



AGUAS
andinas®

ANNUAL REPORT 2013

Pura
VIDA

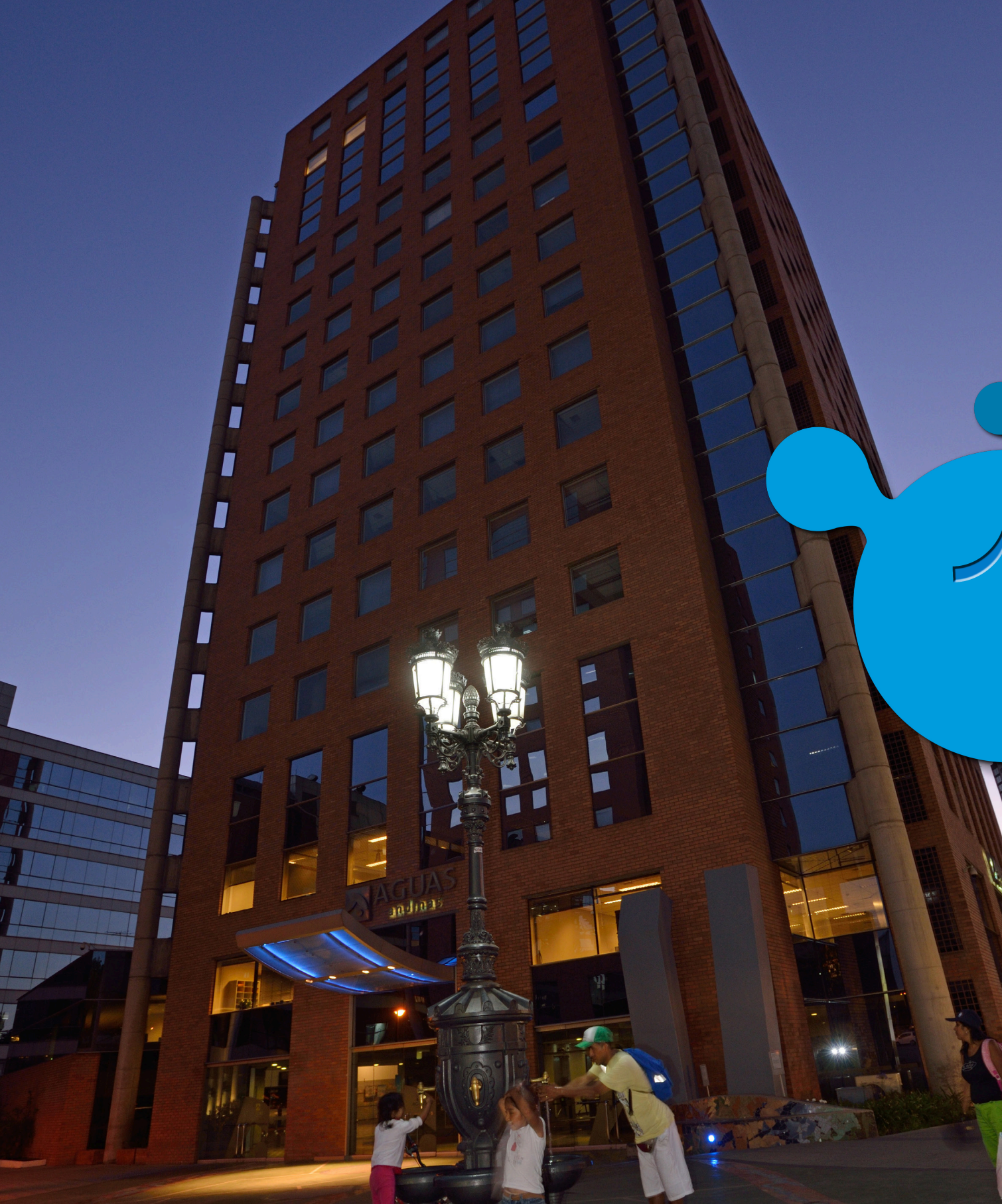


Pura
VIDA

Throughout 2013 we achieved great things and faced challenges that enabled us to grow as a company. We reached new sectors and more people, we continued our commitment to caring for the environment.

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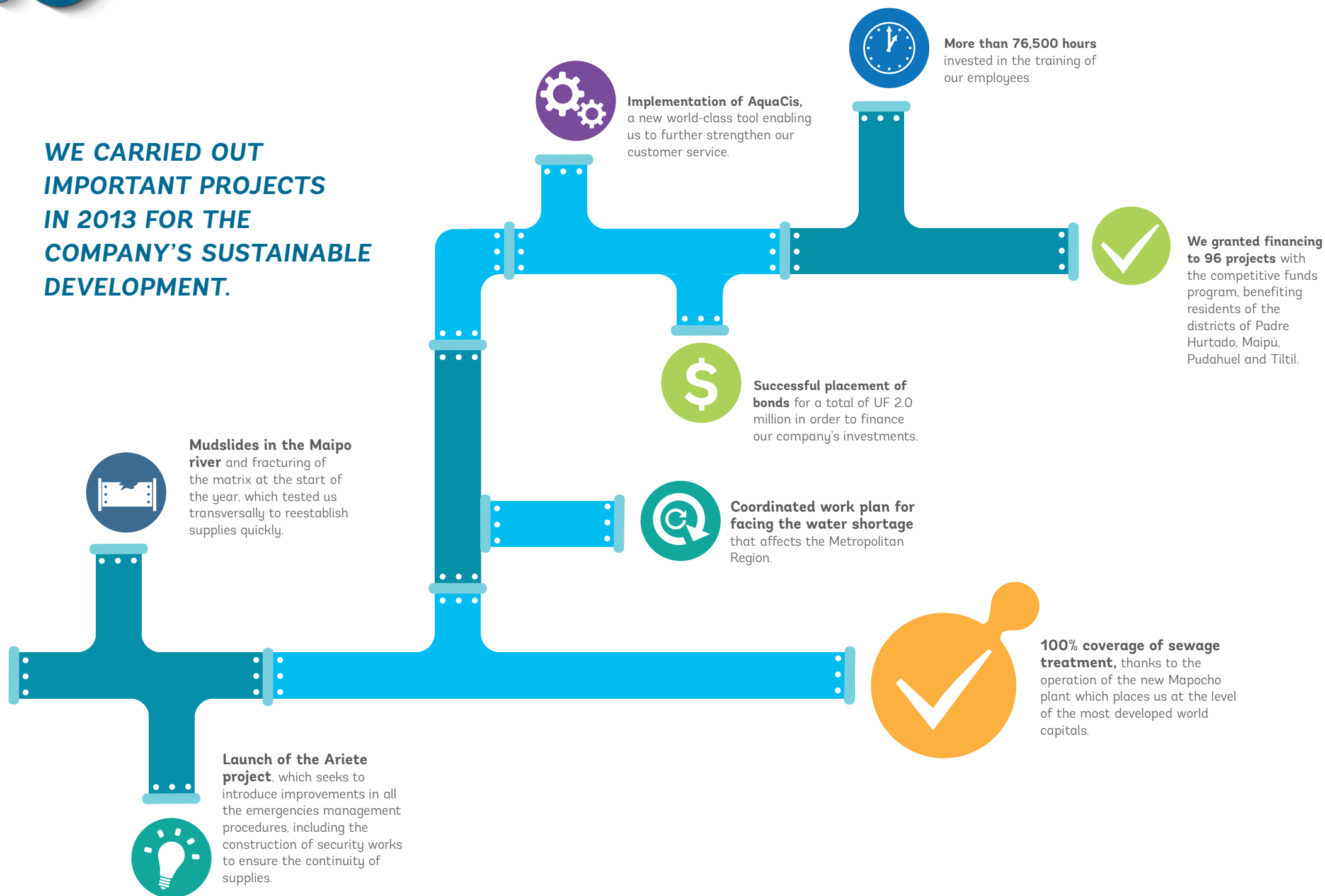
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OUR
COMPANY

**WE CARRIED OUT
IMPORTANT PROJECTS
IN 2013 FOR THE
COMPANY'S SUSTAINABLE
DEVELOPMENT.**





FINANCIAL SUMMARY



As of December 31	2009	2010	2011	2012	2013
Revenue water	145,617	136,573	147,715	152,918	157,307
Revenue sewage	139,292	148,169	166,504	174,839	184,299
Other regulated revenue	12,681	12,994	11,707	14,948	16,067
Other non-regulated revenue	29,685	31,228	37,806	40,181	44,951
Total revenue	327,225	328,964	363,733	382,886	402,624
Operating income	155,684	149,786	173,230	187,194	182,572
Earnings for the year	123,048	103,850	111,479	121,738	116,676
Total assets	1,398,897	1,406,439	1,469,996	1,546,225	1,577,711
Short-term liabilities	115,639	92,932	197,886	166,752	220,195
Long-term liabilities	599,680	639,876	593,048	695,221	679,847
Minority interest	66,945	66,044	64,974	62,498	61,128
Equity	616,633	607,588	614,088	621,754	616,541



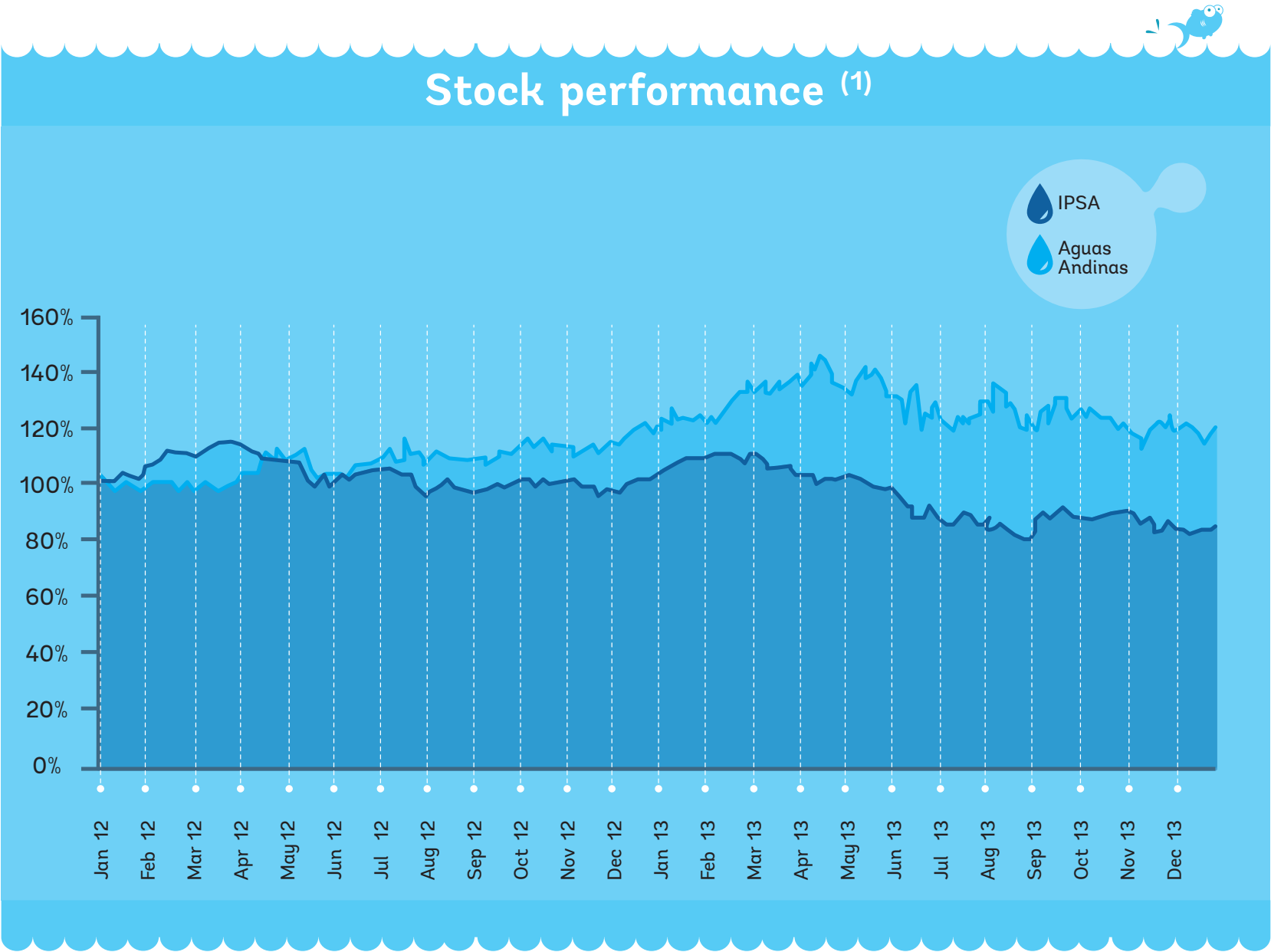
OPERATIONAL INFORMATION



As of December 31	2009	2010	2011	2012	2013
Total water customers	1,871,287	1,908,816	1,966,639	1,984,132	2,039,298
Total sewage collection customers	1,828,606	1,865,772	1,913,081	1,943,788	1,999,419
Total water invoiced (millions of m ³)	510.4	520.5	535.5	539.2	548.6
Sewage collection invoiced (millions of m ³)	495.9	507.2	521.8	526.5	533.9
Sewage treatment & disposal invoiced (millions of m ³)	432.1	442.3	454.2	460.4	466.7
Sewage interconnection invoiced (millions of m ³)	114.3	116.3	118.9	119.6	119.1
Total water coverage	100.0%	100.0%	100.0%	100.0%	100.0%
Total sewage collection coverage	97.89%	98.70%	98.80%	98.50%	(1)
Total sewage treatment coverage	75.59%	85.50%	85.50%	100%	(1)
Total employees	1,801	1,926	1,805	1,839	1,853

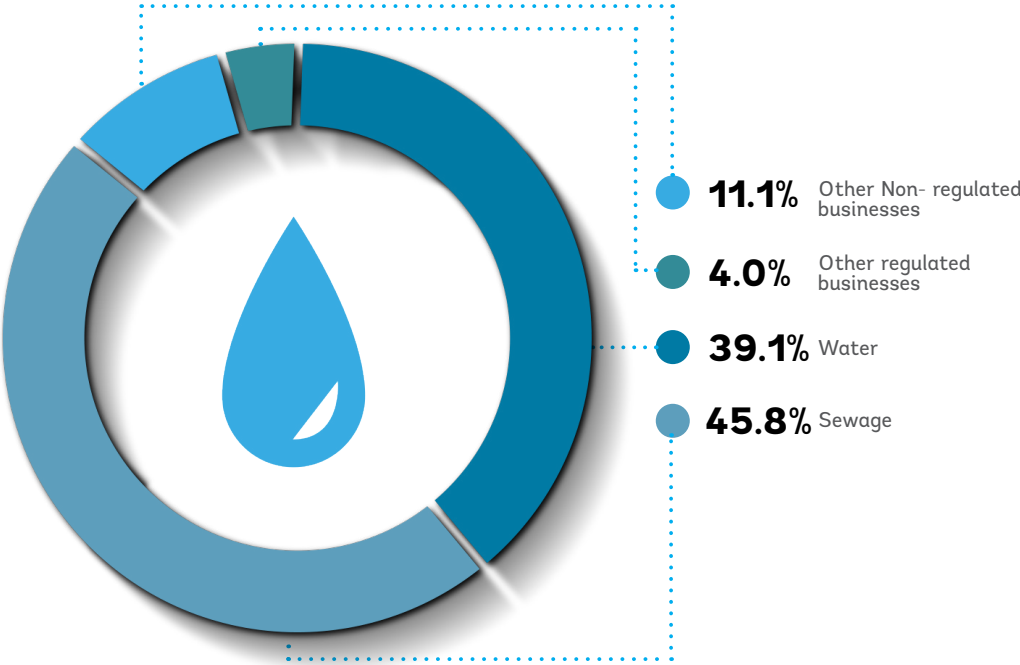
(1) Estimate by the Superintendency of Sanitation Services which will be published during 2014.



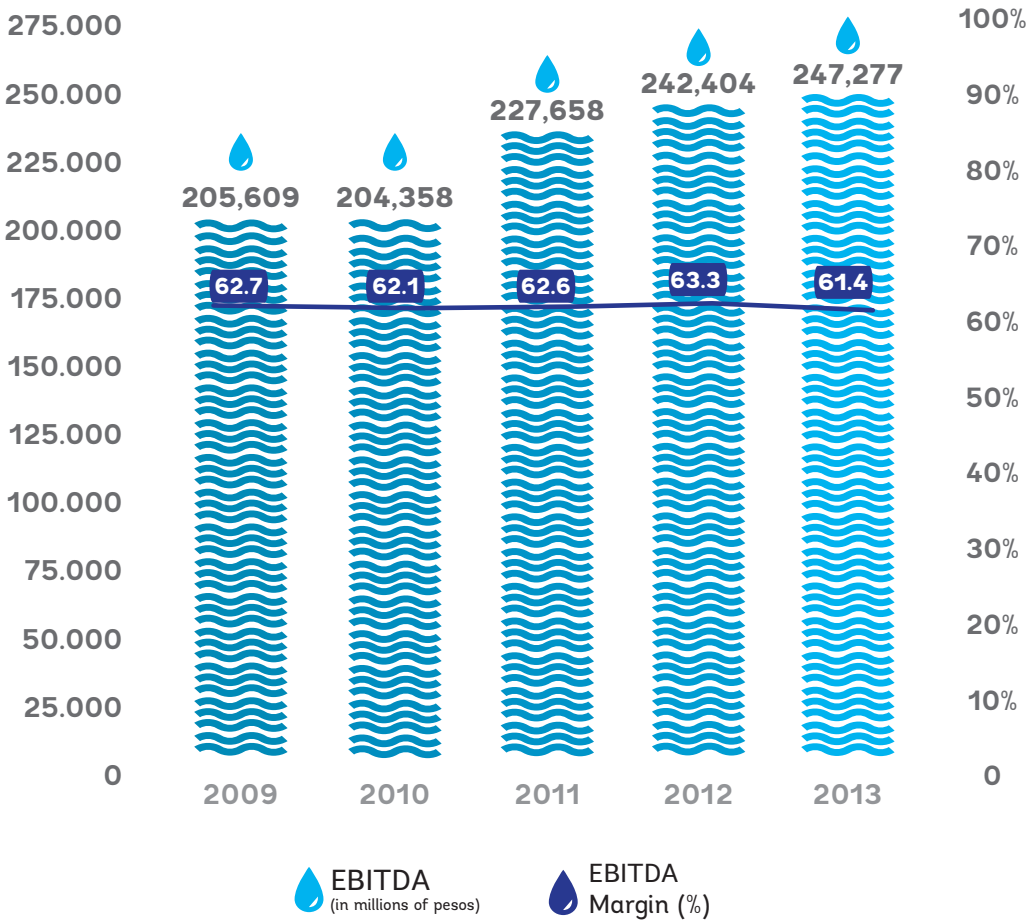


(1) Source: Santiago Stock Exchange Base 100

2013 REVENUE BREAKDOWN



EBITDA – EBITDA margin





OUR COMPANY

**WE ARE AGUAS ANDINAS S.A.,
THE LARGEST SANITATION
COMPANY IN CHILE AND A
MEMBER OF ONE OF THE MOST
IMPORTANT SANITATION GROUPS
IN LATIN AMERICA.**

Our task is to provide the residents of Chile's Metropolitan, De Los Lagos and De Los Ríos regions with the services of raw water catchment, the production, transport and distribution of drinking water, and the collection, treatment and disposal of sewage.

Our mission:

To give life to the inhabitants and environment of the Santiago basin. We work day and night to ensure a continuous supply, with high standards of quality and reliability.

Our History: 152 Years of Experience

1861: Empresa de Agua Potable de Santiago is formed.

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.

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

1989: EMOS is transformed into a corporation, subsidiary of CORFO.

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.

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 plant starts operations and 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.



OUR COMPANY



Our History: 152 Years of Experience

2003: ILa Farfana sewage treatment plant starts operations. ISO 9.000 certification obtained for customer attention.

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. Creation of the company's first virtual commercial agency..

2009: The SAP platform is updated, permitting the application of IFRS accounting standards. Start of Customers Strategic Plan, PEC, which seeks to renew customer attention information systems.

2010: The Clean Urban Mapocho project is inaugurated following two years' work, an environmental project that becomes one of the country's bicentennial highlights. Construction starts on the Mapocho plant. Suez Environnement acquires 75.01% of the share capital of Agbar.

2011: Da Vinci plan is launched to prepare the company for future challenges. 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 company obtains the re-certification of the international standard OHSAS 18.001. Aguas Andinas is awarded the "Best Company" prize by ICARE, one of the most prestigious awards in Chile.

2013

THE MAPOCHO PLANT STARTS OPERATIONS, THUS ACHIEVING THE COMMITMENT TO TREAT 100% OF THE URBAN WASTE WATERS GENERATED BY THE INHABITANTS OF THE METROPOLITAN REGION, PLACING SANTIAGO AT THE LEVEL OF THE MOST DEVELOPED WORLD CAPITALS IN THE SANITATION AREA. AS A RESULT OF EVENTS OF SEVERE WATER MUDDINESS THAT OCCURRED EARLY IN THE YEAR, THE COMPANY BEGAN ITS ARIETE PROJECT TO INTRODUCE IMPROVEMENTS TO ALL THE EMERGENCIES MANAGEMENT PROCEDURES.



CHAIRMAN'S LETTER

I have pleasure in presenting to you the company's annual report and financial statements for the year ended December 31, 2013.

I wish to begin by mentioning that the company in 2013 faced new challenges which taught us lessons that have enabled us to strengthen the management and processes for dealing with events of force majeure that could impact on our mission of guaranteeing the continuity of the water service in the Metropolitan Region.

New Management of Events of Force Majeur

The summer rains and mudslides in 2013 in the river Maipo, Santiago's principal source of water, increased the muddiness of the water to extreme levels that made the production of drinking water impossible for several hours.

Much to our regret, the company's water reserves did not enable us to overcome the intensity of the phenomenon and the almost 36 hours it lasted. Clearly these summer events, although considered ones of force majeure, implied a high cost in reputational terms, and also economic terms, as we had to provide close to Ch\$3,770 million in compensation to our customers and pay fines imposed by the Superintendency of Sanitation Services. In this complex situation, I should like to praise especially the commitment and sense of responsibility of all the company's personnel.

Having resolved this contingency, Aguas Andinas has revised its emergency management procedures, resulting in a redesign of processes and a plan of operative measures for responding more rapidly to the needs of our customers. The Security Infrastructure Projects Plan, of which Phase 1 was completed on December 31, was part of this effort. Phase 2 of this plan will increase our water reserves and the autonomy of the system.

We thus entered 2014 with a reinforced service and one less vulnerable to phenomena of this nature.

Continuity of Service

The modest rainfalls that have affected the central part of Chile over the past four years have also been a challenge for ensuring the water supply to our customers.

As a result of a plan combining investments and alliances with the principal users of the river Maipo for a comprehensive management of the resource, we have been able to guarantee the availability of raw water to meet our users' demands.

Thanks to the collaboration of the river Maipo's Vigilance Associations, Sociedad Canal del Maipo, farmers, canal-user associations and hydroelectric companies, we have been able to restore the levels of the El Yeso reservoir, Santiago's principal water reserve.

With great satisfaction, and even if we have a fifth dry year, Aguas Andinas can assure domestic water supplies for 2014 and the summer of 2015 in our concession area.

We have also worked continuously on reducing water losses and trunk-line fractures in our network, which in Santiago includes over 15,000 kilometers of water line and 13,000 kilometers of sewer line. In one year, we managed to reduce from 0.19 to 0.08 the number of fractures per kilometer. We are therefore within the most demanding global standards, which naturally makes us proud, but our objective is to continue working to reduce them further.

Progress of the Customers Strategic Plan

Thinking of our customers, we strengthened the development of our Strategic Plan. During the year, we started an information platform with a CRM and new biller which will further reinforce our vocation for excellence in customer service. In this way, we were able to bill over 1,800,000 customers monthly after just the first two months of operation, receive their payments and provide a exceptional customer service.

Management of talent and knowledge

As modern and sustainable companies are doing everywhere, we made important progress in 2013 in the strengthening of our employees' skills. We began a series of programs that enable us to have the tools for gathering and ordering the capacities and skills of the company's human capital. The Integrated Talent Management oversees the processes of recruitment and selection, performance evaluation, development and formation, career plan and knowledge-management processes.



CHAIRMAN'S LETTER

Corporate Governance

During the year, the shareholders approved an update of the company's bylaws in order to incorporate the latest legal reforms affecting corporations. The board also approved the voluntary practices for better corporate governance suggested by the Superintendency of Securities and Insurance, by its General Rule No.341.

Conclusion of Sanitation Plan

We welcomed the operation of the Mapocho plant last year, an important milestone in environmental matters, which enabled us to complete successfully the Santiago Basin Sanitation Plan and to treat 100% of the waste waters produced by the inhabitants of the Metropolitan Region in our concession area. This milestone positions our capital at the level of the most developed countries in the world in the sanitation area.

We know that we must be a company that continually improves and strives to meet the demands of an evolving customer base, challenging environmental conditions and a dynamic country, and we must continue our commitment to being a reliable investment for our shareholders. I invite you to examine our Sustainability Report 2014 which goes deeper into our economic, social and environmental performance.



Felipe Larrain Aspillaga,
Chairman of the Board



Directors

1. CHAIRMAN
Felipe Larrain Aspillaga
Civil Engineer
2. VICE CHAIRMAN
Josep Bagué Prats
Economist
3. DIRECTOR
Ricardo Escobar Calderón
Lawyer

Alternate directors

- Olivier Jacquier
Joint finance director
- Fernando Samaniego Sangroniz
Lawyer
- Xavier Amorós Corbella
Lawyer

4. DIRECTOR
Herman Chadwick Piñera
Lawyer
5. DIRECTOR
Bruno Philipp Irarrázabal
Civil Engineer
6. DIRECTOR
Rodrigo Manabens Moltedo
Commercial Engineer
7. DIRECTOR
Gonzalo Rojas Vildósola
Commercial Engineer

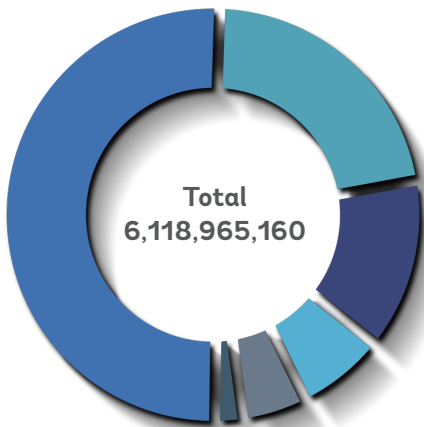
- Lorenzo Bernaldo de Quiroz
Economist, degree in law
- Jorge Cosme Sagnier
Economist
- Rodrigo Terré Fontbona
Civil Engineer
- Jaime Cuevas Rodríguez
Commercial Engineer



OWNERSHIP OF THE COMPANY

As of December 31, 2013, the capital of Aguas Andinas is divided into 6,118,965,160 shares, all fully subscribed and paid, distributed among 1,701 shareholders.

Distribution by type of shareholder



● **IAM**
50.10%
3,065,744,510 shares

● **INTERNATIONAL**
22.24%
1,360,705,655 shares

● **OTHERS**
13.53%
827,663,683 shares

● **BROKERS**
7.01%
429,066,484 shares

● **CORFO**
5.00%
305,948,258 shares

● **CHILEAN PENSION FUND**
2.12%
129,836,570 shares



Major Shareholders



The following were the 12 largest shareholders of Aguas Andinas at the end of 2013:

Name	Tax n°	Share	Serie	%
Inversiones Aguas Metropolitanas S.A.	77.274.820 - 5	3,065,744,510	A	50.10%
Banco Itaú on behalf of investors	76.645.030 - K	532,909,866	A	8.71%
Banco de Chile on behalf of non-resident third parties	97.004.000 - 5	524,741,851	A	8.58%
Corporación de Fomento de la Producción (CORFO)	60.706.000 - 2	305,948,258	B	5.00%
Banco Santander on behalf of foreign investors	97.036.000 - K	258,049,443	A	4.22%
Transacciones e Inversiones Arizona S.A.	76.806.870 - 4	239,333,179	A	3.91%
Bethia S.A.	78.591.370 - 1	130,297,010	A	2.13%
Banchile Corredores de Bolsa S.A.	96.571.220 - 8	96,222,306	A	1.57%
Corpbanca Corredores de Bolsa S.A.	96.665.450 - 3	94,266,027	A	1.54%
Asociación de Canalistas Sociedad del Canal de Maipo	70.009.410 - 3	70,426,696	A	1.15%
BTG Pactual Chile S.A. Corredores de Bolsa	84.177.300 - 4	53,791,290	A	0.88%
Larrain Vial S. A. Corredora de Bolsa	80.537.000 - 9	45,921,787	A	0.75%
Others Series A (1,662 shareholders)		699,325,452	A	11.43%
Others Series B (27 shareholders)		1,987,485	B	0.03%
		6,118,965,160		100.00%



OWNERSHIP OF THE COMPANY

Strategic Partner

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

The Recognized Experience of Agbar and Suez

With 145 years of experience, Sociedad General de Aguas de Barcelona, Agbar, is an international benchmark in the sanitation industry, with operations in 14 countries: Spain, Chile, United Kingdom, Mexico, Cuba, Colombia, Algeria, Peru, Brazil, Turkey, Portugal, France, Cape Verde Islands and the United States. Agbar provides services to 14 million people in Spain and to more than 26 million users worldwide.

The Suez Environnement Group controls Agbar with a 75.35% stake.

With more than 79,000 employees and 120 years of experience, Suez is a world leader in water and sewage management, with a presence in than 70 countries.

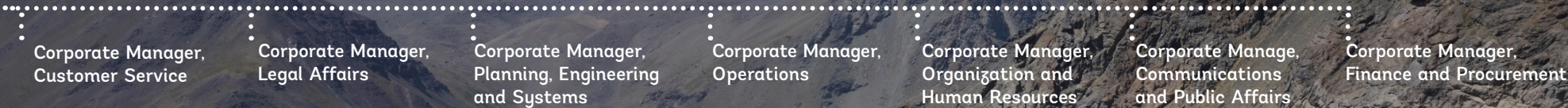
There is no shareholders agreement between Agbar and Suez.





MANAGEMENT

CHIEF EXECUTIVE OFFICER



1. CHIEF EXECUTIVE OFFICER
Jordi Valls Riera / Lawyer

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, ORGANIZATION AND HUMAN RESOURCES
Lluc Orpella Bernat / Economist

7. CORPORATE MANAGER, COMMUNICATIONS AND PUBLIC AFFAIRS
Ana Olate Soto / Journalist

8. CORPORATE MANAGER, FINANCE AND PROCUREMENT
Iván Yarur Sairaí / Ingeniero Civil Industrial

Aguas Andinas and its sanitation subsidiaries supply water, sewage and sewage treatment services to over 2 million customers, classified as residential, commercial and industrial.

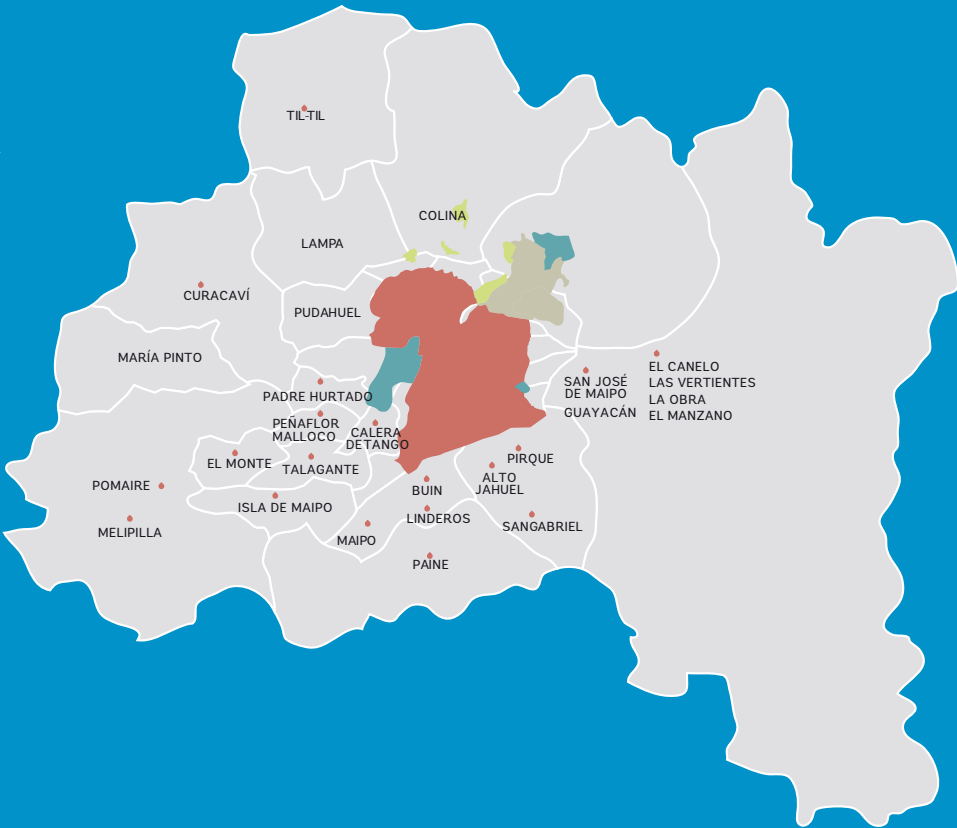
These customers are distributed in concession zones covering a territory of 70,000 hectares in the Metropolitan Region, plus an area of 67,000 hectares in the regions of De Los Lagos and De Los Ríos in the south of Chile.

AN ESTIMATED POPULATION OF APPROXIMATELY 8 MILLION PEOPLE IS SUPPLIED BY THE SANITATION SERVICES PROVIDED BY AGUAS ANDINAS, MAKING IT THE PRINCIPAL SANITATION COMPANY IN THE COUNTRY AND ONE OF THE LARGEST IN LATIN AMERICA.



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.



- AGUAS ANDINAS

SEWAGE DISPOSAL

AGUAS CORDILLERA

ESSAL

AGUAS MANQUEHUE

Coverage in the regions of De Los Lagos and De Los Ríos

In the south of the country, specifically the 10th and 14th Regions, the concession belongs to ESSAL and 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.





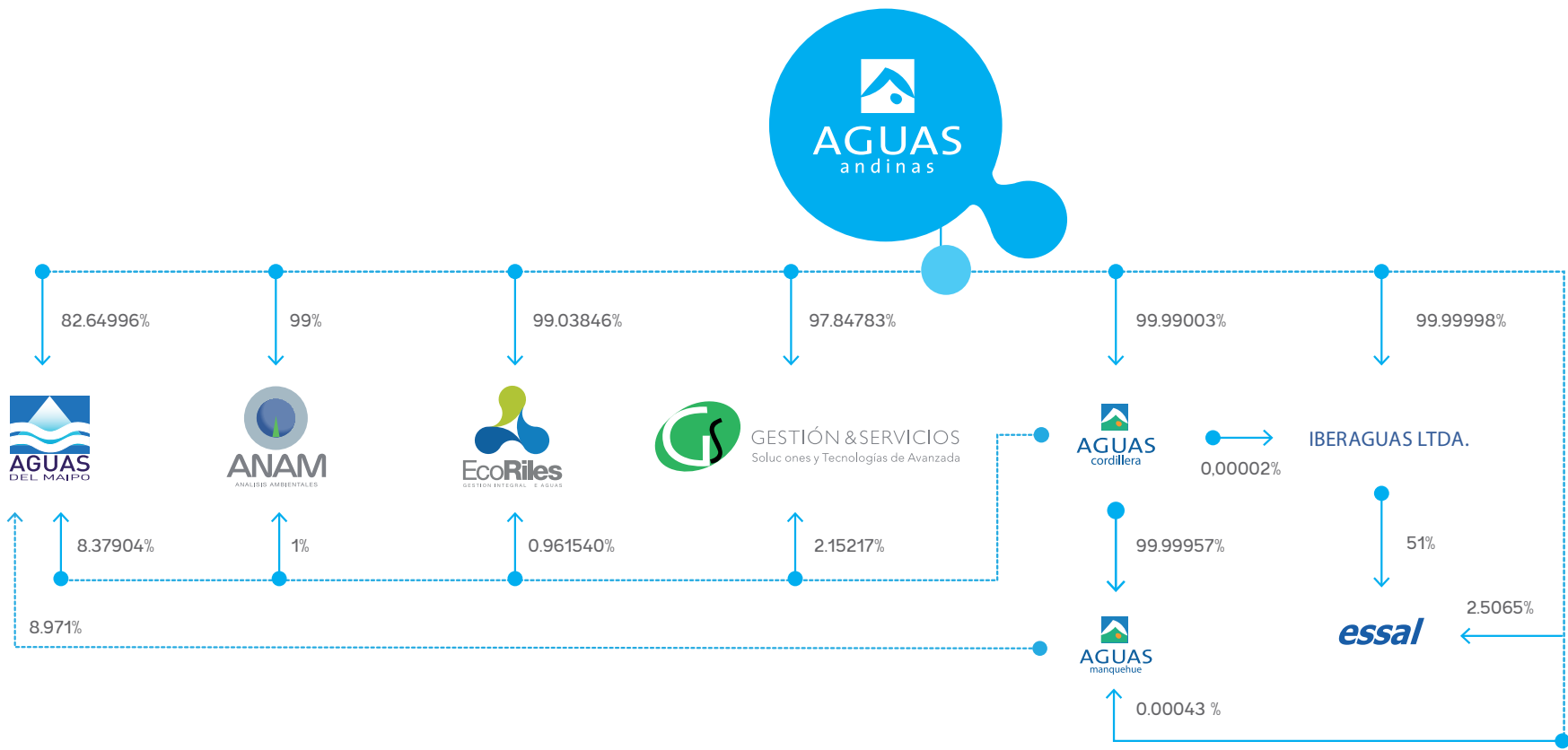
The Aguas Group consists of a group of related companies that provide integral services in the sanitation market.

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

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

The non-regulated subsidiaries offer services of industrial waste treatment, the sale of equipment and non-conventional renewable energies, laboratory analysis and the development of energy projects relating to sanitation companies.

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



The business of Aguas Andinas is directly linked to the sustainability of its stakeholders. As the principal supplier of water, the continuity and quality of its service have a direct impact on the quality of life of its **customers** and the country's development. The Company's relationships with **communities** and to the **environment** are an indissoluble part of its management, as the company's operations, from the management and use of the water sources to the reutilization or disposal of waste, require processes that have a direct or indirect impact on the sustainability of these stakeholders. The meticulous nature of its work is also linked to the safety, training, labor benefits and professional careers of its **employees** and its **suppliers**. This way of managing the business permits the creation of value for its **shareholders** and transparent relations with the authorities.

The following is a summary of Aguas Andinas' commitments with its stakeholders. We also invite you to review our Sustainability Report 2014 published on www.aguasandinas.cl.

COMMITMENTS WITH OUR STAKEHOLDERS





SUSTAINABILITY IN AGUAS ANDINAS / COMMITMENTS

Employees

- **Development:** Establish formation and development monitoring plans that offer the possibilities of promotion and improvement, in both the personal and professional areas.
- **Work safety:** Effectively integrate safety and occupational health in its activities, promoting formation and participation in this area.
- **Conciliation:** Implement measures that permit the conciliation of professional life with personal life, in order to support a balanced division of responsibilities between both spheres.
- **Impartiality:** Consider preventive measures for encouraging fairness and diversity, avoiding discrimination due to gender, religion or other reasons.
- **Communication:** : Provide and improve the communication channels and dialogue tools that assist participation in carrying out common objectives.

Customers

- **Continuity of service:** Ensure the water supply to our customers, anticipating their future requirements and managing the variables that place supplies at risk.
- **Water quality:** Ensure that the water quality meets the highest safety standards.
- **Communication:** Establish effective communications, motivating the creation of different platforms that facilitate access and prompt responses.

Shareholders

- **Responsibility:** Create added value for shareholders through sustainable and responsible actions.
- **Transparency:** Facilitate communication with shareholders through suitable channels, transparently and driven bi-directionality, taking into account the concerns and needs of socially-responsible funds over and above purely economic ones.

Community

- **Active dialogue:** Establish permanent levels of dialogue that encourage participation and agreements.
- **Calidad de vida:** Be involved in the improvement in the quality of life of the local community in which it operates, through communication and informative actions that motivate the sustainable use of water, offering the company's experience.

Suppliers

- **Integrity:** Establish relations based on the principles of integrity and honesty, promoting transparency in its relations and promoting sustainability practices.

Authorities

- **Transparency:** Maintain a policy of transparency in relations through a fluid dialogue that seeks the best alternatives for the user of the services. Act proactively with respect to the sector's regulatory changes, anticipating future requirements for offering assurance and safety in the supply of services and products.



CUSTOMER
SERVICE

Customers Strategic Plan

As part of the Customers Strategic Plan, PEC, the new AquaCis system started operating in November 2013, a world-class technological tool that will further reinforce our customer service.

AquaCis covers all the commercial operation processes like customer attention, contracting of services, meter readings, billing and collections. Linked to the Siebel tool, which was introduced in 2011, it integrates in just one technological platform the whole commercial process and work performance.

The introduction of AquaCis has enabled more than 1,800,000 customers monthly to be billed in its first two months of operation, receiving payments both in its own customer service agents.

the great commitment of the staff involved in the process. 480 agency, commercial zone, contact center, back office and contractor users were trained under an innovative methodology that implied the formation of 22 tutors (expert employees) in teaching skills, with an investment of over 9,000 hours of training.

As part of the actions contemplated in the PEC, the year ended with the **training program for specialist contractors** who are responsible for carrying out technical works in infrastructure which are generated from customer requirements. In this way, 377 workers of the companies Copergo, Eulen, Luxagua and Npasur completed their "Customer Attention Certification", a formation process that accredits the handling of the tools for satisfactorily attending customers.



