
| Total liabilities | | -25.128 | 26.833 |
| Gain (loss) from exchange differences | | -26.013 | 7.331 |

21. OTHER EXPENSES BY NATURE

The detail of these for the years 2012 and 2011 is as follows:

| Other expenses by nature | 31-12-2012 | 31-12-2011 |
|---------------------------------|-------------|-------------|
| | ThCh\$ | ThCh\$ |
| Treatment plant operation | -24.508.704 | -26.362.191 |
| Supplies & basic services | -9.704.614 | -9.077.328 |
| Commercial services | -17.271.685 | -17.202.272 |
| Equipment maintenance & repairs | -8.811.923 | -6.873.910 |
| Insurance, licenses & permits | -5.030.718 | -4.495.338 |
| Other expenses | -7.803.612 | -7.288.610 |
| Total | -73.131.256 | -71.299.649 |

22. CAPITALIZED FINANCING COSTS

The detail of capitalized financing costs as of December 31, 2012 and 2011 is as follows:

| Capitalized interest, property, plant & equipment | 31-12-2012 | 31-12-2011 |
|---|------------|------------|
| Rate of capitalization of capitalized interest costs, property, plant & equipment | 6,94% | 7,99% |
| Amount of capitalized interest, property, plant & equipment | 6.819.828 | 4.518.261 |

23. 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.

| Net deferred taxes | 31-12-2012 | 31-12-2011 |
|---------------------------|-------------|-------------|
| | ThCh\$ | ThCh\$ |
| Deferred tax assets | 324.398 | 249.422 |
| Deferred tax liabilities | -37.557.315 | -34.186.391 |
| Net deferred tax position | -37.232.917 | -33.936.969 |

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:

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Deferred tax assets

| Deferred tax assets | 31-12-2012 | 31-12-2011 |
|--|------------|------------|
| | ThCh\$ | ThCh\$ |
| Water rights (amortization) | 200.840 | 155.284 |
| Provision doubtful accounts | 6.252.679 | 5.240.881 |
| Provision vacations | 324.802 | 287.264 |
| Litigation | 725.398 | 564.464 |
| Severance payments | 1.144.765 | 935.404 |
| Other provisions | 190.799 | 114.117 |
| Income received in advance | 104.166 | 59.623 |
| Variation monetary correction & asset depreciation | 33.814.062 | 27.747.922 |
| Deferred revenue | 1.473.480 | 1.227.593 |
| La Dehesa dam transaction | 238.792 | 198.115 |
| Others | 1.423.185 | 1.371.160 |
| Deferred tax assets | 45.892.968 | 37.901.827 |

Deferred tax liabilities

| Deferred tax liabilities | 31-12-2012 | 31-12-2011 |
|--|------------|------------|
| | ThCh\$ | ThCh\$ |
| Depreciation fixed assets | 17.005.185 | 14.598.489 |
| Amortization | 1.047.877 | 1.030.584 |
| Investment expense related companies | 84.641 | 71.945 |
| Revaluations property, plant & equipment | 16.804.312 | 14.283.665 |
| Revaluations of intangible assets | 33.804.037 | 28.733.432 |
| Fair value of assets in purchase of Essal S.A. | 14.369.483 | 13.109.631 |
| Others | 10.350 | 11.050 |
| Deferred tax liabilities | 83.125.885 | 71.838.796 |
| Net deferred tax position | 37.232.917 | 33.936.969 |

| | 31-12-2012 | 31-12-2011 |
|---|------------|------------|
| | ThCh\$ | ThCh\$ |
| Movement of deferred tax liabilities | | |
| Deferred tax liabilities, initial balance | 71.838.796 | 74.260.083 |
| Increases (decreases) in deferred tax liabilities | 10.027.238 | -1.525.716 |
| Increases (decreases) with respect to acquisitions through combinations of businesses | 1.259.851 | -895.571 |
| Changes in deferred tax liabilities | 11.287.089 | -2.421.287 |

| | | |
|---|------------|------------|
| Changes in deferred tax liabilities total | 83.125.885 | 71.838.796 |
|---|------------|------------|

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

| Credit (charge) for income tax by current & deferred parts | 31-12-2012 | 31-12-2011 |
|--|-------------|-------------|
| | ThCh\$ | ThCh\$ |
| Charge for current income tax | | |
| Current tax charge | -32.268.136 | -31.225.336 |
| Adjustment previous year tax charge | 1.972 | -1.203.090 |
| Current income tax charge, net, total | -32.266.164 | -32.428.426 |
| Deferred tax charge (credit) relating to the creation & reversal of timing differences | -3.295.948 | 7.048.282 |
| Other deferred tax charge | -231.034 | -307.375 |
| Charge for deferred tax, net, total | -3.526.982 | 6.740.907 |
| Charge (credit) for income taxes | -35.793.146 | -25.687.519 |

Law 20,620 was published on September 27, 2012, establishing a permanent change in the corporate income tax from the commercial year 2012, by which this rate is increased from 18,5% to 20%. The corresponding effect on the result related to a higher provision for income tax amounted to ThCh\$2,420,110.

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Numerical reconciliation of the (charge) credit for tax and the result of multiplying the accounting gain by the applicable tax rates

| | 31-12-2012 | 31-12-2011 |
|--|-------------|-------------|
| | M\$ | M\$ |
| Gastos por impuestos utilizando la tasa legal | -31.509.530 | -27.570.836 |
| Diferencia permanente por corrección monetaria patrimonio tributario | 1.825.964 | 3.156.431 |
| Efecto por cambio de tasa en impuestos diferidos | -5.687.028 | 0 |
| Otras diferencias permanentes | -422.552 | -1.273.114 |
| Ajustes al gasto por impuestos utilizando la tasa legal, Total | -4.283.616 | 1.883.317 |

| | | |
|---|-------------|-------------|
| Gasto por impuestos utilizando la tasa efectiva | -35.793.146 | -25.687.519 |
|---|-------------|-------------|

In addition and as required by IAS 12, it was necessary to revalue deferred taxes, adjusting them to the new rate, raising them from 17% which was the rate of reversal approved for the year 2013 onward, to 20%. The charge to results for this concept amounted to ThCh\$5,687,028, the principal charges booked to results being the re-appraisal of fixed and intangible assets.

Reconciliation of the statutory rate and the effective tax rate

Numerical reconciliation of the average effective rate and the applicable statutory rate, specifying the way of computing the applicable tax rate used.

| | 31-12-2012 | 31-12-2011 |
|--|------------|------------|
| Statutory tax rate | 20,00% | 20,00% |
| Permanent difference for monetary correction of tax equity | -1,16% | -2,29% |
| Effect of change in deferred tax rate | 3,61% | 0,00% |
| Other permanent differences | 0,27% | 0,92% |
| Effective tax rate | 22,72% | 18,63% |

24. EARNINGS PER SHARE

Basic earnings per share are calculated as the earnings attributable to the owners of the controller divided by the weighted average number of common shares in circulation during the period.

| | 31-12-2012 | 31-12-2011 |
|---|---------------|---------------|
| | ThCh\$ | ThCh\$ |
| Earnings attributable to shareholders in equity of the controller | 121.269.559 | 111.479.263 |
| Results available to common shareholders, basic | | |
| Weighted average number of shares, basic | 6.118.965.160 | 6.118.965.160 |
| Earnings per share (pesos) | 19,82 | 18,22 |

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.

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25. 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 waste treatment and comprehensive engineering services, plus the sale of products related to the sanitation services, and energy projects. 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.

| General information on results | 31-12-2012 | | 31-12-2011 | |
|---|-------------|-------------|-------------|-------------|
| | Water | Non-Water | Water | Non-Water |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Revenues from ordinary activities with external customers | 361.790.166 | 21.095.577 | 343.913.315 | 18.854.493 |
| Revenues from ordinary activities between segments | 732.576 | 3.060.515 | 637.953 | 3.352.923 |
| Operating expenses | -52.437.223 | -15.878.112 | -51.106.793 | -14.417.687 |
| Depreciation & amortization | -54.774.357 | -435.234 | -52.227.557 | -412.603 |
| Other earnings & expenses | -71.383.409 | -4.428.574 | -68.276.642 | -4.545.426 |
| Financial income | 8.176.086 | 151.221 | 6.329.306 | 245.046 |
| Financial costs | -24.148.413 | -58.263 | -25.667.260 | -71.752 |
| Result of indexation & exchange differences | -13.926.144 | 11.235 | -19.114.519 | 39.527 |
| Income tax charge | -35.138.835 | -654.310 | -25.151.021 | -536.498 |
| Earnings of segment | 118.890.447 | 2.864.055 | 109.336.782 | 2.508.023 |
| Earnings of segment attributable to owners of the controller | 118.405.504 | 2.864.055 | 108.649.383 | 2.508.023 |
| Earnings of segment attributable to non-controller participations | 484.943 | 0 | 687.399 | 0 |

| Total assets, liabilities & equity | 31-12-2012 | | 31-12-2011 | |
|---|---------------|------------|---------------|------------|
| | Water | Non-Water | Water | Non-Water |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Current assets | 108.893.032 | 14.961.038 | 75.805.119 | 12.130.798 |
| Non-current assets | 1.413.730.283 | 10.955.359 | 1.384.001.461 | 3.350.955 |
| Total assets | 1.522.623.315 | 25.916.397 | 1.459.806.580 | 15.481.753 |
| Current liabilities | 163.541.496 | 5.525.058 | 199.201.364 | 3.976.994 |
| Non-current liabilities | 695.139.263 | 81.617 | 593.048.155 | 0 |
| Equity attributable to owners of the controller | 601.444.689 | 20.309.722 | 602.583.216 | 11.504.759 |
| Non-controller participations | 62.497.867 | 0 | 64.973.845 | 0 |
| Total equity & liabilities | 1.522.623.315 | 25.916.397 | 1.459.806.580 | 15.481.753 |

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Significant items of revenues and expenses by segment

Water and non-water segments

The significant items of ordinary revenue 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. As regulated companies, Aguas Andinas and its sanitation subsidiaries are regulated by the SISS and their tariffs are set in accordance with the Sanitation Services Tariffs Law (No.70 of 1988).

The tariff levels are reviewed every five years and, during that period, are subject to additional adjustments linked to indexation if the accumulated variation since the previous adjustment is 3.0% or more, according to calculations made as a function of different inflation indices.

Specifically, the adjustments are applied as a function of a formula that includes the consumer price index, the wholesale price index for imported industrial goods and the wholesale price index for national industrial goods, all published by the Chilean National Institute of Statistics. Tariffs are also subject to adjustment to reflect additional services previously authorized by the SISS.

Decree 60/2010 sets the tariffs for Aguas Andinas S.A. for the five-year period 2011 – 2015, Decree 176/2010 sets those for Aguas Cordillera S.A and Decree 170/2010 those for Aguas Manquehue S.A., both for the same period, and Decree 116 of August 31, 2011 set the tariffs for Essal S.A. for the five-year period 2011 – 2016.

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 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, treatment-plant operation, depreciation of assets, interest expenses and the 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 the charge for income tax.

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Measurement of results, assets and liabilities of each segment

The measurement applicable to the segment relates to the grouping of those subsidiaries directly related to the segment.

The accounting criteria relates to the booking of economic events giving rise to rights and obligations in the same way that these arise in economic relations with third parties. These records will generate committed balances in an asset and liability account according to the spirit of the transaction in each related company according to the segment in which it operates. This account called Accounts receivable or payable from/to related companies is netted in the consolidation of the financial statements in accordance with the same rules of consolidation explained in IAS 27.

There are no differences in the nature of the measurement of results as, according to the standard, there are no accounting policies that show different criteria of assignment of costs or similar.

There are no differences in the nature of the measurement of assets and liabilities as, according to the standard, there are no accounting policies that show different criteria of assignment.

| Reconciliation of revenues from ordinary activities | 31-12-2012 | 31-12-2011 |
|--|-------------|-------------|
| | ThCh\$ | ThCh\$ |
| Revenues from ordinary activities of the segments | 386.678.834 | 366.758.684 |
| Elimination of ordinary activity revenues between segments | -3.793.091 | -3.990.876 |
| Revenues from ordinary activities | 382.885.743 | 362.767.808 |

| Reconciliation of earnings attributable to owners of the controller | 31-12-2012 | 31-12-2011 |
|---|-------------|-------------|
| | ThCh\$ | ThCh\$ |
| Total consolidated earnings (loss) of segments | 121.269.559 | 111.157.406 |
| Consolidation of elimination of earnings (loss) between segments | 0 | 321.856 |
| Earnings attributable to owners of the controller | 121.269.559 | 111.479.262 |

| Reconciliations of assets, liabilities & equity of segments | 31-12-2012 | 31-12-2011 |
|---|---------------|---------------|
| | ThCh\$ | ThCh\$ |
| Reconciliation of assets | | |
| Consolidation total assets of segments | 1.548.539.712 | 1.475.288.333 |
| Elimination of accounts between segments | -2.314.233 | -5.292.657 |
| Total assets | 1.546.225.479 | 1.469.995.676 |

| | | |
|---|-------------|-------------|
| Reconciliation of liabilities | | |
| Consolidation total liabilities of segments | 864.287.433 | 796.226.512 |
| Elimination of accounts between segments | -2.314.232 | -5.292.656 |
| Total liabilities | 861.973.201 | 790.933.856 |

| | | |
|---|-------------|-------------|
| Reconciliation of equity | | |
| Consolidation total equities of segments | 621.754.411 | 614.087.975 |
| Elimination of accounts between segments | | |
| Equity attributable to owners of the controller | 621.754.411 | 614.087.975 |

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Information on the entity as a whole

Principal customers of the subsidiaries:

Principal water segment customers:

- Administradora Plaza Vespucio S.A.
- Centro de detención preventiva Santiago 1
- Cervecera CCU Chile Ltda.
- Ejército de Chile
- Embotelladoras Chilenas Unidas S.A.
- Gendarmería de Chile
- Ilustre Municipalidad de Santiago
- Industrial Ochagavía Ltda.
- Pontificia Universidad Católica de Chile
- Soc. Concesionaria Autopista Central S.A.
- Soprole S.A.
- Universidad de Chile

Principal non-water 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 .

Types of products water – non-water segments:

Water segment

The types of products and services for the water segment are:

- Production and distribution of water.
- Collection and treatment of sewage.

This segment comprises Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A., Essal S.A. and Iberaguas Ltda.

Non-water segment

The types of products and services for the non-water segment are:

- Outsourcing service in operations of industrial waste treatment plants and the treatment of excess organic load (subsidiary Ecoriles S.A.).
- Physical, chemical and biological analysis of water, air and solids (subsidiary Anam S.A.).
- Comprehensive engineering services and sale of products like tubes, valves, taps and other related items (subsidiary Gestión y Servicios S.A.).
- Energy projects (subsidiary Aguas del Maipo S.A.).

