



# A COMPROMISE THAT FLOWS

ANNUAL REPORT / 2015

[www.aguasandinasinversionistas.cl](http://www.aguasandinasinversionistas.cl)



# DELIVERING WATER, DELIVERING LIFE

Aguas Andinas manages the complete water cycle in the Santiago basin and in the Los Lagos and Los Ríos regions. Our commitment is to provide a sustainable, continuous and quality service for the generations of today and tomorrow.





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# Highlights





## Highlights

# 2015 Milestones

**Challenging projects and big achievements that marked the beginning of a new era for the Company.**

## Entrance into the Dow Jones Sustainability Index Emerging Markets and Dow Jones Sustainability Index Chile

Aguas Andinas joined the Dow Jones Sustainability Index for Emerging Markets, making it one of three Chilean companies entering this reputed indicator in 2015. This indicator measures the performance of the top 10% of each industry. The Company also entered the Dow Jones Sustainability Index Chile, the first sustainability index of the Santiago Stock Exchange, which included only 12 companies in the country.

## Honorable mention in ProHumana ranking

For the second consecutive year, Aguas Andinas was highlighted in the ProHumana ranking for corporate sustainability. In 2015, the Company went up 3 points from the previous year, landing at No. 14 (honorable mention).

## Sanitation company with highest value creation

Aguas Andinas won in the category Highest Value Creation in 2014 for the energy and utilities sector in the Top 100 Ranking, prepared in 2015 by Capital magazine and Santander Global Banking & Markets.

## High standards of coverage



**100%**  
potable water



**98.7%**  
sewage collection



**100%**  
sewage treatment

## Efficient tariffs, maintained over time

In 2015 the new tariff period began for Aguas Andinas, which kept tariffs for clients constant in real terms. Note that these values are among the lowest in Chile and the world.

## Historic investment

**127 billion pesos** was Aguas Group' investment in 2015, making it the second year with increased investment in the Company's recent history. The investment plan focused on investments in potable water production and distribution and increasing the capacity of the El Trebal-Mapocho sewage treatment plant.





## Effective drought management

Even though the Santiago Basin experienced its sixth consecutive year of drought, the supply of potable water is ensured for all inhabitants of the Metropolitan Region, thanks to Aguas Andinas' efficient management, investments, and a coordinated effort with stakeholders of the Maipo River.

## Hydraulic Efficiency Plan

In order to be more efficient in the production and distribution of potable water, the Company is conducting a Hydraulic Efficiency Plan, which seeks to reduce resource losses from now until 2020.

## Labor relations

After anticipated negotiations, the Company signed new collective agreements with Aguas Andinas' and ANAM's unions for the next three year period.

## The customer at the center

With the launch of the 2015-2020 Client Strategy, Aguas Andinas began developing major initiatives with a focus on its clients and the city of Santiago.

## Transformations for better management

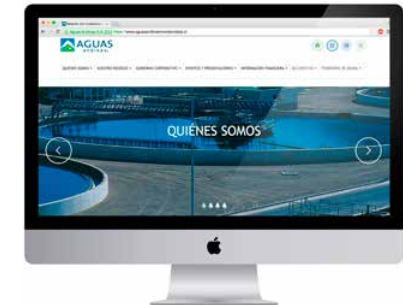
Because excellent service requires flexible organizations that are open to change, the Company launched a transformation plan to adapt the company to new corporate challenges.

## Avanza Project, a new relationship with the community

Through this project of social entrepreneurship, called Advance ("Avanza"), Aguas Andinas has allowed the neighbors of El Trebal to be incorporated into its value chain by creating shared value.

## More accessible information to investors

In April, the website [www.aguasandinasinversionistas.cl](http://www.aguasandinasinversionistas.cl) was launched with a modern look and easy navigation. It includes financial analysis tools, all in Spanish and English, in order to provide more current information to its investors.



**AVANZA**  
EMPRENDE Y COMPARTE VALOR



## Highlights

# 2015 in numbers

Numbers and indicators that reflect responsible and consistent management over time.

## Financial summary (MM\$)

As of December	2011	2012	2013	2014	2015
Potable Water Revenues	147,715	152,918	157,307	171,488	180,937
Sewage Revenues	166,504	174,839	184,299	202,001	220,706
Other Regulated Revenues	11,707	14,948	16,557	20,282	18,015
Other Nonregulated Revenues	36,842	40,181	45,716	46,963	53,739
<b>Total Revenues</b>	<b>362,768</b>	<b>382,886</b>	<b>403,879</b>	<b>440,734</b>	<b>473,397</b>
Operational Result	173,230	187,194	183,828	207,521	214,232
<b>Fiscal Year Income</b>	<b>111,479</b>	<b>121,738</b>	<b>116,676</b>	<b>119,422</b>	<b>129,008</b>
Total Assets	1,469,996	1,546,225	1,577,711	1,606,472	1,691,198
Short-Term Liabilities	197,886	166,752	220,195	176,506	232,407
Long-Term liabilities	593,048	695,221	679,847	763,568	787,200
Minority Interest	64,974	62,498	61,128	55,634	54,395
<b>Equity Attributable to Owners of the Parent Company</b>	<b>614,088</b>	<b>621,754</b>	<b>616,541</b>	<b>610,764</b>	<b>617,196</b>

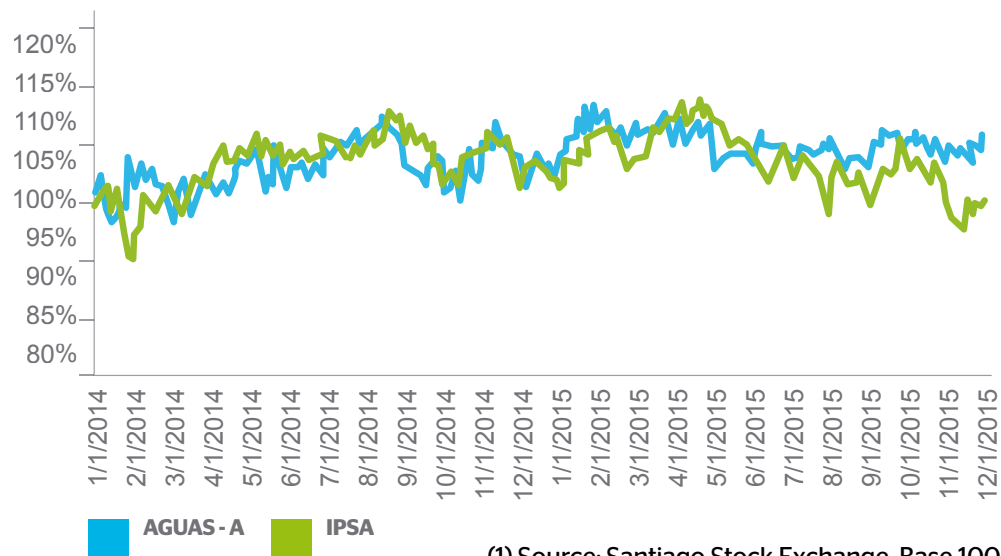
## Operational background

As of December	2011	2012	2013	2014	2015
Total Potable Water Clients	1,966,639	1,984,132	2,039,298	2,096,999	2,149,473
Total Sewage Clients	1,913,081	1,943,788	1,999,419	2,045,634	2,096,347
Total Water Billed (millions of m <sup>3</sup> )	535.5	539.2	548.9	558.6	562.2
Collection of Sewage Billed (millions of m <sup>3</sup> )	521.4	526.5	534.1	540.5	542.9
Treatment and Disposal of Sewage Billed (millions of m <sup>3</sup> )	454.2	460.4	466.9	473.7	473.7
Sewage Interconnection Billed (millions of m <sup>3</sup> )	118.9	119.6	119.1	119.3	121.8
Total Potable Water Coverage	100%	100%	100%	100%	100%
Total Sewage Collection Coverage	98.80%	98.50%	98.67%	98.71%	(1)
Total Sewage Treatment Coverage	85.50%	100%	100%	100%	100%
Total Employees	1,805	1,839	1,853	1,878	1,949

(1) Estimates by the Superintendence of Sanitation Services to be published in 2016.

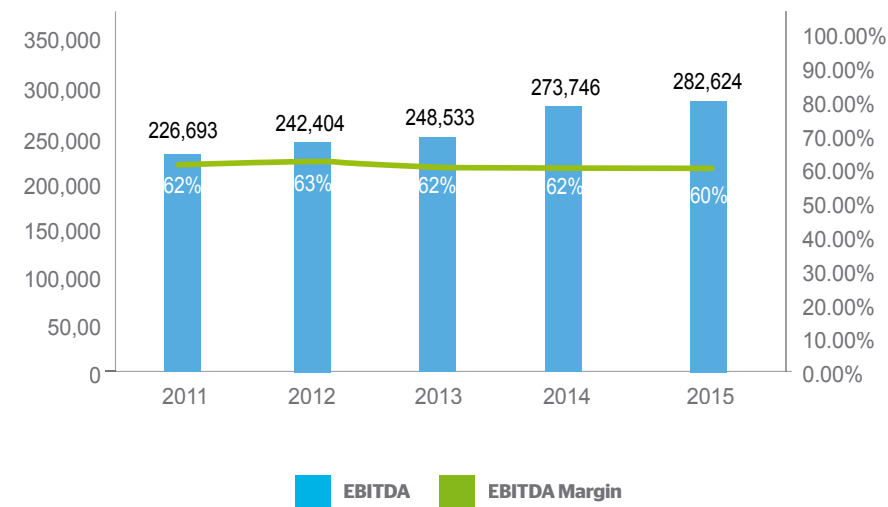


## Share performance <sup>(1)</sup>



(1) Source: Santiago Stock Exchange, Base 100.

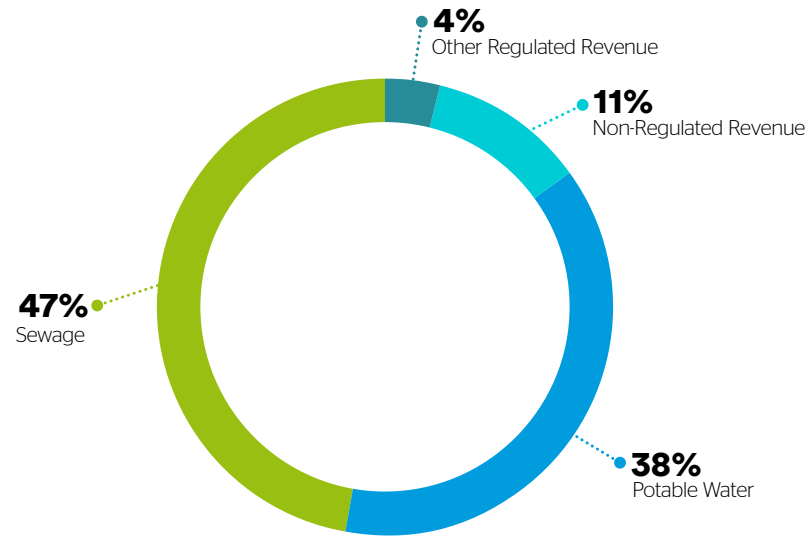
## EBITDA - EBITDA Margin



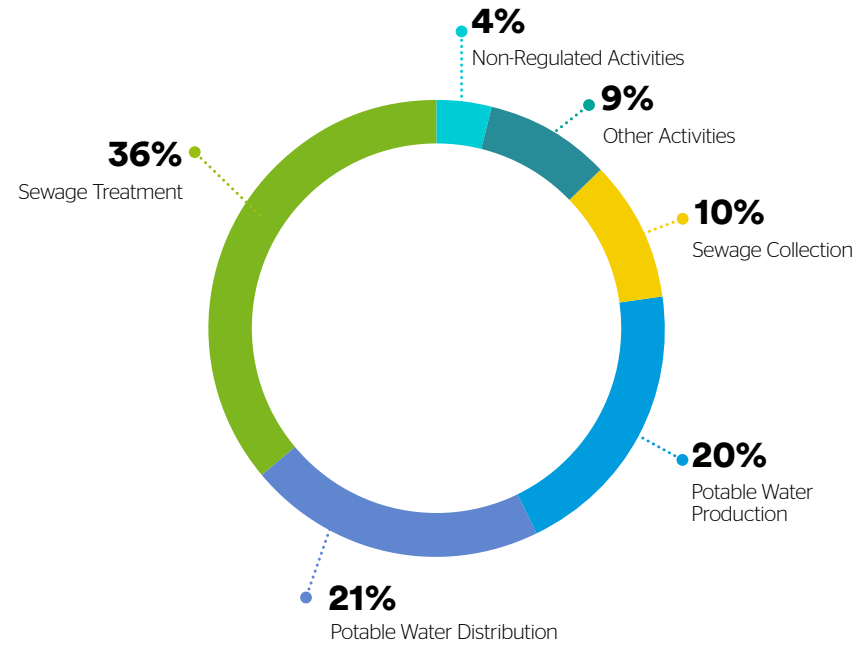




## 2015 Revenue



## 2015 Investments





## Aguas Group's Accident Rate\*

Company	2013	2014	2015
Aguas Andinas S.A.	1.47	1.14	0.94
Aguas Cordillera S.A.	3.89	0.81	0.86
Aguas Manquehue S.A.	0.00	10.53	0.00
Empresa de Servicios Sanitarios de Los Lagos S.A (ESSAL)	1.34	0.34	1.56
<b>Total</b>	<b>1.63</b>	<b>1.07</b>	<b>1.05</b>

\* Accident Rate: Number of accidents with time lost / Average number of workers during the period

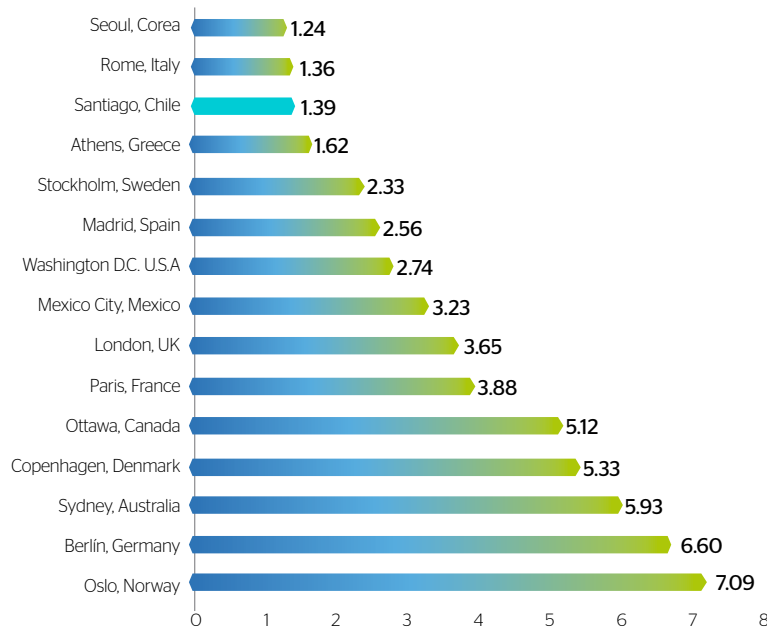




# Sanitation industry tariffs

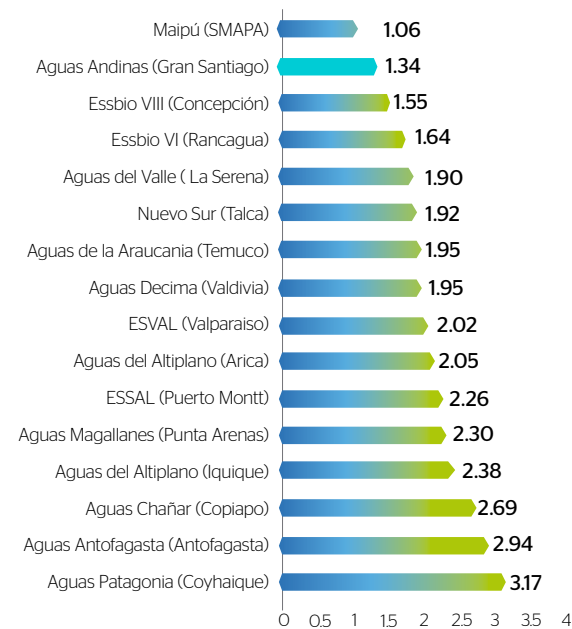
## OECD Tariffs / Tariffs per cubic meter

(potable water and sewerage) in USD\$/m<sup>3</sup>



## Chilean Tariffs / Tariffs per cubic meter

(potable water, sewerage, and sewage treatment) in USD\$/m<sup>3</sup>



\* Source: 2014 SISS Management Report. Data through December 31 2014, 1 UF equals \$24,627.1 CLP and 1 US\$ equals \$607.38 CLP.



## Letter from the President

Dear Shareholders:

I am very pleased to send you the annual report and financial statements of the Company for the year ending December 31, 2015.

The past year was challenging in operational terms. We experienced our sixth year of drought, with recent rains in the last quarter alleviating pressure on our water sources. The company's anti-drought plan achieved the expected results, and our clients - more than six million people in the Metropolitan Region- received continuous and quality service. Thanks to careful management by the Company, we are well situated going into 2016, with an adequate level of reserves.

The year also gave us time for reflection. We are people with a vocation for service; putting the customer is at the center of our business. We defined a new vision to become a leader in environmental sustainability in Chile, ensuring water for future generations. And we reaffirmed our purpose: we work for the benefit of the city and the wellbeing of its residents.

In 2015, this resulted in the launch of a new cycle in our Company's management. This led to a series of action plans and organizational changes aimed at strengthening the Company's operations and its relationships with its customers and the community.

### OUR CHALLENGES IN 2015-2020

The changes to our social, economic and environmental surroundings demand a new way of doing business. For the 2015-2020 five-year period, we rebuilt our strategic plan and proposed new challenges, with the goal of strengthening the safety and continuity of our services and upgrading our operations thanks to the introduction of new technologies.

We began an important process of internal transformation, building links between different corporate administrations to streamline processes and provide greater flexibility in our management. In all of these steps we have depended on the support of our employees, a fundamental asset for our performance.

We are expanding our abilities so we can provide for our customers, build a trusting relationship with our suppliers, strengthen ties with communities and neighbors, and speed up response times to our customers' needs. We are focused on improving our customers' perceptions of the company and the services we provide.



This new plan involves an estimated investment of US\$900 million from 2015 to 2020, with 60% destined to drinking water production and 40% to wastewater treatment, with a focus on repairs, plans for operational improvement, growth, security, and quality of service.

## DROUGHT AND CLIMATE CHANGE

The Metropolitan Region has faced drought conditions for its sixth consecutive year, but the company's anti-drought plan, active since 2010, allowed us to maintain service continuity.

Aguas Andinas continued implementing a series of actions to provide enough reserves so that we can look confidently to 2017. These initiatives include integrated management of users of the Maipo River, purchasing raw water, renting water rights, a recovery plan for groundwater production, and the Hydraulic Efficiency Plan, which implements projects to minimize losses and reduce breaks in the distribution network.

We also started construction on the Pirque tank, a major infrastructure project that will increase our raw water reserves and allow us to increase the autonomy of the system from 9 to 32 hours. I also wish to highlight the water transportation projects between the Maipo and Mapocho systems, and the increase in drinking water production capacity with the new Chamisero potable water plant.

Projections indicate that in the next 50 years, periods of drought will become more frequent and intense. Therefore, along with maintaining our current measures, we are committing ourselves to a 2015-2030 Drought and Climate Change Plan. The plan includes a series of studies upon which new actions can be taken, above and beyond our existing actions.

## PERFORMANCE

In terms of financial performance, 2015 was marked by the entry into force of new tariffs for the 2015-2020 period, an increase in electricity tariffs, and the effects of a six-year drought. The combination of these factors explained obtaining an EBITDA of 282,624 million pesos, 3.2% higher than 2014, and earnings of 129,008 million pesos, 8% higher compared to the same period last year.

During 2015, our annual investment amounted to \$127 billion pesos, 43% more than 2014, devoted to strengthening service through the extension of the Mapocho-Trebal plant, the Hydraulic Efficiency Plan, and the Chicureo Reinforcement System, among other projects.

## RECOGNITION

We once again received recognition for our work in various fields. We received an honorable mention in the PROhumana ranking of corporate sustainability

and earned the award for the company that created the most value in the energy and utilities industry, ranked by Santander Global Banking & Markets and Capital magazine.

Moreover, I note with pride our entry in 2015 into the Dow Jones Sustainability Index for Emerging Markets, a reputable indicator that measures the performance of the top 10% of the 800 largest companies in emerging markets using long-term economic, social and environmental criteria. We are the only sanitation company on the list, which includes 92 companies from 14 countries, of which only 3 are Chilean.

We also joined the Dow Jones Sustainability Chile Index, the first sustainability index of the Santiago Stock Exchange, which included only 12 companies in the country.

Finally, I want to emphasize and reaffirm our commitment to always act on solid ethical principles based on trust and transparency. Our purpose is to continue forward and convert ourselves into a leading company at the global level in terms of quality of service and customer attention.

**Felipe Larrain Aspillaga**  
President of the Board



# SUSTAINABLE DEVELOPMENT

**We are responsible for the whole water cycle, taking water from nature, processing it for its use in homes and industry, collecting it and returning it clean to the environment in a responsible manner.**



# Chapter 01

**Our  
Company**



## 1.1 /Our Company

## Who we are

**We are Aguas Andinas S.A., the largest sanitation company in Chile and member of one of the most important sanitation groups in Latin America.**

### OUR VISION

Become a leader in environmental sustainability in Chile, ensuring water for future generations.

### OUR PURPOSE

We work for the proper functioning of the city and the wellbeing of its residents.

### OUR PRINCIPLES

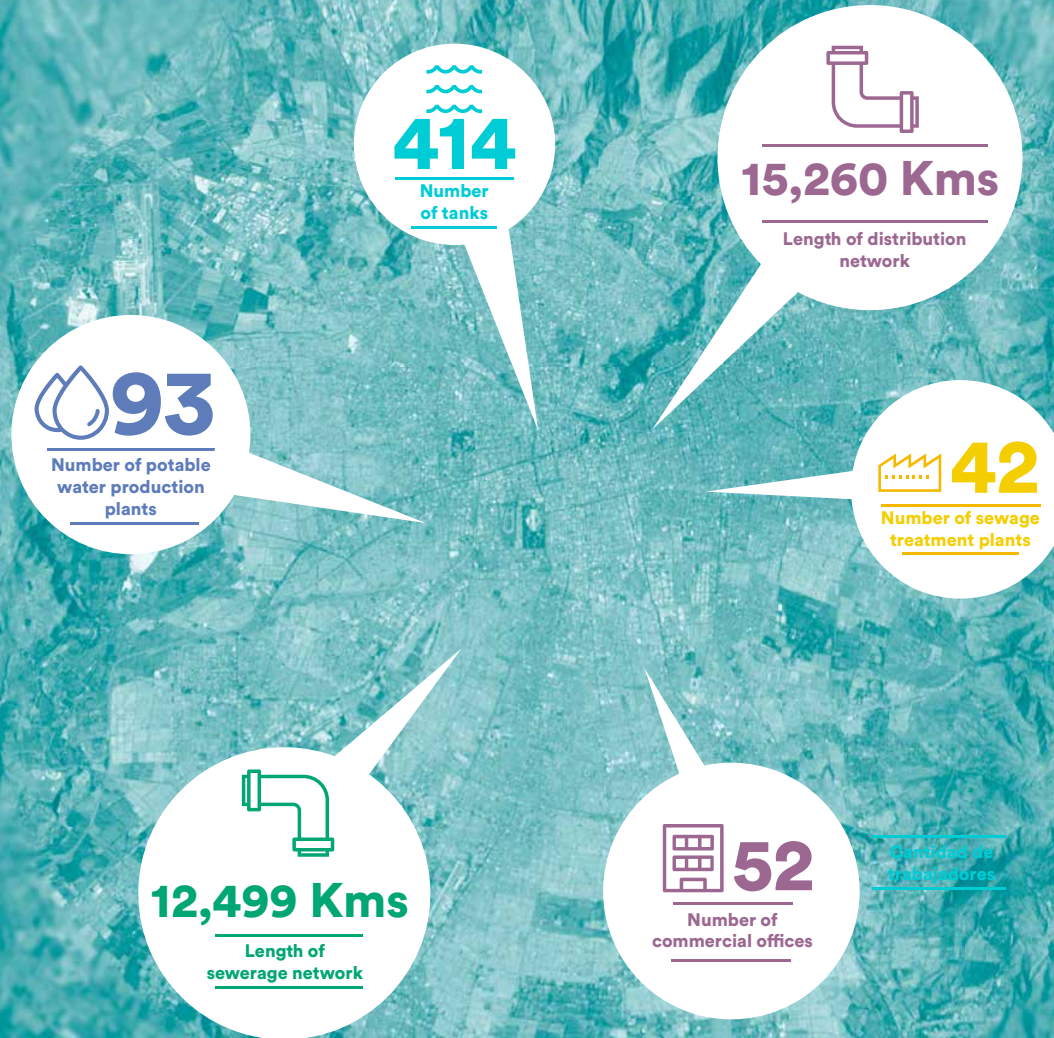
- I think about the future to serve in the present.
- I act with honesty and transparency.
- I go to bat for our clients.
- I listen, ask, and take action.
- I contribute to my team and that of others.
- I say things straight.
- I am consistent: If I say it, I do it
- I seek improvements to innovate.
- I thank and acknowledge a job well done.








## Main assets





A high-angle photograph of three workers in white hard hats and orange safety vests standing on a metal grating walkway at a water treatment facility. They are looking down at something in their hands. The walkway is surrounded by large rectangular basins of water with dark, circular floating covers. The sun is reflecting off the water in one of the basins.

“We work with seriousness and professionalism to guarantee ongoing potable water service, with high quality and safety standards for the inhabitants of Santiago, **365 days a year**”.





## 1.2 / Our Company

# History

A path of growth, innovation and sustainability.

→ **1967**  
El Yeso reservoir begins operations.

→ **1999**  
The Company goes private, with 51.2% of assets acquired by Sociedad Inversiones Aguas Metropolitanas Ltda, formed by the Agbar Group (50%) and Suez (50%).

→ **1861**  
Empresa del Agua Potable de Santiago is founded.

→ **1977**  
The Company changes its name to Empresa Metropolitana de Obras Sanitarias (EMOS).

→ **2000**  
The El Trebal Sewage Treatment Plant begins operations. 100% of Aguas Cordillera and 50% of Aguas Manquehue are acquired.

→ **1917**  
The Laguna Negra Aqueduct is inaugurated. It extends for 87 kilometers and delivers water from the mountains.

→ **1989**  
EMOS is transformed into a publicly traded company, subsidiary of CORFO.

→ **2001**  
**The Company changes its name to Aguas Andinas S.A**  
The El Trebal plant begins operations and the construction of the La Farfana plant begins. Anam and EcoRiles are established.

→ **1946**  
The Las Vizcachas Plant starts operating for the purpose of generating potable water for Santiago.

→ **1997**  
The Corporate Headquarters are established at Parque de los Reyes, Santiago.

→ **2002**  
The Operations Control Center is inaugurated. The remaining 50% of Aguas Manquehue is acquired. San José de Maipo and Paine treatment plants enter into operation.





### → 2003

La Farfana Sewage Treatment Plant begins operations. ISO 9000 Certification for client service obtained.

### → 2007

Triple ISO 9000, ISO 14000 and OHSAS 18000 Certification is obtained for the sewage treatment plants.

### → 2008

The Company takesover the Empresa de Servicios Sanitarios de Los Lagos (ESSAL), through the acquisition of 53.5% of its shares. Aguas Cordillera and Aguas Los Dominicos subsidiaries merge.

### → 2009

The Client Strategic Plan, PEC, is launched, which aims to upgrade the client service information systems.

### → 2010

The Clean Urban Mapocho (Mapocho Urbano Limpio) environmental program is launched, which becomes part of the country's bicentennial goals.

### → 2011

CORFO sells the majority of its shares in the Company, retaining 5% of its shares. The Aguas del Maipo subsidiary is created.

### → 2012

The Company obtains the recertification of the international OHSAS 18001 standard. Aguas Andinas is awarded Best Company, granted by ICARE.

### → 2013

Mapocho Sewage Treatment Plant begins operations, achieving the goal of treating 100% of all sewage in the Metropolitan Region. The Ariete Project begins, with the goal of incorporating improvements in all procedures for emergency management.

### → 2014

The Company places W Bonds on the market, achieving the best historical rate for a long-term bond.

### → 2015

Aguas Andinas joins the Dow Jones Sustainability Index of Emerging Markets and the Dow Jones Sustainability Index Chile; places 14 in ProHumana's business sustainability ranking. The Company begins a process of transformation, taking on new challenges for the 2015-2020 five-year period with investments dedicated to the sustainability of water resources and high water quality for citizens.



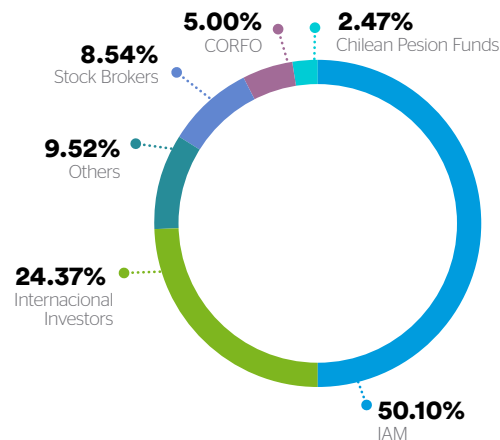


## 1.2 / Our Company

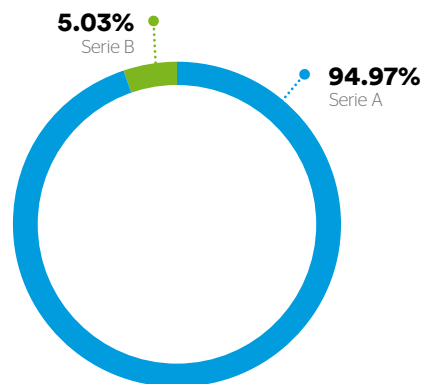
# Company ownership

As of December 31, 2015, Aguas Andinas' capital is composed of 6,118,965,160 shares, fully subscribed and paid, distributed among 1,669 shareholders.

## Distribution by type of shareholder



## Distribution by series



## Largest shareholders

As of year-end, the twelve largest shareholders of Aguas Andinas S.A. are the following:

	Name or Business Name	Tax ID	Dv	Shares	Series	%
1	Inversiones Aguas Metropolitanas S.A.*	77.274.820	5	3,065,744,510	A	50.10%
2	Banco de Chile on behalf of non-resident third parties	97.004.000	5	660,500,343	A	10.79%
3	Banco Itaú on behalf of foreign investors	76.645.030	K	556,753,959	A	9.10%
4	Corporacion de Fomento de la Produccion	60.706.000	2	305,948,258	B	5.00%
5	Banco Santander on behalf of foreign investors	97.036.000	K	218,253,039	A	3.57%
6	Banchile Corredores de Bolsa S A	96.571.220	8	107,750,016	A	1.76%
7	Bethia S A	78.591.370	1	96,697,010	A	1.58%
8	Corpbanca Corredores De Bolsa S A	96.665.450	3	95,242,038	A	1.56%
9	Asociación de Canalistas Sociedad del Canal de Maipo	70.009.410	3	70,426,696	A	1.15%
10	Transacciones e Inversiones Arizona Limitada	76.806.870	4	57,653,268	A	0.94%
11	BCI Corredores de Bolsa S A	96.519.800	8	51,995,496	A	0.85%
12	Larrain Vial S A Corredora De Bolsa	80.537.000	9	51,105,817	A	0.84%
	Others (1631 shareholders)			778,908,225	A	12.73%
	Others (26 shareholders)			1,986,485	B	0.03%
				<b>6,118,965,160</b>		<b>100.00%</b>

\* Controlling shareholder



### Strategic partner

Sociedad General de Aguas de Barcelona (Agbar) is the controlling and strategic partner of Aguas Andinas, through its participation in 56.6% of the assets of Inversiones Aguas Metropolitanas S.A. (IAM), a company which in turn owns 50.1% of the shares of Aguas Andinas S.A.

After nearly 150 years of experience, Agbar is a global leader with a presence in Spain, Chile, United Kingdom, Mexico, Colombia, Algeria, Peru, Brazil, Cape Verde, France, Portugal, Turkey and the U.S., adopting to the needs of the companies involved to offer better service to 256 million people daily.

Meanwhile, Suez - the group owning 100% of Agbar's shares- is a global leader in water and waste management, with more than 120 years of experience, a presence in 70 countries and more than 79 thousand employees around the world.

There is no joint action agreement between Agbar and Suez.



## 1.2 / Our Company

# Board of Directors

Aguas Andinas' highest entity of corporate governance is its Board of Directors, composed of 7 named members, each with their respective alternate.

## Named Directors

### 1 President

Felipe Larrain A.  
Civil Engineer

### 2 Vicepresident

Josep Bagué P.  
Economist

### 3 Director

Ricardo Escobar C.  
Attorney

### 4 Director

Herman Chadwick P.  
Attorney

### 5 Director

Bruno Philipp I.  
Civil Engineer

### 6 Director

Rodrigo Manubens M.  
Commercial Engineer  
(Independent Director)

### 7 Director

Gonzalo Rojas V.  
Civil Engineer  
(Independent Director)

## Alternate Directors

Olivier Jaquier  
Deputy Financial  
Director

Rodrigo Terré F.  
Civil Industrial Engineer  
(Independent Director)

Jorge C. Sagnier  
Economist

Jaime Cuevas R.  
Commercial Engineer  
(Independent Director)

Fernando Samaniego S.  
Attorney

Lorenzo Bernaldo D.  
Economist  
Bachelor of Law

Xavier Amorós C.  
Attorney



## President

### Felipe Larrain Aspillaga

From 2004 to 2011, he was CEO of Aguas Andinas, becoming President of its Board of Directors in July 2011. He is a Board Member of Inversiones Aguas Metropolitanas S.A., Sociedad del Canal de Maipo, Junta de Vigilancia del Río Maipo and Asociación Nacional de Empresas de Servicios Sanitarios A.G. (ANDESS). Civil Engineer from Pontificia Universidad Católica de Chile.

## Board Member

### Bruno Philipp Irarrázabal

He was President of Gener, Chile Telecommunications Company (CTC) and Sofofa. Currently Board Member of Transelec S.A. and Grupo Security S.A. Board Member of Aguas Andinas since April 2010. Civil Engineer from Pontificia Universidad Católica, with a Masters in Operations Research and a PhD in economic engineering systems from Stanford University, United States.

## Vice President

### Josep Bagué Prats \*

From 2002 to 2004, he was CEO of Aguas Andinas. Currently he is Agbar's General Director and General Secretary. President of the Board of Directors of IAM S.A., parent company of Aguas Andinas. Board Member of Aguas Andinas since August 2013. Economist from Universidad Autónoma de Barcelona, Spain, and PADE IE Business School, Madrid, Spain.

## Board Member

### (independent)

### Rodrigo Manubens Moltedo \*

President of Banchile Seguros de Vida, Board Member of the Santiago Stock Exchange and Banco de Chile. Has served as a Board Member at Banco de Edwards and Banco O'Higgins. He was also Board Member and President of the Board of Endesa Chile S.A. Board Member of Aguas Andinas since July 2011. Commercial Engineer from Universidad Federico Santa María and Universidad Adolfo Ibáñez, with a Master of Science from London School of Economics and Political Science, London, United Kingdom.

## Board Member

### Ricardo Escobar Calderón

He was a member of the Foreign Investment Committee and later worked at Langton Clarke. Former partner at the Carey y Cía law firm. Board Member of the Chilean IRS from 2006 to 2010, partner at EY Chile until 2013 and currently partner at Bofill Escobar Attorneys. Board Member of Aguas Andinas since August 2013. Attorney from Universidad de Chile and holds an LL.M. from the University of California at Berkeley, United States.

## Board Member

### (independent)

### Gonzalo Rojas Vildósola \*

Executive Board Member of Bethia Group S.A. Board Member of Aguas Andinas since July 2011. Commercial Engineer and holds an MBA.

## Board Member

### Herman Chadwick Piñera

Board Member of Enersis Américas, President of the Chile-Spain Business Council (Sofofa), Vice President of the following: Intervial Chile S.A., Ruta del Maipo Soc. Concesionaria S.A., Ruta del Maule Soc. Concesionaria S.A., Ruta del Bosque Soc. Concesionaria S.A., Ruta de la Araucanía Soc. Concesionaria S.A., and Ruta de los Ríos Soc. Concesionaria S.A. Board Member of Abengoa Chile S.A. Elective Advisor of SOFOFA, Board Member of Viña Santa Carolina S.A., Advisor of the Arbitration and Mediation Center of the Santiago Business Council (CAM), Board Member of IAM, Councilmember of the Consejo Académico Consultivo de Estudios e Investigaciones Militares (CACEIM), President of Club El Golf 50, President of the Zapallar Development Corporation. Former Councilmember, Vice President and President of the National Television Council (CNTV). Board Member of Aguas Andinas since July 2011. Main partner of the law firm Chadwick y Cía., Attorneys. Attorney from Pontificia Universidad Católica de Chile.

\*Members of the Board Members Committee





## Alternate Board Member

### Olivier Jaquier

Currently CEO of Engie Italy and Greece. Started his career at Paribas Bank in China and France. Joined the Suez Group in 1999 where he occupied various functions in the Finance Department. In 2012 was named Deputy Chief Financial Officer of Suez Group Environnement. In 2014 was named Executive Vice President and Finance Director of Branch Global Gas and LNG at GDF Suez. Board Member of Aguas Andinas since August 2013. Studied at the Business School of ESCP Europe, Paris, France.

## Alternate Board Member

### Jorge Cosme Sagnier Guimón

CEO of Inversiones Aguas Metropolitanas S.A. (IAM), parent company of Aguas Andinas. Extensive experience within the Agbar Group, including positions as Director of Administration and Management Control, Director of Taxes, Consolidation and Administration, and as Director of Treasury and Finance. Board Member of Aguas Andinas since August 2013. Holds a degree in Business Administration and an MBA from ESADE Business School, Barcelona, Spain.

## Alternate Board Member

### Fernando Samaniego Sangroniz \*

Partner in the law firm Prieto y Cía. Member of the Arbitration nomination of the Mediation and Arbitration Center of the Santiago Business Council and the National Arbitration Center. Board Member of Aguas Andinas since August 2013. Attorney from Pontificia Universidad Católica de Chile.

## Alternate Board Member (independent)

### Rodrigo Terré Fontbona\*

He has held notable management positions at companies including Lucchetti, Inversiones Consolidadas Ltda., Canal 13 S.A., and others. Board Member of Aguas Andinas since July 2011. Civil Industrial Engineer from Universidad de Chile.

## Alternate Board Member

### Xavier Amorós Corbella

Agbar's Risk Director. Board Member of Inversiones Aguas Metropolitanas S.A. (IAM), parent company of Aguas Andinas. Board Member of Aguas Andinas since July 2011. Attorney with a Law Degree from the University of Barcelona, Spain, and a Masters in Construction and Real Estate Management from the Polytechnic University of Madrid, Spain.

## Alternate Board Member (independent)

### Jaime Cuevas Rodríguez\*

Corporate Administration and Finance Manager at Bethia S.A. Board Member of Aguas Andinas since July 2011. Commercial engineer from Universidad de Concepción, with an MBA with a Mention in Finance from Universidad de Chile and a Masters in Tax Management from Universidad Adolfo Ibáñez.

## Director suplente

### Lorenzo Bernaldo de Quirós

Current Executive President of Freemarket Corporate Intelligence. With more than 20 years of experience in corporate and institutional consulting for clients in the public, private, national and international sectors, in the areas of economic, financial and regulatory policy, foreign affairs, media relations and institutional relations. He has been a consultant at FMI and for the World Bank for Latin America and Southeast Asia, external advisor for Spain's Ministry of Economy and Finance (2004-2000), economic advisor for the Spanish Business Circle (2000-1995), director of economic studies at the Madrid Business Council (1994-1989) and economic advisor to the Metal Spanish Business Confederation (1988-1982). Board Member of Aguas Andinas since July 2011. Holds a law degree from Universidad Complutense in Madrid, Spain, and a Ph.D. in Economics from the University of St. Andrews, Scotland.

\* Alternate Members of the Board Members Committee

Note: More information on the Board of Directors in the Corporate Governance section of this report pg 83.



## 1.5 / Our Company

# Management

**1 Chief Executive Officer**

Jordi Valls R. - Attorney

**2 Corporate Customer Service Manager**

Eugenio Rodríguez M. - Commercial Engineer

**3 Corporate Legal Affairs Manager**

Camilo Larraín S. - Attorney

**4 Corporate Planning, Engineering and Systems Manager**

Jorge Cabot P. - Civil Engineer

**5 Corporate Organization and Human Resources Manager**

Sandra Andreu - Civil Engineer

**6 Corporate Operations Manager**

Manuel Baurier T. - Civil Industrial Engineer

**7 Corporate Communications, Public Affairs, and CSR Manager**

Ana Olate S. - Journalist

**8 Corporate Finance and Purchasing Manager**

Iván Yarur S. - Civil Industrial Engineer





## CEO

### Jordi Valls Riera

Has held important executive positions within AGBAR, including Country Manager for the United Kingdom, and Board Member for Bristol Water, United Kingdom. Joined Aguas Andinas in 2013. Attorney with a Diploma in Senior Business Management from the Business Schools at IESE and ESADE, Spain.

## Corporate Legal Affairs Manager

### Camilo Larraín Sánchez

Joined Aguas Andinas in 2000. Served as Prosecutor for Aguas Cordillera and as attorney for the Enersis Group. Board Member of the subsidiaries Aguas Manquehue S.A. and Empresa de Servicios Sanitarios de Los Lagos S.A., Sociedad Canal del Maipo and Eléctrica Puntilla S.A. Attorney from Universidad Diego Portales with a Masters in Law from Universidad de Los Andes.

## Corporate Communications, Public Affairs and CSR Manager

### Ana Olate Soto

Joined Aguas Andinas in 2013, previously worked in various communications companies, such as Metro S.A. and VTR, where she held the role of Communications Manager. Journalist from Universidad Austral.

## Corporate Finance and Purchasing Manager

### Iván Yarur Sairafi

Joined Aguas Andinas in 2000. From 2011 to 2013, was CEO of Inversiones Aguas Metropolitanas S.A. (IAM), parent company of Aguas Andinas. Civil Industrial Engineer with a Masters from Universidad de Chile and a Master of Science in Accounting and Finance from the London School of Economics and Political Science, London, United Kingdom.

## Corporate Operations Manager

### Manuel Baurier Trias

Joined Aguas Andinas in 2015. With 18 years of experience in the sanitation sector, has been Director of Concessions in Catalonia, Spain (AGBAR), and member of the Management Council for companies including Aigües de Sabadell and Drenatges Urbans del Besòs. Industrial Engineer from Universidad Politècnica de Catalonia, Spain, with an MBA from the Barcelona School of Business Management (Universidad Politècnica de Cataluña) and the PDD at ESADE Business School, Barcelona, Spain.

## Corporate Organization and Human Resources Manager

### Sandra Andreu

Joined Aguas Andinas in 2015. With 18 years of experience within the Suez group, she has been Suez Consulting's Water Resource Director, manager at the subsidiaries that are part of Suez Consulting and Suez Water Europe's Organization Director. Degree in Civil Engineering from the School of Hydraulics and Mechanics of Grenoble, France, with a MBA in Formation Explorer from GDF Suez University and with additional training in Management, Legal and Personnel Control, among others.

## Corporate Planning, Engineering and Systems Manager

### Jorge Cabot Ple

Joined Aguas Andinas in 2015. With 30 years of experience in the sanitation sector and water engineering, including Director of Planning at the Catalan Water Agency, Director of Operations in CLABSA (sewer system of Barcelona) and Director of Sanitation for the Barcelona Metropolitan Area at Aguas Barcelona. Member of the Urban Drainage Expert Group of UNHABITAT. Civil Engineer from Universidad Politècnica de Catalonia, Spain.

## Corporate Customer Service Manager

### Eugenio Rodríguez Mingo

Joined Aguas Andinas in 2005, has served as Business Development Manager and Antilzo Zone Manager, assuming the role of Corporate Manager of Customer Service in March 2012. Before joining the Company, was Commercial Manager at Inmobiliaria Piedra Roja, at the ENEA Project of the Enersis Group, and at Santander Leasing S.A. Commercial Engineer from Universidad de Chile.



## 1.6 / Our Company

# Coverage Map

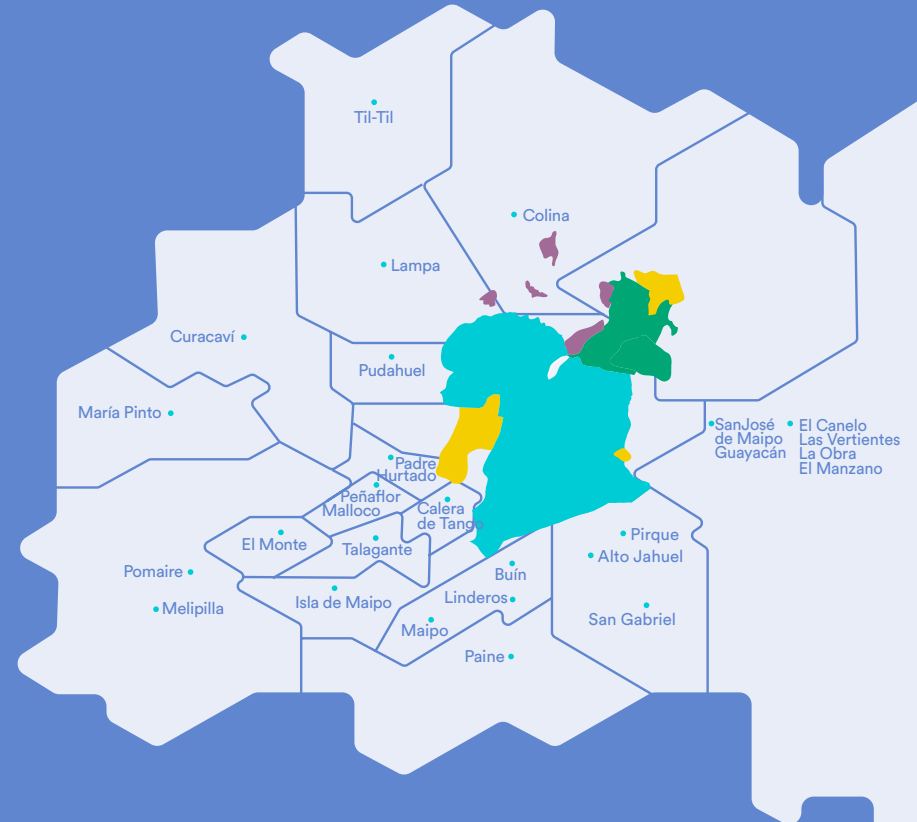
Aguas Andinas and its sanitation subsidiaries provide potable water, sewage collection and sewage treatment services to more than two million clients, grouped by residential, commercial and industrial clients, which together represent an estimated population of eight million residents. These figures make it the country's main sanitation group and one of the largest in Latin America.

## Greater Santiago and peripheral coverage

In the Metropolitan Region, the concession zone is located in the Santiago Basin, a territory found in between the middle depression of central Chile, limited to the north by the Chacabuco slope and to the south by Angostura de Paine.

**The concession areas of Aguas Andinas and its subsidiaries cover a territory of 70,000 hectares in the Metropolitan Region, along with an area of 67,000 hectares in the Los Lagos and Los Ríos Regions in the south of the country.**

- Aguas Andinas
- Aguas Cordillera
- Aguas Manquehue
- Sewage Collection





### Los Lagos and Los Rios Regional coverage

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





**+2 million**  
clients of the Aguas Group.

**8 million**  
residents make up the estimated population  
receiving the Group's services.





## 1.7 / Our Company

# Group Companies

A set of companies make up the Aguas Group, allowing it to deliver comprehensive services in the sanitation market.

## Regulated subsidiaries

These companies are regulated by Chilean law and provide production and distribution services for potable water, as well as the collection, treatment and final disposal of sewage.

### The Group's regulated subsidiaries:

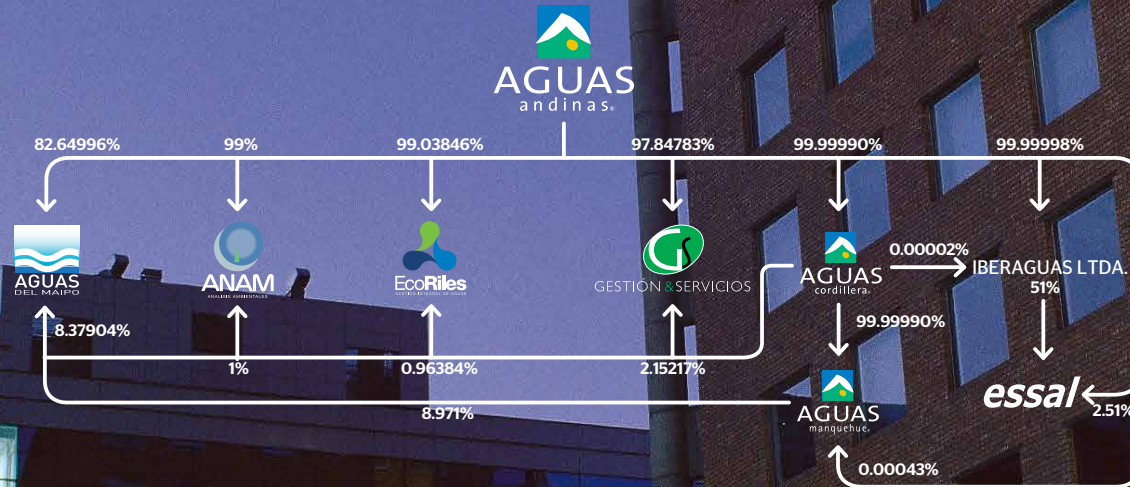
Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Empresa de Servicios Sanitarios De Los Lagos S.A. (ESSAL).

## Non-regulated subsidiaries

These companies provide, respectively, industrial waste treatment, the sale of materials and non-conventional renewable energies, laboratory analysis, and the development of energy projects related to the sanitation companies.

### The Group's non-regulated subsidiaries:

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





## 1.8 / Our Company

# Non-regulated companies

These subsidiaries provide knowledge and experience for businesses related to the sanitation industry.



In 2015, Anam started operating in its new laboratory headquarters, thus consolidating a phase of sustained growth and business development from 2002 to 2015. With a new building, the subsidiary expects a greater competitive positioning in infrastructure to maintain its leadership in the market for water and environmental laboratories in Chile.

In this year, the Company succeeded in implementing new business areas in the analytical field, such as the Respel line and the development of analysis of hazardous waste. This positions Anam as one of the only laboratories in the country capable of carrying out complete technical analysis. The Company also developed analysis for geosmins which is related to the sanitation market. In logistics and sampling, it implemented data telemetry and flow testing, services that will meet the current needs of the industrial market.



## EcoRiles

Commercially, in 2015 the subsidiary managed to gain important accounts in the mining, pulp and paper, sanitation, food and beverages sectors, for annual amounts reaching approximately five million USD.

With a 41% market share in 2015 EcoRiles continued to lead operation and maintenance for liquid industrial waste treatment in Chile. During the year, the subsidiary added new clients belonging to the dairy industry, consolidating its supremacy in the southern zone of the country, with a share greater than 90%.

Throughout the year, a client satisfaction project was developed through the strengthening of corporate support and improvement projects. Additionally, a new line of industrial maintenance businesses were developed. Moreover, innovation was promoted as an engine for optimizing processes, with the goal of achieving greater competitiveness and strengthen the value proposition in the environmental market.



## Gestión y Servicios

Following a reengineering process developed in 2011, the subsidiary implemented the Lean Six Sigma philosophy and the SAP planning model, which integrated all operating units of the company. This has ensured the supply of materials for other parties of the Aguas Group and the market in general.

As a result of these improvements, the Company expanded the mix of products focused on the third party market. Thanks to strategic alliances with international suppliers, Gestión y Servicios was able to attain competitive prices for these products, with the goal of supplying the real estate sector.

As a result, during 2015, Gestión y Servicios experienced growth in all of its strategic units in the Supply Chain business, which makes up 95% of the Company's turnover. The other 5% of the subsidiary's turnover corresponded to the cleaning of sewers and water systems for the sanitation industry and the industrial market in general. It's worth

noting that sales outside the Aguas Group represented approximately 50%.

Also in 2015, and in order to maximize the Company's utility, the subsidiary began the phase of researching and evaluating the incorporation of two new business lines: Electric Conductors and Chemical Inputs



## Aguas del Maipo S.A.

The Aguas Group's involvement in the energy and electric sector is based in this subsidiary, ever since its establishment in 2011.

In September 2014, Aguas del Maipo began the construction of the Methanization plant, in order to convert biogas generated in the La Farfana Sewage Treatment Plant into Biomethane, a fuel compatible with natural gas, to be delivered into the Metrogas distribution network. In 2016, the plant will complete the process necessary for making the biogas compatible with natural gas as defined in the NCh 2264.





## 1.9/ Our Company

# Sustainable Development

In 2015, Aguas Andinas took on new challenges for the coming decades to continue adapting to the phenomenon of climate change, as well as new and increased demands of a society that has higher expectations for the companies' social, environmental and economic performance.

Among last year's major achievements, the Company opened new spaces for dialogue with stakeholders which led to a series of initiatives, including: a comprehensive review of its sustainability strategy in relation to its goals, commitments, practices and policies; a process of organizational and cultural transformation, in order to run a more modern and efficient business with greater ability to adapt to changes; and a new acquisition model for purchases.

### Major advances

On governance, the Company began the gradual adoption of the Superintendence of Securities and Insurance (SVS)'s General Norm N°385, which aims to disseminate corporate governance practices so that investors have sufficient information when making investment decisions. Under this standard, listed corporations also must provide information

on their policies for social responsibility and sustainable development. The first Compendium of Good Corporate Governance Practices of the Company arose in this context.

As part of the Company's review of its sustainability strategy, the Corporate Management Office for Communications, Corporate Affairs and CSR moved forward with the design of a new Sustainability Policy approved by the Board of Directors; reformulated its engagement policy to include a diagnosis of programs to connect with communities neighboring its strategic installations. The process included a survey of expectations held by neighbors and local authorities, which will be translated into new work goals. In 2015 a pilot project in the community of El Trebal was implemented, the Avanza-Emprende (Advance-Embark) Neighbor Program. The project involves training nine neighbors to be incorporated into the Company's value chain, and is in the startup activities phase. Additionally, in the context of the severe drought primarily affecting the country's central region, the Company launched two communications campaigns on responsible water use: the first in March to mark World Water Day and the second at year-end, #Usaloquenecesitas (#Usewhatyouneed), which achieved significant diffusion throughout notable points of Santiago.

At the organizational level, and in order for the Company to have a more efficient and

flexible internal structure for addressing new challenges, the Corporate Management Office for Organization, Human Resources, Administration and Innovation initiated a process of organizational and cultural transformation so that the Company can adapt to new needs and demands of its clients. As a result it incorporated a model of functional dependence and matrix-based organization, in a move towards becoming a more efficient organization. In practice, the process led to a change of the Company's vision, purpose and principles. Through an internal and participatory process that consistently meets challenges, Aguas Andinas' new vision is: **To become a leader for environmental sustainability in Chile, ensuring water for future generations.**

In order to strengthen its procurement and purchasing, the Corporate Management Office for Finance and Purchasing started a transformation process to shift to a more efficient procurement model with a more proactive and long-term supplier relationship. As a first step, the Company created a management office for purchasing and developed a plan for the next 3 years.

The Corporate Management Office for Clients, as part of its strategic plan, introduced new measures to address the most critical points in customer relationships and improve quality of service (new management of cutting services for debt.) Additionally, the Corporate Management Office for

Operations developed several actions and plans aimed at guaranteeing continuity and quality of service (comprehensive maintenance plan, strategic operations plan, a plan for critical points in the network, etc.).

Finally, the Corporate Management Office for Engineering, Planning and Systems set about strengthening the production of potable water, planning new investments and developing a Drought and Climate Change Plan. The Plan establishes the first lines of work for the 2015-2030 period, including projects for efficient resource management; advanced studies and climate monitoring; and studies on demand and consumption, among others

### More information in the 2015 Sustainability Report



“With our **AVANZA project**, some of our neighbors have become suppliers for the Company. In this way they have become part of our value chain, creating shared benefit, not only for them but also for Aguas Andinas,”

*Ana Isabel Olate,  
Corporate Director of Communications, Public  
Affairs and CSR.*





# A VITAL RESOURCE



**A company that is prepared for future challenges**



# Chapter 02

Year  
2015





02 / Year 2015

## Year 2015: A new step in development

Over the year we progressed in our goal of providing a quality and timely service to our clients, with efficient and robust operations that anticipate the effects of climate change, and with a closeness and empathy towards the community and neighbors, always in tune with sustainable development.