Customers for water

Zone	2012	2013
Antilco	538,668	546,209
Cordillera	145,034	151,776
Mapué	410,897	419,882
Maipo	120,654	124,039
Mapocho	566,772	589,718
ESSAL	202,107	207,674
Total	1,984,132	2,039,298

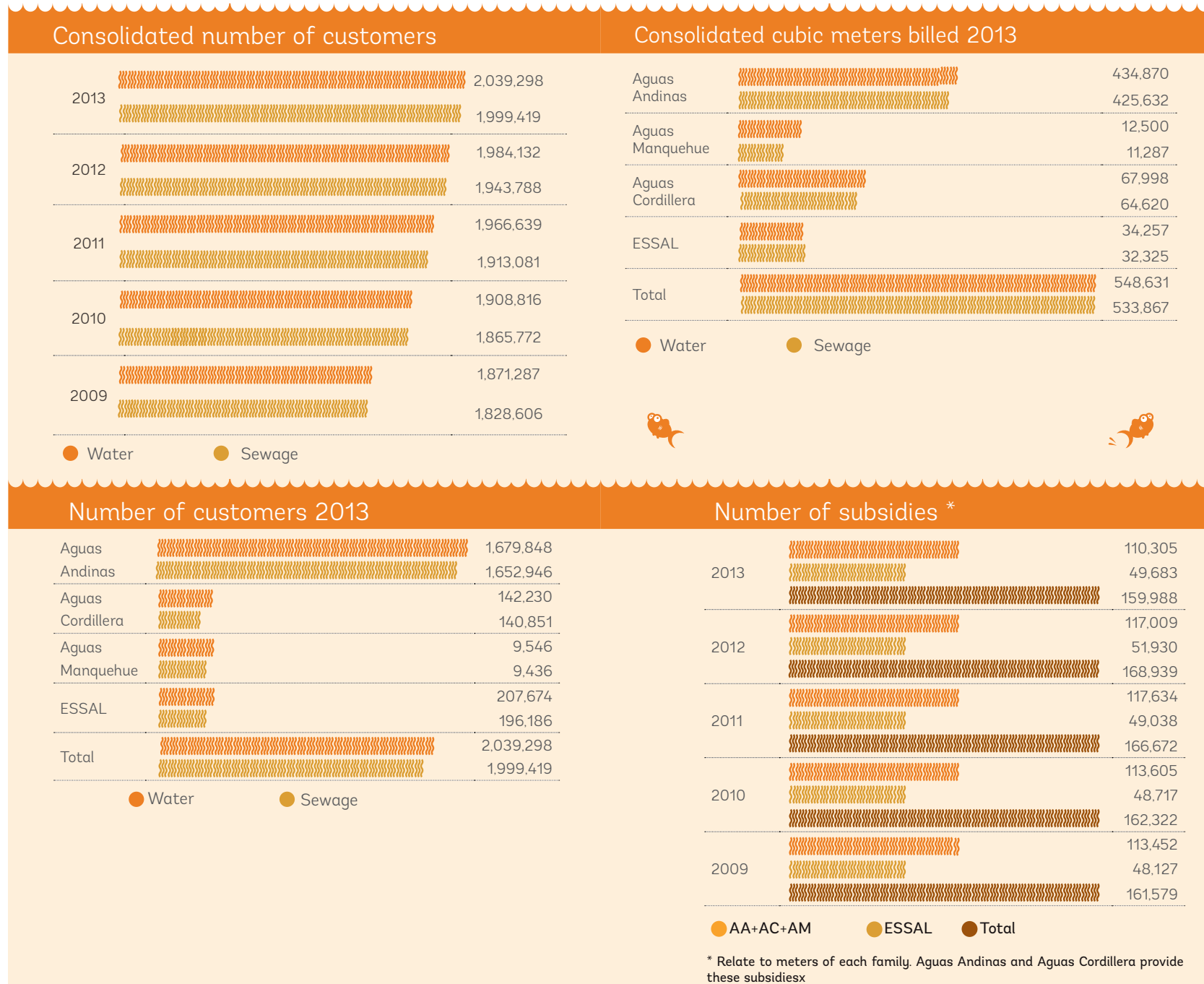
2 CUSTOMER SERVICE

Customers in Figures

By the end of 2013, the number of customers of Aguas Andinas with the water service was 1,679,848, representing an increase of 2.6% over the previous year. The number of sewage services customers was 1,652,946, 2.6% more than in 2012.

At the consolidated level, the number of water services customers was 2,039,298 and of sewage services 1,999,419.

Of the total water services customers, 7.9%, equivalent to 159,988, related to subsidized customers, which system supports a stable payment behavior and fewer bad debts for the Company.



(*)Relates to Aguas Cordillera and Aguas Manquehue.

New Concessions

Aguas Andinas was adjudicated 9 requests for concession expansions in 2013.



The first, called Alto Miraflores, is in the district of Peñaflor and covers an area of 4.9 hectares and 240 new customers. The second, called Salvador Silva 2449, in the district of Peñaflor, covers an area of 1 hectare and 42 customers. The third, Teniente Merino 244, is in the district of Buin and covers an area of 2.1 hectares and 23 new customers. The fourth, Bodegas Independencia, is in the district of Pudahuel, with an area of 11.5 hectares and 1 new customer. The fifth, La Hijueta, is in the district of Buin and corresponds to 246 customers in an area of 8.3 hectares. The sixth, Buin Maipo Plots 1, 4 and 5 is in the district of Buin and relates to 170 customers over an area of 4.8 hectares. The seventh, called Kennedy 2nd Stage, is located in the district of Buin, with an area of 11.4 hectares and 445 new customers. The eighth, San Pedro Plot 1, is in the district of Melipilla and covers an area of 3.5 hectares

and 150 new customers. And the ninth, El Naranjal, is in the district of Buin, with an area of 29.4 ha. and 1,500 new customers.


At the end of 2013, requests for extension of concession were pending in the districts of Lo Barnechea, La Reina,

Peñalolén, Colina, Lampa, Buin, Curacaví, Isla de Maipo, Melipilla, Paine and Peñaflor, which together cover an area of 180.5 hectares and 3,300 new customers,

CONCESSION EXPANSIONS (ADJUDICATED IN 2013)

Concession expansion	District	Area (ha.)	Customers (homes)	MOP decree		Publication in Official Gazette
Alto Miraflores	Peñaflor	4,9	240	N° 149	06/03/2013	01/06/2013
Salvador Silva 2449	Peñaflor	1,0	42	N° 148	06/03/2013	01/06/2013
Teniente Merino 244	Buin	2,1	23	N° 205	28/05/2013	16/08/2013
Bodegas Independencia	Pudahuel	11,5	1	N° 226	09/07/2013	02/09/2013
La Hijueta	Buin	8,3	246	N° 230	12/07/2013	02/09/2013
Buin Maipo Lotes 1,4 y 5	Buin	4,8	170	N° 308	18/11/2013	02/01/2014
Kennedy II	Buin	11,4	445	N° 302	08/11/2013	02/01/2014
San Pedro Lote 1	Melipilla	3,5	150	N° 301	08/11/2013	02/01/2014
El Naranjal	Buin	29,4	1,500	N° 311	20/11/2013	02/01/2014





CUSTOMER SERVICE

New Customers

Approximately 22,755 domestic water and sewage service projects were approved in 2013, involving the connection of 31,657 new customers to the company's network. 217 public and private network projects were also received, totaling 123 kilometers of new infrastructure for the distribution of water and collection of sewage.

There were 15 contracts signed during the year with property developers to expand our concession area by 129 hectares in the concession area in various districts of the Metropolitan Region, to supply 2,364 homes. For its part, the Superintendency of Sanitation Services granted new sanitation-service concessions for 31 hectares where 608 new homes will be built.

Rural Water

Aguas Andinas is an active collaborator in the National Rural Drinking Water Program of the Ministry of Public Works, through the Hydraulic Works Department.

A new agreement was reached with the government entity in 2013 which covers the period to 2015. Under this, the company acts as a technical unit, responsible for the contracting and inspection of studies, designs and works for the different communities, plus providing advice to the community organizations responsible for the operation and maintenance of the water systems.

The number of professionals was increased in the unit for this work, making a workforce of 14 professionals, including civil engineers, social assistants, accountants, electricians, risk prevention specialist and a lawyer.

Various studies were made during the year, the most important being the design of 20 semi-concentrated

localities. The investment reached Ch\$ 3,229 million, mainly in the construction of improvement works and expansion of services, and especially the construction of soundings.

Tariffs

With the on October 30, 2013 of the preliminary bases, the formal start was made of the sixth tariff-setting process of Aguas Andinas, which will be carried out throughout 2014 and end with the publication of the new decree in January 2015.

In compliance with the timetable established in the regulation, on December 30, 2013, our company submitted its observations to the preliminary bases, which should be responded to by the Superintendency during February 2014.



Detail	#	Ch\$ millions
APR improvement & installation works	7	1,711
Designs of APR improvement & installation works	5	202
Construction of soundings	7	905
Conservation works	3	186
Designs of semi-concentrated systems	20	225
Total investment 2013		3,229

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 financing.
 - **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 the SISS.
 - **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.



3

BUSINESS
ACTIVITIES



EVENTS OF FORCE MAJEURE

The start of 2013 was not easy for Aguas Andinas. During January and February, events of force majeure occurred that forced our company to make extensive and unplanned water supply cuts which affected much of Greater Santiago. At the same time, there were fractures of matrices that again caused service cuts.

In response to these major crises, the company, worked efficiently to overcome the emergency. After reestablishing the service, an exhaustive analysis was conducted of each of the company's processes which detected the critical points of the operation in the face of various emergencies. The principal weaknesses were thus identified and new protocols were prepared. The Ariete Project was launched to introduce improvements in emergency management, above all in the face of variables outside the company's control.

During 2013, in order to ensure the continuity of service, 5 kilometers of pipe were built to take water from the El Yeso reservoir to Aguillos and then to the Laguna Negra aqueduct. This important infrastructure connection will allow us to bring water directly to our production facilities in cases of extreme sediment levels in rivers. Reserve tanks at the Tocornal, Departamento, La Ballena, El Peñón and Lo Gallardo sites with a storage capacity of 62,000 m³ and additional storage tanks at the Vizcachas plant with a capacity of 165,000 m³ were built to increase the autonomy of our system by several hours.

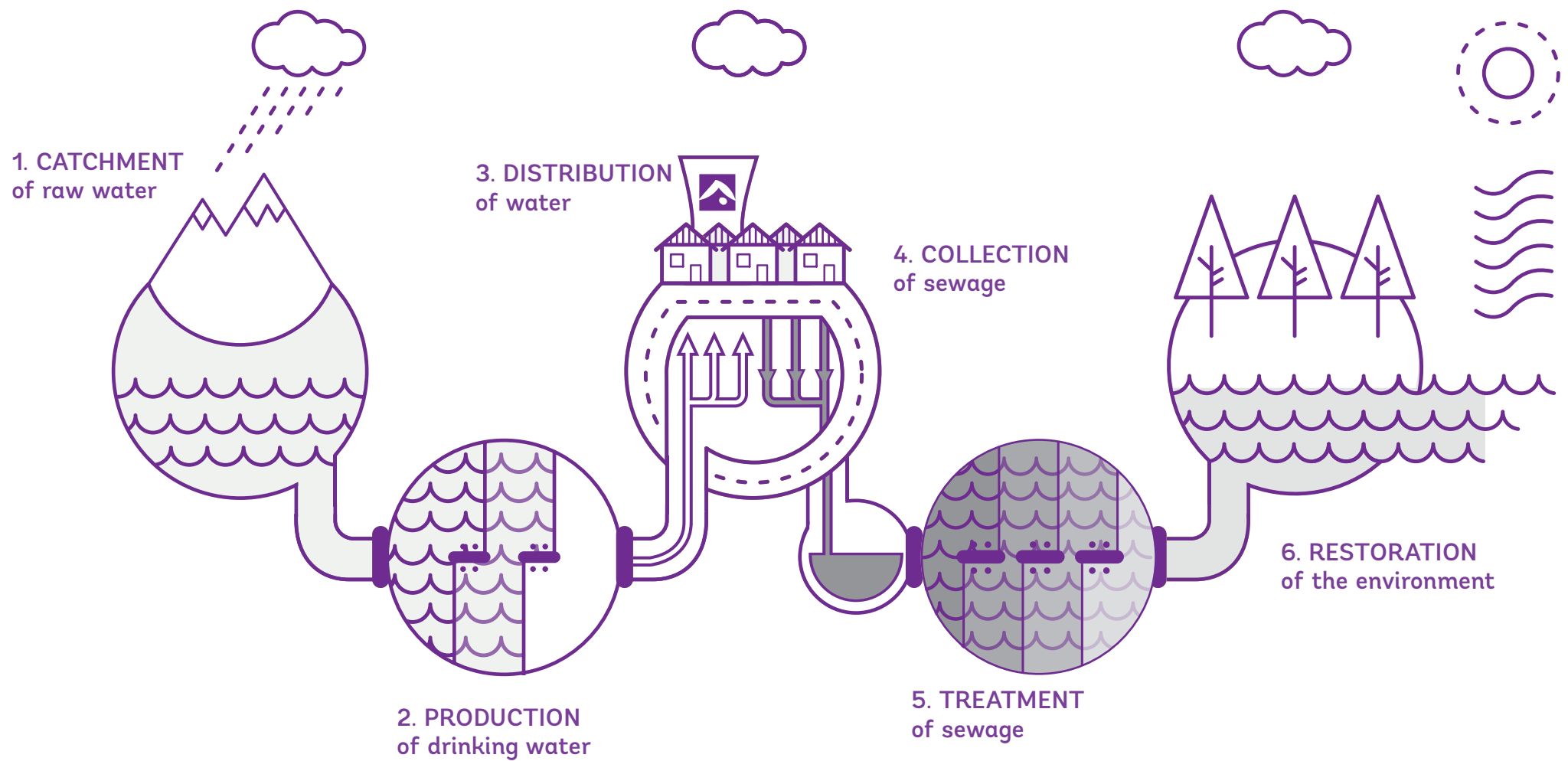
As a result of these events, we made improvements to the way we engage with the municipalities, beginning a more detailed coordination in these kinds of situations.



- **January 21:** A series of floods in the Cajón del Maipo greatly affected the levels of the river's muddiness, forcing the company to stop the functioning of the principal water production plants. This muddiness and the time it lasted caused the volume of water reserves to be consumed, which finally resulted in cuts in supplies.
- **February 8:** A second event of severe muddiness occurred in the river Maipo which also caused the stoppage of the water production plants of Aguas Andinas and its subsidiary Aguas Cordillera.
- **January 30 and February 6:** Two fractures occurred in the water mains which led to supply cuts in the sectors affected.



FOLLOWING THIS CRISIS, AGUAS ANDINAS IMPROVED ITS EMERGENCIES MANAGEMENT FOCUS WHICH WILL ENABLE IT TO FACE MORE EFFICIENTLY ANY EVENT OF GREAT MAGNITUDE LIKE THOSE THAT OCCURRED IN JANUARY AND FEBRUARY 2013.



Security Plan

During the year, the company's Incidents and Emergencies Management Plan was modified to provide more effective responses in adverse situations. The objective of this plan is to be better prepared in unexpected situations.

Implementation of Business Management Project

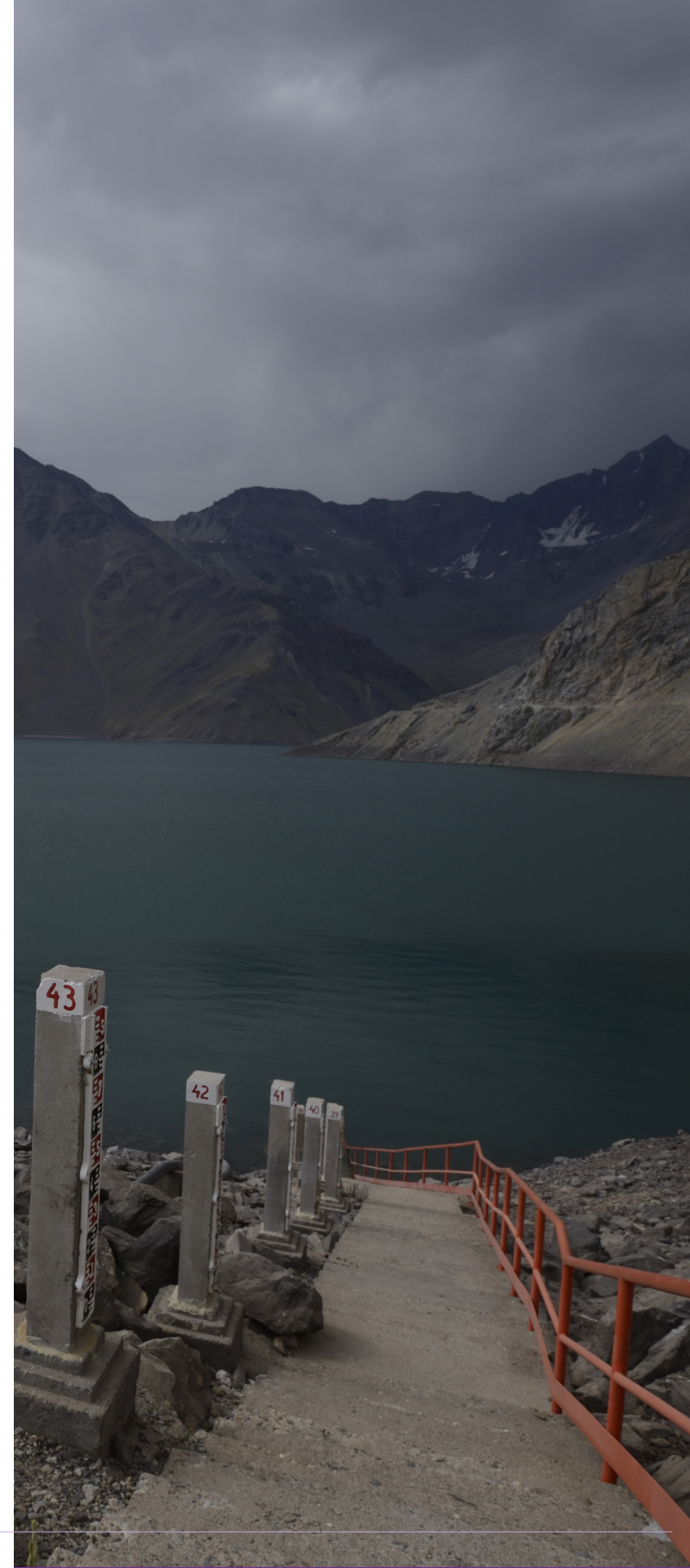
The "PPM Project" began in 2013 to manage the portfolios of projects under development by the Company. The purpose of this project is to prioritize ideas according to management objectives and to manage them on a technological platform that uses world-class methodologies.

This initiative permits the optimization of resources, standardization of processes, and follow up and control, thus generating the traceability of all projects and the portfolio.

Arsenic Reduction Plants

Two plants for reducing arsenic were built and began operating in the course of the year. The first, with a production of 50 lps, permits the supply of water to new plots in Alto Lampa, and the second, with 100 lps, has reinforced supplies in the district of Quilicura.

Both plants, built by EcoRiles, use reduction technology based absorption filters of the American company AdEdge.



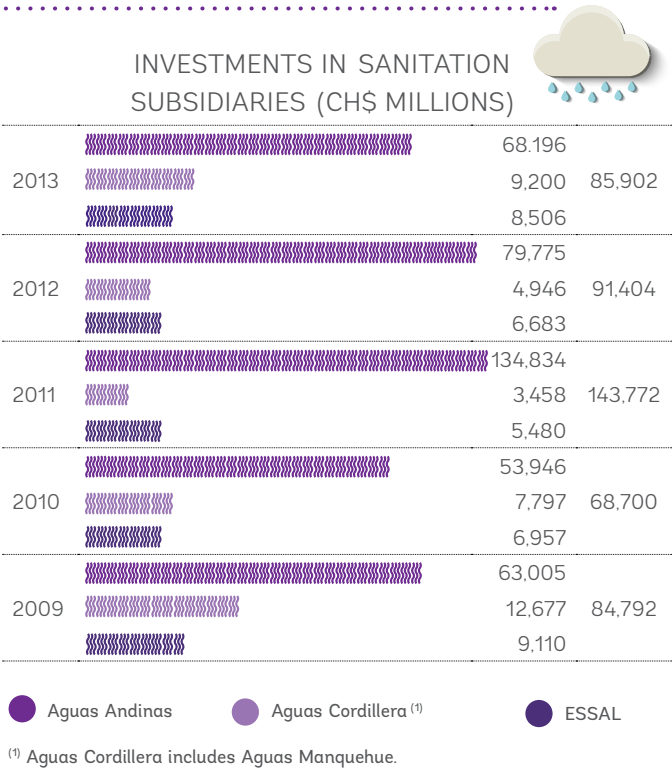
Investments

The Company’s investment plan in 2013 amounted to Ch\$86,000 million, of which Ch\$85,902 million was invested in the sanitation subsidiaries and Ch\$98 million in the non-sanitation subsidiaries.

Of the total investment made in the Group’s sanitation companies, Ch\$36,834 million was used in works for the production of water.

AGUAS GROUP 2013 (CH\$ MILLIONS)

	2012	2013
Water production	12,391	36,834
Water distribution	15,177	16,239
Sewage collection	14,309	10,289
Sewage disposal	38,085	8,129
Other activities	11,442	14,411
Non-sanitation subsidiaries	904	98
Total	92,308	86,000



Infrastructure Projects

During 2013, important security works were carried out, planned jointly with the SISS as a result of the severe mudslides that occurred in May 2008. These works are intended to improve the security of supplies in Greater Santiago in the event of a loss of production at the Vizcachas and Florida complexes.

The works are the following:

- **Additional reserve volume of 225,000 m³ in tanks.** This involved the construction of 6 reinforced concrete tanks for storing water from the Laguna Negra and Paralelo aqueducts ($Q = 9 \text{ m}^3/\text{s}$), in an area located near the Las Vizcachas complex. Its total investment amounted to Ch\$ 14,000 million.
- **Taking of water from the El Yeso reservoir to the Vizcachas complex.** This involved the construction of an aqueduct some 5 kilometers in length to take a minimum flow of 800 l/s and a maximum of 4 m³/s, from the base of the El Yeso reservoir to the Aguilillos drains. From there, the water is taken over the Laguna Negra aqueduct to carry good-quality water to the Vizcachas complex (when this is prevented from taking water from the river Maipo due to muddiness). The investment was Ch\$ 8,400 million.

- **Preparation of Cerro Negro wells.** Construction concluded in 2012.

In addition, in order to reinforce this security plan and to be able to meet episodes of severe muddiness in the river Maipo, as occurred in January and February 2013, studies were carried out that concluded with the commitment to build a large raw water tank called Pirque Tank.

This tank will be located upstream from the Vizcachas complex and permit some 32 hours of autonomy to the Greater Santiago production system in the event of severe muddiness at the source. A stored volume is planned of 1,500,000 m³, with an estimated investment of US\$83 million. It is expected that this large security project can be built within two years once the designs are prepared and environmental approvals obtained.

Works were also carried out during the year for improving the water discharge system from the El Yeso reservoir, consisting of the installation of 250 meters of piping and a flow control system to regulate the discharge. This project, involving an investment of Ch\$ 4,100 million, began in November 2013 and is expected to be operational in March 2014.



Research and Development

Research and development (R&D) plays a basic role in all the processes involved in the business of Aguas Andinas and its management of the water cycle, including the assurance of supply, water quality, customer service improvements, the incidence of climate change and care for the environment.

As well as strengthening research and development, Aguas Andinas has also incorporated the commitment to innovation in order to generate new knowledge and skills to meet future challenges. In 2013, the company launched an innovation management project to be a process of continuous generation of projects so that the company can become a benchmark of innovative Chilean organizations that promote people's talents and support their ideas. "Emerge: Ideas que nacen del agua", is noted for its inclusive and open character to the participation of all the organization's personnel, promoting their talents and supporting their ideas with the challenge of positioning the company among the country's leaders in innovation.

Innovation

Innovation plays a fundamental role in all the processes involved in the routine business of Aguas Andinas and its management of the comprehensive water cycle, generating and adding value through improvements in the reliability of supply and quality of the water, improvements in customer service, anticipating and mitigating the incidence of climate change, and preserving and caring for the environment.



For strengthening innovation, Aguas Andinas in 2013 has introduced an innovation project for structuring and systemizing a continuous generation of projects for adding value to the company and improving its capacity to face future challenges. The project, called "Emerge: Ideas que nacen del agua", is noted for its inclusive and open character to the participation of all the organization's personnel, promoting their talents and supporting their ideas with the challenge of positioning the company among the country's leaders in innovation.

Among the innovation initiatives introduced last year was the participation in the MAPA Project, Maipo: an adaptation plan under a collaboration agreement between Aguas Andinas and the Global Change Center of the Pontificia Universidad Católica de Chile. Its objective is the development of a plan of adaptation with respect to variations and climate change in the river Maipo basin. The study will provide information for anticipating and mitigating possible impacts on the supply of water in the Metropolitan Region as a result of phenomena relating to climate change.

As in previous years, the company attended important national and foreign meetings, especially its participation in the Water Week Latinoamerica 2013 and XX Congreso AI DIS Chile, in both cases actively participating in talks, round tables and papers, showing the importance that Aguas Andinas gives to innovation in the management of the comprehensive water cycle

Sources, Reserves and Plants

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

The company has important reserves that provide additional hydric resources, enabling it to meet the capital's demand for water, and that guarantee the continuous supply to its customers. These reserves are the El Yeso reservoir, with an operative 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, the company has production plants that carry out the procedures for making the raw water drinkable. In the Metropolitan Region, there are 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.

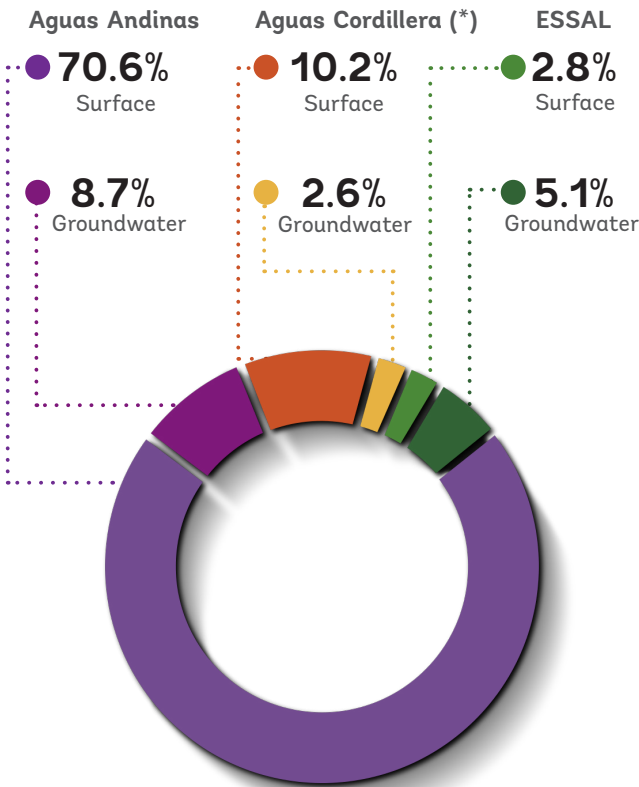
PRODUCTION BY TYPE OF SOURCE (MILLIONS OF M³)						
Company	2008	2009	2010	2011	2012	2013
Aguas Andinas surface	508.1	521.3	531.6	545.0	527.2	542.8
Aguas Andinas groundwater	73.9	73.5	72.5	78.2	87.4	67.0
Aguas Cordillera(*) surface	68.1	72.9	72.8	68.6	75.2	78.7
Aguas Cordillera(*) groundwater	21.3	16.9	14.9	25.9	21.6	19.6
ESSAL surface	17.8	21.8	20.2	19.3	20.4	21.5
ESSAL groundwater	32.0	34.1	30.9	33.9	36.5	38.7

(*) Aguas Cordillera includes Aguas Manquehue.

Production by Type of Source

Consolidated water production in 2013, measured at its outflow from the plants, amounted to 768,3 million m³. Of these, 643 million m³ corresponded to surface waters and 125,3 million m³ to groundwaters.

Breakdown of water production



Drought Committee

Despite living through one of the worst droughts in the last 100 years in the center-north of the country, the residential supply of water is assured for the whole of 2014 and until the summer of 2015 in our concession area, thanks to the plan prepared by Aguas Andinas in 2010 three years ago in coordination with the River Maipo Vigilance Association, the River Maipo Irrigation Canals Association and sector's electricity companies.

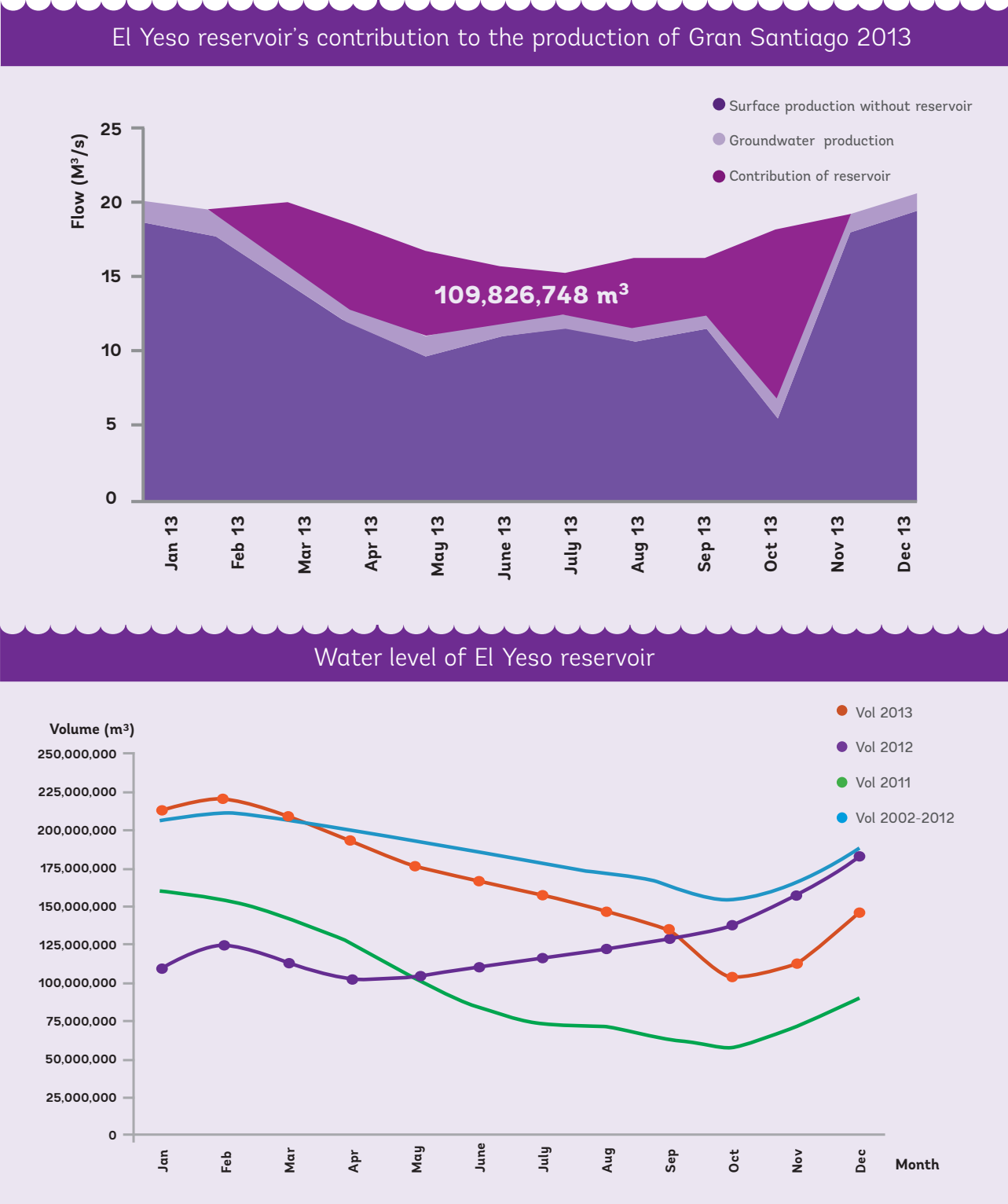
The drought committee involves all the parties that use water from this source, in order to rationalize the resource with a system of purchase and rental of water, reinforcing the vigilance association to prevent theft and carrying out an effective coordination between the parties to avoid losses of this vital resource. These actions have enabled the El Yeso reservoir to be filled, amounting to 175 million m³ in February 2013.



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



	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Average
2013	160.3	123.3	67.9	48.8	37.9	39.8	43.8	45.9	53	67.9	115.5	151.2	76%
Percentage	64%	60%	80%	82%	87%	87%	77%	75%	71%	77%	75%	71%	
2012	93.09	86.7	69.4	50.3	52	60.8	43	36	49.9	57	146.7	155.1	74%
Percentage	93%	85%	80%	80%	59%	39%	80%	92%	76%	87%	52%	70%	
2011	101.8	87.0	65.0	44.9	30.2	28.0	27.6	31.7	41.7	57.5	98.1	109.5	90%
Percentage	90%	85%	85%	89%	86%	98%	98%	96%	89%	87%	86%	89%	
2010	216.6	168.8	128.2	89.8	69.2	61.9	52.0	51.5	53.8	75.7	107.9	109.5	50%
Percentage	40%	31%	21%	18%	28%	37%	60%	63%	69%	67%	80%	89%	
2009	209.2	157.5	120.6	90.2	65.3	58.3	55.2	63.5	92.0	91.3	130.6	234.7	38%
Percentage	42%	37%	26%	18%	34%	45%	54%	38%	18%	48%	64%	36%	
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	40%
Percentage	78%	77%	83%	75%	11%	8%	41%	17%	25%	23%	14%	0.22	
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	52%
Percentage	32%	49%	37%	38%	40%	45%	55%	69%	64%	51%	66%	78%	





Transport and Distribution

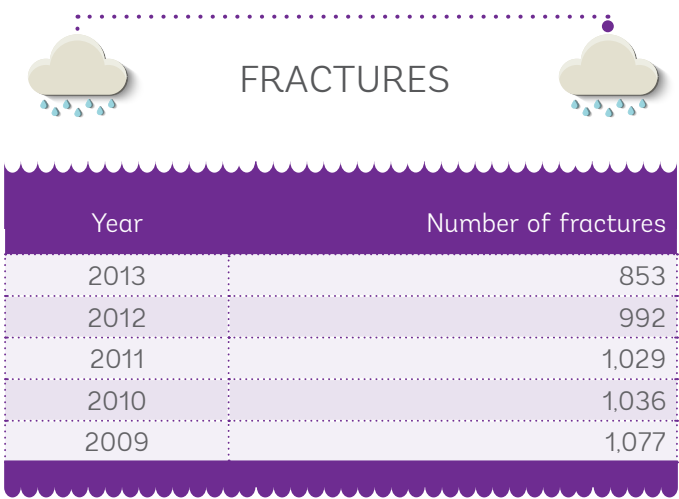
The mission of the distribution network is to carry and supply water to all the company's customers. The operation of this extensive combination of underground pipes is managed by the operative control center, which ensures its correct functioning and guarantees a continuous supply.

Network Management

The water networks integrated management is an innovative model that seeks the continual improvement by the systematic reduction fractures. Thanks to its application, the company has managed to drastically

reduce the number of fractures, reaching levels of below 0,1 faults/km, very much lower than that considered as excellent by the world's large sanitation companies.

The number of fractures occurring in 2013 was 853, 14% less than in the year before.



Length of Distribution Network

By the end of 2013, the length of the distribution network at the consolidated level was 15,132 kilometers. Of these, 12,964 kilometers relate to the Metropolitan Region, comprising the networks of Aguas Andinas, Aguas Cordillera and Aguas Manquehue, and 2,168 kilometers belong to the network of ESSAL in the south of the country.

“Ice Pigging” Network Cleaning

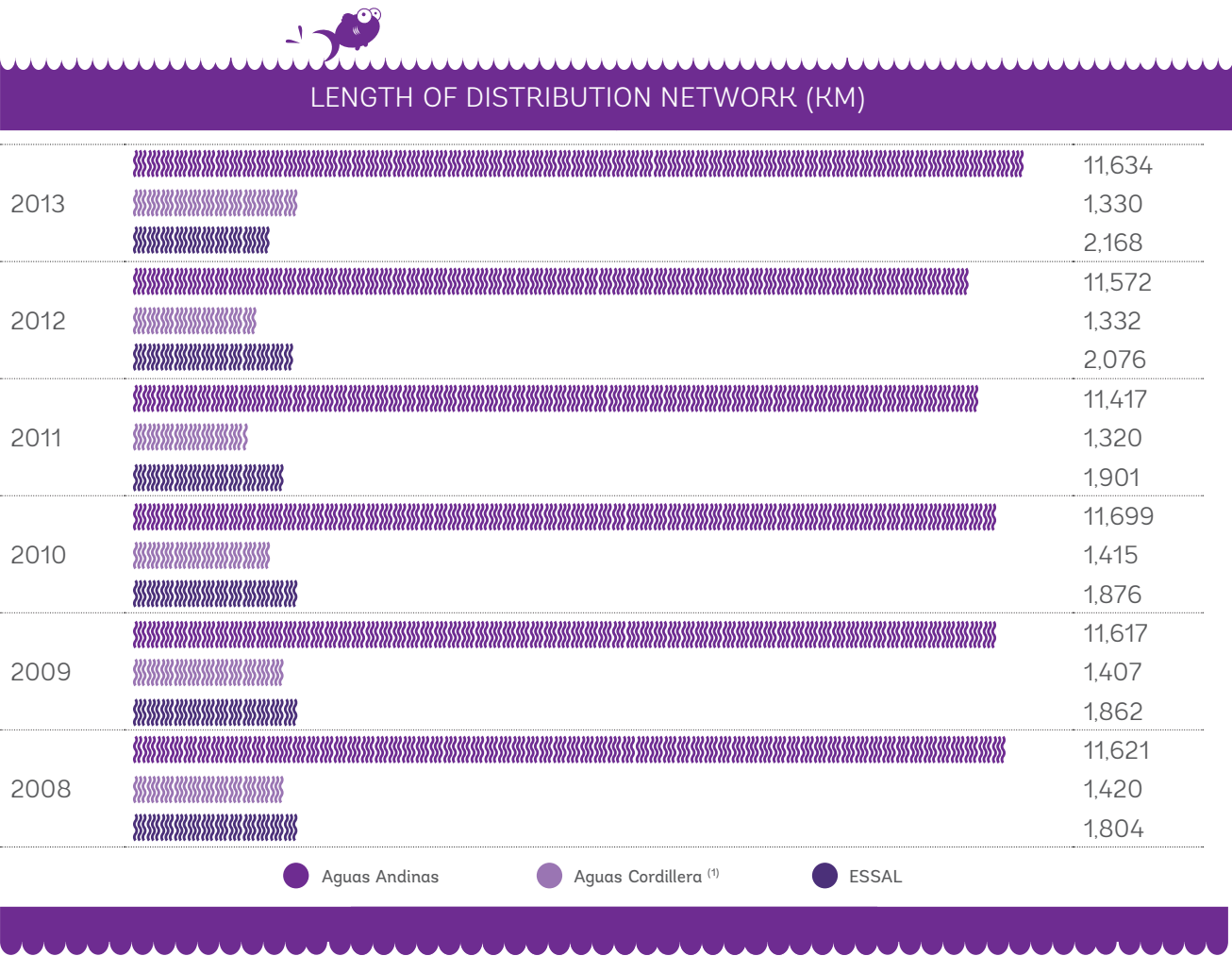
A water network cleaning service was implemented during the year. The method is called Ice Pigging and consists of inserting a plug of crushed saline ice into the pipe, which drags the sediment attached to the walls, thus reducing the levels of cloudiness plus other benefits.

This cleaning method was used successfully in 25 kilometers of pipe in the Mapocho zone in 2013. A three-year contact has been signed with the firm Aqualogy, during which it is intended to clean a total of 186 kilometers.

Construction of New Tanks

In order assure service continuity, even in events of severe muddiness, water storage tanks were built in 2013 in the facilities of Tocornal, Departamento, La Ballena, El Peñón and Lo Gallardo, with a capacity of

62,000 m³, plus others of a larger size outside the Las Vigcachas plant with an additional capacity of 165,000 m³. These water reserves strengthen the autonomy of our system by several hours.



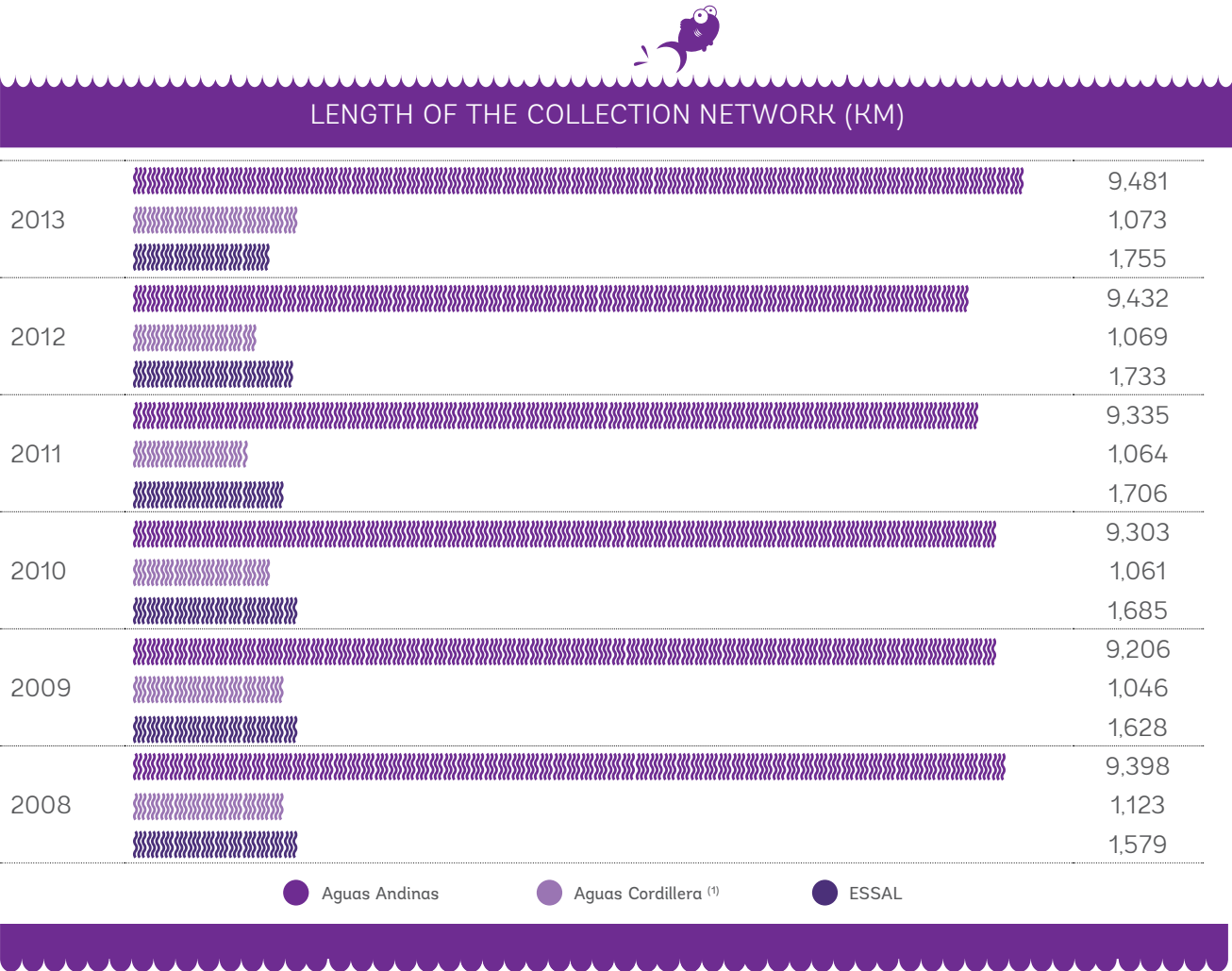
Collection

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 2013 was 12,309 kilometers which implied growth of 75 kilometers over the year before, equivalent to an increase of 0.6%.