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26. THE ENVIRONMENT

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:

Parent Aguas Andinas

| Project | 31-12-2012 | 31-12-2011 |
|--|------------|------------|
| | ThCh\$ | ThCh\$ |
| Expansion & improvements Buin Maipo sewage treatment plant (STP) | 0 | 42.934 |
| Expansion & improvements El Monte STP | 217.890 | 326.054 |
| Expansion & improvements Greater Santiago STP | 38.848.794 | 59.994.594 |
| Expansion & improvements other localities STP | 60.041 | 40.883 |
| Expansion & improvements Paine STP | 902.410 | 263.778 |
| Expansion & improvements Pomiare STP | 15.930 | 313.874 |
| Expansion & improvements Talagante STP | 37.319 | 150.611 |
| Farfana - Trebal interceptor | 6.522.582 | 16.920.445 |
| Clean Urban Mapocho interceptor | 2.138.243 | 137.059 |
| Improvement & renovation equipment & installations | 686.229 | 474.722 |
| Total | 49.429.438 | 78.664.954 |

Aguas Manquehue S.A.

| Project | 31-12-2012 | 31-12-2011 |
|--|------------|------------|
| | ThCh\$ | ThCh\$ |
| North zone sewer | 0 | 63.245 |
| Improvement & renovation equipment & installations | 34.367 | 37.295 |
| Improvement STPs | 71.225 | 3.502 |
| Total | 105.592 | 104.042 |

ESSAL S.A.

| Project | 31-12-2012 | 31-12-2011 |
|---|------------|------------|
| | ThCh\$ | ThCh\$ |
| Improvement disposal infrastructure | 90.222 | 215.621 |
| EDAR system improvement | 267.078 | 209.613 |
| Renovation treatment & disposal equipment | 16.377 | 48.026 |
| Total | 373.677 | 473.260 |

Projected investment in the environment during 2013

| Company | ThCh\$ |
|----------------------|-----------|
| Aguas Andinas S.A. | 9.061.130 |
| Aguas Manquehue S.A. | 15.753 |
| Essal S.A. | 313.700 |
| Total | 9.390.583 |

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 2013.

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.

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27. EVENTS OCCURRING FOLLOWING THE DATE OF THE STATEMENT OF FINANCIAL POSITION

As of the date of issue of these consolidated financial statements, the management of the Company and subsidiaries is unaware of subsequent events that affect the financial position as of December 31, 2012. The following is reported of significant events occurring after December 31, 2012 relating to situations arising after that date and which do not affect the financial position as of that date:

On January 21, 2013, as a result of a series of alluvions in the Cajón del Maipo which affected the muddiness of the river, one of the Company's main sources of raw water for producing drinking water for most of the districts of Santiago, the principal water treatment plants were paralyzed as these are not designed to treat water with the degree of muddiness present on that occasion. The muddiness recorded and the duration of the event caused the Company's volumes of reserve water to be consumed during the evening and night of Monday 21 and the dawn of Tuesday 22, thus producing cuts in supplies.

On February 6, 2013, the Superintendency of Sanitation Services (SISS) brought sanction proceedings against AguasAndinas, by Resolution Ex.461 alleging that despite the event being force majeure, there was a lack of timely information to users of the cut in supply and noncompliance

with the conditions of attention in emergency situations, which situation the SISS considered reproachable and punishable (with fines in the range of 1 to 1,150 UTA, as provided in the law creating the SISS, No.18.902), despite the explicit recognition in that such sanction that the cut was inevitable. Also, according to the sanction, the cut affected 592,000 customers, equivalent to approximately 2,000,000 people in 21 districts of the Metropolitan Region. The Company presented its pleas requesting that it be absolved from the charges made.

On Friday, February 8, there was a second incident of high muddiness in the river Maipo which also paralyzed the water-production plants of the company and its subsidiary Aguas Cordillera.

On February 27, 2013, the Superintendency of Sanitation Services (SISS) brought sanction proceedings against Aguas Andinas, by Resolution Ex.736, alleging that despite the event being force majeure, there was a lack of timely information to users of the cut in supply and noncompliance with the conditions of attention in emergency situations, which situation the SISS considered reproachable and punishable (with fines in the range of 1 to 1,150 UTA, as provided in the law creating the SISS, No.18.902), despite the explicit recognition in that such sanction that the cut was inevitable. Also, according to the sanction, the cut affected more than a million customers in 24 districts of the Metropolitan Region. The Company presented its pleas requesting that it be absolved from the charges made.

On January 30 and February 6, two fractures occurred to water mains (pipes) which caused cuts to supplies in the sectors affected, generated by different reasons, which have been analyzed by the SISS which has brought sanction proceedings (Resolutions Ex.408 and 580) respectively with fines in the range of 1 to 1,150 UTA, as provided in the law creating the SISS, No.18.902. The Company presented its pleas requesting that it be absolved from the charges made.

In an ordinary board meeting held on March 27, 2013, the Board of Directors of Inversiones Aguas Metropolitanas S.A., agreed unanimously call an Ordinary Shareholders' Meeting April 24, 2013, at 9:30am at Av. Presidente Balmaceda 1398, 10th Floor, Santiago, to hear and rule on the matters of a shareholders' meeting.

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FINANCIAL STATEMENT ANALYSIS

GENERAL INFORMATION

Shareholder Composition

Aguas Andinas S.A.'s capital consists of 6,118,965,160 shares without nominal value. As of December 31, 2012, our largest shareholder is Inversiones Aguas Metropolitanas S.A. with 50.1%.

Ordinary Business Revenue

Our revenue is derived primarily from regulated services that we lend in the areas of: production and distribution of potable water, collection, treatment and disposal of sewage and other regulated services (including those related to charges for disconnection and reconnection of supply, monitoring of industrial liquid waste removal and fixed charges).

The ordinary business revenues for 2012 reached MM\$382,886, indicating an increase by MM\$20,118 (5.5%) over the previous year's analysis. This change is due, in part, to the increase in cubic meters produced by the natural increase in number of clients and their consumption and also due to increases to the prices in the registered prices indexed throughout 2011. Aguas Andinas S.A.'s net worth as of December 31, 2012 is de MM\$121,270 which exceeds last year's report by MM\$9,791 (8.8%).

Operational Costs and Expenditures

The operational costs and expenditures consist of the costs for raw materials and consumables, expenditures for employee benefits, costs of depreciation and amortizations and expenses by nature. Costs by line item are as follows: other costs by nature constitute 37.3% of the total operational costs and are associated with the externalization

of specific services with contracts; the costs for depreciation and amortization represented 28.1%; the costs for employee benefits 19.7%; and raw materials and consumables represented 14.9% during the period of 2012. Among observed increases, when comparing accumulated costs in 2012 with those of the previous years, were those associated with mitigating the effects of the drought occurring throughout the Metropolitan Region, this change reached MM\$1,347. It is worth noting that among the non-operation costs, significant improvement has taken place in the readjusted results per unit, given a smaller variance in Consumer Prices in comparison with the previous year, which has led to a smaller increase in current financial debt in Unidades de Fomento (indexation units).

Law N°20,630 was published on September 27, 2012, establishing a change in the permanent nature of tax rate for first category taxes starting in commercial year 2012. According to the law, the rate increased from 18.5% to 20%. This concept related to higher tax levels per profit increased charged income to MM\$2.420.

Additionally, and in accordance with International Accounting Standard (IAS) No. 12, it was necessary to revalue deferred taxes, adjusting them to the new rate, raising them from 17%, which was the retroactive rate approved for 2013 to 20% from then on. The charged income for this concept increased to MM\$5.687, the principal registered charges in profits, readjustment of fixed and intangible assets.

Prices

The most important factor in determining our operational profits and financial situation are the prices which are fixed for our sales and regulated services. As a sanitation company we are regulated by the S.I.S.S. and our prices are fixed in accordance with the Law of Sanitation Services Fees D.F.L. N°70 from 1988.

Our prices are reviewed every five years and during this time are subject to additional readjustments related to an indexation polynomial which is applied when the accumulated change since the readjustment reaches or exceeds 3.0% according to calculations performed using a variety of inflation indexes. Specifically, the readjustments are applied according to a formula which includes the Consumer Price Index, the Index of Prices for Imported Goods, Manufacturing Sector and the Manufacturing Production Price Index, all of which are regulated by the Chile's National Institute of Statistics. In addition, upon readjustment, changes in prices represent additional services which have been authorized by the S.I.S.S.

Our prices for the 2010-2015 period were approved by Decree N° 60 on February 2, 2010 by Inversiones Aguas Metropolitanas S.A., the Ministry of Economy, Development and Reconstruction and took effect March 1, 2010 for both Aguas Cordillera S.A. and Aguas Manquehue S.A. The corresponding decrees are N° 176 from June 8, 2010 y N° 170 from May 20, 2010, respectively. Additionally, the Sanitation Services Companies Los Lagos S.A. (Essal S.A.) concluded its fee negotiation process in 2011 for the five-year period of 2011-2016. Essal S.A.'s new prices were approved in Decree N° 116 on August 31, 2011.

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Market Risk

In terms of risk, our company presents a favorable outlook, owed largely to the particular characteristics of the sanitation sector. Our business is seasonal and profits can vary from one trimester to the next. High demand and revenues occur during the summer months (December to March) and lower levels of demand and revenue occur during the winter months (June to September). In general, demand for water is higher during warmer months than it is during colder ones given additional needs for water which are generated by irrigation systems and other outside uses.

Adverse weather conditions can eventually affect optimal delivery of sanitation services, because collection and production services for drinking water depend greatly on the weather conditions that play out in the watersheds. Factors such as precipitation (snow, hail, rain, fog), temperature, humidity, churning up of sediments, river flow rates and turbidity, determine not only the quantity, quality and continuity of raw water available at each intake, but also the possibility of said water being treated at drinking water plants. In the event of a drought, we have significant water reserves that are kept at El Yeso Reservoir, Laguna Negra and Lo Encañado. Additionally, we have developed contingency plans which allow us to diminish the negative impact that adverse weather conditions could result in for our operations. During the present time, the drought which started in 2010 continues. This fact has resulted in the application of contingency plans such as purchasing of raw water, extensive use of wells, and rental and purchase of water rights, among others. The goal being to lessen the impact of the drought and lend our services at normal levels, both in terms of quality and continuity.

Capital Investments

One of the variables which most affects our operation's profits and financial situation are capital investments. These come in two types:

Committed Investments.

We are required to follow an investment plan with the S.I.S.S. This plan describes the investments that we must make for the 15 years following the effective date of the corresponding investment plan. Specifically, the investment plan reflects our commitment to bring to fruition certain projects related to the maintenance of specific quality norms and service coverage areas. The investment plan referred to is subject to revision every five years at which time modifications can be made when relevant facts present themselves.

Among these investments are those related to treatment of sewage water. Within this framework is the project Mapocho Urbano Limpio (MUL), in operation since 2010, and the Construction of the new Mapocho Sewage Treatment Plan, as well as the La Farfana – El Trebal Aqueduct. All of these works will allow for the completion of an important milestone in 2013 for the sanitation sector – 100% treatment of sewage water. Additionally, we have outstanding and well-considered projects in the area of Security Works; Security Tanks (the most relevant of which is the “Las Vizcachas Tank Complex” with a volume of de 160.000 m3), Project CAYA; a conduction process from the El Yeso Reservoir to the Azulillos area (capacity Q=4,0 m3/s, L= km), and the Cerro Negro project which authorizes drilling for underground extraction (capacity Q=500 l/s),

Dates for the approval and update of Grupo Aguas’ development plans.

Aguas Andinas S.A.

Greater Santiago: May 16, 2011
Localities: December 22 and 28, 2010 and December 29, 2011

Aguas Cordillera S.A.

Aguas Cordillera and Villa Los Dominicos: December 29, 2010

Aguas Manquehue S.A.

Santa María and Los Trapenses: December 28, 2010
Chicureo, Chamisero and Valle Grande III: December 29, 2011

Essal S.A.

X and XIV Regions: December 30, 2010

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Non-committed investments

Non-committed investments are those that are not considered in the investment plan and that we voluntarily carry out in the hopes of insuring the quality of our services and replacing obsolete assets. These, in general, are related to the replacement of infrastructure in our network and other assets, the acquisition of rights to water and investments in unregulated businesses, amongst others.

In accordance with the international norms for financial information currently in effect in Chile, International Accounting Standard 23 in particular, interest on capital investments for works in progress is capitalized. The aforementioned International Accounting Standard 23 establishes that when the Entity acquires debt to finance investments, the interest on that are subtracted from financial expenditures and incorporated into the financed work in progress, including the total amount of said interests, applying the respective rate to the affected expenditures at the time the financial statements are presented. Consequently, financial costs associated with our capital investment plans affect the amount of expenditures in interest registered in the income statement. Said financial costs are recorded along with works in progress in the section “property, plant and equipment” of our financial statement.

II COMPARATIVE ANALYSIS AND EXPLANATION OF VARIANCES

Consolidated Financial Statements

The composition of assets and liabilities as of December 31, 2011 and 2012 is as follows:

| Consolidated Statement of Cash Flows (Millions of Chilean Pesos) | December 2012 | December 2011 | Variation | |
|---|------------------|------------------|-----------|--------|
| | | | Dec 12 | Dec 11 |
| | MM\$ | MM\$ | MM\$ | % |
| Current Assets | 121.283 | 82.643 | 38.640 | 46,8% |
| Long-term Assets | 1.424.942 | 1.387.353 | 37.548 | 2,7% |
| Total Assets | 1.546.225 | 1.469.996 | 76.229 | 5,2% |
| Current Liabilities | 166.752 | 197.886 | (31.134) | -15,7% |
| Long-term Liabilities | 695.221 | 593.048 | 102.173 | 17,2% |
| Total Liabilities | 861.973 | 790.934 | 71.039 | 9,0% |
| Controlling Interest Equity | 621.754 | 614.088 | 7.666 | 1,2% |
| Non-Controlling Interest Equity | 62.498 | 64.974 | (2.476) | -3,8% |
| Total Equity | 684.252 | 679.062 | 5.190 | 0,8% |
| Total Equity and Liability | 1.546.225 | 1.469.996 | 76.229 | 5,2% |

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Assets
Aguas Andinas Consolidado's total assets as of December 31, 2012 represent a 5.2% increase compared to December of 2011, having increased from MM\$1,469,996 to MM\$1,546,225. The most relevant changes are displayed below for each heading.

Current Assets
A comparison between the December 2012 and December 2011 values shows an increase of MM\$38,640, due largely to an increase in cash and cash equivalents of MM\$30,593, explained in great part by higher collection rates such as bond issuances throughout 2012. Additionally, commercial debt owed to us increased by MM\$7,937, related to a greater number of clients and, thus, higher consumption rates.

Non-current Assets
Present an increase of MM\$37,589 which is explained, mainly, by an increase in property, plant and equipment of MM\$34,615 due to the Group's investments.

Major investments are outlined in the following table:

| Investment Project | Acum Dec 2012 (MM\$) |
|---|-------------------------|
| Mapocho Sewage Treatment Plant | 23.301 |
| Cerro Negro Drilling | 3.302 |
| Farfana - Trebal Aqueduct | 3.274 |
| External platform for management and disposal of sludge | 2.849 |

t is worth noting that with these investments realized and with the activation of the Mapocho Sewage Treatment Plant (PTAS Mapocho), treatment of sewage water will reach 100% in Santiago's Metropolitan Region, constituting an important milestone for the country's sanitation services.

LIABILITIES AND EQUITY

Liabilities
As of December 2012, total liabilities grew 9.0%, or MM\$71,039, compared to those of December 2011.

The following shows the most significant variances under each heading.

Current Liabilities
Current liabilities decreased by MM\$31,134 from December 2011, mainly explained by lower bond obligations of MM\$36,316, related to the repayment of Series E bonds and lower short-term bank loans of MM\$5,579. This decrease is partially offset by higher promissory notes (RFC's) of MM\$14,108. Additionally, accounts payable increased by MM\$10,332, also associated with investments in progress. Accounts payable to related companies associated with the Mapocho Sewage Treatment Plant decreased by MM\$14,670.

Long-term Liabilities
Long-term liabilities increased by MM\$102,173 (17.2%) compared to December 2011, mainly due to the issuance of Series Q bonds in January 2012 for UF 1.65 million, Series R bonds for UF 1.0 million and Series S bonds for UF 2.3 million in April 2012.

Equity
In comparing December 2012 values to those of December 2011, the total shareholder's equity increased by MM\$5,190 of which total equity attributable to controlling interests increased by MM\$7,666, explained by the profits generated in the 2012 report and exceeding last year's by 8.8%. This increase is compensated by the distribution of dividends of MM\$113,603, corresponding to final 2011 dividend payment and the interim dividend of 30% of 2012's profits.