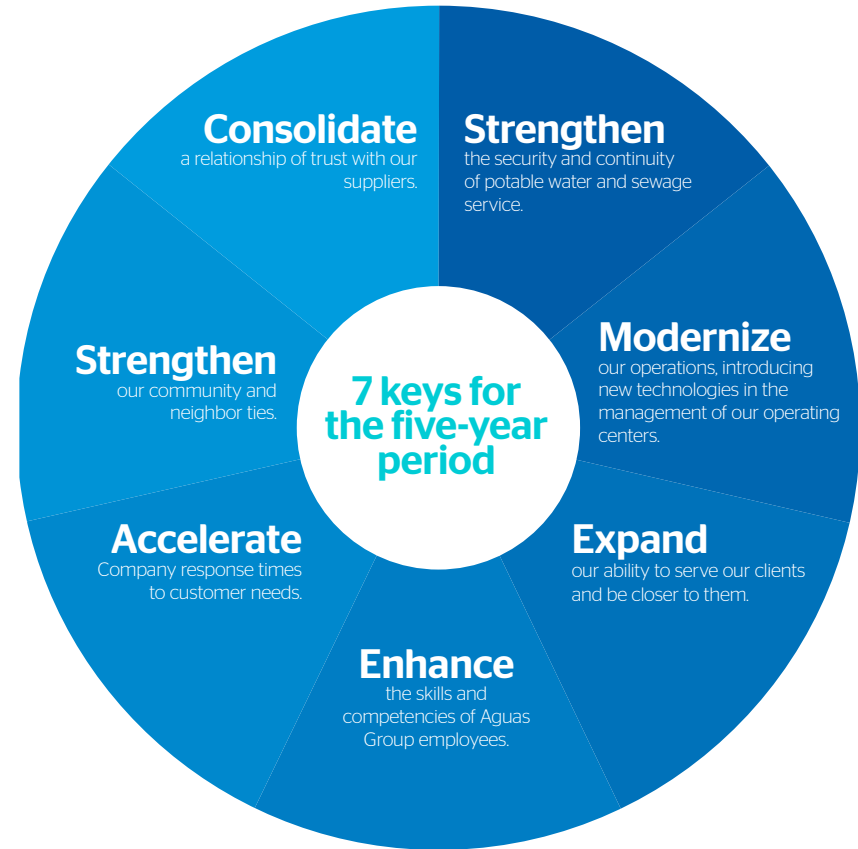


## 2.1 / Year 2015

## 2015 - 2020 challenges

During 2015, Aguas Andinas conducted a reflection on what the biggest challenges will be for the next five-year period, incorporating them into the framework for all projects that the Company undertakes and will undertake, with a look at the medium term.

We will strengthen our service and operations for responding to new requirements brought to us by the climatic environment, clients and the city of Santiago.



**2.2 / Year 2015**

# Aguas Andinas' drought management

**In 2015 the Santiago Basin saw its sixth consecutive year of drought, a climate phenomenon that threatens to be converted into a structural rather than cyclical process.**

According to research indicators, the effects of global warming on the planet are already being felt in our country. During the 20th century, the temperature of Chile's central zone rose between 1º and 2º C, in addition to registering a decrease in the surface area of glaciers. At the same time, the forecast models indicate that this temperature increase will continue throughout the century.

Additionally, Chile's Meteorological Office predicts a water deficit for the Santiago area of up to 57% for the year 2030 and up to 66% for 2050.

Given this scenario, and with the goal of increasing water availability and ensuring the continuation of the service, Aguas Andinas has conducted a series of actions with optimal results. Among other highlights include an integrated management of the stakeholders of the Maipo River, the purchase of raw water, and the leasing out of water rights. Along with

these, the Company is rolling out a recovery plan for groundwater production with the drilling of new drillholes for a total flow of 600 l/s, equivalent to an annual volume of 19 hm³.

Adding to this, measures are being taken to increase water efficiency with projects to reduce losses and decrease leaks in the distribution network.

All of these actions, together with a mass media campaign to promote the responsible use of water, have permitted the Company to ensure supply to all of its clients in the Metropolitan Region.

**“Faced with drought, the Company is moving forward with plans and projects for proactive management, since water scarcity not only can affect the availability of resources but also their quality,”**

*Jordi Valls, Aguas Andinas' CEO.*

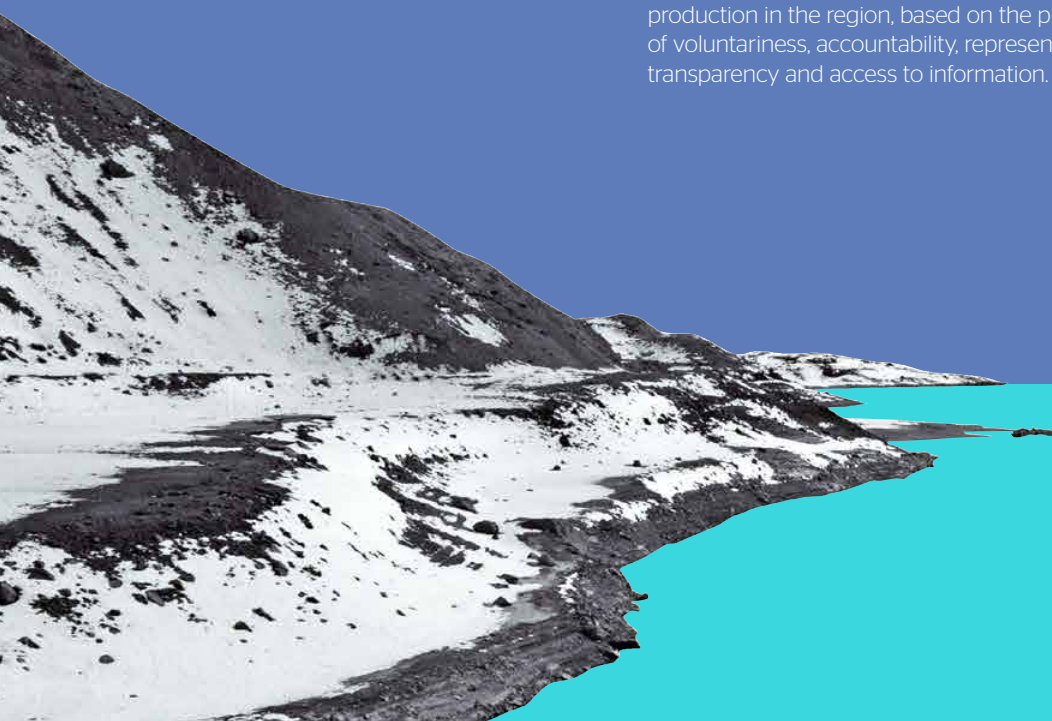


# Management of the Maipo and Clarillo sub-basins

In line with the responsible management of water resources, in October, Aguas Andinas signed a voluntary agreement for the management of the Maipo and Clarillo River Basins, a five-year instrument that promotes clean production among companies, interested organizations and competent agencies involved in the basin.

The aim is to promote agreements between the parties with the goal of enhancing the sustainability of the strategic natural resources and clean production in the region, based on the principles of voluntariness, accountability, representativeness, transparency and access to information.

In this manner, Aguas Andinas, along with other stakeholders, commits to ensuring the sustainability of productive activities in the subbasin, promoting collaboration and use of clean technologies and best practices in harmony with the environment; to moving towards water conservation and security, improving integrated management of the resource and its risks; and ensuring the health of ecosystems in the basin through preservation, conservation and recuperation, ensuring that their uses and ecosystem services are compatible.



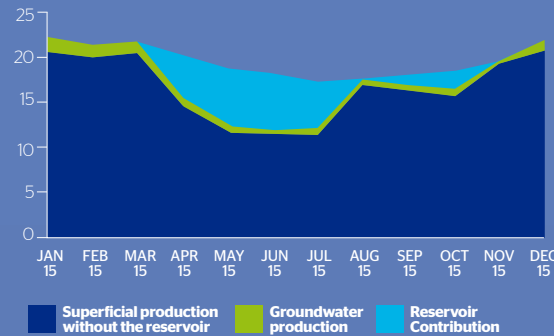


## El Yeso Reservoir, Aguas Andinas' largest regulation reservoir

The Company's potable water production receives substantial support from the El Yeso Reservoir, with an operating reserve capacity of 220 million cubic meters, which regulates support provided to surface sources, particularly in drought conditions like what is being experienced in Chile's central-northern zone.

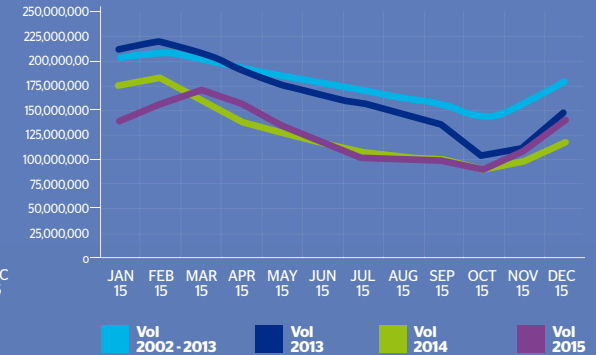
**Contribution of the Embalse El Yeso to the Production of Greater Santiago**

Flow (m<sup>3</sup>/s)



**Behavior of El Yeso Reservoir's water volume in 2015**

Volume (m<sup>3</sup>)



**220 million m<sup>3</sup>**  
is the operative capacity of the El Yeso Reservoir



## 2.3 / Year 2015

## Transformation process

**Aguas Andinas began a transformation process to adapt the organization to the challenges established for this five-year period.**

The objectives of this transformation process are to organize the Company, its tools and talents in order to:

- provide immediate and adequate responses to clients
- provide international best-in-class services
- conduct sustainable investments
- have an harmonious relationship with the city and its inhabitants

To support this process, the Deputy Manager of Transformation was established to lead these reforms and support with team training.

### Transformations in:

#### Operations

Creation of management teams for Networks, Water Efficiency and implementation of linked functions between teams.

#### Clients

Creation of the Service Experience Area, the Client Service Deputy Manager role, and the Rural Potable Water Area which depends from the Commercial Development Area.

#### Purchases

Elaboration of a new strategic purchasing model which improves tendering processes and high quality supply chain management.

#### Management Control

Centralizing this function through the creation of the new role of Control Business Partner and the Control Management business unit.

#### Assistants

Redefinition of the role of assistants which now replace the secretaries of each business unit.



**“A service of excellence requires talent, innovation, teamwork and openness to change. Our focus aims to give our organization an appropriate structure, according to the challenges that we have set,”**

**Sandra Andreu,**  
Corporate Organization and Human Resources Manager.





## 2.4 / Year 2015

## Transforming waste into resources

**Aguas Andinas has begun the process of developing resources from the waste generated in its treatment plants, also encouraging energy savings strategies in order to build a more sustainable management.**

As part of its sustainable development approach, Aguas Andinas is making beneficial use of byproducts that result from the sewage treatment process. Thus sludge or bio solids that are generated in this process are being utilized as fertilizers and soil improvers, mainly for field crops (corn, wheat and grassland).

In addition, the biogas generated in the Trebal-Mapocho Sewage Treatment Plant is suitable for use as fuel for three cogeneration motors that produce electricity, which is consumed primarily at the same installations; and heat energy, which is used for heating and treatment of sludge. For their part, the biogas generated in the La Farfana and Talagante sewage treatment plants is used in the boilers to head the biodigestors.

### Farfana Biogas Methanization Plant

Through its subsidiary Aguas del Maipo, the Company is participating in the production processes to purchase, purify and sell the biogas generated by the La Farfana plant.

To this end, in September 2014 construction began on the Methanization plant which will convert biogas from the La Farfana WWTP into biomethane compatible with natural gas, which will be injected into the Metrogas distribution network. For this to occur, after the elimination of  $H_2S$  (hydrogen sulfide), the biogas is compressed to 10 bar for  $CO_2$  removal (carbon dioxide) through Air Liquide membranes, raising the content of  $CH_4$  (methane) from 63% to 96%, making it compatible with natural gas defined in the NCh 2264.

### Energy Efficiency Plan

The Aguas Group, with an aim of long-term sustainability, is looking to incorporate formal elements of energy management to guarantee sustainable processes.

Given this concept, the group developed an Energy Efficiency Plan that aims to lower operating costs, reduce the Company's Carbon Footprint, promote the inclusion of renewable energy technologies in its processes and train employees to get involved and actively participate in this challenge.

The development of an Energy Efficiency Plan includes implementation of an initial phase, consisting of Energy Audits that allow for project development, along with a Master Plan that will gradually roll out. In 2015 training began for employees and so did the development of an Energy Management System and public tenders for energy audits and the construction of a micro turbine power generation in San Antonio.



2.5 / Year 2015

## Client service

**In 2015, a change in focus was experienced in customer management, focusing on improving customer perception about the Company and the services it provides.**

The new Client Strategy, which has a five-year horizon, puts the client at the center of Aguas Andinas' work, promoting initiatives related to ensuring the availability of basic services, improving service experience and how clients perceive their benefits, enhancing multi-channel customer attention and implementing new platforms for actively listening to our consumers.





## Client Strategy 2015 - 2020

Aguas Andinas' Client Strategy, elaborated for a five-year period, began implementation and development during 2015. The idea is to strengthen the Company's ties with all clients through its presence in the city of Santiago, by developing 52 initiatives that will take place between 2015 and 2020.

Over the year advancements were made, especially regarding payment methods, establishing new survey methodologies, a new system of scheduled outages and a Contact Center platform, among other projects.

### Development of payment channels:

During 2015 more than 5,000 external items were consolidated for bill payments - both virtual and in-person-, with the goal of making life easier for clients. Thus, external revenue was prioritized, with a wide range of payment options via different channels and methods. Along with this, a process of eliminating internal revenue began, reaching in December 95% of implementation. Thus, the commercial agencies will focus exclusively on better serving clients, along with solving their problems and needs.

### Online system for disconnection and reconnection:

We improved this process giving clients more options to pay their bills in the field, and by doing so, avoid disconnections due to debt.

### New system of planned outages:

When a planned outage will affect 10,000 clients or more, a special protocol is triggered that includes a 30 days prior notice prior for each affected client, promotional presence and brochures in open fairs and places with large numbers of the public and coordination with affected municipalities, among other actions.

### New Contact Center Platform:

In May a new Contact Center was implemented, allowing an excellent level of attention, with more potential for interaction and efficiency improvements. In this way it is possible to interact with the customer, recognize their telephone number and access their contact history, which facilitates and speeds up the attention.

### Bidding for a virtual agency and business portal:

In 2015 a bidding and adjudication process was carried out for a new virtual agency and business portal, a project to be implemented in 2016. This virtual agency will integrate all complaints into the same platform, regardless of the channel through which they arrive - Contact Center, Twitter, Web, etc.- and will also include attention by virtual chat.

### Twitter

Over the year, Twitter was consolidated as a channel with more attention. It permits disseminating thematic campaigns, such as proper use of the sewage system, resource care, etc; and at the same time acts as a complaints channel that is agile, expeditious, efficient and offers immediate resolution for the customer.



**“The development of payment channels introduces new technology to make this process easier, flexible and with better results,”**

**Eugenio Rodríguez, Corporate  
Customer Service Manager**

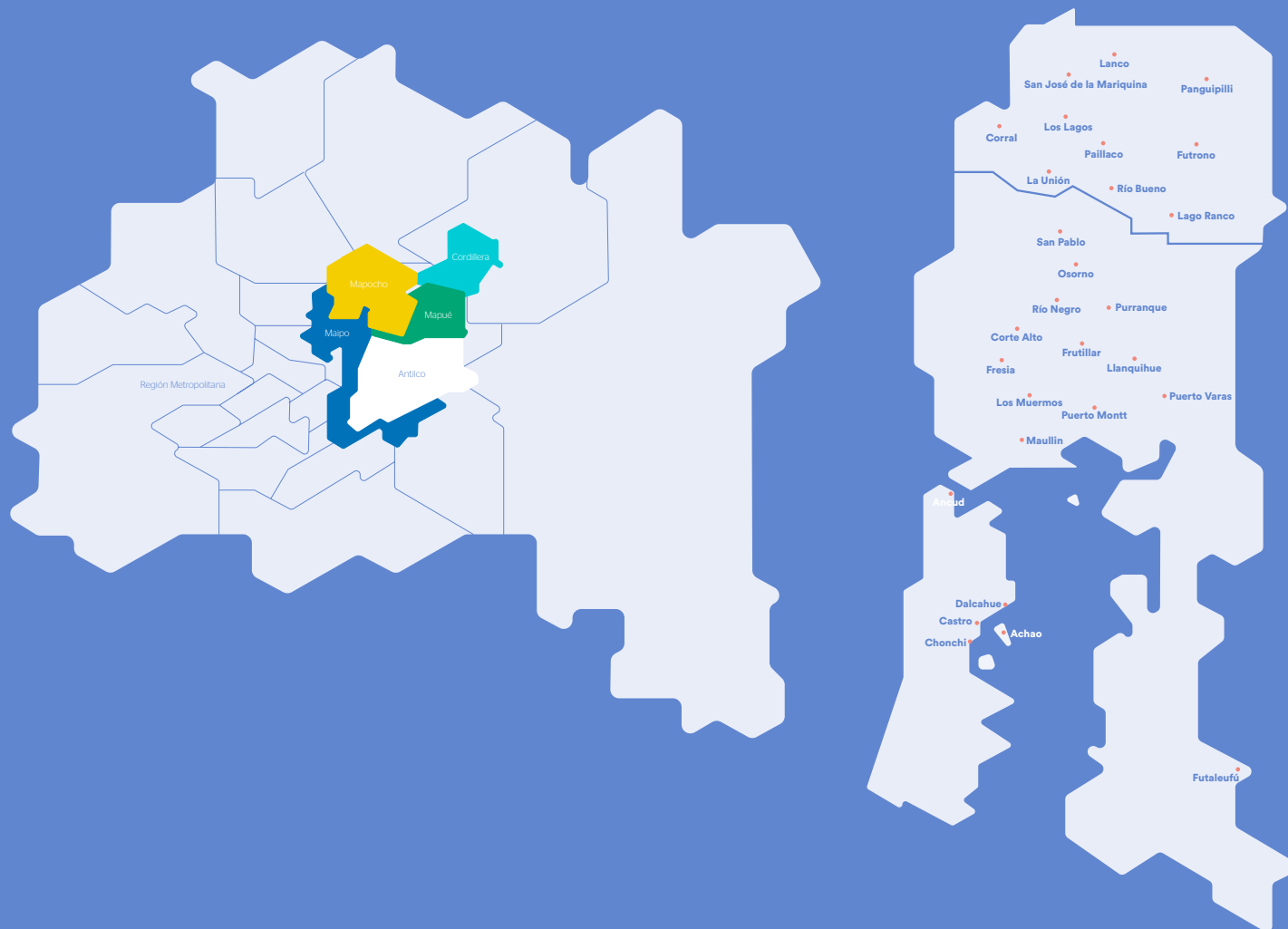


## Regional breakdown

Our Company is structured with territorial divisions that consider commercial regions with the objective of being closer to clients and to be able to take care of their requirements in an agile and efficient manner..

### Potable water clients <sup>(1)</sup>

Regional breakdown	2014	2015
Antilco	555,907	563,279
Cordillera-Mapué	592,132	609,230
Maipo	127,765	131,679
Mapocho	609,845	629,653
ESSAL	211,350	215,832
<b>Total</b>	<b>2,096,999</b>	<b>2,149,673</b>



<sup>(1)</sup> The term "client" corresponds to the natural or legal person that inhabits and/or resides in the property that receives the public services of potable water, sewage collection or both.



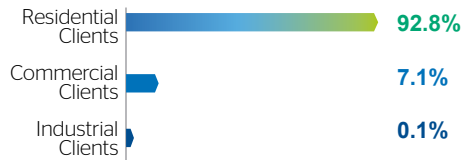


## Clients in figures

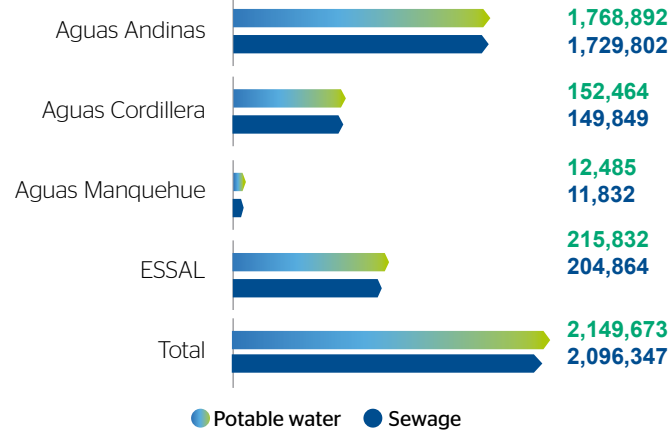
At the end of 2015, Aguas Andinas had 2,149,673 potable water clients at the consolidated level. This equates to a growth of 2.5% compared to the previous year. Sewage service clients, meanwhile, amounted to 2,096,347, indicating an increase of 2.5% compared to 2014.

Of the total potable water clients, 76% of clients had subsidies, this is equivalent to 163,496 subsidized clients. This permits stable payments and lower level of defaults for the Company.

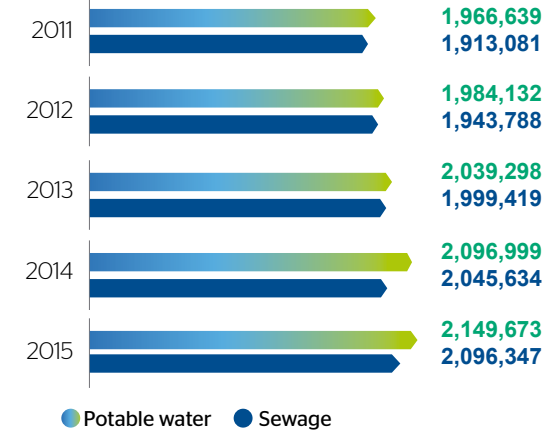
### Consolidated potable water clients



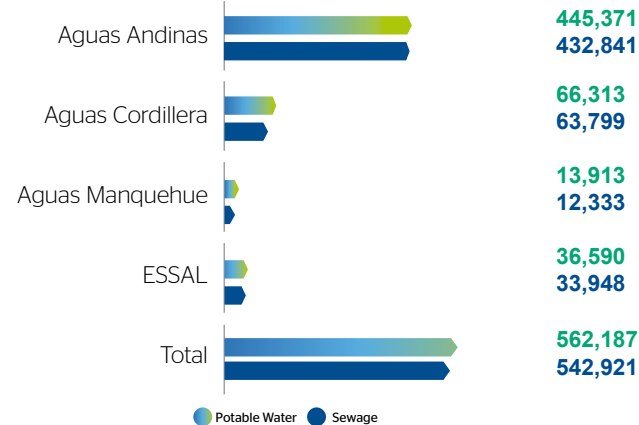
### Number of clients in 2015 by company



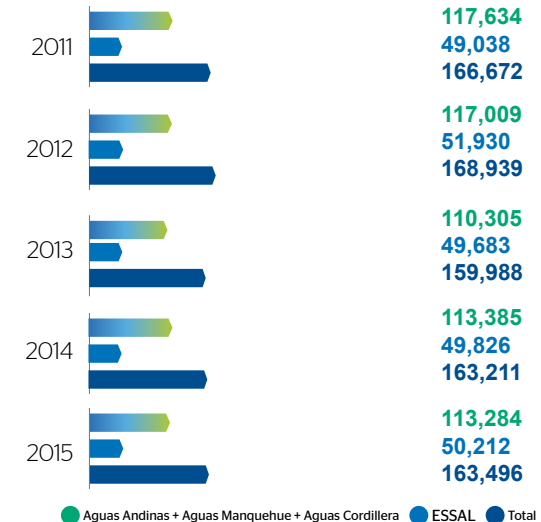
### Consolidated number of clients



### Consolidated cubic meters billed in 2015



### Number of subsidies (\*)



(\*) Families who receive subsidies for the payment of their bills for potable water and sewerage services.



## Management of new concessions

During 2015, 22 concession expansion requests were awarded, these are detailed below:

<b>N° 2015 Concession Increase</b> (Those for which publication in Official Gazette under the MOP Decree was in 2015)	<b>Town</b>	<b>Surface Area (Ha)</b>	<b>Clients (n°)</b>	<b>MOP Decree (n°and date)</b>	<b>Publication in Official Gazette (date)</b>
1 Road to Melipilla N°6913	Talagante	0,5	1	N° 461 12/03/2014	02/16/2015
2 Santa Elvira Lote 3	Cerro Navia	7,5	608	N° 462 12/10/2014	02/16/2015
3 La Hondonada Park	Cerro Navia	28,9	1	N° 540 12/30/2014	03/16/2015
4 Loteo Pasaje 4, El Canelo	San José de Maipo	0,3	3	N° 90 02/13/2015	04/15/2015
5 Planta Air Liquide	San Bernardo	2,5	1	N° 542 12/30/2014	03/16/2015
6 El Molino III	Buin	1,0	52	N° 89 02/13/2015	04/15/2015
7 Villorrio Esperanza	Buin	3,9	115	N° 94 02/18/2015	04/15/2015
8 San Luis N° 3495	Talagante	0,6	1	N° 134 04/24/2015	07/15/2015
9 Sol de Talagante	Talagante	2,1	141	N° 132 04/24/2015	07/15/2015
10 Las Palmeras de Malloco	Peñaflor	11,7	596	N° 181 06/22/2015	09/15/2015
11 La Era	Buin	4,0	196	N° 167 06/10/2015	09/01/2015
12 Villaseca N° 1396	Buin	18,8	702	N° 166 06/10/2015	09/01/2015
13 San Pedro Lote 2	Melipilla	5,1	167	N° 160 06/05/2015	08/17/2015
14 San Luis Parcela 7A	Quilicura	4,2	249	N° 262 09/03/2015	11/16/2015
15 Comercial Errázuriz Ltda.	Buin	0,9	1	N° 222 07/30/2015	10/15/2015
16 El Carmelo II	Buin	2,7	127	N° 195 07/07/2015	09/15/2015
17 Los Bosques de Río Viejo	Pudahuel	0,7	115	N° 210 07/17/2015	09/15/2015
18 Las Flores IV	Peñaflor	0,8	69	N° 221 07/30/2015	10/15/2015
19 La Era Lotes A2 y A3b	Buin	8,4	429	N° 284 02/10/2015	12/15/2015
20 Mirador Lo Campino	Quilicura	70,5	1.402	N° 282 10/02/2015	12/15/2015
21 Av Central N° 306	Peñaflor	3,2	130	N° 278 10/02/2015	12/15/2015
22 Jardines de la Isla	Isla de Maipo	1,8	90	N° 283 10/02/2015	12/15/2015
<b>TOTAL</b>		<b>180,1</b>	<b>5.196</b>		

Additionally, in December 2015, several requests for extending concessions were being processed for the communes of Talagante, Buin, Peñaflor, and Paine, which together comprise an area of 54.1 hectares and 2,488 new clients.

In addition, during this period, 26 service provision contracts were subscribed in Rural Zones for 364 households.



## Rural potable water

Aguas Andinas' scope goes beyond urban areas. In fact, it extends to rural parts of the Metropolitan Region, the Region of Los Lagos and Los Regios as an active collaborator of the Rural Potable Water Program (APR), promoted by the Ministry of Public Works through the Directorate of Hydraulic Works.

This program is designed to increase potable water coverage in rural localities, contributing to economic development and social integration in the country.

Understanding the importance of the program for poor people living in rural communities in the region, and aligned with a vision of environmental sustainability, Aguas Andinas has chosen to become a major player

in its development and growth, participating as Technical Unit of the Directorate of Hydraulic Works.

Thus the Company's multidisciplinary teams provide support services and counseling to 354 committees and unions affiliated with the Rural Water Supply program in the region. The activities are geared at training and assisting leaders and workers of the organizations who manage and operate the systems in each of the locations. These activities consist of regular visits and conducting various local and regional conferences, where subjects such as governance, finance and accounting, infrastructure, occupational health and safety, and the environment are addressed, so that the communities can manage and operate services in an orderly

and sustainable manner, with the permanent support provided by the Company's teams.

In virtue of the Ad-Referendum agreement, advisory and assistance visits were conducted by specialists in the following areas: Organizational, Community, Technical-Operational, and Legal Patrimonial areas.

In addition, the Company participates in APR's Project Management by reviewing the technical feasibility to construct new APRs or expand or improve existing infrastructure. Thus, each year an investment portfolio is developed that includes the construction of engineering projects, drilling deep wells, and constructing installation, maintenance, expansion and improvement works for water infrastructure.

In this area, the Company's teams is key to conduct legal research and acquire new land to construct infrastructure, establish water use rights for the benefit of communities and apply for projects to the Ministry of Social Development for the approval of the necessary funds. It also supports communities to obtain clean titles to their land and regularize water rights exploitation.

In 2015, with the support provided by the Company, the government was able to develop \$19,500 million pesos of investments in the Metropolitan Region. An important part of these public investments has focused on the sectors most impacts by the water shortage affecting the central region.





## Rural potable water

Year	Startups	APR Services	Supplied Population
2013	98,850	336	499,250
2014	101,745	342	508,725
2015	109,045	356	545,225

The challenge for the coming years is to continue supporting the Office of Hydraulic Works to ensure that rural communities have more and better management tools that allow them to achieve self-sustainability goals, to enhance and increase investments carried out by the state, particularly in semiconcentrated and disperse areas in the region. This will increase the coverage of beneficiaries in the region, incorporate new technologies and make inroads on rural sanitation coverage.

**With the plan for Rural Potable Water, 109,045 households currently benefit in the region, with an estimated population of 545,225 inhabitants, which means 100% coverage for concentrated rural localities.**

With the plan for Rural Potable Water, concentrated rural localities have

# 100% coverage





## Tariffs

As a result of the sixth tariff-setting process, as of March 1 2015 a new agreement entered into force between Aguas Andinas and the Superintendence of Sanitation Services (SISS), establishing the values of sanitation services for the 2015-2020 period. Likewise, for Aguas Manquehue the agreement began May 19, 2015, and for Aguas Cordillera on June 30 of the same year.

### The new agreement includes the following results:

- For Aguas Andinas and Aguas Cordillera tariffs were maintained in real terms
- For Aguas Manquehue tariffs were reduced by 5%.

- Additional tariffs will be applied when construction investments come into operation, such as production safety infrastructure works in situations of high turbidity (increase of 1.1% in 2019) and nitrogen treatment works at the La Farfana and Trebal - Mapocho treatment plants (increase of 1.4% in 2018).

- Tariff discounts will be applied for non-regulated businesses once the Alto Maipo Project comes on line (decrease of 1.2% in 2018).

Meanwhile, ESSAL is in the middle of the tariff-setting process. In 2015 the Company worked to develop the technical studies, due to be submitted in March 2016.

**This new tariff process allows the Company to maintain tariffs which are at the lowest levels in the world, enabling easy access to this resource for everyone.**

**In addition to this, these tariffs also allow the Company to conduct significant investments in high quality potable water production and networks in order to ensure water for the future generations.**



## Suppliers

Aware of the importance of its suppliers, in 2015 Aguas Andinas conducted a comprehensive assessment of the situation of the Company's suppliers. This assessment will seek out loyalty initiatives to empower suppliers as part of the supply value chain, increase the number of skilled service providers in their public tenders, and aim to build good relationship practices.

### **The main focus to be strengthened to advance this new relationship with suppliers were identified:**

- Long-term collaborative relationships.
- Focus on clients and users.
- High standards of service.
- Transparency and competitiveness.
- Measurement and control.
- Increased application of technological tools.
- Facilitate communication between providers and the Aguas Group
- Generate greater confidence on the part of the Company's suppliers, creating long-term relationships and mutual development.
- Strategic alliances with suppliers that are central to the Company, strengthening and maintaining a close relationship that seeks the greatest benefits for the Aguas Group.

- Equal opportunities and incentives for continuous improvement to deliver the best products and customer service.

Along this axis, during 2015 Aguas Andinas began to modernize its procurement and bidding management systems, which included a revision of the procurement and bidding processes, development of new communications channels, enhancement of joint innovation, promotion of supplier evaluation and development, and achieve an advanced management of records. Along these lines, a new Suppliers Portal was incorporated which includes improvements in the delivery of information.

Also, during the year, meetings were held with strategic suppliers in order to know their plans of service continuity in the supply chain, enabling them to learn about contingency programs in the supply of strategic products, like chlorine, fluoride, polymers, coagulants, etc.

The Company also continued participating in rounds, fairs and business meetings, in order to meet and capture new suppliers, promoting greater influx in the number of suppliers that were submitted to public tenders conducted by the Company in 2015.

At the same time the need for tenders to permit generating economies of scale and scope was noted, focusing on suppliers for repairing the potable water and sewage networks. For the aforementioned, an open exposition was scheduled, in which Aguas Andinas presented its Triennial Plan (2015-2017) for its Water Pipes and Drainage Renewal Process, with a high attendance for new suppliers. As a result of the exposition, improved adherence to the public tender was achieved. Additionally, a bidding was held for updating the potable water and sewage networks with competitive prices and heightened quality standards, linked to the shared value between the Aguas Group and its suppliers.

**One of the challenges of the 2015-2020 five-year period is to move towards the consolidation of trust relationships between the Company and its suppliers.**



## 2.6 / Year 2015

# Operational management

**Strengthening the production of potable water, with an emphasis on quality, capacity expansion, and improvement of facilities, was one of Aguas Andinas' main goals in 2015.**

In order to provide greater stability to potable water and expand treatment capacity, in 2015 approximately 127 billion pesos were invested, making it the second largest annual investment in the Company's recent history.

This investment volume was intended primarily to finance Aguas Andinas' Strategic Plan, which seeks to place the customer at the center of all its business. To this end, the focus was placed on investments in potable water production, which means strengthening the production, improving the plants, and investing in new drilling, enhancing technology, safety and robustness of the operation.

In this manner the new Lo Pinto Arsenic Abatement Plant came into operation during 2015. Projects to install new filters in the Las Vizcachas Complex, at flow meters, at the La Dehesa tank and the La Dehesa - Los Trapenses tank began, as well as online measurements for potable water quality.



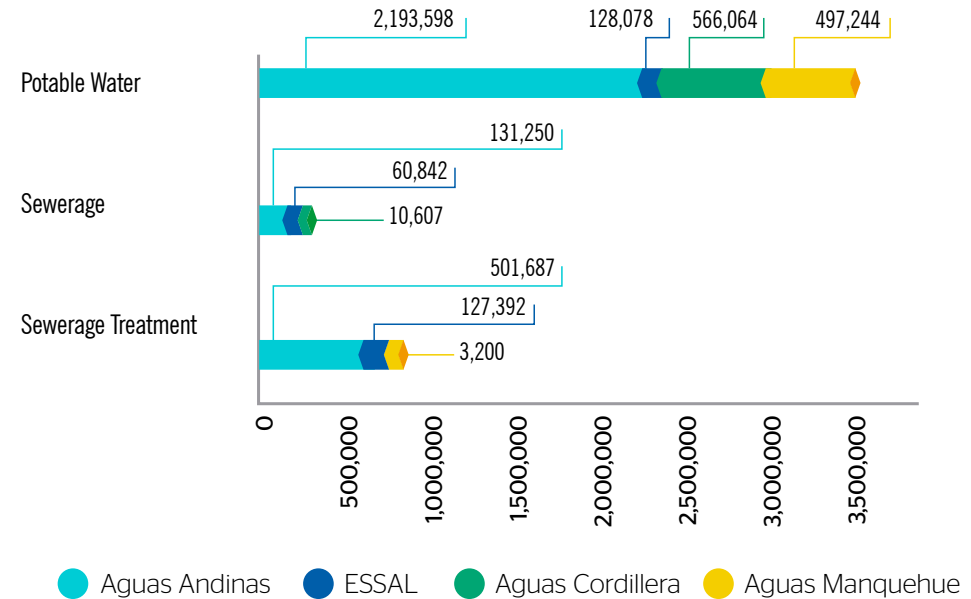
## Investment plans

Through the Company's 2015-2025 Development Plan, approved by the Superintendence of Sanitation Services (SISS), Aguas Andinas (including Aguas Cordillera, Aguas Manquehue and ESSAL) committed 4.3 million UF. This is primarily intended for potable water investments.

**49.55% of Aguas Andinas' investments in 2015 were expansion investments which were conducted in order to comply with the 2015-2025 Development Plan committed with the SISS. Other resources were allocated mainly to the replacement of operational assets.**

### Development Plan Committed to the SISS

2015-2025 Period (in UF)



Source: SISS Management Report 2014





## Investments of the period

Throughout 2015, Aguas Andinas' investment plan totaled \$126,858 million. Of this amount, \$122,413 million were allocated to investments in regulated companies and \$4,447 million to non-regulated companies.

Of the total investment in the Aguas Group's regulated companies, \$25,285 million corresponded to potable water production; \$26,938 million to distribution of potable water; \$12,658 million for sewage collection; and \$46,142 million for sewage disposal.

### Investments (MM\$)

	2011	2012	2013	2014	2015
Aguas Andinas	134,834	79,775	68,196	60,091	91,212
Aguas Cordillera (*)	3,458	4,945	9,200	19,200	17,934
ESSAL	5,480	6,683	8,506	9,044	13,265
Non-Regulated Subsidiaries	399	904	98	509	4,447
<b>Total</b>	<b>144,171</b>	<b>92,307</b>	<b>86,000</b>	<b>88,844</b>	<b>126,858</b>

\* Considers Aguas Cordillera and Aguas Manquehue.

### Investments by activity (MM\$)

	2011	2012	2013	2014	2015
Potable water production	7,214	12,391	36,834	29,202	25,285
Potable water distribution	12,563	15,177	16,239	20,900	26,938
Sewage collection	5,059	14,309	10,289	10,938	12,658
Sewage disposal	110,928	38,085	8,129	13,194	46,142
Other activities	8,008	11,441	14,411	14,101	11,388
Non-Regulated Subsidiaries	399	904	98	509	4,447
<b>Total</b>	<b>144,171</b>	<b>92,307</b>	<b>86,000</b>	<b>88,844</b>	<b>126,858</b>



**Aguas Andinas' total investment during 2015 was**

**126 858 MM\$**



## Investment in potable water production

From 2015 through 2020, Aguas Andinas' investment focus will be concentrated on the production of potable water. These initiatives include:

### Hydraulic Efficiency Plan:

Plan to be developed in three phases and aims to achieve a technical yield of 80% within five years. The first phase began in 2015, which involves development of a transformation plan for the distribution network, both in infrastructure and in methodology and organization, allowing a transition from current performance (69%) to the expected (80%).

To manage this project, which seeks to recover 70 cubic hectometers of potable water, a specific management area was created and put in charge of ensuring proper development of the plan in each of its stages.

### Production Plant Upgrade Plan:

Program that provides for a complete modernization of water purification facilities, which involves process automation, automation and remote control of the operation, including all areas of the production plants.

Along with this, a five-year emergency plan is also being developed, which

looks to adapt the premises in terms of image and safety, together with maintenance plan to keep this new standard.

### Operations Control Center Upgrade:

During 2015 the groundwork was laid for bidding on the upgrade plan for the Operations Control Center (OCC). The project includes 100% of the updating of the hardware and software platforms, along with the basis for a Resource Management Center and implementation of operational help tools, expert systems for decision-making, an advanced alarm system, information viewing platform, and indicators and reporting platform.

### Network Automization:

Alongside the Operations Control Center upgrade, an automization of the critical and strategic operations will be conducted, involving the inclusion of 100% of the tank filling valves and pumping stations, among other parts, to achieve 99% availability of the system and 90% availability for communications.

### Control Plan for Potable Water Quality:

This plan is oriented around the implementation and integration of 47 water quality control points visible online into the OCC. The goal is to have network analyzers that allow for controlling and measuring water quality remotely.

### Chlorine Gas Migration Plan:

Seeks to reduce the operating risks involved in handling chlorine gas within a period of four years (until 2018). The plan involves those enclosures that use this gas by neutralization towers and the migration to hypochlorite.

### Management of Critical Points:

Aims to eliminate potential risks, both in quality and continuity of potable water supply. To do so, a mapping of the critical points was conducted, determining the investment required to reverse these situations, also in a five-year period.

### Renewal of Networks:

Seeks to renew the networks of both potable water and sewerage, starting with the most urgent needs according to criteria established through decisionmaking. Additionally, incorporates new technologies in the renewal methods.

### Strategic Operation Plan:

Promotes the interconnection between different systems, looking for the splitting of alternative sources and volumes of sufficient regulation. Includes the implementation of elevation systems with equipment backups that ensure the continuity of service and an increase of backup power coverage for both capacity and duration. This is a multi-year project.

### Integral Maintenance Plan:

Move from a primarily corrective maintenance to a preventive one, with policies for repositioning assets and a replacement policy, increasing its coverage. In this manner, it seeks to reduce the corrective time by 25%, improving the availability of operational processes.

**“The Hydraulic Efficiency Plan will allow the recovery of 70 cubic hectometers in the year 2020”**

**Manuel Baurier, Corporate Operations Director**





## Investment in autonomy and security

Climate change is causing an increase in the frequency of convective rainfall in the mountains. These rains, which are characterized by high intensity and short duration, are at risk of causing floods and landslides, increasing the turbidity of the river, and cause the closure of potable water production plants.

To avoid this situation, the Company is constructing a large tank for raw water, with a capacity of 1,500,000 cubic meters, allowing greater availability of water, bringing autonomy and security to the system.

The Pirque Tank, as it is called, went through the Environmental Impact Study phase at the end of 2015 and it is expected that the citizen participation process will take place in 2016. In this manner, with a total estimated investment of around 90 million dollars, this project will allow for an increase in the autonomy of the system from 9 to 32 hours, in cases of extreme turbidity where closure of the Independent Intake of the Maipo River is required.

This large tank will be located 7 kilometers from above river from the Las Vizcachas Complex. Its functioning is planned for 2019.

Location of the Pirque Tank



**The Pirque Tank will increase the autonomy from 9 to 32 hours for the supply of potable water to Greater Santiago in the event of extreme turbidity that force closure of the Independent Intake in the Maipo River.**





**security tanks, with a total volume of 225,000 m<sup>3</sup>.**



## Investment in expansion of sanitation capacity

In order to have the necessary infrastructure to respond to increased demand for sewage treatment, which is due to the growth of the Greater Santiago population, and to provide the system with the required security capabilities, the Trebal-Mapocho Complex is being expanded through the construction of the fourth module. The civil works and the corresponding contract for supply of equipment, installation and commissioning were awarded in December 2014; and construction began in February 2015.

This expansion, which is scheduled to go into operation during the first quarter of 2017, will increase the treatment capacity by an additional volume of 2.2 m<sup>3</sup>/s, with an estimated investment of 120 million dollars. Thus, the Trebal-Mapocho Complex will have a treatment capacity 8.8 m<sup>3</sup>/s.

**The expansion of the El Trebal-Mapocho plant corresponds to its fourth stage and is part of sanitation service safety, given the growing population of the city of Santiago**

**By 2017, the El Trebal-Mapocho complex will increase its treatment capacity by**

# 2.2 m<sup>3</sup>/s





2.7 / Year 2015

# Water cycle

From raw water catchment to restitution to the environment of treated water, Aguas Andinas and its subsidiaries operate the water cycle responsibly, thinking about future generations.





## Catchment and production

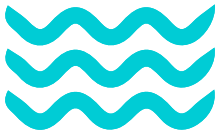
### Sources

Main sources of raw water catchment:



Maipo and Mapocho Rivers in the Metropolitan Region.

Secondary sources:



Natural aquifers that cross the concession area.

### Water reserves in Greater Santiago



**Laguna Negra**

**600**  
Million m<sup>3</sup>



**El Yeso Reservoir**

**220**  
Million m<sup>3</sup>



**Laguna Lo Encañado**

**50**  
Million m<sup>3</sup>

### Potable water production plants

#### Metropolitan Region:

Las Vizcachas Complex, La Florida Potable water Production Plant, and 14 smaller installations, Padre Hurtado, Lo Gallo, San Enrique and El Sendero. In addition there are four plants for abating arsenic.



**14** smaller installations



**4** arsenic abatement plants

#### Los Lagos and Los Ríos Regions:

Several production facilities that supply the needs for 33 localities in the concession area.

### Potable water production plants

Consolidated production of potable water, measured at plant outtake: 823.9 million m<sup>3</sup> (670.4 million m<sup>3</sup> corresponded to surface waters and 153.5 million m<sup>3</sup> to groundwater).

**Surface Water**



**670.4**  
Million m<sup>3</sup>

**Groundwater**



**153.5**  
Million m<sup>3</sup>





## Catchment and production

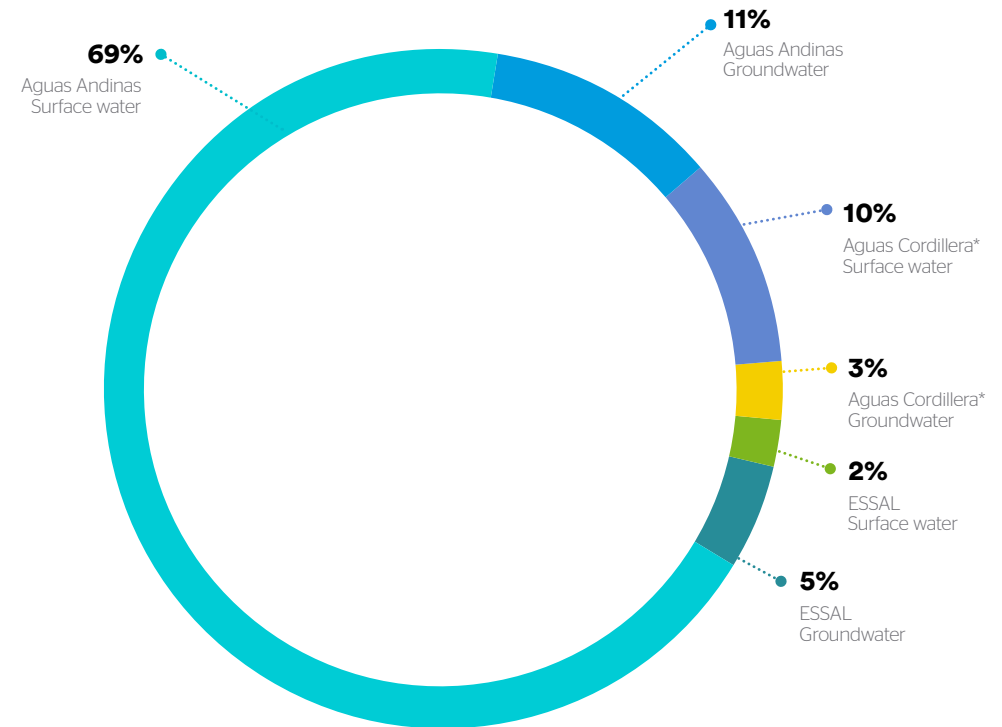
At the consolidated level, the Aguas Group has a production capacity of 32.23 m<sup>3</sup> per second, of which 28.43 m<sup>3</sup>/s correspond to Greater Santiago and 3.8 m<sup>3</sup>/s to ESSAL.

### Potable water production (Million m<sup>3</sup>)

Company	2011	2012	2013	2014	2015
Aguas Andinas surface water	545.0	527.2	527.9	545.2	567.3
Aguas Andinas groundwater	78.2	87.4	89.2	92.5	90.8
Aguas Cordillera (*) surface water	68.6	68.6	78.8	80.5	82.5
Aguas Cordillera (*) groundwater	25.9	25.9	19.6	24.9	22.4
ESSAL Surface water	19.3	20.4	21.5	19.3	20.6
ESSAL groundwater	33.9	36.5	38.7	39.5	40.3
<b>Total</b>	<b>770.9</b>	<b>766.0</b>	<b>775.7</b>	<b>801.9</b>	<b>823.9</b>

(\*) Aguas Cordillera includes Aguas Manquehue.

## Composition of Potable Water Production





**823.9 million**  
m<sup>3</sup> was the total annual production of potable water

### Maipo River flows, at El Manzano, under natural conditions (m<sup>3</sup>/s)

	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	Probability of exceedance
<b>2007</b>	239.4	138.1	107.2	72.1	61.4	58.2	54.5	48.7	56.6	89.4	127.9	137.9	
<b>Percentage</b>	32%	49%	37%	38%	40%	45%	55%	69%	64%	51%	66%	78%	<b>52%</b>
<b>2008</b>	130.7	98.6	66.6	53.1	94.4	93.6	61.9	81.7	81.9	120.1	248.8	286.8	
<b>Percentage</b>	78%	77%	83%	75%	11%	8%	41%	17%	25%	23%	14%	0,22	<b>40%</b>
<b>2009</b>	209.2	157.5	120.6	90.2	65.3	58.3	55.2	63.5	92	91.3	130,6	234.7	
<b>Percentage</b>	42%	37%	26%	18%	34%	45%	54%	38%	18%	48%	64%	36%	<b>38%</b>
<b>2010</b>	216.6	168.8	128.2	89.8	69.2	61.9	52	51.5	53.8	75.7	107.9	109.5	
<b>Percentage</b>	40%	31%	21%	18%	28%	37%	60%	63%	69%	67%	80%	89%	<b>50%</b>
<b>2011</b>	101.8	87	65	44.9	30.2	28	27.6	31.7	41.7	57.5	98.1	109.5	
<b>Percentage</b>	90%	85%	85%	89%	86%	98%	98%	96%	89%	87%	86%	89%	<b>90%</b>
<b>2012</b>	93.09	86.7	69.4	50.3	52	60.8	43	36	49.9	57	146.7	155.1	
<b>Percentage</b>	93%	85%	80%	80%	59%	39%	80%	92%	76%	87%	52%	70%	<b>74%</b>
<b>2013</b>	160.3	123.3	67.9	48.8	37.9	39.8	43.8	45.9	53	67.9	115.5	151.2	
<b>Percentage</b>	64%	60%	80%	82%	87%	87%	77%	75%	71%	77%	75%	71%	<b>76%</b>
<b>2014</b>	119.8	88.5	62.7	51.2	46.4	45.2	44.5	45.2	46.4	81.1	105.2	96.9	
<b>Percentage</b>	82%	84%	87%	78%	71%	74%	76%	74%	82%	59%	81%	93%	<b>86%</b>
<b>2015</b>	92.1	87.9	63.8	49	39.4	40.2	32.9	49.4	45.2	62.7	119.1	172.5	
<b>Percentage</b>	92%	88%	86%	82%	85%	85%	94%	65%	65%	82%	71%	60%	<b>81%</b>



## Transport and Distribution



### Management of Potable Water Networks

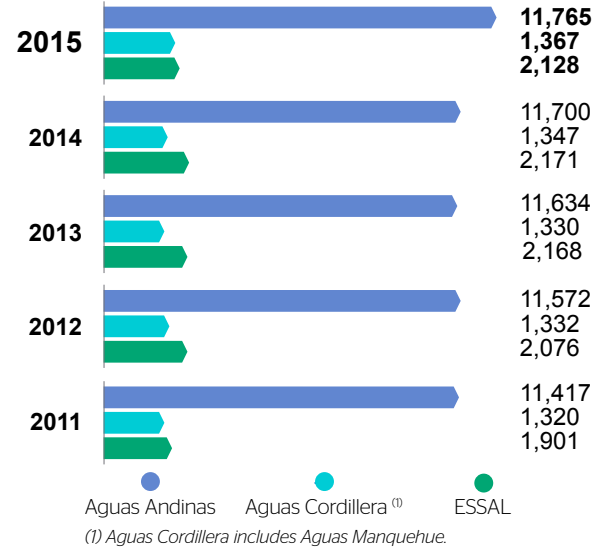
A model that seeks systematic reductions in ruptures in the distribution network. Currently the level of ruptures is less than 0.1 ruptures/km, a much lower figure than what is qualified as excellent for large global sanitation companies.

In 2015 the number of ruptures was 1,604 (14% more than the previous year).

### Evolution of ruptures / Number of ruptures per year



### Length of distribution network (km)



### Length of distribution network

Consolidated level (km)

**15,260**

Metropolitan Region (km)

**13,132**

Los Lagos and Los Ríos Regions (km)

**2,128**



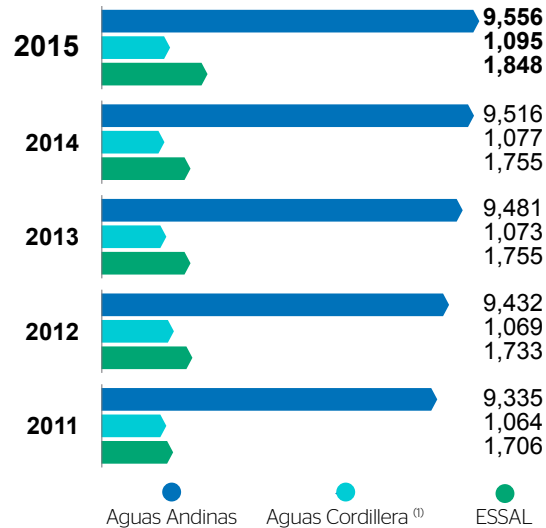
**The Aguas Andinas distribution network, whose layout coincides with that of the streets, transports and supplies potable water to all of the Company's clients.**



## Recollection



### Length of collection network (km)



<sup>(1)</sup> Aguas Cordillera includes Aguas Manquehue.

### Length of sewerage network

#### Consolidated level (km)

**12,499**

#### Metropolitan Region (km)

**10,651**

#### Los Lagos and Los Rios Regions (km)

**1,848**

The sewerage system collects and removes sewage, avoiding its direct contact with people, in order to later transport sewage to the treatment plants for purification.

Proper operation can prevent infections and problems with environmental pollution.







## Sewage treatment

### Sewage treatment plants

#### Metropolitan Region



**3**

large plants -El Trebal, La Farfana and Mapocho Plant.



**1**

plant located in the northwest region



**9**

smaller plants located in peripheral locations.

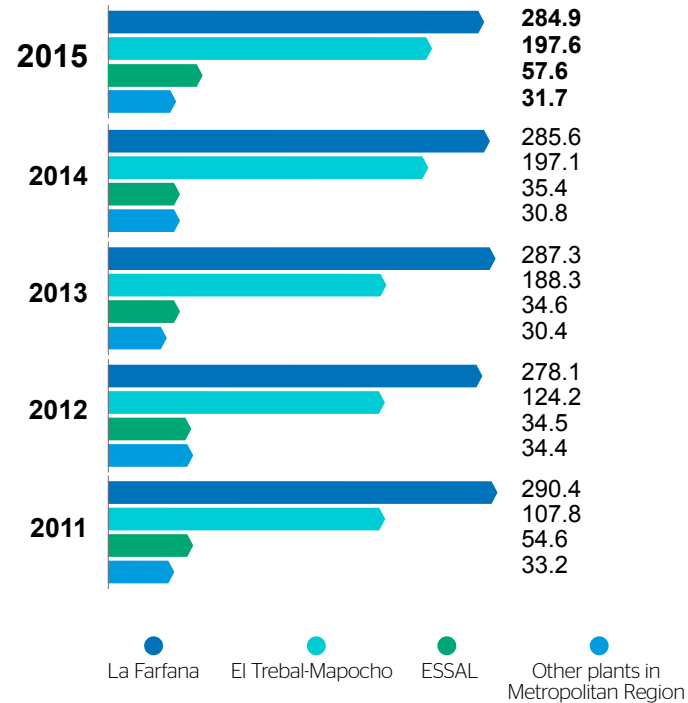
#### Los Lagos and Los Rios Regions



**29**

sewage treatment systems.

### Aguas Group sewage treatment (Millions of m<sup>3</sup>)



Sewage is purified at the treatment plants belonging to the Aguas Group, in order to leave them in optimal conditions for their return to the environment, in compliance with the legal standards in effect.

These facilities allow 100% coverage of sewage decontamination generated in the Metropolitan Region and in the localities of ESSAL.



## 2.8 / Year 2015

# Aguas Andinas' Workers

**Managing the skills of each person in the Company has been one of the challenges and focuses over 2015.**



To carry out all of Aguas Andinas' challenges in the short and medium term, a key factor are its workers. Each one of them, from their scope, contributes in a significant way to achieving objectives. This means enhancing their skills and competencies, along with adopting new forms for approaching the job in a more collaborative manner.

## Integrated Skills Management

In 2015 we continued the Integrated Talent Management project, which looks to develop and enhance the strength of human capital at Aguas Andinas, articulated through a Performance Management System.

The idea of the consolidation phase, after two years of project development, was to deepen and innovate in each of four areas: training, personal development, knowledge management and a system of objectives.

Thus, in 2015, the performance of all Company employees were analyzed, as well as the different compensation levels for strategic objectives. Important work was done in order to do this and align strategic objectives with individual goals.

An assessment of executives was also carried conducted out in order to assess their strengths and weaknesses and thus offer each one personalized training.

In 2015, technical training continued continued, offering postgraduate courses on hydraulic efficiency, asset management, and other issues relevant to management of the Company.

As for knowledge management, collaborative environments and digital libraries were developed, and more than 170 professionals were integrated into the knowledge domains so that best practices and knowledge can be shared.



## Knowledge Management Program (Gecon)



## Seven dominions of knowledge and seven collaborative environments coexist in the Gecon project.

The main objective of the Knowledge Management Program, "Gecon" in Spanish, is to identify the knowledge of the people who form the Aguas Group and make it available for use in other projects, promoting synergies.