⁽¹⁾ Aguas Cordillera includes Aguas Manquehue

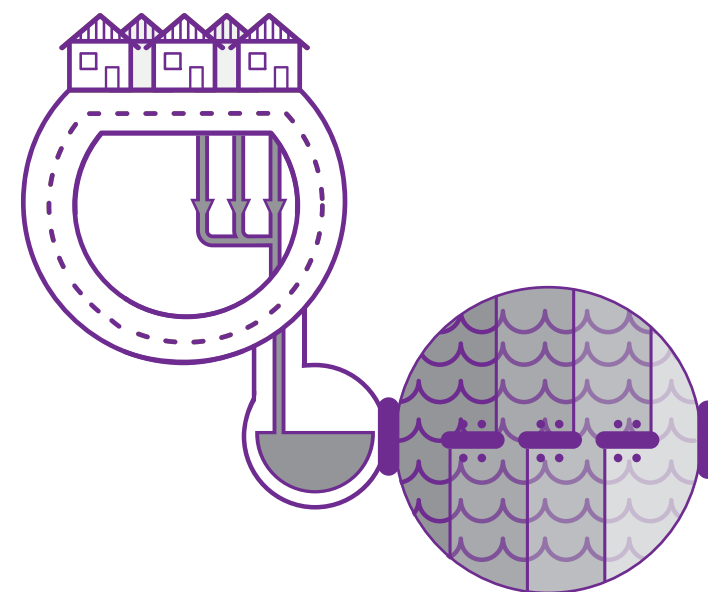


Treatment

The Aguas Group treats the waste waters produced by the residents of its concession areas in modern sewage treatment plants, which permit their restitution to the environment in optimum conditions for irrigation, in accordance with current legal standards.

In Greater Santiago, Aguas Andinas has three large treatment plants, El Trebal, La Farfana, and the Mapocho plant which began functioning in the first quarter of 2013; three plants in the north-east zone, and another 10 smaller plants in periphery communities. Altogether, these installations permit a 100% coverage in sewage treatment in the Metropolitan Region.

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.

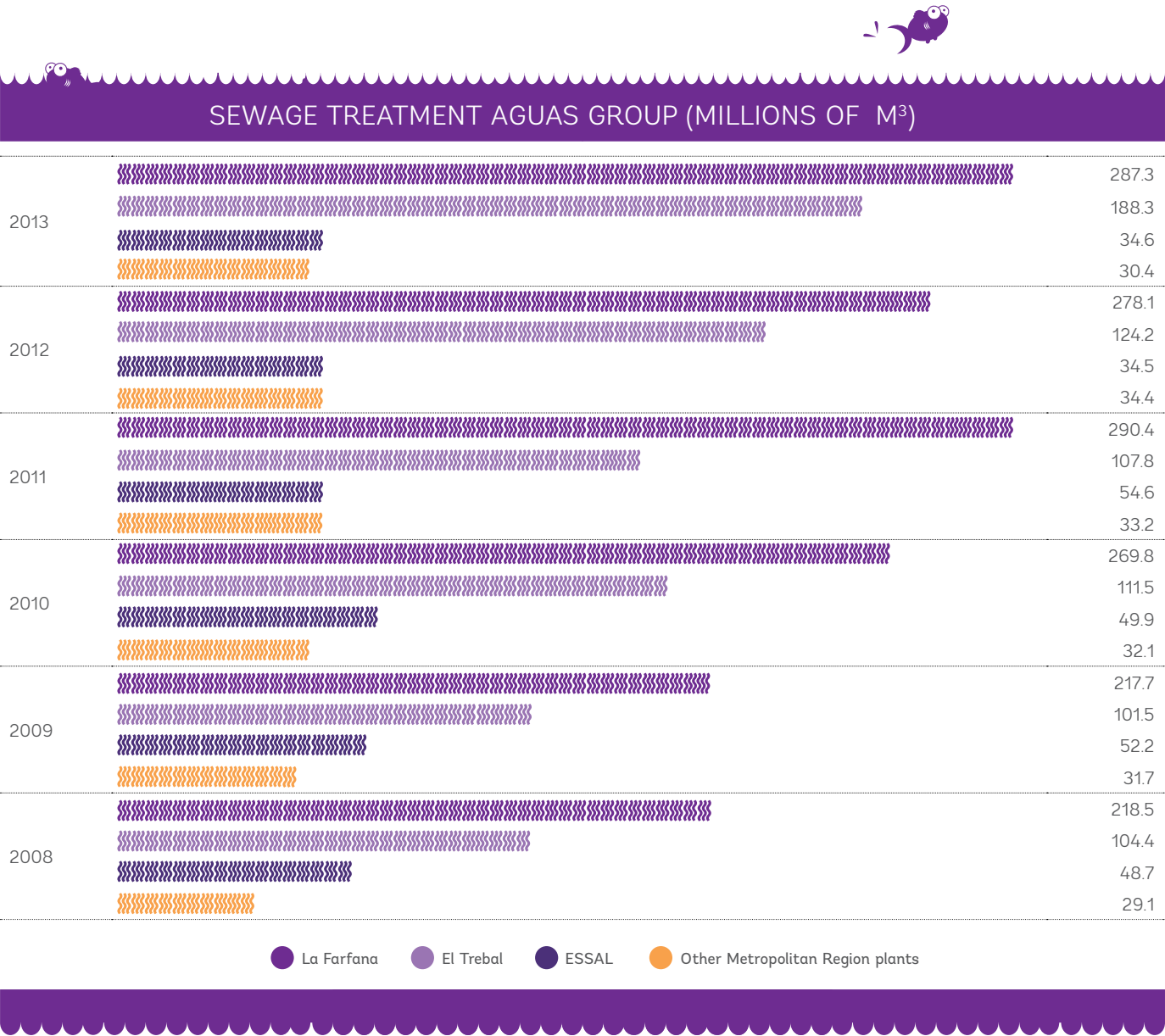


100%

treatment coverage

The last great step in the company's sanitation plan occurred during the first quarter of 2013 with the start-up of the most modern sewage treatment installation, the Mapocho plant. This achieved the treatment of 100% of the waste waters of the Metropolitan Region, which places Santiago among the cities with the highest levels of collected sewage decontamination.

The treatment plan was completed following 14 years of work and an investment of around US\$1 billion. It was one of the most challenging projects that our company has led and is also the last step in the completion of the comprehensive water cycle.





3 NON-REGULATED COMPANIES

ANAM

To consolidate Anam's strategic plan, it was decided in 2012 to construct a new building for the subsidiary in order to provide the necessary infrastructure for sustaining its projected growth, achieving efficiency in its operations and logistics, strengthening the positioning of the brand and improving the conditions of hygiene and occupational health and safety of its employees.

The new building, to be ready at the end of the year, will be located in the district of Quilicura and have a built area of 2,130 m² in a total plot of 5,000 m², involving an investment of over 2,000 million pesos.

During the year, Anam obtained the tri-certification under the international standards ISO 9.000, ISO 14.000 and ISO 18.000, with which the laboratory of the Aguas Group is prepared and certified for facing the challenges of the business in terms of quality, the environment and safety.

EcoRiles

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 middle 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 the year, EcoRiles achieved a national market share of over 40% in the middle market, renewing contracts with important customers like Watt's, Ariztía and Evercrisp. In order to strengthen the technical and operations areas, important projects were developed like the creation of a process control area and a new maintenance, being important differentiation factors in the market.

Gestión y Servicios

Founded in 2001, the objects of this subsidiary are to sell network materials relating to water and sewage to the different Aguas Group contractors, ensuring quality, availability and optimization of the logistics chain. This line of business currently represents 98% of the company's sales, while the other 2% relates to the water network and collectors cleaning service.

The result of the work carried out in the different business strategic units of the supply chain enabled the company to grow 10% in 2013, showing the spirit of Gestión y Servicios in facing the new challenges in the sanitation industry.

Aguas del Maipo

This Aguas Andinas subsidiary was formed in 2011 for the development of energy projects deriving from the sanitation business.

The company made a capital increase during 2012 and the contract for the generation of biogas produced at the La Farfana plant was transferred to this subsidiary.

The participation of the Aguas Group in the electricity and energy business is therefore located in this subsidiary.

Water and Sewage Customers

- Ilustre Municipalidad de Santiago
- Ilustre Municipalidad de Puente Alto
- Ilustre Municipalidad de La Florida
- Cervecera CCU Chile Ltda.
- Ilustre Municipalidad de Peñalolén
- Embotelladoras Chilenas Unidas S.A.
- Universidad de Chile
- Soprole S.A.
- Ilustre Municipalidad de La Pintana
- Ilustre Municipalidad de San Bernardo

Suppliers

- Empresa Depuradora de Aguas Servidas Mapocho El Trebal (EDAM) ⁽¹⁾
- Empresa Depuradora de Aguas Servidas Ltda. (EDAS) ⁽¹⁾
- Dragados S.A. Agencia en Chile
- Inmobiliaria y Constructora Nueva Pacífico Sur Ltda.
- Constructora Pérez y Gómez
- Consorcio de Construcción Inlac Axis Ltda.
- Captagua Ingeniería S.A.
- Inlac S.A.
- Asterión S.A. ⁽¹⁾
- Análisis Ambientales S.A. ⁽²⁾

(1) Company related indirectly through one of its principal shareholders

(2) Subsidiary of Aguas Andinas S.A..



Property, Equipment and Insurance

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, La Farfana and Mapocho sewage treatment installations.

Facility	Address	Characteristics	Rent / Owned
1 La Florida	Tobalaba 9670 La Florida, Santiago	Potable water production plant	owned
2 Las Vizcachas	Av. Camilo Henríquez 540 Puente Alto, Santiago	Potable water production plant	owned
3 El Trebal	Av. Las Parcelas S/N Padre Hurtado, Santiago	Sewage treatment plant	owned
4 La Farfana	Camino La Farfana Maipú, Santiago	Sewage treatment plant	owned
5 Mapocho	Av. Las Parcelas S/N Padre Hurtado, Santiago	Sewage treatment plant	owned



4

OUR
PEOPLE

Integrated Talent Management

Due to the need to suitably manage the talent existing in the group, Aguas Andinas began a series of actions for having tools that gather and order the capacities and skills of the company's human capital.

Integrated Talent Management acts on the processes of recruitment and selection, performance evaluation, development and formation, career planning and knowledge management. With this information, the company defined four lines of work on which to focus its efforts:

Performance evaluation: Seeks detailed information on the profile of every employee with tools that identify and develop talent in order to cover key positions in the organization, plus the identification of areas of improvement and preparation of suitable training.

Variable income processe: The idea is align the performance of each employee with the company's strategy.

Formation and development programs: Application of e-learning methods, face-to-face or blended learning for formation in skills and specialized technical formation on water and the environment.

Knowledge management: A collaborative tool will be used to access key knowledge about water and the environment that permits working on the net, with a digital library project that will collect all the important documents for the organization to be able to consult when needed.

This model, which offers a talent management vision centered on the person, will permit access to the real capacities of the workers and take best advantage of their potential, permitting growth both for the company and the development of every one of its members.

Prevention of Drugs and Alcohol Consumption

An agreement was signed in May for the implementation and development of the drugs and alcohol consumption prevention program in the workplace, called "Work with Quality of Life", of the National Service for the Prevention and Rehabilitation of Drugs and Alcohol Consumption, SENDA, a division of the Ministry of the Interior and Public Safety.

The objective is to prepare the company for the development of a sustained and effective strategy in the prevention of consumption of drugs and alcohol that contributes to improving the quality of working life, promotes protective factors and reduces the risk factors in the workplace thanks to a preventive culture.

Ethics Code

The Ethics Code was adapted during the year, on the basis of four basic principles that guide behavior in the Aguas Group:

- **ACT IN ACCORDANCE WITH THE LAW AND REGULATIONS.**
- **STRENGTHEN THE CULTURE OF INTEGRITY.**
- **SHOW LOYALTY AND HONESTY.**
- **RESPECT FOR ALL PEOPLE.**

These principles enable work to be done in a healthy atmosphere within the company; apply to suppliers both in performance and in fairness and impartiality in negotiations; seek the satisfaction of the people and organizations to whom Aguas Andinas offers its services, based on quality, open dialogue, transparency in procedures and respect for the commitments and standards of competition. With respect to the environment, pursue commitment with the communities in which the company carries on its activities.

Labor Relations



During 2013, collective bargaining took place with the Anam union, with a negotiating group of 100 employees, resulting in a three-year agreement from June 1, 2013 to May 31, 2016.

Negotiations took place in an atmosphere noted for the use of social networks like Twitter and Facebook, which marked a difference with respect to previous negotiations. Finally, the agreements and good relations took first place in the negotiating group, which permitted the satisfactory closing for the parties.

Agreement was also reached in the year with six Aguas Andinas unions for a change in a shifts system that affected a group of 152 workers.

Workforce

As of December 31, 2013, the workforce of the Aguas Group totaled 1,853 direct employees.

WORKFORCE						
Level	Aguas Andinas	Aguas Cordillera *	Aguas Manquehue *	ESSAL	Others	Total
Managers & senior executives	53	1	1	7	7	69
Professionals & technicians	663	74	11	129	218	1,095
Workers	321	49	8	162	149	689
Total	1,037	124	20	298	374	1,853

* Executive considered in Aguas Andinas.

Progress with the Excellence Plan

The Excellence Plan was launched in August 2012 with formation of four pilot areas. A work method was introduced in each of these areas that sought to drive continuous improvement, focused on the areas of efficiency, quality and work safety and pointing to three key concepts: identification of tasks and measurement, raising of levers or initiatives for improvement and cultural change, which is centered on the participation of everyone.

One of the principal aims of the Excellence Plan is to generate a cultural change which has been achieved with the introduction of coordination meetings called "Navigation Charts". At these, employees can present

their concerns, ideas and initiatives for improvement every week, having the opportunity to participate and knowing that their opinions are considered. Section heads also have the possibility of communicating everything they consider of interest or importance.

Following 18 months of work, the implementation phase was completed in 2013 with a total of 35 areas transformed and 1,088 people involved, all with the collaboration of 24 "navigators" (internal employees trained as agents of change). The Excellence Plan is now a permanent work tool that gives support or space to any continuous improvement initiative.

Excellence Plan Figures

- 35 areas transformed
- 66 weekly navigation charts
- 24 navigators or agents of change
- 1,088 employees involved
- 1,800 initiatives for improvement (45% of them resolved)
- 50 visits to plots and sites by senior management (chief executive officer and corporate managers)
- More than 150 on-site visits by executives and section heads.





5

FINANCIAL
ANALYSIS

Thanks to the important investment and financing operations during 2013, opportunities that presented themselves in the financial market were satisfactorily taken advantage of.

A successful bond placement was made to finance the investments made by the company during the year. The was made in April for a total of UF 2.0 million, with the issue of one series, Series U, structured as a 23-year bullet at a rate of 3,80% with a spread of 123 basis points over the reference rate. Demand was 1.25 times the amount offered.

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.

Again, due to the high trading volume in the shares of Aguas Andinas during the year, the Santiago Stock Exchange reported that the company's shares (Aguas - A) will remain in the IPSA stock price index during 2014, with a weighting of 2,539105.

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 proactive risk-management policy, supported by the wide experience of its controlling partner.

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 involves large economic, administrative and technical resources.

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

Regulated Market

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

The current legal framework regulates the exploitation of the concessions and also the tariffs charged to customers. While the tariff-setting mechanism is carried out every 5 years and is based on technical criteria, there can also be differences between the studies presented by the Company and those of the SISS. In the absence of agreement, these differences are resolved by a commission of experts formed by representatives of each of the parties.

Aguas Andinas and the SISS have reached agreement for the current period 2010 - 2015, which defined a clear scenario for the five-year period. It 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 subsidiaries Aguas Manquehue and Aguas Cordillera reached agreements with the SISS in February and March 2010, while the subsidiary ESSAL concluded its fifth tariff-setting process in October 2011.

In October 2013, the companies Aguas Andinas, Aguas Cordillera and Aguas Manquehue began a new tariff-setting process which will define the tariffs for the period 2015-2020.



Weather Conditions

Weather conditions in the hydrographic basins mostly determine the volume, quality and continuity of raw water available for catchment and the production of drinking water. Variables like meteorological precipitations (snow, sleet, rain, fog), temperature, humidity, dragging of sediments, river flows and muddiness 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 2,039,298 customers with water during 2013, located within its concession areas in the Metropolitan, De Los Lagos and De Los Ríos regions and who have Aguas Andinas and its sanitation subsidiaries as their suppliers.

The principal 100 customers represented just 7.3% of total sales in 2013.

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, 2013, Aguas Andinas had 89.2% of its debt at fixed rates (comprising approximately 71.23% in short and long-term bonds and 17.9% in reimbursable financial contributions). The remaining 10.8 % is at variable rates and relates to loans from banks in Chile.

Investments

The investments made by Aguas Andinas in 2012 were employed 52% in expansion works in order to comply with the long-term development plan committed to with the SISS. The remaining resources relate mainly to the replacement of operating assets.

Financing

Bonds were placed on the domestic market in April. The issue was for UF 2.0 million and consisted of one series (Series U), structured as a 23-year bullet, interest rate of 3.80% with a spread of 123 basis points over the reference rate.

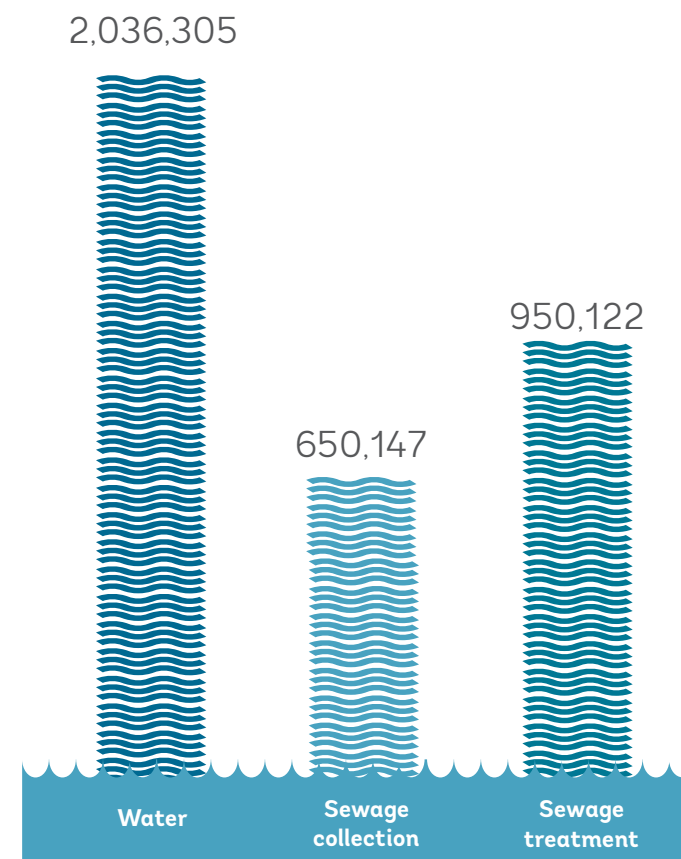
As of the close of the year, the real average interest rate on financing was 3.83%, compared to 3.94% in 2012, as a result of a rise in the real interest rate for bank loans.

Investment Plans

As a result of the development plan approved by the SISS, Aguas Andinas has committed important financial resources to its investment plan to be carried out in the period 2013-2023. Overall, the amount currently committed for that period is UF 3.6 million, mostly for water works.

Following the interruption of supply, as a result of events of force majeure occurring in January and February 2013, a new infrastructure investment plan was presented to the SISS in April in order to evaluate the need to make additional investments. Based on that study presented by the company, the SISS on October 15, 2013 recommended the construction of a raw water reservoir of 1,500,000 m³. This, plus the existing security works and those under construction, will provide 32 hours of autonomy in Greater Santiago.

Committed Investment Plan with SISS for the period 2013 – 2023 (UF)



Source: SISS Performance Report 2012.

Note: Excludes non-committed investments that are necessary for ensuring the quality of services and investments for the renewal of assets such as network infrastructure and other investments, computer systems, telecontrol systems and purchases of water rights

Distributable earnings

Ch\$

Earnings for the year 2013	116,675,534,489
Accumulated distributable earnings	48,750
Interim dividends against 2013 earnings	(37,000,158,529)
Remaining distributable earnings	79,675,424,710
% of dividends distributed of distributable earnings	31.71%

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.

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, 2013, 94.97% corresponded to the Series A, equivalent to 5,811,029,417 shares, and 5.03% to the Series B, equivalent to 307,935,743 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 preference of the Series B shares will lapse in the event of any of the following situations:

- a) the transfer of title of any share;
- b) the exchange of such shares for series A shares;

- c) once 50 years have passed since the date of the legalization of the statutory amendment, passed at the 4th Extraordinary Shareholders Meeting held on March 29, 1999; and
- d) in the event the shares represent less than 5% of the total share capital of the company.

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



DIVIDENDS PAID PER SHARE



Book value	2009	2010	2011	2012	2013
Book value	100.77	99.3	100.36	101.61	100.76
Earnings	20.11	16.97	18.22	19.82	19.07
Dividends paid	17.74⁽¹⁾	20.22⁽²⁾	17.16⁽³⁾	18.4147⁽⁴⁾	14.02⁽⁵⁾
<p>1) 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.</p> <p>(2) 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.</p> <p>(3) 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.</p> <p>(4) 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.</p> <p>(5) Dividend of Ch\$14.02414 per share paid on May 22, 2013.</p>					



DIVIDENDS PAID



Dividend No.	Closing date	Payment date	\$ / Share	Type of dividend
48	16/06/2009	22/06/2009	12.43768	Final
49	14/11/2009	23/11/2009	5.30000	Interim
50	11/05/2010	17/05/2010	14.80945	Final
51	16/11/2010	22/11/2010	5.41380	Interim
52	16/05/2011	23/05/2011	11.55790	Final
53	17/11/2011	23/11/2011	5.59850	Interim
54	16/05/2012	23/05/2012	12.62015	Final
55	07/11/2012	13/11/2012	5.79450	Interim
56	15/05/2013	22/05/2013	14.02414	Final
57	8/01/2014	14/01/2014	6.0468	Interim



TRANSACTIONS BY MAJOR SHAREHOLDERS AND RELATED PERSONS

The following were transactions of this kind carried out during 2013:



Name of informant	Transaction date	Date transaction reported to the SVS	Sale	Purchase	Unit price (Ch\$)	Amount	Observations
Bethia S.A.	17/10/2013	18/10/2013	3,600,000		347.20	1,249,931,672	Alternate director of Aguas Andinas, Jaime Cuevas R.
Bethia S.A.	17/10/2013	18/10/2013	3,600,000		347.20	1,249,931,672	Director of Aguas Andinas, Gonzalo Rojas V.
Bethia S.A.	14/10/2013	14/10/2013	1,182,386		350.44	414,358,669	Director of Aguas Andinas, Gonzalo Rojas V.
Bethia S.A.	14/10/2013	14/10/2013	1,182,386		350.44	414,358,669	Alternate director of Aguas Andinas, Jaime Cuevas R.
Bethia S.A.	11/10/2013	14/10/2013	7,170,010		350.02	2,509,654,809	Alternate director of Aguas Andinas, Jaime Cuevas R.
Bethia S.A.	11/10/2013	14/10/2013	7,170,010		350.02	2,509,654,809	Director of Aguas Andinas, Gonzalo Rojas V.
Juliette Rebeca Arellano Maira	19/08/2013	19/08/2013		16,450	360.00	5,922,000	Executive of Aguas Andinas
Rodrigo Terré Fontbona	21/06/2013	24/06/2013		29,000	341.00	9,889,000	Director of Aguas Andinas
Bruno Philippi Irarrázabal	26/02/2013	27/02/2013	61,000		366.96	22,384,560	Director of Aguas Andinas
Bruno Philippi Irarrázabal	11/02/2013	27/02/2013	14,991		342.04	5,127,526	Director of Aguas Andinas



TRANSACTIONS BY MAJOR SHAREHOLDERS AND RELATED PERSONS

The following were transactions of this kind carried out during 2013:

Name of informant	Transaction date	Date transaction reported to the SVS	Sale	Purchase	Unit price (Ch\$)	Amount	Observations
Bruno Philippi Irarrázabal	31/01/2013	27/02/2013	14,000		340.14	4,762,089	Director of Aguas Andinas
Bethia S.A.	23/01/2013	24/01/2013	90,003,541		350.00	31,501,239,350	Alternate director of Aguas Andinas, Jaime Cuevas R.
Administradora de Fondos de Inversión Sinergy S.A.	23/01/2013	24/01/2013	4,878,994		350.00	1,707,647,900	Alternate director of Aguas Andinas, Jaime Cuevas R.
Axxion S.A.	23/01/2013	24/01/2013	3,153,700		350.00	1,103,795,000	Director of Aguas Andinas, Gonzalo Rojas V.
Bethia S.A.	23/01/2013	24/01/2013	90,003,541		350.00	31,501,239,350	Director of Aguas Andinas, Gonzalo Rojas V.
Axxion S.A.	23/01/2013	24/01/2013	3,153,700		350.00	1,103,795,000	Alternate director of Aguas Andinas, Jaime Cuevas R.
Administradora de Fondos de Inversión Sinergy S.A.	23/01/2013	24/01/2013	4,878,994		350.00	1,707,647,900	Director de Aguas Andinas, Gonzalo Rojas V.
Bruno Philippi Irarrázabal	10/01/2013	27/02/2013	16,949		343.32	5,818,954	Director de Aguas Andinas

SECONDARY MARKET TRANSACTIONS

Santiago Stock Exchange

2013	Average price (Ch\$)	Units	Amount (Ch\$)	Market presence
Total 1st quarter	356.73	507,469,539	181,029,279,600	100%
Total 2nd quarter	377.61	406,857,128	153,635,253,218	100%
Total 3rd quarter	352.76	269,895,784	95,208,533,011	100%
Total 4th quarter	340.21	233,213,273	79,342,533,449	100%
Year 2013	359.25	1,417,435,724	509,215,599,278	

Chilean Electronic Exchange

2013	Average price (Ch\$)	Units	Amount (Ch\$)	Market presence
Total 1st quarter	292.18	16,502,504	4,825,326,205	100%
Total 2nd quarter	307.11	77,933,241	23,618,043,274	100%
Total 3rd quarter	315.34	12,623,863	3,983,136,896	100%
Total 4th quarter	322.99	12,541,351	4,049,318,831	100%
Year 2013	304.99	119,600,959	36,475,825,206	

Valparaiso Stock Exchange

2013	Average price (Ch\$)	Units	Amount (Ch\$)	Market presence
Total 1st quarter	291.32	177,140	51,605,029	28,63%
Total 2nd quarter	305.26	221,796	67,704,562	28,63%
Total 3rd quarter	314.51	210,635	66,247,383	28,63%
Total 4th quarter	324.57	203,493	66,046,876	28,63%
Year 2013	309.45	813,064	251,603,850	



CORPORATE
GOVERNANCE



BOARD OF DIRECTORS AGUAS ANDINAS



Name	Position	Tax No.	Profession or occupation	Date appointed or re-elected
Felipe Larrain Aspillaga	Chairman	6.922.002-9	Civil engineer	29-08-2013
Josep Bagué Prats	Vice chairman	Foreigner	Economist	29-08-2013
Ricardo Escobar Calderón	Director	8.483.513-7	Lawyer	29-08-2013
Herman Chadwick Piñera	Director	4.975.992-4	Lawyer	29-08-2013
Bruno Philippi Irrarrábal	Director	4.818.243-7	Civil engineer	29-08-2013
Rodrigo Manubens Moltedo	Director	6.575.050-3	Commercial engineer	29-08-2013
Gonzalo Felipe Sergio Rojas Vildósola	Director	6.179.689-4	Commercial engineer	29-08-2013
Olivier Jacquier	Alternate director	Foreigner	Joint finance director	29-08-2013
Fernando Samaniego Sangroniz	Alternate director	6.374.438-7	Lawyer	29-08-2013
Xavier Amorós Corbella	Alternate director	23.530.463-5	Lawyer	29-08-2013
Lorenzo Bernaldo De Quiroz Lozano	Alternate director	Foreigner	Economist, degree in law	29-08-2013
Jorge Cosme Sagnier Guimón	Alternate director	24.394.856-8	Economist	29-08-2013
Rodrigo Terré Fontbona	Alternate director	9.011.344-5	Civil engineer	29-08-2013
Jaime Eduardo Cuevas Rodríguez	Alternate director	10.290.120-7	Commercial engineer	29-08-2013

Remuneration of the Board and Directors' Committee

In accordance with Law 18,046, the ordinary shareholders' meeting held on April 23, 2013 agreed the remuneration of the members of the board, and of the directors' committee and its expense budget for the year 2013.

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 2013 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.

The activities of this committee are those stipulated in law. The expenses incurred in advisory services in 2013 amounted to Ch\$41.0 million.

DIRECTORS' REMUNERATION (Thousands of pesos)

Director	Position	Remuneration		Meetings	
		2012	2013	2012	2013
Felipe Larrain Aspillaga	Chairman	27,088	29,379	25,287	27,553
Patricio Prieto Sánchez	Vice chairman	20,357	13,739	16,286	10,997
Bruno Philippi Irrarrázabal	Director	19,000	19,320	4,972	6,431
Rodrigo Manubens Moltedo	Director	19,000	19,320	5,881	8,722
Gonzalo Rojas Vildósola	Director	19,000	19,320	4,972	7,354
Luis Hernán Paúl Fresno	Director	19,000	12,823	5,881	6,405
Ernesto Mata López	Director	18,962	15,336	0	0
Herman Chadwick Piñera	Director	19,000	19,320	0	2,317
Lorenzo Bernaldo de Quiroz	Director	19,414	20,857	0	0
Rodrigo Terré Fontbona	Director	19,000	19,320	0	0
Jaime Cuevas Rodríguez	Director	19,000	19,320	0	0
Alejandro Danús Chirighin	Director	19,000	12,823	0	0
Fernando Samaniego Sangroniz	Director	0	8,110	0	0
Ricardo Escobar Calderón	Director	0	8,110	0	2,317
Total		237,821	237,097	63,279	72,096

MEMBERS OF THE DIRECTORS' COMMITTEE REMUNERATION (Thousands of pesos)

Director	Position	Remuneration	
		2013	2012
Rodrigo Manubens Moltedo	Director	14,025	12,420
Luis Hernán Paúl Fresno	Director	14,025	8,243
Gonzalo Rojas Vildósola	Director	0	3,713
Totales		28,050	24,376

Managers and Senior Executives

As of December 31, 2013, the managers and senior executives of Aguas Andinas consisted of 53 professionals. The total remuneration received during the year was Ch\$4.913 million and severance payments totaled Ch\$179 million.

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

MANAGERS AND SENIOR EXECUTIVES

Name	Tax No.	Position	Profession	Date of incorporation
Jordi Valls Riera	24.399.619-8	Chief Executive Officer	Lawyer	1/10/2013
Camilo Larraín Sánchez	10.436.775-5	Corporate Manager	Lawyer	1/8/2000
Joaquim Martí Marques	21.176.102-4	Corporate Manager	Roads, Canals & Ports Engineer	1/12/2002
Iván Yarur Sairafi	8.534.007-7	Corporate Manager	Civil Industrial Engineer	10/10/2000
Lluc Orpella Bernat	23.918.197-K	Corporate Manager	Economist	1/4/2012
Domingo Martínez Robledo	23.764.153-1	Corporate Manager	Industrial Engineer	7/10/2011
Ana Isabel Olate Soto	9.751.311-2	Corporate Manager	Journalist	15/8/2013
Eugenio Rodríguez Mingo	6.379.051-6	Corporate Manager	Commercial Engineer	1/2/2005
Alejandro Riquelme Hernández	10.200.262-8	Manager	Accountant Auditor	1/12/2004
Cristián Schwerter Loyola	12.343.884-1	Manager	Civil Engineer	1/9/2000
Hernán Köning Besa	9.656.371-K	Manager	Civil Engineer	3/1/2003
Hernán Ocariz Martín	6.613.091-6	Manager	Civil Engineer	29/8/1980
José Sáez Albornoz	9.447.215-6	Manager	Commercial Engineer	1/9/2008
Juliete Arellano Maira	12.044.242-2	Manager	Commercial Engineer	3/4/2000
Luis Faúndez Pérez	8.043.598-3	Manager	Civil Engineer	16/9/1985
Luis Maldonado Lemus	11.313.403-8	Manager	Civil Industrial Engineer	25/6/2012
Luis Fuentes Contreras	6.190.810-2	Manager	Civil Engineer	13/2/1978
Mario Auger Hernández	7.746.808-0	Manager	Civil Engineer	1/5/2001
Natalia Kent Geell	8.688.841-6	Manager	Civil Industrial Engineer	4/1/1988
Pedro Soto Perretta	7.117.991-5	Manager	Civil Engineer	25/6/2001
Ricardo Estay Caballero	6.027.966-7	Manager	Civil Engineer	14/11/1977
Rodrigo Reyes Cea	12.087.571-K	Manager	Accountant Auditor	10/2/1999
Sergio Figueroa Ramírez	6.449.688-3	Manager	Construction Engineer	1/7/1976
Víctor Salazar Villalobos	10.380.974-6	Manager	Civil Industrial Engineer	1/10/2001
Yves Lesty	14.709.240-7	Manager	Sanitation Engineer	1/7/2006
Eduardo Daniel Di Monte	23.289.287-0	Manager	Telecommunications Engineer	6/4/2010
Carlos Jopia Palacios	10.077.119-5	Assistant Manager	Civil Engineer	1/3/2000
Christian Reyes Miranda	10.201.064-7	Assistant Manager	Commercial Engineer	15/10/1990

MANAGERS AND SENIOR EXECUTIVES

Name	Tax No.	Position	Profession	Date of incorporation
Enrique Ruíz Gálvez	12.570.985-0	Assistant Manager	Civil Engineer in Computing	10/4/2000
Orlando Salgado Céspedes	12.675.829-4	Assistant Manager	Civil Engineer in Civil Works	13/11/2000
Cristián Torres Rojas	12.867.840-9	Assistant Manager	Commercial Engineer	1/6/2011
Jorge Ramírez Salgado	13.037.982-6	Assistant Manager	Civil Engineer	18/6/2012
Mary Elizabeth Laverty	21.212.774-4	Assistant Manager	Commercial Engineer	8/10/2012
Adolfo Meyer Briceño	5.159.829-6	Assistant Manager	Construction Engineer	14/2/1977
Francisco Grau Mascayano	5.868.028-1	Assistant Manager	Civil Engineer	7/4/1986
David Duverrán Urra	6.223.665-5	Assistant Manager	Sanitation Works Execution Engineer	30/1/1980
Julio Muñoz Anrique	6.364.977-5	Assistant Manager	Civil Industrial Engineer	6/8/1984
Sebastián Acevedo Walker	6.639.714-9	Assistant Manager	Civil Engineer	15/10/1986
Patricio Norambuena Duncan	6.640.538-9	Assistant Manager	Construction Engineer	30/11/1982
Juan Luis Tapia Donoso	6.669.733-9	Assistant Manager	Civil Engineer	15/11/2000
Víctor Dupré Silva	6.816.920-8	Assistant Manager	Civil Engineer	17/4/1979
Bruno Luci Ghiardo	7.044.631-6	Assistant Manager	Civil Constructor	1/7/2005
Francisca Blanc Mendiberri	7.741.356-1	Assistant Manager	Lawyer	5/6/2000
Christian Garcés Durán	8.153.554-K	Assistant Manager	Commercial Engineer	16/12/1996
José Palominos Rojas	8.582.874-6	Assistant Manager	Commercial Engineer	1/4/2002
Juan Carlos Sanhueza Navarrete	8.641.413-9	Assistant Manager	Civil Engineer	1/6/1993
Carlos Torres Barrientos	9.383.964-1	Assistant Manager	Electrical Execution Engineer	1/2/2000
Juan Antonio Cárdenas Espinosa	9.982.435-2	Assistant Manager	Lawyer	1/9/2002
Cristián Ruíz Miller	11.636.111-6	Assistant Manager	Civil Computer Engineer	1/2/2002
Lilian Salas Sanhueza	12.677.326-9	Assistant Manager	Civil Engineer	4/2/2000
Diego De La Fuente Munizaga	13.423.744-9	Assistant Manager	Public Accountant & Auditor	1/12/2010
Daniel Politis Calvo	13.471.373-9	Assistant Manager	Computer Engineer	1/6/2008
Javier Montoya Tomas	24.389.642-8	Assistant Manager	Telecommunications Engineer	1/10/2013

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, together with the expenses incurred by it in 2013. 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 Molledo and Luis Hernán Paúl Fresno, and Xavier Amorós Corbella, with their respective alternates.

The committee at its meeting of August 18, 2011 elected the independent director Rodrigo Manubens Molledo as its chairman.

The extraordinary shareholders' meeting held on August 29, 2013 renewed the board entirely, electing Rodrigo Manubens Molledo and his alternate Rodrigo Terré Fontbona; and Gonzalo Rojas Vildósola and his alternate Jaime Cuevas Rodríguez, as directors and alternates, independent of the controller.

The board on August 29, 2013 appointed the already referred to independent directors and their alternates as members of the directors' committee, together with the director Josep Bagué Prats and his alternate Fernando Samaniego Sangroniz who were elected by the controller. The new committee was constituted on September 24,

2013 and re-elected the independent director, Rodrigo Manubens Molledo, as its chairman.

The committee 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 directors' committee in 2013

1.- agreed to propose to the shareholders' meeting that the credit-rating agencies for the year 2013 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.- Agreed to propose to the board and the shareholders' meeting that the firm Ernst & Young be appointed as external auditors for the year 2013 and to incorporate this in its recommendation to shareholders. Alternatively, it was agreed to suggest Deloitte.

3.- Examined the degree of progress of the measures for resolving the observations in the internal control report of the external auditors of 2012.

4.- Examined the reports of the external auditors and financial statements as of December 31, 2012 presented by the company's management, and pronounced on them prior to their presentation to the shareholders.

Regarding the report of the external auditors Ernst and Young on the audited financial statements as of December 31, 2012 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 make pertinent consultations directly. The auditors' report was unqualified, the external auditors telling the committee that the accounts of the company by the management of Aguas Andinas S.A. were managed with conservative and reasonable criteria.

The committee made no other observations to the financial statements of Aguas Andinas S.A. as of December 31, 2012, nor to the external auditors' report.

5.- Examined the annual external audit plan presented by Ernst & Young, on the assumption that the firm would be elected by the ordinary shareholders' meeting; the structure of their work team, the timetable, significant accounting and audit matters to be revised, the documents to be delivered and estimated dates, together with the reports to be issued.

It was agreed that the matters their work would be focused on in 2013 would be:

- Booking of revenue, accounts receivable and estimates of doubtful accounts.
- Fixed assets.
- Intangible assets (including goodwill), their valuation and analysis of impairment.

- Bank obligations, bonds issued and reimbursable financial contributions.
- Income tax and deferred taxes.
- Contingencies, commitments and demands.
- Provisions and employee benefits.

6.- Examined the management's proposal, through the corporate manager, finance and procurement, to contract the audit firm Ernst & Young to carry out the program of 2013 of risks management in standardized processes with the controller, carrying out functions described to the committee, with work involving 780 hours with a fee of UF 1,350. In accordance with article 50 bis) No.6 of Law 18.046, the directors' committee should inform the board with respect to the convenience of contracting the external audit firm for the provision of services that do not form part of the external audit, when they are not forbidden by article 242 of Law 18.045, regarding whether the nature of such services may generate a risk of loss of independence. It was believed that this work contributed, complemented and was functional to a better annual external audit that Ernst & Young should carry out, and did not constitute a service that might generate a risk of loss of independence in the external auditors. In any event, a quotation was requested for the same work from the external audit firm Deloitte, which proposed fees for the work amounting to UF 1,800. The firm KPMG excused itself from making an offer. Consequently, the most economic offer was that of Ernst & Young. The directors'

committee saw no reason not to contract Ernst & Young for the service in 2013 of evaluating key standardization processes, on the terms and prices indicated.

7.- Examined the financial statements as of March 31, 2013, and the principal comparative variations of the accounts and reasoned explanations. The committee asked the management to consider the following matters prior to their presentation to the board, based in each case on the reasons analysis of the financial statements or their notes:

- If the SISS authorized the tariffs for the start-up of the Mapocho sewage treatment plant, this should be added to the management's analysis and the note on subsequent events.
- Emphasize in the management's analysis that 100 % of Santiago's sewage from the company's concession areas and operating territory is being treated from December 31, 2012, as established in the company's development plan.
- Explain the reduced water consumption in the first quarter, deriving from supply cuts due to force majeure, corresponding to the major reduction, and that this was extraordinary and circumstantial and did not reflect a permanent reduction in consumption.
- Consider the effect of depreciation of the Mapocho treatment plant.