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FINANCIAL INDICATORS

The following table shows several financial indicators:

| Indicator | December | December | Variation | |
|---|----------|----------|-----------|--------|
| | 2012 | 2011 | Dec 12 | Dec 11 |
| Liquid Assets | | | | |
| Current Liquid Assets | times | 0,73 | 0,42 | 73,8% |
| Acid Test Ratio | times | 0,21 | 0,03 | 723,1% |
| Debt | | | | |
| Total Debt | % | 125,97 | 116,47 | 8,2% |
| Current Debt | % | 19,35 | 25,02 | -22,7% |
| Long-term Debt | % | 80,65 | 74,98 | 7,6% |
| Annualized Financial Expenditure Coverage | times | 7,52 | 6,37 | 18,1% |
| Profitability | | | | |
| Annualized Equity Profitability Attributable to Controlling Interests | % | 19,63 | 18,25 | 7,6% |
| Annualized Assets Profitability | % | 8,04 | 7,84 | 2,6% |
| Annualized Earning Per Share | \$ | 19,82 | 18,22 | 8,8% |
| Return on Dividends ⁽¹⁾ | % | 5,42 | 5,76 | -5,9% |

(1) In December 2012, the price of a share rose to \$339.73, while in December 2011 it rose to \$298.

As of December 2012, current liquid assets increased by 73.8% due to an increase in current assets by MM\$38,640 (46.8%) and a decrease in current liabilities of MM\$31,134 (15.7%) in comparison with December 2011. Main increases in current assets are cash and cash equivalents at MM\$30.593 explained by higher collections and emission of Bonds throughout 2012. Additionally, there is an increase in commercial debtors of MM\$7.937 associated with a larger number of clients and their subsequent increase in consumption. The majority of decreases in current liabilities correspond to lesser bond obligations by MM\$36,316 related to the repayment of Series E Bonds; in conjunction with better short-term lending rates from banks by M\$5,579. This being compensated in part by an increase in AFRs of M\$14,108.

The acid test ratio increased significantly, given mainly the aforementioned increase in cash and cash equivalent produced by higher collections and the emission of bonds in April of 2012 and a decrease in current liabilities, explained primarily by the payment of Series E Bonds and lower bank lending rates.

Upon analysis, total debt increased by 8.3%, due essentially to an increase in long-term liabilities of MM\$102,173, the product of the emission of Q, R and S Series Bonds carried out in 2012, compensated by a decrease in current liabilities of MM\$31,134.

Annualized profits of controlling-interests equity present an increase by 7.6%, due largely to an increase by MM\$9,791 when comparing 2012 to 2011, compensated by an increase in average equity of MM\$7,083. Annualized profits of controlling-interests equity present an increase by 8.5%, due largely to an increase by MM\$5,053 when comparing 2012 to 2011, compensated by an increase in average equity of MM\$3,664.

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RESULTS BY NATURE

Results attributable to Aguas Andinas S.A.'s controlling interests, as of December 31, 2012, reached MM\$121,270, an increases of 8.8% over last year when the figure was MM\$111,479.

The following table presents the results of the 2012 and 2011 reports:

| Revenues | December 2012 | December 2011 | Variation Dec 12 - Dic 11 | |
|--|---------------|---------------|---------------------------|---------|
| | MM\$ | MM\$ | MM\$ | % |
| Ordinary Business Revenues | 382,886 | 362,768 | 20,118 | 5.5% |
| Raw Materials and Consumables | (29,163) | (26,646) | (2,517) | 9.4% |
| Costs for Employee Benefits | (38,669) | (38,129) | (540) | 1.4% |
| Costs for Depreciation and Amortization | (55,210) | (52,640) | (2,570) | 4.9% |
| Losses for Loss in Value | 0 | (822) | 822 | -100.0% |
| Other Costs, by Nature | (73,131) | (71,300) | (1,831) | 2.6% |
| EBIT | 186,713 | 173,231 | 13,482 | 7.8% |
| Financial Income | 8,291 | 6,483 | 1,808 | 27.9% |
| Financial Expenses | (24,170) | (25,648) | 1,478 | -5.8% |
| Differences in Exchange Rates | (26) | 7 | (33) | -471.4% |
| Results per Adjustable Unit | (13,889) | (19,082) | 5,193 | -27.2% |
| Financial Result | (29,794) | (38,240) | 8,446 | -22.1% |
| Other Profits | 629 | 2,863 | (2,234) | -78.0% |
| Results before Taxes | 157,548 | 137,854 | 19,694 | 14.3% |
| Income Tax Costs | (35,793) | (25,688) | (10,105) | 39.3% |
| Period Results | 121,755 | 112,166 | 9,589 | 8.5% |
| Earnings Attributable to Non-controlling Interests | (485) | (687) | 202 | -29.4% |
| Earnings Attributable to Controlling Interests | 121,270 | 111,479 | 9,791 | 8.8% |

Our revenues are generated primarily by regulated services lent related to production and distribution of potable water, collection, treatment and disposal of sewage water and other regulated services.

Ordinary Business Revenues:

At the close of 2012, Aguas Andinas S.A. had revenues of MM\$382,886, exceeding 2011's results by MM\$20,118.

The following composition in revenues resulted in this change:

| Revenue | December 2012 | | December 2011 | | Variation Dec 12 - Dec 11 | |
|--------------------------|---------------|--------|---------------|--------|---------------------------|-------|
| | MM\$ | % | MM\$ | % | MM\$ | % |
| Potable Water | 152,918 | 39.9% | 147,715 | 40.7% | 5,203 | 3.5% |
| Sewage Water | 174,838 | 45.7% | 166,504 | 45.9% | 8,334 | 5.0% |
| Other Regulated Revenue | 14,948 | 3.9% | 11,707 | 3.2% | 3,241 | 27.7% |
| Non-regulated Businesses | 40,182 | 10.5% | 36,842 | 10.2% | 3,340 | 9.1% |
| Total Revenues | 382,886 | 100.0% | 362,768 | 100.0% | 20,118 | 5.5% |

a) **Drinking Water:** this line takes into consideration production and distribution services for drinking water. These services represent an increase of MM\$5,203 from the previous year. The main explanation for this is a larger sales volume of 3.7 million m3 along with higher prices due to indexations in 2011.

b) **Sewage Water:** this line takes into consideration services of collection, treatment, disposal and interconnections among sewage waters. Profits for these services increased by MM\$8,334 due to:

An increase in collection profits of MM\$3,194 (MM\$85,732 in 2012, compared to MM\$82,538 the previous year), due primarily to an increase in sales volume of 5.1 million m3, along with higher prices due to indexations in 2011.

An increase in collection profits of MM\$3,194 (MM\$85,732 in 2012, compared to MM\$82,538 the previous year), due primarily to an increase in sales volume of 5.1 million m3, along with higher prices due to indexations in 2011.

An increase in sewage interconnection profits of MM\$867 (MM\$18,076 in 2012, compared to MM\$17,209 the previous year), due mainly to an increase in sales volume of 0.8 million m3 along with higher prices produced by indexations.

Variances in average prices are the product of the accumulated effects of positive indexations which took place during the years 2011 and 2012 (on February 15, 2011 Aguas Manquehue S.A. was indexed; Aguas Andinas on April 15, 2011; Essal S.A. on April 15, 2011; and Aguas Cordillera S.A. on May 15, 2011), compensated partially (as of January 1, 2012) by lower adjusted prices due to lowered income tax rates applied at that time. Subsequently, in October of 2012, prices were raised due to increases in income tax rates upon the publication of Law 20,630 which established a permanent change in first category taxes.

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c) Other Regulated Profits: this line takes into consideration our clients' fixed charges, disconnection and reconnection of supply, and unbilled purchase provisions. These profits represent an increase of MM\$3,241 largely explained by an increase in provision for profits of MM\$2,620 along with an increase in client fixed charges of MM\$489, due to an increase in the number of clients.

d) Non-regulated Profits: present an increase of MM\$3,340 over the same period last year, explained primary by the following businesses:

Sanitary: an increase of MM\$1,115 explained largely by profits linked to domestic potable water connections.

Non-sanitary: an increase of MM\$2,225 explained largely by increased sales of materials by Gestión y Servicios S.A., greater activity by EcoRiles S.A. (liquid waste and excesses of organic material industrial treatment plants), more lending of services by Anam S.A, along with startup of operations by Aguas del Maipo S.A.

| (Millions of Pesos) | December 2012 | December 2011 | Variation Dec 12 - Dec 11 | |
|--------------------------|------------------|------------------|------------------------------|-------|
| | MM\$ | MM\$ | MM\$ | % |
| EcoRiles S.A. | 11,340 | 10,746 | 594 | 5.5% |
| Gestión y Servicios S.A. | 7,036 | 6,637 | 399 | 6.0% |
| Anam S.A. | 1,962 | 1,557 | 405 | 26.0% |
| Aguas del Maipo S.A. | 827 | 0 | 827 | - |
| Non-regulated Revenues | 21,165 | 18,940 | 2,225 | 11.7% |

Raw Materials and Consumables

At the end of 2012, these costs reached MM\$29,163 which surpasses 2011's numbers by MM\$2.517. This change is explained, primarily, by the purchase of water that corresponds to one of the mitigation measures undertaken for the drought that affected us during the year 2010 and, complementarily, the increase also includes greater costs for maintenance materials.

Expenditures for Employee Benefits

At the end of 2012, these costs grew to MM\$38,669, exceeding those of the previous year by MM\$540. This change is due largely to greater employee compensation and benefits (associated with readjustments for the Consumer Price Index). The previous is partially compensated by fewer end-of-contract settlements.

Expenditures for Depreciation and Amortization

At the close of the fourth quarter of 2012, this expenditures reached MM\$55,210 exceeding the same period in 2011 by MM\$2,570 explained primarily by new company investments that began operations during this period.

Losses for share value decreases recognized in the period's revenues

At the close of 2012, no losses had been registered for a decrease in share value, compared to MM\$822 at the close of 2011. This is explained by the effects of reductions at Aguas Manquehue S.A. plants in 2011.

Other costs, by nature

At the end of 2012, these costs reached MM\$73,131, exceeding the 2011 figure by MM\$1,831. This is explained mainly by a MM\$1,831 increase in "other services", MM\$1,085 in maintenance of buildings and equipment, MM\$884 more in maintenance and repairs of networks and greater costs for regulated products (by MM\$632) associated with an increase in activity. The aforementioned is partially compensated by lower costs for extraction of mud residue from sewage treatment plants by MM\$2,845.

Financial Revenues

At the closing of 2012, Aguas Andinas Consolidado's revenues reached MM\$8,291, exceeding figures from 2011 by MM\$1,808. This increase was primarily driven by an increase in financial interests due to greater temporary cash surplus availability.

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Financial Expenses

At the closing of 2012, incurred financial expenses reached MM\$24,170, which was lower by MM\$1,478 than the expenses reported for the year 2011 during the same period. This reduction was primarily due to greater interest capitalization as a result of an increase in construction projects (chiefly, the Mopocho Wastewater Treatment Plant) and partially compensated by increased financial expenses due to a higher debt level. The capitalization of interest was implemented by virtue of, and in accordance with the International Accounting Standard (IAS) No. 23 which states that such capitalization is produced inasmuch as there is debt undertaken by the company to execute long-term investment projects, such as those underway, and as indicated under the Capital Investments item of this document.

Results of Indexation Units

At the closing of 2012, the results obtained were MM\$13,889, reduced by MM\$5,193 than that which was reported in 2011. This cost reduction was attributable to a lower debt reevaluation as a result of lower fluctuations in the value of the UF, compared to those during the same period in 2011.

Other Earnings

Aguas Andinas Consolidado reported earnings of MM\$629. This figure is lower than that which was reported in 2011 by MM\$2.237. This difference was justified primarily by indemnities registered in 2011 and paid by the Insurance Company for earthquake damages from the February 2010 at Aguas Manquehue S.A.

Income Tax Costs

The income tax provision at the closing of 2012 exceeds the previous year’s figures by MM\$10,105. The foregoing was attributable to a tax rate increase to 20% as well as a previously mentioned, differed tax readjustment valued at MM\$5,687. This increase in tax costs was also a result of a higher net income.

Profit

Given the foregoing factors, the net earnings of Aguas Andinas Consolidado at the closing of 2012 reached MM\$121,270, surpassing the net earnings from 2011 by MM\$9,791 (8.8%).

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CONSOLIDATED CASH FLOW STATEMENT

During the fiscal year of 2012, the company generated a positive net cash flow of MM\$30,593. Moreover, a negative cash flow of MM\$1,039 was generated during the 2011 fiscal year.

The primary items of the consolidated cash flow statement are as follows:

| Consolidated Statement of Cash Flows | December 2012 | December 2011 | Variation Dec 12 - Dec 11 | |
|--|---------------|---------------|------------------------------|----------|
| | MM\$ | MM\$ | MM\$ | % |
| Net Cash Flow from Operating Activities | 203,419 | 200,041 | 3,378 | 1.7% |
| Net Cash Flow from Investment Activities | -105,369 | -122,265 | 16,896 | -13.8% |
| Net Cash Flow from Financing Activities | -67,457 | -78,815 | 11,358 | -14.4% |
| | | | | |
| Net Increase in Cash and Cash Equivalents | 30,593 | -1,039 | 31,632 | -3044.5% |
| | | | | |
| Opening Balance of Cash and Cash Equivalents | 5,051 | 6,090 | -1,039 | -17.1% |
| | | | | |
| Closing Balance of Cash and Cash Equivalents | 35,644 | 5,051 | 30,593 | 605.7% |

Comparing December 2012 with December 2011, positive cash flow from operation activities underwent an increase of MM\$3,378, The foremost variations explaining this increase are the receipts from the sale of goods and rendering of services, in the order of MM\$28,282, stemming from increased charges due to an increase in the invoiced volume of potable water and sewage, together with a higher average fee, compensated by an increase in provider payments by MM\$16,518.

The negative cash flow for investment activities resulted in a MM\$16,896 decrease; primarily due to reductions in the incorporation of properties, plants and equipment by MM\$22,535, with the Mapocho Sewage Treatment Plant being the primary investment, and compensated by an increase in interest capitalization of MM\$ 5.426.

The negative cash flow for financing activities experienced a decrease of MM\$11,358 due to loan payments due to the maturity of the Series E Bonds and higher dividend payments in the order of MM\$ 8,526. This was compensated by the sum total of long-term loans by MM\$59,678, as a result of the Q, R and S Series Bonds issued for a sum total of 4.95 million UF.

Market Analysis

Given the nature of the company’s services and the current legal framework, it has no competition in its sector and therefore reports no variations in the market.

Aguas Andinas S.A. coverage levels reach 100% in the supply of water, 98.8% in sewage collection and 86.6% in sewage treatment.

Aguas Cordillera S.A. coverage levels reach 100%, in the supply of water, 99.0% in sewage collection and 85.6% in sewage treatment.

Aguas Manquehue S.A. coverage levels reach 100%, in the supply of water, 99.4% in sewage collection and 95.6% in sewage treatment.

ESSAL coverage levels reach 100% in the supply of water, 94.3% in sewage collection and 100% in sewage treatment.

| Sales Volume (Th. m3) | December 2012 | December 2011 | |
|---------------------------------|---------------|---------------|------|
| Water | 286,020 | 280,394 | 2.0% |
| Sewage Collection | 277,471 | 270,530 | 2.6% |
| Sewage Treatment & Disposal | 240,841 | 234,779 | 2.6% |
| Sewage Interconnection Services | 65,467 | 62,991 | 3.9% |

| Customers | December 2012 | December 2011 | |
|-------------------|---------------|---------------|------|
| Water | 1,960,476 | 1,924,899 | 1.9% |
| Sewage Collection | 1,919,015 | 1,882,256 | 2.0% |

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Financial Aspects

Currency risk: Our revenues are, to a large extent, dependent on fluctuations in the local currency. The company's debt, therefore, is issued in the same currency, thereby avoiding the significant operational risk that foreign currency entails.