Since its inception, Gecon breaks down structure and distances, bringing information to all areas of the organization in an easy and efficient manner. For this, knowledge domain platforms were developed, in which information is published and shared at the international level, encouraging collaboration and exchange of experiences on the same topic.

### The 7 domains of knowledge:

- Drainage (Sewage)
- Water Resources
- Energy
- Environmental Quality
- Supply Networks
- Clients
- Water Treatment

Meanwhile, the collaborative environments are tools for supporting daily work, arising from specific interest groups on particular initiatives.

### The 7 collaborative environments:

- Excellence 2.0
- Regulation
- Management Committees
- Integrated
- Non-Regulated Commerce
- Emerge Community (Innovation)
- Integrated Skills Management

Repeating the experience from 2014, during 2015 a Gecon Day took place, an activity that sought to promote the most innovative developments conducted during the year and, at the same time, an Open Gecon was held, specifically targeted at Aguas Andinas' strategic suppliers, in order to share knowledge and innovation with them.



**In 2015 “Emerge: Ideas that are born from water” began a new cycle, inviting employees to submit innovative ideas that can be transformed into projects that add value to the Company**



## Innovation

As in 2014, in 2015 a process to manage innovation inspired by the “open innovation funnel” took place, in which the organization as a whole constitutes an innovative environment, with capacity to generate and maintain a climate oriented around generating innovation performance.

In 2015, in the initial “ideation” process, more than 120 ideas were collected. In June an evaluation of each was conducted by representatives of the different management, in order to select those which passed onto a “maturity” phase.

The rest of the ideas were also considered in order to improve processes within the Company.

## Enhancing safety

Both physical safety and logistical security received a strong reinforcement in 2015.

In terms of logistical security (protection of computer data), a split was conducted between the Information Technology Networks (primarily internet and email) and the Operational Technology Networks (the core business).

A Logic Control Center is also being developed to give greater security to data management.

In terms of physical safety, which deals with individuals and operations, in 2015, the number of surveillance cameras was increased in all enclosures, and control of access to the premises of the Company was also increased.





## More quality of life

In August the first **Health and Quality of Life Fair** was held, which took place at the Corporate Building including ophthalmology, skin analysis, massages, etc.

More than 300 employees visited the fair, who in their same workplace and schedule were able to access these services that allow them to have a better quality of life. At year end, a smaller version of the fair was also held in the 4 zones and in Pintor Cicarelli.

Concerning the Company's concern about avoiding alcohol and drug addiction, in 2015 it worked with the governmental organization Senda to develop an **Alcohol and Drugs Policy** in order to prevent the consumption of these substances. In this manner, a multidisciplinary working group was established during the year which included collaboration from representatives of the bipartisan committee, risk prevention, unions and management.

Following this, a diagnostic phase took place consisting of the application of an anonymous representative survey, which included personal and professional questions. With the results, an action plan was developed to accompany each of the workers on this issue.

Under this same line of action, at the end of 2015 implementation of the **ISTAS21** survey was carried out, involving the implementation of the survey to joint committees and trade unions.



## Collective bargaining

During the month of September 2015, anticipated negotiations took place with I and II Unions and with Aguas Andinas' Professional and Technical Union, which involved 385 employees of the Company.

Thus, the anticipated agreement strengthened confidence between the unions and Aguas Andinas, which unified the terms of collective agreements in force until July 2018. Furthermore, these agreements match benefits, such as bonuses and the amount of mobilization.

In the field of labor relations, in the first half an early retirement program was negotiated between the unions in Aguas Andinas and in Aguas Cordillera, for 2015, 2016 and 2017. This agreement, called Proyecto II, provides better retirement conditions in terms of economic and health coverage for workers approaching retirement (62 years for men and 57 years for women).

In addition to this, during December 2015, anticipated negotiations took place with ANAM's union. This process involved 133 workers of the Company. This agreement allowed for the strengthening of the relationship between the Company and the workers.

## Early Retirement

With the goals of integrating new talents and skills into the Company, improving age distribution, organizing exits for knowledge transfer and generating a benefits program that facilitates work retirement, in 2015 a pre-retirement project began, Proyecto II, which will be in place until 2017.

Addressed to all employees who are within three years of complying with their retirement age, i.e. 62 years for men and 57 for women, this program gives better retirement conditions, which were agreed upon between the unions and the Company. Additionally, the program was extended to workers who have a disabling disease.

During 2015, 75 employees agreed to this voluntary retirement, finalizing their careers between August and December.










## Workforce

At the end of the year, the consolidated workforce at the Aguas Group reached 1,949 people, distributed among managers and senior executives, professional and technical employees, operators and administrative staff.

	Aguas Andinas	Aguas Cordillera*	Aguas Manquehue*	ESSAL	Others	Total
 <b>Managers and Senior Executives</b>	62	2	0	6	8	<b>78</b>
 <b>Professionals and technical employees</b>	686	66	9	171	244	<b>1,176</b>
 <b>Operators and administrative staff</b>	321	40	8	174	152	<b>695</b>
<b>Total</b>	<b>1,069</b>	<b>108</b>	<b>17</b>	<b>351</b>	<b>404</b>	<b>1,949</b>



## 2.9 / Year 2015

## Financial management

During 2015, the markets' confidence in the Company's management was recognized once again as Aguas Andinas entered the Dow Jones Sustainability Index for Emerging Markets for the first time, an indicator that measures the performance of the top 10% of each industry globally. At the local level, Aguas Andinas entered the Dow Jones Sustainability Index Chile, the first sustainability index of the Santiago Stock Exchange, which is formed of only 12 companies in the country. Additionally, in November Aguas Andinas was selected as a component of the Euronext Vigeo-Emerging 70 Index, an index that measures 70 leading emerging market companies on environmental, social and corporate governance matters.

During 2015, there were also major financing transactions carried out in order to resolve the Company's major investment plan. Worth noting is the emission of the Series X bond, to 23 years, issued on April 29, 2015. This bond was placed for 1,6 million UF and the placement rate of issuance was 3.19%.

**“Aguas Andinas has tried to maintain a consistent ongoing financial policy, one that grants stability to its operations and results. We hope that this management is recognized by the market, particularly in periods of increased instability,”**

*Iván Yarur, Corporate Director of Finances and Purchasing.*

**A stable and consistent financial policy over time has consolidated the Company's strong position.**

To secure financing for 2016, on December 15, 2015 three new bond series were registered (Series Y, Z and AA) to be placed in January 2016 in the Superintendence of Securities and Insurance. These bonds will be used to refinance liabilities and finance new investments.

To improve communications with our investors, during the year a new website was launched, [www.aguasandinasinversionistas.cl](http://www.aguasandinasinversionistas.cl), which delivers information in a friendly and accessible manner. With easy navigation, the site includes financial analysis tools, all in Spanish and English.

In a period marked by financial and shareholder volatility, the low operational risk of the sanitation industry coupled with the Company's strong financial profile allowed for ratification of Aguas Andinas' risk classification of AA+ by the Fitch and ICR firms, which is one of the best categories assigned to a private company in Chile.

Stable company policies have been maintained, including a distribution policy of 100% of the profits through two dividends. Additionally, and in order to continue giving more liquidity to the local market, the Company continued its policy of conducting its financing in UFs and pesos in the national market.

And, for another consecutive year, due to the high transactional volume recorded for Aguas Andinas shares, the Santiago Stock Exchange reported that shares of the Company (Aguas - A) would remain in the IPSA stock index in 2016, with a weighting of 2.87%.

**In 2015 Aguas Andinas ratified its AA+ risk classification, one of the best categories assigned to a private company in Chile.**





## Financing

During the year, in order to finance the Company's investments and pay or prepay its liabilities, an issuance of Series X bonds was held, an operation that was completed on April 29, 2015. This issuance was for an amount of 1,600,000 UF, with a placement rate of 3.19%, structured to 23 years, with a due date of 2038. This bullet bond was subscribed two times what was offered and with a spread of 157 points compared to the benchmark rate.

Also, in 2015 a refinancing of some business loans was held to increase the average duration of the liabilities of the Company.



## Risk factors

**Aguas Andinas and its subsidiaries face a favorable situation in terms of risk, owed in part to the characteristics of the sanitation sector and its regulatory stability; and secondly due to the Company's proactive risk management policy which is supported by the extensive experience of its controlling shareholder.**

### Operational aspects

#### New investments

The Company executes a major investment plan, which involves high economic, administrative and technical resources, with the goal of complying with the development plans committed to the Superintendence of Sanitation Services (SISS). However, this risk is mitigated because the tariffs charged by the services delivered by Aguas Andinas are incorporated into new investments, ensuring a minimum return. Additionally, the experience of the controlling group guarantees the knowledge necessary to efficiently manage these investment plans.

#### Regulated market

The sanitation services industry is strictly regulated by the Chilean government, due to its monopolistic nature, which could expose the sector to potential modifications in the established regulations.

The country's current legal framework regulates the exploitation of concessions as well as the tariffs charged to clients. While the mechanism for setting tariffs, which occurs every five years, is conducted under certain technical criteria, it can still result in differences for the studies presented by the Company and by the SISS. A failure to reach agreement results in the differences being determined by an expert commission formed by representatives of each of the parties.

For the current 2015 – 2020 tariff-setting period, Aguas Andinas and the SISS reached an agreement in November 2014 that defines the tariff scenario for the five-year period, contemplating tariffs for investments for the security of potable water production in Greater Santiago. The new tariff-setting decrees are in effect since March 1, 2015 for Aguas Andinas, June 30 2015 for Aguas Cordillera, and May 19, 2015 for Aguas Manquehue.

Likewise, ESSAL is currently in the process of tariff-setting. During 2015, the sanitation company developed the technical studies which will be presented in March 2016 (see more in the Clients/ Tariffs section of this 2015 Annual Report.)

#### Climate conditions

Climate conditions in the basins directly determine the quantity, quality and continuity of the available raw water necessary for capturing and producing potable water. Precipitation - snow, hail, rain, fog-, temperature, humidity, transport of sediment, river flows, drought and turbidity may eventually effect the optimum delivery of sanitation services.

Aguas Andinas has sufficient water rights to ensure adequate production of potable water, even in adverse weather conditions such as drought that is now in its sixth year in central Chile. To mitigate these impacts, the Company successfully undertook specific actions to operate under conditions of water scarcity and, at the same time, is developing a robust security plan to give greater autonomy to the system. Added to this, thanks to its history, Aguas Andinas has the technical and human capacity needed to cope with critical situations.

#### Clients

As of the end of 2015, at the consolidated level the company served 2,149,673 clients for potable water, located in the concession areas in the Metropolitan, Los Lagos and Los Ríos Regions, and which are provided by Aguas Andinas and its sanitation subsidiaries. The top 100 clients only represent 11% of all sales for the year.

## Risk Factors

Operational aspects	Financial aspects
New investments	Monetary risk
Regulated market	Interest rate
Climate conditions	
Clients	



## Financial aspects

### Monetary risk

Aguas Andinas' revenues are correlated with an inflation in the Chilean economy, resulting in the majority of its debts issued in Unidades de Fomento (UF).

### Interest rate

As of December 31, 2015, Aguas Andinas maintained its debt primarily at a fixed rate (87%), composed of short-term bonds (73%) and reimbursable financial contributions (27%). The remaining 13% of the debt is set at a variable rate and corresponds to credits with local banks.





## 2.10 / Year 2015

# Main clients and suppliers

## Main potable water and sewage treatment clients

Municipality of Puente Alto  
 Municipality of Santiago  
 Municipality of La Florida  
 Municipality of Peñalolen  
 SERVIU  
 Universidad de Chile  
 Ministry of Public Works  
 Cervecera CCU Chile Ltda.  
 Centro de Detención Preventiva Santiago 1  
 Embotelladoras Chilenas Unidas S.A.

## Main suppliers

Empresa Depuradora De Aguas Servidas Mapocho El Trebal <sup>1</sup>  
 Consorcio Sigdo Koopers Comsa Ltda  
 Inmobiliaria y Constructora Nueva Pacifico Sur Ltda.  
 Degremont Agencia En Chile <sup>1</sup>  
 Constructora Perez Y Gomez Ltda  
 BAPA S.A.  
 CGE Distribución S.A.  
 Chilectra S.A.  
 Eulen Chile S.A.  
 Análisis Ambientales S.A.<sup>2</sup>

*(1) Companies related to the parent company of Aguas Andinas S.A.*

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





## 2.11 / Year 2015

### Property, equipment and insurance

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

The Company maintains insurance for all building, contents and infrastructure assets, including production and distribution facilities for potable water, collection and treatment of sewage, offices and warehouses. The insurance mainly covers natural and fire hazards.

Aguas Andinas' main properties and facilities are: El Yeso Reservoir, Las Vizcachas Complex, La Florida Potable Water Production Plant, potable water distribution networks and sewage collection networks in their entirety, and the Trebal-Mapocho and La Farfana Sewage Treatment Plants.

Nº Name	Address	Characteristics	Rented or Owned
1 La Florida Plant	Tobalaba 9670, La Florida, Santiago	Potable water production plant	Owned
2 Las Vizcachas Plant	Av. Camilo Henríquez 540, Puente Alto, Santiago	Potable water production plant	Owned
3 El Trebal- Mapocho Plant	Av. Las Parcelas S/N, Padre Hurtado, Santiago	Sewage treatment plant	Owned
4 La Farfana Plant	Camino La Farfana, Maipú, Santiago	Sewage treatment plant	Owned





## 2.12 / Year 2015

## Dividend policy

In the twenty-fourth Ordinary Shareholders Meeting a dividends policy was agreed to consisting of distributing 100% of the net income, corresponding to 30% of the net income for the year as mandatory dividends and the remaining 70% as an additional dividend.

This policy remains in force while the Company's current level of capitalization continues and is consistent with the investment and financing policies fixed for each year.

Distributable Income	M\$
Net Income for 2015	129,008,145
Accumulated Distributable Amount	73
Interim Dividends on Account of 2015 Income	-40,565,068
Remaining Distributable Income	88,443,150
% Of Dividends Paid Over Distributable Income	31.44%

**According to its dividends policy, the Company distributes 100% of net income**

### Dividends paid per share

\$ per share	2011	2012	2013	2014	2015
Book value	100.36	101.61	100.76	99.81	100.87
Earnings	18.22	19.82	19.07	19.52	21.08
Dividends paid	17.16 <sup>(1)</sup>	18.41 <sup>(2)</sup>	14.02 <sup>(3)</sup>	19.07 <sup>(4)</sup>	19.52 <sup>(5)</sup>

<sup>(1)</sup> Includes two items: a final dividend of \$11.5579 per share, paid May 23 2011; and an interim dividend of \$5.5985 based on income for 2011, paid on November 23, 2011.

<sup>(2)</sup> Includes two items: A final dividend of \$12.62015 per share, paid on 23 de mayo de 2012; and an interim dividend of \$5.7945 based on income for 2012, paid on November 13, 2012.

<sup>(3)</sup> Final dividend of \$14.02414 per share, paid on May 22, 2013.-

<sup>(4)</sup> Includes two items: An interim dividend of \$6.0468 per share, paid on January 14, 2014; and a final dividend of \$13.02105 based on income for 2013, paid on May 26, 2014.

<sup>(5)</sup> Includes two items: An interim dividend of \$6.35 per share, paid on January 13, 2015 and a final dividend of \$13.1667 per share, paid on May 26 2015, based on income for 2014.

### Paid dividends

N° Dividend	Financial Year	Closing Date	Payment Date	Historical Dividend	Type of Dividend
50	2009	11-05-10	17-05-10	14.80945	Final
51	2010	16-11-10	22-11-10	5.4138	Interim
52	2010	16-05-11	23-05-11	11.5579	Final
53	2011	17-11-11	23-11-11	5.5985	Interim
54	2011	16-05-12	23-05-12	12.62015	Final
55	2012	07-11-12	13-11-12	5.7945	Interim
56	2012	15-05-13	22-05-13	14.02414	Final
57	2013	08-01-14	14-01-14	6.0468	Interim
58	2013	19-05-14	26-05-14	13.02105	Final
59	2014	07-01-15	13-01-15	6.35	Interim
60	2014	19-05-15	26-05-15	13.1667	Final



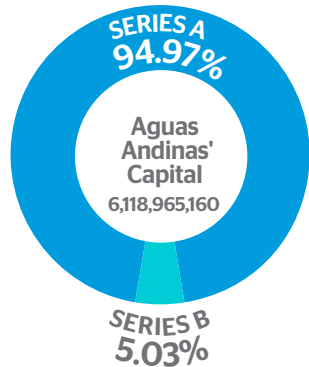
## 2.13 / Year 2015

### Shareholder situation

Aguas Andinas' capital is made up of 6,118,965,160 shares, fully subscribed and paid. At year end, 94.97% corresponded to Series A, equivalent to 5,811,030,417 shares; and 5.03% corresponded to Series B shares, equivalent to 307,934,160 shares.

It is necessary to note that Series B shares have an additional preference, contained in Article 5 of the Company bylaws, which includes the special quorum needed at the Extraordinary Shareholders Meeting to decide on actions and contracts related to Aguas Andinas' water rights and sanitation concessions.

For those interested, the bylaws of Aguas Andinas are available on the following Company website: [www.aguasandinasinversionistas.cl](http://www.aguasandinasinversionistas.cl)



### Transactions of controlling shareholders and related persons

During 2015 the following share transactions of major shareholders and related parties took place:

Name / Business Name	Transaction Date	Date of Communication of Transaction to the SVS	Sale	Purchase	Price Per Unit (\$)	Amount (\$)	Observations
Enrique Ruz Galvez	24/06/2015	24/06/2015	-	5,590	\$353.00	\$1,973,270	Deputy manager
Inmobiliaria Alto Queulat	02/06/2015	02/06/2015	-	112,500	\$353.99	\$39,823,558	Jaime Cuevas Rodriguez, alternate board member of Aguas Andinas.
Inv. Los Olivos S.A	12/05/2015	13/05/2015	-	1.900,429	\$367.90	\$699,167,829	Inversiones Los Olivos S.A., company related to IAM Board Member Sra. Giorgianna Cúneo.
Inv. Los Olivos S.A	04/05/2015	05/05/2015	-	237,383	\$362.78	\$86,117,932	Inversiones Los Olivos S.A., company related to IAM Board Member Sra. Giorgianna Cúneo.
Inv. Los Olivos S.A	29/04/2015	30/04/2015	-	2.740,000	\$364.98	\$1,000,045,200	Inversiones Los Olivos S.A., company related to IAM Board Member Sra. Giorgianna Cúneo.
Rodrigo Terre Fontbona	28/04/2015	28/04/2015	60,000	-	\$370.00	\$ 22,200,000	Alternate Board Member
Juliette Arellano Maira	19/03/2015	23/03/2015	16,450	-	\$365.50	\$ 6,012,475	Regional manager at Aguas Andinas



## Secondary market transactions

### Santiago Stock Exchange

2015	Average Price (\$)	Units	Amount (\$)	Stock market presence
Total 1 <sup>st</sup> quarter	362.1	195,539,032	70,884,734,803	100.00%
Total 2 <sup>nd</sup> quarter	361.71	327,488,519	118,454,579,718	100.00%
Total 3 <sup>rd</sup> quarter	357.78	225,290,865	80,604,529,393	100.00%
Total 4 <sup>th</sup> quarter	361.44	254,037,744	91,819,874,976	100.00%
Year 2015	360.91	1,002,356,160	361,763,718,890	

### Electronic Stock Exchange

2015	Average Price (\$)	Units	Amount (\$)	Stock market presence
Total 1 <sup>st</sup> quarter	359.79	4,291,955	1,544,212,612	100.00%
Total 2 <sup>nd</sup> quarter	356.79	35,261,140	12,580,858,777	100.00%
Total 3 <sup>rd</sup> quarter	356.64	11,279,573	4,022,760,592	100.00%
Total 4 <sup>th</sup> quarter	359.89	9,936,677	3,576,147,268	100.00%
Year 2015	357.48	60,769,345	21,723,979,249	

### Stock Brokers – Stock Exchange

2015	Average Price (\$)	Units	Amount (\$)	Stock market presence
Total 1 <sup>st</sup> quarter	0.00	0	0	
Total 2 <sup>nd</sup> quarter	0.00	0	0	
Total 3 <sup>rd</sup> quarter	0.00	0	0	
Total 4 <sup>th</sup> quarter	365.00	400	146,000	0.40%
Year 2015	365.00	400	146,000	





# Chapter 03

**Corporate  
Governance**



### 3.1 /Corporate Governance

## The Board of Directors

Aguas Andinas' Board of Directors is comprised of seven named members, each of whom has their respective alternate who can replace them in definitive matter in the case of vacancy, or in a transitory manner in the case of temporary absence or impediment. All are elected by the General Shareholders Meeting in consideration of their competencies and fitness for the position.

Following their election, each Board Member receives an briefing on the businesses, risks, policies and procedures, significant accounting policies, and legal framework. They also have the means necessary to receive external advice for the proper performance of their duties, if needed.

### **The highest Corporate Governance body in Aguas Andinas is its Board of Directors.**

The Board Members hold office for three years. At the end of the period, the Board must be completely renewed. Notwithstanding the foregoing, the Board of Directors may be revoked in its entirety before the expiration of its term by an agreement of the Ordinary or Extraordinary Shareholders Meeting, in which the same meeting must elect the new Board of Directors. As a result, there is no individual or collective revocation of one or more Board Members. Board Members can be reelected indefinitely.

Finally, Board Members can be shareholders of the Company.

**The Board of Directors establishes the strategic directives and supervises the Management of the Company, as well as defining the structure of each corporate management business unit.**



## Current Board Members

The current Board was elected for a fixed period of three years at the 18th Extraordinary Shareholders Meeting held on August 29th 2013, entering into their roles at the extraordinary Board of Directors Meeting N° 4/2013 held on the same date.

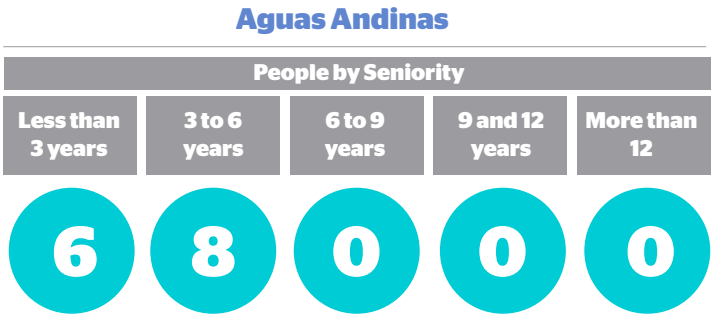
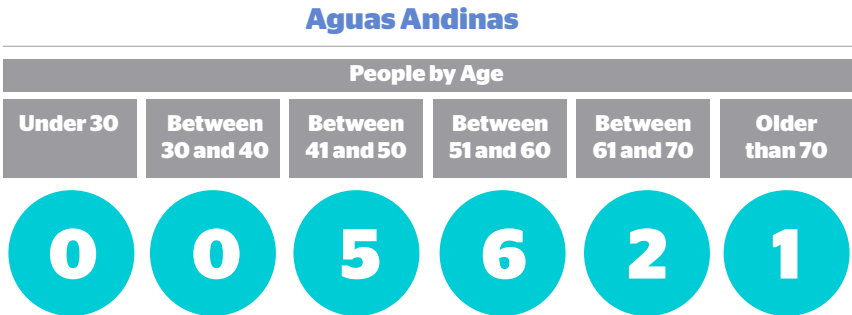
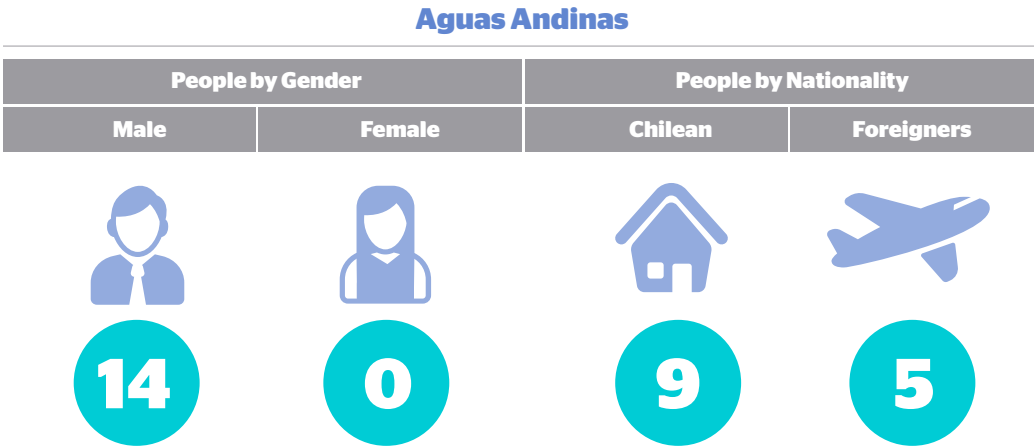
### The current Board of Directors is composed of the following people:

Role	Name	Nationality	Tax ID	Occupation	Last renewal	First election to board
President	Felipe Larrain Aspillaga	Chilean	6.922.002-9	Civil Engineer	08-29-13	07-26-11
Vice President	Josep Bagué Prats	Spanish	AAA030961	Economist	08-29-13	08-29-13
Board Member	Ricardo Escobar Calderón	Chilean	8.483.513-7	Attorney	08-29-13	08-29-13
Board Member	Herman Chadwick Piñera	Chilean	4.975.992-4	Attorney	08-29-13	07-26-11
Board Member	Bruno Philippi Irrarrázabal	Chilean	4.818.243-7	Civil Engineer	08-29-13	04-21-10
Board Member (Independent)	Rodrigo Manubens Moltedo	Chilean	6.575.050-3	Business Engineer	08-29-13	07-26-11
Board Member (Independent)	Gonzalo Rojas Vildósola	Chilean	6.179.689-4	Business Engineer	08-29-13	07-26-11
Alternate Board Member	Oliver Jacquier	French	10AX89571	Financial Director	08-29-13	08-29-13
Alternate Board Member	Fernando Samaniego Sangroniz	Chilean	6.374.438-7	Attorney	08-29-13	08-29-13
Alternate Board Member	Xavier Amorós Corbella	Spanish	23.530.463-5	Attorney	08-29-13	07-26-11
Alternate Board Member	Lorenzo Bernaldo de Quiroz	Spanish	06542700-W	Economist, licensed in law	08-29-13	07-26-11
Alternate Board Member	Jorge Cosme Sagnier Guimón	Spanish	24.394.856-8	Licensed in Business Management and Control	08-29-13	08-29-13
Alternate Board Member (Independent)	Rodrigo Terré Fontbona	Chilean	9.011.344-5	Industrial Civil Engineer	08-29-13	07-26-11
Alternate Board Member (Independent)	Jaime Cuevas Rodríguez	Chilean	10.290.120-7	Business Engineer	08-29-13	08-29-13

### Board Members with Company ownership

Name	Tax ID	Shares	%
Asesorías e Inversiones Daramai SPA (Manubens Rodrigo)	79.997.420-7	20,206,989	0.33%
Terré Fontbona Rodrigo	9.011.344-5	10,169,950	0.17%

Composition and diversity of the Board of Directors







**Board of Directors Operation**

The Board of Directors meets in regular and special sessions. Regular sessions are held on dates predetermined by the Board of Directors and are held, at a minimum, once per month. Special sessions are held when called by the President alone or by an indication of one or more Board Members, subject to qualification by the President of the need for the meeting, unless it is requested by the absolute majority

of the Board Members. In either case the quorum for the Board to meet is an absolute majority of its members and the agreements are reached by a favorable vote of the absolute majority of the Board Members in attendance, except for those agreements which, according to Aguas Andinas' bylaws, the Law and its Regulations or other specific provisions require a greater majority.

**Attendance to Board Meetings as of December 31, 2015**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total 2015
Quorum	100%	100%	100%	100%	100%	100%	100%	86%	100%	100%	100%	100%	98%





### 3.2 / Corporate Governance

## Board of Directors' Committee

**This level of government has regular meetings once a month.**

Under the provisions of Article 50(a) of Law N° 18,046 on corporations, Aguas Andinas has a Board of Directors' Committee.

### Main functions and powers

The Board of Directors' Committee includes the following powers and duties:

- Review the reports of external auditors, the balance sheets and other financial statements, and verify them prior to their presentation to shareholders
- Propose to the Board of Director names for external auditors and private rating agencies
- Examine information regarding the operations referred to in TITLE XVI and issue a report on these operations.
- Examine the compensation schemes and plans for directors, senior executives and employees of the Company.
- Prepare an annual report of the Company's management, which includes its main recommendations to shareholders.

### Composition

As stipulated in the Law, the Board of Directors' Committee should be composed of three board members, the majority of which should be Independents. Note that the President of the Board of Directors cannot join the committee nor its subcommittees, unless the President is an Independent Board Member.

This Committee is currently composed of named Board Members Rodrigo Manubens Molledo and Gonzalo Rojas Vildósola, both in their capacity as Independent Board Members, and by Josep Bagué Prats; all elected along with their alternates for a statutory period of three years at the extraordinary Board of Directors meeting N° 4/2013, on August 29, 2013.

### Formation of the Current Committee

The Board of Directors' Committee was formed with its new integration at the meeting held on September 24, 2013, electing as its President the Independent Board Member Rodrigo Manubens Molledo.

### Operation

Under Law 18,046 and the Committee's internal rules, regular meetings are held once a month and special sessions whenever required, in order to address matters assigned to the committee by Article 50(a) of Law 18,046 on corporations. The minimum quorum to hold the meeting is 2 members.

### Agreements

In accordance with the law, the discussions, agreements and organization of the Committee should be governed by the rules concerning the meetings of the Company's Board of Directors. The Committee shall communicate to the Board of Directors the form in which it will request information, as well as its agreements.

### Number of meetings held during the year

Twelve meetings were held during the period.

### Attendance to the meetings of the Board of Directors' Committee through December 31, 2015

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total 2015
Quorum	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

### 3.3 / Corporate Governance

## 2015 Board of Directors' Committee Report

As provided in Article 50(a), eighth paragraph, Nº 5, of Law 18,046 on Corporations, the activities and management developed by the 2015 Board of Directors' Committee Report for the year 2015 is reported.

### I.- Activities and management of the 2015 Board of Directors' Committee Report in 2015

**1.** Agreed to propose ICR and Fitch Ratings to the Board as private risk rating agencies for the year 2015, which appropriately meet the conditions required for designation, for their integrated offerings which were the most affordable of the four proposals received, and for their performance in previous years as private risk rating agencies of Aguas Andinas.

**2.** Agreed to propose to the Board and to the Shareholders' Meeting the selection of the firm Ernst & Young as first choice for external auditors for 2015, and Deloitte as a second option. Ernst & Young was proposed as the first option for submitting the lowest bid for the external audit to Aguas Andinas and its subsidiaries, for their past performance as external auditor of Aguas Andinas and its subsidiaries, and for their experience in audits of companies in the sanitation sector.

**3.** Reviewed the progress of the measures envisaged to address observations made in the 2014 Internal Control Report of External Auditors.

**4.** Reviewed the reports of the external auditors, the Balance sheet and other Financial Statements through December 31, 2014 presented by the directors of the Company, and ruled on these prior to their presentation to shareholders. To this end, they met and examined the Income Statement, Balance Sheet and other Financial Statements, the Reasoned Analysis, and the Material Information for the period, as well as the main comparative changes in their accounts and reasoned explanations, the Report of Independent Auditors Ernst & Young concerning its audit of the Balance sheet and annual Financial Statements through December 31, 2014, and its compliance report on the joint circular 960 of the SVS and the SBIF. Neither the report nor the opinion from the auditors had observations. The Board of Directors' Committee also did not issue comments regarding the Balance Sheet or the Financial Statements of Aguas Andinas S.A. through 31.12.2014, nor regarding the report of the external auditors. Notwithstanding the foregoing, the Committee recommended to monitor and control customer default to the company; and to included in the Earnings Release better information to distinguish recurring from non-recurring expenses, such as expenses for buying water in periods of drought, purchase of bonds issued by the company, severance payments and bonuses or conflict severance terms in collective bargaining.

**5.** Examined and issued a favorable opinion on the Balance Sheet, Financial Statements and Earnings Release presented by management for the quarters ending March 31, June 30 and September 30, 2015.

**6.** Regarding the Annual External Auditing Plan presented by Ernst & Young, the Committee of Board Members agreed that the submission of External Auditing Plan for 2015 by the firm Ernst &

Young will be made directly to Aguas Andinas' Board of Directors, in accordance with the provisions of Official Circular Nº 718 dated February 10, 2012, and Official Circular Nº 764 dated December 21, 2012 which issues clarifications and which supplements the previous circular, both of the Superintendence of Securities and Insurance.

**7.** Examined and approved the proposal of the administration to hire the external audit firm Ernst & Young to perform the "Verification of the 2014 Aguas Andinas Sustainability Report", which observed that the nature of the services to be contracted was not appraised and that hiring the company could present a risk of loss of independence in its functions as external auditors of the Company.

**8.** Examined and approved the proposal of the administration to hire the external auditing firm Ernst & Young for a total of 1,100 UF, for the review of the key controls of the following approved processes: Code of Ethics, Press Releases, Expense Notes, and Legal and Tax Management Matters. The aforementioned considers that in the Committee's view the nature of the services would not create a risk of loss of independence of the auditors.

**9.** Reviewed the Internal Control System of Aguas Andinas S.A. and other companies in the Aguas Group and the results of the instruments applied.

**10.** Reviewed the remuneration and compensation plans for managers, senior executives and employees of the Company. Based on the information presented by management, the Committee did not comment on the general pattern of salaries, allowances and benefits of the company, based on a compensation



policy linked to the company's organization, culture and values, and using as a reference the market rates for equivalent positions based on Compensation Studies by PriceWaterhouse Compensation for companies of the same size.

**11.** Considered the report to the administration issued by the external auditors Ernst & Young on November 30, 2015 on Internal Control, as well as comments from management on each observation. The Committee asked management to resolve all comments submitted even those that are of minor importance, and to keep track of how they are resolved according to the annual agenda of the Board of Directors' Committee, including those relating to the processes of procurement, billing, control of access or of system users, and amendments thereto.

**12.** Conducted a review of the Advancements on Approved Procedures..

**13.** Examined the information provided by the administration with respect to transactions with related parties during the years 2013 and 2014 and the percentages of total operating costs and total investment of the company. The Committee did not issue comments. Subsequently it examined an overview of the participation of companies related to Grupo Aguas in the public bidding processes carried out by Aguas Andinas S.A. during 2014 and through July 2015, as well as contracts awarded or entered directly by related companies, compared to the total market for public tenders and contracts made by the company during the same period. It also examined the background provided by the administration concerning related operations carried out between subsidiaries, between Aguas Andinas and its subsidiaries, and between subsidiaries and related companies that are not part of

the Aguas Group. It also approved the proposals to simplify the system for internal examination and approval of such transactions in the Aguas Group and have them reviewed and approved by the Board of Directors and delegated to the General Management and Corporate Legal Department to implement the new policy.

**14.** Examined information provided by the administration with respect to the fines and penalties imposed by the SISS to companies forming the Aguast Group compared to other companies in the sanitation sector.

**15.** In all the cases examined by the Board of Directors' Committee concerning transactions with related parties, the review was made on the basis of information provided by management of the Company. They were approved only when such operations met each of the following conditions: they aimed to contribute to the business interest; that they were adjusted to the prevailing market price, terms and conditions at the time of approval; and they fell within the normal policies and goals of the Company. These requirements and criteria were considered and applied by the Committee when approving the related operations. Regarding decisions made on price, terms and conditions similar to those prevailing in the market at the time of approval, it's worth noting that a significant part of the operations were subject to open, informed and competitive bidding in compliance with Sanitation Services Act and Regulations of Article 67.

**15.1** Reviewed and approved the proposal to hire Circee-Suez Environnement (Centre International de Recherche sur l'Eau et l'Environnement) to conduct analytical hydroxyquinoline determinations for approximately \$ 3,000 US.

**15.2** Reviewed and approved the proposal to use nanotechnology for the removal of arsenic, holding his approval after negotiations with the related company Aquatec CEDENNA and the University of Santiago, to clarify the scope of competence and economic benefits for Aguas Andinas in the project. The project duration is 18 months and the estimated budget is \$203 million pesos. The project was presented at the bottom I + D + i Innovation Task Force (ITF) of the matrix and related company Suez Environnement, which finances up to 50% of the budget, excluding staff. As of February 2015 and was approved in the amount of 107,000 Euros managed by the related company Aquatec (subsidiary Aqualogy).

**15.3** Reviewed and approved various proposals for management contracts with the related company Empresa Eléctrica Puntilla SA, for the purpose of purchasing raw water by Aguas Andinas S.A. from different canal associations of the Maipo River, which involve compensating Eléctricc Puntilla S.A. (EPSA) for the m<sup>3</sup> not generated from electric power in their Pirque plants, valuing them according to the marginal cost of EPSA power generation (Puente Alto 110 kv.), plus a fixed value of \$ 1.8 to \$ 2/m<sup>3</sup>.

**15.4** Reviewed and approved the management proposal to extend the contract with the related company Asterion for three years, for corrective and ongoing operation and maintenance of the AQUACIS billing system, conditional on obtaining contractual improvements with the supplier, and considering new Customer Plan projects that will impact commercial systems like the Development and Implementation of a Virtual and Real





Estate Portal office, Upgrade of the Siebel Technology Platform, Upgrade of the AquaCIS Technology Platform; all to be tendered publicly; and for ongoing support service and maintenance in AquaCIS, with a new baseline of 2,651.5 UF/ month, consultants with a variable monthly charge and a discount from 2 UF/hh UF to 1.2/hh, meaning savings of 40%.

**15.5** Reviewed and approved management's proposal to contract EDAM directly, company related to the controller and operator of the La Farfana plant, for the installation and replacement of Archimedes screws at the plant, which upon contracting EDAM will cost a total of 11,966 UF. The price is market rate since there is significant outsourcing of services to third parties for goods and services that would need EDAM for the work to be performed, and compensation or margin of EDAM for carrying out management, integration and administration of the project is set to normal market conditions.

**15.6** Reviewed and approved the proposed sale of Aguas Andinas S.A.'s land and building to its subsidiary Análisis Ambientales S.A., for the price of \$3,543 million pesos, price indicated by independent appraisers, less compensation for the value of the easement to be established in favor of Aguas Andinas S.A. in the same building. The company ANAM S.A. operates in that building.

**15.7** Reviewed and approved the proposal of the administration to contract out the Corrective Operation and Maintenance of the Methanization Plant of the La Farfana WWTP by the subsidiary Aguas del Maipo to the related company EDAM, in unit prices indicated in the session and for a minimum duration of three months renewable until the end of the contract for

EDAM's Operation and Maintenance of the La Farfana Plant, so that the end of both operations converge, subject to possible incorporation of preventive maintenance service, subject to the approval of Metrogas, noting that this operation should also be examined by Aguas del Maipo's Board of Directors, pursuant to the Corporations Law.

**15.8** Reviewed and approved the proposed contract for Management of the VI Tariff Management Process for the subsidiary ESSAL by Aguas Andinas and at the price offered by the company.

**15.9** Reviewed and approved management's proposal to hire additional hours of analysts from the related business ASTERION for biometric integration and autopay webpay options from AquaCIS, for a total of approximately 230 UF.

**15.10** Reviewed and approved management's proposal to renew the contract with the related company Aqualogy Medioambiente Chile S.A. for one year until October 21, 2016, for cleaning services of potable water using "Ice Pigging" technology, and approved it under the contract already concluded and in force.

**15.11** Reviewed and approved the management's proposal to distribute the final costs in relation to Sabella Project to study the purchase of the shares of Aguas de Antofagasta S.A., between Aguas Andinas and the related company Agbar Chile, approving the distribution of 76.4% for Aguas Andinas and 23.6% for Agbar Chile.

**15.12** Reviewed and approved management's proposal to award the public bidding and contract for the Upgrade of the Siebel informational system to the related company Aqualogy Solutions Chile Ltda., for 10,589 UF, since it is the best offer from an open and competitive bidding process.

**15.13** Reviewed and approved management's proposal to make a partial award of the public tendering of the contract for the development of the Virtual Office and Real Estate Portal to the related company Aqualogy for the items that made the best deal, totaling 41,772 UF.

**15.14** Reviewed and approved the management proposal to award the subsidiary company Análisis Ambientales S.A. (ANAM), the tendering of laboratory services for Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A., for the offered price of 106,190 UF.

**15.15** Reviewed and approved the proposal of the administration for licensing development of Aguas Andinas' GIS system to the related company Aqualogy Solutions for the ESSBIO Project for 97 UF annually, on a 12-month contract renewable for equal periods.

**15.16** Reviewed and approved management's proposal to award the related company Aqualogy jointly with Ecoriles (a subsidiary of Aguas Andinas), the public bidding for the San Antonio Arsenic Abatement Plant (Lo Barnechea) for 226,555 UF plus VAT, given that this is the best technical and economic offer made in an open and competitive bidding process.



## II . The Committee's recommendations to shareholders

On the date on which the present report was adopted, at the meeting of Board Members' Committee No. 197 held January 19, 2016, the Committee does not have any recommendations to shareholders.

The Committee's recommendations on the external auditors and private risk rating agencies to choose from for the year 2016 will be circulated and made available at the Ordinary Shareholders Meeting, once the Committee has considered the proposals and adopted an agreement.





### 3.4 / Corporate Governance

## Board of Directors and Board of Directors' Committee Remuneration

In accordance with Law N° 18,046, at the General Shareholders Meeting which took place on April 28, 2015, remuneration was approved for the Board of Directors, the Board of Directors' Committee and its expense budget for 2015.

Board of Directors remuneration is split into two types: a fixed monthly sum, equal to 100 UF for the President, 75 UF for the Vice President and 70 UF for named and alternate Board Members; and a variable remuneration paid for attending each meeting of 80

UF for the President, 60 UF for the Vice President, 20 UF for the named Board Members, and 20 UF for alternate Board Members when they replace named members. Note that remuneration for the Board of Directors has remained constant since the year 2009.

In 2015 the Board of Directors of Aguas Andinas incurred in expenses for Th\$2.997.

Remuneration for the Board of Directors' Committee, in turn, is composed as follows: a fixed monthly compensation of 25 UF for each member, and a variable compensation for attending each session of 20 UF. In addition, an expense budget was agreed for 3,000 UF.

The actions taken by the Board of Directors' Committee correspond to those assigned them by law. The costs incurred during 2015 amounts to Th\$27,875.

### Board of Directors Remuneration (thousands of pesos)

Board Members	Position	Fixed		Variable	
		2014	2015	2014	2015
Felipe Larrain Aspillaga	President	28,680	29,671	22,944	25,687
Bruno Philippi Irrázabal	Board Member	20,169	20,840	5,282	5,935
Rodrigo Manubens Moltedo	Board Member (Independent)	20,169	20,840	5,762	5,954
Gonzalo Rojas Vildósola	Board Member (Independent)	20,169	20,840	5,762	6,442
Herman Chadwick Piñera	Board Member	20,169	20,840	5,762	6,442
Lorenzo Bernaldo de Quiroz	Board Member	20,076	18,410	0	0
Rodrigo Terré Fontbona	Board Member	20,169	20,840	0	0
Jaime Cuevas Rodriguez	Board Member	20,169	20,840	0	0
Fernando Samaniego Sangroniz	Board Member	20,169	20,840	1,446	0
Ricardo Escobar Calderon	Board Member	20,169	20,840	4,306	5,453
<b>Total</b>		<b>210,108</b>	<b>214,801</b>	<b>51,264</b>	<b>55,913</b>

### Board of Directors' Committee Remuneration (thousands of pesos)

Directors	Position	Compensation	
		2014	2015
Rodrigo Manubens Moltedo	Board Member (Independent)	15,380	13,397
Gonzalo Rojas Vildósola	Board Member (Independent)	14,432	12,911
Fernando Samaniego Sangroniz	Board Member	486	0
<b>Total</b>		<b>515,812</b>	<b>26,308</b>



### 3.5 / Corporate Governance

## Managers and senior executives

**The management functions of the economic, social and environmental aspects of the Company are delegated to its managers and senior executives.**

As of December 31, 2015, the list of managers and senior executives of Aguas Andinas at an individual level was composed of 62 professionals.

At an individual level, total compensation for the period was \$6,406 million, 12% more than the previous year. Compensation for the years of service totalled \$352 million, which represents an increase of 7% over 2014.

The metrics of total compensation for managers are determined according to average rates in the market, for the size of the company and specialization of

industry, with variable compensation levels that are based on the results of the company and its fixed individual objectives over the year.

Aguas Andinas, like any publicly traded company, publishes in its annual reports the average income of its senior executives, as well as inform the regulatory body on the composition, structure of assigned benefits and average income of its executives. The Company does not have special compensation or benefit plans for its senior executives other than the variable bonus described above.

Detail	Fixed Remuneration MM\$		Variable Remuneration MM\$	
	2015	2014	2015	2014
Remuneration	5,436	4,958	970	782

## Gender Wage Gap

Our policy defines general mechanisms in order to determine remuneration for hiring, promoting, or annual review. The remuneration policy is applied without discrimination, regardless of gender or any specific circumstance.

The difference between male and female remuneration are not due to gender. They are due to factors such as seniority, bonuses due to special works (zone allocation, shifts or work on public holidays).

Strata	Average gross base salary by strata	
	Ratio of female remuneration versus male remuneration	Percentage difference between female and male remuneration
Executives	92%	-8%
Managers	81%	-19%
Professionals	81%	-19%
Technicians	79%	-21%
Administrative Staff	122%	22%
Operators	97%	-3%
<b>Total</b>	<b>89%</b>	<b>-11%</b>



**3.5 / Corporate Governance**

# Administrative Structure





## Main Executives

N°	Tax Number	Name	Profession	Role	Date of Incorporation
1	24399619-8	Valls Riera Jordi	Attorney	Chief Executive Officer	01-Oct-13
2	24901622-5	Andreu Sandra	Civil Hydraulic Engineer	Corporate Organization and Human Resources Manager	01-Mar-15
3	25076793-5	Baurier Trias Manuel	Industrial Engineer	Corporate Operations Manager	15-Aug-15
4	25250196-7	Cabot Ple Jorge	Roads, Channels and Ports Engineer	Corporate Planning, Engineering and Systems Manager	01-Sept-15
5	10436775-5	Larrain Sanchez Camilo Ernesto	Attorney	Corporate Legal Affairs Managers	01-Jan-08
6	09751311-2	Olate Soto Ana Isabel	Journalist	Corporate Communications, Public Affairs Manager and CSR	15-Aug-13
7	06379051-6	Rodriguez Mingo Eugenio	Commercial Engineer	Corporate Customer Service Manager	01-Feb-12
8	08534007-7	Yarur Sairafi Iván	Civil Industrial Engineer	Gerente Corporativo Finanzas y Compras	01-Sept-13
9	06441640-5	Alarcon Araya Carlos Ernesto	Construction Engineer	Zone Manager	01-Jun-14
10	12044242-2	Arellano Maira Juliette Rebeca	Commercial Engineer	Zone Manager	01-Dec-12
11	07746808-0	Auger Hernandez Mario Alejandro	Civil Engineer	Third Plant Manager	01-Oct-09
12	09982435-2	Cardenas Espinosa Juan Antonio	Attorney	Judicial and Legal Risk Prevention Manager	01-Apr-14
13	06027966-7	Estay Caballero Ricardo	Civil Engineer	Production and Depuration Manager	01-Feb-12
14	08043598-3	Faundez Perez Luis Alberto	Civil Engineer	Regulation and Cost Control Manager	01-Dec-11
15	24509092-7	Fernandez Hevia Aza Gonzalo	BA in Biology	Client Strategy Manager	13-Jan-14
16	06449688-3	Figueroa Ramirez Sergio Martin	Construction Engineer	Zone Manager	14-May-07
17	06190810-2	Fuentes Contreras Luis	Civil Engineer	Engineering Manager	01-Jan-04
18	05868028-1	Grau Mascayano Francisco	Civil Engineer	Hydraulic Efficiency Plan Manager	01-Nov-14
19	08688841-6	Kent Geell Natalia Claudette	Civil Industrial Engineer	Systems and Remote Manager	01-Jan-04
20	14709240-7	Lesty Yves	Sanitation Engineer	Technical Assistance Manager	01-Aug-09
21	11313403-8	Maldonado Lemus Luis Felipe	Civil Industrial Engineer	Human Resources Manager	25-Jun-12
22	06613091-6	Ocariz Martin Hernan Alfonso	Civil Engineer	Planification Manager	12-Jul-04
23	24757639-8	Peña Martinez Jesús	Telecommunications Engineer	Security and Business Continuity Manager	02-Oct-14
24	12087571-K	Reyes Cea Rodrigo Andres	Accountant	Management Control Manager	01-Jan-13
25	10200262-8	Riquelme Hernandez Alejandro	Accountant Commercial Engineer	Finance and Investor Relations Manager	01-Jun-14
26	09447215-6	Saez Alborno Jose Raul	Commercial Engineer	Commercial Development Manager	20-Nov-12
27	10380974-6	Salazar Villalobos Victor Ruben	Civil Industrial Engineer	Marketing Manager	01-Sept-13
28	12343884-1	Schwerter Loyola Cristian Bernardo	Civil Engineer	Network Manager	01-Mar-12



N°	Tax Number	Name	Profession	Role	Date of Incorporation
29	07117991-5	Soto Perretta Pedro Andres	Civil Engineer	Zone Manager	01-Oct-08
30	09383964-1	Torres Barrientos Carlos Rene	Electricity Execution Engineer	Operation Support Manager	01-Feb-00
31	06639714-9	Acevedo Walker Sebastian	Civil Engineer	Depuration Deputy Manager	01-Apr-11
32	10253396-8	Arata Zapico Paola Del Carmen	Civil Industrial Engineer	Operations Deputy Manager	01-Nov-14
33	10744697-4	Arias Valenzuela Carlos Alejandro	Cartographer	Commercial Expansion Deputy Manager	01-May-15
34	07741356-1	Blanc Mendiberri Francisca Xaviera	Attorney	Contracts Deputy Manager	01-Dec-11
35	12168239-7	Carreño Ahumada Pablo Sebastian	Psychologist	Compensations and Organization Deputy Manager	02-Nov-15
36	25078362-0	Clos Peñalba Esteve	BA in Educational Sciences	Gecon and Water School Deputy Manager	01-Sept-15
37	13423744-9	De La Fuente Munizaga Diego Rodrigo	Accountant	Commercial Deputy Manager	01-Feb-13
38	06816920-8	Dupre Silva Victor	Civil Engineer	Treatment Plants Deputy Manager	01-May-06
39	06223665-5	Duverran Urra David Hector	Sanitation Works Execution Engineer	Operations Deputy Manager	01-Oct-09
40	10915099-1	Figueroa Ayala Javier Efren	BA in Civil Construction	Transport Deputy Manager	01-Apr-15
41	08153554-K	Garces Duran Christian Raul	Commercial Engineer	Administration and Accounting Deputy Manager	01-Dec-04
42	10077119-5	Jopia Palacios Carlos David	Civil Engineer	PMO Deputy Manager	01-Mar-15
43	24316412-5	Lacoma Astudillo Maria Carmen	Roads, Channels and Ports Engineer	Project Development Deputy Manager	01-Apr-14
44	11401893-7	Ledesma Gonzalez Orlando Alexis	Industrial Engineer	Commercial Management Deputy Manager	01-Jul-15
45	07478916-1	Leonvendagar Hurtado Jose Miguel	Civil Industrial Engineer	Financial Projects Deputy Manager	01-Nov-15
46	24389642-8	Montoya Tomas Javier	Telecommunications Engineer	Exploitation and Systems Deputy Manager	01-Oct-13
47	06364977-5	Muñoz Anrique Julio Raul	Industrial Engineer	Remote Control Deputy Manager	01-Jul-05
48	06640538-9	Norambuena Duncan Patricio	Construction Engineer	Operations Deputy Manager	01-Sept-05
49	08582874-6	Palominos Rojas Jose Gonzalo	Commercial Engineer	Operations Management Control Deputy Manager	01-Oct-15
50	13471373-9	Politis Calvo Daniel Cristian	IT Engineer	Commercial Deputy Manager	01-Dec-13
51	13037982-6	Ramirez Salgado Jorge Eduardo	Civil Engineer	Project Management Deputy Manager	18-Jun-12
52	10201064-7	Reyes Miranda Christian Roland	Commercial Engineer	Commercial Deputy Manager	01-May-07
53	11636111-6	Ruiz Miller Cristian Gonzalo	Civil IT Engineer	IT Development Deputy Manager	01-Mar-13
54	12570985-0	Ruz Galvez Enrique Andres	Civil IT Engineer	Commercial Deputy Manager	01-Feb-13
55	12677326-9	Salas Sanhueza Lilian Veronica	Civil Engineer	Projects Deputy Manager	01-Mar-15
56	12675829-4	Salgado Cespedes Orlando Ernesto	Civil Works Civil Engineer	Operations Deputy Manager	01-Oct-11



N°	Tax Number	Name	Profession	Role	Date of Incorporation
57	12041075-K	San Jorge Nielsen Sebastian Alejandro	Civil Industrial Engineer	Client Service Deputy Manager	01-Jul-15
58	08641413-9	Sanhueza Navarrete Juan Carlos	Civil Engineer	Production Deputy Manager	01-Aug-09
59	12867840-9	Torres Rojas Cristian Patricio	Commercial Engineer	Audit and Internal Control Deputy Manager	01-Jun-14
60	08548719-1	Valenzuela Martinez Andres Leonardo	Civil Hydraulic Engineer	Maintenance Deputy Manager	01-Apr-15
61	13671901-7	Vidal Pulgar Ariel Francisco	Civil Contractor	Transformation Deputy Manager	01-May-15
62	12622327-7	Young Prieto Fernando Manuel	Civil Engineer	Rural Services Deputy Manager	16-Mar-15

### Senior Executives with Company ownership

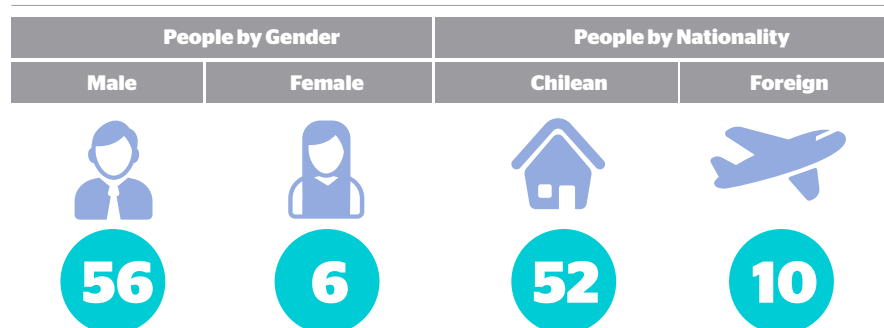
Name	Tax ID	Shares	%
Inversiones Palguin Ltda (Faundez Perez Luis Alberto)	77.429.760-K	895,879	0.01%
Inversiones Los Patricios Ltda (Norambuena Duncan Patricio)	77.431.180-7	839,967	0.01%
Consultores de Ingeniería y Jurídica Innovación Ltda (Grau Mascayano Francisco)	77.429.880-0	825,435	0.01%
Inversiones Certeza Ltda (Muñoz Anrique Julio)	77.431.190-4	672,703	0.01%
Figueroa Ayala Javier	10.915.099-1	160,000	0.00%
Reyes Cea Rodrigo Andres	12.087.571-K	123,451	0.00%
Ruz Gálvez Enrique Andres	12.570.985-0	5,590	0.00%
Acevedo Walker Sebastian	6.639.714-9	4,300	0.00%



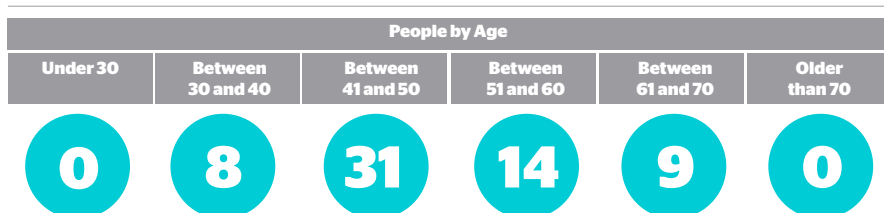


## Diversity of Senior Management and other management that report to Senior Management or Board of Directors

### Aguas Andinas at an Individual Level



### Aguas Andinas at an Individual Level

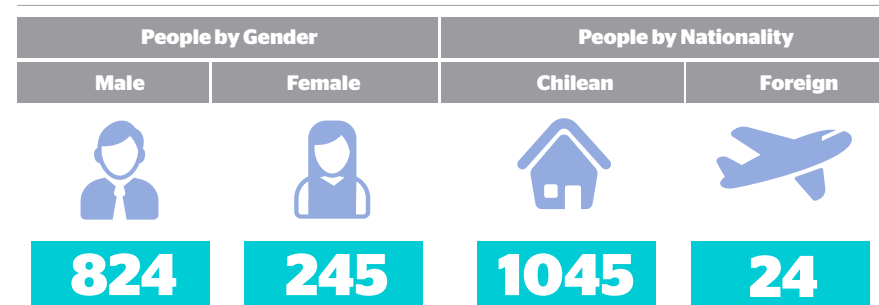


### Aguas Andinas at an Individual Level

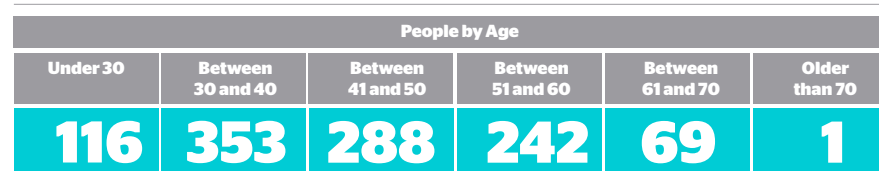


## Diversity in the organization

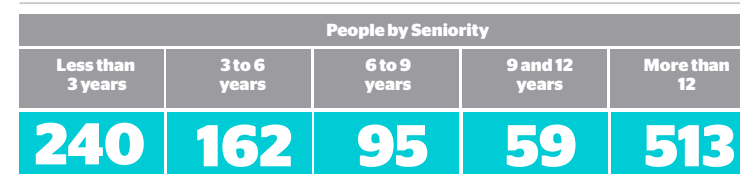
### Aguas Andinas at an Individual Level



### Aguas Andinas at an Individual Level



### Aguas Andinas at an Individual Level





### 3.6 / Corporate Governance

## Other corporate governance entities

### Management Committee

Advisory Council to the CEO, composed of the CEO and the eight Corporate Directors of Aguas Andinas, which meets regularly in order to understand, analyze and discuss the implementation and commissioning of the main activities and operations that are part of the daily management of the Company.