The committee made no further observations.

8.- Examined the financial statements as of June 30, 2013, and the principal comparative variations of the accounts and reasoned explanations. The committee asked the management to include more detailed explanations of certain matters in the management's analysis, concluding with a revision of the provisions to be considered for the financial statements for 2013.

9.- Examined the financial statements as of September 30, 2013, and the principal comparative variations of the accounts and reasoned explanations. The committee asked the management to start actions for reducing the provisions for doubtful accounts. The committee made no other observations and asked that a revision be made of the provisions to be considered for the annual financial statements for 2013.

10.- Examined the internal control and risk management system of Aguas Andinas S.A. and subsidiaries, and the various instruments and stages comprising it: internal audit, risk management, internal control, standardized processes, follow-up and the fraud risk management program.

11.- Examined the remunerations systems and compensation plans of the company's managers, executives and employees. Based on information provided and explained by the chief executive and the corporate manager, organization and human resources, the committee concluded that Aguas

Andinas S.A. has a well-developed and consistent human resources, remuneration and compensation policy which is constantly being updated and improved for having a payments policy and practice that meets the objectives of external competitiveness and internal equity, considering the needs of financial balance. In general terms, the remuneration and compensation systems of the company's managers, senior executives and employees meet the objectives of external competitiveness and are within general market ranges.

12.-Examined the management report (internal control) issued by the external auditors on November 30, 2013, and the follow-up of observations in previous reports.

13.- Reviewed progress of standardized processes.

14.- Hizo un examen consolidado de las operaciones con partes relacionadas celebradas en los años 2011 y 2012.

15.- All the cases of operations with related parties examined by the committee were made on the basis of information provided by the company's management. They were approved only when such operations met the following conditions: that they were intended to contribute to the corporate interest; that they met in price, terms and conditions those prevailing in the market at the time of approval; and were within the company's normal business and policies. These criteria were considered and applied in all the agreements

approving the related operations, included at the end of the report, without reproducing the compliance with such requirements in each case, which are understood to be reproduced.

16.- Examined the information provided by the management relating to the request of December 28, 2012 for the provisional reception of the Mapocho sewage treatment plant (STP) presented by the contractor and related company Empresa Depuradora de Aguas Servidas Mapocho Trebal Limitada (EDAM), with the joint and several guarantee of Agbar and Degremont. For this examination, the committee contracted and requested independent reports from the external lawyer, Felipe Bahamondez Prieto, and the external technical adviser, the engineer Jacobo Homsí Auchen, whom the committee met on several occasions. The committee also took into consideration:

- a) The technical works inspection reports (ITO) of the Mapocho STP contracted by Aguas Andinas S.A. with the firm Cruz y Dávila.
- b) The report of the lawyer Jorge Martín, of Claro y Compañía, requested by the management of Aguas Andinas S.A.
- c) The report on term and state of compliance of stages in the construction of the Mapocho – Trebal STPs, prepared by the manager of the third plant, Mario Auger Hernández, with the corresponding supporting certificates. The objective requirements were examined for granting the provisional reception under the contract.

The contractor presented the request for provisional reception together with an action plan for handling the observations. The action plan was also revised by the ITO Cruz y Dávila and the independent expert Jacobo Homsí, concluding that it complied with the contractual documents and believing it to be satisfactory and sufficient for granting the provisional reception. The report of the ITO Cruz y Dávila concluded that the operation of the Mapocho-Trebal STP could be considered as satisfactory as the requirements established in the project had been met, the process has been carried out continuously in all its lines and the quality control provisions had been complied with at all times and without objections by the regulatory authority. As there were fines pending to be issued and charged and possible obligations of EDAM to determine, the opinion of the committee was to make express note in the document of provisional reception or in a complementary agreement to the provisional reception with the contractor, reserving the rights of Aguas Andinas in granting it, and the mechanisms enabling the company to collect from the contractor EDAM.

The committee agreed to leave evidence in complementary agreement to the provisional reception at the same time as the signing of the document of provisional reception, together with the reservation of the rights established, which text would be submitted for approval by the board.

Essentially, the committee believed that such agreement to the provisional reception should include the following:

- a) That despite having signed the document of provisional reception, Aguas Andinas expressly reserves all its rights and actions to claim from EDAM, or from any of its guarantors, the full and timely compliance of all the obligations arising under the law, the contract or any of its appendices.
- b) That the fact of granting the document of provisional reception shall not constitute a renunciation by Aguas Andinas to demand and charge in the future EDAM or any of its guarantors, at its sole discretion, all or part of the fines established in the contract or its appendices, after the signing of the document of provisional reception.
- c) That Aguas Andinas expressly reserves the right to claim from EDAM or any of its guarantors, the compensation for all damages the former may suffer as a result of the provision of the services or execution of the works by EDAM.
- d) That the determination of the fines relating to the contract, with respect to causes and amounts, is made by Aguas Andinas after the provisional reception.
- e) That the contractor EDAM and its guarantors renounce any action opposing the justification of this determination of fines for considering it as extemporaneous based on the fact of having previously granted the provisional reception. It shall be acknowledged that Aguas Andinas is granted an additional term to make the determination of the

fines relating to the contract, which will expire in the same period of time available for granting the final reception under the contract.

- f) That Aguas Andinas expressly reserves the rights to charge or deduct from pending payment statements or any sum due to the contractor under the contract, all fines for different non-compliances in which the contractor has incurred in the construction part of the contract when it shall determine.
- g) That Aguas Andinas expressly reserves the right to charge all possible higher operating and investment costs incurred by Aguas Andinas in operating the sewage treatment at the Mapocho STP under the system of sludge liming, compared to the thermal hydrolysis system.
- h) That Aguas Andinas expressly reserves the right to charge EDAM the tariffs that cannot be charged by the former in relation to the treatment of sewage at the Mapocho STP due to observations made by SISS or any other competent authority due to causes imputable to EDAM in relation to the Mapocho STP.
- i) That EDAM, for its part, requested that it be acknowledged that as well as accepting the reservation of rights of Aguas Andinas, expressly reserves the right to discuss and oppose the justification of the fines and damages made by Aguas Andinas.
- j) That EDAM shall reserve its rights and in particular those of claiming payment for possible extraordinary works, higher costs, price adjustments or the postponement, extension or increase in the periods

stated in the contract or in its appendices, as well as the right to claim damages that may correspond to it whether by application of the contract, its appendices or complementary documents or legal order.

Subject to the considerations indicated, the committee agreed to approve the draft agreement of provisional reception to be signed together with the document of provisional reception of the Mapocho STP.

17.- Examined the information presented by the management, through the corporate manager, planning, engineering and systems, in relation to the requirements of Aguas Andinas S.A. of the related contractor Asterión regarding certain functional changes in the Aquacis system, specifications or additional needs to those considered in the original contract with Asterión:

- a) That according to the information the contractor Asterión presented an offer of price, terms and conditions better than that calculated by the independent expert Deloitte Auditores Consultores, and that they meet those prevailing in the market at the time of this approval.
- b) That, according to the memorandum "Contract for Re-engineering of Processes and Implementation of New Information Systems for Customer Service" of January 2013, from the lawyers office of Guerrero – Olivos – Novoa – Errázuriz, whose copy was seen by the committee, the computer consultancy service for introducing the additional functional requirements is within the framework of the evolutionary maintenance of the current contract.



REPORT OF THE DIRECTORS' COMMITTEE

c) That it approved expanding the contract for the introduction of Aquacis in Aguas Andinas S.A. by the related company Asterión to cover the additional requirements for a total fixed price of UF 26,180, covering a total of 16,290 hours at a cost per day of UF 13.5 and per month of UF 270.

18.-Examined the information presented by the management, through the corporate manager, operations, concerning the public tender for the Emptying, Cleaning and Maintenance of the Sludge Anaerobic Digester of the Talagante STP and its recommendation to award the contract to the related company Aqualogy. Aqualogy submitted the cheapest offer and identical technical qualifications as its competitor in the notified, open and competitive public tender, which seeks to ensure that the price, terms and conditions are in line with those prevailing in the market at the time of approval. The committee approved awarding the contract to the related company Aqualogy at a price of UF17,369, to be carried out within 139 days.

19.- Examined the information presented by the management, through the corporate manager, communications and organizational development, concerning the public tender for the "Service of Implementation of the Integrated Talent Management Process for Aguas Andinas and subsidiaries" and their recommendation that the contract be awarded to the related company Aqualogy, which submitted the

cheapest offer and identical technical qualifications as its competitors in the notified, open and competitive public tender, which seeks to ensure that the price, terms and conditions are in line with those prevailing in the market at the time of approval. The committee approved awarding the contract to Aqualogy at a price of UF12,114, in the unit values reported to the meeting and to be carried out within 36 months from the starting date of the services, which could be extended automatically and successively for periods of 12 months each, with a maximum of 3 periods.

20.- Examined the information presented by the management, through the corporate manager, operations, concerning the public tender for the service of "Control and follow-up of the exploitation of reservoirs for storage of water of Santiago", and their recommendation that the contract be awarded to the related company Aqualogy Aqua Ambiente Servicios Integrales S.A. Aqualogy submitted the only offer in the notified and open public tender process. In its evaluation, the offer of Aqualogy Aqua Ambiente Servicios Integrales S.A. obtained a score of 98.3 out of 100 (68.3 in the technical offer and 30 in the economic offer). The costs and terms submitted by Aqualogy Aqua Ambiente Servicios Integrales S.A. were consistent with those offered by the consultant Luis San Martín y Cía. Ltda. in the international public tender for the "Contract for Updating of the Operation and Security El Yeso Reservoir" in January 2008 for a similar purpose

and with consultancy prices in the Chilean market. The committee approved the award of the contract to Aqualogy at a price of UF6,894.75.

21.- Examined the information presented by the general manager of the subsidiary ANAM concerning the proposal to contract the related company Labaqua for the development of the dynamic olfatimetrics project, for supplying the workforce and instrumental equipment for taking samples; technical formation in the use of the olfatometer; technical formation in the sample-taking process; practical formation in the sample-taking process; technical assistance in the preparation of documents for the quality system; and technical assistance in the process of accreditation under the standard Nch 3190. This does not correspond to an operation with a related party to be signed directly by Aguas Andinas S.A., of which the committee forms a part, but of a subsidiary company with a company related to the controller, and thus corresponds to the board of the subsidiary ANAM S.A. to examine and pronounce directly on the operation, in accordance with the corporations law. Labaqua submitted an offer of Ch\$44,021,148. It was approved that the subsidiary ANAM could sign the contract for the dynamic olfatimetrics project with the related company Labaqua at a price of Ch\$44,021,148.

22.- Examined the information presented by the management concerning the public tender for the

service of "Cleaning of Water Networks of the Aguas Group", and its recommendation that the contract be awarded to the related company Aqualogy Medioambiente Chile S.A. Only this related company acquired the tender conditions and submitted offers in this public tender. The offer conditions were optimized significantly for Aguas Andinas S.A. in a subsequent negotiation, adjusting the offered price to its minimum range per lineal meter by Ch\$6,459, regardless of the different diameters and the number of kilometers annually, with a total contract amount of Ch\$400,000,000 annually, and reducing the term of the contract from a maximum of 5 years to one of 3 years. The technical qualification of the offer scored 7 in all its sections, complying 100% with the requirements of the technical conditions. The management presented a local benchmarking in which the existing cleaning methods in Chile are Flushing, Varillados and Pressure Washing, all of which are less effective and lower yielding, and in two of the cases analyzed are priced a little over double the Ice Pigging price offered to Aguas Andinas; and in the benchmarking of Ice Pigging in 17 places around the world, in the United Kingdom, Holland, Australia, Spain and Chile, it was concluded that the adjusted price of the offer from Aqualogy Medioambiente Chile S.A. to Aguas Andinas S.A. was the cheapest of them all. Based on this, the committee agreed to inform the board that it believed that the award of the service contract to the related entity Aqualogy Medioambiente Chile S.A., on

the improved conditions reported to the meeting, would meet the requirements established in law.

23.- Examined the information presented by the management, through the corporate manager, finance and procurement, concerning the proposal to increase the amount contracted for the year 2013 under the "Supply of pipes and accessories for the water and sewage networks of Aguas Andinas S.A. and related companies" contract, whose award and contract is with the related companies Agbar and Aqualogy Chile, approved by the directors' committee in November 2010 with a 12-month contract renewable for a further 24 months. The materials contracts were awarded to different companies according the best price offered and Agbar-Aqualogy were awarded just the network materials (joints, flanges, collars, etc.) for a maximum annual amount of Ch\$964 million. The proposed increase of Ch\$180 million is based on the following: i) that the maximum stock of network materials has been insufficient and the maximum purchases contracted would not cover up to November 2013, when it is necessary to hold a new international tender of the network materials; ii) in order to comply with that projected to the end of 2013, it was necessary to add Ch\$180 million to the contract in purchases of network material (joints, flanges, collars, etc.) according to the sales projections; iii) that all the conditions of the initial contract of 2010 (price and quality of materials, etc) would be maintained; iv) that these prices were

significantly lower than comparable domestic prices; and v) that with this contract increase the Aguas Group could be supplied until the end of 2013 and have the materials necessary to meet budgeted sales without stock shortages, thus ensuring supplies to contractors of the Aguas Group and third parties outside the Group. The proposal was approved to increase the amount of the contract for 2013 by Ch\$180 million for the "Supply of pipes and accessories for the water and sewage networks of Aguas Andinas S.A. and related companies", whose partial contracting was made with the related companies Agbar and Aqualogy Chile, approved by the Directors' Committee at its meeting in November 2010.

24.- Examined the information presented by the management concerning the public tender for the service of cleaning sewage units for Aguas Andinas S.A. and related companies, in which the subsidiary Gestión y Servicios S.A. participated with the cheapest and most convenient offer for the interests of the company, in relation to those of its competitor in modules 2 and 3, of Ch\$105,000,000 annually approximately, in an advertised, open and competitive public tender. There were 3 interested parties in the tender and 2 submitted offers. The subsidiary Gestión y Servicios S.A. was partially awarded the service contract for the cleaning of treatment units for Aguas Andinas S.A. and related companies corresponding to modules 2 and 3 for unit prices offered that represent an

approximate total amount of Ch\$105,000,000 annually.

25.- Examined the information presented by the management concerning the 2013 public tender for the supply of materials for Aguas Andinas S.A. and related companies, in which the related company Aqualogy Solutions Chile Limitada participated. Aqualogy submitted the cheapest offer and was identical or better than the technical qualification and the most convenient for the company's interests, in relation to those of its competitors in certain groups or sub-groups of materials being tendered in an advertised, open and competitive public tender process. There were 19 interested participants in the tender and 12 firms submitted bids in the different families of materials.

The partial award of this contract was approved to the related company Aqualogy Solutions Chile Limitada. The total value of the bids awarded was Ch\$2,307,774,288, of which the related company Aqualogy Solutions Chile Limitada was awarded Ch\$917,613,771 and the rest to other suppliers who submitted better bids. The award was made at the unit values informed to the meeting and the contract was to be carried out within 12 months from the date of adjudication, renewable automatically and successively for periods of 12 months each, with a maximum of 3 periods.

III.- Budget and Expenses of the Directors' Committee for 2013

The ordinary shareholders' meeting held in April 2013 set the annual budget of the directors' committee at UF 3,000, which was partially used.

The total expenses of the committee were Ch\$41,005,822, equivalent to approximately UF 1,657, which were used to pay the monthly fees of the committee's legal adviser and secretary, Alejandro Reyes Vergara, amounting to UF839 for the year, and fees paid to the independent external technical adviser, Jacobo Homsí Auchén, of Ch\$10,879,196 and to the independent external legal adviser, Felipe Bahamondez Prieto, of Ch\$8,279,137, both contracted by the committee to advise on the request for the provisional reception of the Mapocho-Trebal STP.

IV.- Directors' Committee Recommendations to Shareholders

- 1.- Elect the firm Ernst & Young as external auditors for the year 2014.
- 2.- Elect the firms ICR and Fitch Rating as the private credit rating agencies for 2014.

6 MATERIAL EVENTS

• **On April 18, 2013**, as part of the collective mediation process initiated by the National Consumer Service (SERNAC) with respect to the interruptions to supplies resulting from events of force majeure that occurred last summer, and which interrupted the water supply to a large number of inhabitants of the Metropolitan Region on January 22 and February 9 and 10, Aguas Andinas S.A. proposed to SERNAC, by letter of April 15, a system of compensation to its users, which was accepted by SERNAC, by letter 06830 received by the company on April 17, 2013.

Specifically, Aguas Andinas would compensate customers whose water service was restricted or interrupted, over and above the limits reported in the company's various communications.

The total number of customers who would benefit from this compensation was 821,860, corresponding to all those affected by differences between information given by the company and the time that the cut or restoration of their supply effectively occurred.

The total cost of the compensation would be Ch\$2,580,503,928. Depending on the type of information time lag suffered by the customers, the amount of compensation would be calculated to be Ch\$4,020 or Ch\$2,412, as appropriate, and according the map of cuts and restorations held by the company. The payment of the compensations would be made by credits to the water billings for May 2013.

It should be remembered that Aguas Andinas chose to compensate the customers affected by information problems, despite the fact that the water cuts last summer responded to events of force majeure, as a result of high-altitude rains that caused floods in the lower mountains and an unforeseeable increase in the cloudiness of the waters of the river Maipo. This obliged the company to temporarily close the Las Vigcachas, La Florida and Padre Hurtado water treatment plants in order to avoid silting up of mud in the sanitary installations and thus normalize the water service in the shortest possible time.

Following those events, the company reviewed all its processes and information protocols in order to avoid similar situations repeating themselves.

• **On July 23, 2013**, the board of the company agreed unanimously to call an extraordinary shareholders' meeting for August 29, 2013, at 10 a.m., in order discuss the following matters:

1. Pronounce on a proposal to amend the corporate bylaws in order to: (a) incorporate the last amendments introduced to Law 18.046, the new Corporations Regulations, the Securities Market Law 18.045 and Law 19.888; (b) increase the term of the company's board of directors from 2 to 3 years; (c) repeal from the bylaws the transitory provisions that have lost their reason to be; and (d) approve the new rewritten text of the bylaws incorporating the above amendments.
2. Renew the board of the company.



6 MATERIAL EVENTS

•On August 29, 2013, the eighteenth extraordinary shareholders' meeting of the company was held, which agreed the following matters:

1. Incorporate in the bylaws the amendments introduced to the Corporations Law and its Regulations, the Securities Market Law 18.777, and the General Sanitation Services Law.
2. Amend the objects of the company, adapting them to the provisions of the General Sanitation Services Law.
3. Modify the term of the company's board of directors from 2 to 3 years.
4. Modify the transitory provision relating to the form in which the corporate capital is paid in, noting that the capital was then fully subscribed and paid.
5. Repeal the transitory provisions that have lost their reason to be.
6. Establish a new rewritten text of the company's bylaws incorporating the above agreed amendments.
7. Renew the board of the company, with the election of the following persons:

Directors	Alternate Directors
Felipe Larrain Aspillaga	Oliver Jacquier
Josep Bagué Prats	Fernando Samaniego Sangroniz
Ricardo Escobar Calderón	Xavier Amorós Corbella
Herman Chadwick Piñera	Lorenzo Bernaldo de Quiroz
Bruno Philippi Irarrázabal	Jorge Cosme Sagnier Guimón
Rodrigo Manubens Moltedo	Rodrigo Terré Fontbona
Gonzalo Rojas Vildósola	Jaime Cuevas Rodríguez

The directors Rodrigo Manubens Moltedo and Gonzalo Rojas Vildósola and their respective alternates Rodrigo Terré Fontbona and Jaime Cuevas Rodríguez, have been elected as independent directors.

Following that meeting the board met and agreed unanimously to appoint Felipe Larraín Aspillaga as chairman of the board and the company and Josep Bagué Prats as vice chairman.

The board also agreed unanimously that the members of the company's directors' committee be Rodrigo Manubens Moltedo, Gonzalo Rojas Vildósola and Josep Bagué Prats, and their respective alternates.

The same board meeting received the resignation of Jesús García García as the company's chief executive officer, although he would continue to be linked to the same business group with new responsibilities. The board then unanimously agreed to appoint Jordi Valls Riera as the company's chief executive officer from that date.

•On **October 30, 2013**, the board of Aguas Andinas unanimously agreed to obtain financing of up to a maximum of UF 6,000,000 (six million Unidades de Fomento), authorizing the management to determine the financing mechanisms to be used for this purpose. In this way, the company could obtain this financing, considering the maximum limit indicated, by means of one or more bank loans and/or the registration of one or more lines of bonds and their respective issues and placements, as the case may be. With respect to the latter, the board unanimously agreed to register in the Securities Register of the Superintendency two lines of bonds whose principal characteristics are the following:

1. Maximum amount of each line of bonds: UF 6,000,000 (six million Unidades de Fomento), to be registered in pesos or Unidades de Fomento.
2. Maximum term of each line of binds: 30 years from the date of registration in the Securities Register of the Superintendency, during which the payment obligations of the different issues of bonds made against the lines should mature.
3. Collateral: They shall be unsecured.

4. Use of the funds: Refinancing of liabilities and financing of the company's investments, as determined in each of the complementary indentures.
5. Other general conditions: The bonds may be placed on the market in general, be dematerialized, to bearer, not convertible into shares of the company and be payable in pesos.

It was expressly noted that, despite the maximum amounts of each of the lines, bonds may only be placed and/or have bonds outstanding against these, up to a maximum total of UF 6,000,000 (six million Unidades de Fomento), considering both the bonds placed and outstanding issued against the lines mentioned.

The board also agreed, among other agreements pertinent to this matter, to authorize its managers to carry out the contracting of the bank loans referred to and/or make the registration, issuance and placement of bonds against the lines on the terms determined at the time, as the case may be.

On **November 26, 2013**, the board agreed unanimously to distribute the sum of Ch\$37,000,158,529 against the earnings for 2013, as an interim dividend.

The company's interim dividend No.57 therefore amounts to Ch\$6.0468 per share, payable from January 14, 2014.





Corporate Purpose

The corporate purpose of the company is to produce and distribute water, collect, treat and dispose of sewage, and provide other services related to those activities, in accordance with the terms of Decree Law 382 of the Ministry of Public Works of 1988, the Sanitation Services Law and other applicable regulations.

Legal Constitution

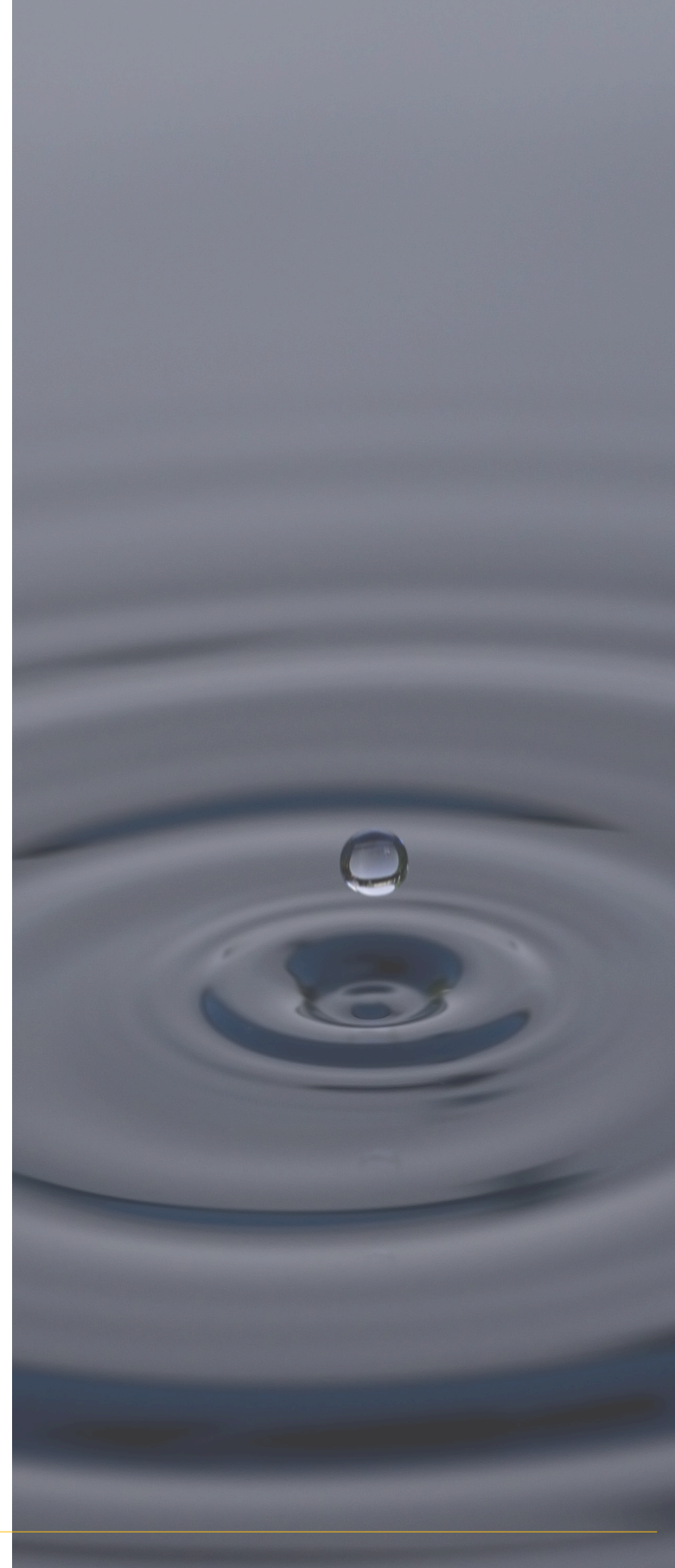
Aguas Andinas S.A. was constituted by public deed dated May 31, 1989, signed before the Santiago notary Raúl Undurraga Laso. An abstract was registered in folio 13.981, No.7.040 of the Santiago Trade Register for 1989 and published in the Official Gazette on June 10, 1989.

The corporate bylaws have been amended on several occasions. The latest were those reforms agreed by the 18th Extraordinary Shareholders' Meeting, in order to (i) incorporate the modifications introduced to the laws and regulations that govern the company's business; (ii) amend the corporate objects to adapt them to the Sanitation Services Law; (iii) extend the term of the board of directors to three years; (iv) record that the corporate capital is fully subscribed and paid, and (v) repeal the transitory provisions that have ceased to have effect.

A new restated text of the bylaws was also granted. This modification appears in public deed dated October 2, 2013, signed before the Santiago notary Iván Torrealba Acevedo. An abstract was registered in folio 78.299, No.51.547 of the Santiago Trade Register for 2013 and published in the Official Gazette on October 21, 2013.

Legal Aspects

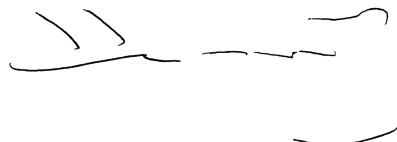
The company is registered in the Securities Register of the Superintendency of Securities and Insurance with No.0346 in accordance with Law 18.777. As a company in the sanitation sector, it is regulated by the Superintendency of Sanitation Services in accordance with Law 18.902 and Decree Laws 382 and 70, both of 1988.



The directors of Aguas Andinas S.A. and the chief executive officer, 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
Tax No: 6.922.002-9
Chairman




Herman Chadwick Piñera
Tax No: 4.975.992-4
Director



Gonzalo Rojas Vildósola
Tax No: 6.179.689-4
Director



Josep Bagué Prats
Tax No: AAA030961
Vice Chairman



Bruno Phillippi Irarrázabal
Tax No: 4.818.243-7
Director



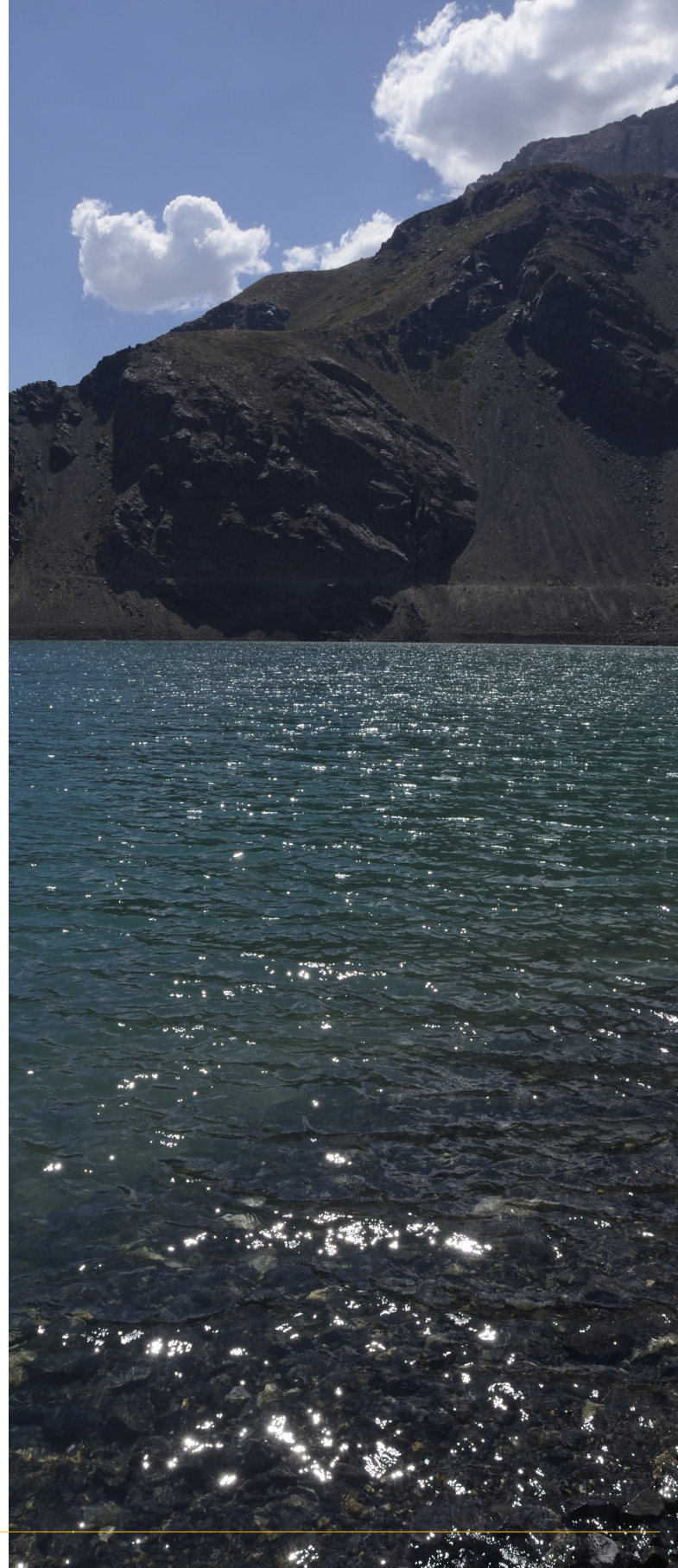
Jordi Valls Riera
Tax No: 24.399.619-8
Chief Executive Officer



Ricardo Escobar Calderón
Tax No: 8.483.513-7
Director



Rodrigo Manubens Molledo
Tax No: 6.575.050-3
Director





IDENTIFICATION OF THE COMPANY

Identification of the company

Name: Aguas Andinas S.A,
Legal domicile: Avenida Presidente Balmaceda 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: No.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, 22nd floor, Santiago, Chile
Telephone: (56-2) 2393 9003
Fax: (56-2) 2393 9101

Investor relations
Address: Avenida Presidente Balmaceda 1398, 3rd floor,
Santiago, Chile
Telephones: (56-2) 2569 2301 / (56-2) 2569 2380
Fax: (56-2) 2 569 2309
Electronic mail: inversionistas@aguasandinas.cl





FINANCIAL
STATEMENTS



Consolidated Statements of Financial Position As of December 31, 2013 and 2012
(Thousands of Chilean pesos - ThCh\$)



Assets	Note	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Current assets			
Cash & cash equivalents	7	38,658,981	35,644,437
Other non-financial assets		232,245	1,768,870
Trade debtors & other accounts receivable	8	87,948,143	78,138,154
Accounts receivable from related entities	9	38,941	8,215
Inventories	10	3,608,089	4,383,030
Tax assets		2,485,108	1,340,037
Total current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners		132,971,507	121,282,743
Total current assets		132,971,507	121,282,743
Non-current assets			
Other financial assets	8	7,413,197	7,367,236
Other non-financial assets		420,067	408,949
Other receivables	8	1,879,762	3,035,747
Intangible assets other than goodwill	11	227,347,269	225,272,517
Goodwill	12	36,233,012	36,233,012
Property, plant & equipment	13	1,171,182,828	1,152,300,877
Deferred tax assets	23	263,122	324,398
Total non-current assets		1,444,739,257	1,424,942,736
Total assets		1,577,710,764	1,546,225,479

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



CONSOLIDATED FINANCIAL STATEMENTS

Aguas Andinas S.A. and Subsidiaries

Consolidated Statements of Financial Position As of December 31, 2013 and 2012
(Thousands of Chilean pesos - ThCh\$)

Equity & liabilities	Note	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Current liabilities			
Other financial liabilities	8	93,620,208	56,804,996
Trade creditors & other accounts payable	8	90,032,192	74,682,140
Accounts payable to related entities	9	29,985,286	27,662,460
Other provisions	15	918,556	1,331,679
Tax liabilities		59,151	1,422,685
Provisions for employee benefits	19	4,198,437	2,906,724
Other non-financial liabilities		1,381,524	1,941,637
Total current liabilities other than liabilities included in groups of assets for disposal classified as held for sale		220,195,354	166,752,321
Total current liabilities		220,195,354	166,752,321

NON-CURRENT LIABILITIES	Note	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Other financial liabilities	8	626,272,073	637,349,551
Other provisions	15	1,118,746	1,094,239
Deferred tax liabilities	23	34,162,915	37,557,315
Other accounts payable	8	1,862,609	1,498,799
Provisions for employee benefits	19	8,542,371	8,677,001
Other non-financial liabilities		7,888,046	9,043,975
Total non-current liabilities		679,846,760	695,220,880
Total liabilities		900,042,114	861,973,201

Equity			
Issued capital		155,567,354	155,567,354
Accumulated earnings		302,875,246	308,088,569
Share premium		164,064,038	164,064,038
Other participations in equity		-5,965,550	-5,965,550
Equity attributable to owners of the controller		616,541,088	621,754,411
Non-controller participations	4	61,127,562	62,497,867
Total equity		677,668,650	684,252,278
Total equity & liabilities		1,577,710,764	1,546,225,479

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



CONSOLIDATED FINANCIAL STATEMENTS

Aguas Andinas S.A. and Subsidiaries

Consolidated Statements of Comprehensive Results For the years ended December 31, 2013 and 2012

(Thousands of Chilean pesos - ThCh\$)

Statement of results by nature	Note	31-12-2013	31-12-2012
Statement of results		ThCh\$	ThCh\$
Revenue from ordinary activities	17	402,623,592	382,885,743
Raw materials & supplies used		-27,416,534	-29,162,856
Employee benefit expenses	19	-40,455,749	-38,187,964
Depreciation & amortization charges	11-13	-64,704,889	-55,209,591
Other expenses, by nature	21	-87,474,313	-73,131,256
Other earnings (losses)	5	1,326,676	628,694
Financial income	5	6,965,852	8,291,012
Financial costs	5	-28,885,840	-24,170,380
Exchange differences	20	-2,130	-26,013
Results of indexation adjustments		-12,955,938	-13,888,896
Earnings before tax		149,020,727	158,028,493
Charge for income tax	23	-29,311,608	-35,793,146
Earnings from continuing operations		119,709,119	122,235,347
Earnings		119,709,119	122,235,347

Earnings attributable to			
Owners of the controller		116,675,534	121,738,423
Non-controller participations	4	3,033,585	496,924
Earnings		119,709,119	122,235,347



Basic earnings per share			
Basic earnings per share from continuing operations Ch\$		19,07	19,90
Basic earnings per share (Ch\$)	24	19,07	19,90

Statement of comprehensive results	31-12-2013	31-12-2012
	ThCh\$	ThCh\$
Earnings	119,709,119	122,235,347

Other comprehensive result		
Components of other comprehensive result that will not be reclassified in the result for the period		
Actuarial gains (losses) on defined benefits plans	0	-480,845
Other comprehensive result that will not be reclassified in result	0	-480,845

Comprehensive result, total	119,709,119	121,754,502
Comprehensive result attributable to		
Owners of the controller	116,675,534	121,269,559
Non-controller participations	4	484,943
Comprehensive result, total	119,709,119	121,754,502

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



CONSOLIDATED FINANCIAL STATEMENTS

Aguas Andinas S.A. and Subsidiaries

Consolidated Statements of Direct Cash Flows For the years ended December 31, 2013 and 2012
(Thousands of Chilean pesos - ThCh\$)



Statement of direct cash flows	Note	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Proceeds from operating activities			
Proceeds of sale of goods & provision of services		463,107,945	447,904,655
Proceeds of premiums & provisions, annuities & other insurance benefits		1,602,264	218,176
Other proceeds of operating activities		2,355,859	3,363,931
Kinds of payments			
Payments to suppliers of goods & services		-128,119,207	-121,106,985
Payment to & on behalf of employees		-40,552,722	-40,480,725
Payments of premiums and provisions, annuities & other obligations under insurance policies		-475,155	-2,348,327
Other operating activity payments		-42,232,938	-42,893,387
Interest paid		-20,846,867	-14,858,268
Interest received		2,684,173	3,402,516
Income taxes		-31,214,131	-27,844,087
Other cash outflows		-1,964,303	-1,938,561
Net cash flow from operating activities		204,344,918	203,418,938
Proceeds of sales of property, plant & equipment		25,502	366,659
Purchases of property, plant & equipment		-116,823,900	-97,590,330
Purchases of intangible assets		-191,274	-345,465
Other cash inflows (outflows)		-2,039,585	-7,800,063
Net cash flow used in investment activities		-119,029,257	-105,369,199

Statement of direct cash flows	Note	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Proceeds of long-term loans		50,933,592	135,805,272
Proceeds of short-term loans		0	3,168,591
Total loan proceeds		50,933,592	138,973,863
Loan repayments		-43,700,509	-90,191,909
Loan repayments		-89,329,355	-115,387,450
Other cash outflows		-204,845	-851,305
Net cash flow used in financing activities		-82,301,117	-67,456,801
Net increase in cash & cash equivalents, before the effect of exchange rate changes		3,014,544	30,592,938
Effects of variation in exchange rates on cash & cash equivalents		0	0
Net increase in cash & cash equivalents		3,014,544	30,592,938
Cash & cash equivalents at start of the period		35,644,437	5,051,499
Cash & cash equivalents at end of the period	7	38,658,981	35,644,437

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



Statements of Changes in Equity
For the years ended December 31, 2013 and 2012
(Thousands of Chilean pesos - ThCh\$)



Statement of Changes in Equity	Note	Issued capital	Share premium	Other participations in equity	Reserve for actuarial gains or losses in defined benefit plans	Accumulated earnings (losses)	Equity attributable to owners of the controller	Non-controller participations	Total equity
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Initial balance at 01-01-2013		155,567,354	164,064,038	-5,965,550	0	308,088,569	621,754,411	62,497,867	684,252,278
Restated initial balance		155,567,354	164,064,038	-5,965,550	0	308,088,569	621,754,411	62,497,867	684,252,278
Comprehensive result									
Earnings						116,675,534	116,675,534	3,033,585	119,709,119
Other comprehensive result						0	0		0
Dividends	3					-121,888,857	-121,888,857		-121,888,857
Reduction by transfers & other changes	4						0	-4,403,890	-4,403,890
Total changes in equity		0	0	0	0	-5,213,323	-5,213,323	-1,370,305	-6,583,628
Closing balance at 31-12-2013	3,4	155,567,354	164,064,038	-5,965,550	0	302,875,246	616,541,088	61,127,562	677,668,650

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



CONSOLIDATED FINANCIAL STATEMENTS

Aguas Andinas S.A. and Subsidiaries



Statement of Changes in Equity	Note	Issued capital	Share premium	Other participations in equity	Reserve for actuarial gains or losses in defined benefit plans	Accumulated earnings (losses)	Equity attributable to owners of the controller	Non-controller participations	Total equity
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Initial balance at 01-01-2012		155,567,354	164,064,038	-5,965,555	0	300,422,138	614,087,975	64,973,845	679,061,820
Restated initial balance		155,567,354	164,064,038	-5,965,555	0	300,422,138	614,087,975	64,973,845	679,061,820
Comprehensive result									
Earnings						121,738,423	121,738,423	496,924	122,235,347
Otro resultado integral					-468,864		-468,864	-11,981	-480,845
Dividends	3					-113,603,128	-113,603,128		-113,603,128
Reduction by transfers & other changes	4			5	468,864	-468,864	5	-2,960,921	-2,960,916
Total changes in equity		0	0	5	0	7,666,431	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	0	308,088,569	621,754,411	62,497,867	684,252,278

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



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.

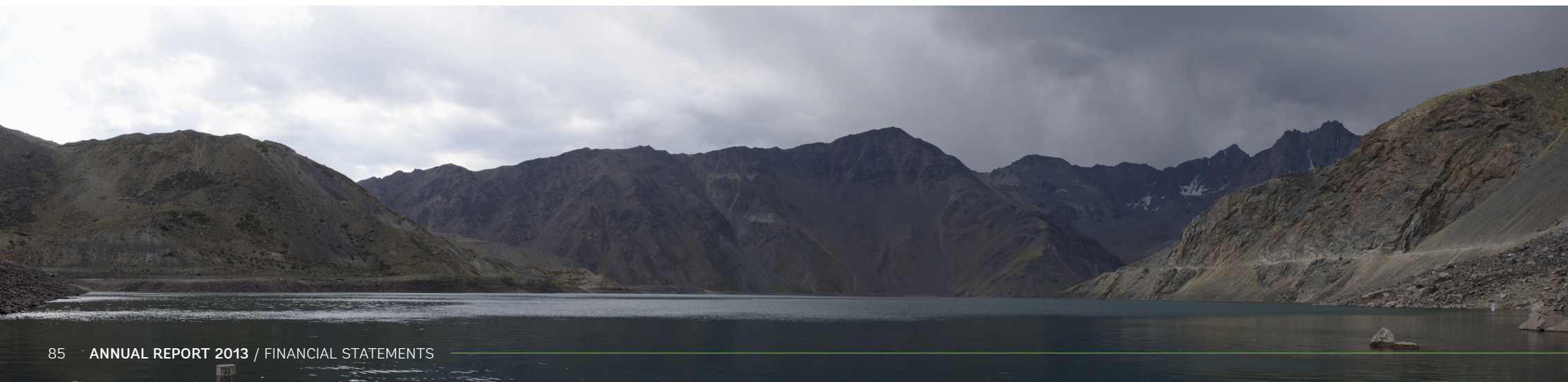
The Company is the parent of three sanitation companies, two in Greater Santiago (Aguas Cordillera S.A. and Aguas Manquehue S.A.) and one in the regions of De los Ríos and De Los Lagos (Empresa de Servicios Sanitarios de Los Lagos S.A., ESSAL). To provide a complete service within its business, the Company 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 followed 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).