Up to December 31 2012, Aguas Andinas S.A. had its interest rate debt allocated to 86% at fixed rates and 14% at variable rates. The fixed-rate debt consisted of short and long-term bond issues (79.5%) and reimbursable financial contributions (20.5%). The variable-rate debt was entirely with local, national banks.

Up to December 31 2011, Aguas Andinas S.A had its interest rate debt allocated to 80.5% at fixed rates and 19.5% at variable rates The fixed-rate debt consisted of short and long-term bond issues (81.0%) and reimbursable financial contributions (19.0%). The variable-rate debt was entirely with local, national banks.

The company adheres to a policy of monitoring and managing interest rates so as to optimize costs and is constantly evaluating the hedging instruments in the financial markets.

This favorable standing has led long-term debt risk assessors to assign us a rating of de AA+. With regards to shares, Fitch assigned us a first class, level 2 rating for series A and a first class, level 4 rating for series B. Additionally, ICR awarded us a first class, level 2 rating for both series.

Post year-end aspects

On January 21 2013, operations at the central potable water treatment plant were halted after a series of alluvial floods occurred in the Cajon de Maipo canyon. These floods affected the turbidity levels of the Maipo River (one of the primary sources of the company's raw water; water used for potable water production which in turn supplies the majority of the districts in the Santiago region). These plants were not designed to treat water with levels of turbidity that were present at that time. The registered turbidity levels, in conjunction with the duration of the

event itself, led to the consumption of the company's potable water reserves throughout the afternoon, evening and morning of Tuesday January 22, with subsequent cuts to the supply.

On February 6 2013 the Bureau of Sanitation Services initiated sanction proceedings against Aguas Andinas (Res. Ex. No. 461). The Bureau of Sanitation Services claimed that, although the event was due to force majeure, there was a lack of timely notification of water supply cuts to the users - in addition to non-compliance with service conditions under emergency situations, which the Bureau of Sanitation Services deemed reproachable and punishable (with fines ranging from 1 to 1,150 UTA according to Law No. 18,902 constituted by the same Bureau of Sanitation Services); this, in spite of the fact that the cuts were explicitly acknowledged as being inevitable. The sanction report indicated that that the cuts had affected 592,000 clients; equivalent to approximately 2,000,000 people, distributed across 21 districts of the metropolitan region. The company entered their rebuttal into the file of administrative proceedings, motioning for an acquittal of the charges.

On February 8, a second alluvial event occurred which caused turbidity levels in the Maipo River to peak once again. This event also paralyzed the company's potable water production facilities and those of the company's subsidiary, Aguas Cordillera.

On February 27 2013 the Bureau of Sanitation Services initiated sanction proceedings against Aguas Andinas (Res. Ex. No. 736). The Bureau of Sanitation Services claimed that, although the alluvial event was due to force majeure, there was a lack of timely notification of water supply cuts to the users - in addition to non-compliance with service conditions under emergency situations, which, in BSS's statement was reproachable and punishable (with fines ranging from 1 to 1,150 UTA according to Law No. 18,902 constituted by the same Bureau of Sanitation Services); this, in spite of the fact that the cuts were explicitly acknowledged as being inevitable. The sanction report also indicated that that the cuts had affected a million

clients distributed across 24 districts of the metropolitan region. The company entered their rebuttal into the file of administrative proceedings, motioning for an acquittal of the charges.

On January 30 and February 6, breakage occurred in two potable water pipelines which lead to supply cuts, for various reasons, to affected zones. These reasons were analyzed by the Bureau of Sanitation Services, who initiated sanction proceedings in both cases (Res. Ex. N° 408 and 580, respectively) with fines ranging from 1 to 1,150 UTA in accordance with the Bureau of Sanitation Services' law No. 18,902. The company entered their rebuttal into the file of administrative proceedings, motioning for an acquittal of the charges.

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FINANCIAL STATEMENTS

ANÁLISIS AMBIENTALES S.A.

General Information

Name: Análisis Ambientales S.A.

Type of entity: Closely-held corporation governed by its bylaws and applicable legislation.

Domicile: 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 & paid capital: ThCh\$ 262,456

External auditors: Ernst & Young

Tax No. (RUT): 77.802.430-6

Corporate Objects

The objects of the company are to carry out all kinds of physical, chemical and biological analyses of water, air and solids, including soils, sludge and waste, and any other element directly or indirectly related to the environment.

Constitution Documents

Análisis Ambientales S. A. was constituted by public deed dated August 20, 2001 before the notary Ivan Torrealba Acevedo and its abstract was published in the Official Gazette on September 20, 2001, with the trading name ANAM S.A.

Board of Directors

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

Directors: Xavier Amorós Corbella
(Director of Aguas Andinas S.A.) / Lionel Quezada Miranda

General Manager: Juan Jose Gross Rudloff

Parent's percentage shareholding

99,00% direct

Proportion that the investment represents of the parent's assets

The investment represents a proportion of 0,31%

Commercial relations with the parent

During the year 2012, the company maintained service contracts for physical, chemical and biological analyses of water and sludge, laboratory operations and rentals from its parent. It is expected to maintain similar commercial relations in the future.

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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 |
|---|---|
| IFRS 9, Instrumentos Financieros, clasificación y medición | Annual periods starting on or after January 1, 2015 |
| IFRS 10, Estados Financieros consolidados | Annual periods starting on or after January 1, 2013 |
| IFRS 11, Acuerdos conjuntos | Annual periods starting on or after January 1, 2013 |
| IFRS 12, Revelaciones de participación en otras entidades | Annual periods starting on or after January 1, 2013 |
| IFRS 13, Medición al valor justo | Annual periods starting on or after January 1, 2013 |
| IFRIC 20, Costos de desmonte en la fase de produciión de una mina a cielo abierto | |

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 |
|--|--|
| IFRS 7, Instrumentos Financieros: revelaciones | Annual periods starting on or after July 1, 2013 |
| IFRS 10, Estados Financieros Consolidados | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IFRS 11, Acuerdos Conjuntos | Annual periods starting on or after January 1, 2013 |
| IFRS 12 Revelaciones de participación en otras entidades | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 1 Presentación de Estados Financieros | Annual periods starting on or after January 1, 2013 |
| IAS 16 Propiedad, Planta y Equipo | Annual periods starting on or after January 1, 2013 |
| IAS 19, Beneficios a los empleados | Annual periods starting on or after January 1, 2013 |
| IAS 27 Estados Financieros separados | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 28, Inversiones en asociadas y negocios conjuntos | Annual periods starting on or after January 1, 2013 |
| IAS 32, Instrumentos Financieros presentación | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 34, Informacion Financiera resumida | Annual periods starting on or after January 1, 2013 |

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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:

Los activos intangibles adquiridos de forma separada se presentan al costo menos amortización acumulada y pérdidas por deterioro acumuladas. La amortización es calculada en forma lineal utilizando las vidas útiles estimadas. Las vidas útiles estimadas y el método de amortización son revisados al cierre de cada estado de situación, contabilizando el efecto de cualquier cambio de la estimación de forma prospectiva.

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.

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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 | 25 |
| Plant & equipment | 5 | 15 |
| Computer equipment | 4 | 4 |
| Fixed installations accessories | 5 | 40 |
| 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

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

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

i. Effective interest-rate method

The effective interest-rate method is the method for calculating the amortized cost of a financial asset and of the assignment of interest income 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 the net present value (NPV) equal to its nominal amount.

ii. Loans and accounts receivable

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

Trade debtors and other accounts receivable.

Trade debtors and other accounts receivable are booked initially at their fair value, booked net of the estimate of doubtful accounts or low probability of payment.

Policy with respect to impairment of trade debtors and other accounts receivable

The Company evaluates periodically impairments affecting its financial assets. The amount the amounts in booked in the provisions account, being the difference between the book value and the present value of the estimated future cash flows. The book value of an asset is reduced to the extent that the provisions account is used and the loss is booked in the statement of comprehensive 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 ageing of debts and historic recovery, as follows:

A 100% provision is made for customers with debts overdue more than 120 days.

A 100% provision is made for past-due notes receivable.

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F. FOREIGN CURRENCY TRANSACTIONS

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

| Currency | 31-12-2012 \$ | 31-12-2011 \$ |
|-----------|------------------|------------------|
| US Dollar | 479,96 | 519,20 |
| Euro | 634,45 | 672,97 |

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 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. 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 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.

Hedges of cash flows and net foreign-currency investments. Changes in the fair value of these derivative financial instruments are shown, for the part that is effective, directly in a reserve of net equity called Cash flow hedge, while the ineffective part is shown in 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 organized 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 the changes in fair value or the 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.

I. PROVISIONS AND CONTINGENT LIABILITIES

The Company 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 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 Company makes no provision for these concepts.

J. EMPLOYEE BENEFITS

The Company has 136 employees as of December 31, 2012, comprising 3 principal executives, 51 professionals and 82 workers and staff.

Defined employee benefit plan policies

The employees of Análisis Ambientales S.A. are governed by articles 159, 160 and 161 of the Labor Code so no provision has been made for indemnities.

K. 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 Company 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.

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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 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 tax assets against tax liabilities and these are related to the same entity and tax authority.

L. ORDINARY REVENUE

Policy for accounting for ordinary revenue

Revenue is booked arising from all 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 accounting for ordinary revenue 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 it is considered probable that the recovery, associated costs and possible discounts for mistaken collections is transferred to the customer, and can be estimated reliably.

Policy for accounting for ordinary revenue for sales of goods

Revenue from sales of elements of property, plant and equipment is booked when it is feasible to value it reliably.

M. THE ENVIRONMENT

Assets of an environmental kind are those used constantly in the business of the Company, whose principal objective is to minimize adverse environmental impacts and ensure the protection and improvement of the environment, including the reduction or elimination of the future contamination of the operations 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 their useful lives.

N. STATEMENT OF CASH FLOWS

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

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

Operating activities. Typical activities of the normal business operation of the Company, 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.

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Análisis Ambientales S.A

| STATEMENTS OF FINANCIAL POSITION | 2012 ThCh\$ | 2011 ThCh\$ |
|----------------------------------|-------------|-------------|
| ASSETS | | |
| Current assets | 3.245.983 | 2.283.730 |
| Non-current assets | 1.900.236 | 1.385.679 |
| Total Assets | 5.146.219 | 3.669.409 |

| | | |
|----------------------------|-----------|-----------|
| LIABILITIES | | |
| Current liabilities | 974,628 | 484,559 |
| Equity | 4.171.590 | 3.184.850 |
| Total liabilities & equity | 5.146.218 | 3.669.409 |

| STATEMENT OF COMPREHENSIVE RESULTS | 2012 ThCh\$ | 2011 ThCh\$ |
|------------------------------------|-------------|-------------|
| Ordinary revenue | 4.983.083 | 4.543.200 |
| Cost of sales | (3.831.767) | (3.282.330) |
| Financial result | 69.899 | 76.857 |
| Other non-operating results | 769 | 584 |
| Income tax | (235.243) | (246.725) |
| Earnings for the year | 986,741 | 1,091,586 |

| STATEMENT OF CASH FLOWS | 2012 ThCh\$ | 2011 ThCh\$ |
|--|-------------|-------------|
| Net cash flow from operating activities | 1.253.443 | 1.193.057 |
| Net cash flow from investment activities | 456.085 | 1.565.010 |
| Net cash flow from financing activities | - | (2.812.861) |
| Net increase (decrease) in cash & cash equivalents | 1.709.528 | (54.795) |
| Initial balance of cash & cash equivalents | 1.374 | 56.169 |
| Closing balance of cash & cash equivalents | 1.710.902 | 1.374 |

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| Statement of Changes in Equity | Issued capital | Other equity participations | Accumulated earnings (losses) | Equity attributable to owners of the controller | Non-controller participations | Total equity |
|--------------------------------|----------------|-----------------------------|-------------------------------|---|-------------------------------|--------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Initial balance at 01-01-2012 | 262,456 | -21,449 | 2,943,843 | 3,184,850 | | 3,184,850 |
| Restated initial balance | 262,456 | -21,449 | 2,943,843 | 3,184,850 | 0 | 3,184,850 |
| Comprehensive result | | | | | | |
| Earnings (loss) | 0 | 0 | 986,741 | 986,741 | | 986,741 |
| Total equity changes | 0 | 0 | 986,741 | 986,741 | 0 | 986,741 |
| Closing balance at 31-12-2012 | 262,456 | -21,449 | 3,930,584 | 4,171,591 | 0 | 4,171,591 |

| Statement of Changes in Equity | Issued capital | Other equity participations | Accumulated earnings (losses) | Equity attributable to owners of the controller | Non-controller participations | Total equity |
|--------------------------------|----------------|-----------------------------|-------------------------------|---|-------------------------------|--------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Initial balance at 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 | 0 | 4,906,126 |
| Comprehensive result | | | | | | |
| Earnings (loss) | 0 | 0 | 1,091,586 | 1,091,586 | | 1,091,586 |
| Dividends | 0 | 0 | -2,812,862 | -2,812,862 | | -2,812,862 |
| Total equity changes | 0 | 0 | -1,721,276 | -1,721,276 | 0 | -1,721,276 |
| Closing balance at 31-12-2011 | 262,456 | -21,449 | 2,943,843 | 3,184,850 | 0 | 3,184,850 |

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FINANCIAL STATEMENTS

ECORILES S.A.

General information

Name: Ecoriles S.A.

Type of entity: Closely-held corporation governed by its bylaws and applicable legislation.

Domicile: Avda. Presidente Balmaceda N° 1398, Santiago

Telephone: (56-2) 569 22 29

Fax: (56-2) 569 22 44

Tax No. : 96.828.120-8

Subscribed & paid capital: ThCh\$ 333,787

External auditors: Ernst & Young

Tax No. (RUT): 77.802.430-6

Corporate Objects

The objects of the company are to treat liquid waste and carry out all activities related or linked to the treatment of sewage and waste, through technical advice and the development of training, design, construction, team commercialization, maintenance and operation services of all kinds of installations.

Constitution Documents

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

Board of Directors

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

Directors: Xavier Amorós Corbella
(Director of Aguas Andinas S.A.) / Lionel Quezada Miranda

General Manager: Juan Jose Gross Rudloff

Parent's percentage shareholding

99,03850%

Proportion that the investment represents of the parent's assets

The investment represents a proportion of 0,22%

Commercial relations with the parent

During the year 2012, the company maintained service contracts for excess load treatment and office rentals. It is expected to maintain similar commercial relations in the future.

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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.

| IFRS Amendments | Date of obligatory application |
|---|---|
| IFRS 9, Instrumentos Financieros, clasificación y medición | Annual periods starting on or after January 1, 2015 |
| IFRS 10, Estados Financieros consolidados | Annual periods starting on or after January 1, 2013 |
| IFRS 11, Acuerdos conjuntos | Annual periods starting on or after January 1, 2013 |
| IFRS 12, Revelaciones de participación en otras entidades | Annual periods starting on or after January 1, 2013 |
| IFRS 13, Medición al valor justo | Annual periods starting on or after January 1, 2013 |
| IFRIC 20, Costos de desmonte en la fase de produciión de una mina a cielo abierto | |

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 |
|--|--|
| IFRS 7, Instrumentos Financieros: revelaciones | Annual periods starting on or after July 1, 2013 |
| IFRS 10, Estados Financieros Consolidados | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IFRS 11, Acuerdos Conjuntos | Annual periods starting on or after January 1, 2013 |
| IFRS 12 Revelaciones de participación en otras entidades | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 1 Presentación de Estados Financieros | Annual periods starting on or after January 1, 2013 |
| IAS 16 Propiedad, Planta y Equipo | Annual periods starting on or after January 1, 2013 |
| IAS 19, Beneficios a los empleados | Annual periods starting on or after January 1, 2013 |
| IAS 27 Estados Financieros separados | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 28, Inversiones en asociadas y negocios conjuntos | Annual periods starting on or after January 1, 2013 |
| IAS 32, Instrumentos Financieros presentación | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 34, Informacion Financiera resumida | Annual periods starting on or after January 1, 2013 |

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.