### Deputy Manager of Internal Audits and Control

Aguas Andinas has a Deputy Manager of Internal Audits and Control, under the CEO, whose mission is to support management in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and approve the effectiveness of risk management, internal control and corporate governance processes.

The internal audit function, which is an independent and objective activity, is to conduct monitoring and evaluation of the effectiveness of administrative, financial, operating and

informational systems and controls. The system of internal control and risk management system, meanwhile, involves implementation of self-assessment procedures, risk testing for approved business procedures, and monitoring compliance with the auditing action plans and the internal control letter issued by external auditors.

### Code of Ethics

Aguas Andinas has a Code of Ethics which contains the following fundamental principles: compliance with laws and regulations, strengthen a culture of integrity, demonstrate loyalty and honesty, and respect all people. These principles must be applied to shareholders, clients, competitors, the local community and the environment.

For more information on the Code of Ethics, please visit [www.aguasandinasinversionistas.cl](http://www.aguasandinasinversionistas.cl)

### Code of Conduct

As part of the implementation of good corporate governance standards, Aguas Andinas has a Code of Conduct applicable to the Company's Board of Directors, concerning possible conflicts of interest they may encounter.

#### This code contains, among others:

- i) Identification of the main situations that constitute a conflict of interest;
- ii) Mechanisms to prevent conflicts of interest;
- iii) Procedure to declare conflicts of interest; and
- iv) Method for resolving conflicts of interest.

The code further refers to situations where, although not specifically contained in the law, if poorly resolved could end up impacting the corporate interest.



### Crime Prevention Model

The Aguas Group has a Crime Prevention Model, certified since 2014, which demonstrates compliance with the Company's duties of supervision and oversight.

This model establishes rules, protocols and procedures as crime preventive measures, which every person in the Company must respect, including suppliers and contractors. For greater control, the Board of Directors designated a manager in charge of ensuring compliance with the model, called the Crime Prevention Officer, and created an external complaints channel which will begin operations in 2016.

### Dissemination of Information on Corporate Governance Practices (NCG N° 385)

The Board of Directors of Aguas Andinas, in a meeting held on November 25, 2015, approved a series of policies, procedures and protocols under the NCG 385, contained in the document entitled "Compendium of Corporate Governance Policies and Procedures," through which it informs the Superintendence of Securities and Insurance, no later than March 31, 2016, that they are currently in effect. This compendium can be found on Aguas Andinas website.

### Investor Relations

The Investor Relations division of Aguas Andinas is in charge of managing relationships and delivering timely information to the investors and shareholders of the Company.

To improve communications, during the year a new website was launched, [www.aguasandinasinversionistas.cl](http://www.aguasandinasinversionistas.cl), which delivers information in a friendly and accessible manner. With easy navigation, the site includes financial analysis tools, all in Spanish and English.

The division also held meetings and individual conference calls with international, and investors, both local and international; participated in conferences in Chile and Peru.





### 3.7 / Corporate Governance

## Material Information

December 16<sup>th</sup> 2015

The Board of Directors of the Company, at the meeting held on the same date, unanimously approved to distribute the sum of \$40,565,067,632, based on the profits for 2015, as an interim dividend.

In view of the above, the number 61 interim dividend of the Company was \$6.6294 per share and was payable as of January 13, 2016.





### 3.8 / Corporate Governance

## Sanitation regulation



The legislation in force in Chile establishes that sanitation service providers are subject to the supervision and regulation of the Superintendence of Sanitation Services (SISS), a functionally decentralized body with independent legal status and funding, subject to the supervision of the President of the Republic through the Ministry of Public Works.

A set of laws and regulations govern the operation of the sector and the sanitation companies. The main legal bodies are:

**General Law on Sanitation Services (DFL MOP N° 382 de 1988).**  
Contains the main provisions governing the system of concessions and activities of sanitation services providers.

**Regulations of the General Law on Sanitation Services (DS MOP N° 1199/2004).**  
Establishes the regulations which implement the General Law on Sanitation Services.

**Law on Sanitation Services Tariffs (DFL MOP N° 70 of 1988).**  
Establishes the main provisions which govern the setting of tariffs for potable water and sewage treatment and the reimbursable financing contributions.

**Regulation of the Law on Sanitation Services Tariffs (DS MINECON N° 453 of 1989).**

Contains the regulations which implement the Law on Sanitation Services Tariffs.

**Law creating the Superintendence of Sanitation Services (Law N° 18,902 of 1990).**

Establishes the functions of the SISS.

**Law on Subsidies for the payment of potable water consumption and sewage treatment services (Law N° 18,778 of 1989).**

Establishes a subsidy for the payment of potable water consumption and sewage treatment services for customers with limited resources.

**Regulation of the Law on Subsidies (DS HACIENDA N° 195 of 1998).**

Contains the regulations for implementing the Law on Subsidies.

**DS MOP N° 214/05, "Regulation of Article 67° of the General Law on Sanitation Services".**

Establishes the requirements for the public bidding process, to which sanitation services providers are required to follow.



### 3.9 / Corporate Governance

## Company identification

**Company name:** Aguas Andinas S.A.

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

**TAX ID:** 61.808.000 - 5

**Telephone:** (56-2) 2688 1000

**Fax:** (56-2) 2569 2777

**Email:** comunicaciones@aguasandinas.cl

**Management office:** 1537 Santiago

**Sector:** Catchment, purification and distribution of potable water, collection and treatment of sewage

**Telephone service:** (56-2) 2731 2482

**Registration in Securities Registry:** N° 0346

**Website:** www.aguasandinas.cl

### Stock exchange information

#### Stock codes

Serie A: "Aguas-A"

Serie B: "Aguas-B"

### Contacts for information to shareholders and investors

#### Information to shareholders

##### Central Securities Registry

**Address:** Huérfanos 770, 22nd floor Santiago, Chile

**Telephone:** (56-2) 2393 9003

**Fax:** (56-2) 2393 9101

#### Investor Relations

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

**Telephones:** (56-2) 2569 2301 / (56-2) 2569 2251

**Fax:** (56-2) 2569 2309

**Email:** inversionistas@aguasandinas.cl

**Website:** www.aguasandinasinversionistas.cl

### Company objective

The company aims to produce and distribute potable water; collect, treat and dispose of sewage; and perform other services related to such activities, in the form and conditions established by Decree Law N°382 of the Ministry of Public Works of 1988, the General Sanitation Services Act, and other applicable regulations.

### Legal constitution

Aguas Andinas S.A. was established on May 31, 1989, granted in the Santiago Notary of Mr. Raúl Undurraga Laso, and an extract is inscribed in pages 13,981, N° 7,040, in the Commercial Registry of the Real Estate Conservator of Santiago in 1989, and published in the Official Gazette on June 10, 1989.

The Company bylaws have been amended on various occasions. The last of these reforms was approved by the 18° Extraordinary Shareholders Meeting, which was intended to: (i) incorporate amendments to the laws and regulations that regulate the activity of the company; (ii) modify the corporate purpose adapting it to the General Sanitation Services Law; (iii) extend the duration of the Board of Directors to three years; (iv) officially record that the business capital is fully subscribed and paid; and (v) repeal the transitional provisions that were no longer applicable.

Also a new revised text of the bylaws was granted. This modification is found in public deed dated October 2, 2013, granted in the Santiago Notary of Mr. Iván Torrealba Acevedo, and an extract of which is inscribed in pages 78,299, N° 51,547, in the Commercial Registry of the Real Estate Conservator of Santiago of 2013, and published in the Official Gazette dated October 21, 2013.

### Legal aspects

The Company is registered in the Securities Registry of the Superintendence of Securities and Insurance with N° 0346 by operation of Law N° 18,777.

As a sanitation sector company, it is regulated by the Superintendence of Sanitation Services in accordance with Law N° 18,902 and the Decrees with Force of Law N°382 and N° 70, both from 1988.



### 3.10 / Corporate Governance

## Declaration of responsibility

The Board Members of Aguas Andinas S.A. and the CEO, signatories of this declaration, are responsible under oath as to the veracity of the information provided in this Annual Report, in conformity with the provisions of General Rules N° 30 of the Superintendence of Securities and Insurance.

**Felipe Larrain Aspillaga**  
TAX ID: 6.922.002-9  
President

**Josep Bagué Prats**  
Passport: AAA030961  
Vice President

**Ricardo Escobar Calderón**  
TAX ID: 8.483.513-7  
Board Member

**Herman Chadwick Piñera**  
TAX ID: 4.975.992-4  
Board Member

**Bruno Phillippi Irrarázabal**  
TAX ID: 4.818.243-7  
Board Member

**Rodrigo Manubens Moltedo**  
TAX ID: 6.575.050-3  
Board Member

**Gonzalo Rojas Vildósola**  
TAX ID: 6.179.689-4  
Board Member

**Narciso Berberana Sáenz**  
TAX ID: 22.105.171-8.  
CEO

# Chapter 06

## Consolidated Financial Statements





## 04 / Financial Statements

# Independent Auditor's Report

(Translation of the report originally issued in Spanish)

### Shareholders and Directors Aguas Andinas S.A.

We have audited the accompanying consolidated financial statements of Aguas Andinas S.A., and subsidiaries ("the Company"), which comprise the consolidated statement of financial position as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with instructions and standards of preparation and presentation of financial information issued by Superintendencia de Valores y Seguros described in Note 2.1 to the consolidated financial statements. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion on the Regulatory Basis of Accounting

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Aguas Andinas S.A., and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in conformity with instructions and standards of preparation and presentation of financial information issued by the Superintendencia de Valores y Seguros described in Note 2.1 to the consolidated financial statements.

### Basis of Accounting

As described in Note 2.1 to the consolidated financial statements, on October 17, 2014 the Superintendencia de Valores y Seguros under its authority issued Circular No. 856 instructing entities under its supervision, to record the differences in assets and liabilities for deferred taxes arising

as a direct effect of the changes in the tax rates introduced by Law 20.780 against equity, thereby changing the conceptual accounting framework for the preparation and presentation of financial information adopted until that date, from the previous framework (International Financial Reporting Standards) which is required to be adopted in comprehensive and explicit manner and without reservations.

However, notwithstanding that they were prepared on the same basis of accounting, the consolidated statements of comprehensive income and the preparation of the related consolidated statements of changes in shareholders' equity for the years ended December 31, 2015 and 2014, with regard to registration of differences of assets and liabilities for deferred taxes are not comparative according to the explanation provided in the previous paragraph and whose effect is explained in Note 23.

**Luis Vila R.  
EY LTDA.**

Santiago, March. 30, 2016



## Consolidated Statements of Financial Position

**Consolidated Statements of Financial Position** As of December 31, 2015 and December 31, 2014 (Thousands of pesos - Th\$)

<b>ASSETS</b>	<b>Note</b>	<b>31-12-2015 Th\$</b>	<b>31-12-2014 Th\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	32,953,529	26,202,154
Other non-financial assets		1,714,465	1,020,792
Trade debtors and other receivables	8	99,965,706	94,559,029
Accounts receivable from related parties	9	5,224,620	70,629
Inventories	10	3,643,700	3,902,943
Tax assets		5,127,725	1,355,008
<b>Total current assets other than assets or groups of assets for disposal classified as held for sale or as held for distribution to owners</b>		<b>148,629,745</b>	<b>127,110,555</b>
<b>TOTAL CURRENT ASSETS</b>		<b>148,629,745</b>	<b>127,110,555</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	8	7,559,679	7,413,197
Other nonfinancial assets		816,605	685,964
Receivables	8	2,184,457	2,197,980
Intangible assets other than goodwill	11	230,527,689	232,174,750
Goodwill	12	36,233,012	36,233,012
Property, plants and equipment	13	1,248,135,284	1,188,402,068
Deferred tax assets	23	17,111,377	12,254,100
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,542,568,103</b>	<b>1,479,361,071</b>
<b>TOTAL ASSETS</b>		<b>1,691,197,848</b>	<b>1,606,471,626</b>

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


**Consolidated Statements of Financial Position** As of December 31, 2015 and December 31, 2014 (Thousands of Chilean pesos - Th\$)

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>31-12-2015 Th\$</b>	<b>31-12-2014 Th\$</b>
<b>CURRENT LIABILITIES</b>			
Other financial liabilities	8	75,672,328	56,680,231
Trade accounts and other accounts payable	8	92,538,326	69,998,133
Accounts payable to related entities	9	44,168,351	29,483,847
Other provisions	15	547,288	591,098
Tax liabilities		139,262	1,394,707
Provisions for employee benefits	19	5,484,815	4,310,289
Other non-financial liabilities		13,856,942	14,047,271
<b>Total current liabilities other than liabilities included in groups of liabilities for disposal classified as held for sale</b>		<b>232,407,312</b>	<b>176,505,576</b>
<b>TOTAL CURRENT LIABILITIES</b>		<b>232,407,312</b>	<b>176,505,576</b>
<b>NON-CURRENT LIABILITIES</b>			
Other financial liabilities	8	722,132,796	698,421,729
Other accounts payable	8	1,829,986	1,684,433
Other provisions	15	1,239,995	1,187,618
Deferred tax liabilities	23	40,336,291	42,486,184
Provisions for employee benefits	19	13,957,804	11,982,471
Other non-financial liabilities	8	7,703,197	7,805,844
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>787,200,069</b>	<b>763,568,279</b>
<b>TOTAL LIABILITIES</b>		<b>1,019,607,381</b>	<b>940,073,855</b>
<b>EQUITY</b>			
Issued capital	3	155,567,354	155,567,354
Accumulated earnings	3	303,530,135	297,097,777
Share premium	3	164,064,038	164,064,038
Other equity interests	3	-5,965,550	-5,965,550
Equity attributable to owners of the controller		617,195,977	610,763,619
Minority interests	4	54,394,490	55,634,152
<b>TOTAL SHAREHOLDER EQUITY</b>		<b>671,590,467</b>	<b>666,397,771</b>
<b>TOTAL SHAREHOLDER EQUITY AND LIABILITIES</b>		<b>1,691,197,848</b>	<b>1,606,471,626</b>

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


**Comprehensive Revenues Statements by Consolidated Nature** For the years 2015 and 2014 ending December 31st (Thousands of Chilean pesos - Th\$)

<b>INCOME STATEMENT BY NATURE</b>	<b>Note</b>	<b>31-12-2015 Th\$</b>	<b>31-12-2014 Th\$</b>
Revenue from ordinary activities	17	473,396,705	440,734,172
Raw materials and consumables used		-37,353,766	-30,182,683
Expenses for employee benefits	19	-50,688,949	-45,331,445
Depreciation and amortization	11-13	-68,392,082	-66,225,212
Other expenses by nature	21	-102,730,479	-91,474,329
Other (losses) gains	5	-4,088	305,758
Financial income	5	6,582,547	5,303,835
Financial costs	5	-27,905,133	-30,738,756
Exchange rate differences	20	-13,504	-33,929
Results for indexation units		-26,523,669	-34,251,729
<b>Earnings before tax</b>		<b>166,367,582</b>	<b>148,105,682</b>
<b>Expenses for income taxes</b>	<b>23</b>	<b>-33,683,724</b>	<b>-25,045,174</b>
<b>Earnings from continuing operations</b>		<b>132,683,858</b>	<b>123,060,508</b>
<b>Earnings</b>		<b>132,683,858</b>	<b>123,060,508</b>
<b>Earnings attributable to</b>			
Earnings attributable to owners of the controller		129,008,145	119,422,474
Earnings attributable to minority interests	4	3,675,713	3,638,034
<b>Earnings</b>		<b>132,683,858</b>	<b>123,060,508</b>
<b>Earnings per share</b>			
Basic earnings per share from continuing operations	24	21.083	19.517
<b>Basic earnings per share</b>		<b>21.083</b>	<b>19.517</b>

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




**Comprehensive Revenues Statements by Consolidated Nature** For the years 2015 and 2014 ending December 31st (Thousands of Chilean pesos - Th\$)

STATEMENT OF COMPREHENSIVE RESULTS	Note	31-12-2015 Th\$	31-12-2014 M\$
<b>Earnings</b>		<b>132,683,858</b>	<b>123,060,508</b>
<b>OTHER COMPREHENSIVE RESULT</b>			
<b>Components of other comprehensive results that will not be reclassified to the yearly result, before taxes</b>			
Actuarial earnings (losses) on defined benefit plans		-1,985,359	-1,626,708
<b>Other comprehensive results that will not be reclassified to the yearly result, before taxes</b>		<b>-1,985,359</b>	<b>-1,626,708</b>
<b>Revenues taxes related to components of other comprehensive results that will not be reclassified to the yearly result</b>			
Revenues taxes related to defined benefit plans		528,916	439,719
<b>Revenues taxes related to components of other comprehensive results that will not be reclassified to the yearly result</b>		<b>528,916</b>	<b>439,719</b>
<b>All other comprehensive result</b>		<b>-1,456,443</b>	<b>-1,186,989</b>
<b>TOTAL COMPREHENSIVE RESULT</b>		<b>131,227,415</b>	<b>121,873,519</b>
Comprehensive result attributable to			
<b>Comprehensive results attributable to owners of the controller</b>		<b>127,564,003</b>	<b>118,249,575</b>
Comprehensive result attributable to minority participations	4	3,663,412	3,623,944
<b>Total comprehensive result</b>		<b>131,227,415</b>	<b>121,873,519</b>

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



## Consolidated Statements of Direct Cash Flows For the years 2015 and 2014 ending December 31st (Thousands of Chilean pesos - Th\$)

<b>STATEMENT OF DIRECT CASH FLOWS</b>	<b>Note</b>	<b>12-31-2015 Th\$</b>	<b>12-31-2014 Th\$</b>
<b>Classes of proceeds by operating activities</b>		<b>553.795.922</b>	<b>517.974.789</b>
Proceeds from sales of goods and services		551.289.818	512.008.167
Proceeds from insurance claims, annuities, and other benefits of subscribed policies		344.676	968.644
Other proceeds from operating activities		2.161.428	4.997.978
<b>Payment classes from cash proceeds of operating activities</b>		<b>-277.764.701</b>	<b>-254.441.458</b>
Payments to suppliers for the supply of goods and services		-171.219.895	-156.451.581
Payments to and on behalf of employees		-50.838.849	-46.201.500
Payments for premiums and loans, annuities and other obligations derived from the subscribed policies		-2.467.421	-2.897.546
Other operating activity payments		-53.238.536	-48.890.831
<b>Cash flow from (utilized in) operations</b>		<b>-61.561.729</b>	<b>-56.492.463</b>
Interest paid		-19.502.785	-20.680.839
Interest received		1.663.492	1.370.144
Revenues taxes paid (refunded)		-39.436.402	-32.077.273
Other cash flows (outflows)		-4.286.034	-5.104.495
<b>Cash flow from (utilized in) operating activities</b>		<b>214.469.492</b>	<b>207.040.868</b>
Proceeds of sales of property, plant and equipment		152.070	381.965
Purchases of property, plant and equipment		-88.060.184	-84.276.182
Purchases of intangible assets		-2.507.632	-411.944
Interest received		489.717	
Other cash inflows (outflows)		-1.825.391	-1.753.968
<b>Cash flow from (utilized in) investment activities</b>		<b>-91.751.420</b>	<b>-86.060.129</b>
Proceeds of long-term loans		64.249.143	141.844.872
Proceeds of short-term loans		994.353	47.044.950
<b>Loan proceeds from financing activities</b>		<b>65.243.496</b>	<b>188.889.822</b>
Loan repayments		-56.294.588	-201.061.084
Dividends paid		-124.757.206	-120.854.347
Other cash inflows (outflows)		-158.399	-411.957
<b>Cash flows from (utilized in) financing activities</b>		<b>-115.966.697</b>	<b>-133.437.566</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>6.751.375</b>	<b>-12.456.827</b>
<b>Cash and cash equivalents at start of period</b>		<b>26.202.154</b>	<b>38.658.981</b>
<b>Cash and cash equivalents at end of period</b>	<b>7</b>	<b>32.953.529</b>	<b>26.202.154</b>

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


**Statement of Changes in Net Equity** For the years 2015 and 2014 ending December 31st (Thousands of Chilean pesos - Th\$)

STATEMENT OF CHANGES IN EQUITY	Note	Issued capital	Accounting issues	Other participations in equity	Reserve of actuarial earnings or losses in defined benefit plans	Accumulated earnings (losses)	Equity attributable to owners of the controller	Non-controller participations	Total equity
		Th\$	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
<b>Initial balance as of 01-01-2015</b>		<b>155,567,354</b>	<b>164,064,038</b>	<b>-5,965,550</b>	<b>0</b>	<b>297,097,777</b>	<b>610,763,619</b>	<b>55,634,152</b>	<b>666,397,771</b>
Comprehensive result									
Earnings		0	0	0	0	129,008,145	129,008,145	3,675,713	132,683,858
Other comprehensive results		0	0	0	-1,444,142	0	-1,444,142	-12,301	-1,456,443
Dividends	3	0	0	0	0	-121,131,645	-121,131,645	0	-121,131,645
Reduction for transfers and other changes	3 - 4	0	0	0	1,444,142	-1,444,142	0	-4,903,074	-4,903,074
<b>Total changes in equity</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,432,358</b>	<b>6,432,358</b>	<b>-1,239,662</b>	<b>5,192,696</b>
<b>Closing balance as of 12-31-2015</b>	<b>3-4</b>	<b>155,567,354</b>	<b>164,064,038</b>	<b>-5,965,550</b>	<b>0</b>	<b>303,530,135</b>	<b>617,195,977</b>	<b>54,394,490</b>	<b>671,590,467</b>

Statement of changes in equity	Note	Issued capital	Accounting issues	Other participations in equity	Reserve of actuarial earnings or losses in defined benefit plans	Accumulated earnings (losses)	Equity attributable to owners of the controller	Non-controller participations	Patrimonio total
		Th\$	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
<b>Initial balance as of 01-01-2014</b>		<b>155,567,354</b>	<b>164,064,038</b>	<b>-5,965,550</b>	<b>0</b>	<b>302,875,246</b>	<b>616,541,088</b>	<b>61,127,562</b>	<b>677,668,650</b>
Comprehensive result									
Earnings		0		0	0	119,422,474	119,422,474	3,638,034	123,060,508
Other comprehensive results		0	0	0	-1,172,899	0	-1,172,899	-14,090	-1,186,989
Dividends	3	0		0	0	-118,530,781	-118,530,781	0	-118,530,781
Reduction for transfers and other changes	3-4	0		0	1,172,899	-6,669,162	-5,496,263	-9,117,354	-14,613,617
<b>Total changes in equity</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-5,777,469</b>	<b>-5,777,469</b>	<b>-5,493,410</b>	<b>-11,270,879</b>
<b>Closing balance as of 12-31-2014</b>	<b>3-4</b>	<b>155,567,354</b>	<b>164,064,038</b>	<b>-5,965,550</b>	<b>0</b>	<b>297,097,777</b>	<b>610,763,619</b>	<b>55,634,152</b>	<b>666,397,771</b>

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



## Notes on the Consolidated Financial Statements

### Note 1. GENERAL INFORMATION

Aguas Andinas S.A. (Hereinafter the "Company") and its subsidiaries compose the Aguas Andinas Group (hereinafter the "Group"). Its legal address is Avenida Presidente Balmaceda N° 1398, Santiago, Chile and its Unique Tax ID is 61.808.000-5.

Aguas Andinas S.A. was established as an open joint stock company by public deed on May 31, 1989 in Santiago, before the Notary Public Mr. Raúl Undurraga Laso. An excerpt of the articles was published in the Official Gazette on June 10, 1989, being registered in the Registry of Commerce at page 13,981, No. 7,040 of 1989 of Real Estate Conservator of Santiago.

The Company's corporate purpose, in accordance with article two of its bylaws, is the provision of sanitation services, which includes the construction and operation of public services to produce and distribute drinking water and wastewater collection and disposal. Its current concession area is distributed in Greater Santiago and peripheral locations.

The Company is a matrix of three sanitation companies, two of them in Greater Santiago (Aguas Cordilleras S.A. and Aguas Manquehue S.A.) and the other one in the Los Ríos and Los Lagos regions (Empresa de Servicios Sanitarios de Los Lagos S.A., ESSAL). To provide an integral service in its business, the Company has non-sanitation subsidiaries providing services such as liquid industrial waste treatment (Ecoriles S.A.), laboratory analysis (Análisis Ambientales S.A.), commercialization of materials and other services related to the sanitation sector (Gestión y Servicios S.A.), and performs activities associated with water use and energy projects resulting from facilities and goods of sanitation companies (Aguas del Maipo).

The Company and its subsidiary Essal are registered in the Securities Registry of the Superintendence of Securities and Insurance under N°346 and N°524, respectively. The subsidiaries Aguas Cordilleras S.A. and Aguas Manquehue S.A. are registered in the special information entities Registry of the Superintendence of Securities and Insurance with the N° 170 and N° 2, respectively. As companies in the sanitation sector, they are regulated by the Superintendence of Sanitary Services in accordance with Law N°18,902 of 1989 and the Decrees having the Force of Law N°382 and N°70, both of 1988.

For the purposes of preparing the consolidated financial statements, it is understood that a group exists when the matrix has one or more subsidiaries entities, being these over which the matrix has control whether directly or indirectly. The accounting policies applied in the elaboration of the consolidated financial statements of the Group are developed in Note 2.2.

The direct controlling entity is Inversiones Aguas Metropolitanas S.A. ("IAM"), a publicly traded company which in turn is controlled by Sociedad General Aguas Barcelona S.A. ("Agbar"), an entity located in Spain and one of the major operators of sanitation services in the world, which in turn is controlled by Suez (France), with ENGIE (France) being its major shareholder.

### Note 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.1 Basis of Preparation

These consolidated financial statements as of December 31, 2015 have been prepared in accordance with instructions and standards issued by the Superintendence of Securities and Insurance (SVS), which are composed of the International Financial Reporting Standards (IFRS), and

what is established in Circular N°856 of October 17, 2014 that instructs the audited entities to register in the respective period the differences against equity in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780 with specific standards issued by the SVS.

These consolidated financial statements faithfully reflect the financial position of Aguas Andinas S.A. and subsidiaries as of December 31, 2015 and 2014, the results of operations, changes in net equity and cash flows for periods ended December 31, 2015 and 2014.

The Group complies with the legal requirements of the environment in which it operates, particularly the sanitation subsidiaries with respect to the specific regulations of the sanitation sector. The Group's companies have normal operating conditions in each area in which they operate. Each company's projections show a profitable operation and they are able to access the financial system to finance their operations, which in the opinion of management determines their ability to continue as a company, as established by the accounting standards under which these consolidated financial statements are issued.

#### Functional and presentation currency

The financial statements of each of the Group's entities are presented using the currency of the principal economic environment in which those companies operate (Functional currency). For the purposes of the consolidated financial statements, the results and financial position of each company in the Group are shown in Chilean pesos (rounded to thousands of pesos), which is the functional currency of the Company and its subsidiaries, and the presentation currency for the consolidated financial statements.





### New accounting pronouncements

- a) As of the period beginning January 01, 2015 there are no accounting pronouncements of effective application that significantly impact the presentation and disclosure of the consolidated financial statements.
- b) The following new Standards and Interpretations have been issued but are not yet in force:

New IFRS	Date of mandatory application
IFRS 9, Financial Instruments, classification and measurement	Annual periods starting on or after January 01, 2018
IFRS 14, Deferred Regulatory Accounts	Annual periods starting on or after January 01, 2016
IFRS 15, Revenue from Contracts with Customers	Annual periods starting on or after January 01, 2018
IFRS 16, Leases	Annual periods starting on or after January 01, 2019

Improvements and Modifications	Date of mandatory application
IAS 19, Employee benefits	Annual periods starting on or after January 01, 2016
IAS 16, Property, Plant and Equipment	Annual periods starting on or after January 01, 2016
IAS 38, Intangible Assets	Annual periods starting on or after January 01, 2016
IAS 41, Agriculture	Annual periods starting on or after January 01, 2016
IFRS 11, Joint Agreements	Annual periods starting on or after January 01, 2016
IAS 27, Separate Financial Statements	Annual periods starting on or after January 01, 2016
IAS 28, Investments in Associates and Joint Ventures	Annual periods starting on or after January 01, 2016
IFRS 10, Consolidated Financial Statements	Annual periods starting on or after January 01, 2016
IFRS 5, Non-Current Assets Maintained for the Sale and Discontinued Operations	Annual periods starting on or after January 01, 2016
IFRS 7, Financial Instruments: Disclosures	Annual periods starting on or after January 01, 2016
IFRS 12, Disclosures about participation in other entities	Annual periods starting on or after January 01, 2016
IAS 1, Presentation of Financial Statements	Annual periods starting on or after January 01, 2016
IAS 34, Interim Financial Information	Annual periods starting on or after January 01, 2016

The management of the Company and its subsidiaries are analyzing the eventual impact of the above-mentioned standards and amendments on the

Group's consolidated financial statements. Notwithstanding, those whose date of entry into force are in annual periods starting on January 1, 2016, have been analyzed and it is determined they will not have relevant effects in the preparation and presentation of future financial statements.

### Responsibility for the information and estimates made

The information contained in these consolidated financial statements is the responsibility of the Board of Directors of the Company, which states that it has applied all principles and criteria included in the International Financial Reporting Standards (IFRS) and the instructions imposed by the SVS. The Board of Directors, in a meeting held on March 30, 2016, approved these consolidated financial statements.

The consolidated financial statements of Aguas Andinas S.A. and Subsidiaries for the period 2014 were approved by the board at its meeting held on March 25, 2015.

Estimates such as the following have been used in the preparation of the consolidated financial statements:

- Useful life of fixed intangible assets
- Valuation of assets and goodwill purchased (commercial funds or lower investment value)
- Losses through 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 from supplies with invoice pending
- Provisions for commitments acquired with third parties
- Risks deriving 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 cause them to be amended (upward or downward) in subsequent periods, which would be registered prospectively as soon as the variation is known, recognizing 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 Basis

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 process.

The Company and its subsidiaries follow the Group's policies consistently.

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

Tax ID	Company Name	Direct %	Indirect %	Total 2015 %	Direct %	Indirect %	Total 2014 %
96.809.310-K	Aguas Cordillera S.A.	99.990300	0.00000	99.990300	99.990300	0.00000	99.990300
89.221.000-4	Aguas Manquehue S.A.	0.000400	99.999600	100.00000	0.000400	99.999600	100.00000
96.967.550-1	Análisis Ambientales S.A.	99.000000	1.00000	100.00000	99.000000	1.00000	100.00000
96.945.210-3	Ecoriles S.A.	99.038500	0.961500	100.00000	99.038500	0.961500	100.00000
96.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A.	2.506500	51.00000	53.50650	2.506500	51.00000	53.50650
96.828.120-8	Gestión y Servicios S.A.	97.847800	2.152200	100.00000	97.847800	2.152200	100.00000
96.897.320-7	Inversiones Iberaguas Ltda.	99.999998	0.000002	100.00000	99.999998	0.000002	100.00000
76.190.084-6	Aguas del Maipo S.A.	82.649996	17.350004	100.00000	82.649996	17.350004	100.00000

### 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 is regularly reviewed by Management for making decisions on the assignment of resources to the subsidiaries and evaluating their performance.

The Group manages and measures the 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 recognizes an identifiable intangible asset when it can be shown that it is probable that future economic benefits attributed to it will flow to the entity and the cost can be correctly valued.

#### i. Intangible assets acquired separately

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



## ii. Amortization method for intangibles:

### Intangibles with defined useful lives

The amortization method employed by the Company reflects the pattern for which the future economic benefits of the asset is expected to be used by the entity. The Company therefore uses the straight-line depreciation method.

### Computer programs

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

### Intangibles with indefinite useful lives

Intangible assets with indefinite useful lives 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 General Water Authority of the Ministry of Public Works.

### Determination of useful life

The factors that should 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 of 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 (subtracting the value of investments or commercial fund) generated in the business 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 control of the company is taken, and then revised within a maximum of 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.

In the event the definitive determination of goodwill is made in the financial statements of the year following the acquisition of the participation, the items 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.

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

Goodwill is not amortized but an estimate is made at the end of each accounting period as to whether any impairment has occurred that reduces the recoverable value to below the net book cost, 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 the valuation of 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 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. Other repairs and maintenance are charged to results in the period in which they are incurred.

## Depreciation method and estimated useful life for property, plant and equipment

The depreciation method applied by the Company reflects the extent to which the assets are used by the entity during the period in which they generate economic benefits. The Company therefore uses the straight-line depreciation method over the technical useful life, based on technical studies prepared by independent experts (external specialist firms). The residual value and useful life of assets are revised and adjusted if necessary at each closing of the Statement of Financial Position.

When the value of an asset is higher than its estimated recoverable amount, this is reduced immediately to the recoverable amount (Note 14).

## Useful life

The useful life considered in calculating the depreciation are based on technical studies prepared by external specialist firms, which are revised as new information arises that permits a consideration that the useful life of some asset has been 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 component materials in equipment or buildings
2. Operating environment of the equipment
3. Intensity of use
4. Legal, regulatory or contractual limitations

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

ITEM	Useful life (years) minimum	Useful life (years) maximum
Buildings	25	80
Plant & equipment	5	50
Computer equipment	4	4
Fixed installations & accesories	5	80
Motor vehicles	7	10
Improvements to leased assets	5	5
Other property, plant & equipment	5	80

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

Due to the nature of the assets constructed by the Company and given that there are no contractual obligations or other construction requirements like those mentioned in the IFRS, the concept of dismantling costs is not applicable as of the date of these financial statements.

#### Fixed asset sales policy

The results of fixed asset sales are calculated by comparing the proceeds received with the book value, and are registered in the Consolidated 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, with useful life defined to see whether there exists any indication of a loss due to impairment. Should this exist, the recoverable value of such assets is estimated in order to determine whether any impairment has been suffered. 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 the asset belongs.

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

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

When it is estimated that the recoverable value of an asset (or cash-generating unit) is less than its book value, the book value of that asset (or cash-generating unit) is adjusted to its recoverable value, booking a loss for impairment in results immediately. 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 conditions of the lease 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 the fair value at the start of the lease and the present value of the minimum lease payments. The corresponding leasing obligation is included in the statement of position as a financial lease obligation.

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

All the lessor's risks are transferred in this operation, therefore all successive receivables are considered as revenue in each period.



The minimum lease payments are assigned between financial costs and a reduction in the obligation. The financial costs are moved directly to results unless they are directly related to the qualified re incurred.

The Company and its subsidiaries do not currently show financial leases acquired at the close of the periods.

## ii. Operative leases

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

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

## iii. Implicit leases

The Company and subsidiaries review their contracts to check for the possible existence of implicit leases, in accordance with IFRIC 4.

## H. Financial assets

The 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 have been transferred and the Group has passed 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 very high protection against loss associated with credit risks/quotas with the lowest sensitivity to changes in economic conditions). Term 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 issuing institutions of these instruments are bank Companies or subsidiaries of the Banks with an N-1 credit rating, and their instruments have a rating of least AA (very high capacity for paying the principal and interest on the agreed terms and maturities, which would not be affected significantly by possible changes in the issuer, the industry to which it belongs or the economy).

## i. Effective interest-rate method

The effective interest-rate method is the method for calculating the amortized cost of a financial asset or liability and of the assignment of interest income or expense over the whole corresponding period. The effective interest rate is the rate that exactly discounts the estimated future cash flows receivable over the expected life of the financial asset, and makes the Net Present Value (NPV) equal to its nominal amount.

## 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.

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, 2015, the Company and its subsidiary Aguas del Maipo S.A. hold shares in Sociedad Eléctrica Puntilla S.A., which have been valued at their fair value at the acquisition date, as defined in IAS N°. 39. Their subsequent measurement will be at cost because there is no active market, as provided in the same standard.

## iii. Loans and accounts receivable

Trade debtors, loans and other accounts receivable are non-derivative financial assets that have fixed or determinable payments and that are not traded on an active market, classified as loans and accounts receivable. Loans and accounts receivable are valued at amortized cost using the effective interest-rate method less any loss for impairment, 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 the accrued revenue from consumption between the date of the last meter reading (according to an established monthly routine) and the closing date of the financial statements. These are shown net of the estimate of bad debts or debts with doubtful recovery.





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 for impairment of commercial debtors and other accounts receivable**

The Company periodically evaluates impairments affecting its financial assets. The amount is booked as bad debt provisions. The book value of an asset is reduced to the extent that the provision account is used and the loss is booked in the statement of comprehensive results in "other expenses." When an account receivable is not recoverable, it is written off against provisions for accounts receivable.

Estimates are based on the following historic information: considering recovery statistics, which indicate that eighth months after billing the possibility of recovery is marginal, i.e. the probability of recovery of the 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 customers with debts more than 8 months overdue.

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., Ecoriles S.A. and Aguas del Maipo S.A., a 100% provision is made for customer debts more than 120 days overdue.

A 100% provision is made for overdue notes receivable.

#### **I. Inventories**

Materials, spares and inputs are shown at cost, which does not exceed their net realization value. The costing method is the weighted average cost. Inventories that have not turned over during the previous 12 months are valued annually and are booked at market value, if less.

#### **J. Dividend policy**

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

The minimum dividend established in the Corporations Law, equivalent to 30% of annual profits, will be shown at the end of each period. In the event there were no interim dividends or were less than the 30% referenced, the, the respective provision will be registered.

#### **K. Foreign currency transactions**

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

<b>Money</b>	<b>31-12-2015</b>	<b>31-12-2014</b>
	<b>\$</b>	<b>\$</b>
<b>United States Dollar</b>	<b>710.16</b>	<b>606.75</b>
<b>Euro</b>	<b>774.61</b>	<b>738.05</b>

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 their conversion at the closing exchange rates for monetary assets and liabilities denominated in foreign currency, are shown in the consolidated statement of comprehensive results.

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

#### **L. Financial liabilities**

Loans, payable bonds and similar documents are shown initially at their fair value, net of the costs incurred in the transaction. 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 hedge accounting**

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 uses derivative financial instruments for hedging instruments to reduce risks from inflation, interest-rates and exchange rates on current positions to which it is exposed due to its business.

Derivatives are recorded at fair value on the date of the financial situation statement. In the case of financial derivatives, if the value is positive it is booked under "Other Financial Assets" and if negative under "Other Financial Liabilities."

Changes in the fair value are booked directly in results, except when a derivative has been designated as a hedge accounting instrument and meets all of the conditions established by the IFRS to apply hedge accounting.

The treatment of hedging operations with derivative instruments are the following:

#### 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 financial 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 an equity reserve 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 expiration date of such transactions.

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

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

#### Effectiveness

A hedge is considered to be highly effective when the changes in fair value or the cash flows of the underlying item directly attributable to the risk hedged are offset by changes in the fair value or cash flows of the hedge 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 consolidated statement of results.

#### N. Provisions and contingent liabilities

The Group registers a provision when there is a present obligation as a consequence of past events, for which it is probable that the Group will use resources to settle the obligation and for which a fair estimate of the amount of the obligation can be made.

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

Contingent liabilities are those possible obligations arising as a result of past events, whose future materialization and associated equity effect is believed to be a low probability. In accordance with IFRS, the Group makes no provision for these concepts; if there were, as is required in the same regulation, they would be detailed in Note 15.

#### O. Employee benefits

The obligation of termination benefits which are estimated to accrue to employees who retire in Aguas 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 in accumulated earnings.



### Aguas Andinas S.A.

Compensation benefits for years of service in 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 termination benefit 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.

Compensation for years of service 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 through December 31, 2002 and the termination benefit of 1 monthly wage without any amount or age limit for workers covered by current collective agreements and for those to whom this benefit is extended through their individual work contract. 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.

Compensations to workers forming part of or who 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 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 these funds 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.

### P. Revenues 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.

Revenues 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 figures 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 the closing date of each financial position statement and is reduced to the extent that it is unlikely 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 of settling the liability or realizing the asset, based on the tax rates that have been approved or have almost finalized 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 to recover or settle the book values of its assets and liabilities at the date of report.

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 booking of 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, the Company retains 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 booking of ordinary revenue from 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 transferred to the client and recovery is considered probable, and the associated costs and possible discounts for erroneous billings 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 process is developed based on a calendar month, which leads to the end of each month are unread consumption, and therefore, not billed. For the purposes of revenue accounting, the society makes an estimate of unbilled consumption.

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

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

### Method used for determining 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 Society.

## 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 periods ending December 31, 2015 and 2014.

During the years 2015 and 2014, the Group has not carried out any kind of operation with a potential diluting effect that supposes that diluted earnings per share are any different to basic earnings per share.

## S. Information on the environment

Assets of an environmental kind are those used constantly in the business of the Company and subsidiaries, whose main 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 Aguas Andinas S.A. and subsidiaries' businesses.

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

## T. Consolidated statement of cash flows

The cash flow statement records the cash movements during the period which include Value Added Tax (VAT), determined by the direct method under 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 Society 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 net equity and liabilities not forming part of the ordinary activities.

#### U. Construction contracts

For 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 according to 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 which 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.

#### W. Reclassifications

For comparison purposes, certain reclassifications have been made as of December 31, 2014, according to the following detail:

<b>Reclassifications</b>	<b>Increase/ (Decrease) Th\$</b>
<b>Statement of financial position:</b>	
Other non-financial liabilities	13,340,124
Trade and other accounts receivable	-13,340,124
<b>Status of results by nature:</b>	
Other (losses) earnings	108,728
Other costs, by nature	-108,728
<b>State of direct cash flow:</b>	
Payments to suppliers of goods and services	-182.436
Payments to and on behalf of employees	182.436
Other operating activity payments	-1,734,781
Revenues taxes paid (refunded)	1,734,781
Other cash flows (outflows)	-2,441,394
Purchases of property, plants and equipment	2,441,394





## 2.3 Accounting changes

The Superintendence of Securities and Insurance (SVS), under its authority, dated October 17, 2014, issued the Circular N° 856 that instructs the entities being audited to register in the respective period, against equity, the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780. The above, changed the preparation and presentation frame of the financial report adopted until that date, given that the previous frame (IFRS) needs to be adopted comprehensively, explicitly and without reservations.

As of December 31, 2014 and for the year ending on that date, the quantification of change of accounting framework meant a lower charge to results of M \$9,391,825 (Th\$ 5,496,265 corresponding to the owners of the controller and Th\$ 3,895,560 corresponding to the non-controlling participations.)

## Note 3. EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER

The capital of the Company is divided into 6,118,965,160 nominative shares of no par value, completely subscribed and paid as of December 31, 2015, with 94.97% corresponding to series A and 5.03% to series B.

Series B shares have a veto preference, contained in Article 5 of the Company bylaws, consisting of special quorum required at the Extraordinary Shareholders Meeting to decide about acts and contracts related to the water rights and sanitation concessions of Aguas Andinas.

The composition of each series is as follows:

Money	31-12-2015	31-12-2014
Series A Shares	5,811,030,417	5,811,030,417
Series B Shares	307,934,743	307,934,743

The capital as of December 31, 2015 and December 31, 2014 amounts to Th\$155,567,354.

There are no owned shares held in the 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.

In the 2015 period, dividend payments were agreed to and made as detailed below:

- The Ordinary Shareholders' Meeting held on April 28, 2015 agreed to distribute 100% of earnings for 2014, after deducting the interim dividend paid in January 2015. Because of this, the dividend N° 60 of the Company amounted to Th\$80,566,577 equivalent to \$13.1667 per share. This payment was payable from May 26, 2015, being entitled to 6,118,965,160 shares.
- In a board meeting held on December 16, 2015, it was unanimously agreed to distribute among shareholders the sum of Th\$40,565,068, as an interim dividend, based on the earnings for 2015. Because of this, the interim dividend N° 61 of the Company amounted to \$6.6294 per share. This payment was payable from January 13, 2016.

In the 2014 period, a dividend payment were agreed to and made as detailed below:

- In a board meeting held on December 17, 2014, it was unanimously agreed to distribute among shareholders the sum of Th\$38,855,429, as an interim dividend, based on the earnings for 2014. Because of this, the interim dividend N° 59 of the Company amounted to \$6.35 per share. This payment was made in January 13, 2015.
- The Ordinary Shareholders' Meeting held on April 29, 2014 agreed to distribute 100% of earnings for 2013, after deducting the interim dividend paid in January 2014. Because of this, the dividend N° 58 of the Company amounted to Th\$79,675,352 equivalent to \$13.021 per share. This payment was payable from May 26, 2014, being entitled to for 6,118,965,160 shares.

### • Provision for minimum dividend

In accordance with the policy described in Note 2.2. Letter J, the Company has made no provision for the minimum dividend as of December 31, 2015 and December 31, 2014.

### • Accumulated Earnings

The amounts booked for revaluation of land and intangible assets and other adjustments on the first adoption of IFRS are included in accumulated earnings and are subject to restrictions on their distribution as they first have to be booked as realized, through their use or sale, as established in IFRS 1, IAS 16 and Circular N° 456 of June 20, 2008 of the Superintendence of Securities and Insurance. 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 balances as of December 31, 2015 and December 31, 2014 are Th\$303,530,135 and Th\$297,097,777 respectively.



As of December 31, 2014, an equity of Th\$5,496,263 was registered, corresponding to the impact of differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780, and booked to equity in accordance with the instructions given in Circular N°856 published by the Superintendence of Securities and Insurance on October 17, 2014.

Additionally, as of December 31, 2015 and 2014, modifications were made to the calculation parameters in the actuarial earnings and losses on compensation, which generated a register in accumulated results of Th\$1,444,142 and Th\$1,172,899 (see note 2.2. O)

- **Share premiums.**

The amount registered in share premiums is the premium on the sale of shares produced in 1999 due to the capital increase. The balance as of December 31, 2015 and December 31, 2014 amounted to Th\$164,064,038 in each period.

- **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 Circular N° 456 of the Superintendence of Securities and Insurance, and the effects of combinations of businesses of companies under common control made in 2007 and 2008. The balance as of December 31, 2015 and December 31, 2014 is Th\$-5,965,550.

The dividends paid to non-controlling participations of the subsidiary Essal S.A were Th\$ 5,355,744 as of December 31, 2015 and Th\$ 4,991,200 as of December 31, 2014.

#### **Note 4. EQUITY ATTRIBUTABLE TO NON-CONTROLLER PARTICIPATIONS**

The detail broken down by Company of the effects caused by the third party participation in the equity and results as of December 31, 2015 and 2014 are as follows:

Company	% Participation		Minority participations			
			Equity		Earnings	
	31-12-2015 %	31-12-2014 %	31/12/2015 Th\$	31/12/2014 Th\$	31/12/2015 Th\$	31/12/2014 Th\$
Aguas Cordillera S.A.	0.00997%	0.00997%	19,906	19,466	1,841	2,121
Essal S.A. (1)	46.49350%	46.49350%	54,374,584	55,614,686	3,673,872	3,635,913
<b>Total</b>			<b>54,394,490</b>	<b>55,634,152</b>	<b>3,675,713</b>	<b>3,638,034</b>

(1) Includes the participations of third parties by assigning a market value of the assets and liabilities arising from the purchase of Inversiones Iberaguas Ltda. and Essal S.A., at the moment the businesses were merged.



## Note 5. OTHER REVENUE AND EXPENSES

The following presents additional information according to IAS 1, referring to other non-operating revenues and expenses:

<b>Non-operating revenue &amp; expenses</b>	<b>31-12-2015</b>	<b>31-12-2014</b>
	<b>Th\$</b>	<b>Th\$</b>
Earnings from sale of non-current assets, not held for sale	183,360	481,205
Losses for replacement of properties, plant and equipment	-185,854	-108,728
Other losses	-1,594	-66,719
<b>Other (losses) gains</b>	<b>-4,088</b>	<b>305,758</b>
Bank loans	-4,272,443	-4,667,943
Reimbursable financial contributions (AFR) interest expenses	-6,262,912	-4,662,188
Bond interest expenses	-16,498,609	-18,099,258
Other interest expenses	-541,775	-730,749
Amortization of loan agreement complementary costs	-329,394	-2,578,618
<b>Financial Costs</b>	<b>-27,905,133</b>	<b>-30,738,756</b>
Interest income	4,582,051	4,494,489
Gain on redemption & extinction of debt	1,123,360	809,346
Revenues for derivative instruments	877,136	0
<b>Financial Revenues</b>	<b>6,582,547</b>	<b>5,303,835</b>



## Note 6. FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

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

### Statement of financial position of subsidiaries (Statement of Financial Situation) as of December 31, 2015

31-12-2015 Subsidiaries	Current assets Th\$	Non-current assets Th\$	Current liabilities Th\$	Non-current liabilities Th\$	Shareholder Equity Th\$
Aguas Cordillera S.A.	19,525,493	254,713,113	20,666,580	53,916,903	199,655,123
Aguas Manquehue S.A.	3,319,921	75,175,718	3,498,085	21,813,263	53,184,291
Inversiones Iberaguas Ltda.	1,886,358	65,824,145	23,443	0	67,687,060
Empresa de Servicios Sanitarios de Los Lagos S.A.	15,105,269	140,585,974	16,343,042	62,666,962	76,681,239
Ecoriles S.A.	4,666,622	384,060	2,217,789	0	2,832,893
Gestión y Servicios S.A.	6,085,890	286,174	1,821,756	36,577	4,513,731
Análisis Ambientales S.A.	2,339,639	5,492,895	4,235,959	0	3,596,575
Aguas del Maipo S.A.	1,435,831	8,461,120	498,671	57,196	9,341,084

### Statement of comprehensive results of subsidiaries (Statement of Comprehensive Revenues) as of December 31, 2015

31-12-2015 Subsidiaries	Result for the period Th\$	Ordinary revenue Th\$	Operating expenses (-) Th\$	Other expenses (-) / Net revenue (+) Th\$
Aguas Cordillera S.A.	18.466.641	51.987.378	-32.475.808	-1.044.929
Aguas Manquehue S.A.	3.542.017	10.986.311	-6.052.435	-1.391.859
Inversiones Iberaguas Ltda.	6.079.260	0	-11.564	6.090.824
Empresa de Servicios Sanitarios de Los Lagos S.A.	11.984.654	49.523.574	-30.375.448	-7.163.472
Ecoriles S.A.	1.864.729	12.592.871	-10.276.082	-452.060
Gestión y Servicios S.A.	616.028	9.405.126	-8.609.974	-179.124
Análisis Ambientales S.A.	1.137.491	6.989.535	-5.725.439	-126.605
Aguas del Maipo S.A.	645.235	920.864	-646.984	371.355


**Summary of Financial Position of Subsidiaries (Statement of Financial Situation) through December 31, 2014**

<b>31-12-2014 Subsidiaries</b>	<b>Current assets Th\$</b>	<b>Non-current assets Th\$</b>	<b>Current liabilities Th\$</b>	<b>Non-current liabilities Th\$</b>	<b>Shareholder Equity Th\$</b>
Aguas Cordillera S.A.	20.751.194	243.394.965	14.691.450	54.212.972	195.241.737
Aguas Manquehue S.A.	4.473.100	71.239.462	7.114.700	18.465.022	50.132.840
Inversiones Iberaguas Ltda.	2.386.677	65.102.306	44.714	0	67.444.269
Empresa de Servicios Sanitarios de Los Lagos S.A.	14.736.199	133.248.212	14.019.578	58.698.964	75.265.869
Ecoriles S.A.	4.460.897	349.256	1.824.643	0	2.985.510
Gestión y Servicios S.A.	6.617.684	378.776	2.473.253	76.560	4.446.647
Análisis Ambientales S.A.	3.605.573	1.507.230	1.139.501	0	3.973.302
Aguas del Maipo S.A.	2.272.296	8.569.107	410.504	34.092	10.396.807

**Statement of Comprehensive Results (Statement of Comprehensive Revenues) as of December 31, 2014**

<b>31-12-2014 Subsidiaries</b>	<b>Result for the period Th\$</b>	<b>Ordinary revenue Th\$</b>	<b>Operating expenses (-) Th\$</b>	<b>Other expenses (-) / Net revenue (+) Th\$</b>
Aguas Cordillera S.A.	21.275.864	48.830.273	-28.797.317	1.242.908
Aguas Manquehue S.A.	5.249.916	12.371.031	-5.820.842	-1.300.273
Inversiones Iberaguas Ltda.	5.831.132	5.061	-5.515	5.831.586
Empresa de Servicios Sanitarios de Los Lagos S.A.	11.519.412	45.158.426	-25.836.975	-7.802.039
Ecoriles S.A.	1.640.245	11.865.133	-9.872.518	-352.370
Gestión y Servicios S.A.	454.183	8.951.259	-8.387.024	-110.052
Análisis Ambientales S.A.	1.090.093	6.603.852	-5.283.497	-230.262
Aguas del Maipo S.A.	682.044	772.291	-563.448	473.201





### 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:

Name of significant subsidiary	Aguas Cordillera S.A.	Aguas Manquehue S.A.	Essal S.A.
Tax ID	96.809.310-k	89.221.000-4	96.579.800-5
Functional currency	Pesos chilenos	Pesos Chilenos	Pesos chilenos
Percentage share in significant subsidiary	99.99003%	100.00000%	53.50650%
Percentage voting rights in significant subsidiary	99.99003%	100.00000%	53.50650%
Percentage of consolidated values			
Contribution margin	9.11%	2.30%	6.34%
Property, plant and equipment	7.85%	4.14%	10.70%
<b>Yearly income</b>	<b>11.49%</b>	<b>2.70%</b>	<b>3.28%</b>

### Note 7. CASH AND CASH EQUIVALENTS

The composition is as follows:

Cash and cash equivalents	31-12-2015 Th\$	31-12-2014 M\$
Banks	2,398,261	2,730,493
Term deposits (Note 8.6)	30,555,268	23,471,661
<b>Totals</b>	<b>32,953,529</b>	<b>26,202,154</b>

Cash equivalents relate to financial assets of deposits in-time and mutual funds with maturities of less than 90 days from the date of the originating transaction.

#### Detail of some items of the statement of cash flows

- **Other operating activity proceeds:** 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 has been capitalized as a result of investments in property, plant and equipment.

No legal restrictions exist that impede the immediate availability of the accounts of cash and cash equivalents utilized by the Group.



## Note 8. FINANCIAL INSTRUMENTS

### 8.1 Capital risk management

The Group manages its capital to ensure that Group entities will continue as a business 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, and 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 accounting 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 Note 2 Letters H, L and M to these consolidated financial statements.