Preparation

These consolidated financial statements relate to the statement of financial position as of December 31, 2013 and 2012, and the comprehensive results of its operations, changes in equity and cash flows for the years ended on those dates. They 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 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.

Functional and presentation currency

The 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 presentationl currency for the consolidated financial statements.

New accounting pronouncements

a) As of the date of these financial statements, IFRS 10 (Consolidated financial statements), 11 (Joint agreements), 12 (Disclosures of participations in other entities) and 13 (Measurement at fair value) have begun to be applied. These have been analyzed by the management which has determined that these do not affect the presentation of and the disclosures of the financial statements.

The application of IAS 19 revised has caused an impact. IAS 19, as mentioned below. IAS 19, Employee benefits, established that actuarial losses and gains be booked to results for the year. However, the new revised version states that the booking of these actuarial results should be part of Other comprehensive results, which determines its definitive exclusion from the results for the year. The standard also establishes the retrospective application of these effects, which causes changes to the classification of certain amounts within the equity.

b) The following new standards and interpretations have been issued but are not yet applicable:

New, amendments & interpretations	Date of obligatory application
IFRIC 21, Liens	Annual periods starting or after January 1, 2014
IFRS 9, Financial Instruments, classification & measurement	To be determined
IFRS 10, 12, & IAS 27, Investment Entities	Annual periods starting or after January 1, 2014
IAS 32 Presentation of financial statements	Annual periods starting or after January 1, 2014
IAS 36, Impairment of assets	Annual periods starting or after January 1, 2014
IAS 39, Financial Instruments, booking & measurement	Annual periods starting or after January 1, 2014

The management of the Company and its subsidiaries are analyzing the eventual impact of the above-mentioned amendments and interpretations on the Group's consolidated financial statements.



BASES OF PREPARATION AND ACCOUNTING POLICIES

Notes to the consolidated Financial Statements n°2

Responsibility for the information in the financial statements and estimates made

The information contained in these consolidated financial statements is the responsibility of the board of the Company, which states that all the principles and criteria included in International Financial Reporting Standards (IFRS) have been fully applied. The board approved these consolidated financial statements at its meeting of March 26, 2014.

The consolidated financial statements of Aguas Andinas S.A. and subsidiaries for the year 2012 were approved by the board at its meeting held on March 26, 2013.

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.

Accounting Policies

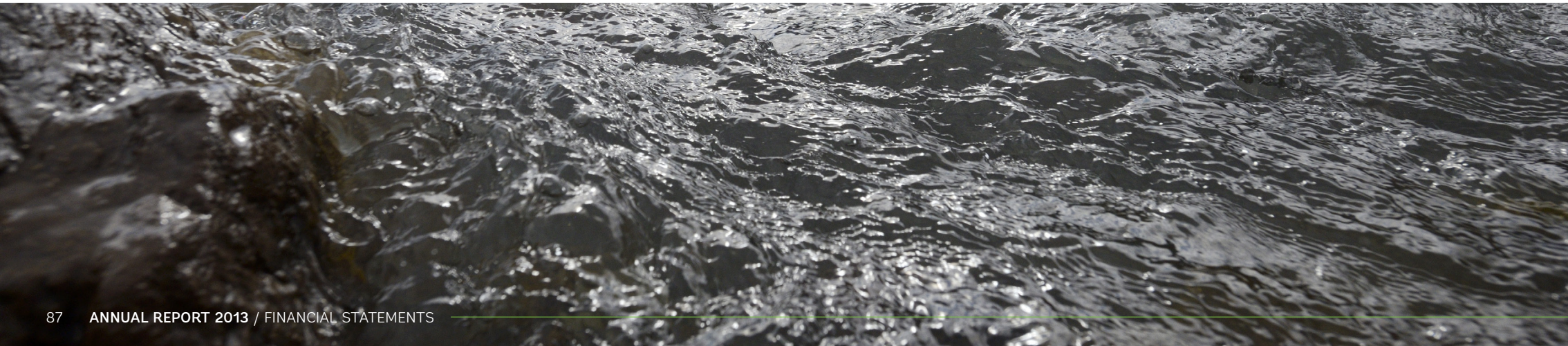
The following describes the principal accounting policies adopted in the preparation of these consolidated financial statements

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 their important activities, has the right to variable returns relating to its participations and the capacity to use such power to influence the amount of the returns of the investor. 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 follow the Group's policies uniformly.





BASES OF PREPARATION AND ACCOUNTING POLICIES

Notes to the consolidated Financial Statements n°2



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



Tax No.	Company	Direct %	Indirect %	Total 2013 (%)	Direct %	Indirect %	Total 2012 (%)
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	82.649996	17.350004	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.

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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

Notes to the consolidated Financial Statements n°2

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 the assets 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 more than its estimated recoverable amount, this is reduced immediately to the recoverable amount (Note 14).



Useful lives

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

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

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

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

Item	Useful life (years)	Useful life (years)
	Minimum	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



BASES DE PREPARACIÓN Y POLÍTICAS CONTABLES

Notes to the consolidated Financial Statements nº2

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 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 and are 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

Notes to the consolidated Financial Statements n°2

The minimum lease installments are assigned between financial expenses and a reduction in 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

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 IFRIC 4.

H. Financial assets

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

Financial assets are classified in the following categories:

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

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

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

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



BASES OF PREPARATION AND ACCOUNTING POLICIES

Notes to the consolidated Financial Statements n°2

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, 2013, 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.



7 BASES OF PREPARATION AND ACCOUNTING POLICIES

Notes to the consolidated Financial Statements n°2

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 as of the closing of these financial statements.

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 trade debtors and other accounts receivable

The Company evaluates periodically the impairments that affect its financial assets. The amount is booked in the provisions for accounts receivable. 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 its subsidiaries Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal 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



BASES OF PREPARATION AND ACCOUNTING POLICIES

Notes to the consolidated Financial Statements n°2

v. inancial 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, subject to the prior approval by the ordinary shareholders' meeting and provided the Company's present level of capitalization is maintained and is compatible with its investment policies.

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	31-12-2013	31-12-2012
	Ch\$	Ch\$
US dollar	524,61	479,96
Euro	724,30	634,45

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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

Notes to the consolidated Financial Statements n°2

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 their valuation.

Effectiveness

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

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 in its financial statements as of December 31, 2013 and 2012.



BASES OF PREPARATION AND ACCOUNTING POLICIES

Notes to the consolidated Financial Statements n°2

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. In accordance with 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

Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and ESSAL S.A. are shown at the actuarial value determined using the projected credit-unit method. Actuarial gains and losses on indemnities deriving from changes in the estimates or changes in the rates of turnover, mortality, wage increases or discount rate, are determined in accordance with IAS 19, in other

comprehensive results, thus directly affecting equity, and then later re-classified as accumulated earnings.

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 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 in Aguas Cordillera S.A. and Aguas Manquehue S.A. are governed as indicated in the Labor Code, except the amount of the indemnity in any event accumulated to December 31, 2002 and the severance payment of 1 monthly wage without any amount or age limit for workers 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 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.

Advances granted to personnel against this fund are shown deducted from outstanding 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

Notes to the consolidated Financial Statements n°2

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 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 from sales of goods

Revenue from sales of goods is booked once the risk and significant advantages deriving from ownership





BASES OF PREPARATION AND ACCOUNTING POLICIES

Notes to the consolidated Financial Statements n°2

of the goods are transferred, the company preserves no relationship with the asset sold, the amount of revenue can be measured reliably, it is probable that the company will receive the economic benefits associated with the sale and the costs incurred in the transaction can also be measured reliably.

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. This is carried out on a calendar month basis which 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 to 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., Gestión y Servicios S.A. and Aguas de Maipo 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 year ended December 31, 2013.

During the years 2013 and 2012, 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

Notes to the consolidated Financial Statements n°2

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 businesses of Aguas Andinas S.A. and subsidiaries.

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

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:

Interest paid or accrued on debt used to finance qualified assets is capitalized, as stipulated in IAS 23. IAS 23 states that when the entity acquires debt to finance investments the interest on that debt should be deducted from the financial expense and incorporated in the construction project financed, up to the total amount of such interest, applying the respective rate to the disbursements made to the date of presentation of the financial statements.



EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER

Notes to the consolidated Financial Statements n°3

The capital of the Company is divided into 6,118,965,160 nominative shares of no par value, fully subscribed and paid as of December 31, 2013, 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:

	31-12-2013	31-12-2012
Series A shares	5.811.029.417	5.811.028.171
Series B shares	307.935.743	307.936.989
Total	6.118.965.160	6.118.965.160

The capital as of December 31, 2013 and 2012 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 2013:

- The ordinary shareholders meeting held on April 23, 2013 agreed to distribute 100% of the earnings for 2012, after deducting the interim dividend paid in November 2012. The amount of dividend No.56 was ThCh\$85,813,215, equivalent to Ch\$14.024 per share. The payment was made as from May 22, 2013 with respect to 6,118,965,160 shares.

On January 14, 2014, an interim dividend of Ch\$6.0468 per share was paid against the earnings for 2013. This payment was agreed at a board meeting held on November 26, 2013, the total of dividend No.57 amounting to ThCh\$37,000,158.

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 with respect to 6,118,965,160 shares.

- 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 with respect to 6,118,965,160 shares.

• Provision for minimum dividend

In accordance with the policy described in Note 2.2.J, the Company as of December 31, 2013 agreed to pay an interim dividend greater than the minimum dividend. As of December 31, 2012, a complement of minimum dividend of 30% of earnings was provisioned, amounting to ThCh\$924,524.

• 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. Also included is the amount corresponding to the actuarial gains and losses determined since 2009, as a result of variations in the obligations for defined benefit plans. The balance as of December 31, 2013 and 2012 amounts to ThCh\$302,875,246 and ThCh\$308,088,569 respectively.



EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER

Notes to the consolidated Financial Statements n°3

As of December 31, 2013, the subsidiary Aguas Cordillera S.A. sold some water rights which generated an adjustment to the first-adoption reserve of ThCh\$82,798. During the same period, Aguas Andinas S.A. sold land revalued under the first-adoption exception which generated the application of the reserve for ThCh\$59,075.

- **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, 2013 and 2012 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, 2013 and 2012 is ThCh\$-5,965,550.





EQUITY ATTRIBUTABLE TO NON-CONTROLLER PARTICIPATIONS

Notes to the consolidated Financial Statements n°4



The detail by company of the effects caused by the participation of third parties in the equity and results as of December 31, 2013 and 2012 is as follows:



Company	% Participation		Non-controller participations			
	31-12-2013	31-12-2012	31-12-2013		31-12-2012	
	%	%	Equity ThCh\$	Result ThCh\$	Equity ThCh\$	Result ThCh\$
Aguas Cordillera S.A.	0.00997%	0.00997%	20,268	1,830	19,516	1,588
Essal S.A. ⁽¹⁾	46.49350%	46.49350%	61,107,294	3,031,755	62,478,351	495,336
Total			61,127,562	3,033,585	62,497,867	496,924

(1) In 2013, 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



OTHER REVENUE AND EXPENSES

Notes to the consolidated Financial Statements n°5



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



Revenues & expenses other than operating	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Other earnings		
Insurance claims ⁽¹⁾	1,255,891	39,437
Gain on sale of non-current assets not held for sale	74,674	610,736
Other losses	-3,889	-21,479
Total	1,326,676	628,694
Financial costs		
Bank loans	-5,538,544	-6,603,504
Interest expense, AFRs	-4,545,056	-3,593,670
Interest expense, bonds	-17,646,854	-12,619,707
Interest expense, others	-316,229	-372,853
Amortization of complementary costs relating to loan agreements	-839,157	-980,646
Total	-28,885,840	-24,170,380
Financial income		
Interest income	6,246,530	7,000,827
Gain on redemption & extinction of debt	719,322	1,290,185
Total	6,965,852	8,291,012

1) In 2013, includes insurance claim payment of ThCh\$488,700 received from the company Chilena Consolidada, relating to the court sentence concerning the La Farfana sewage treatment plant, plus ThCh\$509,644 from the company RSA Seguros Chile, relating to the fault in the elevation system (Archimedes screw) at the above plant.



FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

Notes to the consolidated Financial Statements n°6

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, 2013



31-12-2013	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Subsidiary	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Aguas Cordillera S.A.	22,101,279	236,931,260	26,668,425	29,081,201	203,282,913
Aguas Manquehue S.A.	5,848,456	61,779,211	5,478,224	14,413,065	47,736,378
Inversiones Iberaguas Ltda.	2,134,761	67,327,751	24,090	0	69,438,422
Empresa de Servicios Sanitarios de Los Lagos S.A.	15,763,160	130,139,567	12,806,767	53,466,475	79,629,485
Ecoriles S.A.	4,396,638	300,765	1,334,144	0	3,363,259
Gestión y Servicios S.A.	6,485,193	422,369	2,130,391	64,668	4,712,503
Análisis Ambientales S.A.	3,673,948	1,343,539	716,039	0	4,301,448
Aguas del Maipo S.A.	1,483,124	8,681,362	221,386	25,895	9,917,205

Statement of comprehensive results of subsidiaries (summarized) as of December 31, 2013



31-12-2013	Result for the year	Ordinary revenues	Operating expenses (-)	Other expenses (-) / Net income (+)
Subsidiary	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Aguas Cordillera S.A.	18,358,198	45,726,292	-26,687,890	-680,204
Aguas Manquehue S.A.	3,662,976	9,204,103	-4,707,977	-833,150
Inversiones Iberaguas Ltda.	5,453,869	0	-5,098	5,458,967
Empresa de Servicios Sanitarios de Los Lagos S.A.	10,735,266	40,442,239	-23,997,322	-5,709,651
Ecoriles S.A.	1,539,224	12,381,941	-10,542,407	-300,310
Gestión y Servicios S.A.	596,273	9,924,704	-9,107,218	-221,213
Análisis Ambientales S.A.	1,129,857	5,839,344	-4,505,730	-203,757
Aguas del Maipo S.A.	850,338	760,846	-673,083	762,575

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

31-12-2012	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Subsidiary	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
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	13,013	0	67,831,967
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.	3,245,983	1,900,236	974,628	0	4,171,591
Aguas del Maipo S.A.	753,481	8,766,378	436,044	16,949	9,066,867

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



31-12-2012	Result for the year	Ordinary revenues	Operating expenses (-)	Other expenses (-) / Net income (+)
Subsidiary	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Aguas Cordillera S.A.	15,934,022	42,692,838	-24,285,224	-2,473,592
Aguas Manquehue S.A.	2,425,755	8,112,953	-4,301,179	-1,386,019
Inversiones Iberaguas Ltda.	3,863,662	0	-4,840	3,868,502
Empresa de Servicios Sanitarios de Los Lagos S.A.	7,593,305	38,913,676	-24,201,362	-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	-7,901,869	-95,556
Análisis Ambientales S.A.	986,741	4,983,083	-3,831,767	-164,575
Aguas del Maipo S.A.	180,028	826,534	-612,864	-33,642



FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

Notes to the consolidated Financial Statements n°6



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	CLP	CLP	CLP
Percentage shareholding in significant subsidiary	99.99003%	100.00000%	53.50650%
Percentage voting power in significant subsidiary	99.99003%	100.00000%	53.50650%
Percentage of consolidated values			
Contribution margin	10.42%	2.46%	5.95%
Property, plant & equipment	7.33%	3.27%	16.51%
Result for the year	12.50%	3.07%	2.99%



CASH AND CASH EQUIVALENTS

Notes to the consolidated Financial Statements n°7

The composition is as follows:



Cash & cash equivalents	31-12-2013	31-12-2012
	ThCh\$	ThCh\$
Banks	3,343,981	2,804,022
Time deposits (Note 8.6)	35,315,000	32,840,415
Total	38,658,981	35,644,437

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.



FINANCIAL INSTRUMENTS

Notes to the consolidated Financial Statements n°8

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, 2013 and 2012:



Class of financial instruments			31-12-2013 ThCh\$	31-12-2012 ThCh\$
Trade debtors			89,827,905	81,173,901
Trade debtors, current			87,948,143	78,138,154
Trade debtors & other accounts receivable, current	CLP	8.5	87,910,946	78,133,751
Trade debtors & other accounts receivable, current	USD	8.5	24,366	882
Trade debtors & other accounts receivable, current	EUR	8.5	12,831	3,521
Other receivables, non-current			1,879,762	3,035,747
Derechos por cobrar, no corriente	CLP	8.5	1,879,762	3,035,747
Other financial liabilities, current			93,620,208	56,804,996
Bank loans	CLP	8.4	8,119,586	20,744,471
Bonds	CLP	8.4	81,065,933	21,727,323
Reimbursable Financial Contributions	CLP	8.4	4,434,689	14,333,202
Other financial liabilities, non-current			626,272,073	637,349,551
Bank loans	CLP	8.4	70,467,745	76,631,832
Bonds	CLP	8.4	430,733,178	452,897,896
Reimbursable Financial Contributions	CLP	8.4	125,071,150	107,819,823
Trade creditors			91,894,801	76,180,939
Trade creditors & other accounts payable, current			90,032,192	74,682,140
Trade creditors & other accounts payable, current	CLP	8.7	89,777,227	73,992,425
Trade creditors & other accounts payable, current	USD	8.7	191,010	531,414
Trade creditors & other accounts payable, current	EUR	8.7	63,955	158,301
Other accounts payable, non-current			1,862,609	1,498,799
Other accounts payable, non-current	CLP	8.7	1,862,609	1,498,799

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, 2013 and 2012 is as follows:



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	Moneda o unidad de reajuste	
						31-12-2013	31-12-2013		31-12-2012	31-12-2013						31-12-2012
						ThCh\$	Up to 90 days	91 to 365 days	ThCh\$	31-12-2013	31-12-2012					
Aguas Andinas S.A.	61808.000-5	Chile	Banco BBVA	97.032.000-8	Chile	2,301,347	1,460,870	1,146,960	2,698,584	2,615,256	2,704,577	5.87%	6.04%	Semestral	CLP	
Aguas Andinas S.A.	61808.000-5	Chile	Banco de Chile	97.004.000-5	Chile	746,130	647,965	371,137	1,065,597	1,022,958	1,070,990	6.02%	6.07%	Semestral	CLP	
Aguas Andinas S.A.	61808.000-5	Chile	Banco Corpbanca	97.023.000-9	Chile	0	0	0	12,263,790	0	12,267,500	0.00%	0.00%	Semestral	CLP	
Aguas Andinas S.A.	61808.000-5	Chile	Banco Santander	97.036.000-K	Chile	0	189,494	0	213,287	194,383	217,232	5.87%	5.91%	Semestral	CLP	
Aguas Andinas S.A.	61808.000-5	Chile	Banco de Chile	97.004.000-5	Chile	3,150,000	2,735,934	1,567,226	4,503,213	4,318,708	4,521,488	6.02%	6.07%	Semestral	CLP	
Totales						6,197,477	5,034,263	3,085,323	20,744,471	8,151,305	20,781,787					

Book value = principal +/- issue over/below - issue costs + accrued interest by effective interest-rate method - interest and principal paid

Nominal value = principal + accrued interest at issue rate - interest and principal payments



FINANCIAL INSTRUMENTS

Notes to the consolidated Financial Statements n°8



BANK LOAN BALANCES, NON-CURRENT.



Debtor	Tax No. of debtor	Country of debtor	Bank	Tax No. creditor	Country of creditor	Currency or indexation unit	Years to maturity			Final maturity	31-12-2013		31-12-2012		Nominal rate	Effective rate	Repayments	Moneda o unidad de reajuste
							13 months to 3 years	3 to 5 years	Over 5 years		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	Chile	Banco BBVA	97.032.000-8	Chile	Pesos no reajustables	13.094,297	0	0	28/08/2016	13.094,297	13.099,973	15.386,947	15.401,320	5,87%	6,04%	Semestral	CLP
Aguas Andinas S.A.	61.808.000-5	Chile	Banco de Chile	97.004.000-5	Chile	Pesos no reajustables	2.769,943	6.392,177	0	17/07/2017	9.162,120	9.166,740	9.904,646	9.912,870	6,02%	6,07%	Semestral	CLP
Aguas Andinas S.A.	61.808.000-5	Chile	Banco Santander	97.036.000-K	Chile	Pesos no reajustables	9.535,343	0	0	28/08/2015	9.535,343	9.537,000	9.529,981	9.537,000	5,87%	5,91%	Semestral	CLP
Aguas Andinas S.A.	61.808.000-5	Chile	Banco de Chile	97.004.000-5	Chile	Pesos no reajustables	11.692,740	26.983,245	0	17/07/2017	38.675,985	38.700,000	41.810,258	41.850,000	6,02%	6,07%	Semestral	CLP
Totales							37,092,323	33,375,422	0		70,467,745	70,503,713	76,631,832	76,701,190				

Book value = principal+/- issue over/below – issue costs + accrued interest by effective interest-rate method –interest and principal paid
Nominal value = principal+accrued interest at issue rate – interest and principal payments



FINANCIAL INSTRUMENTS

Notes to the consolidated Financial Statements n°8

REIMBURSABLE FINANCIAL CONTRIBUTIONS, CURRENT PORTION



Registration No. or Identification of the Instrument	Currency/ indexation unit	Residual UF	Book value		Contract real interest rate	Effective rate	Placement in	Issuer	Issuer tax No.	Repayment	Secured (Yes/No)
		31-12-2013	31-12-2013	31-12-2012							
			ThCh\$	ThCh\$							
AFR	UF	86,318	2,022,813	1,825,642	2,76%	2,67%	Chile	Aguas Andinas S.A	61.808.000-5	At maturity	No
AFR	UF	90,397	2,175,404	12,507,560	8,93%	9,34%	Chile	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	10,110	236,472	0	2,94%	2,85%	Chile	Aguas Manquehue S.A	89.221.000-4	At maturity	No
Totales		186,825	4,434,689	14,333,202							

REIMBURSABLE FINANCIAL CONTRIBUTIONS, NON-CURRENT PORTION



Registration No. or Identification of the Instrument	Currency/ indexation unit	Residual UF	Book value		Final maturity	Contract real interest rate	Effective rate	Issuer	Issuer tax No.	Repayment	Secured (Yes/No)
		31-12-2013	31-12-2013	31-12-2012							
			ThCh\$	ThCh\$							
AFR	UF	3,363,984	89,233,486	75,872,878	26/06/2028	3,85%	3,66%	Aguas Andinas S.A	61.808.000-5	At maturity	No
AFR	UF	785,094	21,980,886	20,788,046	07/06/2028	4,11%	4,29%	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	342,262	8,707,256	6,630,461	18/02/2028	3,87%	3,65%	Aguas Manquehue	89.221.000-4	At maturity	No
AFR	UF	204,587	5,149,522	4,528,438	01/06/2028	3,84%	3,76%	Essal S.A.	96.579.800-5	At maturity	No
Totales		4,695,927	125,071,150	107,819,823							



The detail of bonds outstanding as of December 31, 2013 and 2012 is as follows:



BONDS, CURRENT PORTION

Type of document	Amount outstanding	Book value ThCh\$			Final maturity	Nominal annual interest rate	Effective annual interest rate	Payments of		Issuer	Tax No.- issuer
	UF	31-12-2013 Up to 90 days	31-12-2012 91 to 365 days ThCh\$					Interest	Principal		
BAGUA-F	263,158	272,974	5,832,948	5,980,527	01/12/2026	4,15%	4,68%	Semestral	Semestral	Aguas Andinas S.A.	61.808.000-5
BAGUA-G	2,500,000	433,820	58,220,557	212,871	01/04/2014	3,00%	3,39%	Semestral	Al vencimiento	Aguas Andinas S.A.	61.808.000-5
BAGUA-I	320,000	74,067	7,391,237	7,315,054	12/01/2015	3,70%	4,03%	Semestral	Semestral	Aguas Andinas S.A.	61.808.000-5
BAGUA-J	0	46,104	0	42,500	12/01/2018	4,00%	4,17%	Semestral	Al vencimiento	Aguas Andinas S.A.	61.808.000-5
BAGUA-K	160,000	114,091	3,706,354	3,763,803	10/01/2016	2,90%	3,08%	Semestral	Semestral	Aguas Andinas S.A.	61.808.000-5
BAGUA-M	0	434,930	0	426,823	01/04/2031	4,20%	4,14%	Semestral	Al vencimiento	Aguas Andinas S.A.	61.808.000-5
BAGUA-N	0	187,480	0	167,191	01/10/2016	3,17%	3,33%	Semestral	Al vencimiento	Aguas Andinas S.A.	61.808.000-5
BAGUA-P	0	342,308	0	335,437	01/10/2033	3,86%	3,81%	Semestral	Al vencimiento	Aguas Andinas S.A.	61.808.000-5
BAGUA-Q	0	138,264	0	135,291	01/06/2032	4,00%	3,94%	Semestral	Al vencimiento	Aguas Andinas S.A.	61.808.000-5
BAGUA-R	0	142,219	0	115,303	01/04/2019	3,30%	3,62%	Semestral	Al vencimiento	Aguas Andinas S.A.	61.808.000-5
BAGUA-S	0	510,948	0	500,563	01/04/2035	3,90%	3,93%	Semestral	Al vencimiento	Aguas Andinas S.A.	61.808.000-5
BAGUA-U	0	435,962	0	0	01/04/2036	3,80%	3,81%	Semestral	Al vencimiento	Aguas Andinas S.A.	61.808.000-5
BESAL-B	115,789	192,827	2,588,843	2,731,960	01/06/2028	6,00%	6,63%	Semestral	Semestral	Essal S.A.	96.579.800-5
Total current portion	3,358,947	3,325,994	77,739,939	21,727,323							



BONDS, NON-CURRENT PORTION



Type of document	Amount outstanding	Valor contable M\$			Final maturity	Nominal annual interest rate	Effective annual interest rate	Payments of		Issuer	Tax No.- issuer	
	UF	13 months to 3 years	3 to 5 years	31-12-2013 More than 5 years				31-12-2012	Interest			
BAGUA-F	3,157,894	11,944,561	11,944,561	47,778,199	75,896,451	01/12/2026	4,15%	4,68%	Semestral	Semestral	Aguas Andinas S.A.	61.808.000-5
BAGUA-G	0	0	0	0	57,048,527	01/04/2014	3,00%	3,39%	Semestral	Al vencimiento	Aguas Andinas S.A	61.808.000-5
BAGUA-I	720,000	16,747,187	0	0	23,650,860	01/12/2015	3,70%	4,03%	Semestral	Semestral	Aguas Andinas S.A	61.808.000-5
BAGUA-J	1,000,000	0	23,157,374	0	22,657,929	01/12/2018	4,00%	4,17%	Semestral	Al vencimiento	Aguas Andinas S.A	61.808.000-5
BAGUA-K	520,000	12,096,557	0	0	15,484,120	01/10/2016	2,90%	3,08%	Semestral	Semestral	Aguas Andinas S.A	61.808.000-5
BAGUA-M	1,749,998	0	0	41,058,203	40,251,148	01/04/2031	4,20%	4,14%	Semestral	Al vencimiento	Aguas Andinas S.A	61.808.000-5
BAGUA-N	1,250,000	29,060,917	0	0	28,444,037	01/10/2016	3,17%	3,33%	Semestral	Al vencimiento	Aguas Andinas S.A	61.808.000-5
BAGUA-P	1,500,000	0	0	35,188,538	34,489,410	01/10/2033	3,86%	3,81%	Semestral	Al vencimiento	Aguas Andinas S.A	61.808.000-5
BAGUA-Q	1,650,000	0	0	38,747,406	37,985,428	01/06/2032	4,00%	3,94%	Semestral	Al vencimiento	Aguas Andinas S.A	61.808.000-5
BAGUA-R	1,000,000	10,284,178	10,284,176	2,571,044	22,630,622	01/04/2019	3,30%	3,62%	Semestral	Al vencimiento	Aguas Andinas S.A	61.808.000-5
BAGUA-S	2,300,000	0	0	53,411,981	52,319,190	01/04/2035	3,90%	3,93%	Semestral	Al vencimiento	Aguas Andinas S.A	61.808.000-5
BAGUA-U	2,000,000	0	0	46,523,513	0	01/04/2036	3,80%	3,81%	Semestral	Al vencimiento	Aguas Andinas S.A	61.808.000-5
BESAL-B	1,750,964	5,916,261	5,916,261	28,102,261	42,040,174	01/06/2028	6,00%	6,63%	Semestral	Semestral	Essal S.A.I	96.579.800-5
Total non-current	18,598,856	86,049,661	51,302,372	293,381,145	452,897,896							



FINANCIAL INSTRUMENTS

Notes to the consolidated Financial Statements n°8

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. The credit policy 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	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Gross exposure per balance sheet for risks of accounts receivable	121,803,232	112,197,434
Gross exposure per estimates of risks of accounts receivable	-31,975,327	-31,023,533
Net exposure, risk concentration	89,827,905	81,173,901

Movement of credit risk, accounts receivable	ThCh\$
Initial balance at 01-01-2012	31,023,533
Increase in existing provisions	2,840,717
Decreases	-1,888,923
Changes, total	951,794
Closing balance at 31-12-2012	31,975,327



FINANCIAL INSTRUMENTS

Notes to the consolidated Financial Statements n°8

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

Ageing of gross debt	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Less than 3 months	85,149,742	75,832,558
3 to 6 months	2,537,104	2,176,991
6 to 8 months	1,014,474	906,418
More than 8 months	33,101,912	33,281,467
Total	121,803,232	112,197,434

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.
- Agreeing maturity dates with creditors in order to avoid the concentration of large repayments in one period.

Liquidity risk is monitored regularly to perceive, detect and correct deviations to minimize potential impacts on the results.

MATURITY STRUCTURE (NON-DISCOUNTED FLOWS)



Gross overdue debt	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Less than 3 months	10,199,591	9,588,420
3 to 6 months	1,289,628	1,090,508
6 to 8 months	624,320	1,056,237
More than 8 months	30,837,880	29,237,321
Total	42,951,419	40,972,486

Balances as of 31-12-2013	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	5,388,740	5,97%	5,296,331	5,97%	44,097,626	5,94%	35,296,906	6,02%	0	0,00%
Bonds	0	0,00%	96,884,084	3,42%	118,026,241	3,73%	78,631,107	4,15%	410,265,416	4,14%
AFR	2,060,849	8,99%	2,356,646	3,07%	11,263,131	4,20%	44,137,898	4,06%	116,529,267	3,79%
Total	7,449,589		104,537,061		173,386,998		158,065,911		526,794,683	



FINANCIAL INSTRUMENTS

Notes to the consolidated Financial Statements n°8

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	10,87%
Bonds	UF	71,23%
AFR	UF	17,90%
Total		100,00%

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%.

Company	Amount due (principal) ThCh\$ M\$	Variable rate	Pts (+/-)	Impact on result (+/-) ThCh\$
Aguas Andinas S.A	76,701,190	TAB 180 days	45	345,166

For loans based on 180-day TAB, the positive or negative change in nominal TAB of 45 basis points, calculated annually, would have an impact on results of +/- ThCh\$ 345,166.

8.6 Cash equivalents

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



Company	Instrument	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Aguas Andinas S.A.	Time deposits	11,515,000	15,534,711
Aguas Cordillera S.A.	Time deposits	12,350,000	8,925,063
Aguas Manquehue S.A	Time deposits	3,080,000	0
Aguas del Maipo S.A	Time deposits	750,000	0
Análisis Ambientales S.A.	Time deposits	1,300,000	1,684,220
Gestión y Servicios S.A.	Time deposits	115,000	0
Eco-Riles S.A.	Time deposits	805,000	1,133,107
ESSAL S.A.	Time deposits	5,400,000	5,563,314
Total (cash equivalents)		35,315,000	32,840,415

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	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Dividends	CLP	20,474,967	1,567,984
Taxes (VAT, prepayments, sole tax, others)	CLP	11,600,092	11,551,548
Suppliers for investments in progress	CLP	17,704,910	22,824,959
Personnel	CLP	2,638,281	2,149,166
Suppliers (expense)	CLP	13,962,977	14,829,264
Suppliers (expense)	USD	99,767	422,591
Suppliers (expense)	EUR	63,955	158,301
Suppliers (investment)	CLP	3,693,728	3,941,723
Accrued services	CLP	17,391,986	16,417,188
Accrued services	USD	91,243	91,243
AFR (expense)	CLP	1,641,618	315,719
Others (expense)	CLP	609,461	319,986
Others (expense)	USD	0	17,580
Others (investment)	CLP	59,207	74,888
Sub-total current		90,032,192	74,682,140
Afr water	CLP	523,620	467,433
Suppliers for investments in progress	CLP	1,268,889	961,402
Sundry creditors	CLP	70,100	69,964
Sub-total non-current		1,862,609	1,498,799
Total current & non-current		91,894,801	76,180,939



FINANCIAL INSTRUMENTS

Notes to the consolidated Financial Statements n°8

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:



31-12-2013		
	Amortized cost ThCh\$	Fair value ThCh\$
Investments held at amortized cost		
Time deposits	35,315,000	35,315,000
Other financial liabilities	719,892,281	732,895,138
Financial liabilities held at amortized cost	719,892,281	732,895,138
Bank debt	78,587,331	81,157,234
Bonds	511,799,111	522,232,064
AFR	129,505,839	129,505,840

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.

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\$7,395,680 and ThCh\$ 7,349,719 as of December 31, 2013 and 2012 respectively (see Note 2.2, h, ii), over which the Company has no control or significant influence. The balance of ThCh\$ 41,901 and ThCh\$ 17,517 respectively relates to other financial investments.

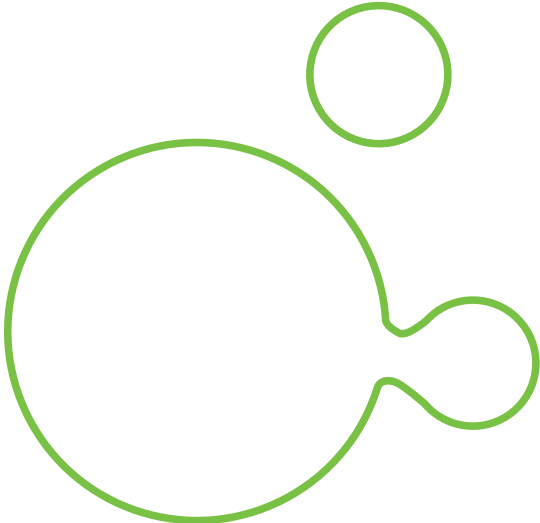


7 INFORMATION ON RELATED ENTITIES

Notes to the consolidated Financial Statements n°9

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	31-12-2013 ThCh\$	31-12-2012 ThCh\$
96.713.610-7	Agbar Chile S.A.	Related to controller	CL	Water sampling & analysis services	CLP	30 days	Unsecured	2,289	2,379
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to controller	CL	Personnel expenses reimbursement	CLP	30 days	Unsecured	167	75
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to controller	CL	Sewage & liquid waste analysis services	CLP	30 days	Unsecured	9,631	5,249
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to controller	CL	Sale of tender conditions Essal S.A.	CLP	30 days	Unsecured	0	59
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to controller	CL	Sewage & liquid waste analysis services	CLP	30 days	Unsecured	748	453
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to controller	CL	Water sampling & analysis services	CLP	30 days	Unsecured	26,106	0
Total accounts receivable								38,941	8,215



7 INFORMATION ON RELATED ENTITIES

Notes to the consolidated Financial Statements n°9

ACCOUNTS PAYABLE TO RELATED ENTITIES



Tax No. related party	Name of related party	Relationship	Country of origin	Transaction with related party	Currency	Term	Security	31-12-2013	31-12-2012
								ThCh\$	ThCh\$
96.713.610-7	Agbar Chile S.A.	Related to controller	CL	Change management development & implementation system	CLP	30 days	Unsecured	0	46,047
76.766.955-9	Aqualogy Chile S.A.	Related to controller	CL	Personnel expenses reimbursement	CLP	30 days	Unsecured	2,119	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to controller	CL	Ice-Pigging service contract	CLP	30 days	Performance bond ThCh\$26,600	137,081	207,258
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to controller	CL	Design, construction & start-up contract of La Unión percolated filter	CLP	30 days	Performance bond ThCh\$95,869	216,567	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to controller	CL	Personnel expenses reimbursement	CLP	30 days	Unsecured	1,990	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to controller	CL	Cleaning & maintenance service sludge anaerobic digester at Talagante sewage treatment plant	CLP	30 days	Performance bond UF 2,084	261,194	0
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to controller	CL	Purchase of materials	CLP	60 days	Performance bond ThCh\$279,298	434,082	746,659
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to controller	CL	Consultancy for computer development of self-service system Aguas Andinas S.A.	CLP	30 days	Performance bond UF 168	29,295	0
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to controller	CL	Customer management consultancy service	CLP	30 days	Unsecured	10,000	0



7 INFORMATION ON RELATED ENTITIES

Notes to the consolidated Financial Statements n°9

ACCOUNTS PAYABLE TO RELATED ENTITIES



Tax No. related party	Name of related party	Relationship	Country of origin	Transaction with related party	Currency	Term	Security	31-12-2013	31-12-2012
								ThCh\$	ThCh\$
76.080.553-R	Aqualogy Solutions Chile Ltda.	Related to controller	CL	Implementation of geographic information system Essal S.A.	CLP	30 days	Performance bond UF887	108,004	24,146
76.046.628-R	Asterión S.A.	Related to controller	CL	Process re-engineering service contract & implementation of new customer service information systems	CLP	30 days	Performance bond ThCh\$845,149	5,061,598	2,296,412
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	2,959,632	2,747,486
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to controller	CL	Digested sludge metanogenic activity	CLP	30 days	Unsecured	678	0
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to controller	CL	Operation & maintenance services biogas purification plant	CLP	30 days	Unsecured	33,699	0
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	2,190,816	21,131,244
Foreign	Labagua	Related to controller	CL	Sewage analysis technical services	CLP	30 days	Unsecured	586	0
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	CL	Dividends payable	CLP	30 days	Unsecured	18,537,945	463,208
Total accounts payable								29,985,286	27,662,460



INFORMATION ON RELATED ENTITIES

Notes to the consolidated Financial Statements n°9

TRANSACTIONS

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction	Currency	31-12-2013		31-12-2012	
						ThCh\$	ThCh\$	ThCh\$	ThCh\$
						Amount	Effect on results (Charge)/ Credit	Amount	Effect on results (Charge)/ Credit
79.046.628-K	Asterión S.A.	Related to the controller	CL	Process re-engineering service contract & implementation of new information systems for customer service	CLP	5,200,279	-325,211	2,043,532	-349,060
76.080.553-K	Aqualogy Solutions Chile Ltda	Related to the controller	CL	Purchase of materials	CLP	2,453,286	0	4,242,518	-2,947,079
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Ice-Pigging service contract	CLP	210,515	-210,515	174,167	-174,167
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Design, construction & start-up contract of La Unión percolated filter	CLP	364,230	0	0	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Cleaning & maintenance service sludge anaerobic digester at Talagante sewage treatment plant	CLP	390,494	0	0	0
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	CL	Operation & maintenance services El Trebal sewage treatment plant, construction, operation & maintenance Mapocho sewage treatment plant	CLP	10,826,552	-9,023,394	36,392,047	-7,324,614
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to the controller	CL	Operation & maintenance services La Farfana sewage treatment plant	CLP	15,345,115	-12,085,747	13,572,350	-11,281,407
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to the controller	CL	Operation & maintenance services biogas purification plant	CLP	178,212	-178,212	183,651	-183,651
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	CL	Dividends paid	CLP	42,994,433	0	31,511,580	0

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



INFORMATION ON RELATED ENTITIES

Notes to the consolidated Financial Statements n°9

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

	31-12-2013	31-12-2012
	ThCh\$	ThCh\$
Directors	391,098	386,969
Directors' committee	24,377	28,051
Totales	415,475	415,020

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 2013, the total of managers and senior executives of Aguas Andinas comprised 69 professionals. The total remuneration received in the year was Ch\$ 5,851 million and severance payments of senior executives were Ch\$ 197 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.



INVENTORIES

Notes to the consolidated Financial Statements n°10

Class of inventories	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Spares & meters	2,972,896	3,778,480
Supplies for production	588,153	586,283
Others	47,040	18,267
Total inventories	3,608,089	4,383,030

The cost of the inventories shown as an expense in the statement of results as of December 31, 2013 and 2012 amounts to ThCh\$ 10,845,205 and ThCh\$ 8,973,554 respectively.