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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.

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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 | 25 |
| Plant & equipment | 5 | 15 |
| Computer equipment | 4 | 4 |
| Fixed installations & accessories | 5 | 40 |
| Motor vehicles | 7 | 7 |

| ITEM | Useful life (years) Minimum | Useful life (years) Maximum |
|-----------------------------------|--------------------------------|--------------------------------|
| Buildings | 25 | 25 |
| Plant & equipment | 5 | 20 |
| Computer equipment | 4 | 4 |
| Fixed installations & accessories | 5 | 10 |

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.

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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

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- 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 | 31-12-2012 ch\$ | 31-12-2011 ch\$ |
|-----------|-----------------|-----------------|
| US dollar | 479,96 | 519,20 |
| Euro | 634,45 | 672,97 |

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.

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

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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.

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Ecoriles S.A

| STATEMENTS OF FINANCIAL POSITION | 2012 ThCh\$ | 2011 ThCh\$ |
|--|--------------|-------------|
| ASSETS | | |
| Current assets | 4.043.103 | 4.166.662 |
| Non-current assets | 216.291 | 193.088 |
| Total Assets | 4.259.394 | 4.359.750 |
| | | |
| LIABILITIES | | |
| Current liabilities | 1.304.359 | 1.409.571 |
| Equity | 2.955.035 | 2.950.179 |
| Total liabilities & equity | 4.259.394 | 4.359.750 |
| | | |
| STATEMENT OF COMPREHENSIVE RESULTS | 2012 ThCh\$ | 2011 ThCh\$ |
| Ordinary revenue | 10.442.333 | 9.683.463 |
| Cost of sales | (8.772.900) | (8.121.391) |
| Financial result | 72.481 | 164.216 |
| Other non-operating results | 6.164 | 10.688 |
| Income tax | (334.410) | (328.164) |
| Earnings for the year | 1.413.668 | 1.408.812 |
| | | |
| STATEMENT OF CASH FLOWS | 2012 ThCh\$ | 2011 ThCh\$ |
| Net cash flow from operating activities | 984.149 | 1.442.761 |
| Net cash flow from investment activities | 1.459.745 | 3.202.322 |
| Net cash flow from financing activities | (1.408.812) | (6.804.092) |
| Net increase (decrease) in cash & cash equivalents | 1.035.082 | (2.159.009) |
| Initial balance of cash & cash equivalents | 101.269 | 2.260.278 |
| Closing balance of cash & cash equivalents | 1.136.351 | 101.269 |

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| Statement of Changes in Equity | Issued capital | Other equity participations | Accumulated earnings (losses) | Equity attributable to owners of the controller | Non-controller participations | Total equity |
|--------------------------------|----------------|-----------------------------|-------------------------------|---|-------------------------------|--------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Initial balance at 01-01-2012 | 333,787 | -27,279 | 2,643,671 | 2,950,179 | | 2,950,179 |
| Restated initial balance | 333,787 | -27,279 | 2,643,671 | 2,950,179 | 0 | 2,950,179 |
| Comprehensive result | | | | | | |
| Earnings (loss) | 0 | 0 | 1,413,668 | 1,413,668 | | 1,413,668 |
| Dividends | 0 | 0 | -1,408,812 | -1,408,812 | | -1,408,812 |
| Total equity changes | 0 | 0 | 4,856 | 4,856 | 0 | 4,856 |
| Closing balance at 31-12-2012 | 333,787 | -27,279 | 2,648,527 | 2,955,035 | 0 | 2,955,035 |

| Statement of Changes in Equity | Issued capital | Other equity participations | Accumulated earnings (losses) | Equity attributable to owners of the controller | Non-controller participations | Total equity |
|--------------------------------|----------------|-----------------------------|-------------------------------|---|-------------------------------|--------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Initial balance at 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 | 0 | 8,345,460 |
| Comprehensive result | | | | | | |
| Earnings (loss) | 0 | 0 | 1,408,811 | 1,408,811 | | 1,408,811 |
| Dividends | 0 | 0 | -6,804,092 | -6,804,092 | | -6,804,092 |
| Total equity changes | 0 | 0 | -5,395,281 | -5,395,281 | 0 | -5,395,281 |
| Closing balance at 31-12-2011 | 333,787 | -27,279 | 2,643,671 | 2,950,179 | 0 | 2,950,179 |

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FINANCIAL STATEMENTS

GESTION Y SERVICIOS S.A.

General Information

Name: Gestión y Servicios S.A.

Type of entity: Closely-held corporation

Address: Av. Presidente Balmaceda N° 1398

Telephone: (56 2) 569 23 42

Fax: (56 2) 569 23 98

Tax No. : 96.828.120-8

Subscribed & paid: M\$ 506.908

External auditors: Ernst & Young

Tax No. (RUT): 77.802.430-6

Corporate Objects

The objects of the company are the urbanization, purchase and sale of sanitation materials, sale of biogas, construction and special works advisory services.

Constitution Documents

The company was constituted as a corporation named Aguas del Maipo S.A. by public deed dated June 6, 1997 before the Santiago notary Patricio Zaldivar Mackenna. The bylaws were later reformed per deed dated November 10, 2000 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 of Aguas Andinas S.A.) / Ivan Yarur Sairafi / Lionel Quezada Miranda / Camilo Larraín Sánchez (Senior executive of Aguas Andinas S.A.)

General Manager

Hernan Konig Besa (Senior executive of Aguas Andinas S.A.)

Parent's percentage shareholding

97,84780%

Proportion that the investment represents of the parent's assets

The investment represents a proportion of 0,3%

Commercial relations with the parent

During the year 2012, the company maintained service contracts for the purchase and sale of materials, renewal of drains, purchase of biogas and office rentals. It is expected to maintain similar commercial relations in the future.

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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 pre-sentational 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 |
|---|---|
| IFRS 9, Instrumentos Financieros, clasificación y medición | Annual periods starting on or after January 1, 2015 |
| IFRS 10, Estados Financieros consolidados | Annual periods starting on or after January 1, 2013 |
| IFRS 11, Acuerdos conjuntos | Annual periods starting on or after January 1, 2013 |
| IFRS 12, Revelaciones de participación en otras entidades | Annual periods starting on or after January 1, 2013 |
| IFRS 13, Medición al valor justo | Annual periods starting on or after January 1, 2013 |
| IFRIC 20, Costos de desmonte en la fase de produciión de una mina a cielo abierto | |

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 |
|--|--|
| IFRS 7, Instrumentos Financieros: revelaciones | Annual periods starting on or after July 1, 2013 |
| IFRS 10, Estados Financieros Consolidados | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IFRS 11, Acuerdos Conjuntos | Annual periods starting on or after January 1, 2013 |
| IFRS 12 Revelaciones de participación en otras entidades | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 1 Presentación de Estados Financieros | Annual periods starting on or after January 1, 2013 |
| IAS 16 Propiedad, Planta y Equipo | Annual periods starting on or after January 1, 2013 |
| IAS 19, Beneficios a los empleados | Annual periods starting on or after January 1, 2013 |
| IAS 27 Estados Financieros separados | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 28, Inversiones en asociadas y negocios conjuntos | Annual periods starting on or after January 1, 2013 |
| IAS 32, Instrumentos Financieros presentación | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 34, Informacion Financiera resumida | Annual periods starting on or after January 1, 2013 |

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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.

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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 | 7 | 20 |
| Computer equipment | 4 | 4 |
| Fixed installations & accessories | 10 | 10 |
| 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.

El valor recuperable es el monto mayor entre el valor razonable menos los costos de venta y el valor en uso. Para la estimación del valor en uso, los flujos futuros de caja estimados son descontados a su valor presente utilizando una tasa de descuento antes de impuestos que refleje tanto las condiciones actuales de mercado del valor del dinero en el tiempo así como los riesgos específicos asociados al activo. 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.

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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

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:

- Activos financieros a valor razonable con cambios en resultados.
- Inversiones mantenidas hasta su vencimiento.
- Préstamos y cuentas por cobrar.
- Activos financieros disponibles para la venta.

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.

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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 | 31-12-2012 ch\$ | 31-12-2011 ch\$ |
|-----------|-----------------|-----------------|
| US dollar | 479,96 | 519,20 |
| Euro | 634,45 | 672,97 |

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.

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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 are transferred. For the Company, invoicing is made once the material is delivered. 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.

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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.

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Gestión y Servicio S.A.

| STATEMENTS OF FINANCIAL POSITION | 2012 ThCh\$ | 2011 ThCh\$ |
|--|-------------|-------------|
| ASSETS | | |
| Current assets | 7.527.597 | 5.772.506 |
| Non-current assets | 329.548 | 1.772.187 |
| Total Assets | 7.857.145 | 7.544.693 |
| LIABILITIES | | |
| Current liabilities | 3.676.247 | 2.175.087 |
| Non-current liabilities | 64.668 | - |
| Equity | 4.116.230 | 5.369.606 |
| Total liabilities & equity | 7.857.145 | 7.544.693 |
| STATEMENT OF COMPREHENSIVE RESULTS | 2012 ThCh\$ | 2011 ThCh\$ |
| Ordinary revenue | 8.281.044 | 8.298.258 |
| Cost of sales | (7.901.869) | (8.286.605) |
| Financial result | (46.782) | (67.779) |
| Other non-operating results | 4.718 | 25.359 |
| Income tax | (53.492) | 38.392 |
| Earnings for the year | 283.619 | 7.625 |
| STATEMENT OF CASH FLOWS | 2012 ThCh\$ | 2011 ThCh\$ |
| Net cash flow from operating activities | (612.881) | (1.142.371) |
| Net cash flow from investment activities | (33.969) | 309.576 |
| Net cash flow from financing activities | 777.172 | 469.000 |
| Net increase (decrease) in cash & cash equivalents | 130.322 | (363.795) |
| Initial balance of cash & cash equivalents | 2.633 | 366.428 |
| Closing balance of cash & cash equivalents | 132.955 | 2.633 |

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| Statement of Changes in Equity | Issued capital | Other equity participations | Accumulated earnings (losses) | Equity attributable to owners of the controller | Total equity |
|---|----------------|-----------------------------|-------------------------------|---|--------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Initial balance at 01-01-2012 | 710,194 | -58,042 | 4,717,454 | 5,369,606 | 5,369,606 |
| Restated initial balance | 710,194 | -58,042 | 4,717,454 | 5,369,606 | 5,369,606 |
| Comprehensive result | | | | | |
| Earnings (loss) | 0 | 0 | 283,619 | 283,619 | 283,619 |
| Reduction through transfers & other changes | -203,286 | 16,614 | -1,350,323 | -1,536,995 | -1,536,995 |
| Total equity changes | -203286 | 16614 | -1,066,704 | -1,253,376 | -1,253,376 |
| Closing balance at 31-12-2012 | 506,908 | -41,428 | 3,650,750 | 4,116,230 | 4,116,230 |

| Statement of Changes in Equity | Issued capital | Other equity participations | Accumulated earnings (losses) | Equity attributable to owners of the controller | Total equity |
|--------------------------------|----------------|-----------------------------|-------------------------------|---|--------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Initial balance at 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 |
| Comprehensive result | | | | | |
| Earnings (loss) | 0 | 0 | 7,625 | 7,625 | 7,625 |
| Total equity changes | 0 | 0 | 7,625 | 7,625 | 7,625 |
| Closing balance at 31-12-2011 | 710,194 | -58,042 | 4,717,454 | 5,369,606 | 5,369,606 |

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FINANCIAL STATEMENTS

INVERSIONES IBERAGUAS LTDA. Y FILIAL

General Information

Name: Inversiones Iberaguas Limitada

Type of entity: Investment limited partnership subject to the provisions of the Civil Code, Commercial Code and Law 3.918.

Legal domicile legal: Avenida Presidente Balmaceda 1398, Santiago Chile

Telephone: (56 2) 569 2382

Fax: (56-2) 569 2309

Tax No. (RUT): 96.897.320-7

Subscribed and paid capital: ThCh\$ 49,090,900

External auditors: Ernst & Young

Tax No. (RUT): 77.802.430-6

Corporate objects

The company's objects, in accordance with the fourth article of its bylaws, are the investment and participation in sanitation businesses, especially in companies whose objects are the provision of public services in the production and distribution of water, the collection and disposal of sewage and any other activity related to these activities.

Constitution Documents

The company was constituted on May 20, 1999 under public deed signed before the notary Aliro Veloso Muñoz. An abstract of the bylaws was published in the Official Gazette on May 27, 1999 and registered in the Santiago Trade Register for that year, in folio 19028 No.15038 of the Santiago Trade Register of 1999. 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, the companies Aguas Andinas S.A. and Aguas Cordillera S.A. acquired the corporate rights of Inversiones Iberaguas Ltda. with participations of 99.999998% and 0.000002% respectively. The deed was signed before the notary Raúl Undurraga Laso.

Management: Aguas Andinas S.A.

Attorneys: Felipe Larraín Aspillaga (Chief executive of Aguas Andinas S.A.) / Joaquín Villarino Herrera (Chairman of Aguas Andinas S.A.) / Iván Yarur Sairafi (Chairman of Aguas Andinas S.A.)

Parent's percentage shareholding:

99,999998% direct by Aguas Andinas S.A
0,000002% indirect through Aguas Cordillera S.A.

Proportion that the investment represents of the parent's assets

The investment represents a proportion of 5,1%

Commercial relations with the parent and its subsidiaries

There were no commercial relations with the parent or its subsidiaries during the year 2012.

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2. BASES DE PREPARACIÓN Y POLÍTICAS CONTABLES

2.1 BASES DE PREPARACIÓN

These interim financial statements relate to the statement of financial position as of December 31, 2012 and 2011, and the comprehensive results of its operations have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board ("IASB"), and represent the full, explicit and unreserved application of the IFRS, in accordance with Circulars 1,924 of April 24, 2009, 556 of December 3, 2009 and 658 of February 2, 2011 of the Superintendency of Securities and Insurance (S.V.S).

The company and its subsidiary comply with all the legal conditions of the environment in which it carries on its business, principally in the generation of biogas, and presents normal operating conditions in each area in which its activities are carried out, projecting a profitable operation 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 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 of the Company are shown in Chilean pesos, which is the company's functional currency and the presentational currency for the financial statements.

New accounting pronouncements

The following show the IFRS improvements and modifications, and interpretations that have been published in the year. These standards have not come into effect as of the date of these financial statements and the Company has not applied them in advance:

| IFRS Amendments | Date of obligatory application |
|---|---|
| IFRS 9, Instrumentos Financieros, clasificación y medición | Annual periods starting on or after January 1, 2015 |
| IFRS 10, Estados Financieros consolidados | Annual periods starting on or after January 1, 2013 |
| IFRS 11, Acuerdos conjuntos | Annual periods starting on or after January 1, 2013 |
| IFRS 12, Revelaciones de participación en otras entidades | Annual periods starting on or after January 1, 2013 |
| IFRS 13, Medición al valor justo | Annual periods starting on or after January 1, 2013 |
| IFRIC 20, Costos de desmonte en la fase de produciión de una mina a cielo abierto | |

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 |
|--|--|
| IFRS 7, Instrumentos Financieros: revelaciones | Annual periods starting on or after July 1, 2013 |
| IFRS 10, Estados Financieros Consolidados | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IFRS 11, Acuerdos Conjuntos | Annual periods starting on or after January 1, 2013 |
| IFRS 12 Revelaciones de participación en otras entidades | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 1 Presentación de Estados Financieros | Annual periods starting on or after January 1, 2013 |
| IAS 16 Propiedad, Planta y Equipo | Annual periods starting on or after January 1, 2013 |
| IAS 19, Beneficios a los empleados | Annual periods starting on or after January 1, 2013 |
| IAS 27 Estados Financieros separados | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 28, Inversiones en asociadas y negocios conjuntos | Annual periods starting on or after January 1, 2013 |
| IAS 32, Instrumentos Financieros presentación | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 34, Informacion Financiera resumida | Annual periods starting on or after January 1, 2013 |

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The Company is analyzing the eventual impact of these standards and amendments on the company’s 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) approved by the IASB, which were approved by the board at its meeting held on January 24, 2012.