### 8.3 Classes of financial instruments

Below is presented a summary of the financial instruments through December 31, 2015 and December 31, 2014:

Classes of financial instruments	Currency	Note	31-12-2015 Th\$	31-12-2014 Th\$
<b>Financial Assets</b>				
<b>Total trade debtors &amp; other accounts receivable, current</b>			<b>99,965,706</b>	<b>94,559,029</b>
Trade debtors & other accounts receivable, current	CLP	8.5	99,873,291	94,510,475
Trade debtors & other accounts receivable, current	USD	8.5	38,609	30,233
Trade debtors & other accounts receivable, current	EUR	8.5	53,806	18,321
<b>Information on related entities, current</b>			<b>5,224,620</b>	<b>70,629</b>
Accounts receivable by other related entities	CLP	9	5,224,620	70,629
<b>Noncurrent Total</b>			<b>9,744,136</b>	<b>9,611,177</b>
Rights receivable	CLP	8.5	2,184,457	2,197,980
Other financial assets	CLP	8.9	7,559,679	7,413,197
<b>Financial Liabilities</b>				
<b>Other financial liabilities, current</b>			<b>75,672,328</b>	<b>56,680,231</b>
Bank loans	CLP	8.4	12,239,349	21,118,729
Bonds	CLP	8.4	53,648,065	33,176,766
Reimbursable financial contributions (AFR)	CLP	8.4	9,784,914	2,384,736
<b>Other financial liabilities, noncurrent</b>			<b>722,132,796</b>	<b>698,421,729</b>
Bank loans	CLP	8.4	87,519,209	90,504,265
Bonds	CLP	8.4	464,344,024	456,075,129
Reimbursable financial contributions (AFR)	CLP	8.4	170,269,563	151,842,335
<b>Trade accounts &amp; other accounts payable, current</b>			<b>94,368,312</b>	<b>71,682,566</b>
Trade accounts & other accounts payable, current	CLP	8.7	92,408,737	69,855,419
Trade accounts & other accounts payable, current	USD	8.7	99,358	102,359
Trade accounts & other accounts payable, current	EUR	8.7	30,231	40,355
<b>Information on related entities, current</b>			<b>44,168,351</b>	<b>29,483,847</b>
Accounts payable to other related entities	CLP	9	44,168,351,	29,483,847
<b>Current Total</b>			<b>136,706,677</b>	<b>99,481,980</b>
Other accounts payable, non current	CLP	8.7	1,829,986	1,684,433
<b>Non Current Total</b>			<b>1,829,986</b>	<b>1,684,433</b>



## 8.4 Information to disclose on financial liabilities

### Other financial liabilities

Other financial liabilities include bank loans, public obligations (bonds) and Reimbursable Financial Contributions (AFRs), which are valued at amortized cost, as explained below:

### Reimbursable financial contributions (AFRs)

In accordance with article 42-A of MINECON decree N° 453 of 1989, "The 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 details of reimbursable financial contributions as of December 31, 2015 and December 31, 2014 are as follows:

### Reimbursable Financial Contributions, current portion

Registration No. Or Identification of the Instrument	Currency readjustment index	Book value			Contract real interest rate	Effective rate	Placement in Chile or abroad	Issuing company	Issuer Tax ID	Type of repayment	Secured (Yes/No)
		Residual UF	31-12-2015	31-12-2014							
			Th\$	Th\$							
AFR	UF	188,458	4,930,519	2,217,213	3.98%	4.01%	Chile	Aguas Andinas S.A.	61.808.000-5	At maturity	No
AFR	UF	181,969	4,787,277	167,523	5.48%	5.34%	Chile	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	2,604	67,118	0	4.31%	4.09%	Chile	Aguas Manquehue S.A.	89.221.000-4	At maturity	No
Totales		373,031	9,784,914	2,384,736							

### Reimbursable Financial Contributions, non-current portion

Registration No. Or Identification of the Instrument	Currency readjustment index	Book value			Maturity Date	Contract real interest rate	Effective rate	Issuing company	Issuer Tax ID	Type of repayment	Secured (yes/no)
		Residual UF	31-12-2015	31-12-2014							
			Th\$	Th\$							
AFR	UF	4,676,116	120,888,266	107,509,452	30-12-2030	3.64%	3.73%	Aguas Andinas S.A.	61.808.000-5	At maturity	No
AFR	UF	1,046,947	27,098,726	26,858,207	30-12-2030	3.76%	4.11%	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	563,593	14,570,067	11,192,604	09-11-2030	3.49%	3.63%	Aguas Manquehue S.A.	89.221.000-4	At maturity	No
AFR	UF	300,928	7,712,504	6,282,072	22-12-2030	3.70%	3.70%	Essal S.A	96.579.800-5	At maturity	No
Totales		6,587,584	170,269,563	151,842,335							



The detail of bank loans as of December 31, 2015 and December 31, 2014 is as follows:

#### Total bank loans, current period

<b>Debtor tax no.</b>	61.808.000-5	61.808.000-5	61.808.000-5	96.809.310-K	96579800-5
<b>Debtor name</b>	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Cordillera S.A.	Essal S.A.
<b>Debtor country</b>	Chile	Chile	Chile	Chile	Chile
<b>Creditor Tax ID</b>	97.032.000-8	97.004.000-5	97.006.000-6	97.032.000-8	97.004.000-7
<b>Bank or financial institution</b>	Banco BBVA	Banco de Chile	Banco BCI	Banco BBVA	Banco de Chile
<b>Currency or indexation unit</b>	CLP	CLP	CLP	CLP	CLP
<b>Repayment Method</b>	Semi-annual	Semi-annual	At maturity	Semi-annual	At maturity
<b>Effective rate</b>	4.24%	4.15%	4.18%	4.29%	4.28%
<b>Nominal rate</b>	4.24%	4.15%	4.18%	4.29%	4.28%

#### Nominal values

<b>To 1 year</b>	<b>10,777,972</b>	<b>851,864</b>	<b>286,400</b>	<b>297,917</b>	<b>25,196</b>	<b>12,239,349</b>
To 90 days	1,395,560	851,864	286,400	297,917	0	2,831,741
Over 90 days to 1 year	9,382,412	0	0		25,196	9,407,608
<b>Over 1 year to 3 years</b>	<b>0</b>	<b>6,283,344</b>	<b>0</b>	<b>0</b>	<b>4,000,000</b>	<b>10,283,344</b>
Over 2 years to 3 years	0	6,283,344	0	0	4,000,000	10,283,344
<b>More than 3 years to 5 years</b>	<b>0</b>	<b>37,965,561</b>	<b>19,270,304</b>	<b>20,000,000</b>	<b>0</b>	<b>77,235,865</b>
More than 3 years to 4 years	0	13,805,658	0	0	0	13,805,658
More than 4 years to 5 years	0	8,141,799	19,270,304	20,000,000	0	47,412,103
More than 5 years	0	16,018,104	0	0	0	16,018,104
<b>Total nominal values</b>	<b>10,777,972</b>	<b>45,100,769</b>	<b>19,556,704</b>	<b>20,297,917</b>	<b>4,025,196</b>	<b>99,758,558</b>

#### Book values

<b>Current bank loans</b>	<b>10,777,972</b>	<b>851,864</b>	<b>286,400</b>	<b>297,917</b>	<b>25,196</b>	<b>12,239,349</b>
Up to 90 days	1,395,560	851,864	286,400	297,917	0	2,831,741
Over 90 days to 1 year	9,382,412	0	0	0	25,196	9,407,608
<b>Non-current bank loans</b>	<b>0</b>	<b>44,248,905</b>	<b>19,270,304</b>	<b>20,000,000</b>	<b>4,000,000</b>	<b>87,519,209</b>
<b>More than 1 year to 3 years</b>	<b>0</b>	<b>6,283,344</b>	<b>0</b>	<b>0</b>	<b>4,000,000</b>	<b>10,283,344</b>
More than 2 years to 3 years	0	6,283,344	0	0	4,000,000	10,283,344
<b>More than 3 years to 5 years</b>	<b>0</b>	<b>37,965,561</b>	<b>19,270,304</b>	<b>20,000,000</b>	<b>0</b>	<b>77,235,865</b>
More than 3 years to 4 years	0	13,805,658	0	0	0	13,805,658
More than 4 years to 5 years	0	8,141,799	19,270,304	20,000,000	0	47,412,103
More than 5 years	0	16,018,104	0	0	0	16,018,104
<b>Total bank loans</b>	<b>10,777,972</b>	<b>45,100,769</b>	<b>19,556,704</b>	<b>20,297,917</b>	<b>4,025,196</b>	<b>99,758,558</b>

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

### Balances of bank loans, previous period

<b>Debtor tax no.</b>	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	96.809.310-K
<b>Debtor name</b>	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Cordillera S.A.
<b>Debtor country</b>	Chile	Chile	Chile	Chile	Chile
<b>Creditor Tax ID</b>	97.032.000-8	97.004.000-5	97.036.000-k	97.006.000-6	97.032.000-8
<b>Bank or financial institution</b>	Banco BBVA	Banco de Chile	Banco Santander	Banco BCI	Banco BBVA
<b>Currency or indexation unit</b>	CLP	CLP	CLP	CLP	CLP
<b>Repayment Method</b>	Semi-annual	Semi-annual	Semi-annual	At maturity	Semi-annual
<b>Effective rate</b>	4.05%	5.33%	5.06%	4.05%	4.01%
<b>Nominal rate</b>	4.00%	4.58%	4.00%	4.05%	4.01%

### Nominal values

<b>To 1 year</b>	<b>2,660,318</b>	<b>8,260,313</b>	<b>9,669,458</b>	<b>283,337</b>	<b>281,250</b>	<b>21,154,676</b>
To 90 days	1,421,131	4,634,817	0	283,337	281,250	6,620,535
Over 90 days to 1 year	1,239,187	3,625,496	9,669,458	0	0	14,534,141
<b>Over 1 year to 3 years</b>	<b>10,621,600</b>	<b>40,631,070</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51,252,670</b>
Over 1 year to 2 years	10,621,600	7,235,670	0	0	0	17,857,270
Over 2 years to 3 years	0	33,395,400	0	0	0	33,395,400
<b>Over 3 years to 5 years</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,270,304</b>	<b>20,000,000</b>	<b>39,270,304</b>
Over 4 years to 5 years	0	0	0	0	20,000,000	20,000,000
Over 5 years	0	0	0	19,270,304	0	19,270,304
<b>Total nominal values</b>	<b>13,281,918</b>	<b>48,891,383</b>	<b>9,669,458</b>	<b>19,553,641</b>	<b>20,281,250</b>	<b>111,677,650</b>

### Book values

<b>Current bank loans</b>	<b>2,655,424</b>	<b>8,232,231</b>	<b>9,666,486</b>	<b>283,338</b>	<b>281,250</b>	<b>21,118,729</b>
Up to 90 days	1,416,237	4,614,396	0	283,338	281,250	6,595,221
Over 90 days to 1 year	1,239,187	3,617,835	9,666,486	0	0	14,523,508
<b>Non-current bank loans</b>	<b>10,618,835</b>	<b>40,615,126</b>	<b>0</b>	<b>19,270,304</b>	<b>20,000,000</b>	<b>90,504,265</b>
<b>More than 1 year to 3 years</b>	<b>10,618,835</b>	<b>40,615,126</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51,233,961</b>
More than 1 year to 2 years	10,618,835	7,232,831	0	0	0	17,851,666
More than 2 years to 3 years	0	33,382,295	0	0	0	33,382,295
<b>More than 3 years to 5 years</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,270,304</b>	<b>20,000,000</b>	<b>39,270,304</b>
More than 4 years to 5 years	0	0	0	0	20,000,000	20,000,000
More than 5 years	0	0	0	19,270,304	0	19,270,304
<b>Total bank loans</b>	<b>13,274,259</b>	<b>48,847,357</b>	<b>9,666,486</b>	<b>19,553,642</b>	<b>20,281,250</b>	<b>111,622,994</b>

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





The detail of bonds outstanding as of December 31, 2015 and December 31, 2014 is as follows:

#### Total public obligations, current period

Debtor Tax ID	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	96.579.800-5
Debtor name	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Essal S.A.
Debtor country	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile
Registration number	580	629	630	654	655	655	712	713	713	778	778	806	284
Series	BAGUA-J	BAGUA-K	BAGUA-M	BAGUA-N	BAGUA-P	BAGUA-Q	BAGUA-R	BAGUA-S	BAGUA-U	BAGUA-V	BAGUA-W	BAGUA-X	Besal-B
Final maturity	01-12-2018	01-10-2016	01-04-2031	01-04-2016	01-10-2033	01-06-2032	01-04-2019	01-04-2035	01-04-2036	01-04-2037	01-06-2037	01-02-2038	01-06-2028
Currency or indexation unit	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF
Repayment period	At maturity	Semi-annual	At maturity	At maturity	At maturity	At maturity	Semi-annual	At maturity	At maturity	At maturity	At maturity	At maturity	Semi-annual
Effective rate	4.16%	3.06%	4.15%	3.26%	3.82%	3.94%	3.61%	3.93%	3.81%	3.50%	3.18%	3.17%	6.63%
Nominal rate	4.00%	2.90%	4.20%	3.17%	3.86%	4.00%	3.30%	3.90%	3.80%	3.50%	3.30%	3.00%	6.00%

Nominal values													
To 1 year	84,593	9,292,885	466,091	32,288,265	367,463	139,579	5,858,471	569,221	482,416	444,639	160,788	508,789	2,967,578
To 90 days	84,593	66,413	466,091	251,902	367,463	139,579	163,118	569,221	482,416	444,639	160,788	508,789	0
Over 90 days to 1 year	0	9,226,472	0	32,036,363	0	0	5,695,353	0	0	0	0	0	2,967,578
Over 1 year to 3 years	25,629,090	0	0	0	0	0	11,390,706	0	0	0	0	0	5,935,156
Over 1 year to 2 years	0	0	0	0	0	0	5,695,353	0	0	0	0	0	8,662,931
Over 2 years to 3 years	25,629,090	0	0	0	0	0	5,695,353	0	0	0	0	0	2,967,578
Over 3 years to 5 years	0	0	44,850,908	0	38,443,635	42,287,999	2,847,677	58,946,907	51,258,180	51,258,180	58,946,907	41,006,544	31,962,383
Over 3 years to 4 years	0	0	0	0	0	0	2,847,677	0	0	0	0	0	5,815,255
Over 4 years to 5 years	0	0	0	0	0	0	0	0	0	0	0	0	2,967,578
Over 5 years	0	0	44,850,908	0	38,443,635	42,287,999	0	58,946,907	51,258,180	51,258,180	58,946,907	41,006,544	26,027,227
Total nominal value	25,713,683	9,292,885	45,316,999	32,288,265	38,811,098	42,427,578	20,096,854	59,516,128	51,740,596	51,702,819	59,107,695	41,515,333	40,865,117

Book values													
Current public obligations	47,477	9,303,656	477,506	32,274,465	376,183	152,093	5,809,662	561,921	479,777	444,639	195,542	474,978	3,050,166
Up to 90 days	47,477	77,185	477,506	238,102	376,183	152,093	114,309	561,921	479,777	444,639	195,542	474,978	0
Over 90 days to 1 year	0	9,226,471	0	32,036,363	0	0	5,695,353	0	0	0	0	0	3,050,166
Non-current public obligations	25,554,748	0	45,075,809	0	38,650,570	42,554,239	14,186,402	58,761,139	51,167,882	51,258,180	59,936,076	39,973,666	37,225,313
More than 1 year to 3 years	25,554,748	0	0	0	0	0	11,366,052	0	0	0	0	0	5,818,248
More than 1 year to 2 years	0	0	0	0	0	0	5,678,026	0	0	0	0	0	2,909,124
More than 2 years to 3 years	25,554,748	0	0	0	0	0	5,678,026	0	0	0	0	0	2,909,124
More than 3 years to 5 years	0	0	45,075,809	0	38,650,570	42,554,239	2,830,350	58,761,139	51,167,882	51,258,180	59,936,076	39,973,666	31,407,065
Más de 3 años hasta 4 años	0	0	0	0	0	0	2,830,350	0	0	0	0	0	2,909,124
More than 4 years to 5 years	0	0	0	0	0	0	0	0	0	0	0	0	2,909,124
More than 5 years	0	0	45,075,809	0	38,650,570	42,554,239	0	58,761,139	51,167,882	51,258,180	59,936,076	39,973,666	25,588,817
Total public obligations	25,602,225	9,303,656	45,553,315	32,274,465	39,026,753	42,706,332	19,996,064	59,323,060	51,647,659	51,702,819	60,131,618	40,448,644	40,275,479



### Total public obligations, previous period

Debtor Tax ID	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	96.579.800-5	
Debtor name	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Essal S.A.	
Debtor country	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	
Registration number	580	580	629	630	654	655	655	712	713	713	778	778	284	
Series	BAGUA-I	BAGUA-J	BAGUA-K	BAGUA-M	BAGUA-N	BAGUA-P	BAGUA-Q	BAGUA-R	BAGUA-S	BAGUA-U	BAGUA-V	BAGUA-W	BESAL-B	
Final maturity	01-12-2015	01-12-2018	01-10-2016	01-04-2031	01-06-2016	01-10-2033	01-06-2032	01-04-2019	01-04-2035	01-04-2037	01-04-2037	01-06-2037	01-06-2028	
Currency or indexation unit	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	
Repayment period	Semi-annual	At maturity	Semi-annual	At maturity	At maturity	At maturity	At maturity	Semi-annual	At maturity	At maturity	At maturity	At maturity	Semi-annual	
Effective rate	4.02%	4.15%	3.07%	4.15%	3.35%	3.81%	3.94%	3.59%	3.94%	3.81%	3.50%	3.15%	6.63%	
Nominal rate	3.70%	4.00%	2.90%	4.20%	3.17%	3.86%	4.00%	3.30%	3.90%	3.80%	3.50%	3.30%	6.00%	
Nominal values														
To 1 year	17,785,688	81,286	4,032,515	447,868	242,054	353,097	134,122	5,674,212	546,967	463,556	427,256	154,501	3,570,540	33,913,662
To 90 days	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Over 90 days to 1 year	17,785,688	81,286	4,032,515	447,868	242,054	353,097	134,122	5,674,212	546,967	463,556	427,256	154,501	3,570,540	33,913,662
Over 1 year to 3 years	0	0	8,865,756	0	30,783,875	0	0	10,945,378	0	0	0	0	5,703,116	56,298,125
Over 1 year to 2 years	0	0	8,865,756	0	30,783,875	0	0	5,472,689	0	0	0	0	5,703,116	50,825,436
Over 2 years to 3 years	0	0	0	0	0	0	0	5,472,689	0	0	0	0	0	5,472,689
Over 3 years to 5 years	0	24,627,100	0	43,097,425	0	36,940,650	40,634,715	8,209,034	56,642,330	49,254,200	49,254,200	56,642,330	36,866,963	402,168,947
Over 3 years to 4 years	0	24,627,100	0	0	0	0	0	5,472,689	0	0	0	0	5,703,116	35,802,905
Over 4 years to 5 years	0	0	0	0	0	0	0	2,736,345	0	0	0	0	0	2,736,345
Over 5 years	0	0	0	43,097,425	0	36,940,650	40,634,715	0	56,642,330	49,254,200	49,254,200	56,642,330	31,163,847	363,629,697
Total nominal value	17,785,688	24,708,386	12,898,271	43,545,293	31,025,929	37,293,747	40,768,837	24,828,624	57,189,297	49,717,756	49,681,456	56,796,831	46,140,619	492,380,734
Accounting values														
Current public obligations	17,749,996	49,871	4,015,190	458,370	190,005	361,505	145,966	5,645,619	540,078	460,813	427,256	196,146	2,935,951	33,176,766
Up to 90 days	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Over 90 days to 1 year	17,749,996	49,871	4,015,190	458,370	190,005	361,505	145,966	5,645,619	540,078	460,813	427,256	196,146	2,935,951	33,176,766
Non-current public obligations	0	24,509,817	8,858,638	43,333,829	30,770,796	37,156,440	40,911,569	19,035,918	56,449,179	49,161,239	49,254,200	57,688,997	38,944,507	456,075,129
More than 1 year to 3 years	0	0	8,858,638	0	30,770,796	0	0	10,892,714	0	0	0	0	5,579,274	56,101,422
More than 1 year to 2 years	0	0	8,858,638	0	30,770,796	0	0	5,446,357	0	0	0	0	5,579,274	50,655,065
More than 2 years to 3 years	0	0	0	0	0	0	0	5,446,357	0	0	0	0	0	5,446,357
More than 3 years to 5 years	0	24,509,817	0	43,333,829	0	37,156,440	40,911,569	8,143,204	56,449,179	49,161,239	49,254,200	57,688,997	33,365,233	399,973,707
More than 3 years to 4 years	0	24,509,817	0	0	0	0	0	5,446,357	0	0	0	0	5,579,274	35,535,448
More than 4 years to 5 years	0	0	0	0	0	0	0	2,696,847	0	0	0	0	0	2,696,847
More than 5 years	0	0	0	43,333,829	0	37,156,440	40,911,569	0	56,449,179	49,161,239	49,254,200	57,688,997	27,785,959	361,741,412
Total public obligations	17,749,996	24,559,688	12,873,828	43,792,199	30,960,801	37,517,945	41,057,535	24,681,537	56,989,257	49,622,052	49,681,456	57,885,143	41,880,458	489,251,895



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

<b>Credit risk</b>	<b>12-31-2015</b>	<b>12-31-2014</b>
	<b>Th\$</b>	<b>Th\$</b>
Gross exposure per balance sheet for risks of accounts receivable	134,850,893	133,672,049
Gross exposure per estimates of risks of accounts receivable	-32,700,730	-36,915,040
<b>Net exposure, risk concentration</b>	<b>102,150,163</b>	<b>96,757,009</b>

<b>Movement of credit risk, accounts receivable</b>	<b>12-31-2015</b>	<b>12-31-2014</b>
	<b>Th\$</b>	<b>Th\$</b>
Initial balance at 01-01	-36,915,040	-31,975,327
Increase in existing provisions	-2,896,739	-5,189,375
Reductions	-7,111,049	-249,662
<b>Changes, total</b>	<b>4,214,310</b>	<b>-4,939,713</b>
<b>Closing balance at 12-31</b>	<b>-32,700,730</b>	<b>-36,915,040</b>

The following shows the composition of gross debt by age:

<b>Aging of debt</b>	<b>12-31-2015</b>	<b>12-31-2014</b>
	<b>Th\$</b>	<b>Th\$</b>
Less than three months	92,200,462	93,967,289
Three to six months	1,451,053	1,267,420
Six to eight months	643,501	654,829
More than eight months	40,555,877	37,782,511
<b>Total</b>	<b>134,850,893</b>	<b>133,672,049</b>

As required by IFRS 7 on Financial Instruments, the following details the past-due gross debt by age:

<b>Past-due debt</b>	<b>12-31-2015</b>	<b>12-31-2014</b>
	<b>Th\$</b>	<b>Th\$</b>
Less than three months	10,440,702	9,035,546
Three to six months	1,156,948	993,925
Six to eight months	562,643	570,545
<b>Total</b>	<b>12,160,293</b>	<b>10,600,016</b>

Past-due gross debt comprises all receivables over two months past due, as the counterparty has ceased to pay when contractually due. From that moment, it is considered to be a past-due balance.



## 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, such as long-term investments and working capital needs at reasonable market prices.

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

Preventive measures taken to manage liquidity risk include the following:

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

### Maturity structure (non-discounted flows)

Maturity profile	Up to 90 days		91 days to 1 year		13 months to 3 years		3 to 5 years		More than 5 years	
	Th\$	Contract interest rate	Th\$	Contract interest rate	Th\$	Contract interest rate	Th\$	Contract interest rate	Th\$	Contract interest rate
Bank loans	3,239,475	4.20%	11,331,235	4.19%	19,473,562	4.19%	67,231,990	4.17%	12,419,888	4.15%
Bonds	0	0.00%	67,822,452	3.64%	81,045,756	3.69%	36,799,035	3.69%	639,605,055	3.69%
AFR	1,505,842	3.21%	8,435,515	4.99%	41,771,461	4.11%	21,117,415	3.76%	148,854,854	3.45%
Trade debt and other accounts payable	79,923,675	-	12,614,651	-	1,276,454	-	144,108	-	409,424	-
<b>Total</b>	<b>84,668,992</b>		<b>100,203,853</b>		<b>143,567,233</b>		<b>125,292,548</b>		<b>801,289,221</b>	

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

## iii. Interest rate risk

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

Debt instruments	Rate	%
Bank loans	Variable	12.50%
Bonds	Fixed	64.93%
AFR	Fixed	22.57%
<b>Total</b>		<b>100.00%</b>

### Interest rate sensitivity analysis

A rate analysis is made, with respect to the TAB (Banking Asset Rate), assuming all other variables remain constant. The method consists of measuring the positive or negative changes in nominal TAB at the date of presentation of the report with respect to the average TAB of the latest setting of the loans.

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

Company	Nominal amount of debt (Th\$)	Variable rate	Points (+/-)	Impact on Result (Th\$) (+/-)
Aguas Andinas at a Consolidated Level	99,758,548	TAB 180 días	70	694,490

For loans based on 180-day TAB, the positive or negative change in nominal TAB of 70 basis points, calculated annually, would have an impact on results of +/- M \$694,490.



## 8.6 Cash equivalents

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

Company	Instruments	12-31-2015 Th\$	12-31-2014 Th\$
Aguas Andinas S.A.	Term deposit	18,074,577	8,604,476
Aguas Cordillera S.A.	Term deposit	8,074,280	7,017,959
Aguas Manquehue S.A.	Term deposit	400,040	1,101,512
Aguas del Maipo S.A.	Term deposit	1,000,103	2,051,485
Análisis Ambientales S.A.	Term deposit	0	1,855,815
Gestión y Servicios S.A.	Term deposit	430,043	0
Eco-Riles S.A.	Term deposit	1,250,225	800,508
Essal S.A.	Term deposit	1,326,000	2,039,906
<b>Total</b>		<b>30,555,268</b>	<b>23,471,661</b>

The Society 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 effective equity of the mutual fund and time deposits, 10% of the bank's equity.





### 8.7 Trade accounts and other current and noncurrent accounts payable

The principal concepts included in this account are the following:

Trade creditors and other accounts payable, current	Currency or indexation unit	12-31-2015 Th\$	12-31-2014 Th\$
Dividends	CLP	22,048,535	21,627,533
Suppliers for investment in progress (investment)	CLP	31,670,805	17,252,171
Personnel	CLP	2,913,315	2,795,596
Suppliers (expense)	CLP	13,776,639	10,846,749
Suppliers (expense)	USD	99,358	102,359
Suppliers (expense)	EUR	30,231	40,355
Suppliers (investment)	CLP	6,346,511	2,331,895
Accrued services	CLP	14,209,541	13,787,482
AFR (expense)	CLP	706,829	591,800
Others (expense)	CLP	735,915	594,349
Others (investment)	CLP	647	27,844
<b>Sub-total current</b>		<b>92,538,326</b>	<b>69,998,133</b>
AFR potable water	CLP	703,187	531,838
Suppliers for investments in progress	CLP	1,056,404	1,082,200
Various creditors	CLP	70,395	70,395
<b>Sub-total non-current</b>		<b>1,829,986</b>	<b>1,684,433</b>
<b>Total current and noncurrent</b>		<b>94,368,312</b>	<b>71,682,566</b>



Information regarding the trade accounts according to maturity date is provided below:

### Trade Accounts

#### Current Period

Current trade accounts according to term	12-31-2015			
	Goods	Services	Others	Total
To 30 days	2,809,208	8,202,770	55,699	11,067,677
From 31 to 60 days	235,353	36,490	0	271,843
From 61 to 90 days	45	275	0	320
From 91 to 120 days	0	18,073	0	18,073
<b>Total</b>	<b>3,044,606</b>	<b>8,257,608</b>	<b>55,699</b>	<b>11,357,913</b>

Overdue trade accounts according to term	12-31-2015			
	Goods	Services	Others	Total
To 30 days	118,874	260,582	108	379,564
From 31 to 60 days	1,389,843	186,844	5,995	1,582,682
From 61 to 90 days	141,142	47,134	21	188,297
From 91 to 120 days	12,106	8,664	0	20,770
From 121 to 365 days	24,104	86,260	553	110,917
More than 365 days	12,956	37,380	100	50,436
<b>Total</b>	<b>1,699,025</b>	<b>626,864</b>	<b>6,777</b>	<b>2,332,666</b>

Previous Period

Current trade accounts according to term	12-31-2014			
	Goods	Services	Others	Total
To 30 days	868,191	1,230,016	62,034	2,160,241
From 31 to 60 days	179,892	23,766	663	204,321
From 61 to 90 days	19,937	0	0	19,937
From 91 to 120 days	0	10	0	10
From 121 to 365 days	0	145,008	0	145,008
<b>Total</b>	<b>1,068,020</b>	<b>1,398,800</b>	<b>62,697</b>	<b>2,529,517</b>

Overdue trade accounts according to term	12-31-2014			
	Goods	Services	Others	Total
To 30 days	51,831	157,612	3,990	213,433
From 31 to 60 days	37,808	11,473	2,600	51,881
From 61 to 90 days	2,943	173,924	144	177,011
From 91 to 120 days	1,122	39,562	0	40,684
From 121 to 365 days	42,596	141,517	8,142	192,255
More than 365 days	16,087	24,133	184	40,404
<b>Total</b>	<b>152,387</b>	<b>548,221</b>	<b>15,060</b>	<b>715,668</b>



## 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 consolidated statement of financial position:

	12-31-2015	
	Amortized cost Th\$	Fair value Th\$
<b>Cash equivalents</b>		
<b>Investments booked at fair value</b>	<b>30,555,267</b>	<b>30,555,267</b>
Term deposits, level 1	30,555,267	30,555,267
<b>Other financial liabilities</b>		
<b>Financial liabilities booked at amortized cost</b>	<b>797,805,125</b>	<b>823,140,754</b>
Bank debt, level 2	99,758,558	99,635,600
Bonds, level 1	517,992,090	543,450,677
AFR, level 3	180,054,477	180,054,477

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

The fair values of financial assets and liabilities were determined using the following methodology:

- a) The amortized cost of deposits is a good approximation of fair value as they are very short-term operations.
- b) The amortized cost of AFR liabilities is a good approximation of fair value as they are not very liquid in the market but their issue rate is determined in line with the regulation (Decree Law N° 70).

- c) 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.
- d) The fair value of bank debt was determined through the updating of the cash flows of each loan (principal and interest disbursements), applying the discount curves corresponding to the remaining term. This term corresponds to the number of days between the closing date of the financial statements and the date of the cash disbursement.

### Booking hierarchy of fair value measurements in the Consolidated 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 from 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, that are not based on observable market data.

### Other noncurrent financial assets

These mainly relate to the acquisition of shares in Sociedad Eléctrica Puntilla S.A. (EPSA) for a total amount of M \$7,395,680 as of December 31, 2015 and December 31, 2014 (see Note 2.2, letter h, ii), over which the Group has no control or significant influence. The balance of Th\$163,999 and Th\$17,517, respectively, relates to other financial investments.

Related to this acquisition is an obligation with the Asociación Sociedad de Canalistas del Maipo not to move the location of current water rights, for M \$7,294,709 as of December 31, 2015 and December 31, 2014.



## Note 9. INFORMATION ON RELATED ENTITIES

### Balances and transactions with related entities

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

### Accounts receivable from related entities

Accounts receivable from related entities are originated in Chile, the currency of the transactions is pesos, and the maturity dates are 30 days.

Tax ID Related Party	Name of related party	Relationship	Nature of transaction with related parties	Security	12-31-2015 Th\$	12-31-2014 Th\$
93.713.610-7	Agbar Chile S.A.	Related to the Controller	Laboratory and sampling services	Unsecured	0	2,275
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the Controller	Laboratory and sampling services	Unsecured	3,993	6,729
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the Controller	Collector Cleaning contract	Unsecured	631	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Laboratory and sampling services	Unsecured	12,447	59,825
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Cleaning of units	Unsecured	0	1,800
No Tax ID	Degremont S.A.	Related to the Controller	Supply of equipment, mounting and launch of second phase of Mapocho Wastewater Treatment Plant	Security full compliance with contract for UF 218,320	5,101,953	0
76.432.328-9	Gestion Hidrica Minera Ltda.	Related to the Controller	Collector Cleaning contract	Unsecured	1,285	0
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the Controller	Sale of materials	Unsecured	104,311	0
<b>Total</b>					<b>5,224,620</b>	<b>70,629</b>





## Accounts payable to related entities

Accounts receivable to related entities are originated in Chile and the currency of the transactions is pesos.

Tax ID Related Party	Name of related party	Relationship	Nature of transaction with related parties	Period	Security	12-31-2015 Th\$	12-31-2014 Th\$
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Hydraulic Efficiency Project	30 days	Guaranteed fulfillment of contract for UF: 14.992	2,098,422	1,086,207
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Change of Method of Absorption of arsenic to Quilicura plant	30 days	Guaranteed fulfillment of contract for UF: 867	0	31,932
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Ice-Pigging network cleaning service contract	30 days	Guaranteed fulfillment of contract for Th\$26.600	125,398	103,211
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Lo Pinto Project	30 days	Guaranteed fulfillment of contract for UF 22.470	0	2,357,458
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Design, construction & start-up contract of La Union percolated filter	30 days	Guaranteed fulfillment of contract for UF 6.915	0	93,112
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Construction and expansion of La Union sludge line	30 days	Guaranteed fulfillment of contract for Th\$47.110	33,156	74,355
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Update service of operation and security of Pudeo and Gamboa tanks	30 days	Guaranteed fulfillment of contract for Th\$705	109,157	54,828
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Modeling of odor panels	30 days	Unsecured	46,367	18,523
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the Controller	Purchase of materials	60 days	Guaranteed fulfillment of contract for Th\$279.298	413,111	553,550
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the Controller	Implementation of geographic information systema Essal S.A.	30 days	Guaranteed fulfillment of contract for UF887	188,030	102,652
76.046.628-K	Asterión S.A.	Related to the Controller	Reengineering service contract for implementation of our customer service information systems	30 days	Guaranteed faithful fulfillment of contract for Th\$845.149	404,277	395,343
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the Controller	La Farfana Wastewater Treatment Plant operation and maintenance services	30 days	Bail strict compliance with the obligations from the contract. Amount UF194.249,62	3,068,251	3,000,770
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the Controller	Biogás Plant operation services	30 days	Unsecured	152,930	37,161
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the Controller	El Trebal Wastewater Treatment Plant services of operation and maintenance and construction, operation and maintenance of Mapocho Wastewater Treatment Plant	90 days	Guaranteed faithful fulfillment of contract for UF357.863	2,246,174	2,063,596
Sin Rut	Aqua Development Network S.A.	Related to the Controller	Integrated talent management contract	30 days	Unsecured	11,705	43,671
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	Dividends payable	30 days	Unsecured	20,324,047	19,467,478
96.817.230-1	EPSA Electrica Puntilla S.A.	Common Board Member	Recalculation of energy supply	30 days	Unsecured	18,182	0
70.009.410-3	Asociación canalistas sociedad del canal del Maipo	Common Board Member	Exceptional transfer of water	30 days	Unsecured	32,901	0
No Tax ID	Degremont S.A.	Related to the Controller	Payment statement for expansion of third plant	30 days	Guaranteed faithful fulfillment of contract for UF 408.029	14,896,243	0
Total						44,168,351	29,483,847



### Transactions with related entities

Transactions with related entities are originated in Chile and the currency of the transactions is pesos.

Tax ID Related Party	Name of related party	Relationship	Nature of transaction with related parties	31-12-2015		31-12-2014	
				M\$		M\$	
				Amount	Effects on Results (Charge) /Credit	Amount	Effects on Results (Charge) /Credit
79.046.628-K	Asterión S.A.	Related to the Controller	Reengineering service contract for implementation of our customer service information systems	1.046.759	-1.039.536	-2.143.238	-403.884
76.080.553-K	Aqualogy Solutions Chile Ltda	Related to the Controller	Purchase of materials	2.647.760	-2.541.821	2.363.783	-2.363.783
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Ice-Pigging network cleaning service contract	361.832	-361.832	194.074	-194.074
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Lo Pinto Project	574.570	0	3.778.331	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Hydraulic Efficiency Project	1.677.359	-3.914	1.000.215	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Design, construction & start-up contract of La Union percolated filter	39.520	0	381.247	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Cocule Plant	24.916	0	392.736	0
Sin Rut	Degremont S.A.	Related to the Controller	Payment statement for expansion of third plant	21.582.632	0	0	0
Sin Rut	Aqua Development Network S.A.	Related to the Controller	Integrated talent management contract	245.183	-245.183	0	0
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the Controller	El Trebal Wastewater Treatment Plant services of operation and maintenance and construction, operation and maintenance of Mapocho Wastewater Treatment Plant	11.668.999	-10.347.928	13.608.263	-11.939.580
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the Controller	La Farfana Wastewater Treatment Plant operation and maintenance services	16.402.789	-13.092.834	13.091.050	-10.394.397
96.817.230-1	EPSA Electrica Puntilla S.A.	Common Board Member	Compensation for lower flow	746.295	-746.295	611.987	-611.987
96.817.230-1	EPSA Electrica Puntilla S.A.	Common Board Member	Dividends received	157.771	0	431.549	0
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	Dividends paid	20.324.047	0	19.467.478	0

The criteria of materiality for reporting transactions with related entities are accumulated amounts of over M \$100,000.



### Remuneration paid to the board members of Aguas Andinas S.A. and subsidiaries, and to the board members committee

	12-31-2015 Th\$	12-31-2014 Th\$
Board of Directors	388,414	370,883
Board Members' Committee	26,574	30,298
<b>Total</b>	<b>414,988</b>	<b>401,181</b>

These are fees related to their functions as members of the board and directors' committee as defined and agreed by the Ordinary Shareholders' Meeting.

At the end of 2015, Aguas Andinas' senior management and key executives payroll was composed of 78 professionals. Total remuneration paid during the year was \$6,371 million and compensation for years of service of key executives amounted to \$373 million.

### Detail of related parties and transactions with related parties by Board Members and Executives.

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

## Note 10. INVENTORIES

The detail by class of inventories through December 31, 2015 and December 31, 2014 is the following:

Inventory Class	12-31-2015 Th\$	12-31-2014 Th\$
Commodities	2,853,623	3,210,332
Supplies for production	676,780	591,598
Other inventories	113,297	101,013
<b>Total</b>	<b>3,643,700</b>	<b>3,902,943</b>

The cost of the inventories shown as an expense in the statement of results during periods 2015 and 2014 amounts to Th\$10,588,122 and Th\$10,341,300 respectively.

## Note 11. INTANGIBLE ASSETS OTHER THAN GOODWILL

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

	12-31-2015 Th\$	12-31-2014 Th\$
<b>Intangible assets, net</b>	<b>230,527,689</b>	<b>232,174,750</b>
Trademarks, net	13,000	13,000
Computer programs, net	11,875,731	15,439,243
Other intangible assets, net*	218,638,958	216,722,507
<b>Intangible assets, gross</b>	<b>272,921,827</b>	<b>267,732,735</b>
Trademarks, gross	13,000	13,000
Computer programs, gross	41,889,777	38,804,351
Other intangible assets, gross	231,019,050	228,915,384
<b>Intangible assets, accumulated amortization</b>	<b>42,394,138</b>	<b>35,557,985</b>
Trademarks, accumulated amortization	0	0
Computer programs, accumulated amortization	30,014,046	23,365,108
Other intangible assets, accumulated amortization	12,380,092	12,192,877

\*Corresponds to water rights, easements and others.


**Movement of intangible assets as of December 31, 2015**

Intangible asset movements	Trademarks, net Th\$	Computer programs, net Th\$	Other Intangible Assets, Net Th\$	Total Th\$
<b>Initial balance on 01-01-2015</b>	<b>13,000</b>	<b>15,439,243</b>	<b>216,722,507</b>	<b>232,174,750</b>
Amortization	0	-6,650,309	-187,215	-6,837,524
Increases (reductions) for transfers	0	885,153	-32,591	852,562
Increases (reductions) for other changes	0	2,201,644	2,137,636	4,339,280
Disposals and withdrawals from service	0	0	-1,379	-1,379
<b>Changes, total</b>	<b>0</b>	<b>-3,563,512</b>	<b>1,916,451</b>	<b>-1,647,061</b>
<b>Closing balance on 12-31-2015</b>	<b>13,000</b>	<b>11,875,731</b>	<b>218,638,958</b>	<b>230,527,689</b>

**Movement of intangible assets as of December 31, 2014**

Intangible asset movements	Trademarks, net Th\$	Computer programs, net Th\$	Other Intangible Assets, Net Th\$	Total Th\$
<b>Initial Balance on 01-01-2014</b>	<b>13,000</b>	<b>10,916,343</b>	<b>216,417,926</b>	<b>227,347,269</b>
Amortization	0	-5,384,303	-187,223	-5,571,526
Increases (reductions) for transfers	0	3,828,805	-123,156	3,705,649
Increases (reductions) for other changes	0	6,078,398	616,934	6,695,332
Disposals and withdrawals from service	0	0	-1,974	-1,974
<b>Changes, Total</b>	<b>0</b>	<b>4,522,900</b>	<b>304,581</b>	<b>4,827,481</b>
<b>Closing balance on 12-31-2014</b>	<b>13,000</b>	<b>15,439,243</b>	<b>216,722,507</b>	<b>232,174,750</b>



## Disclosure information on intangible assets (gross value)

### Current Period 12-31-2015

Intangible asset movements	Trademarks, Gross Th\$	Computer programs, Gross Th\$	Other Intangible Assets, Gross Th\$	Total Th\$
<b>Initial Balance on 01-01-2015</b>	<b>13,000</b>	<b>38,804,351</b>	<b>228,915,384</b>	<b>267,732,735</b>
Increases (reductions) for transfers	0	885,153	-32,591	852,562
Increases (reductions) for other changes	0	2,200,273	2,137,636	4,337,909
Disposals and withdrawals from service	0	0	-1,379	-1,379
<b>Changes, total</b>	<b>0</b>	<b>3,085,426</b>	<b>2,103,666</b>	<b>5,189,092</b>
<b>Closing balance on 12-31-2015</b>	<b>13,000</b>	<b>41,889,777</b>	<b>231,019,050</b>	<b>272,921,827</b>

### Previous Period 12-31-2014

Intangible asset movements	Trademarks, net Th\$	Computer programs, net Th\$	Other Intangible Assets, Net Th\$	Total Th\$
<b>Initial Balance on 01-01-2014</b>	<b>13,000</b>	<b>30,716,721</b>	<b>228,423,580</b>	<b>259,153,301</b>
Increases (reductions) for transfers	0	3,828,805	-123,156	3,705,649
Increases (reductions) for other changes	0	6,078,398	616,934	6,695,332
Disposals and withdrawals from service	0	-1,819,573	-1,974	-1,821,547
<b>Changes, total</b>	<b>0</b>	<b>8,087,630</b>	<b>491,804</b>	<b>8,579,434</b>
<b>Closing balance on 12-31-2014</b>	<b>13,000</b>	<b>38,804,351</b>	<b>228,915,384</b>	<b>267,732,735</b>





## Disclosure information on intangible assets (accumulated amortization)

### Current Period 12-31-2015

Intangible asset movements	Trademarks, accumulated amortization Th\$	Computer programs, accumulated amortization Th\$	Other Intangible Assets, accumulated amortization Th\$	Total Th\$
<b>Initial Balance on 01-01-2015</b>	<b>0</b>	<b>23,365,108</b>	<b>12,192,877</b>	<b>35,557,985</b>
Amortization	0	6,650,309	187,215	6,837,524
Increases (reductions) for transfers	0	0	0	0
Increases (reductions) for other changes	0	-1,371	0	-1,371
Disposals and withdrawals from service	0	0	0	0
<b>Changes, total</b>	<b>0</b>	<b>6,648,938</b>	<b>187,215</b>	<b>6,836,153</b>
<b>Closing balance on 12-31-2015</b>	<b>0</b>	<b>30,014,046</b>	<b>12,380,092</b>	<b>42,394,138</b>

### Previous period 12-31-2014

Intangible asset movements	Trademarks, accumulated amortization Th\$	Computer programs, accumulated amortization Th\$	Other Intangible Assets, accumulated amortization Th\$	Total Th\$
<b>Initial Balance on 01-01-2014</b>	<b>0</b>	<b>19,800,378</b>	<b>12,005,654</b>	<b>31,806,032</b>
Amortization	0	5,384,303	187,223	5,571,526
Disposals and withdrawals from service	0	-1,819,573	0	-1,819,573
<b>Changes, total</b>	<b>0</b>	<b>3,564,730</b>	<b>187,223</b>	<b>3,751,953</b>
<b>Closing balance on 12-31-2014</b>	<b>0</b>	<b>23,365,108</b>	<b>12,192,877</b>	<b>35,557,985</b>



### Detail of significant individual intangible assets (others):

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

Company	12-31-2015			12-31-2014		
	Water rights Th\$	Easement Th\$	Others Th\$	Water rights Th\$	Easement Th\$	Others Th\$
Aguas Andinas S.A.	75,950,169	8,062,219	5,135,351	73,945,526	8,031,096	5,322,126
Aguas Cordillera S.A.	92,684,130	7,866,530	0	92,671,535	7,866,530	0
Aguas Manquehue S.A.	21,490,797	857,614	0	21,625,505	900,294	0
Essal S.A.	5,450,043	1,087,305	0	5,217,790	1,087,305	0
Aguas del Maipo S.A.	13,700	0	0	13,700	0	0
Ecoriles S.A.	13,700	0	0	13,700	0	0
Gestión y Servicios S.A.	13,700	0	0	13,700	0	0
Análisis Ambientales S.A.	13,700	0	0	13,700	0	0
<b>Total</b>	<b>195,629,939</b>	<b>17,873,668</b>	<b>5,135,351</b>	<b>193,515,156</b>	<b>17,885,225</b>	<b>5,322,126</b>

### Intangible assets with undefined useful lives:

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

### Commitments for acquiring intangible assets:

Commitments for acquisitions of intangible assets for the 2016 period relate to water rights, easements and computer programs necessary for the normal operation of the Group's companies, and in particular for new works under development or in preliminary study stages, plus the expansion of concession zones, shown as follows:

Company	Th\$
Aguas Andinas S.A.	1,801,705
Aguas Cordillera S.A.	40,500
Aguas Manquehue S.A.	88,000
Essal S.A.	245,094
Análisis Ambientales S.A.	0
<b>Total</b>	<b>2,175,299</b>



## Note 12. GOODWILL

The detail of goodwill follows for the different Cash Generating Units (CGUs) or groups to which they are assigned, through December 31, 2015 and December 31, 2014:

<b>Tax ID</b>	<b>Company</b>	<b>12-31-2015 Th\$</b>	<b>12-31-2014 Th\$</b>
96.809.310-k	Aguas Cordillera S.A.	33,823,049	33,823,049
95.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A.	343,332	343,332
96.897.320-7	Inversiones Iberaguas Ltda.	2,066,631	2,066,631
<b>Total</b>		<b>36,233,012</b>	<b>36,233,012</b>



### Note 13. PROPERTY, PLANT AND EQUIPMENT

	12-31-2015	12-31-2014
	Th\$	Th\$
<b>Property, plant and equipment, net</b>	<b>1,248,135,284</b>	<b>1,188,402,068</b>
Land	160,423,927	158,072,457
Buildings	74,367,058	74,015,778
Machinery	103,872,419	112,453,483
Transport vehicles	2,132,247	2,441,287
Fixed installations & accessories	683,380	591,523
Computer equipment	2,486,497	2,349,503
Improvements to leased assets	83,068	77,977
Construction in progress	144,232,818	72,421,357
Other property, plant and equipment *	759,853,870	765,978,703
<b>Property, plant and equipment, gross</b>	<b>2,342,181,341</b>	<b>2,222,113,886</b>
Land	160,423,927	158,072,457
Buildings	101,522,741	99,239,758
Machinery	303,870,719	291,343,330
Transport vehicles	6,430,584	6,291,303
Fixed installations & accessories	5,133,162	4,949,375
Computer equipment	10,179,797	8,770,905
Improvements to leased assets	605,304	573,520
Construction in progress	144,232,818	72,421,357
Other property, plant and equipment	1,609,782,289	1,580,451,881
<b>Accumulated depreciation</b>	<b>1,094,046,057</b>	<b>1,033,711,818</b>
Buildings	27,155,683	25,223,980
Machinery	199,998,300	178,889,847
Transport vehicles	4,298,337	3,850,016
Fixed installations & accessories	4,449,782	4,357,852
Computer equipment	7,693,300	6,421,402
Improvements to leased assets	522,236	495,543
Other property, plant and equipment	849,928,419	814,473,178

\* Mainly relate to potable water and wastewater.



### Reconciliation of changes in property, plant and equipment by class:

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

#### Movements in property, plant and equipment through December 31, 2015

Concept	Initial balance	Depreciation	Increases (decreases) for transfers from construction in progress	Increases (decreases) for other changes	Disposals & withdrawals from service	Total Changes	Closing balance
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Land	158,072,457	0	42,834	2,346,709	-38,073	2,351,470	160,423,927
Buildings	74,015,778	-1,959,251	5,015,753	-968,061	-1,737,161	351,280	74,367,058
Machinery	112,453,483	-21,461,135	5,952,997	7,595,414	-668,340	-8,581,064	103,872,419
Transport vehicles	2,441,287	-512,296	326,337	-104,188	-18,893	-309,040	2,132,247
Fixed installations & accessories	591,523	-124,775	70,162	337,998	-191,528	91,857	683,380
Computer equipment	2,349,503	-1,290,812	562,101	866,244	-539	136,994	2,486,497
Improvements to leased assets	77,977	-26,693	1,940	29,844	0	5,091	83,068
Construction in progress	72,421,357	0	-24,476,822	96,326,853	-38,570	71,811,461	144,232,818
Other Property, plant and equipment	765,978,703	-36,179,596	11,652,137	18,744,755	-342,129	-6,124,833	759,853,870
<b>Classes of Property, plant and equipment, net</b>	<b>1,188,402,068</b>	<b>-61,554,558</b>	<b>-852,561</b>	<b>125,175,568</b>	<b>-3,035,233</b>	<b>59,733,216</b>	<b>1,248,135,284</b>

#### Movements in property, plant and equipment through December 31, 2014

Concept	Initial balance	Depreciation	Increases (decreases) for transfers from construction in progress	Increases (decreases) for other changes	Disposals & withdrawals from service	Total Changes	Closing balance
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Land	152,074,916	0	157,169	5,969,509	-129,137	5,997,541	158,072,457
Buildings	72,743,012	-1,908,062	1,706,562	1,475,844	-1,578	1,272,766	74,015,778
Machinery	117,271,761	-21,281,824	10,264,849	6,362,362	-163,665	-4,818,278	112,453,483
Transport vehicles	2,151,180	-476,826	196,556	656,458	-86,081	290,107	2,441,287
Fixed installations & accessories	348,018	-102,150	136,685	208,970	0	243,505	591,523
Computer equipment	2,062,523	-1,148,146	433,830	1,001,300	-4	286,980	2,349,503
Improvements to leased assets	32,621	-16,261	243	61,374	0	45,356	77,977
Construction in progress	107,134,077	0	-73,806,314	39,182,939	-89,345	-34,712,720	72,421,357
Other Property, plant and equipment	717,364,720	-35,720,417	57,204,767	27,209,217	-79,584	48,613,983	765,978,703
<b>Classes of Property, plant and equipment, net</b>	<b>1,171,182,828</b>	<b>-60,653,686</b>	<b>-3,705,653</b>	<b>82,127,973</b>	<b>-549,394</b>	<b>17,219,240</b>	<b>1,188,402,068</b>





## Disclosure information for property, plant and equipment (gross value)

### Current Period 12-31-2015

Concept	Initial balance	Increases (decreases) for transfers from construction in progress	Increases (decreases) for other changes	Disposals & withdrawals from service	Total Changes	Closing balance
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Land	158,072,457	42,834	2,346,709	-38,073	2,351,470	160,423,927
Buildings	99,239,758	5,015,753	-968,061	-1,764,709	2,282,983	101,522,741
Machinery	291,343,330	5,952,997	7,595,471	-1,021,079	12,527,389	303,870,719
Transport vehicles	6,291,303	326,337	-104,188	-82,868	139,281	6,430,584
Fixed installations & accessories	4,949,375	70,162	338,007	-224,382	183,787	5,133,162
Computer equipment	8,770,905	562,101	866,244	-19,453	1,408,892	10,179,797
Improvements to leased assets	573,520	1,940	29,844	0	31,784	605,304
Construction in progress	72,421,357	-24,476,822	96,326,853	-38,570	71,811,461	144,232,818
Other property, plant and equipment	1,580,451,881	11,652,137	18,744,690	-1,066,419	29,330,408	1,609,782,289
<b>Classes of property, plant and equipment, gross</b>	<b>2,222,113,886</b>	<b>-852,561</b>	<b>125,175,569</b>	<b>-4,255,553</b>	<b>120,067,455</b>	<b>2,342,181,341</b>

### Previous Period 12-31-2014

Concept	Initial balance	Increases (decreases) for transfers from construction in progress	Increases (decreases) for other changes	Disposals & withdrawals from service	Total Changes	Closing balance
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Land	152,074,916	157,169	5,969,509	-129,137	5,997,541	158,072,457
Buildings	96,074,956	1,706,562	1,475,844	-17,604	3,164,802	99,239,758
Machinery	282,654,119	10,264,849	6,362,374	-7,938,012	8,689,211	291,343,330
Transport vehicles	6,399,977	196,556	638,919	-944,149	-108,674	6,291,303
Fixed installations & accessories	4,855,235	136,685	208,970	-251,515	94,140	4,949,375
Computer equipment	11,595,066	433,830	1,001,288	-4,259,279	-2,824,161	8,770,905
Improvements to leased assets	511,903	243	61,374	0	61,617	573,520
Construction in progress	107,134,077	-73,806,314	39,182,939	-89,345	-34,712,720	72,421,357
Other property, plant and equipment	1,497,273,370	57,204,767	27,226,756	-1,253,012	83,178,511	1,580,451,881
<b>Classes of property, plant and equipment, gross</b>	<b>2,158,573,619</b>	<b>-3,705,653</b>	<b>82,127,973</b>	<b>-14,882,053</b>	<b>63,540,267</b>	<b>2,222,113,886</b>



## Disclosure information for property, plant and equipment (accumulated depreciation)

### Current Period 12-31-2015

Concept	Initial balance	Depreciation	Increases (decreases) for other changes	Disposals & withdrawals from service	Total Changes	Closing balance
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Buildings	25,223,980	1,959,251	0	-27,548	1,931,703	27,155,683
Machinery	178,889,847	21,461,135	57	-352,739	21,108,453	199,998,300
Transport vehicles	3,850,016	512,296	0	-63,975	448,321	4,298,337
Fixed installations & accessories	4,357,852	124,775	9	-32,854	91,930	4,449,782
Computer equipment	6,421,402	1,290,812	0	-18,914	1,271,898	7,693,300
Improvements to leased assets	495,543	26,693	0	0	26,693	522,236
Other property, plant and equipment	814,473,178	36,179,596	-65	-724,290	35,455,241	849,928,419
<b>Classes of property, plant and equipment, accumulated depreciation</b>	<b>1,033,711,818</b>	<b>61,554,558</b>	<b>1</b>	<b>-1,220,320</b>	<b>60,334,239</b>	<b>1,094,046,057</b>

### Previous Period 12-31-2014

Concept	Initial balance	Depreciation	Increases (decreases) for other changes	Disposals & withdrawals from service	Total Changes	Closing balance
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Buildings	23,331,944	1,908,062	0	-16,026	1,892,036	25,223,980
Machinery	165,382,358	21,281,824	12	-7,774,347	13,507,489	178,889,847
Transport vehicles	4,248,797	476,826	-17,539	-858,068	-398,781	3,850,016
Fixed installations & accessories	4,507,217	102,150	0	-251,515	-149,365	4,357,852
Computer equipment	9,532,543	1,148,146	-12	-4,259,275	-3,111,141	6,421,402
Improvements to leased assets	479,282	16,261	0	0	16,261	495,543
Other property, plant and equipment	779,908,650	35,720,417	17,539	-1,173,428	34,564,528	814,473,178
<b>Classes of property, plant and equipment, accumulated depreciation</b>	<b>987,390,791</b>	<b>60,653,686</b>	<b>0</b>	<b>-14,332,659</b>	<b>46,321,027</b>	<b>1,033,711,818</b>



The detail of each consolidated Company of the Group, for the amount of future commitments for acquisitions of property, plant and equipment for the period 2015, is as follows:

Company	Th\$
Aguas Andinas S.A.	76,070,477
Aguas Cordillera S.A.	8,433,338
Aguas Manquehue S.A.	7,937,176
Essal S.A.	9,254,906
Ecoriles S.A.	115,490
Gestión y Servicios S.A.	62,000
Análisis Ambientales S.A.	346,000
<b>Total</b>	<b>102,219,387</b>

Elements of property, plant and equipment temporarily out of service:

Company	Gross Value	Accumulated Depreciation	Net Value
	Th\$	Th\$	Th\$
Aguas Andinas S.A.	1,905,669	-1,824,794	80,875
Aguas Cordillera S.A.	274,332	-114,008	160,324
<b>Total</b>	<b>2,180,001</b>	<b>-1,938,802</b>	<b>241,199</b>

## Note 14. IMPAIRMENT OF VALUE OF ASSETS

### Disclosure information on asset impairment by cash generating unit:

Each company as a whole is defined as a Cash Generating Unit (CGU), 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 will evaluate, at the close of each financial position statement, 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 for goodwill, the impairment test will at a minimum be made at the close of the period or when there are signs.

For intangible assets with indefinite useful life, e.g. water rights, a study was carried out to determine the values at market price, which are compared to the values assigned to them as costs at the date of adoption of the IFRS rules.

For lesser values, the calculation was made as to their useful value, considering the different companies as CGUs, using recent estimates of budgets over the medium term, determining the different parameters for according to models widely used in the market. The parameters are set via the current information for benchmark risk free rates in the market, the useful life for each company and growth rates for regular income of the companies, looking at growth in the population and changes in consumption through the years.