7 INTANGIBLE ASSETS OTHER THAN GOODWILL

Notes to the consolidated Financial Statements n°11

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

	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Intangible assets, net	227,347,269	225,272,517
Intangible assets with finite life, net	16,439,487	15,010,122
Intangible assets with undefined lives, net	210,907,782	210,262,395
Identifiable intangible assets, net	227,347,269	225,272,517
Patents, registered trademarks & other rights, net	5,523,144	5,705,135
Computer programs, net	10,916,343	9,304,987
Other identifiable intangible assets, net	210,907,782	210,262,395
Intangible assets, gross	258,941,946	253,011,694
Intangible assets, gross	258,941,946	253,011,694
Other intangible assets, gross	258,941,946	253,011,694
Identifiable intangible assets, gross	220,566,158	219,924,966
Patents, registered trademarks & other rights, gross	7,659,067	7,653,843
Computer programs, gross	30,716,721	25,432,885

Classes of accumulated amortization & impairment of value, intangible assets	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Accumulated amortization & impairment, intangible assets, total	31,594,677	27,739,177
Accumulated amortization & impairment, patents, registered trademarks & other rights	2,135,923	1,948,708
Accumulated amortization & impairment, computer programs	19,800,378	16,127,898
Accumulated amortization & impairment, other intangible assets	9,658,376	9,662,571



7 INTANGIBLE ASSETS OTHER THAN GOODWILL

Notes to the consolidated Financial Statements n°11

Movement of intangible assets

2013

Movement in identifiable intangible assets	Patents, registered trademarks & other rights, net ThCh\$	Computer programs, net ThCh\$	Other intangible assets, net ThCh\$
Initial balance at 01-01-2013	5,705,135	9,304,987	210,262,395
Additions	6,303	3,515,330	676,148
Disposals	-1,079	0	-103,113
Amortization	-187,215	-3,693,530	0
Other increases (decreases)	0	1,789,556	72,352
Changes, total	-181,991	1,611,356	645,387
Closing balance at 31-12-2013	5,523,144	10,916,343	210,907,782

2012

Movement in identifiable intangible assets	Patents, registered trademarks & other rights, net ThCh\$	Computer programs, net ThCh\$	Other intangible assets, net ThCh\$
Initial balance at 01-01-2012	5,892,614	7,313,066	209,900,577
Additions	1,589	4,082,702	262,857
Disposals	-1,853	0	-5,949
Amortization	-187,215	-3,007,415	0
Other increases (decreases)	0	916,634	104,910
Changes, total	-187,479	1,991,921	361,818
Closing balance at 31-12-2012	5,705,135	9,304,987	210,262,395



7 INTANGIBLE ASSETS OTHER THAN GOODWILL

Notes to the consolidated Financial Statements n°11

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:

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 is indefinite. Both assets are legal rights that are not extinguished nor affected by restrictions.

Company	31-12-2013		31-12-2012	
	Water rights	Easements	Water rights	Easements
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Aguas Andinas S.A.	74,145,612	7,907,294	74,099,786	7,489,600
Aguas Cordillera S.A.	92,438,136	7,866,530	92,506,464	7,865,577
Aguas Manquehue S.A.	21,275,956	951,812	21,207,395	900,294
Essal S.A.	5,231,660	1,035,982	5,159,524	1,033,755
Aguas del Maipo S.A.	13,700			
Ecoriles S.A.	13,700			
Gestión y Servicios S.A.	13,700			
Análisis Ambientales S.A.	13,700			
Total	193,146,164	17,761,618	192,973,169	17,289,226

Commitments for acquiring intangible assets:

Commitments for acquisitions of intangible assets in 2014 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.	2.977.504
Aguas Cordillera S.A.	1.212.100
Aguas Manquehue S.A.	155.000
Essal S.A.	266.750
Análisis Ambientales S.A.	278.300
Total	4.889.654



GOODWILL

Notes to the consolidated Financial Statements nº12

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 2013 and 2012.

Tax No.	Company	31-12-2013 ThCh\$	31-12-2012 ThCh\$
96.889.310-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	2,066,631
Total		36,233,012	36,233,012





PROPERTY, PLANT AND EQUIPMENT

Notes to the consolidated Financial Statements n°13

	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Property, plant & equipment, net	1,171,182,828	1,152,300,877
Construction in progress	107,866,548	90,147,941
Land	152,074,916	151,936,301
Buildings	72,743,012	73,255,245
Plant & equipment	271,318,551	269,308,541
Computer equipment	2,062,523	2,012,780
Fixed installations & accessories	560,669,251	562,408,958
Motor vehicles	2,151,180	1,014,335
Improvements to leased assets	32,621	31,478
Other property, plant & equipment	2,264,226	2,185,298

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, in accordance with IAS 16 paragraph 73

Property, plant & equipment, gross	2,158,573,619	2,083,643,414
Construction in progress	107,866,548	90,147,941
Land	152,074,916	151,936,301
Buildings	96,074,956	94,884,369
Plant & equipment	477,691,323	453,700,638
Computer equipment	11,595,066	10,518,469
Fixed installations & accessories	1,302,075,054	1,272,959,964
Motor vehicles	6,399,977	4,768,271
Improvements to leased assets	479,523	463,266
Other property, plant & equipment	4,316,256	4,264,195

Accumulated depreciation	987,390,791	931,342,537
Buildings	23,331,944	21,629,124
Plant & equipment	206,372,772	184,392,097
Computer equipment	9,532,543	8,505,689
Fixed installations & accessories	741,405,803	710,551,006
Motor vehicles	4,248,797	3,753,936
Improvements to leased assets	446,902	431,788
Other property, plant & equipment	2,052,030	2,078,897



PROPERTY, PLANT AND EQUIPMENT

Notes to the consolidated Financial Statements n°13

CURRENT YEAR 2013

Concept	Initial balance	Additions	Disposals	Depreciation	Other increases (decreases)	Total changes	Closing balance
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Construction in progress, net	90,147,941	47,474,038	-11,692		-29,743,739	17,718,607	107,866,548
Land	151,936,301	262,776	-51,808		-72,353	138,615	152,074,916
Buildings, net	73,255,245	763,838	-3,138	-1,868,323	595,390	-512,233	72,743,012
Plant & equipment, net	269,308,541	20,809,779	-65,374	-25,155,458	6,421,063	2,010,010	271,318,551
Computer equipment, bet	2,012,780	908,327	-389	-1,027,758	169,563	49,743	2,062,523
Fixed installations & accessories, net	562,408,958	10,347,718	-3,308	-32,203,616	20,119,499	-1,739,707	560,669,251
Motor vehicles, net	1,014,335	1,065,762	-28,371	-543,382	642,836	1,136,845	2,151,180
Improvements to leased assets, net	31,478	10,423		-15,114	5,834	1,143	32,621
Other property, plant & equipment, net	2,185,298	89,421		-10,493		78,928	2,264,226
Classes of property, plant & equipment, net	1,152,300,877	81,732,082	-164,080	-60,824,144	-1,861,907	18,881,951	1,171,182,828

PREVIOUS YEAR 2012

Concept	Initial balance	Additions	Disposals	Depreciation	Other increases (decreases)	Total changes	Closing balance
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Construction in progress, net	169,583,994	24,730,697	-279,125	0	-103,887,625	-79,436,053	90,147,941
Land	151,262,638	742,119	-14,594	0	-53,862	673,663	151,936,301
Buildings, net	69,943,651	1,950,726	-49,985	-1,784,639	3,195,492	3,311,594	73,255,245
Plant & equipment, net	193,175,614	36,844,644	-197,639	-18,510,047	57,995,969	76,132,927	269,308,541
Computer equipment, bet	1,966,760	773,884	0	-955,137	227,273	46,020	2,012,780
Fixed installations & accessories, net	528,763,450	23,919,272	-1,337,829	-30,317,767	41,381,832	33,645,508	562,408,958
Motor vehicles, net	1,234,200	195,730	-122,759	-410,401	117,565	-219,865	1,014,335
Improvements to leased assets, net	36,951	19,188	0	-26,472	1,811	-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	89,653,330	-2,002,110	-52,014,961	-1,021,545	34,614,714	1,152,300,877



PROPERTY, PLANT AND EQUIPMENT

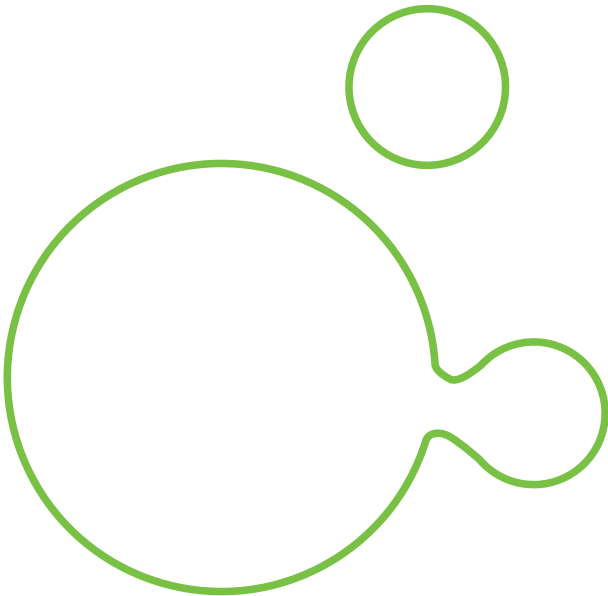
Notes to the consolidated Financial Statements n°13

The detail of each consolidated Group company of amounts of future commitments for acquisitions of property, plant and equipment during 2014, is as follows:

Company	ThCh\$
Aguas Andinas S.A.	57,547,681
Aguas Cordillera S.A.	9,192,181
Aguas Manquehue S.A.	8,093,368
Essal S.A.	7,950,592
Ecoriles S.A.	114,614
Gestión y Servicios S.A.	6,400
Análisis Ambientales S.A.	218,170
Total	83,123,006

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

Company	31-12-2013 ThCh\$
Aguas Andinas S.A.	97,075
Aguas Cordillera S.A.	164,224
Total	261,299





7 IMPAIRMENT OF VALUE OF ASSETSS

Notes to the consolidated Financial Statements n°14

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, 2013 and 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, 2013 and 2012, nor were there were any indications of impairment at the end of those years.



PROVISIONS AND CONTINGENT LIABILITIES

Notes to the consolidated Financial Statements n°15

A. Provisions

The detail of these as of December 31, 2013 and 2012 is as follows:

Classes of provisions	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Provision for legal claims	918,556	1,331,679
Provisions, current	918,556	1,331,679
Other provisions, non-current	1,118,746	1,094,239
Provisions, non-current	1,118,746	1,094,239

The movement in current provisions in the year was:

	Legal claims 31-12-2013 ThCh\$	Total 31-12-2012 ThCh\$
Initial balance provisions	1,331,679	1,482,989
Changes in provisions		
Increase in existing provisions	405,257	120,253
Provision used	-690,235	-186,128
Other decreases	-128,145	-85,435
Changes in provisions, total	-413,123	-151,310
Closing balance	918,556	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: Undetermined.

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: There is a lawsuit relating to labor demands against Aguas Andinas, under the sub-contracting legislation, i.e. severally.

Timetable foreseen for release of class of provision: Undetermined.

Uncertainties about the timing and amount of a class of provision: The lawsuits relate to labor demands amounting to ThCh\$ 5,347.

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

c) 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.



PROVISIONS AND CONTINGENT LIABILITIES

Notes to the consolidated Financial Statements n°15

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.

- d) **Nature of class of provision:** The SISS brought two sanction proceedings against Aguas Andinas S.A. concerning alleged breaches of Law 18.902, article 11, a) b) & c), as a result of water cuts produced by mains bursts in the districts of Puente Alto and Macul.

Timetable foreseen for release of class of provision: Undetermined.

Uncertainties about the timing and amount of a class of provision: The fine demanded from Aguas Andinas S.A. ranges from 1 to 1,150 UTA for each sanction proceeding. Responses have been made to the demand but it is not possible to estimate the result.

- 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 were called to hear sentence. There are moderate probabilities that the demand will be accepted. Currently pending resolution of a request for abandonment of proceedings presented by the Metropolitan Region 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 were called to hear sentence; there are moderate probabilities that the demand will be accepted. Pending notification of the sentence in the first instance rejecting the appeal 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: Undetermined

Uncertainties about the timing and amount of a class of provision: the claim brought before the courts; currently awaiting term for presentation of defense; the fine was paid; pending summons to hear sentence.

- 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 awaiting term for presentation of defense; the fine was paid; pending summons to hear sentence.



PROVISIONS AND CONTINGENT LIABILITIES

Notes to the consolidated Financial Statements n°15

- 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: Undetermined.

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 was made against sentence but was rejected by the court of appeal. Pending the term for appealing to the Supreme Court.

2.- Other provisions, non-current

These relate basically to a transaction on July 10, 2007, signed before the notary María Gloria Acharan Toledo, between Aguas Cordillera S.A. and property developers by which should Aguas Cordillera S.A. in the future abandon and sell the land transferred to it, it would pay at least U.F.52,273.29. This amount will be set off against the debt receivable from the developers..

B. Contingent liabilities

1.- Aguas Andinas S.A. was sued 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.

2.- Aguas Andinas S.A. was sued by the National Corporation of Consumers and Users of Chile, CONADECUS, for being in breach of the supply contract and the terms of water production and distribution concession, by delivering bad quality water, not providing water and not informing supply cuts promptly on January 21 and 22, and February 8 and 9, 2013. The damage caused to customers of Aguas Andinas S.A. would be the lack of this vital element for ordinary consumption, food preparation, not having water for the bathroom and personal cleanliness and being deprived of water for sanitation purposes. Users affected by the cuts would amount to around 4,000,000 people. The demand is currently pending resolution of a written submission by Aguas Andinas that opposes the resolution that the demand be admissible. The management believes that this lawsuit will have no material adverse effect on the company's financial statements..



7 PROVISIONS AND CONTINGENT LIABILITIES

Notes to the consolidated Financial Statements n°15

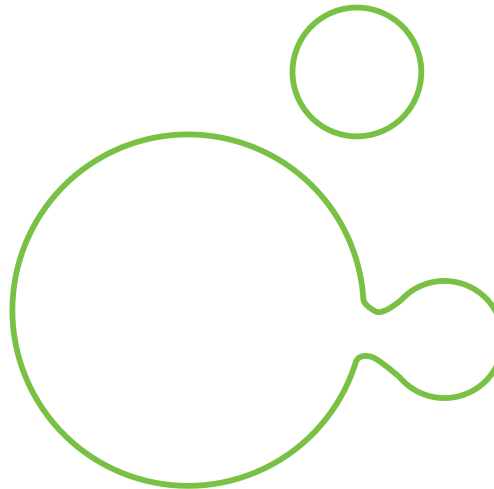
3.- There is a suit for damages against Aguas Andinas S.A. with respect to bad odors from the El Trebal sewage treatment plant. The lawyer Bertolone, representing 314 residents of the district of El Trebal, adjoining the sewage plant of that name, alleges moral damages produced by odors coming from the plant, plus other environmental damage. The demands amount to a total of ThCh\$10,990,000, plus interest, indexation and costs. Currently pending summons to hear sentence.

4.- The Treasury has made demand on Aguas Andinas S.A. and Aguas Cordillera S.A., seeking the return of sums paid during 2004 with respect to the transfer of sanitation infrastructure in the Costanera Norte section. This demand amounts to ThCh\$ 2,942,783 plus indexation, interest and costs. The management believes that this will have no adverse effect on the financial statements.

5.- Demand for damages brought against Aguas Cordillera S.A. by 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. An appeal has been made. It is too early to estimate the result of the case.

6.- In 2009 Condominio Polo Manquehue sued Aguas Manquehue S.A. for damages caused to its property due to works carried out. Amount ThCh\$150,000 plus interest, indexation and costs. Abandonment of the suit requested, which has not been resolved.

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.





GUARANTEES AND RESTRICTIONS

Notes to the consolidated Financial Statements n°16

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\$30,138,094 and ThCh\$31,283,530 as of December 31, 2013 and 2012 respectively.

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

Creditor	Debtor	Type of guarantee	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Asociación Canalistas Sociedad Maipo	Aguas Andinas S.A.	Performance bond	6,525,205	6,361,888
Chilectra S.A.	Aguas Andinas S.A.	Performance bond	11,655	31,965
Constructora San Francisco	Aguas Andinas S.A.	Performance bond	174,822	124,254
Constructora Santa Rosa	Aguas Andinas S.A.	Performance bond	0	23,206
Dirección Regional de Vialidad	Aguas Andinas S.A.	Performance bond	14,499	13,133
Dirección de Obras Hidraulica	Aguas Andinas S.A.	Performance bond	300,902	248,879
Director de Vialidad	Aguas Andinas S.A.	Performance bond	337,989	331,191
Empresa de Ferrocarriles	Aguas Andinas S.A.	Performance bond	3,077	3,015
Gobierno Regional Metropolitano	Aguas Andinas S.A.	Performance bond	44,526	125,438
Ministerio de Obras Publicas	Aguas Andinas S.A.	Performance bond	0	806,027
Ministerio de Obras Publicas - Dirección General de Aguas	Aguas Andinas S.A.	Performance bond	632,691	0
Municipalidad de Las Condes	Aguas Andinas S.A.	Performance bond	10,000	5,000
Municipalidad de Lo Barnechea	Aguas Andinas S.A.	Performance bond	0	11,420
Municipalidad de Peñalolen	Aguas Andinas S.A.	Performance bond	37,851	37,089
Municipalidad de Providencia	Aguas Andinas S.A.	Performance bond	47,971	0
Municipalidad de Santiago	Aguas Andinas S.A.	Performance bond	37,858	21,472
Municipalidad de La Pintana	Aguas Andinas S.A.	Performance bond	31,440	51,440
Municipalidad de San Bernardo	Aguas Andinas S.A.	Performance bond	0	6,852
S.I.S.S.	Aguas Andinas S.A.	Performance bond	5,910,187	8,229,248
Secretaría Regional Ministerial	Aguas Andinas S.A.	Performance bond	0	34,098
Serviu Metropolitano	Aguas Andinas S.A.	Performance bond	4,526,044	4,255,744
S.I.S.S.	Aguas Cordillera S.A.	Performance bond	507,053	495,621
Ministerio de Obras Publicas	Aguas Cordillera S.A.	Performance bond	0	339,916



7 GUARANTEES AND RESTRICTIONS

Notes to the consolidated Financial Statements n°16

Creditor	Debtor	Type of guarantee	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Serviu Metropolitano	Aguas Cordillera S.A.	Performance bond	303,024	215,322
Ministerio de Obras Publicas - Dirección General de Aguas	Aguas Cordillera S.A.	Performance bond	346,893	0
Municipalidad de Las Condes	Aguas Cordillera S.A.	Performance bond	30,000	17,000
Municipalidad Lo Barnechea	Aguas Cordillera S.A.	Performance bond	17,013	0
Municipalidad de Vitacura	Aguas Cordillera S.A.	Performance bond	46,619	45,682
Asociación Canalistas Sociedad Maipo S.I.S.S.	Aguas Cordillera S.A.	Performance bond	804,868	788,681
Asociación Canalistas Sociedad Maipo	Aguas Manquehue S.A.	Performance bond	574,371	971,463
Serviu Metropolitano	Aguas Manquehue S.A.	Performance bond	905,410	887,201
Municipalidad de Las Condes	Aguas Manquehue S.A.	Performance bond	99,527	0
Serviu	Gestión y Servicios S.A.	Performance bond	17,482	17,131
Essbio S.A.	Gestión y Servicios S.A.	Performance bond	2,308,566	2,997,341
Siderúrgica Huachipato	Anam S.A.	Performance bond	31,468	13,704
CCU S.A.	Anam S.A.	Performance bond	46,619	45,682
Compañía Minera Doña Ines de Collahuasi	Anam S.A.	Performance bond	120,794	0
Minera Nevada	Anam S.A.	Performance bond	14,598	0
Director de Obras Hidraulicas	Anam S.A.	Performance bond	57,536	0
Serviu	Essal S.A.	Performance bond	1,334,591	586,391
Director General del Territorio Marítimo y de Marina Mercante	Essal S.A.	Performance bond	352,284	350,035
Municipalidad de Futaleufú	Essal S.A.	Performance bond	12,969	8,144
Gobierno Regional de la Región de Los Ríos	Essal S.A.	Performance bond	16,604	24,176
Director de Vialidad	Essal S.A.	Performance bond	162,338	59,231
E.F.E.	Essal S.A.	Performance bond	169,627	49,545
S.I.S.S.	Essal S.A.	Performance bond	7,002	68,563
Cooperativa Agrícola y Lechera de la Unión Ltda.	Essal S.A.	Insurance policy	2,734,941	2,042,428
Municipalidad de Futrono	Essal S.A.	Performance bond	26,000	0
	Essal S.A.	Performance bond	10,676	0
Totales			29,705,590	30,744,616



GUARANTEES AND RESTRICTIONS

Notes to the consolidated Financial Statements n°16

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 consolidated 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, 2013, the debt ratio is 1.33 times.

- 6.- Not sell, assign or transfer essential assets (public-utility concession granted by the S.I.S.S. for Greater Santiago), except for contributions or transfers of essential assets to subsidiary companies.

The company is in compliance with all the covenants established in the bond indentures as of December 31, 2013 and 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 times measured on its balance sheets, defined as the debt to equity ratio.



7 GUARANTEES AND RESTRICTIONS

Notes to the consolidated Financial Statements n°16

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, 2013, the debt ratio is 0.83 times.

6.- Maintain a ratio of Ebitda to Financial expenses of no less than 3.5:1. As of December 31, 2013, the ratio is 8.34 times.

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, 2013 and 2012.

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 Company is in compliance with all the covenants set out in bank loan agreements as of December 31, 2013 and 2012.

The Company and sanitation subsidiaries are in



GUARANTEES AND RESTRICTIONS

Notes to the consolidated Financial Statements n°16

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

d. Guarantees received from third parties

As of December 31, 2013 and 2012, the Company has received documents in guarantee ThCh\$53,486,864 and ThCh\$34,313,739 respectively, arising mainly from works contracts with construction companies to guarantee 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, 2013 is summarized below:

Contrator or supplier	ThCh\$	Expiry date
EMPRESA DEPURADORA DE AGUAS SERVIDAS MAPOCHO EL TREBAL LTDA.	12,094,027	28-02-2014
EMPRESA DEPURADORA DE AGUAS SERVIDAS MAPOCHO EL TREBAL LTDA.	8,341,629	31-03-2014
EMPRESA DEPURADORA DE AGUAS SERVIDAS LTDA.	4,527,873	31-12-2017
EMPRESA DEPURADORA DE AGUAS SERVIDAS MAPOCHO EL TREBAL LTDA.	3,949,712	01-06-2017
DRAGADOS S.A. AGENCIA EN CHILE	2,062,896	11-04-2014
DRAGADOS S.A. AGENCIA EN CHILE	1,563,139	09-01-2015
DESARROLLOS CONSTRUCTIVOS AXIS S.A.	423,191	03-04-2015
INLAC S.A.	423,191	03-04-2015
DRAGADOS S.A. AGENCIA EN CHILE	391,950	11-03-2014
COMPAÑIA DE PETROLEOS DE CHILE S.A.	391,946	15-03-2014
BAPA S.A.	363,489	24-09-2014
INMOBILIARIA LOS SILOS III LTDA.	329,038	14-04-2014
AQUALOGY SOLUTIONS CHILE LTDA.	314,746	31-05-2014
SOCIEDAD GENERAL DE AGUAS DE BARCELONA S.A.	314,746	31-05-2014
CONSTRUCTORA CON-PAX S.A.	307,103	30-09-2014
DALCO INGENIERIA LTDA.	290,043	17-07-2014
AGBAR SOLUTIONS CHILE LTDA.	279,298	03-05-2014
CONSTRUCTORA MOLLER Y PEREZ COTAPOS	268,969	08-03-2014
CAPTAGUA INGENIERIA S.A.	267,700	31-07-2014
CAPTAGUA INGENIERIA S.A.	258,345	06-01-2014
AQUALOGY DEVELOPMENT NETWORK S.A.	247,594	30-07-2016
I C M S.A.	239,296	01-06-2014
CHILECTRA S.A.	233,096	11-07-2014
CHILECTRA S.A.	233,096	01-08-2014
KDM S.A.	233,096	20-01-2015
DALCO INGENIERIA LTDA.	232,046	16-01-2015
SECURITAS S.A.	225,323	15-11-2015
INGENIERIA Y MONTAJES AMBIENTALES SPA	147,047	28-03-2015
INMOBILIARIA LAS PATAGUAS SPA	100,651	30-01-2015
Total	39,054,276	



ORDINARY REVENUE

Notes to the consolidated Financial Statements n°17



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



Class of ordinary revenues	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Sale of goods	9,376,220	7,606,468
Provision of services	393,247,372	375,279,275
Total	402,623,592	382,885,743



LEASES

Notes to the consolidated Financial Statements n°18

Financial leases as lessor:

	31-12-2013	31-12-2012
	ThCh\$	ThCh\$
Financial leases, lessor		
Total gross investment	89,299	89,299
Minimum amounts receivable under financial leases	21,072	51,620

Minimum amounts receivable under financial leases	Bruto ThCh\$	Interés ThCh\$
Within 1 year	21,072	1,142
Total	21,072	1,142
Minimum amounts receivable under financial leases	28,556	4,840

Operative leases as lessee

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

	31-12-2013	31-12-2012
	ThCh\$	ThCh\$
Future minimum non-cancellable lease paymentss, up to 1 year, lessees	1,566,972	1,533,102
Future minimum non-cancellable lease paymentss, 1 to 5 years, lessees	3,840,103	3,612,285
Future minimum non-cancellable lease paymentss, lessees, total	5,407,075	5,145,387
Minimum lease payments under operative leases	2,905,626	2,852,315
Lease & sub-lease installments booked in the statement of results, total	2,905,626	2,852,315



LEASES

Notes to the consolidated Financial Statements n°18

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.

Significant operative leases of the lessor:

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.

Significant operative leases of the lessor:

Income from these sources is immaterial for the Company.

Future minimum non-cancellable lease receivables, lessors	31-12-2013	31-12-2012
	ThCh\$	ThCh\$
Future minimum non-cancellable lease receivables, up to 1 year, lessors	282,993	283,858
Amount of rentals booked in statement of results	439,394	400,554
Total	722,387	684,412



EMPLOYEE BENEFITS

Notes to the consolidated Financial Statements n°19

The Company at the consolidated level has a workforce of 1,853, of whom 69 are managers and senior executives. Workers who are parties to collective agreements and individual work contracts with special indemnity clauses total 1,374 and 253 respectively, while 226 workers are covered by the Labor Code.

The Group 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, 2010 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.

The current collective agreements of unions of ESSAL S.A. were signed on December 31, 2013 for a term to December 31, 2016.

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 severance payment obligation 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. Actuarial gains and losses on indemnities deriving from changes in estimates or in rates of turnover, mortality, wage increases or discount rate are booked directly to Other comprehensive results in accordance with IAS 19R, directly affecting equity, which are later reclassified in Accumulated earnings. This procedure has begun to be applied in the current year following the effective date of IAS 19 revised. Until 2012, all variations in estimates and parameters used determined a direct effect on results for the year.



EMPLOYEE BENEFITS

Notes to the consolidated Financial Statements n°19

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.: 1,011, Aguas Cordillera S.A.: 123, Aguas Manquehue S.A.: 19, and Essal S.A. 254.

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 2013 and 2012.

Rate of remuneration increases:

The rate of 3.6% was used for 2012 and 2013.

General description of defined benefits plans

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

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

In the case of the worker who retires from the Company in accordance with Nos.2, 4 or 5 of article 159, 1 a) or No.6 of article 160 of the Labor Code, he will be paid as an indemnity the accumulated amount for this concept until July 31, 2002 in Aguas Andinas 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,



EMPLOYEE BENEFITS

Notes to the consolidated Financial Statements n°19

Expected payment flows

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 2013 and 2012, which include movements in the provisions:

The collective contract of Aguas Andinas S.A. indicates, in its 15th clause, that workers who resign voluntarily to be entitled to retirement shall have 120 days from the date they reach the legal retirement age to make their resignation effective.

The collective contracts of Aguas Cordillera S.A. and Aguas Manquehue S.A. indicate that a severance payment will be made to workers who resign voluntarily on reaching the legal retirement age.

According to the mentioned benefits plans, the following are the flows for the present and following period:

Sociedad	N° de empleados	Flujo esperado de pago M\$	Año
A. Andinas S.A	11	609,688	2014
A. Cordillera S.A	1	24,735	2014
Total		634.423	

Projected liabilities to December 31, 2014

To calculate the projected liabilities for indemnities at actuarial value to December 2013, as indicated in IAS 19, the actuarial assumptions at December 31, 2013 have been used, already commented in this Note. Only the amount of the legal bonus has been increased, in line with the minimum wage proposed by the government. The following is the summary by company:

Sociedad	N° de empleados	Costos por servicios M\$	Costo por intereses M\$
A. Andinas S.A	739	548,757	395,249
A. Cordillera S.A	117	46,897	43,515
A. Manquehue S.A.	19	11,929	7,595
Total		607,583	446,359

Provision for employee benefits	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Movimientos provisión actuarial		
Saldo inicial	8,575,854	8,261,974
Costo de los Servicios	968,344	211,336
Costo por Intereses	422,473	487,903
Ganancias o pérdidas actuariales	0	480,845
Beneficios pagados	-704,006	-1,275,276
Provision beneficios por terminacion	13,928	409,072
Sub-total	9,276,593	8,575,854
Profit sharing & bonuses	3,464,215	3,007,871
Total provision for employee benefits, current	4,198,437	2,906,724
Total provision for employee benefits, non-current	8,542,371	8,677,001



EMPLOYEE BENEFITS

Notes to the consolidated Financial Statements n°19

Sensitivity of assumptions

The sensitivity of the main assumptions has been made based on the actuarial calculation as of December 31, 2013, resulting in the following impacts:

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\$3,464,215 and ThCh\$3,007,871 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.



Concept	Base	Plus 0.5% ThCh\$	Less 0.5% ThCh\$
Discount rate	5.7%	-2,816,675	2,965,656
Increase en salaries	3.6%	2,615,238	-2,512,134
Turnover	6.5%	-5,465,574	6,148,397

Personnel expenses

Personnel expenses to December 31, 2013 and 2012 are as follows:



Personnel expenses	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Wages & salaries	-25,904,555	-25,508,432
Defined benefits	-11,142,305	-10,315,236
Severance payments	-1,778,216	-865,971
Other personnel expenses	-1,630,673	-1,498,325
Total personnel expenses	-40,455,749	-38,187,964



EFFECT OF EXCHANGE DIFFERENCES

Notes to the consolidated Financial Statements n°20

The detail of exchange differences is as follows:



Exchange differences	Currency	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Trade debtors & other accounts receivable	eur	685	2.247
	usd	1.084	-1.356
Other financial assets	usd		-929
	eur		-847
Total assets		1.769	-885
Trade creditors & other accounts payable	eur	-2.863	-23.829
	usd	-728	-2.126
Accounts payable to related entities	eur	-308	827
Total liabilities		-3.899	-25.128
Gain (loss) from exchange differences		-2.130	-26.013





OTHER EXPENSES BY NATURE

Notes to the consolidated Financial Statements n°21

The detail of these is as follows:



Other expenses by nature	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Treatment plant operation	-26,939,259	-22,495,394
Commercial services	-17,067,208	-12,499,626
Insurance, licenses & permits	-4,926,539	-4,900,714
Equipment maintenance & repairs	-19,233,472	-16,427,372
Supplies & basic services	-8,221,731	-7,686,510
Other expenses	-11,086,104	-9,121,640
Total	-87,474,313	-73,131,256





CAPITALIZED FINANCING COSTS

Notes to the consolidated Financial Statements n°22

The detail of capitalized financing costs as of December 31, 2013 and 2012 is as follows:

CAPITALIZED INTEREST COSTS:		
Capitalized interest, property, plant & equipment	31-12-2013	31-12-2012
Rate of capitalization of capitalized interest costs, property, plant & equip	6.72%	6.94%
Amount of capitalized interest, property, plant & equipment	2,103,201	6,819,828





INCOME TAX AND DEFERRED TAXES

Notes to the consolidated Financial Statements n°23

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.

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:



Net deferred taxes	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Deferred tax assets	263,122	324,398
Deferred tax liabilities	-34,162,915	-37,557,315
Net deferred tax position	-33,899,793	-37,232,917

DEFERRED TAX ASSETS

Deferred tax assets	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Water rights (amortization)	217,739	200,840
Provision doubtful accounts	6,447,559	6,252,679
Provision vacations	369,602	324,802
Litigation	689,240	725,398
Severance payments	1,274,207	1,144,765
Other provisions	214,829	190,799
Income received in advance	29,868	104,166
Taxation investment goodwill	35,570,106	33,814,062
Deferred revenue	1,466,817	1,473,480
La Dehesa dam transaction	276,169	238,792
Others	1,468,357	1,423,185
Deferred tax assets	48,024,493	45,892,968

DEFERRED TAX LIABILITIES



Deferred tax liabilities	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Depreciation fixed assets	17,049,329	17,005,185
Amortization	882,602	1,047,877
Investment expense related companies	84,641	84,641
Revaluations property, plant & equipment	16,792,496	16,804,312
Revaluations of intangible assets	33,786,504	33,804,037
Fair value of assets in purchase of Essal S.A.	13,315,870	14,369,483
Others	12,844	10,350
Deferred tax liabilities	81,924,286	83,125,885
Net deferred tax position	33,899,793	37,232,917

	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Movement of deferred tax liabilities		
Deferred tax liabilities, initial balance	83,125,884	71,838,796
Increases (decreases) in deferred tax liabilities	-2,255,210	10,027,238
Increases (decreases) with respect to acquisitions through combinations of businesses	1,053,613	1,259,851
Changes in deferred tax liabilities	-1,201,597	11,287,089
Changes in deferred tax liabilities total	81,924,287	83,125,885





INCOME TAX AND DEFERRED TAXES

Notes to the consolidated Financial Statements n°23

Law 20.630 was published on September 27, 2012 which gave a permanent nature to the corporate income tax rate starting from the commercial year 2012, whereby the rate increases from 18.5% to 20%.



CHARGE FOR INCOME TAX



Credit (charge) for income tax by current & deferred parts	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Charge for current income tax		
Current tax charge	31,410,521	32,268,135
Adjustment previous year tax charge	185,596	-1,972
Current income tax charge, net, total	31,596,117	32,266,163
Deferred tax charge (credit) relating to the creation & reversal of timing differences	-3,333,123	3,295,948
Sole tax (disallowed expenses)	1,048,614	231,035
Tax charge	-2,284,509	3,526,983
Charge (credit) for income taxes	29,311,608	35,793,146



INCOME TAX AND DEFERRED TAXES

Notes to the consolidated Financial Statements n°23

In addition, and in accordance with IAS 12, it was necessary to revalue deferred taxes, adjusting them to the new rate, from the reversal rate of 17% to 20% effective from the year 2013.

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

	31-12-2013	31-12-2012
	ThCh\$	ThCh\$
Tax charge using the statutory rate	-29,804,145	-31,509,530
Permanent difference for monetary correction taxation equity	1,961,515	1,825,964
Effect of change in deferred tax rate	0	-5,687,028
Permanent difference for disallowed expenses	-1,048,614	-231,035
Permanent difference for previous years' income tax	-185,596	1,972
Other permanent differences	-234,768	-193,489
Adjustments to tax charge using the statutory rate, total	492,537	-4,283,616
Charge for taxes using the effective rate	-29,311,608	-35,793,146

Reconciliation of the statutory tax rate and the effective rate

	31-12-2013	31-12-2012
Statutory tax rate	20.00%	20.00%
Permanent difference for monetary correction taxation equity	-1.32%	-1.16%
Effect of change in deferred tax rate	0.00%	3.61%
Permanent difference for disallowed expenses	0.70%	0.15%
Permanent difference for previous years' income tax	0.12%	0.00%
Other permanent differences	0.17%	0.12%
Effective tax rate	19.67%	22.72%





EARNINGS PER SHARE

Notes to the consolidated Financial Statements n°24

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

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.



	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Earnings attributable to shareholders in equity of the controller	116,675,534	121,738,423
Results available to common shareholders, basic		
Weighted average number of shares, basic	6,118,965,160	6,118,965,160
Earnings per share (pesos)	19,07	19,90





BUSINESS SEGMENTS

Notes to the consolidated Financial Statements n°25

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	31-12-2013		31-12-2012	
	Water	Non-Water	Water	Non-Water
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Revenues from ordinary activities with external customers	378,546,727	24,076,865	361,790,166	21,095,577
Revenues from ordinary activities between segments	761,599	4,444,845	732,576	3,060,515
Operating expenses	-136,487,461	-23,959,148	-51,956,378	-15,878,112
Depreciation & amortization	-64,220,725	-484,164	-54,774,357	-435,234
Other gains & expenses	1,199,026	21,218	-71,383,409	-4,428,574
Financial income	6,101,367	922,282	8,176,086	151,221
Financial costs	-28,872,565	-71,072	-24,148,413	-58,263
Result of indexation & exchange differences	-12,967,744	9,677	-13,926,144	11,235
Income tax charge	-28,466,796	-844,811	-35,138,835	-654,310
Earnings of segment	115,593,428	4,115,692	119,371,292	2,864,055
Earnings of segment attributable to owners of the controller	112,559,843	4,115,692	118,874,368	2,864,055
Earnings of segment attributable to non-controller participations	3,033,585	0	496,924	0

Total assets, liabilities & equity	31-12-2013		31-12-2012	
	Water	Non-Water	Water	Non-Water
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Current assets	119,506,390	15,432,291	108,893,032	14,961,038
Non-current assets	1,434,073,964	10,748,035	1,413,730,283	10,955,359
Total assets	1,553,580,354	26,180,326	1,522,623,315	25,916,397
Current liabilities	218,449,923	3,795,347	163,541,496	5,525,058
Non-current liabilities	679,756,198	90,563	695,139,263	81,617
Equity attributable to owners of the controller	594,246,671	22,294,416	601,444,689	20,309,722
Non-controller participations	61,127,562	0	62,497,867	0
Total equity & liabilities	1,553,580,354	26,180,326	1,522,623,315	25,916,397



BUSINESS SEGMENTS

Notes to the consolidated Financial Statements n°25

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

Los ingresos de la Compañía provienen principalmente de los servicios regulados correspondientes a la producción y distribución de agua potable, recolección, tratamiento y disposición de aguas servidas y otros servicios regulados (los que incluyen ingresos relacionados con cargos de corte y reposición del suministro, monitoreo de descarga de residuos industriales líquidos y cargos fijos).

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.



BUSINESS SEGMENTS

Notes to the consolidated Financial Statements n°25

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		
	31-12-2013	31-12-2012
	ThCh\$	ThCh\$
Revenues from ordinary activities of the segments	407,830,036	386,678,834
Elimination of ordinary activity revenues between segments	-5,206,444	-3,793,091
Revenues from ordinary activities	402,623,592	382,885,743

Reconciliation of earnings attributable to owners of the controller		
	31-12-2013	31-12-2012
	ThCh\$	ThCh\$
Total consolidated earnings (loss) of segments	116,675,535	121,738,423
Consolidation of elimination of earnings (loss) between segments	3,033,585	496,924
Earnings attributable to owners of the controller	119,709,120	122,235,347

Reconciliations of assets, liabilities & equity of segments		
	31-12-2013	31-12-2012
	ThCh\$	ThCh\$
Reconciliation of assets		
Consolidation total assets of segments	1,579,760,679	1,548,539,712
Elimination of accounts between segments	-2,049,915	-2,314,233
Total assets	1,577,710,764	1,546,225,479
Reconciliation of liabilities		
Consolidation total liabilities of segments	902,092,031	864,287,434
Elimination of accounts between segments	-2,049,916	-2,314,233
Total liabilities	900,042,115	861,973,201
Reconciliation of equity		
Consolidation total equities of segments	616,541,087	621,754,411
Equity attributable to owners of the controller	616,541,087	621,754,411



7 BUSINESS SEGMENTS

Notes to the consolidated Financial Statements n°25

PRINCIPAL CUSTOMERS

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

Principal non-water segment customers:
CMPC Cordillera S.A
Soprole S.A
DSM S.A
Soc. Proc. de leche del sur (Prolesur) S.A.
Sopraval S.A.
Cía Pesquera Camanchaca S.A.
Colun Ltda.
Watt's S.A.
Agroindustrial El Paico Ltda.
Frigorífico O'higgins S.A.
Industrial Ochagavía Ltda.
Trendy S.A.
Codelco
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.).
- 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.).



THE ENVIRONMENT

Notes to the consolidated Financial Statements n°26

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 name	31-12-2013 ThCh\$	31-12-2012 ThCh\$
Expansion & improvements Curacavi sewage treatment plant (STP)	151,925	256
Expansion & improvements El Monte STP	0	217,890
Expansion & improvements Greater Santiago STP	27,546,729	38,848,794
Expansion & improvements Isla de Maipo STP	301,747	0
Expansion & improvements other districts STP	10,118	56,780
Expansion & improvements Paine STP	1,371,165	902,410
Expansion & improvements Pomaire STP	0	15,930
Expansion & improvements San José de Maipo STP	135,957	3,005
Expansion & improvements Talagante STP	18,589	37,319
Expansion & improvements Valdivia de Paine STP	57,987	0
Farfana - Trebal interceptor	317,551	6,522,582
Clean Urban Mapocho interceptor	355,964	2,138,243
Improvement & renewal equipment & installations	1,316,946	686,229
Total	31,584,678	49,429,438



THE ENVIRONMENT

Notes to the consolidated Financial Statements n°26

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 2014.

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.

The following is detailed information on disbursements related to the environment:

Parent Aguas Manquehue S.A.



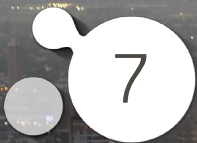
Project name	31-12-2013	31-12-2012
	ThCh\$	ThCh\$
Improvement & renewal equipment & installations	85,744	34,367
STP improvements	0	71,225
Total	85,744	105,592

Essal S.A.

Project name	31-12-2013	31-12-2012
	ThCh\$	ThCh\$
Improvement in disposal infrastructure	153,287	90,222
Improvement of EDAR system	109,773	267,078
Renewal of treatment & disposal equipment	306,985	16,377
Total	570,045	373,677

Projected environmental investments for 2014:

Company	ThCh\$
Aguas Andinas S.A.	16,563,988
Aguas Manquehue S.A.	19,967
Essal S.A.	635,000
TOTAL	17,218,955



7

EVENTS OCCURRING FOLLOWING THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Notes to the consolidated Financial Statements n°26

As at the date of issue of these consolidated financial statements, the management of the Company and its subsidiaries are unaware of any other subsequent events that significantly affect the financial position as of December 31, 2013.



MANAGEMENT'S ANALYSIS

1. Results Summary

- The Company's revenues amounted to MCh\$402,624, MCh\$19,738 (5.2%) higher than that obtained in 2012. This is mainly explained by larger volumes supplied and the application of tariff related to the start-up of the Mapocho sewage treatment plant, a project that provided the conclusion to the Santiago Metropolitan Region Sanitation project with the treatment of 100% of the sewage.
- In January and February 2013, service cuts occurred due to heavy rains and alluvions in Andes foothills zone in the Cajón del Maipo, which forced the Company to suspend the principal water production plants on two occasions.
- Costs rose by 10.6% due to compensation payments made to the customers affected by problems of timely information during the supply cuts in January and February and expenses incurred in the start-up of the Mapocho plant. EBITDA for the year thus reached MCh\$247,277, an increase of 2% over the year before.
- The financial result was MCh\$(34,878), MCh\$5,084 lower than in 2012, mainly the result of a reduced capitalization of financial costs.
- Earnings for 2013 amounted to MCh\$116,676, a reduction of MCh\$5,062 (-4.2%) compared to the year before.