The financial statements of Iberaguas Ltda. for 2012 were approved by the senior management on March XX, 2013.

The following estimates were made 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
- 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 based on 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. BASES OF 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 Company entities are eliminated in the consolidation.

The Company and its subsidiary apply the policies uniformly.

B. OPERATIVE SEGMENTS

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 Company 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 of intangible assets:

Intangible assets with defined useful life.

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

Computer programs.

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

Intangible assets with undefined useful life.

Intangible assets with an undefined useful life relate mainly to water rights and easements which were obtained on an indefinite basis. These assets are not amortized unless annual deterioration is shown, as indicated in IAS 36.

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Determination of useful life

The factors that have to be considered for the estimate 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 its subsidiary 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 transactions with the non-controller (minority) participations without producing a change of controller, are booked directly in equity attributable to the owners of the controller. During the year 2010, there have been no transactions with non-controller participations.

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

- Nature of the materials and components of the equipment or buildings
- Operating environment of the equipment
- Intensity of usage
- 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 |
| Fixed installations & accessories | 5 | 80 |
| Plant & equipment | 5 | 50 |
| Computer equipment | 4 | 4 |
| Motor vehicles | 7 | 10 |
| Other property, plant & equipment | 4 | 80 |

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

As there are no contractual obligations like those mentioned in IFRS and in regulations, 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 consolidated statement of financial position to see whether there exists any indication of impairment. Should these exist, the recoverable value is estimated of such assets in order to determine the impairment suffered (if any). When it is not possible to estimate the recoverable value of an asset in particular, the Company estimates the fair value of the cash-generating unit to which this asset belongs.

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

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

When it is estimated that the recoverable value of an asset (or cash-generating unit) is less than its book value, the book value of that asset (or cash-generating unit) is adjusted to its recoverable value, booking immediately a loss for impairment in results. When a loss for

impairment is reversed, the book value of the asset (or cash-generating unit) is adjusted to the revised estimate of its recoverable value, provided the adjusted book value does not exceed the book value that would have been determined if no loss for impairment of the asset (or cash-generating unit) had been booked in previous periods.

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 has no financial-leased assets purchased at the year-ends.

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 check for the possible existence of implicit leases, 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 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 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/

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quotas with the lowest sensitivity to changes in economic conditions). Time deposits and repurchase agreements are instruments classified N-1 (instruments with the highest capacity for paying the principal and interest on the agreed terms and maturities).

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

i. Effective interest-rate method

The effective interest-rate method is the method for calculating the amortized cost of a financial asset and of the assignment of interest income 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 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, 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 at the close of these financial statements, neither the Company or its subsidiaryhold 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. The Company has no assets held to maturity as of December 31, 2012.

iv. Loans and accounts receivable

Trade debtors, loans and other accounts receivable which have fixed or determinable payments and which are not traded on an active market

are classified as loans and accounts receivable. Loans and accounts receivable are valued at amortized cost using the effective interest-rate method less any impairment in value. Interest income is booked using 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 also 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 is booked in the provisions account, being the difference between the book value and the present value of the estimated future cash flows, discounted at the effective interest rate. The book value of an asset is reduced to the extent that the provisions account is used and the loss is booked in the consolidated statement of comprehensive results in Other expenses. When an account receivable is not recoverable, it is written off against the provisions for accounts receivable.

The analysis of behavior of the 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 power to suspend the supply of services to customers not paying their bills.

The estimates are based on the following historic information: recovery statistics which indicate that following the eighth month from billing,

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the possibility of recovery is marginal, i.e. the probability of recovery of amount billed is minimal, less than 1%.

A 100% provision is made for the overdue debt of customers with debts of over 8 months.

A provision of 100% of the agreed balance is also made for consumption debts transformed into payment agreements since January 2012.

v. Financial assets available for sale

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

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

I. INVENTORIES

Inventories are shown at cost provided this does not exceed their net realization value. The costing method is the weighted average cost. A market valuation is made annually for inventories that have not turned over during the previous 12 months and is compared with the book value, with the balance recorded as the lower of the two.

J. Dividend policy

The Company's dividend policy is to distribute 30% of the earnings for each year as the obligatory dividend. This is intended to maintain the Company's present level of capitalization is maintained and to ensure that it is compatible with the investment and financing policies for the year.

K. Foreign currency transactions

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

| Currency | 31-12-2012 ch\$ | 31-12-2011 ch\$ |
|-----------|-----------------|-----------------|
| US dollar | 479,96 | 519,20 |

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 period in which they accrue.

L. FINANCIAL LIABILITIES

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

M. DERIVATIVE FINANCIAL INSTRUMENTS AND ACCOUNTING OF HEDGES

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

Essal S.A. 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 of net equity called Cash flow hedge, while the ineffective part is shown in 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 organized markets, assumptions based on market conditions on that date are used for their valuation.

Effectiveness. A hedge is considered to be highly effective when the changes in fair value or the 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.

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The Company and its subsidiary have no derivative financial instruments as of the close of these financial statements.

N. PROVISIONS AND CONTINGENT LIABILITIES

The Company and its subsidiary make 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 they 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. In accordance with IFRS, Essal S.A. makes no provision for these concepts although, as required in the same rule, they are shown 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 with the projected credit-unit method. Actuarial gains and losses on indemnities deriving from changes in the estimates or changes in the rates of turnover, mortality, advance retirements on dismissal, wage increases, inflation, discount rate or of the personnel, are shown directly in results.

Indemnities to workers forming part of or are 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. In those cases there is a limit of six months for purposes of the 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 wages.

Actuarial assumptions

The obligation of Essal S.A. for the indemnity estimated to accrue to workers retiring or die is shown at its actuarial value, determined in accordance with the projected credit-unit method, at a discount rate of 5.7% 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 the estimates or deviations in the rates of turnover, mortality, advanced retirement through dismissal, wage increases, inflation, discount rate of the 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 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 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 tax assets against tax liabilities and these are related to the same entity and tax authority.

Q. ORDINARY REVENUES

Policy for accounting for ordinary revenues

Revenue is booked arising from all 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 customer, and can be estimated reliably.

The Company's services area is divided into billing groups which determine dates for meter readings and later billing, based on a calendar month. This results in consumption not read and thus not billed. For the booking of revenue, the subsidiaries make an estimate of non-billed consumption.

For some groups, 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

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made on the basis of data from the previous month valued at the current tariff, whether normal or on consumption. Any difference between the actual and estimated consumption is corrected the following month.

The transfer of risks and benefits varies according to actual consumption, and a monthly provision is made for consumption metered but not yet billed, 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.

Method for determining the state of termination of services

The provision of the service is confirmed through the metering of consumption, in accordance with corresponding legislation.

Revenue under agreements with property developers is booked as ordinary revenue provided it complies with the conditions of each contract that ensure that the related economic benefits will flow to the Company.

R. THE ENVIRONMENT

Assets of an environmental kind are those used constantly in the business of the Company , whose principal objective is to minimize adverse environmental impacts and ensure the protection and improvement of the environment, including the reduction or elimination of the future contamination of the Company’s businesses.

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 their useful lives of the various elements.

S. STATEMENT OF CASH FLOWS

The cash flow statement is prepared in accordance with the direct method and 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 variation in their value (maximum term of 3 months from investment date and unrestricted).

Operating activities. Typical activities of the normal business operation of Essal S.A. plus others that cannot otherwise be defined as for 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 the ordinary activities.

T. RECLASSIFICATIONS

For comparison purposes, certain reclassifications have been made to the statement of results by nature as of December 31, 2011.

| Rubro | Aumento / (Disminución) M\$ |
|---|-----------------------------|
| Reclasificaciones al estado de resultado por naturaleza | |
| Ingresos de actividades ordinarias | -368.978 |
| Gastos por depreciación y amortización | 368.978 |

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| STATEMENTS OF FINANCIAL POSITION | 2012 ThCh\$ | 2011 ThCh\$ |
|----------------------------------|-------------|-------------|
| ASSETS | | |
| Current assets | 15.700.330 | 11.935.892 |
| Non-current assets | 154.739.203 | 156.512.614 |
| Total assets | 170.439.533 | 168.448.506 |

| | | |
|----------------------------|-------------|-------------|
| LIABILITIES | | |
| Current liabilities | 9.785.029 | 7.616.140 |
| Non-current liabilities | 54.424.201 | 56.065.725 |
| Equity | 67.831.966 | 66.958.441 |
| Minority participations | 38.398.337 | 37.808.200 |
| Total liabilities & equity | 170.439.533 | 168.448.506 |

| STATEMENT OF COMPREHENSIVE RESULTS | 2012 ThCh\$ | 2011 ThCh\$ |
|---|--------------|--------------|
| Ordinary revenue | 38.913.676 | 35.144.206 |
| Cost of sales | (24.232.014) | (23.770.343) |
| Financial result | (2.081.223) | (2.492.249) |
| Other non-operating results | (1.178.027) | (1.878.986) |
| Income tax | (3.863.789) | (1.164.596) |
| Minority participation | (3.708.098) | (2.865.049) |
| Earnings attributable to owners of the controller | 3.850.525 | 2.972.983 |

| STATEMENT OF CASH FLOWS | 2012 ThCh\$ | 2011 ThCh\$ |
|--|--------------|-------------|
| Net cash flow from operating activities | 18.576.738 | 15.588.755 |
| Net cash flow from investment activities | (5.325.518) | (5.750.266) |
| Net cash flow from financing activities | (10.335.895) | (8.467.284) |
| Increase (decrease) in cash & cash equivalents | 2.915.325 | 1.371.205 |
| Initial balance of cash & cash equivalents | 2.706.015 | 1.334.810 |
| Closing balance of cash & cash equivalents | 5.621.340 | 2.706.015 |

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| Statement of Changes in Equity, abbreviated | Issued capital | Other equity participations | Accumulated earnings | Changes in equity attributable to controllers | Changes in minority participations | Changes in equity, Total |
|---|----------------|-----------------------------|----------------------|---|------------------------------------|--------------------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Initial balance at 01-01-2012 | 49,090,900 | 15,234,660 | 2,632,882 | 66,958,442 | 37,808,199 | 104,766,641 |
| Restated initial balance | 49,090,900 | 15,234,660 | 2,632,882 | 66,958,442 | 37,808,199 | 104,766,641 |
| Comprehensive result | | | 3,850,525 | 3,850,525 | 3,708,098 | 7,558,623 |
| Withdrawals or declared cash dividends | | | -2,977,000 | -2,977,000 | -3,117,961 | -6,094,961 |
| Changes in equity | | | 873,525 | 873,525 | 590,137 | 1,463,662 |
| Closing balance at 31-12-2012 | 49,090,900 | 15,234,660 | 3,506,407 | 67,831,967 | 38,398,336 | 106,230,303 |
| Initial balance at 01-01-2011 | 49,090,900 | 15,234,660 | 1,713,042 | 66,038,602 | 36,793,637 | 102,832,239 |
| Restated initial balance | 49,090,900 | | 1,713,042 | 66,038,602 | 36,793,637 | 102,832,239 |
| Comprehensive result | | | 2,972,983 | 2,972,983 | 2,865,049 | 5,838,032 |
| Withdrawals or declared cash dividends | | | -2,053,143 | -2,053,143 | -1,850,487 | -3,903,630 |
| Cambios en Patrimonio | | | 919,840 | 919,840 | 1,014,562 | 1,934,402 |
| Closing balance at 31-12-2011 | 49,090,900 | 15,234,660 | 2,632,882 | 66,958,442 | 37,808,199 | 104,766,641 |

The accompanying Notes form an integral part of the consolidated financial statements

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FINANCIAL STATEMENTS

AGUAS CORDILLERA S.A Y FILIAL

General Information

Name: Aguas Cordillera S.A.

Type of entity: Closely-held corporation

Legal domicile: Avda. Presidente Balmaceda N° 1398, Santiago

Telephone: (56-2) 569 2500

Fax: (56-2) 569 2509

Tax No. (RUT): 96.809.310-K

PO Box: 1818 Santiago- centro

Business: Capture, purification and distribution of water and disposal of sewage.

Subscribed and paid capital: ThCh\$ 153,608,183

External auditors: Ernst & Young

Tax No. (RUT): 77.802.430-6

Corporate Objects

The objects of the company and its subsidiary Aguas Manquehue S. A. are, as established in article 2 of its bylaws, the provision of sanitation services, contemplating the construction and exploitation of public services for the production and distribution of water and the collection and disposal of sewage. Its present concession area is as distributor in the districts of Vitacura, Las Condes, Lo Barnechea, Colina and Lampa.

Constitution Documents

The company was constituted on April 22, 1996 under public deed signed before the Santiago notary René Benavente Cash. An abstract of the bylaws was registered in the Santiago Trade Register for that year, in folio 14143 No.8258, and ratified in folio 11059, No. 8996, both of 1996, and published in the Official Gazette on May 4, 1996, ratified on May 9, 1996.

The company is registered in the special register of reporting entities of the Superintendency of Securities and Insurance with No. 170. 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 1988.

Board of Directors

Chairman: Felipe Larrain Aspillaga (Chairman of Aguas Andinas S.A.)

Directors: Camilo Larraín Sánchez (Chief executive of 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 shareholding

99.99003% direct

Proportion that the investment represents of the parent's assets

The investment represents a proportion of 18,09%

Relación comercial con matriz y filiales de la matriz

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.

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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, 2012 and 2011 and comprehensive results of its operations, changes in equity and cash flows for the years then ended, and have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board ("IASB"), and represent the full, explicit and unreserved application of the IFRS, in accordance with Circulars 1,924 of April 24, 2009, 556 of December 3, 2009 and 658 of February 2, 2011 of the Superintendency of Securities and Insurance (S.V.S).

The Company and its subsidiary comply 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. Bothe companies 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

Functional currency

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

New accounting pronouncements

The following new standards and interpretations have been published but their date of application is not yet due:

| IFRS Amendments | Date of obligatory application |
|---|---|
| IFRS 9, Instrumentos Financieros, clasificación y medición | Annual periods starting on or after January 1, 2015 |
| IFRS 10, Estados Financieros consolidados | Annual periods starting on or after January 1, 2013 |
| IFRS 11, Acuerdos conjuntos | Annual periods starting on or after January 1, 2013 |
| IFRS 12, Revelaciones de participación en otras entidades | Annual periods starting on or after January 1, 2013 |
| IFRS 13, Medición al valor justo | Annual periods starting on or after January 1, 2013 |
| IFRIC 20, Costos de desmonte en la fase de produciión de una mina a cielo abierto | |

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 |
|--|--|
| IFRS 7, Instrumentos Financieros: revelaciones | Annual periods starting on or after July 1, 2013 |
| IFRS 10, Estados Financieros Consolidados | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IFRS 11, Acuerdos Conjuntos | Annual periods starting on or after January 1, 2013 |
| IFRS 12 Revelaciones de participación en otras entidades | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 1 Presentación de Estados Financieros | Annual periods starting on or after January 1, 2013 |
| IAS 16 Propiedad, Planta y Equipo | Annual periods starting on or after January 1, 2013 |
| IAS 19, Beneficios a los empleados | Annual periods starting on or after January 1, 2013 |
| IAS 27 Estados Financieros separados | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 28, Inversiones en asociadas y negocios conjuntos | Annual periods starting on or after January 1, 2013 |
| IAS 32, Instrumentos Financieros presentación | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 34, Informacion Financiera resumida | Annual periods starting on or after January 1, 2013 |

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The management of the Company and its subsidiary are analyzing the eventual impact that these standards and amendments might have 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 March xx, 2013.