The Company and subsidiaries make annual impairment tests of their intangible assets of indefinite useful life, and lesser investment value.

The respective tests for impairment were made at the end of the period 2015 based on the Group's estimates and projections. These estimates indicated that the benefits attributable to the participations with lower associated values individually exceed their consolidated book values in all cases. Additionally, the intangible assets with indefinite useful lives were evaluated, resulting in a higher value registered on the books.

No impairment of assets has been booked as of December, 2015 and 2014 and there are no indications of impairment at the end of those periods.



## Note 15. PROVISIONS AND CONTINGENT LIABILITIES

### A. Provisions

The detail of these as of December 31, 2015 and December 31, 2014 is as follows:

Classes of provisions	12-31-2015	12-31-2014
	Th\$	Th\$
Provision for legal claims	547,288	591,098
Other provisions, current	547,288	591,098
Other provisions, non-current	1,239,995	1,187,618
<b>Provisions, non-current</b>	<b>1,239,995</b>	<b>1,187,618</b>

The movement in current provisions for the periods was:

Legal claims	12-31-2015	12-31-2014
	Th\$	Th\$
<b>Initial balance provisions</b>	<b>591,098</b>	<b>918,556</b>
Increase in existing provisions	252,620	246,666
Provision used	-237,035	-446,174
Other increases (decreases)	-59,395	-127,950
<b>Changes in provisions, Total</b>	<b>-43,810</b>	<b>-327,458</b>
<b>Total</b>	<b>547,288</b>	<b>591,098</b>

The provisions under 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 might affect the Company:

- a) **Nature of class of provision:** The Superintendence of Sanitation Services (SISS) has levied fines against 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. The total of the demands presented amount to Th\$ 499,540.-, of which Th\$ 347,952 were paid before the demand procedures began.

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

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

- b) **Nature of class of provision:** The Superintendence of Sanitation Services initiated proceedings to sanction Aguas Andinas S.A. with respect to overflows of waste waters due to an obstruction of Aguas Andinas' trunk sewer in the districts of El Bosque and San Bernardo. Currently in the discussion stage.

**Timetable foreseen for release of class of provision:** Undetermined.

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

- c) **Nature of class of provision:** The Superintendence of Sanitation Services initiated two sanction proceedings against Aguas Andinas S.A. concerning alleged breaches of Law 18,902, article 11, letters a) b) & c), as a result of water cuts produced by ruptures in the water main 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 proceeding initiated against Aguas Andinas S.A. determines an amount of 101 UTA adjusted. The fine was paid prior to claim. A sentence was issued reducing the fine to 81 UTA, with both parties appealing the case, which resolution is pending. In accordance to the status of the case, is not possible to estimate the result.

- d) **Nature of class of provision:** The Metropolitan COREMA (regional environmental authority) applied a fine of 500 UTM through Resolution N° 177/2004 of May 28, 2004 for the alleged infringement of the Resolution of Environmental Qualification for the La Farfana Wastewater 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. Pending the realization of an expert report ordered by the court. The record is filed in the court file. There are moderate probabilities that the demand will be accepted.

- e) **Nature of class of provision:** CONAMA (formerly the national environmental authority) applied a fine of 300 UTM through Resolution N°069/2005 of February 17, 2005, for alleged infringement caused by foul odors originating from the La Farfana Wastewater Treatment Plant for the removal of sludge from the drying field.

**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. There are low probabilities that the demand will be accepted. Currently, notification of the sentence in the first instance is pending, rejecting the appeal made by the company.

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

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

**Uncertainties about the timing and amount of a class of provision:** 10% of the fine has been paid in order to bring a challenge to the courts. A final sentence was given rejecting the challenge, and an appeal was made by Aguas Andinas which was fully accepted revoking the interposed fine. The claimed made an appeal, which was accepted, so the amount outstanding should now be determined.

- g) **Nature of class of provision:** The Sanitation Authority has applied administrative sanctioning processes to the Essal S.A. subsidiary, which are in process of legal claim by the company.

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

**Uncertainties about the timing and amount of a class of provision:** The legal claims correspond to sanctions imposed by Chilean Treasury amounting to Th\$89,212.

## 2.- Other provisions, non-current

These relate basically to a transaction on July 10, 2007, signed before the Notary of Mrs. María Gloria Acharan Toledo, between Aguas Cordillera S.A. and property developers by which, should Aguas Cordillera S.A. abandon and sell the land transferred to it in the future, 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 by the National Corporation of Consumers and Users of Chile, CONADECUS, which claims that the Company breached the supply contract and the terms of the water production and distribution concession, by delivering bad quality water, not providing water and not informing them of supply cuts in a timely manner, on January 21 and 22, and on 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 court upheld an administrative appeal by Aguas Andinas, declaring the collective

action inadmissible. The plaintiffs filed an appeal against that decision, and against a presentation by Aguas Andinas which sought their appeal to be time barred. Currently the administrative appeal by CONADECUS was declared inadmissible and untimely respectively. The plaintiffs appealed "in fact" before the Court of Appeals of Santiago asking to be declared as admissible the case that was dismissed at first ruling. In turn Andinas appealed against the "in fact" appeal by CONADECUS. Subsequently, on January 2 of the current year, the trial court annulled the resolution that declared the appeal untimely, declaring it inadmissible. Aguas Andinas appealed in fact against this decision, which the Santiago Court of Appeals rejected and accepted the appeal of CONADECUS, declaring the application admissible and ordered the process to continue. Interlocutory judgment was delivered, but notification has not been sent.

- 2.- There is a demand for compensation for damages against Aguas Andinas S.A. with respect to bad odors from the El Trebal Wastewater Treatment Plant. The lawyer Bertolone, representing 314 residents of the district of El Trebal, which adjoins the sewage plant, alleges moral damages produced by odors coming from the plant, plus other environmental damages. The demands amount to a total of Th\$10,990,000, plus interest, adjustments and costs. The claim was rejected in its entirety by judgment of the trial court level, which the applicant appealed to the Santiago Court of Appeals. On appeal the judgment of the first sentence was confirmed, accrediting there was no existence of a harm that signifies Aguas Andinas is responsible, denying the action in its entirety. The applicant filed an appeal on the merits against the judgment of the second court, which is pending.





- 3.- Aguas Andinas S.A. was sued for damages for injuries allegedly suffered by a Mining Company for the installation of infrastructure on land on which the applicant had mining properties, thereby preventing mineral extraction and causing alleged damages. The amount claimed is Th\$1,093,564.- Currently the parties have been called to a conciliation hearing, which has yet to issue a verdict.

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 societies.

## **16. GUARANTEES AND RESTRICTIONS**

### **a) Direct guarantees**

Guarantee policies and performance bonds have been granted in favor of various institutions, the principal ones being the SISS, to guarantee the conditions for the provision of services and development programs in the Company's concession areas, SERVIU Metropolitano, to guarantee the replacement of paving, and to other institutions, for Th\$36,252,092 as of December 31, 2015 and Th\$35,051,026 as of December 31, 2014 respectively.



The detail of guarantees exceeding Th\$ 10,000.- is as follows:

Creditor of the Guarantee	Name Debtor	Type of Guarantee	12-31-2015 Th\$	12-31-2014 Th\$
Asociación Canal Sociedad Maipo	Aguas Andinas S.A.	Performance Bond	7,270,918	6,962,028
Aguas del Valle S.A.	Aguas Andinas S.A.	Performance Bond	51,258	0
Constructora San Francisco	Aguas Andinas S.A.	Performance Bond	15,377	190,860
Dirección de Obras Hidráulica	Aguas Andinas S.A.	Performance Bond	607,007	439,132
Esval S.A.	Aguas Andinas S.A.	Performance Bond	102,516	0
Dirección Regional de Vialidad	Aguas Andinas S.A.	Performance Bond	16,915	376,745
Ministerio de Obras Publicas - Dirección General de Aguas	Aguas Andinas S.A.	Performance Bond	0	369,628
Municipalidad de Calera de Tango	Aguas Andinas S.A.	Performance Bond	12,702	25,403
Municipalidad de La Florida	Aguas Andinas S.A.	Performance Bond	432,510	412,430
Municipalidad de La Pintana	Aguas Andinas S.A.	Performance Bond	20,678	57,903
Municipalidad de Las Condes	Aguas Andinas S.A.	Performance Bond	10,000	10,000
Municipalidad de Macul	Aguas Andinas S.A.	Performance Bond	8,996	17,288
Municipalidad de Melipilla	Aguas Andinas S.A.	Performance Bond	0	63,363
Municipalidad de Peñalolén	Aguas Andinas S.A.	Performance Bond	41,617	0
Municipalidad de Providencia	Aguas Andinas S.A.	Performance Bond	52,745	101,365
Municipalidad de San Joaquín	Aguas Andinas S.A.	Performance Bond	9,534	11,304
Municipalidad de Santiago	Aguas Andinas S.A.	Performance Bond	23,835	22,903
Servicio de Vivienda y Urbanismo Metropolitano	Aguas Andinas S.A.	Performance Bond	6,088,905	6,374,779
Superintendencia de Servicios Sanitarios	Aguas Andinas S.A.	Performance Bond	6,906,937	6,663,724
Tesorero Municipalidad de La Pintana	Aguas Andinas S.A.	Performance Bond	31,440	0
Asociación Canal de Maipo	Aguas Cordillera S.A.	Performance Bond	884,960	850,362
Superintendencia de Servicios Sanitarios	Aguas Cordillera S.A.	Performance Bond	2,304,773	535,713
Ministerio de Obras Publicas - Dirección General de Aguas	Aguas Cordillera S.A.	Performance Bond	381,412	366,501
Servicio de Vivienda y Urbanismo Metropolitano	Aguas Cordillera S.A.	Performance Bond	845,760	406,347
Municipalidad de Vitacura	Aguas Cordillera S.A.	Performance Bond	51,258	49,254
Municipalidad de Las Condes	Aguas Cordillera S.A.	Performance Bond	173,000	30,000
Municipalidad Lo Barnechea	Aguas Cordillera S.A.	Performance Bond	12,815	12,314
Asociación Canal de Maipo	Aguas Manquehue S.A.	Performance Bond	1,160,877	956,587
Servicio de Vivienda y Urbanismo Metropolitano	Aguas Manquehue S.A.	Performance Bond	0	701,899
Superintendencia de Servicios Sanitarios	Aguas Manquehue S.A.	Performance Bond	1,075,063	689,189
Municipalidad de Vitacura	Aguas Manquehue S.A.	Performance Bond	10,252	9,851
Servicio de Vivienda y Urbanismo	Gestión y Servicios S.A.	Performance Bond	2,408,203	2,314,053
Municipalidad de Las Condes	Gestión y Servicios S.A.	Performance Bond	33,222	18,470
Municipalidad de Vitacura	Gestión y Servicios S.A.	Performance Bond	0	535,713
Corporación Nacional del Cobre	Anam S.A.	Performance Bond	16,646	0
Empresa Servicios Sanitarios del BioBio S.A.	Anam S.A.	Performance Bond	34,599	279,827
Siderúrgica Huachipato	Anam S.A.	Performance Bond	51,258	49,254
Compañía Cervecerías Unidas S.A.	Anam S.A.	Performance Bond	0	37,662
Compañía Minera Doña Inés de Collahuasi	Anam S.A.	Performance Bond	14,598	14,598
Director de Obras Hidráulicas	Essal S.A.	Performance Bond	1,491,677	901,552
Servicio de Vivienda y Urbanismo	Essal S.A.	Performance Bond	150,239	21,230
Director General del Territorio Marítimo y de Marina Mercante	Essal S.A.	Performance Bond	11,281	13,350
Gobierno Regional de la Región de Los Ríos	Essal S.A.	Performance Bond	166,503	147,681
Director de Vialidad	Essal S.A.	Performance Bond	80,845	24,627
Superintendencia de Servicios Sanitarios	Essal S.A.	Insurance Policy	2,399,825	3,779,890
Cooperativa Agrícola y Lechera de la Unión Ltda.	Essal S.A.	Performance Bond	3,032	26,000
Exportadora Los Fiordos Ltda.	Essal S.A.	Performance Bond	0	11,739
Secretaría Regional	Essal S.A.	Performance Bond	28,705	27,582
<b>Total</b>			<b>35,494,693</b>	<b>34,910,100</b>



## b) Bond issue restrictions

### D) Aguas Andinas S.A.

The Company maintains restrictions and obligations related to bond issues made on the national market, as follows:

1- Send a copy of the consolidated financial statements to the representative of the Bondholders, and send both the quarterly and the audited annual statements to the Company Subsidiaries registered with the SVS, within the same time period that these have to be presented to the SVS, plus all public information reported to the SVS.

2- Register in its accounting books 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- The Company is obligated 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- At the end of each quarter in the Issuer's Financial Statements, maintain a debt ratio not exceeding 1.5 times. Nonetheless, the above limit is adjusted according to the ratio of the Consumer Price Index for the month in which the Debt Ratio is calculated and the Consumer Price Index at December 2009. For all, the aforementioned limit will be adjusted up to a maximum of 2 times.

For these purposes the Debt Ratio is defined as the ratio of Total Liabilities to Total Equity. Total Liabilities are defined as the sum of the Total Current Liabilities and Total Non-Current Liabilities in the Issuer's Financial Statements.

For purposes of determining the aforementioned index, Liabilities include the amount of all joint or several guarantees, simple or joint bonds, joint assumption of debt or other guarantees, personal or real, which the Issuer or its subsidiaries have granted to secure the obligations of third parties, except: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer, (ii) those granted by subsidiaries for obligations of the Issuer, and (iii) those granted to public institutions to ensure compliance with public sanitation legislation and execution of works in public spaces.

For these purposes, the Total Net Equity is the difference between Total Assets and the sum of Total Current Liabilities and Total Non-Current Liabilities in the Issuer's Financial Statements.

As of December 31, 2015, the abovementioned accounts are as follows (Th\$):

<b>Total current liabilities</b>	<b>232,407,312</b>
<b>Total non-current liabilities</b>	<b>787,200,069</b>
<b>Total IFRS liabilities</b>	<b>1,019,607,381</b>
<b>Guarantees with Third Parties (*)</b>	<b>250,275</b>
<b>Total liabilities</b>	<b>1,019,857,656</b>
<b>Total assets</b>	<b>1,691,197,848</b>
<b>Total current liabilities</b>	<b>-232,407,312</b>
<b>Total non-current liabilities</b>	<b>-787,200,069</b>
<b>Patrimonio neto total</b>	<b>671,590,467</b>

The debt ratio was 1.52 times, as of December 31, 2014.

\* The amount of all joint or several guarantees, simple or joint bonds, joint assumption of debt or other guarantees, personal or real, which the Issuer or its subsidiaries have granted to secure the obligations of third parties, except: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer, (ii) those granted by subsidiaries for obligations of the Issuer, and (iii) those granted to public institutions to ensure compliance with public sanitation legislation and execution of works in public spaces.

The variation in the Debt Level as of December 31, 2015 was the following:

IPC Base 2009			Covenant	
31-12-2009	12-31-2015	Accumulated inflation	Base	Limit
90.28	110.87	22.80%	1.5	1.84

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, 2015 and December 31, 2014.



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

The company has restrictions and obligations relating to bond issues made on the national 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.- Register in its accounting books the provisions arising from adverse contingencies which, in the opinion of the Company's management, should be reflected in its financial statements.
- 3.- Maintain insurance to reasonably protect its assets in line with usual practices for industries of the Company's kind.
- 4.- Obligation to ensure that transactions carried out with related parties are made on equitable conditions similar to those normally prevailing in the market.
- 5.- Maintain a debt ratio no higher than 1.29:1, measured on its balance sheets, defined as the debt to equity ratio.  
  
From 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, 2015, the debt ratio was 1.03:1.
- 6.- Maintain a ratio of Ebitda to Financial expenses of no less than 3.5:1. As of December 31, 2015, the ratio was 8.79:1.

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

The Company is in compliance with all obligations established in the bond indentures as of December 31, 2015 and December 31, 2014.

### c) Bank loan restrictions

#### d) Aguas Andinas S.A.

The Company has covenants and restrictions for obtaining loan agreements with various national banks, as follows:

- 1.- Maintain a debt ratio no higher than 1.5:1, measured on its consolidated and unconsolidated balance sheets. Notwithstanding the above, the previous limit shall be adjusted according to the ratio between the Consumer Price Index for the month in which the debt level and the consumer price index in December 2009 is calculated. In any case the limit shall be adjusted up to a maximum level of 2.0:1. To this end, the level of indebtedness shall be defined as the ratio of total debt to assets. As of December 31, 2015 the debt level amounted to 1.52 times.
- 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 a copy of the individual and consolidated financial statements and both the quarterly and the audited annual statements to the different banks with which the Company has loans, within no more than five days of their presentation to the SVS.

- 4.- Record in its accounting books 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.



## ii) Aguas Cordillera S.A.

The Company has covenants and restrictions for obtaining loan agreements with a national bank, as follows:

- 1.- Maintain a debt ratio no higher than 1.5:1, measured on its consolidated and unconsolidated balance sheets. Notwithstanding the above, the previous limit shall be adjusted according to the ratio between the Consumer Price Index for the month in which the debt level and the consumer price index in December 2009 is calculated. In any case the limit shall be adjusted up to a maximum level of 2.0:1. To this end, the level of indebtedness shall be defined as the ratio of total debt to assets. As of December 31, 2015 the debt level amounted to 0.50 times.
- 2.- Maintain a coverage ratio of financial expenses equal to or more than 3.0:1, measured on its annual consolidated balance sheet, defined as the ratio between operating income plus depreciation and amortization of intangibles divided by financial expenses. As of December 31, 2015, the coverage of financial expenses amounted to 17.99 times.
- 3.- Send the bank a copy of the debtor's annual consolidated financial statements, within no more than thirty days of their presentation to the Superintendence of Securities and Insurance.
- 4.- Send a certificate signed by the Company's Chief Executive Officer declaring compliance with the obligations under the loan agreement.

- 5.- Maintain in full force all rights, licenses, permits, trademarks, franchises, concessions or relevant parts thereof.
- 6.- Maintain insurance coverage 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.
- 7.- Undertake to ensure that its transactions with its subsidiary or other related parties are made on equitable conditions similar to those normally prevailing in the market.

## iii) Essal S.A.

The Subsidiary has obligations arising from the obtaining of a loan with a national bank, which does not have commitments of financial indices or associated restrictions.

As of December 31, 2015, the Company and its sanitation subsidiaries are in compliance with all requirements established in the loan agreements with accrediting Banks, as well as 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, 2015 and December 31, 2014, the Company has received documents in guarantee for Th\$60,160,786 and Th\$45,423,369 respectively, arising mainly from work 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, 2015 is summarized below:

Contractor or Supplier	12-31-2015	Maturity
	Th\$	Date
Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	13,297,501	07-30-18
Degremont S.A. Agencia en Chile	6,702,494	03-01-17
Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	4,978,441	12-31-17
Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	4,342,747	06-01-17
Degremont S.A. Agencia en Chile	3,754,918	01-30-17
Ingeniería y Construcción Sigdo Koppers S.A.	2,472,343	11-30-16
Sociedad Concesionaria Costanera Norte S.A.	640,727	06-30-16
Compañía de Petróleos de Chile S.A.	430,949	03-15-16
Bapa S.A.	429,774	01-25-16
Sociedad Concesionaria Costanera Norte S.A.	384,436	11-02-16
Aqualogy Medioambiente Chile S.A.	384,231	09-01-16
Inmobiliaria y Comercial Quilicura Ltda.	358,807	10-28-20
Inmobiliaria La Reserva Ltda.	301,449	08-31-16
Costanera Center S.A.	273,642	05-10-16
Aqualogy Development Network S.A.	272,232	07-30-16
KDM S.A.	256,291	07-01-16
Ingeniería y Construcción Sigdo Koppers S.A.	256,291	12-31-16
Ingeniería y Construcción Sigdo Koppers S.A.	256,291	12-31-16
Ingeniería y Construcción Sigdo Koppers S.A.	256,291	12-31-16
Ingeniería y Construcción Sigdo Koppers S.A.	256,291	12-31-16
Ingeniería y Construcción Sigdo Koppers S.A.	256,291	12-31-16
Ingeniería y Construcción Sigdo Koppers S.A.	256,291	12-31-16
Ingeniería y Construcción Sigdo Koppers S.A.	256,291	12-31-16
Ingeniería y Construcción Sigdo Koppers S.A.	256,291	12-31-16
Ingeniería y Construcción Sigdo Koppers S.A.	256,291	12-31-16
Chilectra S.A.	256,291	08-01-16
Chilectra S.A.	256,291	07-14-16
Constructora Salta S.A.	230,662	11-02-16
Inmobiliaria Nueva Tarapacá S.A.	230,662	09-01-16
Constructora Pérez y Gómez Ltda.	217,386	04-30-17
Inmobiliaria Monte Aconcagua S.A.	205,033	11-16-16
Sociedad Concesionaria Costanera Norte S.A.	256,291	02-18-16
Dalco Ingeniería Ltda.	200,599	12-26-16
Aqualogy Medioambiente Chile S.A.	239,965	11-21-16
Ingeniería y Construcción Caiquen Ltda.	104,177	05-29-17
<b>Total</b>	<b>43,784,958</b>	



## Note 17. ORDINARY REVENUE

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

Classes of ordinary revenue	12-31-2015 Th\$	12-31-2014 Th\$
<b>Ordinary revenues</b>		
Sales of goods	8,606,117	8,308,462
Provision of services	464,664,266	431,565,719
Reimbursement of insurance	126,322	859,991
<b>Totals</b>	<b>473,396,705</b>	<b>440,734,172</b>

## Note 18. LEASES

### Information to disclose about operational leases as lessor

Included under this heading are certain installations where mainly Commercial Agencies operate.

Future minimum payments of non-cancellable leases, lessees	12-31-2015 Th\$	12-31-2014 Th\$
Future minimum payments of non-cancellable leases, until one year, lessees	2,024,359	1,770,654
Future minimum payments of non-cancellable leases, 1 to 5 years, lessees	4,787,536	4,377,752
<b>Future minimum payments of non-cancellable leases, lessees, total</b>	<b>6,811,895</b>	<b>6,148,406</b>
Minimum lease payments under operative leases	4,170,731	3,450,029
<b>Lease &amp; Sub-lease installments booked in statement of results, total</b>	<b>4,170,731</b>	<b>3,450,029</b>



### Significant operative leasing agreements:

The most significant operative leases relate to the Commercial Agencies in different districts of the Metropolitan Region. 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.

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

Agreements are automatically renewed for one year.

### Disclosures of operative leases as lessors:

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

Future minimum non-cancellable lease receivables, lessors	12-31-2015	12-31-2014
	Th\$	Th\$
Future minimum non-cancellable lease receivables, up to 1 year, lessors	380,398	244,538
Amount of leases booked in statement of results	656,448	649,171
<b>Total</b>	<b>1,036,846</b>	<b>893,709</b>

### Significant operative lease agreements of the lessor

Revenues from these sources is immaterial for the Company.

## 19. EMPLOYEE BENEFITS

The Company, at the consolidated level, has a workforce of 1,949 employees, of whom 75 are Managers and senior executives. Employees who are parties to collective agreements and individual work contracts with special indemnity clauses total 1,507 and 70 respectively, while 371 workers are covered by what is indicated in the Labor Code.

The collective agreement in effect for the employees and operatives Unions N° 1 and 2 was signed on July 31, 2014, for a four year term.

The collective agreement with the Professionals and Technicians Union No.3 was signed on September 24, 2015, and is in effect until July 31, 2018.

The current collective agreements of Aguas Cordillera S.A., and personnel of Aguas Manquehue S.A., were signed on December 1, 2014 and December 23, 2014 for the No.1 and 2 Unions and the Workers and Supervisors Union respectively, all for terms of four years.

The current collective agreements with Unions of the Essal S.A. subsidiary were signed on December 31, 2013 and expire on 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 termination benefits.

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 consolidated financial statements, the actuarial valuation calculation is applied for years of service.

### Accounting policies for gains and losses on defined benefits plans

The termination benefits 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 revised, directly affecting equity, which are later reclassified in Accumulated Results. This procedure began to be applied in 2013 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.



### Actuarial assumptions

**Years of service:** In Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal 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 Essal S.A. subsidiary, 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 (indicated above) and to workers with individual contracts including 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.: 891, Aguas Cordillera S.A.: 101, Aguas Manquehue S.A.: 17, and Essal S.A. 300.

**Mortality:** The RV-2009 mortality tables of the Superintendence of Securities and Insurance are used.

**Employee turnover and disability rates and early retirements:** Based on the Group's statistical experience, the turnover rate used is 5.5% (five point five percent) for the period 2015 and for the period ending December 31, 2014, 6.6% (six point six) for the objective workers. Disabled workers and early retirements have not been considered due to their infrequent nature.

**Discount rate:** During the 2015 period, 4.7% (four point seven percent) and during the 2014 period a rate of 5.2% was used, corresponding to the risk-free rate, plus the estimate of expected long-term inflation.

**Inflation rate:** For making long-term estimates for both the 2015 and 2014 periods, the forecast long-term inflation rate reported by the Central Bank of Chile was used, which amounts to 3.0%.

**Wage increase rate:** The rate uses for the 2015 and 2014 periods was 6.0%.

### GENERAL DESCRIPTION OF DEFINED BENEFITS PLANS

The following benefits are in addition to those indicated in Note 2.2, letter 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 an employee who retires from the Company in accordance with numbers 2, 4 or 5 of article 159, number 1 letter a or number 6 of article 160 of the Labor Code, the employee will be paid as an indemnity the accumulated amount for this concept through 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.

Workers of Aguas Andinas S.A. and its subsidiaries who are not a party to their collective agreements are covered by their individual work contracts. In terms of the non-sanitation companies, that is Gestión y Servicios S.A., Ecoriles S.A., Anam S.A. and Aguas del Maipo S.A., the provisions of the Labor Code are applied, except for when individual contracts indicate otherwise.

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



The following is the movement in actuarial provisions as of December 31, 2015 and December 31, 2014, which include movements in provisions:

Provisions for employee benefits	31-12-2015 Th\$	31-12-2014 Th\$
Movement in actuarial provision		
Initial balance	12,875,569	9,276,592
Cost of services	1,595,460	1,590,390
Interest cost	575,704	469,711
Actuarial gains or losses	1,985,359	1,626,708
Benefits paid	-4,115,296	-1,438,546
Special severance allowance for seniority <sup>(1)</sup>	0	1,099,483
Provision termination benefits	2,704,286	251,231
<b>Sub-total</b>	<b>15,621,082</b>	<b>12,875,569</b>
Profit sharing & bonuses	3,821,537	3,417,191
<b>Total</b>	<b>19,442,619</b>	<b>16,292,760</b>

<sup>(1)</sup> During 2014, collective negotiations were conducted with the unions at: Aguas Andinas S.A., Aguas Cordillera S.A. Aguas Manquehue S.A., Ecoriles S.A., and Anam S.A., in which a special allowance for seniority was agreed. This compensation is in any event, and compatible with and in addition to any other legal or conventional compensation.

In the financial situation statement these balances can be found in the following areas:

Provisions for employee benefits	12-31-2015 Th\$	12-31-2014 Th\$
Provisions for employee benefits, current	5,484,815	4,310,289
Provisions for employee benefits, non-current	13,957,804	11,982,471
<b>Total</b>	<b>19,442,619</b>	<b>16,292,760</b>

#### Expected payment flows

The collective Contract of Aguas Andinas S.A. indicates, in its 15th clause, that for workers who resign voluntarily to be entitled to retirement, they 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 termination benefit will be paid to workers who resign voluntarily on reaching the legal retirement age.

In 2015 the Company began a program that incentivizes voluntary retirement of our employees that are approaching the legal retirement age.

According to the mentioned benefits plans, the following are the flows for the following periods:

Company	Number of employees	Expected payment flow Th\$	Year
A.Andinas S.A.	10	678,603	2016
A.Cordillera S.A.	5	253,691	2016
A Manquehue S.A.	1	54,605	2016
ESSAL S.A.	3	18,094	2016
		<b>1,004,993</b>	

#### Projected liabilities to December 31, 2016

To calculate the projected liabilities for indemnities at actuarial value to December 2016, as indicated in IAS 19, the actuarial assumptions at December 31, 2015 have been used, already commented in this note. Only the amount of the legal bonus has been increased, in line with the minimum wage established in July of 2015.





The following is the summary by company:

Company	Number of employees	Costs per services Th\$	Costs per interests Th\$
A.Andinas S.A.	891	1,521,825	562,874
A.Cordillera S.A.	101	183,789	65,563
A Manquehue S.A.	17	39,026	13,921
ESSAL S.A.	300	58,784	14,926
Gestión y Servicios S.A.	1	293	106
		<b>1,803,717</b>	<b>657,390</b>

#### Sensitivity of assumptions

The sensitivity of the main assumptions has been made based on the actuarial calculation as of December 31, 2015, determining the following impacts:

Concept	Base	More than 0.5% Th\$	Less than 0.5% Th\$
Discount rate	4.7%	-877,098	285,427
Turnover rate	5.5%	-1,151,028	1,335,742
Rate of wage increases	6.0%	211,210	-814,241

#### Disclosures 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 of 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. In the 2015 and 2014 periods, the amounts are Th\$3,821,537 and Th\$3,417,191, respectively. In addition, advances are made against this bonus in the months of March, June, September and December of each calendar year.

The annual amount will depend on the earnings of each Company in the Group.



## Personnel expenses

Personnel expenses through December 31, 2015 and December 31, 2014 are as follows:

Personnel expenses	12-31-2015 Th\$	12-31-2014 Th\$
Wages and salaries	-29,890,906	-27,767,623
Defined benefits	-13,182,332	-11,667,902
Termination benefits	-5,554,988	-3,669,581
Other personnel expenses	-2,060,723	-2,226,339
<b>Total</b>	<b>-50,688,949</b>	<b>-45,331,445</b>

## Note 20. EFFECT OF EXCHANGE DIFFERENCES

The detail of the Group's exchange differences is as follows:

Category	Currency	12-31-2015 Th\$	12-31-2014 Th\$
Trade debts and other accounts receivable	EUR	-367	-600
Trade debts and other accounts receivable	USD	625	-8,703
Other financial assets	USD	-921	0
Other financial assets	EUR	0	0
<b>Total variation in assets</b>		<b>-663</b>	<b>-9,303</b>
Trade debts and other accounts payable	EUR	-3,847	-27,432
Trade debts and other accounts payable	USD	-9,666	2,835
Accounts payable related entities	EUR	672	-29
<b>Total variation in liabilities</b>		<b>-12,841</b>	<b>-24,626</b>
<b>Profits (losses) from exchange differences</b>		<b>-13,504</b>	<b>-33,929</b>



## Note 21. OTHER EXPENSES BY NATURE

Information concerning other expenses by nature is presented below:

Other expenses by nature	12-31-2015	12-31-2014
	Th\$	Th\$
Treatment plant operation	-29,030,858	-28,207,375
Commercial services	-16,526,101	-13,530,573
Insurance, taxation, licenses & permits	-5,628,232	-6,014,972
Maintenance of networks, equipment & enclosures	-25,341,863	-19,484,782
Supplies and basic services	-12,200,652	-10,055,313
Other expenses	-14,002,773	-14,181,314
<b>Total</b>	<b>-102,730,479</b>	<b>-91,474,329</b>

## Note 22. CAPITALIZED FINANCING COSTS

The detail of capitalized financing costs to December 31, 2015 and December 31, 2014 is as follows:

Disclosures on capitalized interest costs:

Capitalized interest costs, property, plant and equipment		12-31-2015	12-31-2014
Rate of capitalization of interest costs, property, plant and equipment	%	8.11	7.23
Amount of capitalized interest, property, plant and equipment	Th\$	2,828,843	2,429,963



## Note 23. INCOME TAXES AND DEFERRED TAXES

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

Statements of financial position	12-31-2015	12-31-2014
	Th\$	Th\$
Deferred tax assets	17,111,377	12,254,100
Deferred tax liabilities	-40,336,291	-42,486,184
<b>Net position of deferred tax</b>	<b>-23,224,914</b>	<b>-30,232,084</b>

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

### Disclosures on deferred tax assets

Deferred tax assets	12-31-2015	12-31-2014
	Th\$	Th\$
Water rights (amortization)	429,019	374,168
Provision for non-recoverable accounts	8,497,249	9,245,101
Provision for vacations	503,849	456,756
Litigation	181,956	740,986
Termination benefits	3,375,320	2,560,456
Other provisions	308,623	108,172
Revenue received in advance	18,587	9,188
Variation monetary correction & depreciation assets	66,207,361	59,936,509
Deferred income	1,969,571	1,969,571
La Dehesa Tank Transaction	361,724	347,582
Amortization	50,552	292,413
Others	813,495	708,622
<b>Deferred tax assets</b>	<b>82,717,306</b>	<b>76,749,524</b>



### Disclosures on deferred tax liabilities

Deferred tax liabilities	12-31-2015	12-31-2014
	Th\$	Th\$
Fixed asset depreciation	22,479,474	22,310,547
Amortizations	448,077	463,889
Expense investment related companies	114,266	114,266
Reevaluations of land	22,669,870	22,669,870
Reevaluations of water rights	45,611,780	45,611,780
Fair value of assets for purchase of Essal S.A.	14,569,528	15,754,843
Others	49,225	56,413
<b>Deferred tax liabilities</b>	<b>105,942,220</b>	<b>106,981,608</b>
<b>Net position of deferred tax</b>	<b>-23,224,914</b>	<b>-30,232,084</b>

On September 29, 2014 Law N° 20,780 was published, which establishes a permanent change to the corporate income tax. Therefore, in accordance with IAS 12, deferred taxes were revalued using the new rates according to the corresponding year. These will increase from 20% to 21% in 2014, 22.5% in 2015, 24% in 2016, 25.5% in 2017 and 27% in 2018 onwards.

According to the provisions of Circular N°856 of the Superintendence of Securities and Insurance, published on October 17, 2014, the changes resulting from these amendments to tax rates were recorded in equity and in December 31, 2014 amounted to Th\$9,462,013 (including impacts on owners of the controller and minority owners), the main impact being on the revaluation of property, plant and equipment and intangibles.

### Movements in deferred tax liabilities

Movement in deferred tax liabilities	12-31-2015	12-31-2014
	Th\$	Th\$
<b>Deferred tax liabilities, initial balance</b>	<b>106,981,608</b>	<b>81,924,286</b>
Increases (decreases) in deferred tax liabilities	145,927	22,618,349
Increases (decreases) in acquisitions through combinations of businesses	-1,185,315	2,438,973
Changes in deferred tax liabilities	-1,039,388	25,057,322
<b>Changes in deferred tax liabilities, total</b>	<b>105,942,220</b>	<b>106,981,608</b>



### Revenues tax expenses

Revenues (charges) for income taxes by current and deferred parts	12-31-2015	12-31-2014
	Th\$	Th\$
Charge for current income taxes	-40,213,001	-37,554,308
Adjustment for tax charge previous period	58,154	64,288
<b>Charge for current taxes</b>	<b>-40,154,847</b>	<b>-37,490,020</b>
Lost tax benefits	0	0
Deferred income (expenses) for taxes related to creation & reversal of timing differences	6,552,900	12,620,511
Charge for sole tax (disallowed expenses)	-81,777	-175,665
<b>Earnings (charges) for other taxes</b>	<b>6,471,123</b>	<b>12,444,846</b>
<b>Charges for earnings taxes</b>	<b>-33,683,724</b>	<b>-25,045,174</b>

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

	12-31-2015	12-31-2014
	Th\$	Th\$
<b>Charges for taxes using the statutory rate</b>	<b>-37,432,706</b>	<b>-31,102,193</b>
Permanent difference for monetary correction tax equity	0	5,009,142
Permanent differences for disallowed expenses	-81,777	-175,665
Permanent differences for previous years' income tax	58,154	64,288
Other permanent differences	23,612	1,159,254
<b>Adjustments to tax charge using the statutory rate</b>	<b>3,748,982</b>	<b>6,057,019</b>
<b>Tax charges using the effective rate</b>	<b>-33,683,724</b>	<b>-25,045,174</b>





### Reconciliation of the statutory rate and the effective tax rate

	12-31-2015	12-31-2014
Statutory tax rate	22.50%	21.00%
Permanent difference for monetary correction of tax equity	-2.25%	-3.38%
Effect of rate change in deferred taxes	0.00%	0.00%
Permanent difference for disallowed expenses	0.05%	0.12%
Permanent difference for previous years' income tax	-0.03%	-0.04%
Other permanent differences	-0.02%	-0.79%
<b>Effective tax rate</b>	<b>20.25%</b>	<b>16.91%</b>

### Note 24. EARNINGS PER SHARE

Basic earnings per share are calculated as the earnings (loss) for the period attributable to holders of Net Equity instruments of the Controller divided by the weighted average number of common shares in circulation during that period.

Earnings per share		12-31-2015	12-31-2014
Earnings attributable to shareholders in equity of the controller	Th\$	129,008,145	119,422,474
Results available to common shareholders, basic	Th\$	129,008,145	119,422,474
Weighted average of number of shares, basic		6,118,965,160	6,118,965,160
<b>Earnings per share</b>	<b>\$</b>	<b>21.083</b>	<b>19.517</b>

### Information to report on diluted earnings (losses) per share

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

### Note 25. BUSINESS SEGMENTS

The Group discloses information by segment in accordance with IFRS N°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 making 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 sanitation business (water).
- Operations unrelated to the sanitation business (non-water).
- 

### Description of types of products and services that provide normal revenues of each segment reported.

The Water segment consists only of sanitation services that permit the provision of products and production services, water distribution, and sewage collection and treatment. 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 (Riles), 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	12-31-2015		12-31-2014	
	Water Th\$	Non-Water Th\$	Water Th\$	Non-Water Th\$
Revenues from ordinary activities with external customers	447,576,149	25,820,556	416,403,600	24,330,572
Revenues from ordinary activities between segments	263,415	3,763,794	1,084,802	3,471,186
Operating expenses	-171,413,136	-24,340,971	-148,454,180	-23,198,994
Depreciation & amortization	-67,805,175	-593,464	-65,708,495	-516,717
Other revenue & expenses	841,910	114,260	413,031	1,455
Financial income	6,070,710	590,052	4,799,254	588,118
Financial costs	-27,942,698	-40,650	-30,805,192	-17,103
Result of indexation & exchange differences	-26,552,974	15,803	-34,297,040	11,383
Revenues tax charges	-32,617,823	-1,065,900	-24,241,837	-803,335
<b>Earnings by segment</b>	<b>128,420,378</b>	<b>4,263,480</b>	<b>119,193,943</b>	<b>3,866,565</b>
<b>Earnings by segment attributable to owners of the controller</b>	<b>124,744,665</b>	<b>4,263,480</b>	<b>115,555,909</b>	<b>3,866,565</b>
<b>Earnings (losses) by segment attributable to non-controller participations</b>	<b>3,675,713</b>	<b>0</b>	<b>3,638,034</b>	<b>0</b>



Total on information about assets, liabilities & equity	12-31-2015		12-31-2014	
	Water	Non-Water	Water	Non-Water
	Th\$	Th\$	Th\$	Th\$
Current assets	139,417,111	14,460,517	113,014,717	16,881,894
Non-current assets	1,529,251,479	14,624,249	1,468,639,445	10,804,367
<b>Total assets</b>	<b>1,668,668,590</b>	<b>29,084,766</b>	<b>1,581,654,162</b>	<b>27,686,261</b>
Current liabilities	230,256,110	8,706,710	173,601,032	5,773,341
Non-current liabilities	787,106,299	93,772	763,457,626	110,653
Equity attributable to owners of the controller	596,911,692	20,284,284	588,961,352	21,802,267
Non-controller participations	54,394,490	0	55,634,152	0
<b>Total equity &amp; liabilities</b>	<b>1,668,668,591</b>	<b>29,084,766</b>	<b>1,581,654,162</b>	<b>27,686,261</b>

### Significant items of revenue 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 relevant sums in relation to expenses for depreciation, personnel and other assorted expenses, including relevant expenditures from outsourced services.

#### Revenue

The Company's Revenue is mainly generated by the regulated services relating to the production and distribution of water, collection, treatment and disposal of sewage, and other regulated services (including revenue from suspending and restoring supplies, the monitoring of liquid waste discharges and fixed charges).

#### Detail of significant revenue items

##### Water Segment

The significant items of ordinary revenues are principally those related to the water and sewage businesses, i.e. from the potable water and sewage water business, that is, income from the sale of water, excess

consumption, variable charge, fixed charge, sewage service, sewer use and wastewater treatment. It is also possible to identify revenue sales of fixed assets.

#### Tariffs

The most important factor determining the results of the Company's operations and financial position are the tariffs set for its 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 N°70 of 1988.

The tariff levels are reviewed every five years and, during that period, are subject to additional adjustments linked to polynomial 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.

In 2015 the tariff negotiation processes ended for the 2015-2020 period; the decrees fixing the tariffs during the referenced five-year period for Aguas Andinas S.A., Aguas Cordillera S.A and Aguas Manquehue S.A., correspond to numbers 152-2015; 83-2015; and 139 2015 respectively. Additionally, N° 116 dated August 31, 2011 fixes the tariffs for Essal for the 2011-2016 period.

#### 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 drinking water and sewage services and analysis and biogas sale.

#### Details of significant expense items

##### Water segment

The significant expense items are mainly those related to compensation, energy, Wastewater Treatment Plant Operation, depreciation of real and personal property, interest expenses, and income tax payments.

##### Non-water segment

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



### Detailed explanation of measurement of results, assets, liabilities and equity of each segment

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

The accounting criteria relate 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 nature of the transaction in each related company according to the segment in which it operates. These accounts, called accounts receivable or payable from/to related companies, are netted in the consolidation of the financial statements in accordance with the rules of consolidation explained in IAS 27.

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

	12-31-2015	12-31-2014
	Th\$	Th\$
<b>Reconciliation of revenues from ordinary activities</b>		
Revenues from ordinary activities of the segments	477,423,914	445,290,160
Elimination of ordinary activity revenues between segments	-4,027,209	-4,555,988
<b>Revenues from ordinary activities</b>	<b>473,396,705</b>	<b>440,734,172</b>
	12-31-2015	12-31-2014
	Th\$	Th\$
<b>Reconciliation of earnings</b>		
Total consolidated earnings (losses) of segments	132,683,858	123,060,508
Consolidation of earnings (losses) between segments	-3,675,713	-3,638,036
<b>Consolidation of earnings (loss)</b>	<b>129,008,145</b>	<b>119,422,472</b>
	12-31-2015	12-31-2014
	Th\$	Th\$
<b>Reconciliations of segment assets, liabilities &amp; equity of segments</b>		
<b>Reconciliation of assets</b>		
Consolidation total assets of segments	1,697,753,356	1,609,340,423
Elimination of accounts between segments	-6,555,508	-2,868,797
<b>Total assets</b>	<b>1,691,197,848</b>	<b>1,606,471,626</b>
<b>Reconciliation of liabilities</b>		
Consolidation total liabilities of segments	1,026,162,891	942,942,652
Elimination of accounts between segments	-6,555,510	-2,868,797
<b>Total liabilities</b>	<b>1,019,607,381</b>	<b>940,073,855</b>
Consolidation of equity		
Consolidation of total equities of segments	617,195,977	610,763,619
<b>Equity attributable to owners of the controller</b>	<b>617,195,977</b>	<b>610,763,619</b>



## Information on principal customers of the subsidiaries:

### Main water segment customers:

- I. Municipalidad de Puente Alto
- I. Municipalidad de Peñalolen
- Cervecera CCU Chile Ltda.
- Universidad de Chile
- I. Municipalidad de Santiago
- Ministerio de Obras Públicas
- I. Municipalidad de La Florida
- Adm. Centro Comunitario Alto Las Condes S.A.
- Centro de Detención Preventiva Santiago I
- Embotelladoras Chilenas Unidas S.A.

### Main non-water segment Customers:

- CMPC Cordillera S.A.
- Soprole S.A.
- Cobra Chile Servicios S.A.
- Cervecera CCU Chile Ltda.
- Inmobiliaria y Cont. Nueva Pacifico
- Constructora Pérez y Gómez
- Cartulinas CMPC S.A.
- Nestle Chile S.A.
- Watt's S.A.
- Cooperativa Agrícola y Lechera

## Types of products in the water and 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 treatment of excess organic loads (Ecoriles S.A. subsidiary).
- Physical, chemical and biological analysis of water, air and solids (Anam S.A. subsidiary).
- Comprehensive Engineering Services and sale of products including tubes, valves, taps and other related items (Gestión y Servicios S.A. subsidiary).
- Energy projects (Aguas del Maipo S.A. subsidiary).

## Aguas Andinas S.A.

Project Name	12-31-2015 Th\$	12-31-2014 Th\$
Expansion and Improvements Greater Santiago WWTP	22,953,502	7,116,274
Expansion and Improvements Isla de Maipo WWTP	341,476	2,702,673
Expansion and Improvements Melipilla WWTP	0	20,310
Expansion and Improvements Other Localities WWTP	17,631	19,279
Expansion and Improvements San José de Maipo WWTP	4,500	38,290
Expansion and Improvements Til Til WWTP	0	37,836
Expansion and Improvements Valdivia de Paine WWTP	51,965	3,097
Farfana - Trebal Interceptor	52,229	22,276
Improvement and renovation of equipment and installations	1,207,737	1,172,646
<b>Totals</b>	<b>24,629,040</b>	<b>11,132,681</b>

## Note 26. ENVIRONMENT

Information on disbursements related to the environment:

According to Circular N° 1901 of October 30, 2008 of the Superintendence of Securities and Insurance, information is revealed below concerning the disbursements related to the environment.

The details of the disbursements related to the environment are included below:



### Aguas Manquehue S.A.

Project Name	12-31-2015	12-31-2014
	Th\$	Th\$
Improvement and renovation of equipment and installations	149,181	140,446
<b>Totals</b>	<b>149,181</b>	<b>140,446</b>

### Essal S.A.

Project Name	12-31-2015	12-31-2014
	Th\$	Th\$
Improvement in disposal infrastructure	195,620	178,067
Improvement of EDAR system	295,762	29,284
Renovation of treatment and disposal equipment	33,655	204,600
<b>Totals</b>	<b>525,037</b>	<b>411,951</b>

### Projected environmental investments for the 2016 period:

Company	Th\$
Aguas Andinas S.A.	26,375,475
Aguas Manquehue S.A.	57,480
Essal S.A.	818,007
<b>Total</b>	<b>27,250,962</b>

### Indication of whether the disbursement forms part of the cost of an asset or is reflected as an expense, disbursements in the period:

All of 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 the 2016 year.

The Company and its subsidiaries are affected by disbursements relating 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.

## Note 27. EVENTS OCCURRING AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

### Aguas Andinas S.A.

In an ordinary board meeting held on January 20, 2016, the Board of Directors learned of the resignation of Mr. Jordi Valls Riera of the position of Chief Executive Officer of the Company, which will become effective starting on March 1 2016. Mr. Valls, from the date indicated, will assume other functions outside of Chile, within the Suez Group.

For its part, the Board of Directors of the Company at the same meeting, agreed to appoint as Chief Executive Officer of the Company Mr. Narciso Berberana Saenz, who will take office from March 1st this year.

On January 27, 2016, the company successfully concluded the placement of corporate bonds totaling UF 3.0 million, equivalent to US \$107.2 million, resources which will be used to finance investments and refinance financial liabilities, according to its 2015-2020 strategic plan.

The issuance was performed by placing two series. The Z Series bonds, for a total of UF 1.0 million, structured to 7 years with a 3-year grace period, were placed at a rate of 2.15%, with a total demand of UF 3.6 million, which represented a spread of 97 basis points over the benchmark of 5 years.

The AA Series bonds, for a total of UF 2.0 million, structured to 24 years with a 22-year grace period, were placed at a rate of 3.29%, with a total demand of UF 3.2 million, which represented a spread of 147 basis points above the reference rate.

At the date of issuance of these Consolidated Financial Statements, the management of the Company and Subsidiaries are not aware of any other subsequent events that affect the financial position through December 31, 2015.





## EARNINGS RELEASE

### For the financial years ending December 31 2015 and 2014

#### 1. HIGHLIGHTS FOR 2015

- The Company's revenue reached CLP\$473,397 million, an increase of CLP \$32,663 million (7.4%) in comparison to the previous financial year. This increase was mainly due to higher supplied volumes, the application of tariffs due to the entry into operation of the new potable water safety infrastructure works and the tariff indexations that occurred at the beginning of April and October 2014 and November 2015.
- During the last quarter of 2015, temperatures were lower and there was higher precipitation than those of the last quarter of 2014 which had an impact in consumption levels for the Metropolitan Region.
- Aguas Andinas' current tariffs for the 2015-2020 period were approved through Decree N°83 which was approved on June 5th 2015 and came into effect March 1st 2015 (these tariffs were published in the Official Newspaper on September 3rd 2015). Aguas Cordillera's current tariffs for the 2015-2020 period were approved through Decree N°152 which was approved on October 19th 2015 and came into effect June 30th 2015 (these tariffs were published in the Official Newspaper on November 25th 2015). Aguas Manquehue's current tariffs for the 2015-2020 period were approved through Decree N°139 which was approved on September 16th 2015 and came into effect May 19th 2015 (these tariffs were published in the Official Newspaper on November 25th 2015).
- Costs increased by 14.2% mainly due to higher employee benefits of CLP\$5,358 mainly associated with a provision for the early retirement program of CLP\$2,054 million and extraordinary benefits paid to employees at the end of the collective negotiation process for CLP\$561 million. In addition, there were higher salary

payments associated with the application of consumer price index readjustments. Additionally, the cost of raw materials and consumables increased in CLP\$7,171 million, mainly due to the increase in the cost of electricity. This cost amounted to CLP\$6,915 million at the end of the financial year, mainly due to higher tariffs, and the acknowledgement of retroactive charges by the electricity companies amounting to CLP\$2,827 million. Additionally, other costs increased due to higher activity related to higher costs of sale such as the modifications of sanitation infrastructure required by third parties for CLP\$2,084 million, higher expenses in software licenses for CLP\$1,999 million, higher costs related to client service for CLP\$1,765 million, an increase in network maintenance activities for CLP \$1,320 million and higher operating costs for the sewage treatment plants for CLP\$1,108 million. With this, the EBITDA for the year reached CLP\$282,624 million, exhibiting an increase of CLP\$8,878 (3.2%) in comparison to the previous year.

- The financial result generated a loss for CLP\$47,860 million, CLP\$11,861 million less in comparison to that obtained in the previous year. This was mainly due to a lower revaluation of the Company's re-adjustable debt in Unidades de Fomento (Indexation Units).
- Tax expenses at the end of 2015 amounted to CLP\$33,684 million, CLP\$8,639 million higher in comparison to the same quarter of the previous year. This variation was mainly justified by higher earnings before taxes of CLP\$18,262 million and by the change in the tax rate increasing from 21% to 22.5% due to the Tax Reform and due to the permanent differences between financial and tax results which affect the results which are associated to taxes.
- Net income as of December 31 2015 amounted to CLP\$129,008 million, CLP\$9,586 higher (8.0% increase) in comparison to 2014.

## 2. OPERATING RESULTS

### 2.1 Accumulated Results

Income Statement (CLP\$ millions)	Dec. 15	Dec. 14	% Var.	2015 - 2014
Revenues	473,397	440,734	7.4%	32,663
Operating Costs & Expenses	-190,773	-166,988	14.2%	-23,785
<b>EBITDA</b>	<b>282,624</b>	<b>273,746</b>	<b>3.2%</b>	<b>8,878</b>
D&A	-68,392	-66,225	3.3%	-2,167
<b>Operating Income (EBIT)</b>	<b>214,232</b>	<b>207,521</b>	<b>3.2%</b>	<b>6,711</b>
Financial Result*	-47,860	-59,721	-19.9%	11,861
Tax Expenses	-33,684	-25,045	34.5%	-8,639
<b>Net Income</b>	<b>129,008</b>	<b>119,422</b>	<b>8.0%</b>	<b>9,586</b>

\*Includes financial revenue, financial costs, exchange rate differences and results due to indexation units.



## 2.2. Revenue Analysis

	Dec. 15		Dec. 14		Variation	
	Sales CLPMM\$	% of Rev	Sales CLPMM\$	% of Rev	CLP MM\$	%
Potable Water	180,937	38.2%	171,488	38.9%	9,449	5.5%
Sewage	220,706	46.6%	202,001	45.8%	18,705	9.3%
Other Regulated Revenue	18,015	3.8%	20,282	4.6%	-2,267	-11.2%
Non-Regulated Revenue	53,739	11.4%	46,963	10.7%	6,776	14.4%
<b>Total</b>	<b>473,397</b>	<b>100.0%</b>	<b>440,734</b>	<b>100.0%</b>	<b>32,663</b>	<b>7.4%</b>

Sales Volume (Th. m³)	Dec. 15	Dec. 14	% Var.	Difference
Potable Water	562,187	558,555	0.7%	3,632
Sewage Collection	542,921	540,463	0.5%	2,458
Sewage Treatment & Disposal	473,680	473,688	-0.0%	-8
Interconnections *	121,799	119,260	2.1%	2,539

Customers	Dec. 15	Dec. 14	% Var.	Difference
Potable Water	2,149,673	2,096,999	2.5%	52,674
Sewage Collection	2,096,347	2,045,634	2.5%	50,713

\* Interconnections include the Treatment and Disposal of Sewage from other Sanitation Companies

## A. REGULATED BUSINESS

### 1. Potable Water

Potable water revenues as of the end of 2015 totaled CLP\$180,937 million. This is an increase of CLP\$9,449 million in comparison to the end of the previous year. The higher level of revenue was caused in part by higher potable water sales volumes billed during 2015,

which was 0.7% higher than in 2014. In addition to this, there was a higher average tariff due to the application of new tariffs. These new tariffs include the potable water safety infrastructure works that were incorporated in March 2014 and the inflation indexations that were registered during 2014 and 2015.

### 2. Sewage

Revenues from sewage as of the end of 2015 reached CLP\$220,706 million, exhibiting an increase of 9.3% in comparison to the CLP\$202,001 million registered the previous year. The CLP\$18,705 million increase was due to an increased sales volume of 2.4 million m3 and a higher average tariff due to the tariff indexations registered during 2014 and 2015.

### 3. Other Regulated Revenue

This segment had a CLP\$2,267 million decrease mainly due a lower provision for sales volume when compared to 2014.

## B. NON-REGULATED REVENUE

Non-Regulated revenues increased by CLP\$6,776 million in 2015 in comparison to the previous year. This variation was explained by:

### 1. Sanitation Services

An increase of CLP\$5,318 million mainly due to a higher number of services related to the transfer of sanitation infrastructure requested by third parties in addition to more services solicited by clients. This was compensated by less agreements with developers.



## 2. Non-Sanitation Services

Revenues increased by CLP\$1,458 million which was mainly explained by more activity in EcoRiles S.A. and Gestión y Servicios S.A.

(CLP MM\$)	Dec. 15	Dec. 14	Var.%
Gestión y Servicios S.A.	9,053	8,488	6.7%
EcoRiles S.A.	12,519	11,600	7.9%
Anam S.A.	3,102	3,275	(5.3%)
Aguas del Maipo S.A.	919	772	19.0%
<b>Non-regulated, non-sanitation products</b>	<b>25,593</b>	<b>24,135</b>	<b>6.0%</b>

## 2.3. COST ANALYSIS

### a. Raw Materials and Consumables Used

As of December 31 2015, the cost of raw materials and consumables used totaled CLP\$37,354 million, an increase of CLP\$7,171 million in comparison to that obtained in 2014. The increase in these costs was due mainly to the cost of electricity of CLP\$6,915 million. The increase in electricity costs was due to higher tariffs and a higher consumption of Kwh associated with an increase in the elevation of ground water in addition to the acknowledgement of retroactive charges by the electricity companies for CLP\$2,827 million.

### b. Personnel Expenses

At the end of 2015, personnel expenses amounted to CLP\$50,689 million, CLP\$5,358 million higher than the same period of the previous year. This was mainly due to a provision associated with an early

retirement program for CLP\$2,054 million, extraordinary benefits paid to personnel at the end of the collective negotiation for CLP\$561 million, in addition to higher salaries associated to inflation adjustments.

### c. Depreciation and Amortization Expenses

As of December 31 2015, depreciation and amortization totaled to CLP\$68,392 million, CLP\$2,167 million higher than that obtained in 2014. This increase was mainly due to the depreciation of the new commercial system and new investments that were incorporated during the period.

### d. Other Expenses

As of December 31 2015, these expenses totaled CLP\$102,730 million, a CLP\$11,256 million increase to that obtained in 2014. This was explained due to higher activity related to the transfer of sanitation infrastructure solicited by third parties for CLP\$2,084 million, software licenses for \$1,999 million, increased client service costs for CLP\$1,765 million and an increase in network maintenance for CLP\$1,320 million. In addition to this, there were higher operating costs of the sewage treatment plants due to higher volume treated and UF (indexation units) readjustment for CLP\$1,108 million, higher costs due to an increase in works requested by clients for CLP\$734 million and higher Communications and Advertisement expenses for CLP\$503 million (mainly due to the Responsible Use of Water and World Water Day campaigns).