2. Results

Statement of Results (MCh\$)	Dec. 13	Dec. 12	% Var.	2013 / 2012
Ordinary revenue	402,624	382,886	5.2%	19,738
Operating costs & expenses	-155,347	-140,482	10.6%	-14,865
EBITDA	247,277	242,404	2.0%	4,873
Depreciation & amortization	-64,705	-55,210	17.2%	-9,495
Operating income	182,572	187,194	-2.5%	-4,622
Financial result*	-34,878	-29,794	17.1%	-5,084
Earnings	116,676	121,738	-4.2%	-5,062

* Includes financial income, financial costs, exchange differences and results of indexation adjustments.

2.1 Analysis of Revenue

	Dec. 13		Dec. 12		Variation	
	Sales MCh\$	Participation	Sales MCh\$	Participation	MCh\$	%
Water	157,307	39.1%	152,918	39.9%	4,389	2.9%
Sewage	184,299	45.8%	174,839	45.7%	9,460	5.4%
Other regulated revenue	16,067	4.0%	14,948	3.9%	1,119	7.5%
Non-regulated revenue	44,951	11.1%	40,181	10.5%	4,770	11.9%
Total	402,624	100.0%	382,886	100.0%	19,738	5.2%

Sales Volumes (thousands of m ³)	Dec. 13	Dec. 12	% Var.	Difference
Water	548,631	539,178	1.8%	9,453
Sewage collection	533,864	526,545	1.4%	7,319
Sewage treatment & disposal	466,732	460,351	1.4%	6,381

Clientes	Dic. 13	Dic. 12	% Var.	Difference
Water	2,039,298	1,984,132	2.8%	55,166
Sewage collection	1,999,419	1,943,788	2.9%	55,631



Regulated Businesses

1. Water

Revenue from water during 2013 amounted to MCh\$157,307, an increase of MCh\$4,389 over the previous year. The increase is partly due to larger volumes of water sold during 2013, which were 1.8% more than the year before. There was also a higher average tariff due to the effect of the increase in the income tax rate from October 2012 and the indexation of the polynomial recorded at the end of September 2013.

2. Sewage

Sewage revenue in 2013 amounted to MCh\$184,299, an increase of 5.4% in comparison with the MCh\$174,839 reported in 2012. The increase of MCh\$9,460 is due to:

Collection

A higher collection of revenue of MCh\$1,348 (MCh\$87,080 in 2013 compared to MCh\$85,732 in 2012), mainly due to a larger volume sold of 7.3 million m³ and a higher average tariff reflecting the effect of the increase in the tax rate and the indexation at the end of September 2013.

Treatment

Increased treatment revenue of MCh\$6,842 (MCh\$77,873 in 2013 compared to MCh\$71,031 in 2012), mainly due to a higher average tariff following the application of the tariff associated with the start-up this year of the Mapocho sewage treatment plant, and the tariff indexation at the end of September 2013, together with an increase in sales volume of 6.4 million m³.

Interconnection

Higher sewage interconnection revenue of MCh\$1,270 (MCh\$19,346 in 2013 compared to MCh\$18,076 in 2012), mainly due to a higher average tariff partially compensated by a reduced sale volume of 0.5 million m³.

3. Other Regulated Revenue

Other regulated revenue rose by MCh\$1,119, mainly explained by a larger provision for non-billed consumption revenue of MCh\$778 plus higher fixed-charge customer revenue of MCh\$386 resulting from the larger number of customers.



Non-Regulated Revenue

Non-regulated revenue rose by MCh\$4,770 in 2013 compared to the previous year. This is mainly explained by:

1. Sanitation Services

An increase of MCh\$1,980 explained by larger revenue from works paid for by customers related to modifications of infrastructure.

2. Non-Sanitation Services

The increase of MCh\$2,790 is explained by higher sales of materials in Gestión y Servicios S.A., more services provided by Análisis Ambientales S.A. and the revenue of Aguas del Maipo S.A., partially offset by a reduced activity in EcoRiles S.A.

(MCh\$)	Dec. 13	Dec. 12	Var. %
Gestión y Servicios S.A.	9,558	7,863	21.6%
EcoRiles S.A.	10,981	11,137	-1.4%
Anam S.A.	2,654	2,164	22.6%
Aguas del Maipo S.A.	761	0	100.0%
Non-regulated non-sanitation services	23,954	21,164	13.2%



2.2 Analysis of Expenses

Raw materials and consumables used

The cost of raw materials and consumables used in 2013 amounted to MCh\$27,417, less by MCh\$1,746 than the figure for 2012. The reduction in these costs is explained by a reduced volume of water purchased compared to 2012, related to the mitigation plan of the consequences of the drought that the Company has been developing since 2011, plus reduced electricity costs. The fall in these items is partially offset by the higher sales cost of materials.

Employee benefit expenses

Employee benefit expenses in 2013 amounted to MCh\$40,456, MCh\$2,268 more than the year before. This basically explained by higher remunerations and bonuses associated with CPI indexation adjustments.

Depreciation and amortization

The charge for depreciation and amortization in 2013 was MCh\$64,705, an increase of MCh\$9,495 over 2012. This rise is due to the new investments made by the company which started to operate during the year, principally the Mapocho sewage treatment plant.

Other expenses

Other expenses in 2013 amounted to MCh\$87,474, a rise of MCh\$14,343 compared to 2012, mainly explained by higher costs of MCh\$2,954 due to emergencies in the

months of January and February, higher treatment plant operating costs of MCh\$2,819, higher costs for removing waste and sludge from the sewage treatment plants of MCh\$1,625 following the start-up of the Mapocho plant, increased costs of non-regulated sanitation products of MCh\$857, increased customer service costs of MCh\$ 548 and higher network maintenance and repair costs of MCh\$ 1,470.

2.3. Analysis of the Financial Result and Other Results

Financial Income

Financial income in 2013 was MCh\$6,966, MCh\$1,325 less than in 2012, due to reduced interest income following a lower level of temporary cash surpluses.

Financial Costs

Financial costs in 2013 were MCh\$28,886, an increase of MCh\$4,715 over 2012. This is mainly explained by reduced interest capitalization following the completion of the construction of the Mapocho sewage treatment plant.

Results of indexation Adjustments

The results for 2013 amounted to MCh\$12,956, resulting in a reduced charge of MCh\$933 compared to 2012, mainly explained by a reduced restatement of debt due to the reduced variation in the UF.

Charge (Credit) for Income Tax

The provision for income tax amounted to MCh\$29,312 in 2013, MCh\$6,482 less than in 2012. This is partly due to the increase in the tax rate to 20% in September 2012 which had an impact on deferred taxes for 2012.

Earnings

Earnings for the year 2013 amounted to MCh\$116,676, MCh\$5,062 lower (-4.2%) than those of 2012.

3. Statement of financial position

Assets	Dec. 13 MCh\$	Dec. 12 MCh\$	% Var.
Current assets	132,972	121,283	9.6%
Non-current assets	1,444,739	1,424,942	1.4%
Total assets	1,577,711	1,546,225	2.0%
Liabilities			
Current liabilities	220,195	166,752	32.0%
Non-current liabilities	679,847	695,221	-2.2%
Total liabilities	900,042	861,973	4.4%
Equity attributable to owners of the controller	616,541	621,754	-0.8%
Non-controller participations	61,128	62,498	-2.2%
Total liabilities & equity	1,577,711	1,546,225	2.0%

Assets

The total consolidated assets of Aguas Andinas as of December 31, 2013 rose by 2.0% over the year before, passing from MCh\$1,546,225 to MCh\$1,577,711.

The variation of MCh\$11,689 in current assets is mainly due to an increase in trade debtors associated with the higher sales volumes and the rise in tariffs in 2013.

Non-current assets rose by MCh\$19,797, mainly explained by the new investments during the year, offset by the increase in accumulated depreciation relating to the start-up of the Mapocho sewage treatment plant.

The following shows the principals investments during the year:

Investments (MCh\$)	Dec. 13
Vizcachas complex exit tank	17,166
El Yeso Aguillos water connection Project (CAYA)	8,165
Extension & renewal of sewage networks	5,704

Liabilities and Equity

Liabilities as of December 2013 increased by 4.4% (MCh\$38,069) over December 2012.

Current liabilities rose by MCh\$53,443, mainly due to an increase in other current financial liabilities of MCh\$36,815 following the transfer from non-current of the Series G bonds for UF 2.5 million. This was partially offset by reduced bank loans of MCh\$12,000. There was also a rise in accounts payable to related company of MCh\$2,323 and in accounts payable of MCh\$15,350, mainly explained by the booking of interim dividends paid in January 2014.

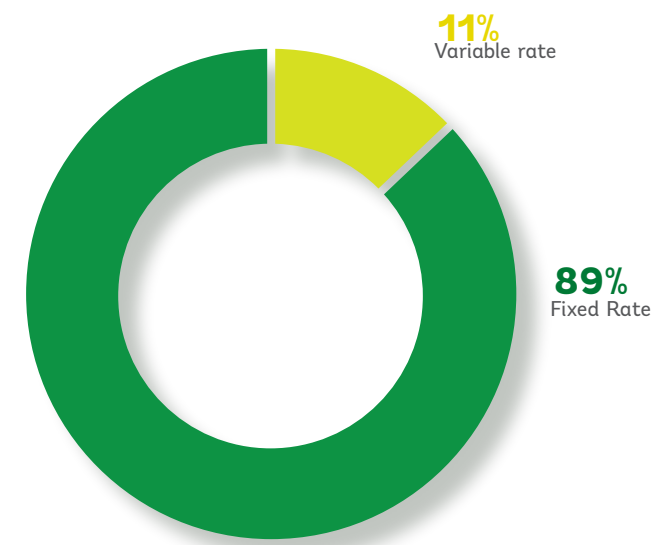
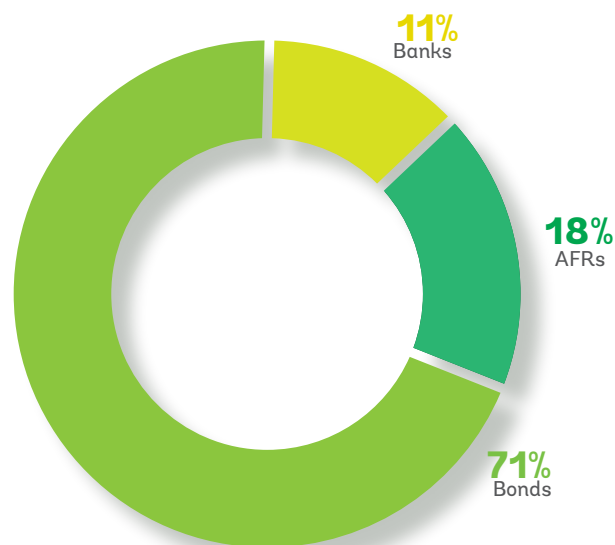
Non-current liabilities declined by MCh\$15,374 (-2.2%), mainly due to the transfer to current liabilities of the G Series bonds for UF 2.5 million, partially compensated by the new Series U bond issue in April 2013 for UF 2.0 million.

Equity fell by MCh\$6,584 and the equity attributable to owners of the controller declined by MCh\$5,213, explained by the distribution of final dividends offset by the earnings generated during the year.

The maturity structure of the financial debt as of December 31, 2013 is the following (in millions of Ch\$):

	Currency	Total	Less than 12 months	13 months to 3 years	3 to 5 years	Over 5 years
Bonds	UF	507,449	78,296	100,080	48,746	280,327
Bank loans	\$	76,701	6,197	70,504	0	0
AFRs	UF	128,172	4,274	30,643	22,577	70,678
Total		712,322	88,767	201,227	71,323	351,005

Financial Debt Structure



4. Cash Flows

Statement of Cash Flows (MCh\$)	Dec. 13	Dec. 12	% Var.
Operating activities	204,345	203,419	0.5%
Investment activities	-119,029	-105,369	13.0%
Financing activities	-82,301	-67,457	22.0%
Net cash flow for year	3,015	30,593	-90.1%
Closing balance of cash	38,659	35,644	8.5%

The cash flow from operating activities rose by MCh\$926 between 2013 and 2012.

The principal variations were:

- An increase in collections from sales of goods and services of MCh\$15,203, mainly due to increased volumes and a higher average tariff following the start-up of the Mapocho sewage treatment plant.
- A reduction in insurance premiums of MCh\$1,873, mainly due to the renewal in 2012 of the all-risks physical assets policy for a term of 18 months.

These variations were partially offset by the following increases:

- Payments to suppliers of MCh\$7,012 related to the increases in costs generated by the extra volume treated following the start-up of the Mapocho sewage treatment plant and repairs to the water network.
- Interest paid of MCh\$5,988 un-related to construction activities.
- Income tax of MCh\$3,370.

Investment activity disbursements increased by MCh\$13,660, mainly due to the increase in property, plant and equipment of MCh\$19,234, the principal element being the payments of invoices relating to the construction of the Mapocho sewage treatment plant, compensated by a reduced capitalization of interest of MCh\$5,760.

Financing activities generated a change in the net flow (higher payments) of MCh\$(14,844), mainly due to reduced bond issues of MCh\$84,872 (UF 2.0 million in 2013 compared to UF 4.95 million in 2012) and reduced short-term debt of MCh\$3,169, partially offset by a reduction in loan repayments of MCh\$46,491 and lower dividend payments of MCh\$26,058.

5. Financial Ratios

Liquidity		Dec. 13	Dec. 12
Current ratio	times	0,6	0,73
Acid test	times	0,18	0,21
Debt			
Total debt	times	1,33	1,26
Current debt	times	0,24	0,19
Non-current debt	times	0,76	0,81
Financial expense coverage	times	6,16	7,54
Profitability			
Return on equity attributable to owners of the controller	%	18,84	19,7
Return on assets	%	7,47	8,07
Earnings per share	\$	19,07	19,9
Dividend yield (*)	%	5,91	5,42

Current ratio: current assets/current liabilities.

Acid test: cash & cash equivalents/ current liabilities.

Total debt: liabilities / equity.

Current debt: current liabilities / total liabilities.

Non-current debt: non-current liabilities / total liabilities..

Financial expense coverage: earnings before taxes & interest / financial expenses.

Return on equity: earnings for the year / total average equity in year.

Return on assets: earnings for the year / total average assets in year.

Earnings per share: earnings for the year / number of subscribed & paid shares. .

Dividend yield: dividends paid per share/ share price.

(*)The share price at December 2013 was Ch\$339.38 compared to Ch\$339.73 at December 2012.

The current ratio as at December 2013 fell by 17.8% due to an increase in both current liabilities of MCh\$53,443 (32.0%) and in current assets of MCh\$11,689 (9.6%), with respect to December 2012. The principal increases in current liabilities relate to financial debt associated with the transfer of Series G bonds from non-current to current, and greater accounts payable to related company and accounts payable for the booking of interim dividends, partially offset by reduced bank loans. Regarding current assets, there was an increase in trade debtors related to the greater volume sold plus the increased tariffs in 2013.

The debt ratio rose by 5.4%, mainly due to an increase in liabilities of MCh\$38,069, explained principally by the booking of interim dividends to be paid in January 2014 and, to a lesser extent, a reduction in equity of MCh\$6,584 explained by the distribution of final dividends offset by the earnings for the year 2013.

The return on equity attributable to owners of the controller showed a fall of 4.4%, basically due to a reduction of MCh\$5,063 in earnings for 2013 and an increase in average equity of MCh\$1,227.

6. 5. Other Information

Tariffs

The most important factor determining the results of our operations and financial position is the tariffs set for our regulated sales and services. As a sanitation company, we are regulated by the S.I.S.S. and our tariffs are set in accordance with the Sanitation Services Tariffs Law 70 of 1988.

Our tariff levels are revised every five years and during that period are subject to additional adjustments linked to an indexation polynomial which is applied when the accumulated variation since the previous adjustment is 3.0% or more, according to calculations made on the basis of different inflation indices. Specifically these are based on a formula that includes the consumer price index, manufacturing sector imported goods price index, and the manufacturing producer price index, all provided by the Chilean National Statistics Institute. The last adjustments made for each Group company were applied on the following dates:

Aguas Andinas S.A.:

Grupo 1	September 2013
Grupo 2	September 2013
Rinconada de Maipú	July 2012

Aguas Cordillera S.A.:

August 2013

Aguas Manquehue S.A.:

Santa María	July 2013
Chicureo	August 2013
Chamisero	July 2012
Valle Grande 3	July 2012

Essal S.A.:

Grupo 1	December 2013
Grupo 2	December 2013
Grupo 3	December 2013
Chinquihue	August 2013
Los Alerces	April 2013

Tariffs are also adjusted to reflect additional services previously authorized by the S.I.S.S. and modifications to the taxation rate.

The current tariffs for the period 2010-2015 were approved by Ministry of the Economy Decree 60 of February 2, 2010 for Aguas Andinas S.A., which came into effect on March 1, 2010. For Aguas Cordillera S.A. and Aguas Manquehue S.A., the respective decrees were No.176 of June 8, 2010 and No.170 of May 20, 2010. Empresa de Servicios Sanitarios de Los Lagos S.A. (Essal S.A.) concluded its tariff negotiations in 2011, for the period 2011 – 2016. These new tariffs were approved by Decree 116 of August 31, 2011.

Market Risk

Our company enjoys a favorable position in terms of risk, due mainly to the particular characteristics of the sanitation sector. Our business is seasonal and operating results can vary from one quarter to another. The highest levels of demand and revenue are the summer months (December to March) and the lowest are the winter months (June to September). In general, demand for water is greatest in the warmest months mainly due to the additional needs for water for irrigation and other external uses of the resource.

Adverse weather conditions can possibly affect the optimum delivery of sanitation services, because the catchment and production of water largely depend on the weather in the hydrographic basins. Factors like precipitation (snow, sleet, rain, fog), temperature, humidity, dragging of sediment, river flows and cloudiness, determine not only the volume, quality and continuity of raw water available in each water intake but also the possibility of its being properly treated in the production plants. There were alluvions in the Andes foothills of the Cajón del Maipo during January and February 2013 which generated severe muddiness that forced the suspension of the principal water treatment plants, causing cuts to supplies to a large number of customers.



MANAGEMENT'S ANALYSIS

In the event of drought, we have large water reserves in the El Yeso, Laguna Negra and Lo Encañado reservoirs, plus contingency plans that we have developed, which enable us to reduce the negative impacts caused by adverse weather conditions. The drought experienced since 2010 persists in the current period, which means the application of contingency plans like the purchase of raw water, the intensive use of wells, the leasing or purchase of water rights, etc. All this in order to reduce the impact of the drought and provide our services normally, both in terms of quality and continuity.

Market Analysis

The Company shows no change in its market share as it has no competition in its concession areas due to the nature of its services and current legislation.

Aguas Andinas S.A. provides a 100% coverage in water, 98.5% in sewage collection and 100% in sewage treatment in the Santiago basin.

Aguas Cordillera S.A. provides a 100% coverage in water, 98.8% in sewage collection and 100% in sewage treatment.

Aguas Manquehue S.A. provides a 100% coverage in water, 99.4% in sewage collection and 100% in sewage treatment.

Essal S.A. provides a 100% coverage in water, 95.0% in sewage collection and 100% in sewage treatment.

Capital Investments

One of the variables that most affects the results of our operations and financial position is capital investment. These are of two kinds:

Investments Committed. We have the obligation under the investment plan agreed with the S.I.S.S. to describe the investments we have to make during the following 15 years from the date of the corresponding investment plan coming into effect. Specifically, the investment plan reflects our commitment to carry out certain projects related to the maintenance of certain quality standards and service coverage. This investment plan is reviewed every five years and modifications can be requested based on certain important events.

These investments include those related to the treatment of waste waters, e.g. the Clean Urban Mapocho project, in operation since 2010, the construction of the Mapocho sewage treatment plant, and the La Farfana-El Trebal interceptor, all works that have permitted achieving an important landmark within the Chilean sanitation sector during 2013, of being able to treat 100% of the sewage. In addition, we have the projects emphasized and contemplated in the security works, security tanks (the most important being the "Viñcachas Complex Tank" which will have a volume of 160,000 m³), the CAYA Project, works for taking water from the El Yeso reservoir to the Aguillos sector (capacity Q=4.0 m³/s, L=5 km), and the Cerro Negro soundings preparation project, being underground soundings (capacity Q=500 l/s), all for improving the quality and availability of water, especially in emergency situations.

The following are the dates of approval and updating of the Aguas Group development plans.

Aguas Andinas S.A.

Greater Santiago: May 16, 2011

Localities: October 13, 2011, September 12, 2012, April 5, 2013 and July 3, 2013

Aguas Cordillera S.A.

Aguas Cordillera and Villa Los Dominicos: October 18, 2011

Aguas Manquehue S.A.

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

Alto Lampa: November 22, 2013

Essal S.A.

X and XIV Regions: December 30, 2010

Non-committed investments.

Non-committed investments are those that are not contemplated in the investment plan and which we carry out voluntarily to ensure the quality of our services and replace obsolete assets. These are generally related to the replacement of network infrastructure and other assets, the acquisition of water-usage rights and investments in non-regulated businesses.

In accordance with IFRS current in Chile, in particular IAS 23, interest is capitalized on investments in works in progress. IAS 23 states that when an entity acquires



MANAGEMENT'S ANALYSIS



debt in order to finance investments, the interest on that debt should be deducted from financial expenses and incorporated in the construction works financed up to the total amount of such interest, applying the respective rate to the disbursements made at the date of presentation of the financial statements. Consequently, financial costs associated with our capital investment plan affect the amount of interest expense booked in the statement of results, assigning these financing costs together with the works in progress to "Property, plant and equipment" in our statement of financial position.

Financial Aspects

Currency risks: our revenue is largely linked to the local currency. Our debt is therefore denominated mainly in that same currency, so we do not book significant risks in foreign currency operations.

As of December 31, 2013 the consolidated interest rate risk of Inversiones Aguas Andinas S.A. consists of 89.2% at fixed rates and 10.8% at variable rates. The fixed-rate debt comprises the issue of bonds at short and long term (79.8%) and reimbursable financial contributions (20.2%), while the variable-rate debt relates to bank loans in Chile.

As of December 31, 2012 the consolidated interest rate risk of Inversiones Aguas Andinas S.A. consists of 86.0% at fixed rates and 14.0% at variable rates. The fixed-rate debt comprises the issue of bonds at short and long term (79.5%) and reimbursable financial contributions (20.5%), while the variable-rate debt relates to bank loans in Chile.

The Company has an interest-rate monitoring and management policy in order to optimize the cost of financing and constantly evaluate the hedging instruments available in the financial market.

This favorable position has led the credit-rating agencies to grant a solvency rating of AA+ for its long-term debt. In the case of the shares, Fitch and ICR granted us a rating of First Class Level 1 for the Series A and First Class Level 4 for the Series B.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS /ANÁLISIS AMBIENTALES S.A.

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) 2569 22 30

Fax: (56-2) 2569 22 97

Tax No.: 96.967.550-1

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%

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 2013, 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.

1.1 Preparation

These financial statements relate to the statement of financial position, comprehensive results of its operations, changes in equity and cash flows for the years ended December 31, 2013 and 2012.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board ("IASB"). These financial statements only contain the statements of financial position, comprehensive results, changes in equity and cash flows and this Note of accounting criteria in accordance with Official Letter 832 of the Superintendency of Securities and Insurance (S.V.S) and the Note of transactions with related parties as established in general rule 346. They therefore do not contain all the information and disclosure requirements as per 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.

New accounting pronouncements

a) As of the date of these financial statements, IFRS 10 (Consolidated financial statements), 11 (Joint agreements), 12 (Disclosures of participations in other

entities), 13 (Measurement at fair value) and 19R (Employee benefits) have begun to be applied. These have been analyzed by the management which has determined that these do not significantly affect the presentation of and the disclosures of the financial statements.

b) The following new standards and interpretations have been issued but are not yet applicable:

New, amendments & interpretation	Date of obligatory application
IFRIC 21, Liens	Annual periods starting or after January 1, 2014
IFRS 9, Financial Instruments, classification & measurement	To be determined
IFRS 10, 12, & IAS 27, Investment Entities	Annual periods starting or after January 1, 2014
IAS 32 Presentation of financial statements	Annual periods starting or after January 1, 2014
IAS 36, Impairment of assets	Annual periods starting or after January 1, 2014
IAS 39, Financial Instruments, booking & measurement	Annual periods starting or after January 1, 2014

The management of the Company is analyzing the eventual impact of these standards and amendments on the Company's financial statements.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / ANÁLISIS AMBIENTALES S.A.

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 IFRS, as indicated in Note 2.1. The board approved these financial statements at its meeting held on March 21, 2014.

The financial statements of Analisis Ambientales S.A. for the year 2012 were approved by its board on March 25, 2013.

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 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 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.

1.2 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.

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 use.
4. Legal, regulatory or contractual limitations.

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

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.

<div> <div></div> <div>RANGE OF USEFUL LIVES (IN YEARS) BY TYPE OF ASSET</div> <div></div> </div>		
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



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / ANÁLISIS AMBIENTALES S.A.

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 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.

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.

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 IFRIC 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 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. 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 and other accounts receivable are booked initially at their fair value, booked 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 impairments affecting its financial assets periodically. 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

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

Currency	31-12-2013	31-12-2012
	Ch\$	Ch\$
US dollar	524,61	479,96
Euro	724,30	634,45

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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / ANÁLISIS AMBIENTALES S.A.

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. Provisiones y pasivos contingentes

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

I. Employee benefits

The Company has 170 employees, comprising 1 principal executive and 169 professionals, employees 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.

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 by the Company is determined on the basis of the tax result for the period and 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. No deferred tax assets or liabilities are booked if the timing differences arise from goodwill or the 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.

K. 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / ANÁLISIS AMBIENTALES S.A.

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 assets

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

L. 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 operations.

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.

M. 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.

3. Balances and transactions with related parties

Transactions between the company and its subsidiary are adjusted to market conditions. These transactions have been eliminated through consolidation and are not disclosed in this note.

Accounts receivable with related parties

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction	Currency	Term	Security	Current (ThCh\$)	
								Dec-13	Dec-12
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Laboratory analysis & sampling service	CLP	30 days	Unsecured	345,969	375,357
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Property rental	CLP	30 days	Unsecured	3,305	3,239
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Sale of laboratory under construction	CLP	30 days	Unsecured	603,959	0
96.809.310-R	Aguas Cordillera S.A.	Related to the controller	CL	Laboratory analysis & sampling service	CLP	30 days	Unsecured	41,495	39,259
89.221.000-4	Aguas Manquehue S.A.	Related to the controller	CL	Laboratory analysis & sampling service	CLP	30 days	Unsecured	14,070	13,457
96.579.800-5	ESSAL S.A.	Related to the controller	CL	Laboratory analysis & sampling service	CLP	30 days	Unsecured	187,511	87,805
96.945.210-3	Ecoriles S.A.	Related to the controller	CL	Laboratory analysis & sampling service	CLP	30 days	Unsecured	67,764	72,811
96.713.610-7	Agbar Chile S.A.	Related to the controller	CL	Laboratory analysis & sampling service	CLP	30 days	Unsecured	2,275	2,336
76.938.110-4	Emp. Depuradora de A. Servidas Ltda.	Related to the controller	CL	Laboratory analysis & sampling service	CLP	30 days	Unsecured	748	453
76.078.231-9	Emp. Dep. Agua Serv. Mapocho-Trebal Ltda.	Related to the controller	CL	Laboratory analysis & sampling service	CLP	30 days	Unsecured	9,631	4,208
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Laboratory analysis & sampling service	CLP	30 days	Unsecured	26,107	0
Total accounts receivable								1,302,833	598,924

Accounts payable with related parties

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction	Currency	Term	Security	Current (ThCh\$)	
								Dec-13	Dec-12
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Reimbursement personnel expenses	CLP	30 days	Unsecured	14	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Welfare deductions	CLP	30 days	Unsecured	230	182
Total accounts payable								244	182

Transactions

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction	Currency	Current (ThCh\$)			
						31-12-2013	Effect on result (charge)/ credit	31-12-2012	Effect on result (charge)/ credit
						Amount		Amount	
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Laboratory analysis & sampling contract	CLP	2,860,810	1,895,180	2,081,805	1,752,516
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Dividends	CLP	990,000	0		
96.809.310-R	Aguas Cordillera S.A.	Related to controller	CL	Laboratory analysis & sampling contract	CLP	301,698	253,561	237,982	200,077
89.221.000-4	Aguas Manquehue S.A.	Related to controller	CL	Laboratory analysis & sampling contract	CLP	123,742	100,265	105,369	88,579
96.579.800-5	ESSAL S.A.	Related to controller	CL	Laboratory analysis & sampling contract	CLP	679,571	579,337	573,300	481,990
96.945.210-3	Ecoriles S.A.	Related to controller	CL	Laboratory analysis & sampling contract	CLP	401,377	370,263	432,550	363,885

Note: The materiality criteria for reporting transactions with related parties is amounts of over ThCh\$ 100,000



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / ANÁLISIS AMBIENTALES S.A.

STATEMENTS OF FINANCIAL POSITION ended December 31			2013 ThCh\$	2012 ThCh\$
ASSETS				
Current assets			3,673,948	3,245,983
Non-current assets			1,343,539	1,900,236
Total Assets			5,017,487	5,146,219
LIABILITIES				
Current liabilities			716,039	974,628
Equity			4,301,448	4,171,591
Total liabilities & equity			5,017,487	5,146,219

STATEMENT OF COMPREHENSIVE RESULTS			2013 ThCh\$	2012 ThCh\$
Ordinary revenue			5,839,344	4,983,083
Cost of sales			(4,505,730)	(3,831,767)
Financial result			59,775	69,899
Other non-operating results			(1,465)	769
Income tax			(262,067)	(235,243)
Earnings for the year			1,129,857	986,741

STATEMENT OF CASH FLOWS			2013 ThCh\$	2012 ThCh\$
Net cash flow from operating activities			1,345,024	1,253,443
Net cash flow from investment activities			(693,249)	456,085
Net cash flow from financing activities			(1,000,000)	-
Net increase (decrease) in cash & cash equivalents			(348,225)	1,709,528
Initial balance of cash & cash equivalents			1,710,902	1,374
Closing balance of cash & cash equivalents			1,362,677	1,710,902



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / ECORILES S.A.

ECORILES S.A.

General information

Name: Ecoriles S.A.

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

Domicile: Av. Presidente Balmaceda N° 1398 - Santiago

Telephone: (56-2) 2569 22 29

Fax: (56-2) 2569 22 44

Tax No.: 96.945.210-3

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 0.24%

Commercial relations with the parent

During the year 2013, the company maintained service contracts for excess load treatment and office rentals. It is expected to maintain similar commercial relations in the future.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / ECORILES S.A.

1.1 Preparation

These financial statements relate to the statement of financial position, the comprehensive results of its operations, changes in equity and cash flows for the years ended December 31, 2013 and 2012.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board ("IASB"). These financial statements only contain the statements of financial position, comprehensive results, changes in equity and cash flows and this Note of accounting criteria in accordance with Official Letter 823 of the Superintendency of Securities and Insurance (S.V.S) and the Note of transactions with related parties as established in general rule 346. They therefore do not contain all the information and disclosure requirements as per 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), as established in IAS 21. Financial statements are shown in Chilean pesos which is the company's functional currency and the presentational currency for the financial statements.

Nuevos pronunciamientos contables

- a) As of the date of these financial statements, IFRS 10 (Consolidated financial statements), 11 (Joint agreements), 12 (Disclosures of participations in other entities), 13 (Measurement at fair value) and 19R (Employee benefits) have begun to be applied. These have been analyzed by the management which has determined that these do not significantly affect the presentation of and the disclosures of the financial statements
- b) The following new standards and interpretations have been issued but their date of application has still not become effective:

New, amendments & interpretation	Date of obligatory application
IFRIC 21, Liens	Annual periods starting or after January 1, 2014
IFRS 9, Financial Instruments, classification & measurement	To be determined
IFRS 10, 12, & IAS 27, Investment Entities	Annual periods starting or after January 1, 2014
IAS 32 Presentation of financial statements	Annual periods starting or after January 1, 2014
IAS 36, Impairment of assets	Annual periods starting or after January 1, 2014
IAS 39, Financial Instruments, booking & measurement	Annual periods starting or after January 1, 2014

The management of the company is analyzing the eventual impact of these standards and amendments on the company's financial statements.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / ECORILES S.A.

Responsibility for the Information and Estimates Made

The information contained in these financial statements is the responsibility of the board of the Company, which states 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 21 de Marzo de 2014.

The financial statements of Ecoriles S.A. for the year 2012 were approved by its board on March 25, 2013.

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 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 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.

1.2 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 and the future economic benefits of the asset. The Company therefore uses the straight-line amortization 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, foreseeable 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 its 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

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

THE RANGE OF USEFUL LIVES (IN YEARS) BY TYPE OF ASSET		
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 Company's assets and as there are no contractual obligations or other constructive demand 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 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.

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 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / ECORILES S.A.

iii. Implicit leases

The Company revises its contracts to check for the possible existence of implicit leases, in accordance with IFRIC 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. 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.

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

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

Currency	31-12-2013 Ch\$	31-12-2012 Ch\$
US dollar	524,61	479,96
Euro	724,30	634,45

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 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.

I. Employee benefits

The Company has 188 employees, comprising 1 principal executive and 187 professionals, technicians, workers and staff.

Defined employee benefit plan policies

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

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 and 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. No deferred tax assets or liabilities are booked if the timing differences arise from goodwill or the 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / Ecoriles S.A.

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 reporting date, 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.

K. 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 assets

Revenue from the sale of property, plant and equipment is booked once it is feasible to value it reliably.

L. 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 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 their useful lives.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / ECORILES S.A.

M. Statement of cash flows

The cash flow statement gathers the cash movement during the period, which includes VAT, 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 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.

3. Balances and transactions with related parties

Transactions between the company and its subsidiary are adjusted to market conditions. These transactions have been eliminated through consolidation and are not disclosed in this note.

Accounts receivable with related parties

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction	Currency	Teram	Security	Current (ThCh\$)	
								Dec-13	Dec-12
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Property rental guarantee UF75.04	CLP	30 days	Guarantee	1,749	1,714
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Design, supply & start-up Quilicura plant	CLP	30 days	Unsecured	238,000	
89.221.000-4	Aguas Manquehue S.A.	Related to the controller	CL	Diseño, suministro, y puesta en marcha Planta Alto Lampa	CLP	30 days	Unsecured	112,772	163,599
Total accounts receivable								352,521	165,313

Accounts payable with related parties

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction	Currency	Teram	Security	Current (ThCh\$)	
								Dec-13	Dec-12
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Excess organic discharge to network	CLP	30 days	Unsecured	150,494	35,008
96.967.550-1	Análisis Ambientales S.A.	Related to the controller	CL	Chemical & bacteriological analysis services	CLP	30 days	Unsecured	67,764	72,811
96.828.120-8	Gestión y Servicios S.A.	Related to the controller	CL	Unit cleaning	CLP	30 days	Unsecured	2,934	400
76.938.110-4	EDAS	Related to the controller	CL	Chemical & bacteriological analysis services	CLP	30 days	Unsecured	678	
Total accounts payable								221,870	108,219

Transactions

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction	Currency	Current (ThCh\$)			
						Dec-13 Amount	Effect on result (charge)/credit	Dec-12 Amount	Effect on result (charge)/ credit
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Loans granted	CLP	0	0	250,000	
61.808.000-1	Aguas Andinas S.A.	Controller		Loan repayments received	CLP	0	0	1,742,000	15,559
61.808.000-1	Aguas Andinas S.A.	Related to controller	CL	Excess organic load to network	CLP	455,085	-509,176	556,905	-403,300
61.808.000-1	Aguas Andinas S.A.	Related to controller	CL	Quilicura plant contract	CLP	1,000,000	1,000,000	0	0
61.808.000-1	Aguas Andinas S.A.	Related to controller	CL	Dividends paid	CLP	1,120,125		1,395,265	
89.221.000-4	Aguas Manquehue S.A.	Related to controller	CL	Alto Lampa plant contract	CLP	293,565	293,565	0	0
96.967.550-1	Análisis Ambientales S.A.	Related to controller	CL	Laboratory analysis	CLP	445,834	-370,263	389,714	-363,885

Note : The materiality criteria for reporting transactions with related parties is amounts of over ThCh\$ 100,000

STATEMENTS OF FINANCIAL POSITION ended December 31			2013 ThCh\$	2012 ThCh\$
ASSETS				
Current assets			4,396,638	4,043,103
Non-current assets			300,765	216,291
Total Assets			4,697,403	4,259,394
LIABILITIES				
Current liabilities			1,334,144	1,304,359
Equity			3,363,259	2,955,035
Total liabilities & equity			4,697,403	4,259,394
STATEMENT OF COMPREHENSIVE RESULTS			2013 ThCh\$	2012 ThCh\$
Ordinary revenue			12,381,941	10,442,333
Cost of sales			(10,542,407)	(8,772,900)
Financial result			44,675	72,481
Other non-operating results			25,688	6,164
Income tax			(370,673)	(334,410)
Earnings for the year			1,539,224	1,413,668
STATEMENT OF CASH FLOWS			2013 ThCh\$	2012 ThCh\$
Net cash flow from operating activities			920,117	984,149
Net cash flow from investment activities			(107,010)	1,459,745
Net cash flow from financing activities			(1,131,000)	(1,408,812)
Net increase (decrease) in cash & cash equivalents			(317,893)	1,035,082
Initial balance of cash & cash equivalents			1,136,351	101,269
Closing balance of cash & cash equivalents			818,458	1,136,351



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS /GESTIÓN Y SERVICIOS S.A.

GESTIÓN 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) 2569 23 42

Fax: (56 2) 2569 23 98

Tax No.: 96.828.120-8

Subscribed & paid: ThCh\$ 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
(Chairman of 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.)

Gerente General

Rodrigo Garcia Sanhuesa
(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 0.34, %

Commercial relations with the parent:

During the year 2013, 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS /GESTIÓN Y SERVICIOS S.A.

1.1 Preparation

These financial statements relate to the statement of financial position, the comprehensive results of its operations, changes in equity and cash flows for the years ended December 31, 2013 and 2012.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board ("IASB"). These financial statements only contain the statements of financial position, comprehensive results, changes in equity and cash flows and this Note of accounting criteria in accordance with Official Letter 823 of the Superintendency of Securities and Insurance (S.V.S) and the Note of transactions with related parties as established in general rule 346. They therefore do not contain all the information and disclosure requirements as per 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). The financial statements are shown in Chilean pesos (rounded to the nearest thousand) which is the company's functional currency and the presentational currency for the financial statements.

New accounting pronouncements

- a) As of the date of these financial statements, IFRS 10 (Consolidated financial statements), 11 (Joint agreements), 12 (Disclosures of participations in other entities),13 (Measurement at fair value) and 19R (Employee benefits) have begun to be applied. These have been analyzed by the management which has determined that these do not significantly affect the presentation of and the disclosures of the financial statements.
- b) The following new standards and interpretations have been issued but their date of application has still not become effective:

New, amendments & interpretation	Date of obligatory application
IFRIC 21, Liens	Annual periods starting or after January 1, 2014
IFRS 9, Financial Instruments, classification & measurement	To be determined
IFRS 10, 12, & IAS 27, Investment Entities	Annual periods starting or after January 1, 2014
IAS 32 Presentation of financial statements	Annual periods starting or after January 1, 2014
IAS 36, Impairment of assets	Annual periods starting or after January 1, 2014
IAS 39, Financial Instruments, booking & measurement	Annual periods starting or after January 1, 2014

The management of the company is analyzing the eventual impact of these standards and amendments on the company's financial statements.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS /GESTIÓN Y SERVICIOS S.A.

Responsibility for the Information and Estimates Made

The information contained in these financial statements is the responsibility of the board of the Company, which states that all the principles and criteria included in the International Financial Reporting Standards (IFRS) have been applied, except for certain information and disclosure requirements of IFRS, as indicated in paragraph 2.1. The board approved these financial statements at its meeting held on 21 de Marzo de 2014.

The financial statements of Gestión y Servicios S.A. for the year 2012 were approved by its board on March 25, 2013.

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 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 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.

1.2 Políticas contables

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.

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 and the future economic benefits of the asset. The Company therefore uses the straight-line amortization 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, foreseeable 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 its 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.

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

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 or other constructive demand 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.

THE RANGE OF USEFUL LIVES (IN YEARS) BY TYPE OF ASSET		
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



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS /GESTIÓN Y SERVICIOS S.A.

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 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 indefinite useful lives are tested for impairment annually or when there are indications that an 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.

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.

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 IFRIC 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS /GESTIÓN Y SERVICIOS S.A.

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

The trade debtors policy is subject to the credit policy which states the payment conditions and the various scenarios in which overdue customers may be refinanced

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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS /GESTIÓN Y SERVICIOS S.A.

F. Inventories

Inventories are shown at cost provided this does not exceed their net realization value at the end of the year. A market valuation is made annually for materials 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.

G. Foreign currency transactions

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

Currency	31-12-2013 Ch\$	31-12-2012 Ch\$
US dollar	524,61	479,96
Euro	724,30	634,45

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.

H. 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.

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 15 employees, comprising 2 principal executives and 6 professionals and 7 technicians, workers and staff.

Defined employee benefit plan policies

The employees of Gestión y Servicios 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 and 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. No deferred tax assets or liabilities are booked if the timing differences arise from goodwill or the 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS /GESTIÓN Y SERVICIOS S.A.

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 using 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 reporting date, 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

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 the sale of goods is booked once the risks and benefits are transferred. Invoicing by the Company is made once the material is delivered.

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 Company's operations.

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 gathers the cash movement during the period, which includes VAT, 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 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS /GESTIÓN Y SERVICIOS S.A.

3. Balances and transactions with related parties

Transactions between the company and its subsidiary are adjusted to market conditions. These transactions have been eliminated through consolidation and are not disclosed in this note.