The consolidated financial statements of Aguas Cordillera S.A. and subsidiary for the year 2011 were approved by the board at its meeting held on February 28, 2012.

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 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 entity controlled by it (the subsidiary Aguas Manquehue S.A.). Subsidiaries are those entities in which the parent 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 Group entities are eliminated in the consolidation.

The Company and its subsidiary apply the policies followed by the Group uniformly.

B. OPERATIVE SEGMENTS

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 undefined useful life relate mainly to water rights and easements which were obtained on an indefinite basis, as established in the acquisition contracts and the rights obtained from the Waters

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Authority of the Ministry of Public Works. These assets are not amortized unless annual deterioration is shown, as indicated in IAS 36.

Determination of useful life

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

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

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

D. 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 (Note 11).

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 | 10 |
| Improvements to leased assets | 5 | 5 |
| Other property, plant & equipment | 5 | 80 |

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

As there are no contractual obligations like those mentioned in IFRS and in regulations, 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 Group revises the book values of its tangible and intangible assets at each closing date of the statement of financial position to see whether there exists any indication of impairment. Should these exist, the recoverable value is estimated of such assets in order to determine the impairment suffered (if any). When it is not possible to estimate the recoverable value of an asset in particular, the Group estimates the fair value of the cash-generating unit to which this asset belongs. Intangible assets with undefined useful lives are tested annually for impairment or when there are indications that the asset might have suffered impairment before the end of the period.

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

When it is estimated that the recoverable value of an asset (or cash-generating unit) is less than its book value, the book value of that asset (or cash-generating unit) is adjusted to its recoverable value, booking immediately a loss for impairment in results. When a loss for impairment is reversed, the book value of the asset (or cash-generating unit) is adjusted to the revised estimate of its recoverable value, provided the adjusted book value does not exceed the book value that would have been determined if no loss for impairment of the asset (or cash-generating unit) had been booked in previous periods.

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.

Assets sold under financial leases are booked initially in the statement of position, shown as a receivable for the amount of the net investment in the leased asset.

In this transaction, all the risks are transferred by the lessor and therefore the successive installments receivable are treated 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 and subsidiary have no financial-leased assets purchased at the year-ends.

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 subsidiary revise their contracts to check for the possible existence of implicit leases, 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 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 the net present value (NPV) equal to its nominal amount.

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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. 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, 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.

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 subsidiary have no assets held to maturity as of the date of closing.

iv. Loans and accounts receivable

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

Trade debtors and other accounts receivable

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

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

Policy with respect to impairment of financial assets

The Company evaluates periodically impairments affecting its financial assets. The amount the amounts in booked in the provisions account. The book value of an asset is reduced to the extent that the provisions account is used and the loss is booked in the consolidated

statement of comprehensive 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 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.

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

A provision of 100% is made for overdue notes receivable.

v. Financial assets available for sale

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

At the closing date of these financial statements, Aguas Cordillera S.A. and subsidiary have no financial assets available for sale.

H. INVENTORIES

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

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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:

| Currency | 31-12-2012 ch\$ | 31-12-2011 ch\$ |
|-----------|-----------------|-----------------|
| US dollar | 479,96 | 519,20 |
| Euro | 634,45 | 672,97 |

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 period 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 Cordilleras S.A. and subsidiary is governed by the Group's financial risk management policies, which establish the guidelines for their use.

Aguas Cordilleras 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 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 of net equity called Cash flow hedge, while the ineffective part is shown in 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 organized markets, Aguas Cordilleras 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 the changes in fair value or the 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 Cordilleras 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 these financial statements.

L. Provisions and contingent liabilities

Aguas Cordilleras S.A. and subsidiary make 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 13 if they do exist.

M. DIVIDEND POLICY

The dividend policy is to distribute 50% of the earnings for each year subject to approval by the ordinary shareholders meeting.

N. EMPLOYEE BENEFITS

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

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Severance payments of the Company and subsidiary 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 covered by current collective agreements and for 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 the subsidiaries 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 5.7% 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. 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 on indemnities deriving from changes in the estimates or variations in the rates of turnover, mortality, advance retirement for dismissals, wage increases, inflation or discount rate, are booked directly in 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 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 liabilities and these are related to the same entity and tax authority.

O. ORDINARY REVENUES

Policy for accounting for ordinary revenues

Revenue is booked arising from all 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. Should there be a sale of elements of property, plant and equipment, it will be booked when it is feasible to value it reliably.

Policy for booking ordinary revenues for sales of services

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

The services area of the sanitation companies is divided into billing groups which determine dates for meter readings and later billing, based on a calendar month. This results in consumption not read and thus not billed. For the booking of revenue, the Company makes an estimate of non-billed consumption.

For some sanitation services billing groups, 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

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normal or on 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 corresponding legislation.

Revenue under agreements with property developers is booked as ordinary revenue provided it complies with the conditions of each contract that ensure that the related economic benefits will flow to the Company.

P. THE ENVIRONMENT

Assets of an environmental kind are those used constantly in the business of the Company and subsidiaries, whose principal objective is to minimize adverse environmental impacts and ensure the protection and improvement of the environment, including the reduction or elimination of the future contamination of the businesses 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 their useful lives.

Q. Consolidated statement of cash flows

The cash flow statement gathers the cash movements during the year, including VAT and determined by the direct method, and is prepared according to the following criteria:

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

Operating activities. Typical activities of the normal business operation of Aguas Cordillera and subsidiary, plus others that cannot otherwise be defined as for 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

The Group uses the “percentage progress method” for booking revenues and expenses referring to a contract being carried out. By this method, the revenues under the contract are compared with the related costs incurred in the degree of progress made, which results in the amount of the ordinary revenue, expenses and earnings that may be attributed to the portion of the contract carried out.

Contract costs are booked when 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 the 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 to the extent of the contract costs incurred that will probably be recovered.

Aguas Cordillera and subsidiary show as an asset the gross amount due by customers for the work of all the contracts in progress for which the costs incurred plus booked profits (less booked losses) exceed the partial invoicing. Partial invoicing still unpaid by customers and the 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 stipulated in IAS 23.

T. Reclassifications

For comparison purposes, certain reclassifications have been made in the statement of results by nature as of December 31, 2011, as follows:

| Rubro | Cargo / (Abono) M\$ |
|---|---------------------|
| Reclasificaciones al estado de resultado por naturaleza | |
| Ingresos de actividades ordinarias | -20.115 |
| Gastos por depreciación y amortización | 20.115 |

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Aguas Cordillera S.A.

| STATEMENTS OF FINANCIAL POSITION | 2012 ThCh\$ | 2011 ThCh\$ |
|----------------------------------|-------------|-------------|
| ASSETS | | |
| Current assets | 15.700.330 | 11.935.892 |
| Non-current assets | 154.739.203 | 156.512.614 |
| Total assets | 170.439.533 | 168.448.506 |

| | | |
|----------------------------|-------------|-------------|
| LIABILITIES | | |
| Current liabilities | 9.785.029 | 7.616.140 |
| Non-current liabilities | 54.424.201 | 56.065.725 |
| Equity | 67.831.966 | 66.958.441 |
| Minority interests | 38.398.337 | 37.808.200 |
| Total liabilities & equity | 170.439.533 | 168.448.506 |

| STATEMENT OF COMPREHENSIVE RESULTS | 2012 ThCh\$ | 2011 ThCh\$ |
|---|-------------|-------------|
| Ordinary revenue | 38.913.676 | 35.144.206 |
| Cost of sales | -24.232.014 | -23.770.343 |
| Financial result | -2.081.223 | -2.492.249 |
| Other non-operating results | -1.178.027 | -1.878.986 |
| Income tax | -3.863.789 | -1.164.596 |
| Minority interests | -3.708.098 | -2.865.049 |
| Earnings attributable to owners of the controller | 3.850.525 | 2.972.983 |

| STATEMENT OF CASH FLOWS | 2012 ThCh\$ | 2011 ThCh\$ |
|--|-------------|-------------|
| Net cash flow from operating activities | 18.576.738 | 15.588.755 |
| Net cash flow from investment activities | -5.325.518 | -5.750.266 |
| Net cash flow from financing activities | -10.335.895 | -8.467.284 |
| Net increase (decrease) in cash & cash equivalents | 2.915.325 | 1.371.205 |
| Initial balance of cash & cash equivalents | 2.706.015 | 1.334.810 |
| Closing balance of cash & cash equivalents | 5.621.340 | 2.706.015 |

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| | Issued capital | Share premium | Accumulated earnings (losses) | Equity attributable to owners of the controller | Non-controller participations | Total equity |
|---|----------------|---------------|-------------------------------|---|-------------------------------|--------------|
| Initial balance at 01/01/2012 | 153,608,183 | -61,032,198 | 111,913,925 | 204,489,910 | 179 | 204,490,089 |
| Restated initial balance | 153,608,183 | -61,032,198 | 111,913,925 | 204,489,910 | 179 | 204,490,089 |
| Changes in equity | | | | | | |
| Comprehensive result | | | | | | |
| Earnings | | | 15,870,397 | 15,870,397 | 11 | 15,870,408 |
| Comprehensive result | | | 15,870,397 | 15,870,397 | 11 | 15,870,408 |
| Dividends | | | -24,583,919 | -24,583,919 | | -24,583,919 |
| Increase (decrease) for transfers & other changes | | -28,228 | | -28,228 | 0 | -28,228 |
| Total equity changes | 0 | -28,228 | -8,713,522 | -8,741,750 | 11 | -8,741,739 |
| Closing balance at 31/12/2012 | 153,608,183 | -61,060,426 | 103,200,403 | 195,748,160 | 190 | 195,748,350 |

| | Issued capital | Other equity participations | Accumulated earnings (losses) | Equity attributable to owners of the controller | Non-controller participations | Total equity |
|-------------------------------|----------------|-----------------------------|-------------------------------|---|-------------------------------|--------------|
| Initial balance at 01/01/2011 | 153,608,183 | -61,032,198 | 107,367,594 | 199,943,579 | 163 | 199,943,742 |
| Restated initial balance | 153,608,183 | -61,032,198 | 107,367,594 | 199,943,579 | 163 | 199,943,742 |
| Earnings | | | 18,363,246 | 18,363,246 | 16 | 18,363,262 |
| Comprehensive result | | | 18,363,246 | 18,363,246 | 16 | 18,363,262 |
| Dividends | | | -13,816,915 | -13,816,915 | | -13,816,915 |
| Total equity changes | 0 | 0 | 4,546,331 | 4,546,331 | 16 | 4,546,347 |
| Closing balance at 31/12/2011 | 153,608,183 | -61,032,198 | 111,913,925 | 204,489,910 | 179 | 204,490,089 |

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FINANCIAL STATEMENTS

AGUAS DEL MAIPO S.A.

General Information

Name: Aguas del Maipo

Type of entity: Closely-held corporation

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

Telephone: (56-2) 5692118

Fax: (56-2) 5692309

Tax number (RUT): 76.190.084-6

Business: The development and exploitation of any energy project deriving from the use of the installations and natural assets of water sanitation companies.

Subscribed and paid capital: ThCh\$ 7,971,221

External auditors: Ernst & Young

Tax number (RUT): 77.802.430-6

Corporate objects

The company's objects are to carry out all kinds of activities related to water-usage rights, the development and exploitation of any energy project deriving from the use of the installations and natural assets of water sanitation companies, their products and/or byproducts, including electricity co-generation, biogas generation and hydroelectricity.

Constitution Documents

The company was constituted on April 14, 2011 under public deed signed before the Santiago notary Ivan Torrealba Acevedo. An abstract of the bylaws was registered in the Santiago Trade Register for that year, in folio 19364 No.14746 of the Santiago Trade Register of 2011.

It is also certified that the request for registration of the above abstract was presented to the registrar on April 14, 2011, entering under the consecutive number 16226 in the Trade Register.

Board of Directors

Chairman: Felipe Larrain Aspillaga (Chairman of Aguas Andinas S.A.)

Directors: Camilo Larraín Sánchez (Chief executive of Aguas Andinas S.A.) / Xavier Amorós Corbella

Gerente General: Enrique Cruzat Torres

Parent's percentage shareholding:

82,649996% direct

Proportion that the investment represents of the parent's assets

The investment represents a proportion of 0,56%

Commercial relations with the parent and its subsidiaries

There were no commercial relations during the year 2012.

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2. BASES OF PREPARATION AND ACCOUNTING POLICIES

2.1 PREPARATION

These financial statements relate to the statement of financial position as of December 31, 2012 and 2011, and the changes in equity and cash flows for the years ended December 31, 2012 and 2011.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (“IASB”), and represent the full, explicit and unreserved application of the IFRS, in accordance with Circulars 1,924 of April 24, 2009, 556 of December 3, 2009 and 658 of February 2, 2011 of the Superintendency of Securities and Insurance (S.V.S).

These financial statements only contain the statements of financial position, changes in equity and cash flows and this note of accounting principles, in accordance with Letter 555 of the Superintendency of Securities and Insurance. They therefore do not contain all the information and disclosure requirements of IFRS.

The company complies with all the legal conditions of the environment in which it carries on its business, principally in the generation of biogas, and presents normal operating conditions in each area in which its activities are carried out, projecting a profitable operation 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 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 of the Company are shown in Chilean pesos, which is the company’s functional currency and the presentational currency for the financial statements.

| IFRS Amendments | Date of obligatory application |
|---|---|
| IFRS 9, Instrumentos Financieros, clasificación y medición | Annual periods starting on or after January 1, 2015 |
| IFRS 10, Estados Financieros consolidados | Annual periods starting on or after January 1, 2013 |
| IFRS 11, Acuerdos conjuntos | Annual periods starting on or after January 1, 2013 |
| IFRS 12, Revelaciones de participación en otras entidades | Annual periods starting on or after January 1, 2013 |
| IFRS 13, Medición al valor justo | Annual periods starting on or after January 1, 2013 |
| IFRIC 20, Costos de desmonte en la fase de producción de una mina a cielo abierto | |

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 |
|--|--|
| IFRS 7, Instrumentos Financieros: revelaciones | Annual periods starting on or after July 1, 2013 |
| IFRS 10, Estados Financieros Consolidados | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IFRS 11, Acuerdos Conjuntos | Annual periods starting on or after January 1, 2013 |
| IFRS 12 Revelaciones de participación en otras entidades | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 1 Presentación de Estados Financieros | Annual periods starting on or after January 1, 2013 |
| IAS 16 Propiedad, Planta y Equipo | Annual periods starting on or after January 1, 2013 |
| IAS 19, Beneficios a los empleados | Annual periods starting on or after January 1, 2013 |
| IAS 27 Estados Financieros separados | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 28, Inversiones en asociadas y negocios conjuntos | Annual periods starting on or after January 1, 2013 |
| IAS 32, Instrumentos Financieros presentación | Annual periods starting on or after January 1, 2013 Annual periods starting on or after January 1, 2014 |
| IAS 34, Informacion Financiera resumida | Annual periods starting on or after January 1, 2013 |

New accounting pronouncements

The following show the IFRS improvements and modifications, and interpretations that have been published in the year. These standards have not come into effect as of the date of these financial statements and the company has not applied/has applied them in advance:

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The management of the company is analyzing the eventual impact of these standards and amendments on the company’s financial statements.

Responsibility for the Information and Estimates Made

The information contained in these 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 certain information and disclosure requirements established in the IFRSD, as indicated in Note 2.1.. The board approved these financial statements at its meeting held on March 25, 2013.