## 2.4. ANALYSIS OF FINANCIAL RESULTS AND OTHER RESULTS

### a. Financial Income

As of December 31 2015, financial income amounted to CLP\$6,583 million, a CLP\$1,279 million increase to that obtained in 2014. This was explained by an inflation insurance and higher repurchases of promissory notes (AFR).

### b. Financial Costs

As of December 31 2015, financial costs totaled CLP\$27905 million, a CLP\$2,834 million decrease in costs to those obtained in 2014. The latter was explained by lower bond amortization and interest, which is partially due to that during 2014, Bond Series F, which had an interest rate of 4.15%, was pre-paid using Bond Series W with an interest rate of 3.16%. In addition to this, there are lower bank-loan interest expenses due to a lower TAB rate in comparison to the previous period. This was partially compensated by an increase in promissory note (AFR) expenses due to an increase in the level of this debt.

### c. Results from Indexation

At the end of 2015, results from indexation reached CLP\$26,524 million, determined by a lower expense of CLP\$7,728 million in comparison to 2014. This was mainly due to a lower debt revaluation due to a lower variation of the UF (indexation units) in comparison to 2014.

### d. Expense (Income) due to Income Tax

The provision for income taxes totaled CLP\$33,684 million for the 2015 financial year. This was CLP\$8,639 million higher in comparison to the previous year. This variation was justified mainly by higher earnings before taxes of CLP\$18,262 million, the change in tax rate from 21% to 22.5% due to the Tax Reform, and due to the permanent differences between financial and tax results that positively affect the results which are associated to taxes.

### e. Net Income

Net income as of December 30 2015 amounted to CLP\$129,008 million, CLP\$9,586 million higher (8.0%) than that obtained in 2014.



### 3. QUARTERLY RESULTS

Income Statement (CLP\$ millions)	4Q15	4Q14	% Var.	4Q15 – 4Q14
Revenues	126,712	122,467	3.5%	4,245
Operating Costs & Expenses	-48,807	-42,378	15.2%	-6,429
<b>EBITDA</b>	<b>77,905</b>	<b>80,089</b>	<b>-2.7%</b>	<b>-2,184</b>
D&A	-17,175	-17,049	0.7%	-126
<b>Operating Income (EBIT)</b>	<b>60,730</b>	<b>63,040</b>	<b>-3.7%</b>	<b>-2,310</b>
Financial Result*	-12,847	-17,416	-26.2%	4,569
Tax Expenses	-10,162	-6,816	49.1%	-3,346
<b>Net Income</b>	<b>36,194</b>	<b>38,022</b>	<b>-4.8%</b>	<b>-1,828</b>

\*Includes financial revenue, financial costs, exchange rate differences and results due to indexation units

#### 3.1 REVENUE ANALYSIS

##### a. Operating Revenues

Ordinary revenues for the fourth quarter of 2015 amounted to CLP\$126,712 million, CLP\$4,245 million higher (3.5% increase) to that obtained in the same quarter of the previous year. This increase was mainly due to higher average tariffs due to the tariff indexations that occurred in April and October 2014 and November 2015 which adjust tariffs to the variations of the existing polynomial in addition to the change in the Tariff Decree as of March 2016. This was partially compensated by lower billed volume during the quarter. Additionally, higher non-regulated services were generated mainly due to works executed for the Public Works Ministry, in addition to an increase in services related to infrastructure modifications requested by third parties.

#### 3.2. COST ANALYSIS

##### a. Raw Materials and Consumables Used

In the fourth quarter of 2015, the cost of raw materials and consumables used totaled CLP\$9,037 million, an increase of CLP\$426 million in comparison to that obtained in the same quarter of 2014. The increase was mainly due to higher electricity costs of CLP\$890 million due to higher tariffs, higher consumption, and the acknowledgement of retroactive charges by the electricity companies. This was partially compensated by a decrease in the cost of sales of Gestión y Servicios due to a decrease in activity.

##### b. Personnel Expenses

At the end of the fourth quarter of 2015, personnel expenses amounted to CLP\$13,505 million, CLP\$1,378 million higher than the same quarter of the previous year. This was mainly due to the payment of the early retirement program, extraordinary benefits paid to personnel at the end of the collective negotiation process, in addition to higher remunerations associated with CPI readjustments.

##### c. Depreciation and Amortization Expenses

Depreciation and amortization for the fourth quarter of 2015 amounted to CLP\$17,175 million, CLP\$126 million lower than that obtained in the same quarter of 2014.

##### d. Other Expenses

During the fourth quarter of 2015, other expenses totaled CLP\$26,363 million, a CLP\$4,625 million increase to that obtained in the same quarter of 2014. This was explained due to higher activity related to the transfer of sanitation infrastructure solicited by third parties for CLP\$571 million, software licenses for \$714 million, increased client service costs for CLP\$487 million (mainly due to an increase in the activity level in the Potable Water replacement services, meter readings and phone assistance), an increase network maintenance and repair for CLP\$357 million, higher costs due to works requested by clients for CLP\$624 million, lease services for CLP\$209 million, and communications and advertisements costs for CLP\$202 million. In addition to this, there were higher operating costs of the sewage treatment plants due to the UF (indexation units) readjustment and due to higher volume treated and for CLP\$293 million.

#### 3.3. ANALYSIS OF FINANCIAL RESULTS AND OTHER RESULTS

##### a. Financial Income

Financial income for the fourth quarter of 2015 amounted to CLP\$2,265 million, CLP\$1,023 million higher than that obtained in the same quarter of 2014. This was mainly explained by the results obtained by the inflation insurance.



## b. Financial Costs

Financial costs for the fourth quarter of 2015 totaled CLP\$6,785 million, a CLP\$428 million decrease in costs to those obtained in the same quarter of 2014. This decrease was mainly due to higher activation of financial interests.

## c. Results from Indexation

Results from indexation for the fourth quarter of 2015, resulted in losses of CLP\$8,329 million. This decreased by CLP\$3,108 million in comparison to the fourth quarter of 2014. This was mainly due to a lower debt revaluation due to a lower variation of the UF (indexation units) in comparison to the same quarter of 2014.

## d. Expense (Income) due to Income Tax

The provision for income taxes for the fourth quarter of 2015 totaled CLP\$10,162 million, CLP\$3,345 million higher in comparison to the same quarter of the previous year. This variation was justified mainly by deferred taxes, associated with the variation of the tax rate between the deferred tax rate of 27% versus the tax rate applied for the corresponding quarter of 22.5%. This is in addition to the permanent differences that positively affect the amount associated with taxes and an increase in earnings before taxes in comparison to the fourth quarter of 2014.

## e. Net Income

Net income for the fourth quarter of 2015 amounted to CLP\$36,194 million, CLP\$1,828 million lower (4.8% decrease) than that obtained in the same quarter of 2014.

## 4.1 ASSET ANALYSIS

Aguas Andinas' consolidated total assets as of December 31 2015 had an increase of 5.3% in comparison with December 31 2014, going from CLP\$1,606,472 million to CLP\$1,691,198 million.

Current assets increased by CLP\$21,519 million, mainly due to an increase in accounts receivable from related entities for CLP\$5,154 million mainly due to the pre-payment of works to Degremont S.A. for the expansion of the fourth module of the Mapocho Trebal Sewage Treatment Plant in addition to an increase in commercial debtors of CLP\$5,407 million mainly due to a decrease in the provision for doubtful debts and CLP\$3,773 million associated mainly with taxes which will be recovered.

Long-term assets increased by CLP\$63,207 million, mainly due to an increase higher investments conducted during the period. The following were the main investments during the period:

Investments (CLP Millions)	Dec.15
Expansion of the Fourth Module of the Trebal-Mapocho Plant	37,240
Corrective Maintenance (Starters, Valves, Others)	6,126
Replacement of Operating Assets	5,238

## 4.2 LIABILITIES & SHAREHOLDER'S EQUITY

Total liabilities as of December 2015 increased by 8.5% (CLP\$79,533 million) in comparison to December 2014.

## 4. BALANCE SHEET

	Dec. 15 CLP Millions	Dec. 14 CLP Millions	% Var.
<b>Assets</b>			
Current Assets	148,630	127,111	16.9%
Long-Term Assets	1,542,568	1,479,361	4.3%
<b>Total Assets</b>	<b>1,691,198</b>	<b>1,606,472</b>	<b>5.3%</b>
<b>Liabilities &amp; Shareholder's Equity</b>			
Current Liabilities	232,407	176,506	31.7%
Long-Term Liabilities	787,200	763,568	3.1%
<b>Total Liabilities</b>	<b>1,019,607</b>	<b>940,074</b>	<b>8.5%</b>
Shareholder's Equity	617,196	610,764	1.1%
Minority Interest	54,395	55,634	(2.2%)
<b>Total Shareholder's Equity</b>	<b>671,591</b>	<b>666,398</b>	<b>0.8%</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>1,691,198</b>	<b>1,606,472</b>	<b>5.3%</b>



Current liabilities increased by CLP\$55,901 million (31.7%). This variation was mainly due to the reclassification of the Series N bond moving from non-current liabilities to current liabilities. This had an impact of CLP\$32,036 million. In addition to this, there was an increase in trade accounts payable, associated to new investment projects.

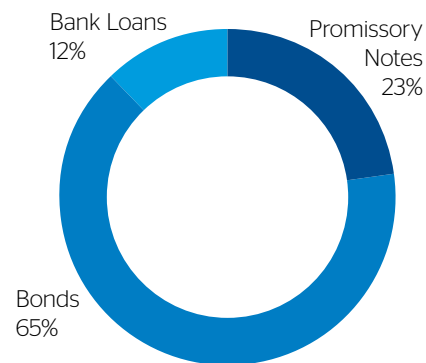
Long-term liabilities increased by CLP\$23,632 million (3.1%). The main variations were due to an increase in promissory notes (AFRs) of CLP\$18,427 million, in addition to greater obligations in long-term bonds for CLP\$8,269 million due to the revaluation of the debt in UF and the issuance of the Series X bond in April 2015.

Total shareholders' equity increased by CLP\$5,193 million and the net equity attributable to the controllers increased by CLP\$6,432, million, explained by the distribution of dividends corresponding to the 2014 financial year and the earnings generated during 2015.

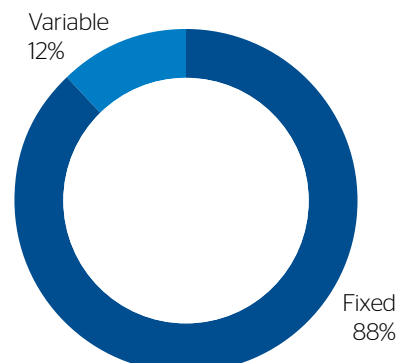
The table below outlines the amortization profile of consolidated debt as of December 31, 2015 (figures include only capital in millions of CLP\$):

	Currency	Total	12 months	1-3 years	3-5 years	more than 5 years
Promissory Notes	\$	178,343	9,528	38,435	18,467	111,913
Bonds	\$	510,920	49,926	42,955	8,783	409,256
Bank Debt	\$	98,141	10,622	10,283	61,218	16,018
<b>Total</b>		<b>787,404</b>	<b>70,076</b>	<b>91,673</b>	<b>88,468</b>	<b>537,187</b>

#### 4.3 FINANCIAL LIABILITIES STRUCTURE



Composition by instrument type



Composition by debt type





## 5. CONSOLIDATED CASH FLOWS

Cash Flow Statement (CLP\$ millions)	Dec. 15	Dec. 14	% Var.
Net Cash Flow from Operating Activities	214,469	207,041	3.6%
Net Cash Flow from Investing Activities	-91,751	-86,060	6.6%
Net Cash Flow from Financing Activities	-115,967	-133,438	-13.1%
<b>Total Net Cash Flow for the Period</b>	<b>6,751</b>	<b>-12,457</b>	<b>-154.2%</b>
<b>Closing Balance of Cash &amp; Cash Equivalents</b>	<b>32,954</b>	<b>26,202</b>	<b>25.8%</b>

The net cash flow from operating activities increased by CLP\$7,428 million, when comparing December 2015 to December 2014.

The main variation was as follows:

- Increase in charges due to sales of goods and services for CLP\$39,282 million mainly due to higher sales volume and a higher average tariff. In addition to this, the Collections Unit was able to collect more client debts.

This variation was partially compensated by the following concepts:

- An increase in the payment to suppliers for CLP\$14,768 million mainly associated to higher payments to maintenance and Potable Water and Sewerage network repair suppliers and electricity payments. The latter has been due to higher costs, higher consumption and resettlements due to retroactive charges.
- An increase in the benefits paid to employees for CLP\$4,637

million due to the early retirement program which launched during 2015, in addition to extraordinary benefits given to employees associated with Aguas Andinas' collective negotiation with unions which took place in September and with the subsidiary Anam in December of this year.

- An increase in other payments for operation activities for CLP\$4,348 million due to higher value added taxes paid.
- An increase of CLP\$7,359 million for the payment of capital gains tax which has been due to the change in the Provisional Monthly Payment tax rate for the 2015 period, in addition to higher sales.

The disbursement for investment activities increased by CLP\$5,691 million mainly due to the purchase of water rights for CLP\$1,960 million, the renovation of collectors for CLP\$2,265 million and the expansion of the Los Muermos Plant for CLP\$1,215 million.

Financing activities generated a negative variation of net cash flow of CLP\$17,471 million due the payment of the Bond Series G and F that occurred in 2014. The latter was compensated by a decrease in bank loans for CLP\$123,646 million.



## 6. FINANCIAL RATIOS

		Dec. 15	Dec. 14
<b>Liquidity</b>			
Current Ratio	times	0.6	0.7
Acid Test Ratio	times	0.1	0.2
<b>Leverage</b>			
Total Leverage	times	1.5	1.4
Current Leverage	times	0.2	0.2
Long-term Leverage	times	0.8	0.8
Interest Coverage Ratio	times	7.0	5.8
<b>Return</b>			
ROE	%	21.0	19.5
ROA	%	7.8	7.5
Earnings Per Share	CLP\$	21.1	19.5
Dividend Yield*	%	5.4	5.4

Current Ratio: Currents Assets / Current Liabilities.

Acid Test Ratio: Cash and Cash Equivalents / Current Liabilities.

Total Leverage: Total Liabilities / Total Shareholders' Equity.

Current Leverage: Current Liabilities / Total Liabilities.

Long-Term Leverage: Long-Term Liabilities / Total Liabilities.

Interest Rate Coverage: Net Income before Taxes / Financial Costs.

ROE: Net Income / Average Assets.

ROA: Net Income / Average Assets.

Earnings per Share: Net Income / Total Shares.

Dividend Yield: Dividends Paid / Share Price

\*Share price as of December 31, 2015 was \$363.58. As of December 31, 2014, the share price was

\$351.31.

As of December 2015, the current ratio had an decrease of 11.1% due to an increase in current liabilities of CLP\$55,901 million (31.7%) compensated with an increase in current assets of CLP\$21,519 million (16.9%) in comparison to December 2014. The main variations in current liabilities were explained by the reclassification of Bond Series N from long-term liabilities to current liabilities for CLP\$32,036 million, in addition to an increase trade accounts payable associated to new investment projects. The main variations in current assets were due an increase of CLP\$5,154 million in accounts receivable from related entities due to the pre-payment of works to Degremont S.A. for the expansion of the fourth module of the Mapocho Trebal Sewage Treatment Plant and an increase in trade debtors of CLP\$5,407 million mainly due to a decrease in the provision for doubtful debtors.

Total leverage increased by 7.6% due to an increase in current liabilities of CLP\$79,533 million. This was mainly due to an increase in trade accounts payable, in addition to an increase in promissory notes for CLP\$18,427 million and an increase in bond obligations for CLP\$28,740 million due to the revaluation of the debt in UF and the issuance of Bond Series X in April 2015. In addition to this, total shareholders' equity increased by CLP\$5,193 million due to the earnings of the period, compensated with the distribution of dividends for the 2014 financial year.

The annualized return on equity attributable to the controller increased by 8.0% due to an increase of CLP\$9,586 million in earnings in 2015.

## 7. OTHER INFORMATION

### a. Tariffs

The most important factor that determines the Company's results of operations and financial condition are the tariffs set for regulated services. As a water utility, the Company is regulated by the SISS, and our tariffs are set in accordance with the tariff law DFL No. 70 of 1988.

Tariffs are reviewed and set every five years and are adjusted in the interim period based on a polynomial index. The accumulated variation of the polynomial index must reach 3.0% or higher to produce a tariff adjustment. The polynomial index includes various inflation indices, specifically the Consumer Price Index (IPC), the Imported Goods of the Manufacturing Sector Price Index (IPBIM) and the Manufacturing Producers Price Index (IPPIM). These indices are all published by the National Institute of Statistics (INE).



The latest adjustments for tariff indexations for each group/company were applied on the following dates:

#### **Aguas Andinas S.A.:**

Group 1	April - October 2014 & November 2015.
Group 2	April - October 2014 & November 2015.
Rinconada de Maipú	March 2014 & March - July - September 2015.

#### **Aguas Cordillera S.A.:**

April - October 2014 & November 2015.

#### **Aguas Manquehue S.A.:**

Santa María	February - July 2014 & March - November 2015.
Chicureo	March - October 2014, & October 2015.
Chamisero	March 2014, March & September 2015.
Valle Grande 3	March 2014, March & September 2015

#### **Essal S.A.:**

Group 1	April & October 2014 & March & October 2015
Group 2	April & October 2014 & March & October 2015
Group 3	April & October 2014 & March & October 2015
Chinquihue	February & September 2014 & March & December 2015
Los Alerces	January & September 2014 & March & October 2015

In addition, tariffs may also be adjusted when additional services/investments become operational. These adjustments are previously authorized by the SISS.

Aguas Andinas' current tariffs for the 2015-2020 period were approved through Decree N°83 which was approved on June 5th 2015 and came into effect March 1st 2015 (these tariffs were published in the Official Newspaper on September 3rd 2015). Aguas Cordillera's current tariffs for the 2015-2020 period were approved through Decree N°152 which was approved on October 19th 2015 and came into effect June 30th 2015 (these tariffs were published in the Official Newspaper on November 25th 2015). Aguas Manquehue's current tariffs for the 2015-2020 period were approved through Decree N°139 which was approved on September 16th 2015 and came into effect May 19th 2015 (these tariffs were published in the Official Newspaper on November 25th 2015).

For ESSAL, the relevant dates for the tariff process have been published. Bases to the study were observed on August 2015, the tables with historical information was provided on October 2015, studies will be interchanged on March 2016, and the new tariffs will come into force on September 2016.

#### **b. Market Risk**

Our Company has a favorable situation in terms of risk, mainly due to the particular characteristics of the sanitation industry. Operational results follow a seasonal pattern and may vary from quarter to quarter. The highest levels of demand and revenues are registered during the summer months (December to March) and lower levels of demand and revenues during the winter months (June to September). In general, demand for water is higher in warmer months, mainly due to the additional water needs caused by irrigation and other outdoor water uses.



Adverse weather conditions could potentially affect optimal delivery of services, because the processes of extracting and producing drinking water depend largely on weather conditions that develop in watersheds. Climate factors such as rainfall, snow, hail, temperature and moisture as well as other factors such as sediment and water levels in rivers determine not only the quantity, quality and continuity of raw water available at each intake point, but also determine the probability that water is properly treated in the water treatment plants.

In the event of prolonged drought, the Company has significant reserves of water that in the El Yeso, Laguna Negra and Lo Encañado reservoirs. Additionally the Company has developed contingency plans to mitigate the effects from adverse climate conditions that could affect our operations. The Metropolitan Region has been affected by drought conditions since 2010. The Company has implemented several contingency plans such as the purchase raw water, increase use of wells and the lease and purchase of water rights, among other measures to reduce the impact of the drought and continue to provide quality, timely services.

### c. Market Analysis

The market in which the Company participates has not varied given that by the nature of its services and under current legislation, it has no competition in its concession area.

Aguas Andinas S.A. has 100% service coverage in drinking water, 98.7% service coverage in sewage collection and 100% service coverage in sewage treatment.

Aguas Cordillera S.A. has 100% service coverage in drinking water, 98.8% service coverage in sewage collection and 100% service coverage in sewage treatment.

Aguas Manquehue S.A. has 100% service coverage in drinking water, 99.4% service coverage in sewage collection and 100% service coverage in sewage treatment.

Essal S.A. has 100% service coverage in drinking water, 95.6% service coverage in the X Region and 92.0% in the XIV Region of sewage collection and 100% service coverage in sewage treatment.

### d. Capital Investments

One of the variables that influence the results of the operations and the financial condition of the Company are capital investments. There are two types:

**Committed Investments:** The Company has the obligation to agree on an investment plan with the industry regulator (S.I.S.S). The investment plan outlines investments that will be made in the subsequent 15-year period. Specifically, the plan includes certain projects related to maintaining certain quality standards and service coverage. The investment plan is subject to review every five years, and amendments may be made given certain circumstances.



Dates of approval and dates of updates to the investment plan for the Aguas Group:

**Aguas Andinas S.A.**

Gran Santiago: May 16 2011

Other Areas: September 12 2012, April 5 2013, September 26 2013, December 31 2014 and January 12 2015.

**Aguas Cordillera S.A.**

Aguas Cordillera and Villa Los Dominicos: October 18 2011

**Aguas Manquehue S.A.**

Santa María and Los Trapenses: December 23 2014

Chicureo, Chamisero, and Valle Grande III: December 29 2011

Alto Lampa: November 22 2013

**Essal S.A.**

X and XIV Region: December 30 2010

**Uncommitted Investments:** Uncommitted investments are those investments that are not included in the committed investment plan that the Company chooses to carry out voluntarily to ensure the quality of services and to replace obsolete assets. These investments are generally related to the replacement of network infrastructure and other assets, the acquisition of certain water rights and investments in unregulated businesses, among others.

According to IAS 23 of the International Financial Reporting Standards (IFRS), the current accounting standard in Chile, interest on capital investments is capitalized during the construction phase. IAS 23 outlines that when a company acquires debt in order to finance investments, the interest on that debt must be subtracted from financial expenses and incorporated into the financed construction project, for up to the full amount of interest. Consequently, the financial costs associated with our capital investment plan affects the amount of

financial expenses recorded in the income statement. These financial costs are recorded along with ongoing works in the line item Property, Plant and Equipment of the balance sheet.

**e. Financial Aspects**

**Currency Risks:** Our revenues are largely linked to the evolution of the local currency (Chilean peso). Because of this factor, the Company's debt is mainly denominated in Chilean pesos or financial instruments linked to the Chilean peso, specifically the UF. As a result, the Company does not significant risk of foreign currency transactions.

**Interest Rate Risk:** As of December 31, 2015, the Company's interest rate profile consisted of 87.5% fixed rate and 12.5% variable rate. The fixed rate debt includes short-term and long-term bonds (74.2%) and promissory notes (25.8%), while the variable rate debt includes bank debt with local financial institutions.

As of December 31, 2014, the Company's interest rate profile consisted of 85.2% fixed rate and 14.8% variable rate. The fixed rate debt includes short-term and long-term bonds (75.9%) and promissory notes (24.1%), while the variable rate debt includes bank debt with local financial institutions.

The company has a policy of monitoring and managing its interest rate, with the aim of optimizing the cost of financing. It continuously evaluates available hedging instruments in the financial market.

This favorable situation has meant that the local rating agencies have assigned the Company a solvency rating of AA+. In the case of our stocks, Fitch and ICR have assigned us a rating of first class Level 1 for series A and first class series 4 for series B.



## ANÁLISIS AMBIENTALES S.A.

### GENERAL INFORMATION

Name	: Análisis Ambientales S.A.
Entity Type	: Closed corporation.
Address	: Avda. Américo Vespucio N°451, Quilicura
Phone Number	: (56-2) 2569 44 00
Fax	: (56-2) 569 22 97
Tax number	: 96.828.120-8
Subscribed and paid capital	: Th\$262,456
External auditors	: Ernst & Young
Tax number	: 77.802.430-6

### Corporate purpose

The Company aims to perform all kinds of physical, chemical and biological analyses of water, air and solids, including soils, mud and residues as well as any other element that is directly or indirectly related to the environment.

### Constitutive documents

Análisis Ambientales S. A. was established by deed on August 20, 2001, before the notary public Ivan Torrealba Acevedo and its extract was

published in the Official Journal on September 20, 2001, its business name is ANAM S.A.

### Board of Directors

President	: <b>Felipe Larraín Aspillaga</b> (President of Aguas Andinas S.A.)
Named directors	: <b>Jorge Sagnier Guimón</b> (Director de Aguas Andinas S.A.) <b>Jordi Valls Riera</b> (Gerente General de Aguas Andinas S.A.)
CEO	: <b>Juan Jose Gross Rudloff</b>

**Parent Company's ownership: 99.00%**

### Proportion representing the investment in the asset of the parent:

Investment in Company represents the proportion of 0.25%

### Relationship with the Parent

During the period ended December 31, 2015, the Company kept its contract for services in physical, chemical and biological analysis of water and mud, laboratory operations and the lease of its parent. In the future it is expected to maintain similar commercial relationships.





## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 2.1 Preparation

These financial statements as of December 31, 2015 have been prepared in accordance with instructions and standards issued by the Superintendence of Securities and Insurance (SVS), which are composed of the International Financial Reporting Standards (IFRS), and what is established in Circular 856 of October 17, 2014 that instructs auditees to register in the respective period against equity the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780 with specific standards dictated by the SVS.

These financial statements faithfully reflect the financial position of Anam S.A. to December 31 in 2015 and 2014, and the comprehensive results of its operations, changes in net equity and cash flows for periods ended December 31, 2015 and 2014.

The Company complies with all the legal conditions of the environment in which it undertakes its business, demonstrates conditions of a normal operation in every area of its activities, its projections show business is profitable and it has the capacity to access the financial system for financing its operations, which in the management's opinion determines its ability to continue as an ongoing company, as established by the accounting standards under which these financial statements are issued.

### Functional and presentation 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 functional presentation currency of the Company for the financial statements.

### New accounting pronouncements

- a) Starting from the annual period beginning January 1, 2015, there are no accounting pronouncements for effective application that significantly affect the presentation or the disclosure of consolidated interim financial statements.
- b) The following new standards and interpretations have been issued but are not yet in force:

New IFRS	Date of mandatory application
IFRS 9, Financial Instruments, classification and measurement	Annual periods starting on or after January 01, 2018
IFRS 14, Deferred Regulatory Accounts	Annual periods starting on or after January 01, 2016
IFRS 15, Revenue from Contracts with Customers	Annual periods starting on or after January 01, 2018
IFRS 16, Leases	Annual periods starting on or after January 01, 2019

Improvements and Modifications	Date of mandatory application
IAS 19, Employee benefits	Annual periods starting on or after January 01, 2016
IAS 16, Property, Plant and Equipment	Annual periods starting on or after January 01, 2016
IAS 38, Intangible Assets	Annual periods starting on or after January 01, 2016
IAS 41, Agriculture	Annual periods starting on or after January 01, 2016
IFRS 11, Joint Agreements	Annual periods starting on or after January 01, 2016
IAS 27, Separate Financial Statements	Annual periods starting on or after January 01, 2016
IAS 28, Investments in Associates and Joint Ventures	Annual periods starting on or after January 01, 2016
IFRS 10, Consolidated Financial Statements	Annual periods starting on or after January 01, 2016
IFRS 5, Non-Current Assets Maintained for the Sale and Discontinued Operations	Annual periods starting on or after January 01, 2016
IFRS 7, Financial Instruments: Disclosures	Annual periods starting on or after January 01, 2016
IFRS 12, Disclosures about participation in other entities	Annual periods starting on or after January 01, 2016
IAS 1, Presentation of Financial Statements	Annual periods starting on or after January 01, 2016
IAS 34, Interim Financial Information	Annual periods starting on or after January 01, 2016

The Company management is analyzing the eventual impact of the above-mentioned standards and amendments on the Company's financial statements. However, those that enter into force within the annual period beginning January 1, 2016, have been analyzed and it is estimated they won't have relevant effects for the preparation and presentation of future financial statements.



## Responsibility for the information and estimates made

The information contained in these financial statements is the responsibility of the Company Board, which states that all the principles and criteria included in the International Financial Reporting Standards (IFRS), and instructions imparted by the SVS, have been applied. The board approved these financial statements at a meeting held on March 21, 2016.

The financial statements of Análisis Ambientales S.A. for the 2014 period were approved by the board at its meeting held on March 20, 2015.

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

- Useful lives of fixed assets and intangible assets
- Losses through impairment of assets
- Revenues from supplies pending invoicing
- Provisions for commitments acquired with third parties
- Risks deriving from pending litigation

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

## 2.2. Accounting Policies

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

## A. Intangible assets other than goodwill

The Company books an identifiable intangible asset when it can be shown that it is probable that future economic benefits attributed to it will flow to the entity and the cost can be correctly valued. The booking basis and measurement is the cost method.

### i. Intangible assets acquired separately:

Intangible assets acquired separately are shown at cost less accumulated amortization and impairment losses. Amortization is calculated on a straight-line basis over 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 prospectively.

### ii. Method of amortization for intangible assets: Intangible with defined useful life.

The amortization method employed by the Company reflects the extent to which the future economic benefits of the asset are expected to be utilized by the entity. The company therefore uses the straight-line amortization method.

### Computer programs.

The estimated useful life of software is 4 years. For those other assets with defined useful lives, the useful life for amortization relates to periods defined in contracts or the rights entailed.

### Intangible with indefinite useful lives.

Intangible assets with indefinite useful lives relate mainly to water rights which were obtained on an indefinite basis, as established in the acquisition contracts.

## Determination of useful life

The factors that should 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 of 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 the valuation of property, plant and equipment. The historical 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 future economic benefits associated with elements of the fixed asset will flow to the Company and the cost of the element can be determined reliably. The value of the substituted component is written off in the books. Other repairs and maintenance are charged to results in the period in which they are incurred.



### Depreciation method and estimated useful life for property, plant and equipment

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

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

#### Useful lives

The useful lives used for the calculation of depreciation are based on technical studies prepared by external specialist firms, which are revised as new information arises that permits consideration that the useful life of some asset has been 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 component materials in equipment or buildings
2. Operating environment of the equipment
3. Intensity of use
4. Legal, regulatory or contractual limitations

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

Item	Useful life (years) minimum	Useful life (years) maximum
Buildings	25	80
Plant and equipment	5	10
Computer technology equipment	4	4
Fixed installations and accessories	5	5
Motor vehicles	7	7

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

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

#### Fixed asset 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. If such an indication exists, the recoverable value of the assets is estimated to determine the value of the loss from deterioration (if it exists). When it is not possible to estimate a recoverable value for a particular asset, the Company estimates a fair value of the cash-generating unit to which this asset belongs.

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

The recoverable value is the greater of its fair values less sales costs and the value in use. In estimating the value in use, future estimated cash flows are discounted from the current value using a pre-tax discount rate that reflects both current conditions of the money market at the time as well as the specific risks associated with the asset.

When it is estimated that the recoverable value of an asset (or cash-generating unit) is less than its book value, the book value of that asset (or cash-generating unit) is adjusted to its recoverable value, booking a loss for impairment in results immediately. 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 conditions of the lease substantially transfer 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 extent to 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 to an operative lease, such incentives are booked as a liability. The accumulated benefit of incentives is recognized on a straight-line basis as a deduction from the leasing expense, except when another systematic basis is more representative for reflecting the temporary extent to 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 substantially transferred all the risks and benefits deriving from ownership.

Financial assets are classified in the following categories:

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

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

The Company invests in low-risk instruments that meet the classification standards established in its investment policies. The mutual funds invested in must therefore have a rating of AAfm / M1

(quotas with very high protection against loss associated with credit risks/quotas with the lowest sensitivity to changes in economic conditions). Term 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 issuing institutions of these instruments are banks or their subsidiaries with an N-1 credit rating and their instruments have a rating of least AA (very high capacity for paying the principal and interest on the agreed terms and maturities, which would not be affected significantly by possible changes in the issuer, the industry to which it belongs or the economy).

### i. Effective interest rate method

The effective interest-rate method is the method for calculating the amortized cost of a financial asset or liability and the assignment of interest income or expense over the whole corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash flows receivable over the expected life of the financial asset and makes the net present value equal to its nominal amount.

### ii. Loans and accounts receivable

Trade debtors, loans and other accounts receivable are non-derivative financial assets, which have fixed or determinable payments and are not traded on an active market, classified as loans and accounts receivable. Loans and accounts receivable are valued at amortized cost using the effective interest rate method less any loss for impairment, 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 initially booked by their fair value. These are shown at net value of the estimate of accounts that are uncollectable or of doubtful recovery.

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

### Policy for impairment of trade debtors and other accounts receivable

The Company periodically evaluates impairments affecting its financial assets. The amount is booked in the provisions account, resulting from the difference between the amount in book value of an asset and the present value of future estimated cash flows. The book value of an asset is reduced to the extent that the provision account is used and the loss is booked in the statement of comprehensive results in "other expenses". When an account receivable is not recoverable, it is written off against provisions for accounts receivable.

Estimates are based on the age of debts and historical recovery, as detailed below:

Clients with debts of more than 120 days are provisioned at 100% of the outstanding debt.

Notes receivable are provisioned at 100% of the outstanding debt.

### F. Dividend Policy

Dividend policy is booked at the close of each year, with a minimum dividend of 30% according to what is established in the Corporations Act and if financing conditions allow, the approval of a final dividend in the Annual General Meeting.



## G. Foreign currency transactions

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

Currency	31-12-2015 \$	31-12-2014 \$
United States Dollar	710.16	606.75
Euro	774.61	738.05

Foreign currency transactions are translated to the functional currency using the exchange rates in effect on the dates of transactions. Foreign currency gains and losses resulting from the liquidation of these transactions and their conversion 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 for the period in which they accrue.

## H. Financial liabilities

Loans and similar documents are booked initially at their fair value, net of the costs incurred in the transaction. They are later shown at amortized cost, using the effective interest rate.

## I. Provisions and contingent liabilities

Provisions are booked when the Company has a present obligation as a consequence of past events, for which it is probable that resources are used to settle the obligation, for which a fair estimate of the obligation amount can be made.

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

Contingent liabilities are those possible obligations arising as a result of past events, whose future materialization and negative effect on equity is estimated to be of a low probability. In accordance with IFRS, the Company makes no provision for these concepts.

## J. Employee benefits

The company has 192 employees comprising four senior executives, 68 professionals and 120 employees and administrators.

Policies for defined benefit plans

Workers of Análisis Ambientales S.A. are governed by the rules contained in articles 159, 160 and 161 of the Labor Code, for which no provision is made for termination benefits.

## K. Income tax and deferred taxes

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

Income tax payable is determined on the basis of the tax result for the period. The income tax payable for the Company is calculated using tax rates that have been approved or that are in the last stage of 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 figures 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 that are 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 the liability is settled or the asset is realized, based on the tax rates that have been approved or are practically towards the end of 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 to report, recover or settle the book values of its assets and liabilities at the date of report.

Deferred tax assets and liabilities are offset when there is a legal right to offset tax assets against tax liabilities and these are related to the same entity and tax authority.

## L. Ordinary revenue

### Policy for accounting for ordinary revenue

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

### Policy for booking of ordinary revenue from 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 the risk is transferred to the client and recovery is considered probable, and the associated costs and possible discounts for erroneous billings can be estimated reliably.

### Policy for booking of ordinary revenue from sales of goods

If any sale of property, plants and equipment takes place, the revenue will be booked when it can be measured reliably.



### M. Statement of cash flows

The cash flow statement records the cash movements during the period which include VAT, determined by the direct method under 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 Society, 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 are not included in cash and cash equivalents.

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

### N. Reclassifications

For purposes of comparison, certain reclassifications have been made in the statement of financial position to December 31, 2014, according to the following details:

Reclassifications	Increase/ (Reduction) Th\$
<b>Statement of financial position:</b>	
Other non-financial liabilities	131,313
Trade and other accounts receivable	(131,313)

### 2.3 Accounting changes

The Superintendence of Securities and Insurance (SVS), under its authority, dated October 17, 2014, issued the Circular 856 that instructs the auditees to register in the respective period against equity the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780. The said law changed the framework for the preparation and presentation of financial information adopted until that date, given that the previous framework (IFRS) needs to be adopted comprehensively, explicitly and unreservedly.

As of December 31, 2014 and for the year ending on that date, the quantification of the change to the accounting framework meant a lower charge/payment to the results of Th\$38,647.





## INFORMATION TO REVEAL ABOUT RELATED ENTITIES

### A. Balances and transactions with related entities

#### Accounts Receivable

Tax ID.	Name of related party	Relationship	Country of Origin	Nature of transaction with related parties	Currency	Period	Security	Flows (Thousands of CLP)	
								Dec-15	Dec-14
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Lab analysis and testing	CLP	30 days	Unsecured	426,507	411,682
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Office lease	CLP	30 days	Unsecured	3,482	3,492
96.809.310-K	Aguas Cordillera S.A.	Related to the Controller	CL	Lab analysis and testing	CLP	30 days	Unsecured	97,685	46,567
89.221.000-4	Aguas Manquehue S.A.	Related to the Controller	CL	Lab analysis and testing	CLP	30 days	Unsecured	19,023	16,226
96.579.800-5	ESSAL S.A.	Related to the Controller	CL	Lab analysis and testing	CLP	30 days	Unsecured	120,921	178,560
96.945.210-3	Ecoriles S.A.	Related to the Controller	CL	Lab analysis and testing	CLP	30 days	Unsecured	65,903	74,109
96.713.610-7	Agbar Chile S.A.	Related to the Controller	CL	Lab analysis and testing	CLP	30 days	Unsecured	0	2,275
76.078.231-9	Emp. Dep. Agua Serv. Mapocho-Trebal Ltda.	Related to the Controller	CL	Lab analysis and testing	CLP	30 days	Unsecured	3,993	6,729
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	CL	Lab analysis and testing	CLP	30 days	Unsecured	12,447	59,825
<b>Total Accounts Receivable</b>								<b>749,962</b>	<b>799,465</b>

#### Accounts Payable

Tax ID.	Name of related party	Relationship	Country of Origin	Nature of transaction with related parties	Currency	Period	Security	Flows (Thousands of CLP)	
								Dec-15	Dec-14
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Reimbursement of personnel expenses	CLP	30 days	Unsecured	0	1,169
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Wellness discounts	CLP	30 days	Unsecured	552	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Laboratory building lease	CLP	30 days	Unsecured	124,786	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loan	CLP	30 days	Unsecured	2,750,000	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Interests	CLP	30 days	Unsecured	21,703	0
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Dividends	CLP	30 days	Unsecured	337,835	323,758
96.809.310-K	Aguas Cordillera S.A.	Related to the Controller	CL	Dividends	CLP	30 days	Unsecured	3,412	3,270
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	CL	Lab analysis and testing	CLP	30 days	Unsecured	46,367	18,523
<b>Total Accounts Payable</b>								<b>3,284,655</b>	<b>346,720</b>



## Transactions

Tax ID.	Name of related party	Relationship	Country of origin	Nature of transaction with related parties	Currency	Flows (Thousands of CLP)			
						12-31-2015		12-31-2014	
						Amount	Effects on Results (Charge) /Credit	Amount	Effects on Results (Charge) /Credit
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Lab analysis and testing	CLP	2,415,519	2,029,848	2,333,628	1,961,859
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Corporate building contract	CLP	-4,439,537	0	0	0
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Dividends	CLP	1,485,000	0	990,000	0
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Loans granted	CLP	-2,410,000	0	0	0
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Loans collection	CLP	2,410,000	17,502	0	0
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Obtaining loans	CLP	3,250,000	-21,703	0	0
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Loan amortization	CLP	-500,000	0	0	0
96.809.310-K	Aguas Cordillera S.A.	Related to the Controller	CL	Lab analysis and testing	CLP	593,174	498,466	299,970	252,277
89.221.000-4	Aguas Manquehue S.A.	Related to the Controller	CL	Lab analysis and testing	CLP	168,302	141,430	154,927	130,230
96.579.800-5	ESSAL S.A.	Related to the Controller	CL	Lab analysis and testing	CLP	772,579	649,226	734,814	612,420
96.945.210-3	Ecoriles S.A.	Related to the Controller	CL	Lab analysis and testing	CLP	384,721	323,295	457,998	385,401

The criteria of materiality for reporting transactions with related entities is that amounts must be above Th\$100,000.



## Análisis Ambientales S.A.

STATEMENT OF FINANCIAL POSITION	2015 Th\$	2014 Th\$
<b>ASSETS</b>		
Current assets	2,339,638	3,605,574
Non-current assets	5,492,895	1,507,230
<b>Total assets</b>	<b>7,832,533</b>	<b>5,112,804</b>
<b>LIABILITIES</b>		
Current liabilities	4,235,959	1,139,501
Non-current liabilities		
Equity	3,596,574	3,973,303
<b>Total liabilities and equity</b>	<b>7,832,533</b>	<b>5,112,804</b>
<b>STATEMENT OF COMPREHENSIVE RESULTS</b>	<b>2015 Th\$</b>	<b>2014 Th\$</b>
Revenue	6,989,535	6,603,852
Operational costs	(5,725,439)	(5,283,496)
Other earnings (losses)	113,103	-
Financial result	23,291	50,273
Other than operation	8,178	3,491
Income tax	(271,177)	(284,027)
<b>Period income</b>	<b>1,137,491</b>	<b>1,090,093</b>
<b>STATEMENT OF CASH FLOW</b>	<b>2015 Th\$</b>	<b>2014 Th\$</b>
Net cash flows of operational activities	1,755,458	2,059,717
Net cash flows of investment activities	(4,845,265)	(385,631)
Net cash flows of financing activities	1,250,000	(1,129,858)
Net increase (decrease) on cash and cash equivalents	(1,839,807)	544,228
Initial balance of cash and cash equivalents	1,906,905	1,362,677
<b>Closing balance of cash and cash equivalents</b>	<b>67,098</b>	<b>1,906,905</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>2015 Th\$</b>	<b>2014 Th\$</b>
Issued capital	262,456	262,456
Other equity interests	(21,449)	(21,449)
Accumulated earnings (losses)	3,355,567	3,732,296
<b>Total Equity</b>	<b>3,596,574</b>	<b>3,973,303</b>



## ECORILES S.A.

### GENERAL BACKGROUND

Name	: Ecoriles S.A.
Entity Type	: Closed corporation.
Address	: Av. Presidente Balmaceda Nº 1398, Santiago
Phone Number	: (56-2) 2569 22 29
Fax	: (56-2) 2569 22 44
Tax number	: 96.828.120-8
Subscribed and paid capital	: Th\$ 333,787
External auditors	: Ernst & Young
Tax number	: 77.802.430-6

### Corporate purpose

The company aims to treat liquid waste and undertake any activity associated with or linked to the treatment of sewage and wastewater, through the provision of technical consulting and developing services in training, design, construction, equipment sales, maintenance and the operation of all facilities.

### Constitutive documents

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

### Board of Directors

President	: <b>Felipe Larraín Aspillaga</b> (President of Aguas Andinas S.A.)
Named directores	: <b>Jorge Sagnier Guimón</b> (Director of Aguas Andinas S.A.) <b>Jordi Valls Riera</b> (CEO of Aguas Andinas S.A.)
CEO	: <b>Juan Jose Gross Rudloff</b>

**Parent Company's ownership: 99.03846%**

### Proportion representing the investment in the asset of the parent:

Investment in Company represents the proportion of 0.19%

### Relationship with the parent

During the period ended December 31, 2015, the Company kept its contract for services in the treatment of excess cargo and leasing property. In the future it is expected to maintain similar commercial relationships.



## 1.1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 1.1 Preparation

These financial statements as of December 31, 2015, approved by the Board of Directors in a session dated March 21, 2016, have been prepared in accordance with instructions and standards issued by the Superintendence of Securities and Insurance (SVS), which are composed of the International Financial Reporting Standards (IFRS), and what is established in Circular 856 of October 17, 2014 that instructs auditees to register in the respective period against equity the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780 with specific instructions dictated by the SVS.

These financial statements faithfully reflect the financial position of Ecoriles S.A. to December 31 in 2015 and 2014, and the comprehensive results of its operations, changes in net equity and cash flows for periods ended December 31, 2015 and 2014.

The Company complies with all the legal conditions of the environment in which it undertakes its business. The company demonstrates conditions of a normal operation in every area of its activities, its projections show business is profitable and it has the capacity to access the financial system for financing its operations, which in the management's opinion determines its ability to continue as an ongoing company, as established by the accounting standards under which these financial statements are issued.

### Functional and presentation currency

The items included in the financial statements are valued using the currency of the principal economic environment in which the company operates (functional currency), according to what is established in IAS 21. The financial statements are shown in Chilean pesos, which is the functional currency of the Company and the presentation currency for the financial statements.

### New accounting pronouncements

- a) Starting from the annual period beginning January 1, 2015, there are no accounting pronouncements for effective application that significantly affect the presentation or the disclosure of the financial statements.
- b) The following new standards and interpretations have been issued but are not yet in force:

New IFRS	Date of mandatory application
IFRS 9, Financial Instruments, classification and measurement	Annual periods starting on or after January 01, 2018
IFRS 14, Deferred Regulatory Accounts	Annual periods starting on or after January 01, 2016
IFRS 15, Revenue from Contracts with Customers	Annual periods starting on or after January 01, 2018
IFRS 16, Leases	Annual periods starting on or after January 01, 2019
Improvements and Modifications	Date of mandatory application
IAS 19, Employee benefits	Annual periods starting on or after January 01, 2016
IAS 16, Property, Plant and Equipment	Annual periods starting on or after January 01, 2016
IAS 38, Intangible Assets	Annual periods starting on or after January 01, 2016
IAS 41, Agriculture	Annual periods starting on or after January 01, 2016
IFRS 11, Joint Agreements	Annual periods starting on or after January 01, 2016
IAS 27, Separate Financial Statements	Annual periods starting on or after January 01, 2016
IAS 28, Investments in Associates and Joint Ventures	Annual periods starting on or after January 01, 2016
IFRS 10, Consolidated Financial Statements	Annual periods starting on or after January 01, 2016
IFRS 5, Non-Current Assets Maintained for the Sale and Discontinued Operations	Annual periods starting on or after January 01, 2016
IFRS 7, Financial Instruments: Disclosures	Annual periods starting on or after January 01, 2016
IAS 34, Interim Financial Information	Annual periods starting on or after January 01, 2016
IFRS 12, Disclosures about participation in other entities	Annual periods starting on or after January 01, 2016
IAS 1, Presentation of Financial Statements	Annual periods starting on or after January 01, 2016

The Company management is analyzing the eventual impact of the above-mentioned standards and amendments on its financial statements. However, those that enter into force within the annual period beginning January 1, 2016, have been analyzed and it is estimated they won't have relevant effects for the preparation and presentation of future financial statements.



## Responsibility for the information and estimates made

The information contained in these financial statements is the responsibility of the Company's Board of Directors, which states that all the principles and criteria included in International Financial Reporting Standards (IFRS), and the instructions imparted by the SVS, have been applied. The board approved these financial statements in a meeting on March 21, 2016.

The financial statements for Ecoriles S.A. corresponding to the period 2014 were approved by the Board of Directors at a meeting held on March 20, 2015.

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

- Useful lives of fixed assets and intangible assets
- Revenues from supplies pending invoicing
- Losses through impairment of assets
- Provisions for commitments acquired with third parties
- Risks deriving from pending litigation

Although these estimates and judgments were made as a function of the best information available on the date of issue of the comparative financial statements, it is possible that events may occur in the future that cause them to be amended (upward or downward) in coming periods, which would be registered prospectively as soon as the variation is known, booking the effects of such changes in the corresponding future 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 be shown that it is probable that future economic benefits attributed to it will flow to the entity and the cost can be correctly valued. The booking basis and measurement is the cost method.

The basis for booking and measuring is the cost method.

### i. Intangible assets acquired separately:

Intangible assets acquired separately are shown at cost less accumulated amortization and impairment losses. Amortization is calculated on a straight-line basis over 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 prospectively.

### ii. Method of amortization for intangible assets:

#### Intangible with defined useful life

The amortization method employed by the Company reflects the extent to which the future economic benefits of the asset are expected to be utilized by the entity. The company therefore uses the straight-line amortization method.

#### Computer programs

The estimated useful life of software is 4 years. For those other assets with defined useful lives, the useful life for amortization relates to periods defined in contracts or the rights entailed.

#### Intangible with indefinite useful lives

Intangible assets with indefinite useful lives relate mainly to water rights which were obtained on an indefinite basis, as established in the acquisition contracts.

## Determination of useful life

The factors that should 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 of 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 the valuation of property, plant and equipment. The historical 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 future economic benefits associated with elements of the fixed asset will flow to the Company and the cost of the element can be determined reliably. The value of the substituted component is written off in the books. Other repairs and maintenance are charged to results in the period in which they are incurred.





### Depreciation method and estimated useful life for property, plant and equipment

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

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

#### Useful lives

The useful lives considered for the calculation of depreciation are based on technical studies prepared by external specialist firms, which are revised as new information arises that permits consideration that the useful life of some asset has been 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 component materials in equipment or buildings
2. Operating environment of the equipment
3. Intensity of use
4. Legal, regulatory or contractual limitations

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

Item	Useful life (years) minimum	Useful life (years) maximum
Buildings	25	80
Plant and equipment	5	50
Computer technology equipment	4	4
Fixed installations and accessories	5	80

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

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

#### Fixed asset 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 with defined useful lives at each closing date of the statement of financial position to see whether there exists any indication of impairment. If such an indication exists, the recoverable value of the assets is estimated to determine the value of the loss from deterioration (if it exists). When it is not possible to estimate a recoverable value for a particular asset, the Company estimates a fair value of the cash-generating unit to which this asset belongs.

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

The recoverable value is the greater of its fair values less sales costs and the value in use. In estimating the value in use, future estimated cash flows are discounted from the current value using a pre-tax discount rate that reflects both current conditions of the money market at the time as well as the specific risks associated with the asset.

When it is estimated that the recoverable value of an asset (or cash-generating unit) is less than its book value, the book value of that asset (or cash-generating unit) is adjusted to its recoverable value, booking a loss for impairment in results immediately. 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 conditions of the lease substantially transfer 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 extent to 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 substantially transferred all the risks and benefits deriving from ownership.

Financial assets are classified in the following categories:

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

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

The Company invests in low-risk instruments that meet the classification standards established in its investment policies. The mutual funds invested in must therefore have a rating of AAfm / M1 (quotas with very high protection against loss associated with credit risks/quotas with the lowest sensitivity to changes in economic conditions). Term 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 issuing institutions of these instruments are banks or their subsidiaries with an N-1 credit rating and their instruments have a rating of at least AA (very high capacity for paying the principal and interest on the agreed terms and maturities, which would not be affected significantly by possible changes in the issuer, the industry to which it belongs or the economy).

### i. Effective interest rate method

The effective interest-rate method is the method for calculating the amortized cost of a financial asset or liability and the assignment of interest income or expense over the whole corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash flows receivable over the expected life of the financial asset and makes the net present value equal to its nominal amount.

## ii. Loans and accounts receivable

Trade debtors, loans and other accounts receivable are non-derivative financial assets, which have fixed or determinable payments and are not traded on an active market, classified as loans and accounts receivable. Loans and accounts receivable are valued at amortized cost using the effective interest rate method less any loss for impairment, 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 initially booked by their fair value and later at their amortized cost. These are shown at net value of the estimate of accounts that are uncollectable or of doubtful recovery.

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

### Policy for impairment of trade debtors and other accounts receivable

The Company periodically evaluates impairments affecting its financial assets. The amount is booked in the provisions account, resulting from the difference between the amount in book value of an asset and the present value of future estimated cash flows. The book value of an asset is reduced to the extent that the provision account is used and the loss is booked in the statement of comprehensive results in "other expenses". When an account receivable is not recoverable, it is written off against provisions for accounts receivable.

Estimates are based on the age of debts and historical recovery, as detailed below:



Clients with debts of more than 120 days are provisioned at 100% of the outstanding debt.

Notes receivable are provisioned at 100% of the outstanding debt.

#### F. Dividend Policy

Dividend policy is booked at the close of each year, with a minimum dividend of 30% according to what is established in the Corporations Act and if financing conditions allow, the approval of a final dividend in the Annual General Meeting.

#### G. Foreign currency transactions

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

Currency	31-12-2015 \$	31-12-2014 \$
United States Dollar	710.16	606.75
Euro	774.61	738.05

Foreign currency transactions are translated to the functional currency using the exchange rates in effect on the dates of transactions. Foreign currency gains and losses resulting from the liquidation of these transactions and their conversion 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 for the period in which they accrue.

#### H. Financial liabilities

Loans and similar documents are booked initially at their fair value, net of the costs incurred in the transaction. They are later shown at amortized cost, using the effective interest rate.

#### I. Provisions and contingent liabilities

Provisions are booked when the Company has a present obligation as a consequence of past events, for which it is probable that resources are used to settle the obligation, for which a fair estimate of the obligation amount can be made.

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

Contingent liabilities are those possible obligations arising as a result of past events, whose future materialization and negative effect on equity is estimated to be of a low probability. In accordance with IFRS, the Company makes no provision for these concepts.

#### J. Employee benefits

The company has 202 employees comprising three senior executives and 199 professionals, technicians, employees and administrators.

#### Policies for defined benefit plans

Workers of Ecoriles S.A. are governed by the rules contained in articles 159, 160 and 161 of the Labor Code, for which no provision is made for termination benefits.

#### 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 is determined on the basis of the tax result for the period. The income tax payable for the Company is calculated using 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 figures 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 that are 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 the liability is settled or the asset is realized, based on the tax rates that have been approved or are practically towards the end of 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 to report, recover or settle the book values of its assets and liabilities at the date of report.



Deferred tax assets and liabilities are offset when there is a legal right to offset tax assets against tax liabilities and these are related to the same entity and tax authority.

## L. Ordinary revenue

### Policy for accounting for ordinary revenue

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

### Policy for booking of ordinary revenue from 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 the risk is transferred to the client and recovery is considered probable, and the associated costs and possible discounts for erroneous billings can be estimated reliably. If there is any sale of property, plant and equipment, revenue will be booked when it is feasible to measure reliably.

### Policy for booking of ordinary revenue from sales of goods

If any sale of property, plants and equipment takes place, the revenue will be booked when it can be measured reliably.

## M. Statement of cash flows

The cash flow statement records the cash movements during the period which include VAT, determined by the direct method under 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 Society, 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 are not included in cash and cash equivalents.

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

## N. Reclassifications

For purposes of comparison, certain reclassifications have been made in the statement of financial position to December 31, 2014, according to the following details:

Reclassifications	Increase (Decrease) M\$
Statement of financial position	
Other non-financial liabilities	157,774
Trade accounts and other accounts payable	-157,774

## 2.3 Accounting changes

The Superintendence of Securities and Insurance (SVS), under its authority, dated October 17, 2014, issued the Circular 856 that instructs the auditees to register in the respective period against equity the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780. The said law changed the framework for the preparation and presentation of financial information adopted until that date, given that the previous framework (IFRS) needs to be adopted comprehensively, explicitly and unreservedly.

As of December 31, 2014 and for the year ending on that date, the quantification of the change to the accounting framework meant a lower charge/payment to the results of M\$13,303.



## INFORMATION TO REVEAL ABOUT RELATED ENTITIES

### A. Balances and transactions with related entities

#### Accounts Receivable from Related Entities

Tax ID Related Party	Name of related party	Relationship	Country of origin	Nature of transaction with related parties	Currency	Period	Security	Flows (Thousands \$)	
								dec-15	dec-14
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Rental property	CLP	30 Days	Unsecured	1,923	1,848
89.221.000-4	Aguas Manquehue S.A.	Related to controller	CL	Lo Pinto project	CLP	30 Days	Unsecured	0	136,756
<b>Total Accounts Receivable</b>								<b>1,923</b>	<b>138,604</b>

#### Accounts Payable to Related Entities

Tax ID Related Party	Name of related party	Relationship	Country of origin	Nature of transaction with related parties	Currency	Period	Security	Flows (Thousands \$)	
								dec-15	dec-14
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Excess organic load to the network	CLP	30 days	Unsecured	181,426	160,696
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Dividends payable	CLP	30 days	Unsecured	554,040	492,074
96.809.310-K	Aguas Cordillera S.A.	Related to controller	CL	Dividends payable	CLP	30 days	Unsecured	5,379	
96.967.550-1	Análisis Ambientales S.A.	Related to controller	CL	Chemical and bacteriological analysis	CLP	30 days	Unsecured	65,903	74,109
96.828.120-8	Gestión y Servicios S.A.	Related to controller	CL	Duct cleaning	CLP	30 days	Unsecured	1,562	449
<b>Total Accounts Receivable</b>								<b>808,310</b>	<b>727,328</b>



## Transactions

Tax ID	Related Party	Name of related party	Relationship	Country of origin	Nature of transaction with related parties	Currency	Flows (Thousands \$)			
							dic-15		dic-14	
							Amount	Effect on result (charge) / credit	Amount	Effect on result (charge) / credit
61.808.000-1		Aguas Andinas S.A.	Controller	CL	Loans given	CLP	1,560,000		2,134,155	
61.808.000-1		Aguas Andinas S.A.	Controller	CL	Quilicura Plant	CLP			238,000	200,000
61.808.000-1		Aguas Andinas S.A.	Controller	CL	Loan collection	CLP	-1,560,000		-2,134,155	
61.808.000-1		Aguas Andinas S.A.	Controller	CL	Excess organic load to the network	CLP	-1,023,706	-850,049	-948,796	-871,561
61.808.000-1		Aguas Andinas S.A.	Controller	CL	Dividends paid	CLP	1,950,000		1,524,424	
61.808.000-1		Aguas Andinas S.A.	Controller	CL	Loans received	CLP	150,000		295,000	
61.808.000-1		Aguas Andinas S.A.	Controller	CL	Loans paid	CLP	-150,000		-295,000	
89.221.000-4		Aguas Manquehue S.A.	Related to controller	CL	Lampa Plant	CLP			112,772	94,766
96.967.550-1		Análisis Ambientales S.A.	Related to controller	CL	Laboratory analysis	CLP	-378,140	-311,673	-450,372	-377,727

The criteria of materiality for reporting transactions with related entities is that amounts must be above Th\$100,000.