Accounts receivable with related parties

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction	Currency	Teram	Security	Current (ThCh\$)	
								Dec-13	Dec-12
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Property rental guarantee UF18.73	CLP	30 days	Guarantee	437	428
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Withholding collector renovation works	CLP	30 days	Unsecured	137,465	137,465
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Sales of materials	CLP	30 days	Unsecured	6,840	79,254
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Collectors cleaning contract	CLP	30 days	Unsecured	57,462	5,671
96.809.310-K	Aguas Cordillera S.A.	Related to the controller	CL	Collectors cleaning contract	CLP	30 days	Unsecured	3,498	8,796
89.221.000-4	Aguas Manquehue S.A.	Related to the controller	CL	Sales of materials	CLP	30 days	Unsecured		279
89.221.000-4	Aguas Manquehue S.A.	Related to the controller	CL	Collectors cleaning contract	CLP	30 days	Unsecured	1,548	1,328
76.190.084-6	Aguas del Maipo S.A.	Related to the controller	CL	Expense reimbursement	CLP	30 days	Unsecured	36,221	36,221
96.945.210-3	Ecoriles S.A.	Related to the controller	CL	Collectors cleaning contract	CLP	30 days	Unsecured	2,934	400
96.579.800-5	Essal S.A.	Related to the controller	CL	Sales of materials	CLP	30 days	Unsecured		7,156
96.713.610-7	Agbar Chile S.A.	Related to the controller	CL	Sales of materials	CLP	30 days	Unsecured		43
76.078.231-9	Edam Ltda	Related to the controller	CL	Sales of materials	CLP	30 days	Unsecured		1,041
Total accounts receivable								246,405	278,082



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS /GESTIÓN Y SERVICIOS S.A.

Accounts payable with related parties

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction	Currency	Teram	Security	Current (ThCh\$	
								Dec-13	Dec-12
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Purchase of materials	CLP	30 days	Unsecured	1,506	14,269
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Prestamo empresa relacionada	CLP	Cash	Unsecured		1,313,766
96.809.310-K	Aguas Cordillera S.A.	Related to the controller	CL	Purchase of materials	CLP	30 days	Unsecured	1,334	
76.190.084-6	Aguas del Maipo S.A.	Related to the controller	CL	Metrogas biogas sale contract	CLP	30 days	Unsecured	499,693	499,693
96.713.610-7	Agbar Chile S.A.	Related to the controller	CL	Sales of materials	CLP	30 days	Unsecured		46,047
76.080.553-K	AQUALOGY SOLUTIONS CHILE LTDA.	Related to the controller	CL	Purchase of materials	CLP	30 days	Unsecured	430,384	717,566
76.148.998-4	AQUALOGY MEDIOAMBIENTE CHILE S.A.	Related to the controller	CL	Personnel expenses reimbursement	CLP	30 days	Unsecured	1,990	
Total accounts payable								934,907	2,591,341

Transactions

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction	Currency	Corrientes (Miles de \$)			
						Dec-13		Dec-12	
						Amount	Effect on result (charge)credit	Amount	Effect on result (charge)credit
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Loan received	CLP	2,785,000	0	3,126,000	0
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Loan repayment	CLP	4,079,000	-73,237	2,301,000	-47,682
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Sale of materials	CLP	169,061	167,366	294,745	289,435
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Cleaning of collectors	CLP	107,973	107,973	72,571	72,571
76.080.553-K	AQUALOGY SOLUTIONS CHILE LTDA.	Related to controller	CL	Purchase of materials	CLP	2,423,851	-2,242,821	4,321,984	-2,947,073

Note : The materiality criteria for reporting transactions with related parties is amounts of over ThCh\$ 100,000



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS /GESTIÓN Y SERVICIOS S.A.

STATEMENTS OF FINANCIAL POSITION ended December 31	2013 ThCh\$	2012 ThCh\$
ASSETS		
Current assets	6,485,193	7,527,597
Non-current assets	422,369	329,548
Total Assets	6,907,562	7,857,145
LIABILITIES		
Current liabilities	2,130,391	3,676,247
Non-current liabilities	64,668	64,668
Equity	4,712,503	4,116,230
Total liabilities & equity	6,907,562	7,857,145

STATEMENT OF COMPREHENSIVE RESULTS	2013 M\$	2012 M\$
Ordinary revenue	9,924,704	8,281,044
Cost of sales	(9,107,218)	(7,901,869)
Financial result	(63,332)	(46,782)
Other non-operating results	6,593	4,718
Income tax	(164,474)	(53,492)
Earnings for the year	596,273	283,619

STATEMENT OF CASH FLOWS	2013 M\$	2012 M\$
Net cash flow from operating activities	1,329,019	(612,882)
Net cash flow from investment activities	(6,809)	(33,969)
Net cash flow from financing activities	(1,294,000)	777,173
Net increase (decrease) in cash & cash equivalents	28,210	130,322
Initial balance of cash & cash equivalents	132,955	2,633
Closing balance of cash & cash equivalents	161,165	132,955



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / INVERSIONES IBERAGUAS LTDA. Y FILIAL

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) 2569 2382

Fax: (56-2) 2569 2309

Tax No. (RUT): 96.897.320-7

PO Box: 1537 Santiago

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 Larrain Aspillaga

(Chairman of Aguas Andinas S.A.)

Iván Yarur Sairafi

(Senior executive 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 5.21%

Commercial relations with the parent and its subsidiaries

During the year 2013, the company had relations with the parent and its related companies, corresponding mainly to laboratory and advisory services and the implementation of computer systems. These are made on market conditions and it is expected to maintain similar relations in the future.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / INVERSIONES IBERAGUAS LTDA. Y FILIAL

2.1 Preparation

These financial statements relate to the statement of financial position as of December 31, 2013 and 2012, 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"). These financial statements only contain the statements of financial position, comprehensive results, changes in equity and cash flows and this Note of accounting criteria in accordance with Official Letter 823 of the Superintendency of Securities and Insurance (S.V.S) and the Note of transactions with related parties as established in general rule 346. They therefore do not contain all the information and disclosure requirements as per IFRS.

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

a) As of the date of these financial statements, IFRS 10, 11, 12 and 13 have begun to be applied. These have been authorized by the management which has determined that these do not affect the presentation and disclosures of the financial statements.

The application of IAS 19 revised has caused an impact which we mention below. IAS 19, Employee Benefits, established that actuarial losses and gains be booked to the results for the year. However, its revised version states that the booking of these accumulated actuarial results forms part of Other comprehensive results, which determines their final exclusion from the results for the year. The standard also establishes the retroactive application of the effects mentioned, which causes changes in the classification of certain amounts within equity.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / INVERSIONES IBERAGUAS LTDA. Y FILIAL

b) The following new standards and interpretations have been issued but are not yet applicable:

New, amendments & interpretation	Date of obligatory application
IFRIC 21, Liens	Annual periods starting or after January 1, 2014
IFRS 9, Financial Instruments, classification & measurement	To be determined
IFRS 10, 12, & IAS 27, Investment Entities	Annual periods starting or after January 1, 2014
IAS 32 Presentation of financial statements	Annual periods starting or after January 1, 2014
IAS 36, Impairment of assets	Annual periods starting or after January 1, 2014
IAS 39, Financial Instruments, booking & measurement	Annual periods starting or after January 1, 2014

- 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.

The management of the Company and its subsidiary are analyzing the eventual impact of the above-mentioned amendments and interpretations on the respective 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)

approved by the IASB, which were approved by the board at its meeting held on March 24, 2014.

The financial statements of the Company and subsidiary for 2012 were approved by the board at its meeting on March 25, 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 of assets

Accounting Policies

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



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / INVERSIONES IBERAGUAS LTDA. Y FILIAL

A. 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).

B. 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 can 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 deriving from them.

Intangibles de vida útil indefinida

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 rights obtained from the water 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 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.

C. 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 of property, plant and equipment:

The depreciation method employed by the Company and its subsidiary reflects the extent to which economic benefits generated by the assets are used. The Company and its subsidiary therefore use 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



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / INVERSIONES IBERAGUAS LTDA. Y FILIAL

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 use
- 4. Legal, regulatory or contractual limitations

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

THE RANGE OF USEFUL LIVES
(IN YEARS) BY TYPE OF ASSET

Item	Useful life (years) Minimum
Buildings	25 - 80
Fixed installations & accessories	5 - 80
Plant & equipment	5 - 50
Equipamiento de tecnologías de la información	4
Motor vehicles	7 - 10
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 built by the company and as there are no contractual obligations like those mentioned in IFRS and in the 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.

D. 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / INVERSIONES IBERAGUAS LTDA. Y FILIAL

E. Leases

i. Financial leases

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

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

Assets sold under financial leases are booked initially in the statement of position and are shown as a receivable for an amount equal to the net investment in the lease. 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 leases 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 and its subsidiary revise their contracts to check for the possible existence of implicit leases, in accordance with IFRIC 4.

F. 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 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



BASES OF PREPARATION AND ACCOUNTING POLICIES

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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 Essal S.A. 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, 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.

The Company and its subsidiary have no assets held to maturity as of December 31, 2013.

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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / INVERSIONES IBERAGUAS LTDA. Y FILIAL

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

The Company and its subsidiary evaluate periodically impairments affecting their 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 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.

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.

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 Company and its subsidiary have no financial assets available for sale.

G. Inventories

Materials, spares and supplies are shown at cost provided this does not exceed their net realization value at the end of the year. A market valuation is made annually for materials 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / INVERSIONES IBERAGUAS LTDA. Y FILIAL

H. Dividend policy

The dividend policy of the Company and its subsidiary is to distribute a minimum of 30% of the earnings for each year as the obligatory dividend.

I. Foreign currency transactions

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

Currency	31-12-2013 Ch\$	31-12-2012 Ch\$
US dollar	524,61	479,96

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 hedge accounting

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

The Company and subsidiary do not use derivative financial instruments for speculative purposes but exclusively as hedging instruments to eliminate or significantly reduce existing interest-rate and exchange risks on equity positions to which it is exposed due to their operations.

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

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

Hedges of cash flows and net foreign-currency investments.

Changes in the fair value of these derivative financial instruments are shown, for the part that is effective, directly in a reserve 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 changes in the 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



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / INVERSIONES IBERAGUAS LTDA. Y FILIAL

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 Company and its subsidiary have no derivative financial instruments as of the close of these financial statements.

L. 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 for an amount and/or term not known exactly but can be estimated reliably.

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 and its subsidiary make no provision for these concepts.

M. Employee benefits

The obligation for severance payments which are estimated to accrue to employees who retire from the Company and its subsidiary 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, wage increases or discount rate, are determined in accordance with IAS 19, in other comprehensive results, thus directly affecting equity, and then later re-classified as accumulated earnings.

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. In those cases there is a limit of six months for purposes of the calculation. 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.

N. 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, and 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



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / INVERSIONES IBERAGUAS LTDA. Y FILIAL

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.

O. Ordinary revenue

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 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 of the area of the Company and its subsidiary 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 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / INVERSIONES IBERAGUAS LTDA. Y FILIAL

Policy for accounting for ordinary revenue for sales of goods

Revenue from the sale of property, plant and equipment is booked once it is feasible to value it reliably.

Method for determining the state of termination of services

The provision of 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 and its subsidiary.

The environment

Assets of an environmental kind are those used constantly in the business of the Company and its subsidiary, 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 depreciates these elements on a straight-line basis as a function of the estimated remaining years of their useful lives of the various elements

Q. Statement of cash flows

The cash flow statement gathers the cash movement during the period, which includes VAT, 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 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / INVERSIONES IBERAGUAS LTDA. Y FILIAL

Related entities

a) Link between controller and subsidiary

Tax No.	Name	Direct %	Indirect %	Total 2013 (%)	Direct %	Indirect %	Total 2012 (%)
95.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A.	51,000	0,000	51,000	51,000	0,000	51,000

b) Balances and transactions with related entities

Transactions between the Company its subsidiary reflect conditions. These transactions have been eliminated in the consolidation and are not disclosed in this note.

Accounts payable to related entities

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction	Currency	Term	Guarantees	31-12-2013 ThCh\$	31-12-2012 ThCh\$
61.808.000-5	Aguas Andinas S.A	Controller	CL	SAP licences services	CLP	30 days	Unsecured	147.253	308.408
61.808.000-5	Aguas Andinas S.A	Controller	CL	Dividends payable	CLP	-	Unsecured	104.583	0
96.967.550-1	Análisis Ambientales S.A	Related to the controller	CL	Sewage & liquid waste sampling & analysis services	CLP	30 days	Unsecured	187.511	87.805
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	La Union percolator filter design, construction & start-up	CLP	30 days	Performance bond ThCh\$ 95,869	216.567	0
76.080.553-k	Aqualogy Solutions Chile Ltda	Related to the controller	CL	Customer management consultations	CLP	30 days	Unsecured	10.000	0
76.080.553-k	Aqualogy Solutions Chile Ltda	Related to the controller	CL	Implementation geographic information system Essal S.A	CLP	30 days	Performance bond UF 887	111.702	240.000
Total accounts payable								777.616	636.213



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / INVERSIONES IBERAGUAS LTDA. Y FILIAL

Transactions between related entities

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

Tax No. related party	Name related party	Relationship	Transaction	Current (ThCh\$)			
				31-12-2013		31-12-2012	
				Amount	Effect on result (charge)/credit	Amount	Effect on result (charge)/credit
61.808.000-5	Aguas Andinas S.A.	Controller	SAP services in ASP method.	125.857	-125.857	123.868	-123.868
61.808.000-5	Aguas Andinas S.A.	Controller	Billing computer services implementation advice	482.902	-299.087	0	0
61.808.000-5	Aguas Andinas S.A.	Controller	Dividends paid	189.681	0	146.556	0
96.967.550-1	Análisis Ambientes S.A..	Related to the controller	Laboratory services	530.726	-530.726	480.575	-480.575
76.080.553-k	Aqualogy Solutions Chile Ltda..	Related to the controller	Geographic system implementation	160.476	0	68.206	-68.206
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	Design & construction percolator filter La Unión sewage treatment plant.	401.207	0	85.500	-85.500



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / INVERSIONES IBERAGUAS LTDA. Y FILIAL

STATEMENTS OF FINANCIAL POSITION ended December 31	2013 ThCh\$	2012 ThCh\$
ASSETS		
Current assets	15,769,969	15,700,330
Non-current assets	156,856,280	154,739,202
Total Assets	172,626,249	170,439,532
LIABILITIES		
Current liabilities	10,702,904	9,785,028
Non-current liabilities	53,466,475	54,424,200
Equity	69,438,422	67,831,967
Minority participations	39,018,448	38,398,337
Total Liabilities & Equity	172,626,249	170,439,532

STATEMENT OF COMPREHENSIVE RESULTS	2013 ThCh\$	2012 ThCh\$
Ordinary revenue	40,442,239	38,913,677
Cost of operation	(24,002,419)	(24,206,202)
Financial result	(2,136,120)	(2,081,223)
Other non-operating income	(945,678)	(1,178,081)
Income tax	(2,643,872)	(3,863,789)
Minority participation	(5,260,280)	(3,720,720)
Earnings attributable to owners of the controller	5,453,869	3,863,662

STATEMENT OF CASH FLOWS	2013 ThCh\$	2012 ThCh\$
Net cash flow from operating activities	19,295,151	18,576,738
Net cash flow from investment activities	(7,316,802)	(5,325,518)
Net cash flow from financing activities	(11,976,321)	(10,335,895)
Net increase (decrease) in cash & cash equivalents	2,028	2,915,325
Net increase (decrease) in cash & cash equivalents	5,621,340	2,706,015
Closing balance of cash & cash equivalents	5,623,368	5,621,340



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS CORDILLERA S.A. Y FILIALES

AGUAS CORDILLERA S.A. AND SUBSIDIARIES

General Information

Name: Aguas Cordillera S.A.

Type of entity: Closely-held corporation

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

Telephone: (56-2) 2569 2500

Fax: (56-2) 2569 2509

Tax No. (RUT): 96.809.310-K

PO Box: 1818 Santiago- centro

Business: Captación, purificación, distribución de agua potable y disposición de aguas servidas.

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

Rodrigo Swett Brown
Mario Varela Herrera
Osvaldo Carvajal Rondanelli
Victor de la Barra Fuenzalida

General Manager

Jordi Valls Riera
(Senior executive of Aguas Andinas S.A.)

Parent's percentage shareholding: 99.99003% directa

Proportion that the investment represents of the parent's assets. The investment represents a proportion of 18.31%.

Commercial relations with parent and subsidiaries of the parent

During the year 2013, the company had water and sewage interconnection, rental, and purchase and sale of materials contracts with its parent, which are payable within 30 days. It is expected to maintain similar commercial relations in the future.

2.1 Preparation

These consolidated financial statements relate to the statement of financial position as of December 31, 2013 and 2012, and the comprehensive results of its operations, changes in equity and cash flows for the years ended on those dates. They 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 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. Both 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 are issued.

Functional currency

The financial statements of each of the Company’s entities are shown in 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 company are shown in Chilean pesos, which is the Company’s functional currency and

the presentation currency for the consolidated financial statements.

New accounting pronouncements

The following new standards and interpretations have been issued but are not yet applicable:

New, amendments & interpretation	Date of obligatory application
IFRIC 21, Liens	Annual periods starting or after January 1, 2014
IFRS 9, Financial Instruments, classification & measurement	To be dtermined
IFRS 10, 12, & IAS 27, Investment Entities	Annual periods starting or after January 1, 2014
IAS 32 Presentation of financial statements	Annual periods starting or after January 1, 2014
IAS 36, Impairment of assets	Annual periods starting or after January 1, 2014
IAS 39, Financial Instruments, booking & measurement	Annual periods starting or after January 1, 2014

The management of the Company and its subsidiary are analyzing the eventual impact of the above-mentioned amendments and interpretations on the Group’s consolidated financial statements.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS CORDILLERA S.A. Y FILIALES

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 states that all the principles and criteria included in International Financial Reporting Standards (IFRS) have been fully applied. The board approved these consolidated financial statements at its meeting held on March 25, 2014.

The consolidated financial statements of Aguas Cordillera S.A. and subsidiary for the year 2012 were approved by the board at its meeting held on March 25, 2013.

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 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 (subsidiary Aguas Manquehue S.A.). Subsidiaries are those entities in which the Group has the power to direct the financial and operating policies which are generally accompanied by a participation of over 50% of the voting rights. In evaluating whether the Company controls another entity, the existence and effect are considered of the potential voting rights that are currently exercised or converted. The subsidiaries are consolidated from the date on which control passes to the Group, and are excluded from the consolidation when such control ceases.

All transactions, balances, losses and gains between Group entities are eliminated in the consolidation. The Company and its subsidiary follow uniform policies.

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 can 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS CORDILLERA S.A. Y FILIALES

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.

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. 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:

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 the assets 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 more 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 use
4. Legal, regulatory or contractual limitations.

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



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS CORDILLERA S.A. Y FILIALES

THE RANGE OF USEFUL LIVES
(IN YEARS) BY TYPE OF ASSET

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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS CORDILLERA S.A. Y FILIALES

E. Impairment of tangible and intangible assets except goodwill

The Company and subsidiary revise the book values of their tangible and intangible assets with defined useful lives 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 (CGU) 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 CGU) is less than its book value, the book value of that asset (or CGU) is adjusted to its recoverable value, booking immediately a loss for impairment in

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

F. Leases

i. Financial leases

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

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

Assets sold under financial leases are booked initially in the statement of position and are 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. The financial expenses are charged directly to results unless they are directly related to qualified assets, in which case they are capitalized in accordance with the Group's general policy regarding financing costs. Contingent lease payments are booked as expenses in the period in which they are incurred.

Aguas Cordillera and Aguas Manquehue have no financial leases at the year-ends.

ii. Arrendamientos operativos 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 IFRIC 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 Group has transferred substantially all the risks and benefits deriving from ownership.

Financial assets are classified in the following categories:

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

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

Aguas Cordillera S.A. 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 that 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS CORDILLERA S.A. Y FILIALES

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 as of the closing of these financial statements.

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 trade debtors and other accounts receivable

The Company evaluates periodically the impairments that affect its financial assets. The amount is booked in the provisions for accounts receivable. 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 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 100% provision is made for overdue notes receivable.

V. Financial assets available for sale

Los activos financieros disponibles para la venta son 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.

I. Foreign currency transactions

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

Currency	31-12-2013	31-12-2012
	Ch\$	Ch\$
US dollar	524,61	479,96
Euro	724,30	634,45

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 hedge accounting

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

Aguas Cordillera S.A. and subsidiary do not use derivative financial instruments for speculative purposes but exclusively as hedging instruments to eliminate or significantly reduce existing interest-rate and exchange risks on equity positions to which they are exposed due to their 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 investment

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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

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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 organized markets, Aguas Cordillera S.A. and subsidiary use assumptions based on market conditions on that date for their valuation.

Effectiveness

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

Implicit derivative

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

The group has no derivative financial instruments in its financial statements as of December 31, 2013 and 2012.

L. Provisions and contingent liabilities

Aguas Cordillera S.A. 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 they will use resources to settle the obligation and for 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, Aguas Cordillera S.A. and subsidiary make no provision for these concepts. Although, as required, in the same rule, they are shown if they do exist.

M. Dividend policy

The dividend policy is to distribute 50% of the earnings of each year, subject to the approval of the ordinary shareholders' meeting.

N. Employee benefits

The severance payment obligation estimated to accrue to employees who retire from Aguas Cordillera S.A. and Aguas Manquehue S.A. are shown at the actuarial value determined using the projected credit-unit method. Actuarial gains and losses on indemnities deriving from changes in the estimates or changes in the rates of turnover, mortality, wage increases or discount rate, is booked directly to results.

Severance payments in 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 Aguas Cordillera S.A. and Aguas Manquehue S.A. continue to accrue this benefit after December 2002.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS CORDILLERA S.A. Y FILIALES

The advances granted to staff under the fund are deducted from current obligations. They will be deducted from the final settlement as adjusted in accordance with the provisions of these agreements.

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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS CORDILLERA S.A. Y FILIALES

O. 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 from sales of goods

Revenue from sales of goods is booked once the risk and significant advantages deriving from ownership of the goods are transferred. Any sale of property, plant and equipment is booked as soon as it can be valued reliably.

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. This is carried out on a calendar month basis which 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 to 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 company's business, 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).



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS CORDILLERA S.A. Y FILIALES

Operating activities. Typical activities of the normal business operation of Aguas Cordillera and subsidiary, plus others not otherwise 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.

R. Construction contracts

Aguas Cordillera and subsidiary use 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

Interest paid or accrued on debt used to finance qualified assets is capitalized, as stipulated in IAS 23.

IAS 23 outlines that when an entity acquires debt to make capital investments, the interest on that debt should be decreased from financial expense and included in the funded work in construction, up to the amount total of the interest, applying the respective interest rate to the disbursements as of the date of the financial statements.

3. Balances and transactions with related parties

Transactions between the company and its subsidiary are adjusted to market conditions. These transactions have been eliminated through consolidation and are not disclosed in this note.

Accounts receivable with related parties

RUT parte relacionada	Nombre de parte relacionada	Naturaleza de relación	País de origen	Naturaleza de transacciones con partes relacionadas	Tipo de moneda	Plazos	Garantías	Corrientes M\$	
								31-12-2013	31-12-2012
61.808.000-5	Aguas Andinas S.A.	Controlador	CL	Recaudaciones, venta de materiales, garantías de arriendo, contrato por interconexiones de agua potable y aguas servidas sin intereses, préstamo en pesos a corto plazo	CLP	30 días	Sin garantías	53,681	2,852
76.190.084-6	Aguas del Maipo S.A.	Relacionada al controlador	CL	Préstamo de corto plazo, en pesos no reajutable, con una de tasa de interés 6,35%	CLP	30 días	Sin garantías	0	33,894
96.828.120-8	Gestión y Servicios S.A.	Relacionada al controlador	CL	Venta de materiales	CLP	30 días	Sin garantías	1,334	34,438
Total accounts receivable								55,015	71,184



BASES OF PREPARATION AND ACCOUNTING POLICIES
FINANCIAL STATEMENTS / **AGUAS CORDILLERA S.A. Y FILIALES**

Accounts payable with related parties

Tax No. related party	Name	Relationship	Country of origin	Transaction	Currency	Term	Security	Current ThCh\$	
								31-12-2013	31-12-2012
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Sewage & water interconnections, collections payable without interest & rentals of property without interest, short-term peso loan for ThCh\$ 692,245 with interest rate of 6.46% for 2012.	CLP	30 days	Unsecured	4.551.545	4.524.569
76.080.553-K	Agbar Solutions Chile Ltda	Related to the controller	CL	Dividend payable to Inversiones Aguas Metropolitanas S.A.	CLP	30 days	Performance bond ThCh\$ 244,800	8.567.153	0
79.046.628-K	Asterión S.A.	Related to the controller	CL	New customer service computer systems process re-engineering & introduction	CLP	30 days	Performance bond Ch\$ 845,149,032	399.866	181.417
96.828.120-8	Gestión y Servicios S.A.	Related to the controller	CL	Sewage treatment plants cleaning service	CLP	30 days	Unsecured	5.046	10.402
96.945.210-3	Ecoriles S.A.	Related to the controller	CL	Arsenic absorption plant Alto Lampa	CLP	30 days	Unsecured	112.772	163.599
96.967.550-1	Analisis Ambientales S.A.	Related to the controller	CL	Chemical & bacteriological analysis services	CLP	30 days	Unsecured	55.565	52.716
Total accounts payable								13.691.947	4.932.703

Transactions with related parties

Tax No. related party	Name	Relationship	Country of origin	Transaction	Currency	Current ThCh\$			
						31-12-2013		31-12-2012	
						Amount	Effect on result (charge)/ (credit)	Amount	Effect on result (charge)/ (credit)
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Water & sewage interconnections	CLP	12.114.999	-12.114.999	11.131.872	-11.131.872
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loans granted	CLP	0	0	1.450.000	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loans granted	CLP	0	0	270.000	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loan repayments received	CLP	692.246	-90.992	11.503.680	-119.498
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loan repayments received	CLP	0	0	1.082.000	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loans drawn	CLP	0	0	4.322.246	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loans repaid	CLP	0	0	3.630.000	-5.603
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Dividends paid	CLP	2.255.213	0	24.581.467	0
96.967.550-1	Análisis Ambientales S.A.	Relate to controller	CL	Laboratory services	CLP	353.826	-353.826	260.250	-260.250
79.046.628-K	Asterión S.A.	Other related parties	CL	New customer service computer systems process re-engineering & introduction	CLP	410.824	-25.690	161.450	-27.574
96.945.210-3	Ecoriles S.A.	Other related parties	CL	Absorption plant Alto Lampa	CLP	293.565	0	137.478	0

BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS CORDILLERA S.A. Y FILIALES

STATEMENTS OF FINANCIAL POSITION ended December 31			2013 ThCh\$	2012 ThCh\$
ASSETS				
Current assets			27,739,639	19,848,481
Non-current assets			250,723,126	247,097,024
Total Assets			278,462,765	266,945,505
LIABILITIES				
Current liabilities			31,685,380	30,116,704
Non-current liabilities			43,494,266	41,080,451
Equity			203,282,913	195,748,160
Participaciones minoritarias			206	190
Total liabilities & equity			278,462,765	266,945,505
STATEMENT OF COMPREHENSIVE RESULTS			2013 ThCh\$	2012 ThCh\$
Ordinary revenue			54,162,062	50,127,749
Cost of sales			(30,627,534)	(27,908,360)
Financial result			(578,134)	(669,543)
Other non-operating results			(949,043)	(867,155)
Income tax			(3,649,137)	(4,748,658)
Participación minoritaria			(16)	(11)
Earnings for the year			18,358,198	15,934,022
STATEMENT OF CASH FLOWS			2013 ThCh\$	2012 ThCh\$
Net cash flow from operating activities			24,053,866	27,170,655
Net cash flow from investment activities			(5,899,570)	8,328,553
Net cash flow from financing activities			(11,742,680)	(26,707,777)
Net increase (decrease) in cash & cash equivalents			6,411,616	8,791,431
Initial balance of cash & cash equivalents			9,716,568	925,137
Closing balance of cash & cash equivalents			16,128,184	9,716,568



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS DEL MAIPO S.A.

AGUAS DEL MAIPO S.A.

General Information

Name: Aguas del Maipo S.A.

Type of entity: Closely-held corporation

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

Telephone: (56-2) 25692118

Fax: (56-2) 25692309

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
(Senior executive of Aguas Andinas S.A.)
Xavier Amorós Corbella
(Director of Aguas Andinas S.A.)

General Manager

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 0.60%

Commercial relations with the parent and its subsidiaries

During the year 2013, the Company had biogas supply contracts and rental agreements with its parent, carried out on market conditions. Similar commercial relations are expected to be maintained in the future.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS DEL MAIPO S.A.

2.1 Preparation

These financial statements relate to the statement of financial position, the comprehensive results of its operations, changes in equity and cash flows for the years ended December 31, 2013 and 2012.

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 823 of the Superintendency of Securities and Insurance and the Note of transactions with related parties in accordance with General Rule 346. 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). The financial statements are shown in Chilean pesos which is the company's functional currency and the presentational currency for the financial statements.

New accounting pronouncements

- a) As of the date of these financial statements, IFRS 10 (Consolidated financial statements), 11 (Joint agreements), 12 (Disclosures of participations in other entities), 13 (Measurement at fair value) and 19R (Employee benefits) have begun to be applied. These have been analyzed by the management which has determined that these do not significantly affect the presentation of and the disclosures of the financial statements.
- b) The following new standards and interpretations have been issued but their date of application has still not become effective:

New, amendments & interpretation	Date of obligatory application
IFRIC 21, Liens	Annual periods starting or after January 1, 2014
IFRS 9, Financial Instruments, classification & measurement	To be determined
IFRS 10, 12, & IAS 27, Investment Entities	Annual periods starting or after January 1, 2014
IAS 32 Presentation of financial statements	Annual periods starting or after January 1, 2014
IAS 36, Impairment of assets	Annual periods starting or after January 1, 2014
IAS 39, Financial Instruments, booking & measurement	Annual periods starting or after January 1, 2014

The management of the company and its subsidiaries is analyzing the eventual impact of these standards and amendments on the company's financial statements.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS DEL MAIPO S.A.

Responsibility for the Information and Estimates Made

The information contained in these financial statements is the responsibility of the board of the Company, which states that all the principles and criteria included in the International Financial Reporting Standards (IFRS) have been applied, except for certain information and disclosure requirements of IFRS, as indicated in paragraph 2.1. The board approved these financial statements at its meeting held on March 21, 2014.

The Company's financial statements for the year 2012 were approved by its board on March 25, 2013.

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 severance payment benefits.
- Assumptions used in the calculation of the 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 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 its 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

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

THE RANGE OF USEFUL LIVES (IN YEARS) BY TYPE OF ASSET		
Item	Useful life (years) Minimum	Useful life (years) Maximum
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 or other constructive demand 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS DEL MAIPO S.A.

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. Intangible assets with indefinite useful lives are tested for impairment annually or when there are indications that an 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.

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-leases 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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS DEL MAIPO S.A.

iii. Implicit leases

The Company revises its contracts to check for the possible existence of implicit leases, in accordance with IFRIC 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.

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 zero.

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.



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / **AGUAS DEL MAIPO S.A.**

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

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

Currency	31-12-2013 Ch\$	31-12-2012 Ch\$
US dollar	524,61	479,96
Euro	724,30	634,45



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS DEL MAIPO S.A.

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. No deferred tax assets or liabilities are booked if the timing differences arise from goodwill or the 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.

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 assets

Revenue from the sale of property, plant and equipment is booked once it is feasible to be valued reliably.

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..



BASES OF PREPARATION AND ACCOUNTING POLICIES

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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.

3. Transactions with related parties

Balances and transactions with related entities

Transactions between related parties are made on market conditions and are as follows:



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS DEL MAIPO S.A.

Accounts receivable from related entities:

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction	Currency	Term	Guarantees	31-12-2013 ThCh\$	31-12-2012 ThCh\$
96.828.120-8	Gestión y Servicios S.A	Related to the controller	CL	Supply of biogas	CLP	30 days	Unsecured	499.694	499.694
Total accounts receivable								499.694	499.694

Accounts payable to related parties

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction	Currency	Term	Guarantees	31-12-2013 ThCh\$	31-12-2012 ThCh\$
96.828.120-8	Gestión y Servicios S.A	Related to the controller	CL	Reimbursement supplier payments	CLP	30 days	Unsecured	36.222	36.222
76.766.955-9	Aqualogy Chile S.A.	Other related parties	CL	Reembolso gastos personal	CLP	30 days	Unsecured	2.119	0
73.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to the controller	CL	Operation of biogas purification plant	CLP	30 days	Unsecured	33.698	34.565
96809310-k	Aguas Cordillera S.A	Related to the controller	CL	Loans between related companies	CLP	30 days	Unsecured	0	16.207
89221000-4	Aguas Manquehue S.A	Related to the controller	CL	Loan between related companies	CLP	30 days	Unsecured	0	18.232
61808000-5	Aguas Andinas S.A	Controller	CL	Renta lLa Farfana	CLP	30 days	Unsecured	4.718	457
61808000-5	Aguas Andinas S.A	Controller	CL	Expenses reimbursement	CLP	30 days	Unsecured	13.551	87.038
61808000-5	Aguas Andinas S.A	Controller	CL	Supply of biogas	CLP	30 days	Unsecured	39.248	30.784
61808000-5	Aguas Andinas S.A	Controller	CL	Loan between related companies	CLP	30 days	Unsecured	0	130.580
Total accounts payable								129.556	354.085



BASES OF PREPARATION AND ACCOUNTING POLICIES

FINANCIAL STATEMENTS / AGUAS DEL MAIPO S.A.

STATEMENTS OF FINANCIAL POSITION ended December 31			2013 ThCh\$	2012 ThCh\$
ASSETS				
Current assets			1,483,124	753,481
Non-current assets			8,681,362	8,766,378
Total Assets			10,164,486	9,519,859
LIABILITIES				
Current liabilities			221,386	436,043
Non-current liabilities			25,895	16,949
Equity			9,917,205	9,066,867
Minority participations				
Total Liabilities & Equity			10,164,486	9,519,859
STATEMENT OF COMPREHENSIVE RESULTS			2013 ThCh\$	2012 ThCh\$
Ordinary revenue			760,846	826,534
Cost of operation			(673,083)	(612,864)
Financial result			810,093	(2,638)
Other non-operating income			79	161
Income tax			(47,597)	(31,165)
Participación Minoritaria				-
Earnings attributable to owners of the controller			850,338	180,028
STATEMENT OF CASH FLOWS			2013 M\$	2012 M\$
Net cash flow from operating activities			845,377	(88,066)
Net cash flow from investment activities				-
Net cash flow from financing activities			(162,411)	162,411
Net increase (decrease) in cash & cash equivalents			682,966	74,345
Initial balance of cash & cash equivalents			74,470	125
Closing balance of cash & cash equivalents			757,436	74,470

Ended December 31	Aguas Cordillera S.A. y Filiales		Aguas Manquehue S.A.	
	2013	2012	2013	2012
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
ASSETS				
Current assets	27,739,639	19,848,481	5,848,456	2,420,975
Non-current assets	250,723,126	247,097,024	61,779,211	57,320,378
Total assets	278,462,765	266,945,505	67,627,667	59,741,353
LIABILITIES				
Current liabilities	31,685,380	30,116,704	5,478,224	3,051,130
Non-current liabilities	43,494,266	41,080,451	14,413,065	12,616,821
Equity	203,282,913	195,748,160	47,736,378	44,073,402
Minority participations	206	190		
Total liabilities & equity	278,462,765	266,945,505	67,627,667	59,741,353
STATEMENT OF COMPREHENSIVE RESULTS				
Ordinary revenue	54,162,062	50,127,749	9,204,103	8,112,953
Cost of sales	(30,627,534)	(27,908,360)	(4,707,977)	(4,301,179)
Financial result	(578,134)	(669,543)	23,936	(237,501)
Other non-operating results	(949,043)	(867,155)	(91,354)	(74,299)
Income tax	(3,649,137)	(4,748,658)	(765,732)	(1,074,219)
Minority participations	(16)	(11)		
Earnings for the year	18,358,198	15,934,022	3,662,976	2,425,755
STATEMENT OF CASH FLOWS				
Net cash flow from operating activities	24,053,866	27,170,655	5,821,122	4,904,497
Net cash flow from investment activities	(5,899,570)	8,328,553	(3,909,707)	(425,682)
Net cash flow from financing activities	(11,742,680)	(26,707,777)	1,275,174	(4,558,882)
Net increase (decrease) in cash & cash equivalents	6,411,616	8,791,431	3,186,589	(80,067)
Initial balance of cash & cash equivalents	9,716,568	925,137	87,690	167,757
Closing balance of cash & cash equivalent	16,128,184	9,716,568	3,274,279	87,690

FINANCIAL SUMMARY SUBSIDIARIES 2013

Ended December 31	Iberaguas Ltda. y Filial		Essal S.A.	
	2013	2012	2013	2012
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
ASSETS				
Current assets	15,769,969	15,700,330	15,763,160	15,695,515
Non-current assets	156,856,280	154,739,202	130,139,567	128,022,490
Total assets	172,626,249	170,439,532	145,902,727	143,718,005
LIABILITIES				
Current liabilities	10,702,904	9,785,028	12,806,767	10,959,850
Non-current liabilities	53,466,475	54,424,2010	53,466,475	54,424,201
Equity	69,438,422	67,831,9667	79,629,485	78,363,954
Minority participations	39,018,448	38,398,337	-	-
Total liabilities & equity	172,626,249	170,439,532	145,902,72	143,748,005
STATEMENT OF COMPREHENSIVE RESULTS				
Ordinary revenue	40,442,239	38,913,676	40,442,239	38,913,676
Cost of sales	(24,002,419)	24,206,202	(23,997,322)	(24,201,362)
Financial result	(2,136,120)	(2,081,215)	(2,136,067)	(2,081,215)
Other non-operating results	(945,678)	(1,177,052)	(945,678)	(1,178,027)
Income tax	(2,643,872)	(3,863,789)	(2,627,906)	(3,859,767)
Minority participations	5,260,280	3,720,720	-	-
Earnings for the year	5,453,869	3,863,662	10,735,266	7,593,305
STATEMENT OF CASH FLOWS				
Net cash flow from operating activities	19,295,151	18,576,738	19,305,191	18,583,792
Net cash flow from investment activities	(7,316,802)	(5,325,518)	(7,321,802)	(5,325,518)
Net cash flow from financing activities	(11,976,321)	(10,335,895)	(11,983,355)	(10,340,872)
Net increase (decrease) in cash & cash equivalents	2,028	2,915,325	34	2,917,402
Initial balance of cash & cash equivalents	5,621,340	2,706,015	5,616,525	2,699,123
Closing balance of cash & cash equivalent	5,623,368	5,621,340	5,616,559	5,616,525

Ended December 31	Ecoriles S.A.		Aguas del Maipo S.A	
	2013	2012	2013	2012
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
ASSETS				
Current assets	4,396,638	4,043,103	1,483,124	753,481
Non-current assets	300,765	216,291	8,681,362	8,766,378
Total assets	4,697,403	4,259,394	10,164,486	9,519,859
LIABILITIES				
Current liabilities	1,334,144	1,304,359	221,386	436,043
Non-current liabilities	-	-	25,895	16,949
Equity	3,363,259	2,955,035	9,917,205	9,066,867
Minority participations	-	-	-	-
Total liabilities & equity	4,697,403	4,259,394	10,164,486	9,519,859
STATEMENT OF COMPREHENSIVE RESULTS				
Ordinary revenue	12,381,941	10,442,333	760,846	826,534
Cost of sales	(10,542,407)	(8,772,900)	(673,083)	(612,864)
Financial result	44,675	72,481	810,093	(2,638)
Other non-operating results	25,688	6,164	79	161
Income tax	(370,673)	(334,410)	(47,597)	(31,165)
Minority participations	-	-	-	-
Earnings for the year	1,539,224	1,413,668	850,338	180,028
STATEMENT OF CASH FLOWS				
Net cash flow from operating activities	920,117	984,149	845,377	(88,066)
Net cash flow from investment activities	(107,010)	1,459,745	-	-
Net cash flow from financing activities	(1,131,000)	(1,408,812)	(162,411)	162,411
Net increase (decrease) in cash & cash equivalents	(317,893)	1,035,082	682,966	74,345
Initial balance of cash & cash equivalents	1,136,351	101,269	74,470	125
Closing balance of cash & cash equivalent	818,458	1,136,351	757,436	74,470

Ended December 31	Gestión y Servicios S.A		Análisis Ambientales S.A	
	2013	2012	2013	2012
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
ASSETS				
Current assets	6,485,193	7,527,597	3,673,948	3,245,983
Non-current assets	422,369	329,548	1,343,539	1,900,236
Total assets	6,907,562	7,857,145	5,017,487	5,146,219
LIABILITIES				
Current liabilities	2,130,391	3,676,247	716,039	974,628
Non-current liabilities	64,668	64,668		
Equity	4,712,503	4,116,230	4,301,448	4,171,591
Minority participations				
Total liabilities & equity	6,907,562	7,857,145	5,017,487	5,146,219
STATEMENT OF COMPREHENSIVE RESULTS				
Ordinary revenue	9,924,704	8,281,044	5,839,344	4,983,083
Cost of sales	(9,107,218)	(7,901,869)	(4,505,730)	(3,831,767)
Financial result	(63,332)	(46,782)	59,775	69,899
Other non-operating results	6,593	4,718	(1,465)	769
Income tax	(164,474)	(53,492)	(262,067)	(235,243)
Minority participations				
Earnings for the year	596,273	283,619	1,129,857	986,741
STATEMENT OF CASH FLOWS				
Net cash flow from operating activities	1,329,019	(612,881)	1,345,024	1,253,443
Net cash flow from investment activities	(6,809)	(33,969)	(693,249)	456,085
Net cash flow from financing activities	(1,294,000)	777,172	-	-
Net increase (decrease) in cash & cash equivalents	28,210	130,322	(348,225)	1,709,528
Initial balance of cash & cash equivalents	132,955	2,633	1,710,902	1,374
Closing balance of cash & cash equivalent	161,165	132,955	1,362,677	1,710,902



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