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 booking and measurement is 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 of intangible assets:

Intangible assets with defined useful life.

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

Computer programs.

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

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. 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.

Useful lives

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

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

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

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

| Item | Vida Útil Mínima (años) | Vida Útil Máxima (años) |
|-----------------------------------|----------------------------|----------------------------|
| Plant & equipment | 5 | 50 |
| Computer equipment | 4 | 4 |
| Fixed installations & accessories | 5 | 80 |
| 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 Company’s assets and as there are no contractual obligations like those mentioned in IFRS and in regulations, 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 Group revises the book values of its tangible and intangible assets at each closing date of the statement of financial position to see whether there exists any indication of impairment. Should these exist, the recoverable value is estimated of such assets in order to determine the impairment suffered (if any). When it is not possible to estimate the recoverable value of an asset in particular, the 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 risk associated with the asset. When it is estimated that the recoverable value of an asset (or cash-generating unit) is less than its book value, the book value of that asset (or cash-generating unit) is adjusted to its recoverable value,

booking immediately a loss for impairment in results. When a loss for impairment is reversed, the book value of the asset (or cash-generating unit) is adjusted to the revised estimate of its recoverable value, provided the adjusted book value does not exceed the book value that would have been determined if no loss for impairment of the asset (or cash-generating unit) had been booked in previous periods.

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 Company 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 has no financial-leased assets purchased at the year-end.

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 check for the possible existence of implicit leases, in accordance with 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 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.

i. Effective interest-rate method

The effective interest-rate method is the method for calculating the amortized cost of a financial asset and of the assignment of interest income or expense over the whole corresponding period. The effective interest rate is the rate that exactly discounts the estimated future cash

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flows receivable over the expected life of the financial asset and the net present value (NPV) equal to zero.

iii. Loans and accounts receivable

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

Trade debtors and other accounts receivable.

Trade debtors and other accounts receivable are booked initially at their fair value, booked net of the estimate of doubtful accounts or low probability of payment.

Policy with respect to impairment of trade debtors and other accounts receivable

The Company evaluates periodically impairments affecting its financial assets. The amount the amounts in booked in the provisions account, being the difference between the book value and the present value of the estimated future cash flows. The book value of an asset is reduced to the extent that the provisions account is used and the loss is booked in the statement of comprehensive 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 ageing of debts and historic recovery, as follows:

A 100% provision is made for customers with debts overdue more than 120 days.

A 100% provision is made for past-due notes receivable.

F. FOREIGN CURRENCY TRANSACTIONS

i. Arrendamientos financieros

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

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 period in which they accrue.

G.FINANCIAL LIABILITIES

Loans and similar 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 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 Com-pay makes no provision for these concepts.

I. 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 Company 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 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 tax assets against tax liabilities and these are related to the same entity and tax authority.

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J. ORDINARY REVENUE

Policy for accounting for ordinary revenue

Revenue is booked arising from all 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 accounting for ordinary revenue 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 it is considered probable that the recovery, associated costs and possible discounts for mistaken collections is transferred to the customer, and can be estimated reliably.

Policy for accounting for ordinary revenue for sales of goods

Revenue from sales of goods is booked once the risk and benefits are transferred.

K. The environment

Assets of an environmental kind are those used constantly in the business of the Company, whose principal objective is to minimize adverse environmental impacts and ensure the protection and improvement of the environment, including the reduction or elimination of the future contamination of the operations of Aguas del Maipo 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 their useful lives.

L. Statement of cash flows

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

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

Operating activities. Typical activities of the normal business operation of the Company, plus others that cannot otherwise be defined as for 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 the ordinary activities.

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| STATEMENTS OF FINANCIAL POSITION | 2012 ThCh\$ | 2011 ThCh\$ |
|----------------------------------|-------------|-------------|
| ASSETS | | |
| Current assets | 753.481 | 125 |
| Non-current assets | 8.766.378 | - |
| Total assets | 9.519.859 | 125 |

| | | |
|----------------------------|-----------|-----|
| LIABILITIES | | |
| Current liabilities | 436.043 | - |
| Non-current liabilities | 16.949 | - |
| Equity | 9.066.867 | 125 |
| Minority participations | | |
| Total liabilities & equity | 9.519.859 | 125 |

| STATEMENT OF COMPREHENSIVE RESULTS | 2012 ThCh\$ | 2011 ThCh\$ |
|---|-------------|-------------|
| Ordinary revenue | 826.534 | - |
| Cost of sales | -612.864 | - |
| Financial result | -2.638 | - |
| Other non-operating results | 161 | - |
| Income tax | -31.165 | - |
| Minority participation | - | - |
| Earnings attributable to owners of the controller | 180.028 | - |

| STATEMENT OF CASH FLOWS | 2012 ThCh\$ | 2011 ThCh\$ |
|--|-------------|-------------|
| Net cash flow from operating activities | 88.066 | - |
| Net cash flow from investment activities | - | - |
| Net cash flow from financing activities | 162.411 | - |
| Increase (decrease) in cash & cash equivalents | 74.345 | 125 |
| Initial balance of cash & cash equivalents | 125 | - |
| Closing balance of cash & cash equivalents | 74.470 | 125 |

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| Statement of Changes in Equity | Issued capital | Other equity participations | Accumulated earnings (losses) | Equity attributable to owners of the controller | Non-controller participations | Total equity |
|--|----------------|-----------------------------|-------------------------------|---|-------------------------------|--------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Initial balance at 01-01-2012 | 250,000 | -249,875 | | 125 | | 125 |
| Restated initial balance | 250,000 | -249,875 | 0 | 125 | | 125 |
| Comprehensive result | | | 180,028 | 180,028 | | 180,028 |
| Capital increase | 7,517,935 | 257,251 | | 7,775,186 | | 7,775,186 |
| Reduction through transfers & other changes* | 203,286 | -418,092 | 1,326,334 | 1,111,528 | | 1,111,528 |
| Total changes to equity | 7,721,221 | -160,841 | 1,506,362 | 9,066,742 | 0 | 9,066,742 |
| Closing balance at 31-12-2012 | 7,971,221 | -410,716 | 1,506,362 | 9,066,867 | 0 | 9,066,867 |

* Effects of merger with Gestion y Servicios II S.A.

| Statement of Changes in Equity | Issued capital | Other equity participations | Accumulated earnings (losses) | Equity attributable to owners of the controller | Non-controller participations | Total equity |
|--------------------------------|----------------|-----------------------------|-------------------------------|---|-------------------------------|--------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Initial balance at 01-01-2011 | 0 | 0 | | 0 | | 0 |
| Restated initial balance | 0 | 0 | 0 | 0 | | 0 |
| Capital increase | 250,000 | -249,875 | | 125 | | 125 |
| Total changes to equity | 250,000 | -249,875 | 0 | 125 | 0 | 125 |
| Closing balance at 31-12-2011 | 250,000 | -249,875 | 0 | 125 | 0 | 125 |

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| 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 | |
|---|-------------------------------------|--------|--|--------|----------------------|--------|----------------------------------|--------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | THCH\$ | THCH\$ | THCH\$ | THCH\$ | THCH\$ | THCH\$ | THCH\$ | THCH\$ |

ASSETS

| | | | | | | | | |
|--------------------|---------------|---------------|-------------|-------------|------------|------------|-------------|-------------|
| Current assets | 121,282,743 | 82,643,261 | 19,848,481 | 22,732,377 | 2,420,975 | 3,275,668 | 15,700,330 | 11,935,892 |
| Non-current assets | 1,424,942,736 | 1,387,352,415 | 247,097,024 | 246,966,199 | 57,320,378 | 56,173,713 | 154,739,203 | 156,512,614 |
| Total assets | 1,546,225,479 | 1,469,995,676 | 266,945,505 | 269,698,576 | 59,741,353 | 59,449,381 | 170,439,533 | 168,448,506 |

LIABILITIES

| | | | | | | | | |
|----------------------------|---------------|---------------|-------------|-------------|------------|------------|-------------|-------------|
| Current liabilities | 166,752,321 | 197,885,701 | 30,116,704 | 21,736,507 | 3,051,130 | 9,956,126 | 9,785,029 | 7,616,140 |
| Non-current liabilities | 695,220,880 | 593,048,155 | 41,080,451 | 43,471,980 | 12,616,821 | 7,819,496 | 54,424,201 | 56,065,725 |
| Equity | 621,754,411 | 614,087,975 | 195,748,160 | 204,489,910 | 44,073,402 | 41,673,759 | 67,831,966 | 66,958,441 |
| Minority participations | 62,497,867 | 64,973,845 | 190 | 179 | | | 38,398,337 | 37,808,200 |
| Total liabilities & equity | 1,546,225,479 | 1,469,995,676 | 266,945,505 | 269,698,576 | 59,741,353 | 59,449,381 | 170,439,533 | 168,448,506 |

STATEMENT OF RESULTS

| | | | | | | | | |
|---|---------------|---------------|--------------|--------------|-------------|-------------|--------------|--------------|
| Ordinary revenue | 382,885,743 | 362,767,808 | 50,127,749 | 49,824,267 | 8,112,953 | 8,288,727 | 38,913,676 | 35,144,206 |
| Cost of sales | (196,172,512) | (189,537,400) | (27,971,985) | (28,026,092) | (4,310,646) | (5,008,462) | (24,232,014) | (23,770,343) |
| Financial result | (15,879,368) | (19,164,659) | (669,543) | (738,522) | (237,501) | (352,546) | (2,081,223) | (2,492,249) |
| Other non-operating revenue | (13,286,215) | (16,211,568) | (867,156) | 374,828 | (74,299) | 1,331,719 | (1,178,027) | (1,878,986) |
| Income tax | (35,793,146) | (25,687,519) | (4,748,657) | (3,071,219) | (1,074,219) | (531,305) | (3,863,789) | (1,164,596) |
| Minority participations | (484,943) | (687,399) | (11) | (16) | | | (3,708,098) | (2,865,049) |
| Earnings attributable to owners of the controller | 121,269,559 | 111,479,263 | 15,870,397 | 18,363,246 | 2,416,288 | 3,728,133 | 3,850,525 | 2,972,983 |

STATEMENT OF CASH FLOWS

| | | | | | | | | |
|--|---------------|---------------|--------------|--------------|-------------|-------------|--------------|-------------|
| Net cash flow from operating activities | 203,418,938 | 200,041,253 | 27,170,655 | 27,339,397 | 4,904,498 | 6,265,925 | 18,576,738 | 15,588,755 |
| Net cash flow from investment activities | (105,369,199) | (122,264,884) | 8,328,553 | (10,494,973) | (425,682) | (1,387,001) | (5,325,518) | (5,750,266) |
| Net cash flow from financing activities | (67,456,801) | (78,814,832) | (26,707,777) | (17,401,898) | (4,558,883) | (4,770,798) | (10,335,895) | (8,467,284) |
| Net increase (decrease) in cash & cash equivalents | 30,592,938 | (1,038,463) | 8,791,431 | (557,474) | (80,067) | 108,126 | 2,915,325 | 1,371,205 |
| Initial 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 |
| Closing balance of cash & cash equivalents | 35,644,437 | 5,051,499 | 9,716,568 | 925,137 | 87,690 | 167,757 | 5,621,340 | 2,706,015 |

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|--|------------|--------|---------------|--------|---------------------|--------|-------------------------|--------|--------------------------|--------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | THCH\$ | THCH\$ | THCH\$ | THCH\$ | THCH\$ | THCH\$ | THCH\$ | THCH\$ | THCH\$ | THCH\$ |

ASSETS

| | | | | | | | | | | |
|--------------------|-------------|-------------|-----------|-----------|-----------|-----|-----------|-----------|-----------|-----------|
| Current assets | 15,695,515 | 11,929,000 | 4,043,103 | 4,166,662 | 753,481 | 125 | 7,527,597 | 5,772,506 | 3,245,983 | 2,283,730 |
| Non-current assets | 128,022,490 | 127,429,695 | 216,291 | 193,088 | 8,766,378 | - | 329,548 | 1,772,187 | 1,900,236 | 1,385,679 |
| Total assets | 143,718,005 | 139,358,695 | 4,259,394 | 4,359,750 | 9,519,859 | 125 | 7,857,145 | 7,544,693 | 5,146,219 | 3,669,409 |

LIABILITIES

| | | | | | | | | | | |
|----------------------------|-------------|-------------|-----------|-----------|-----------|-----|-----------|-----------|-----------|-----------|
| Current liabilities | 10,959,850 | 8,499,584 | 1,304,359 | 1,409,571 | 436,043 | - | 3,676,247 | 2,175,087 | 974,628 | 484,559 |
| Non-current liabilities | 54,424,201 | 53,699,519 | - | | 16,949 | - | 64,668 | | - | |
| Equity | 78,363,954 | 77,159,592 | 2,955,035 | 2,950,179 | 9,066,867 | 125 | 4,116,230 | 5,369,606 | 4,171,590 | 3,184,850 |
| Minority participations | | | | | | | | | | |
| Total liabilities & equity | 143,748,005 | 139,358,695 | 4,259,394 | 4,359,750 | 9,519,859 | 125 | 7,857,145 | 7,544,693 | 5,146,218 | 3,669,409 |

STATEMENT OF RESULTS

| | | | | | | | | | | |
|---|--------------|--------------|-------------|-------------|-----------|---|-------------|-------------|-------------|-------------|
| Ordinary revenue | 38,913,676 | 35,513,184 | 10,442,333 | 9,683,463 | 826,534 | - | 8,281,044 | 8,298,258 | 4,983,083 | 4,543,200 |
| Cost of sales | (24,227,120) | (24,134,508) | (8,772,900) | (8,121,391) | (612,864) | - | (7,901,869) | (8,286,605) | (3,831,767) | (3,282,330) |
| Financial result | (2,081,215) | (2,492,222) | 72,481 | 164,216 | (2,638) | - | (46,782) | (67,779) | 69,899 | 76,857 |
| Other non-operating revenue | (1,178,027) | (1,878,986) | 6,164 | 10,688 | 161 | - | 4,718 | 25,359 | 769 | 584 |
| Income tax | (3,859,767) | (1,160,429) | (334,410) | (328,164) | (31,165) | - | (53,492) | 38,392 | (235,243) | (246,725) |
| Minority participations | | | | | | | | | | |
| Earnings attributable to owners of the controller | 7,567,547 | 5,847,039 | 1,413,668 | 1,408,812 | 180,028 | - | 283,619 | 7,625 | 986,741 | 1,091,586 |

STATEMENT OF CASH FLOWS

| | | | | | | | | | | |
|--|--------------|-------------|-------------|-------------|----------|-----|-----------|-------------|-----------|-------------|
| Net cash flow from operating activities | 18,583,792 | 15,595,920 | 984,149 | 1,442,761 | (88,066) | - | (612,881) | (1,142,371) | 1,253,443 | 1,193,057 |
| Net cash flow from investment activities | (5,325,518) | (5,750,266) | 1,459,745 | 3,202,322 | - | - | (33,969) | 309,576 | 456,085 | 1,565,010 |
| Net cash flow from financing activities | (10,340,872) | (8,476,997) | (1,408,812) | (6,804,092) | 162,411 | 125 | 777,172 | 469,000 | - | (2,812,861) |
| Net increase (decrease) in cash & cash equivalents | 2,917,402 | 1,368,657 | 1,035,082 | (2,159,009) | 74,345 | 125 | 130,322 | (363,795) | 1,709,528 | (54,795) |
| Initial balance of cash & cash equivalents | 2,699,123 | 1,330,466 | 101,269 | 2,260,278 | 125 | - | 2,633 | 366,428 | 1,374 | 56,169 |
| Closing balance of cash & cash equivalents | 5,616,525 | 2,699,123 | 1,136,351 | 101,269 | 74,470 | 125 | 132,955 | 2,633 | 1,710,902 | 1,374 |

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