## EcoRiles S.A.

STATEMENT OF FINANCIAL POSITION	2015	2014
	Th\$	Th\$
<b>ASSETS</b>		
Current assets	4,666,622	4,460,896
Non-current assets	384,060	349,256
<b>Total Assets</b>	<b>5,050,682</b>	<b>4,810,152</b>
<b>LIABILITIES</b>		
Current liabilities	2,217,789	1,824,643
Non-current liabilities	-	-
Equity	2,832,893	2,985,509
<b>Total Assets and Liabilities</b>	<b>5,050,682</b>	<b>4,810,152</b>
<b>STATEMENT OF COMPREHENSIVE RESULTS</b>	<b>2015</b>	<b>2014</b>
	<b>Th\$</b>	<b>Th\$</b>
<b>Operational revenue</b>		
Operational costs	12,592,871	11,865,133
Other earnings (losses)	(10,276,082)	(9,872,518)
Financial result	41,876	40,856
Other different from operations	10,051	11,246
Income tax	(503,987)	(404,472)
<b>Yearly Earnings</b>	<b>1,864,729</b>	<b>1,640,245</b>
<b>STATEMENT OF CASH FLOW</b>	<b>2015</b>	<b>2014</b>
	<b>Th\$</b>	<b>Th\$</b>
Net cash flows of operational activities	2,843,287	1,667,639
Net cash flows of investment activities	(137,608)	(140,568)
Net cash flows of financing activities	(1,950,000)	(1,539,224)
Net increase (decrease) on cash and cash equivalents	755,679	(12,153)
Initial balance of cash and cash equivalents	806,305	818,458
<b>Closing balance of cash and cash equivalents</b>	<b>1,561,984</b>	<b>806,305</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>2015</b>	<b>2014</b>
	<b>Th\$</b>	<b>Th\$</b>
Issued Capital	333,787	333,787
Other equity interests	(27,279)	(27,279)
Accumulated earnings (losses)	2,526,385	2,679,001
<b>Total Equity</b>	<b>2,832,893</b>	<b>2,985,509</b>



## GESTIÓN Y SERVICIOS S.A.

### GENERAL BACKGROUND

Name	: Gestión y Servicios S.A.
Entity Type	: Closed Corporation
Address	: Av. Presidente Balmaceda N° 1398, Santiago
Phone	: (56 2) 2569 23 42
Fax	: (56 2) 2569 23 98
Tax ID	: 96.828.120-8
Capital subscribed & paid	: Th\$ 506.908
External auditors	: Ernst & Young
Tax ID number (RUT)	: 77.802.430-6

### Corporate Purpose

The purpose of the Company is the urbanization, purchase and sale of sanitation materials, and construction and advising for specialty works.

### Constitutive Documents

The company was founded as a public corporation named Aguas del Maipo S.A., by public deed dated June 06, 1997, granted in the Santiago notary of Mr. Patricio Zaldivar Mackenna. Later the company revised its bylaws according to the deed dated June 10, 2000, in the Notary of Mr. Patricio Zaldivar Mackenna, changing its business name to Gestión y Servicios S.A.

### Board of Directors

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

Board Members: **Jorge Sagnier Guimón**  
(Director of Aguas Andinas S.A.)

**Jordi Valls Riera**  
(Senior Executive at Aguas Andinas S.A.)

**Ivan Yarur Sairafi**  
(Senior Executive at Aguas Andinas S.A.)

**Camilo Larraín Sánchez**  
(Senior Executive at Aguas Andinas S.A.)

CEO: **Juan Jose Gross Rudloff**

Parent Company's ownership: 97.84783%

### Proportion represented by investment in the assets of the Parent:

Investment in the company represents the proportion of 0.31%.

### Business Relationship with the Parent:

During the year ending December 31, 2015, the Company maintained contracts for the purchase and sale of materials, renovation of collectors and leases with the Parent. In the future it is expected that similar business relationships will be maintained.



## 1. BASIS OF ACCOUNTING PREPARATION AND POLICIES

### 1.1 Basis of Preparation of the Financial Statements

The financial statements of December 31, 2015, have been prepared in accordance with instructions and standards issued by the Superintendence of Securities and Insurance (SVS), which are composed of the International Financial Reporting Standards (IFRS), and what is established in Circular 856 of October 17, 2014 that instructs auditees to register in the respective period against equity the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780 with specific instructions dictated by the SVS.

These financial statements faithfully reflect the financial position of Gestión y Servicios S.A. to December 31 in 2015 and 2014, and the comprehensive results of its operations, changes in net equity and cash flows for periods ended December 31, 2015 and 2014.

The Company complies with all the legal conditions of the environment in which it undertakes its business, demonstrating conditions of a normal operation in every area of its activities, its projections show the business is profitable and they have the capacity to access the financial system for financing their operations, which in the management's opinion determines its ability to continue as an ongoing company, as established by the accounting standards under which these financial statements are issued.

### Functional and presentation currency

The items included in the financial statements are valued using the currency of the principal economic environment in which the Company operates (functional currency). For the purpose of the financial statements, the Company's results and financial position are shown in Chilean pesos (rounded to thousands of pesos), which is the functional currency of the Company and the presentation currency for the financial statements.

### New accounting pronouncements

- Starting from the annual period beginning January 1, 2015, there are no accounting pronouncements for effective application that significantly affect the presentation or the disclosure of the financial statements.
- The following new Standards and Interpretations have been issued but are not yet in force:

New IFRS	Date of mandatory application
IFRS 9, Financial Instruments, classification and measurement	Annual periods starting on or after January 01, 2018
IFRS 14, Deferred Regulatory Accounts	Annual periods starting on or after January 01, 2016
IFRS 15, Revenue from Contracts with Customers	Annual periods starting on or after January 01, 2018
IFRS 16, Leases	Annual periods starting on or after January 01, 2019
Improvements and Modifications	Date of mandatory application
IAS 19, Employee benefits	Annual periods starting on or after January 01, 2016
IAS 16, Property, Plant and Equipment	Annual periods starting on or after January 01, 2016
IAS 38, Intangible Assets	Annual periods starting on or after January 01, 2016
IAS 41, Agriculture	Annual periods starting on or after January 01, 2016
IFRS 11, Joint Agreements	Annual periods starting on or after January 01, 2016
IAS 27, Separate Financial Statements	Annual periods starting on or after January 01, 2016
IAS 28, Investments in Associates and Joint Ventures	Annual periods starting on or after January 01, 2016
IFRS 10, Consolidated Financial Statements	Annual periods starting on or after January 01, 2016
IFRS 5, Non-Current Assets Maintained for the Sale and Discontinued Operations	Annual periods starting on or after January 01, 2016
IFRS 7, Financial Instruments: Disclosures	Annual periods starting on or after January 01, 2016
IFRS 12, Disclosures about participation in other entities	Annual periods starting on or after January 01, 2016
IAS 1, Presentation of Financial Statements	Annual periods starting on or after January 01, 2016
IAS 34, Interim Financial Information	Annual periods starting on or after January 01, 2016

The management of the Company and its subsidiary is analyzing the eventual impact of the above-mentioned standards and amendments on the financial statements. However, those that enter into force within the annual period beginning January 1, 2016, have been analyzed and it is estimated they won't have relevant effects for the preparation and presentation of future financial statements.



## Responsibility for the information and estimates made

The information contained in these financial statements is the responsibility of the Company's Board of Directors, which states that all the principles and criteria included in International Financial Reporting Standards (IFRS), and the instructions imparted by the SVS, have been applied. The board approved these financial statements in a meeting on March 21, 2016.

The financial statements for Gestión y Servicios S.A. corresponding to the period 2014 were approved by the Board of Directors at a meeting held on March 20, 2015.

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

- Useful life of fixed intangible assets
- Losses through impairment of assets
- Revenues from supplies with invoice pending
- Provisions for commitments acquired with third parties
- Risks deriving from pending litigation

Although these estimates and judgments were made as a function of the best information available on the date of issue of these financial statements, it is possible that events may occur in the future that cause them to be amended (upward or downward) in subsequent periods, which would be registered prospectively as soon as the variation is known, recognizing 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 consolidated financial statements.

## A. Intangible assets other than goodwill

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

The basis for registering and measuring is the cost method.

### i. Intangible assets acquired separately

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

### ii. Amortization method for intangibles:

#### Intangibles with defined useful lives.

The amortization method employed by the Company reflects the pattern for which the future economic benefits of the asset is expected to be used by the entity. The Company therefore uses the straight-line depreciation method.

#### Computer programs.

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

#### Intangibles with indefinite useful lives.

Intangible assets with indefinite useful lives relate mainly to water rights, which were obtained on an indefinite basis, as established in the acquisition contracts.

## Determination of useful life

The factors that should 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 of 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 the valuation of 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 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. Other repairs and maintenance are charged to results in the period in which they are incurred.

### Depreciation method and estimated useful life for property, plant and equipment:

The depreciation method applied by the Company reflects the extent to which the assets are used by the entity during the period in which they generate economic benefits. The Company therefore uses the straight-line depreciation method over the technical useful life, based



on technical studies prepared by independent experts (external specialist firms). The residual value and useful life of assets are revised and adjusted if necessary at each closing of the Statement of Financial Position.

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

### Useful life

The useful life considered in calculating the depreciation are based on technical studies prepared by external specialist firms, which are revised as new information arises that permits a consideration that the useful life of some asset has been 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 component materials in equipment or buildings
2. Operating environment of the equipment
3. Intensity of use
4. Legal, regulatory or contractual limitations

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

Item	Useful life (years) minimum	Useful life (years) maximum
Plant and equipment	7	20
Computer technology equipment	4	4
Fixed installations and accessories	10	10
Motor vehicles	7	7

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

Due to the nature of the assets constructed in the Company and given that there are no contractual obligations or other construction requirements like those mentioned in the IFRS, the concept of dismantling costs is not applicable as of the date of these financial statements.

### Fixed asset sales policy

The results of fixed asset sales are calculated by comparing the proceeds received with the book value, and are registered in the Statement of Integral 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, with useful life defined to see whether there exists any indication of a loss due to impairment. Should this exist, the recoverable value of such assets is estimated in order to determine whether any impairment has been suffered. When it is not possible to estimate the recoverable value of an asset in particular, the Company estimate the fair value of the Cash Generating Unit to which the asset belongs.

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

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

When it is estimated that the recoverable value of an asset (or cash generating unit) is less than its book value, the book value of that asset (or cash generating unit) is adjusted to its recoverable value, booking a loss for impairment in results immediately. 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 conditions of the lease 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 reviews its contracts to check for the possible existence of implicit leases, in accordance with IFRIC 4.

## E. Financial assets

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

### i. Effective interest-rate method

The effective interest-rate method is the method for calculating the amortized cost of a financial asset or liability and of the assignment of interest income or expense over the whole corresponding period. The effective interest rate is the rate that exactly discounts the estimated future cash flows receivable over the expected life of the financial asset, and makes the Net Present Value (NPV) equal to its nominal amount.

### ii. Loans and accounts receivable

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

### Commercial debtors and other accounts receivable.

Commercial debtors relate to the billing of water consumption, sewage services, sewage treatment and other services, and to the accrued revenue from consumption between the date of the last meter reading (according to an established monthly routine) and the closing date of the Financial Statement. These are shown net of the estimate of bad debts or debts with doubtful recovery.

The commercial 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 for impairment of commercial debtors and other accounts receivable

The Company periodically evaluates impairments affecting its financial assets. The amount is booked as bad debt provisions. The book value of an asset is reduced to the extent that the provision account is used and the loss is booked in the statement of comprehensive results in "other expenses." When an account receivable is not recoverable, it is written off against provisions for accounts receivable.

Estimates are based on the ageing of the debts and historic recuperation, as detailed below.

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

A 100% provision is made for overdue notes receivable.

## F. Inventories

Inventories are valued according to their cost at acquisition, which does not exceed their net realization value. The costing method is the weighted average cost. Inventories that have not turned over during the previous 12 months are valued annually and are booked at market value, if less..

## G. Dividends policy

The minimum dividend established in the Corporations Law, equivalent to 30% of annual profits, will be shown at the end of each period. In the event there were no interim dividends or were less than the 30% referenced, the respective provision will be registered.





## H. Foreign currency transactions

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

Currency	31-12-2015	31-12-2014
	\$	\$
United States Dollar	710.16	606.75
Euro	774.61	738.05

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 their conversion 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 results for the period in which they accrue.

## I. Financial liabilities

Loans and similar documents are shown initially at their fair value, net of the costs incurred in the transaction. They are later shown at amortized cost, using the effective interest rate.

## J. Provisions and contingent liabilities

Provisions are booked when there is a present obligation as a consequence of past events, for which it is probable that they will use resources to settle the obligation and for which a fair estimate of the amount of the obligation can be made.

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

Contingent liabilities are those possible obligations arising as a result of past events, whose future materialization and associated equity effect is believed to be a low probability. In accordance with IFRS, the Company makes no provision for these concepts.

## K. Employee benefits

The Company has 27 employees distributed between 1 principle executive, 13 professionals and 13 split across technical, labor and administrative positions.

## Policies on defined benefit plans

The employees of Gestión y Servicios S.A., are covered by the regulations provided in Articles 159, 160 and 161 of the Labor Code, for which an indemnification provision is not registered for years of service.

Only 1 employee who was transferred from the parent company registers a current indemnification through 2002 (including some indemnifications already recognized at that date), for which termination benefits are recorded.

## L. Income tax and deferred taxes

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

Income tax payable is determined on the basis of the tax result for the period. The income tax payable 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 figures 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 the closing date of each financial position statement and is reduced to the extent that it is unlikely 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 of settling the liability or realizing the asset, based on the tax rates that have been approved or have almost finalized 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 which the Company expect to recover or settle book values of its assets and liabilities at the date of report.

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.



## M. 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 booking of ordinary revenue from 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 transferred to the client and recovery is considered probable, and the associated costs and possible discounts for erroneous billings can be estimated reliably.

### Policy for booking of 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. For the Company, the transaction is finalized upon entry of the material.

## N. Consolidated statement of cash flows

The cash flow statement records the cash movements during the period which include Value Added Tax (VAT), determined by the direct method under 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 net equity and liabilities not forming part of the ordinary activities.

## O. Reclassifications

For comparison purposes, certain reclassifications have been made to the statement of financial position as of December 31, 2014, according to the following detail:

Reclassifications	Change/ (Decrease) Th\$
Statement of financial position:	
Other non-financial liabilities	106,963
Trade and other accounts receivable	-106,963

## 1.3 Accounting changes

The Superintendence of Securities and Insurance (SVS), under its authority, dated October 17, 2014, issued the Circular N° 856 that instructs the entities being audited to register in the respective period, against equity, the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780. The above, changed the preparation and presentation frame of the financial report adopted until that date, given that the previous frame (IFRS) needs to be adopted comprehensively, explicitly and without reservations.

As of December 31, 2014 and for the year ending on that date, the quantification of change of accounting framework meant a lower charge to results of Th\$12,489.



## DISCLOSURE INFORMATION ON RELATED ENTITIES

### Balances and transactions with related entities

Transactions between the Company are in line with market conditions. These transactions have been eliminated in the consolidation process and are not detailed in this note.

#### Accounts Receivable from Related Companies

Tax ID Related Party	Name of related party	Relationship	Country of origin	Nature of transaction with related parties	Currency	Period	Security	Flows (Thousands \$)	
								Dec-15	Dec-14
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Property lease	CLP	30 days	Secured	479	461
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Retentions for collector renovation works	CLP	30 days	Unsecured	137,465	137,465
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Sale of materials	CLP	30 days	Unsecured	5,156	17,518
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Collector cleaning contract	CLP	30 days	Unsecured	13,717	21,621
76.432.328-9	Gestion Hidrica Minera Ltda.	Related to the Controller	CL	Collector cleaning contract	CLP	30 days	Unsecured	1,285	
89.221.000-4	Aguas Manquehue S.A.	Related to the Controller	CL	Sale of materials	CLP	30 days	Unsecured	836	1,360
89.221.000-4	Aguas Manquehue S.A.	Related to the Controller	CL	Collector cleaning contract	CLP	30 days	Unsecured	1,092	1,154
96.809.310-K	Aguas Cordillera S.A.	Related to the Controller	CL	Collector cleaning contract	CLP	30 days	Unsecured		1,798
96.945.210-3	Ecoriles S.A.	Related to the Controller	CL	Collector cleaning contract	CLP	30 days	Unsecured	1,562	449
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the Controller	CL	Sale of materials	CLP	30 days	Unsecured	104,311	
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	CL	Expense reimbursement	CLP	30 days	Unsecured		1,800
96.809.310-K	Aguas Cordillera S.A.	Related to the Controller	CL	Sale of materials	CLP	30 days	Unsecured	1,610	
76.078.231-9	EDAM	Related to the Controller	CL	Collector cleaning contract	CLP	30 days	Unsecured	631	
<b>Total Accounts Receivable</b>								<b>268,144</b>	<b>183,626</b>

#### Accounts Payable to Related Companies

Tax ID Related Party	Name of related party	Relationship	Country of origin	Nature of transaction with related parties	Currency	Period	Security	Flows (Thousands \$)	
								Dec-15	Dec-14
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Purchase of materials	CLP	30 days	Unsecured	2,085	4,684
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loan from related company	CLP	In sight	Unsecured		380,000
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loan interest rates	CLP	In sight	Unsecured		368
96.809.310-K	Aguas Cordillera S.A.	Related to the Controller	CL	Purchase of materials	CLP	30 days	Unsecured		71
61.808.000-5	Aguas Andinas S.A.	Related to the Controller	CL	Dividend	CLP	30 days	Unsecured	181,213	133,322
96.809.310-K	Aguas Cordillera S.A.	Related to the Controller	CL	Dividend	CLP	30 days	Unsecured	3,986	2,933
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the Controller	CL	Purchase of materials	CLP	30 days	Unsecured	306,879	553,550
<b>Total Accounts Payable</b>								<b>494,163</b>	<b>1,074,928</b>



## Transactions

Tax ID Related Party	Name of related party	Relationship	Country of origin	Nature of transaction with related parties	Currency	Flows (Thousands \$)			
						Dec-15		Dec-14	
						Amount	Effect on result (charge) / credit	Amount	Effect on result (charge) / credit
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Granting of loan	CLP			1,340,000	0
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Loan collection	CLP			1,340,000	13,566
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Granting of loan	CLP	560,000		680,000	
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Loan amortization	CLP	940,000	-2,751	300,000	-368
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Dividend payment	CLP	489,239		583,440	
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Purchase of materials	CLP	70,572	-70,572		
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Sale of materials	CLP	497,857	497,857	214,268	214,268
61.808.000-1	Aguas Andinas S.A.	Controller	CL	Collector cleaning	CLP	269,624	269,624	196,941	196,941
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the Controller	CL	Sale of materials	CLP	356,306	356,306		
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the Controller	CL	Purchase of materials	CLP	3,024,767	-2,035,241	2,363,783	-1,970,709

The criteria of materiality for reporting transactions with related entities are accumulated amounts of over M \$100,000.



## Gestión y Servicios S.A.

<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2015</b>	<b>2014</b>
	<b>Th\$</b>	<b>Th\$</b>
<b>ASSETS</b>		
Current assets	6,085,890	6,617,684
Non-current assets	286,174	378,776
<b>Total assets</b>	<b>6,372,064</b>	<b>6,996,460</b>
<b>LIABILITIES</b>		
Current liabilities	1,821,756	2,473,253
Non-current liabilities	36,577	76,560
Equity	4,513,731	4,446,647
<b>Total liabilities and equity</b>	<b>6,372,064</b>	<b>6,996,460</b>
<b>ESTADO DE RESULTADOS INTEGRALES</b>	<b>2015</b>	<b>2014</b>
	<b>Th\$</b>	<b>Th\$</b>
Revenue	9,405,126	8,951,259
Operational costs	(8,609,974)	(8,387,024)
Financial result	(5,463)	9,784
Other than operation	(1,163)	(2,442)
Income tax	(172,498)	(117,394)
<b>Yearly income</b>	<b>616,028</b>	<b>454,183</b>
<b>STATEMENT OF CASH FLOW</b>	<b>2015</b>	<b>2014</b>
	<b>Th\$</b>	<b>Th\$</b>
Net cash flows of operational activities	1,138,931	303,405
Net cash flows of investment activities	(606)	1,336,049
Net cash flows of financing activities	(880,000)	(1,556,273)
Net increase (decrease) on cash and cash equivalents	258,325	83,181
Initial balance of cash and cash equivalents	244,346	161,165
<b>Closing balance of cash and cash equivalents</b>	<b>502,671</b>	<b>244,346</b>
<b>STATUS OF CHANGE IN EQUITY</b>	<b>2015</b>	<b>2014</b>
	<b>Th\$</b>	<b>Th\$</b>
Capital issued	506,908	506,908
Other participations in equity	(41,428)	(41,428)
Accumulated earnings (losses)	4,048,251	3,981,167
<b>Final Equity Balance</b>	<b>4,513,731</b>	<b>4,446,647</b>



## IBERAGUAS LTDA. AND SUBSIDIARY

### General background

Name	: Inversiones Iberaguas Limitada.
Entity type	: Limited liability corporation.
Address	: Avda. Presidente Balmaceda N° 1398, Santiago, Chile
Phone number	: (56-2) 2569 2382
Tax ID Number	: 96.897.320-7
Subscribed and paid capital	: M\$ 49,090,900
External auditors	: Ernst & Young
Tax number auditors	: 77.802.430-6

### Corporate Purpose

The Corporate purpose is the investment and participation in sanitation sector businesses, especially in companies that have the aim to provide public services of production and distribution of potable water, collection and disposal of wastewater and any other provision related with these activities.

### Constitutive Documents

The Company was established by deed on May 20, 1999, in the notary's office of Aliro Veloso Muñoz. Its capital amounts to M\$ 49,090,900. An extract of the statutes was published in the Official Journal on May 27, 1999, being registered in the Commercial Register as 19,028 Number 15,038 of 1999 of the Conservative Real Estate of Santiago.

At a meeting of the partners of Iberaguas S.A., dated August 9, 1999, they agreed to transform Iberaguas S.A. into a limited liability Company, denominated Inversiones Iberaguas Ltda.

Dated July 10, 2008, the societies Aguas Andinas S.A. and Aguas Cordillera S.A., acquired the social rights of Inversiones Iberaguas Ltda. in a 99.999998% and 0.000002% respectively, the deed was registered in the notary's office of Raúl Undurraga Laso.

### Management:

Legal representatives	<b>Felipe Larrain Aspillaga</b> (President of Aguas Andinas S.A.)
	<b>Ivan Yarur Sairafi</b> (Senior executive of Aguas Andinas S.A.)

### Parent Company's ownership:

Aguas Andinas S.A. 99.999998% direct

Aguas Cordillera S.A. 0.000002% indirect

### Proportion represented by investment in the assets of the Parent:

Investment in the Company represents the proportion of 4.82%.

### Business Relationship with the Parent

During the period ended December 31, 2015, the Company kept relationships with the Parent and its related companies, which corresponds principally to laboratory services, information systems consultancies and implementation, which are set to market conditions and is expected to maintain similar commercial relationships in the future.





## IBERAGUAS AND SUBSIDIARY

### BASIS OF ACCOUNTING PRESENTATION AND POLICIES

#### BASIS OF PREPARATION

The consolidated financial statements as of December 31, 2015 and December 31, 2014, have been prepared in accordance with instructions and standards issued by the Superintendence of Securities and Insurance (SVS), which are composed of the International Accounting Standards Board (IASB) and what is established in Circular 856 of October 17, 2014 that instructs the auditees, to register in the respective period against equity the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780 with specific standards issued by the SVS.

These consolidated financial statements faithfully reflect the financial position of Inversiones Iberaguas limitada and its subsidiary as of December 31, 2015 and 2014, the results of operations, changes in net equity and cash flows for periods ended December 31, 2015 and 2014.

The Company and its subsidiary complies with all the legal conditions of the environment in which it carries on its business, particularly the regulations belonging to the sanitation sector. The Company and its subsidiary operate normally in every area of their activities, projecting a profitable operation and able to access the financial system for financing their businesses which determines its ability to continue as an ongoing company, as established by the accounting standards under which these financial statements are issued.

### Functional and presentational currency

Individual financial statements are presented using the currency of the principal economic environment in which the Company and its subsidiary operate (Functional currency). The financial statements are presented in Chilean pesos, which is the Company and its subsidiary's functional currency and the presentational currency for the financial statements.

### New accounting pronouncements

- For the 2015 year there do not exist accounting pronouncements of effective application that significantly impact the presentation and disclosure of the consolidated financial statements.
- The following new Standards and Interpretations have been issued but are not yet in force:

New IFRS	Date of mandatory application
IFRS 9, Financial Instruments, classification and measurement	Annual periods starting on or after January 01, 2018
IFRS 14, Deferred Regulatory Accounts	Annual periods starting on or after January 01, 2016
IFRS 15, Revenue from Contracts with Customers	Annual periods starting on or after January 01, 2018
IFRS 16, Leases	Annual periods starting on or after January 01, 2019
Improvements and Modifications	Date of mandatory application
IAS 19, Employee benefits	Annual periods starting on or after January 01, 2016
IAS 16, Property, Plant and Equipment	Annual periods starting on or after January 01, 2016
IAS 38, Intangible Assets	Annual periods starting on or after January 01, 2016
IAS 41, Agriculture	Annual periods starting on or after January 01, 2016
IFRS 11, Joint Agreements	Annual periods starting on or after January 01, 2016
IAS 27, Separate Financial Statements	Annual periods starting on or after January 01, 2016
IAS 28, Investments in Associates and Joint Ventures	Annual periods starting on or after January 01, 2016
IFRS 10, Consolidated Financial Statements	Annual periods starting on or after January 01, 2016
IFRS 5, Non-Current Assets Maintained for the Sale and Discontinued Operations	Annual periods starting on or after January 01, 2016
IFRS 7, Financial Instruments: Disclosures	Annual periods starting on or after January 01, 2016
IAS 34, Interim Financial Information	Annual periods starting on or after January 01, 2016
IFRS 12, Disclosures about participation in other entities	Annual periods starting on or after January 01, 2016
IAS 1, Presentation of Financial Statements	Annual periods starting on or after January 01, 2016

The management of the Company and its subsidiaries are analyzing the eventual impact of the above-mentioned standards and amendments on the Group's consolidated financial statements. Notwithstanding, those whose date of entry into force are in annual periods starting on January 1, 2016, have been analyzed and it is determined they will not have relevant effects in the preparation and presentation of future financial statements.



## Responsibility for the information and estimates made

The information contained in these financial statements is the responsibility of the Board of Directors of the Company, which states that it has applied all principles and criteria included in the International Financial Reporting Standards (IFRS), and the standards imposed by the Superintendence of Securities and Insurance (SVS). The Board of Directors, in a meeting held on March 29, 2016, approved these consolidated financial statements.

The financial statements of the Company and its Subsidiary for the 2014 period were approved by the Board of Directors at its meeting held on March 25, 2015.

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

- Useful life of fixed intangible assets with defined useful life
- Losses through 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 from supplies with invoice pending
- Provisions for commitments acquired with third parties
- Risks deriving from pending litigation

Although these estimates and judgments were made as a function of the best information available on the date of issue of these financial statements, it is possible that events may occur in the future that cause them to be amended (upward or downward) in subsequent periods, which would be registered prospectively as soon as the variation is known, recognizing 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 Basis

The consolidated financial statements include the financial statements of the Company and its Subsidiary. Subsidiary is that entities over which the Company has the power to direct its 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 subsidiary is consolidated from the date on which control passes to the Company, and is excluded from the consolidation when such control ceases.

All transactions, balances, losses and gains between Company and its Subsidiary are eliminated in the consolidation process.

The Company and its Subsidiary follow the Group's policies uniformly.

The subsidiary company included in the consolidated financial statements of Inversiones Iberaguas S.A. is the following:

Tax ID	Name of Company	Direct %	Indirect %	Total 2015 (%)	Direct %	Indirect %	Total 2014 (%)
95.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A.	51.000000	0.000000	51.000000	51.000000	51.000000	51.000000

### 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 is regularly reviewed by Management for making decisions on the assignment of resources to the subsidiaries and evaluating their performance.

The Company Empresa de Servicios Sanitarios de Los Lagos S.A. manages and measures the 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 recognizes an identifiable intangible asset when it can be shown that it is probable that future economic benefits attributed to it will 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 impairment losses. Amortization is calculated on a straight-line basis over their estimated useful lives. Estimated useful lives and the amortization method are revised at the closing of each statement of position, accounting for the effect of any change in the estimate from then on prospectively.

### ii. Amortization method for intangibles:

#### Intangibles with defined useful lives.

The amortization method employed by the Company reflects the pattern for which the future economic benefits of the asset is expected to be used by the entity. The Company therefore uses the straight-line depreciation method.

#### Computer programs.

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

#### Intangibles with indefinite useful lives.

Intangible assets with indefinite useful lives 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 General Water Authority of the Ministry of Public Works.

### Determination of useful life

The factors that should 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 of 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 (less the value of investments or commercial fund) generated in the business 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 control of the company is taken, and then revised within a maximum of 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.

In the event the definitive determination of goodwill is made in the financial statements of the year following the acquisition of the participation, the items 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.

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

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

### E. Property, plant and equipment

The Company follows the cost method for the valuation of 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 future economic benefits associated with the elements of fixed assets are going to flow to the Company and the cost of the element can be determined reliably. The value of the component substituted is written off in the books. Other repairs and maintenance are charged to results in the period in which they are incurred.

### Depreciation method and estimated useful life for property, plant and equipment:

The depreciation method applied by the Company and its subsidiary reflects the extent to which the assets are used by the entity during the period in which they generate economic benefits. 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 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 life

The useful life considered in calculating the depreciation are based on technical studies prepared by external specialist firms, which are revised as new information arises that permits a consideration that the useful life of some asset has been 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 component materials in equipment or buildings
2. Operating environment of the equipment
3. Intensity of use
4. Legal, regulatory or contractual limitations

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

ITEM	Useful Life (Years)
Buildings	25 to 80
Fixed installations and accessories	5 to 80
Plant and equipment	5 to 50
Computer technology equipment	4
Motor Vehicles	7 to 10
Other property, plant and equipment	5 to 80

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

Due to the nature of the assets constructed in the Company and given that there are no contractual obligations or other construction requirements like those mentioned in the IFRS, the concept of dismantling costs is not applicable as of the date of these financial statements.

### Fixed asset sales policy

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

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

The Company and its subsidiary revise the book values of its tangible and intangible assets at each closing date of the Consolidated Statement of Financial Position, with useful life defined to see whether there exists any indication of a loss due to impairment. Should this exist, the recoverable value of such assets is estimated in order to determine whether any impairment has been suffered. When it is not possible to estimate the recoverable value of an asset in particular, the Company and its subsidiary estimate the fair value of the Cash Generating Unit to which the asset belongs.

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

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

When it is estimated that the recoverable value of an asset (or cash-generating unit) is less than its book value, the book value of that asset (or cash-generating unit) is adjusted to its recoverable value, booking a loss for impairment in results immediately. 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 conditions of the lease 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 the fair value at the start of the lease and the present value of the minimum lease payments. The corresponding leasing obligation is included in the statement of position as a financial lease obligation.

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

All the lessor's risks are transferred in this operation, therefore all successive receivables are considered as revenue in each period.

The minimum lease payments are assigned between financial costs and a reduction in the obligation. The financial costs are moved directly to results unless they are directly related to the qualified assets, in which case they are capitalized in accordance with the Company's general financing costs policy. The contingent lease payments are shown as expenses in the periods in which they are incurred.



The Company and its subsidiary do not currently show financial leases acquired at the close of the periods.

## 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 review their contracts to check for the possible existence of implicit leases, in accordance with IFRIC 4.

## H. Financial assets

The acquisitions and disposals of financial instruments are booked on the date of trading, i.e. the date on which the Company and its subsidiary commit to acquire or sell the asset. Investments are written down when the rights to receive cash flows from the investments have been transferred and the Company has passed 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 very 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 issuing institutions of these instruments are bank companies or subsidiaries of the Banks with an N-1 credit rating, and their instruments have a rating of least AA (very high capacity for paying the principal and interest on the agreed terms and maturities, which would not be affected significantly by possible changes in the issuer, the industry to which it belongs or the economy).

### i. Effective interest-rate method

The effective interest-rate method is the method for calculating the amortized cost of a financial asset or liability and of the assignment of interest income or expense over the whole corresponding period. The effective interest rate is the rate that exactly discounts the estimated future cash flows receivable over the expected life of the financial asset, and makes the Net Present Value (NPV) equal to its nominal amount.

## ii. Loans and accounts receivable

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

### Commercial debtors and other accounts receivable.

Commercial debtors relate to the billing of water consumption, sewage services, sewage treatment and other services, and to the accrued revenue from consumption between the date of the last meter reading (according to an established monthly routine) and the closing date of the financial statements. These are shown net of the estimate of bad debts or debts with doubtful recovery.

The commercial 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 for impairment of commercial debtors and other accounts receivable

The Company and its subsidiary periodically evaluate impairments affecting its financial assets. The amount is booked as bad debt provisions. The book value of an asset is reduced to the extent that the provision account is used and the loss is booked in the statement of comprehensive results in "other expenses." When an account receivable is not recoverable, it is written off against provisions for accounts receivable.



Estimates are based on the following historic information: i) considering recovery statistics, which indicate that eighth months after billing the possibility of recovery is marginal, i.e. the probability of recovery of the amount billed is minimal.

A provision of 100% is made for customers with debts more than 8 months overdue.

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

A 100% provision is made for overdue notes receivable.

### I. Inventories

Materials, spares and inputs are shown at cost, which does not exceed their net realization value. The costing method is the weighted average cost. Inventories that have not turned over during the previous 12 months are valued annually and are booked at market value, if less.

### J. Foreign currency transactions

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

Money	31-12-2015	31-12-2014
	\$	\$
United States Dollar	710.16	606.75
Euro	774.61	738.05

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 their conversion at the closing exchange rates for

monetary assets and liabilities denominated in foreign currency, are shown in the consolidated statement of comprehensive results.

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

### K. Financial liabilities

Loans, payable bonds and similar documents are shown initially at their fair value, net of the costs incurred in the transaction. 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.

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 consolidated statement of results.

As of the closure date of these financial statements, the Company and its Subsidiary do not have derivative financial instruments.

### L. Provisions and contingent liabilities

The Company and its subsidiary register a provision when there is a present obligation as a consequence of past events, for which it is probable that the Group will use resources to settle the obligation and for which a fair estimate of the amount of the obligation can be made.

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

Contingent liabilities are those possible obligations arising as a result of past events, whose future materialization and associated equity effect is believed to be a low probability. In accordance with IFRS, the Group makes no provision for these concepts.

### M. Employee benefits

The obligation of termination benefits which are estimated to accrue to employees who retire in Aguas 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 in accumulated earnings.

Indemnities to workers forming part of or who 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 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 these funds are shown deducted from outstanding obligations. These will be imputed in the final indexed settlement in accordance with the provisions of the mentioned contracts.

### 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. 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 figures 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 the closing date of each financial position statement and is reduced to the extent that it is unlikely 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 of settling the liability or realizing the asset, based on the tax rates that have been approved or have almost finalized 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 and its subsidiary expect to recover or settle the book values of its assets and liabilities at the date of report.

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 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 booking of ordinary revenue from 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 transferred to the client and recovery is considered probable, and the associated costs and possible discounts for erroneous billings can be estimated reliably.

The services area of the Company and its subsidiary is divided into billing groups which determine dates for meter readings and later billing. This process is developed based on a calendar month, which leads to the end of each month are unread consumption, and therefore, not billed. For the purposes of revenue accounting, the Company and its subsidiary makes an estimate of unbilled 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 is made according to actual consumption, and a monthly provision is made for consumption not yet billed, based on the previous billing.

## Method used for determining 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 and its Subsidiary.

### Policy for booking of 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, the Company retains 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.

## P. Information on 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 and its subsidiary's businesses.

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

The Company and its Subsidiary amortize these elements on a straight-line basis as a function of the estimated remaining years of useful lives of the different elements.



## Q. Consolidated statement of cash flows

The cash flow statement records the cash movements during the period which include Value Added Tax (VAT), determined by the direct method under 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 net equity and liabilities not forming part of the ordinary activities.

## R. Reclassifications

For comparison purposes, certain reclassifications have been made to the statement of financial position as of December 31, 2014, according to the following detail:

Reclassifications	Increase/ (Reduction) Th\$
<b>Statement of financial position:</b>	
Other non-financial liabilities	1,106,596
Trade and other accounts receivable	-1,106,596

## Accounting changes

The Superintendence of Securities and Insurance (SVS), under its authority, dated October 17, 2014, issued the Circular N° 856 that instructs the entities being audited to register in the respective period, against equity, the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780. The above, changed the preparation and presentation frame of the financial report adopted until that date, given that the previous frame (IFRS) needs to be adopted comprehensively, explicitly and without reservations.

As of December 31, 2014 and for the year ending on that date, the quantification of change of accounting framework meant a lower charge to results of M\$ 4,627,418.



## INFORMATION TO REVEAL ABOUT RELATED ENTITIES

### Balances and transactions with related entities

#### Accounts Payable to Related Entities

Tax ID Related Party	Name of related party	Relationship	Country	Nature of transaction with related parties	Currency	Period	Security	12-31-2015 Th\$	12-31-2014 Th\$
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Payable dividends	CLP	30 Días	Sin garantías	92,484	116,873
61.808.000-5	Aguas Andinas S.A.	Controller	CL	SAP services in ASP mode	CLP	30 Días	Garantía fiel cumplimiento de contrato por UF750	70,480	67,725
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Advisory contract for the implementation of IT services for billing	CLP	30 Días	Garantía fiel cumplimiento de contrato por UF 2.000	45,191	147,124
96.967.550-1	Análisis Ambientales S.A.	Related to the Controller	CL	Laboratory services contract	CLP	30 Días	Garantía fiel cumplimiento de contrato por M\$30.000	120,921	178,560
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the Controller	CL	Geographic systems implementation contract	CLP	30 Días	Garantía fiel cumplimiento de contrato por UF 887	33,077	110,768
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the Controller	CL	Potable water meter supply contract	CLP	30 Días	Garantía fiel cumplimiento de contrato por M\$61.629	154,951	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	CL	Design and construction of the Percolator filter for the La Unión WWTP	CLP	30 Días	Garantía fiel cumplimiento de contrato por M\$ 95.869	0	93,112
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	CL	Construction of the sludge line extension for the La Unión WWTP	CLP	30 Días	Garantía fiel cumplimiento de contrato por M\$ 47.110	33,157	74,355
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	CL	Operational update for the Gamboa and Pudeto Tank	CLP	30 Días	Garantía fiel cumplimiento de contrato por UF 705	109,157	54,828
0-E	Aqualogy Development	Related to the Controller	CL	Talent management	CLP	30 Días	Garantía fiel cumplimiento de contrato por M\$ 8.650	45,898	55,726
<b>Total Accounts Payable</b>								<b>705,316</b>	<b>899,071</b>



## Transactions

Tax ID Related Party	Name of related party	Relationship	Nature of transaction with related parties	Current (Th\$)			
				31-12-2015		31-12-2014	
				Amount	Effect on results (Charge) /Credit	Amount	Effect on results (Charge) /Credit
61.808.000-5	Aguas Andinas S.A.	Controller	SAP services in ASP mode	137,459	-137,459	131,484	-131,484
61.808.000-5	Aguas Andinas S.A.	Controller	Advisory contract for the implementation of IT services for billing	280,330	-280,330	225,594	-225,594
61.808.000-5	Aguas Andinas S.A.	Controller	Dividend payment	288,733	0	269,080	0
96.967.550-1	Análisis Ambientales S.A.	Related to the Controller	Laboratory services	698,203	-698,203	644,179	-644,179
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the Controller	Geographic system implementation	151,910	0	120,104	0
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the Controller	Supply of meters	436,738	0	0	0
76.148.998-4	Aqualogy Solutions Chile Ltda.	Related to the Controller	Design and construction of the Percolator filter for the La Unión WWTP	121,759	0	424,095	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Construction of the sludge line extension for the La Unión WWTP	52,296	0	419,570	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the Controller	Operational update for the Gamboa and Pudeto Tank	187,929	0	0	0



## IBERAGUAS AND SUBSIDIARY

STATEMENT OF FINANCIAL POSITION	2015 Th\$	2014 Th\$
<b>ASSETS</b>		
Current assets	15,111,597	14,744,849
Non-current assets	167,302,687	159,964,925
<b>Total Assets</b>	<b>182,414,284</b>	<b>174,709,774</b>
<b>LIABILITIES</b>		
Current liabilities	14,486,457	11,686,265
Non-current liabilities	64,666,961	58,698,964
Equity	105,260,866	104,324,545
<b>Total Assets and Liabilities</b>	<b>182,414,284</b>	<b>174,709,774</b>
<b>STATEMENT OF COMPREHENSIVE RESULTS</b>	<b>2015 Th\$</b>	<b>2014 Th\$</b>
Operational Revenue	49,523,574	45,163,487
Operational Costs	(30,387,012)	(25,842,489)
Other earnings (Losses)	41,747	15,345
Financial Result	(2,383,381)	(2,316,605)
Other different from operations	(1,762,299)	(2,535,808)
Income Tax	(3,080,888)	(3,008,286)
<b>Yearly Earnings</b>	<b>11,951,741</b>	<b>11,475,644</b>
<b>STATEMENT OF CASH FLOW</b>	<b>2015 Th\$</b>	<b>2014 Th\$</b>
Net cash flows of operational activities	23,533,968	20,657,057
Net cash flows of investment activities	(13,023,590)	(8,971,565)
Net cash flows of financing activities	(11,366,942)	(14,917,575)
Net increase (decrease) on cash and cash equivalents	(856,564)	(3,232,083)
Initial balance of cash and cash equivalents	2,391,285	5,623,368
<b>Closing balance of cash and cash equivalents</b>	<b>1,534,721</b>	<b>2,391,285</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>2015 Th\$</b>	<b>2014 Th\$</b>
Issued Capital	49,090,900	49,090,900
Other equity interests	15,234,660	15,234,660
Accumulated earnings (losses)	3,361,499	3,118,709
Minority Interests	37,573,807	36,880,276
<b>Total Equity</b>	<b>105,260,866</b>	<b>104,324,545</b>



## AGUAS CORDILLERA S.A. AND SUBSIDIARY

### GENERAL BACKGROUND

Name	: Aguas Cordillera S.A.
Entity type	: Publicly traded Corporation
Address	: Av. Presidente Balmaceda N° 1398, Santiago
Phone	: (56 2) 2569 2500
Fax	: (56 2) 2569 2509
Tax ID Number (RUT)	: 96.809.310-K
Postal Box	: 1818 Santiago- centro
Purpose	: Intake, purification, distribution of potable water and disposal of wastewater.
Subscribed & paid capital	: Th\$ 153.608.183
External Auditors	: Ernst & Young
Tax ID Number (RUT)	: 77.802.430-6

### Corporate Purpose

The Society and its subsidiary Aguas Manquehue S.A have the corporate purpose, in accordance to the 2th Article of its By-Laws, the provision of sanitary services, which contemplates the construction and exploitation of public services for the production and distribution of drinking water and the picking and disposal of waste-water. Its current area of concession are the communes of Vitacura, Las Condes, Lo Barnechea, Colina and Lampa.

### Constitutive documents

The Company was established by deed on April 22, 1996, in the notary's office of Santiago of René Benavente Cash, an extract of the statutes was registered in the Commercial Register of the Conservative Real Estate of Santiago of that year as 14,143 Number 8,258 ratified as 11,059 Number 8,996 both of 1996 published in the Official Journal dated May 4, 1996, ratified in May 9, 1996.

The Company was registered in the Special Register of reporting entities of the Superintendence of Securities and Insurance as No. 170. As a Company of the sanitary sector, it is audited by the Superintendence of Sanitary Services, in accordance with Law 18,902 and Law 382 and 70, both of 1988.

### Board of Directors

President: **Felipe Larrain Aspillaga**  
(President of Aguas Andinas S.A.)

Named directors: **Mario Varela Herrera**  
**Osvaldo Carvajal Rondanelli**  
**Rodrigo Swett Brown**  
**Victor de la Barra Fuenzalida**

CEO: **Jordi Valls Riera**  
(Senior executive at Aguas Andinas S.A.)

**Parent Company's ownership: 99,99003% direct**

### Proportion representing the investment in the asset of the Parent:

Investment in the company represents the proportion of 17.50%

### Business relationship with parent and its subsidiaries

During the period ending December 31, 2015, the Company maintained interconnection contracts with its Parent for potable water and wastewater, leases, purchase and sale of materials, which fit to market conditions and it is expected to maintain similar commercial relationships in the future.





## BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 2.1 Basis of Preparation of the Financial Statements

The consolidated financial statements of Aguas Cordillera S.A. and its subsidiary as of December 31, 2015, have been prepared in accordance with instructions and standards issued by the Superintendence of Securities and Insurance (SVS), which are composed of the International Financial Reporting Standards (IFRS), and what is established in Circular 856 of October 17, 2014 that instructs auditees to register in the respective period against equity the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780 with specific instructions dictated by the SVS.

These financial statements faithfully reflect the financial position of Aguas Cordillera S.A. and its subsidiary to December 31 in 2015 and 2014, and the comprehensive results of its operations, changes in net equity and cash flows for periods ended December 31, 2015 and 2014.

Aguas Cordillera S.A. and its subsidiary comply with all the legal conditions of the environment in which it undertakes its business, particularly in regulations belonging to the sanitation sector. The Companies demonstrate conditions of a normal operation in every area of their activities, their projections show business is profitable and they have the capacity to access the financial system for financing their operations, which in the management's opinion determines their ability to continue as an ongoing company, as established by the accounting standards under which these financial statements are issued.

### Functional and presentation currency

The items included in the financial statements are valued using the currency of the principal economic environment in which the Company operates (functional currency), according to what is established in IAS 21. The financial statements are shown in Chilean pesos, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

### New accounting pronouncements

- Starting from the annual period beginning January 1, 2015, there are no accounting pronouncements for effective application that significantly affect the presentation or the disclosure of the financial statements.
- The following new Standards and Interpretations have been issued but are not yet in force:

New IFRS	Date of mandatory application
IFRS 9, Financial Instruments, classification and measurement	Annual periods starting on or after January 01, 2018
IFRS 14, Deferred Regulatory Accounts	Annual periods starting on or after January 01, 2016
IFRS 15, Revenue from Contracts with Customers	Annual periods starting on or after January 01, 2018
IFRS 16, Leases	Annual periods starting on or after January 01, 2019
Improvements and Modifications	Date of mandatory application
IAS 19, Employee benefits	Annual periods starting on or after January 01, 2016
IAS 16, Property, Plant and Equipment	Annual periods starting on or after January 01, 2016
IAS 38, Intangible Assets	Annual periods starting on or after January 01, 2016
IAS 41, Agriculture	Annual periods starting on or after January 01, 2016
IFRS 11, Joint Agreements	Annual periods starting on or after January 01, 2016
IAS 27, Separate Financial Statements	Annual periods starting on or after January 01, 2016
IAS 28, Investments in Associates and Joint Ventures	Annual periods starting on or after January 01, 2016
IFRS 10, Consolidated Financial Statements	Annual periods starting on or after January 01, 2016
IFRS 5, Non-Current Assets Maintained for the Sale and Discontinued Operations	Annual periods starting on or after January 01, 2016
IFRS 7, Financial Instruments: Disclosures	Annual periods starting on or after January 01, 2016
IFRS 12, Disclosures about participation in other entities	Annual periods starting on or after January 01, 2016
IAS 1, Presentation of Financial Statements	Annual periods starting on or after January 01, 2016
IAS 34, Interim Financial Information	Annual periods starting on or after January 01, 2016

The management of the Company and its subsidiary is analyzing the eventual impact of the above-mentioned standards and amendments on the consolidated financial statements. However, those that enter into force within the annual period beginning January 1, 2016, have been analyzed and it is estimated they won't have relevant effects for the preparation and presentation of future financial statements.



## Responsibility for the information and estimates made

The information contained in these consolidated financial statements is the responsibility of the Company's Board of Directors, which states that all the principles and criteria included in International Financial Reporting Standards (IFRS), and the instructions imparted by the SVS, have been applied. The board approved these financial statements in a meeting on March 28, 2016.

The consolidated financial statements for Aguas Cordillera S.A. and Subsidiary corresponding to the period 2014 were approved by the Board of Directors at a meeting held on March 23, 2015.

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

- Useful life of fixed intangible assets
- Losses through 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 from supplies with invoice pending
- Provisions for commitments acquired with third parties
- Risks deriving from pending litigation

Although these estimates and judgments were made as a function of the best information available on the date of issue of these financial statements, it is possible that events may occur in the future that cause them to be amended (upward or downward) in subsequent periods, which would be registered prospectively as soon as the variation is known, recognizing 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 Basis

The consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Subsidiaries are those entities over which the Company has the power to direct important activities, has the right to variable returns relating to 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 Company, and are excluded from the consolidation when such control ceases.

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

The Company and its Subsidiary follow the Group's policies uniformly.

The Companies included in the consolidated financial statements of Aguas Cordillera S.A. are the following:

Tax ID	Name of Company	Direct %	Indirect %	Total 2015 (%)	Direct %	Indirect %	Total 2014 (%)
89.221.000-4	Aguas Manquehue S.A.	99.99957	0.00000	99.99957	99.99957	0.00000	99.99957
96.945.219-8	Ecoriles S.A.	0.96154	0.00000	0.96154	0.96154	0.00000	0.96154
96.828.120-8	Gestión y Servicios S.A.	2.15217	0.00000	2.15217	2.15217	0.00000	2.15217
96.967.550-1	Análisis Ambientales S.A.	1.00000	0.00000	1.00000	1.00000	0.00000	1.00000
76.190.084-6	Aguas del Maipo S.A.	8.37904	8.97100	17.35004	16.60000	0.00000	16.60000
96.897.320-7	Iberaguas	0.00002	0.00000	0.00002	0.00002	0.00000	0.00002

Aguas Cordillera S.A. is only consolidated with Aguas Manquehue S.A.; it has direct and/or indirect participation in other companies.

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

## 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 is regularly reviewed by Management for making decisions on the assignment of resources to the subsidiaries and evaluating their performance.

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

## C. Intangible assets other than goodwill

The Company recognizes an identifiable intangible asset when it can be shown that it is probable that future economic benefits attributed to it will 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 impairment losses. Amortization is calculated on a straight-line basis over their estimated useful lives. Estimated useful lives and the amortization method are revised at the closing of each statement of position, accounting for the effect of any change in the estimate from then on prospectively.

### ii. Amortization method for intangibles:

#### Intangibles with defined useful lives.

The amortization method employed by the Company and its subsidiary reflects the pattern for which the future economic benefits of the asset is expected to be used by the entity. The Company therefore uses the straight-line depreciation method.

#### Computer programs.

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

#### Intangibles with indefinite useful lives.

Intangible assets with indefinite useful lives 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 General Water Authority of the Ministry of Public Works.

#### Determination of useful life

The factors that should 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 of 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 the valuation of 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 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. Other repairs and maintenance are charged to results in the period in which they are incurred.

#### Depreciation method and estimated useful life for property, plant and equipment:

The depreciation method applied by the Company and its subsidiary reflects the extent to which the assets are used by the entity during the period in which they generate economic benefits. The Company 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 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 life

The useful life considered in calculating the depreciation are based on technical studies prepared by external specialist firms, which are revised as new information arises that permits a consideration that the useful life of some asset has been 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 component materials in equipment or buildings
2. Operating environment of the equipment
3. Intensity of use
4. Legal, regulatory or contractual limitations

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

ITEM	Useful life	Useful life
	(years) Minimum	(years) Maximum
Buildings	25	80
Plant and equipment	5	50
Computer technology equipment	4	4
Fixed installations and accessories	5	80
Motor Vehicles	7	10
Improvements to leased properties	5	5
Other property, plant and equipment	5	80



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

Due to the nature of the assets constructed in the Company and given that there are no contractual obligations or other construction requirements like those mentioned in the IFRS, and in the regulatory environment, the concept of dismantling costs is not applicable as of the date of these financial statements.

### **Fixed asset sales policy**

The results of fixed asset sales are calculated by comparing the proceeds received with the book value, and are registered in the Consolidated Statement of Integral Results.

### **E. Impairment of tangible and intangible assets except goodwill**

The Company and its subsidiary revise the book values of its tangible and intangible assets at each closing date of the Consolidated Statement of Financial Position, with useful life defined to see whether there exists any indication of a loss due to impairment. Should this exist, the recoverable value of such assets is estimated in order to determine whether any impairment has been suffered.

When it is not possible to estimate the recoverable value of an asset in particular, the Company estimate the fair value of the Cash Generating Unit to which the asset belongs.

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

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

When it is estimated that the recoverable value of an asset or CGU is less than its book value, the book value of that asset or CGU is adjusted to its recoverable value, booking a loss for impairment in results immediately. When a loss for impairment is reversed, the book value of the asset or 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 CGU had been booked in previous periods.

## **F. Leases**

### **i. Financial leases**

Leases are classified as financial leases when the conditions of the lease 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 the fair value at the start of the lease and the present value of the minimum lease payments. The corresponding leasing obligation is included in the statement of position as a financial lease obligation.

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

All the lessor's risks are transferred in this operation, therefore all successive receivables are considered as revenue in each period.

The minimum lease payments are assigned between financial costs and a reduction in the obligation. The financial costs are moved directly to results unless they are directly related to the qualified assets, in which case they are capitalized in accordance with the Group's general financing costs policy. The contingent lease payments are shown as expenses in the periods in which they are incurred.

Aguas Cordillera and Aguas Manquehue do not currently show financial leases acquired at the close of the periods.

### **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 review their contracts to check for the possible existence of implicit leases, in accordance with IFRIC 4.

## **G. Financial assets**

The acquisitions and disposals of financial instruments are booked on the date of trading, i.e. the date on which the Company commit to acquire or sell the asset. Investments are written down when the rights to receive cash flows from the investments have been transferred and the Company has passed 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 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 very 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 issuing institutions of these instruments are bank companies or subsidiaries of the Banks with an N-1 credit rating, and their instruments have a rating of least AA (very high capacity for paying the principal and interest on the agreed terms and maturities, which would not be affected significantly by possible changes in the issuer, the industry to which it belongs or the economy).

### **i. Effective interest-rate method**

The effective interest-rate method is the method for calculating the amortized cost of a financial asset or liability and of the assignment of interest income or expense over the whole corresponding period. The effective interest rate is the rate that exactly discounts the estimated future cash flows receivable over the expected life of the financial asset, and makes the Net Present Value (NPV) equal to its nominal amount.

### **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.

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.

### **iv. Loans and accounts receivable**

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

### **Commercial debtors and other accounts receivable.**

Commercial debtors relate to the billing of water consumption, sewage services, sewage treatment and other services, and to the accrued revenue from consumption between the date of the last meter reading (according to an established monthly routine) and the closing date of the Financial Statement. These are shown net of the estimate of bad debts or debts with doubtful recovery.

The commercial 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 for impairment of commercial debtors and other accounts receivable**

The Company periodically evaluate impairments affecting its financial assets. The amount is booked as bad debt provisions. The book value of an asset is reduced to the extent that the provision account is used and the loss is booked in the statement of comprehensive results in "other expenses." When an account receivable is not recoverable, it is written off against provisions for accounts receivable.

Estimates are based on the following historic information: considering recovery statistics, which indicate that eighth months after billing the possibility of recovery is marginal, i.e. the probability of recovery of the amount billed is minimal.

For Aguas Cordillera S.A. and Aguas Manquehue S.A. a provision of 100% is made for customers with debts more than 8 months overdue.

For Aguas Cordillera S.A. and Aguas Manquehue S.A. a provision of 100% of the agreed balance is made for consumption debts transformed into payment agreements.

A 100% provision is made for overdue notes receivable.

### **H. Inventories**

Materials, spares and inputs are shown at cost, which does not exceed their net realization value. The costing method is the weighted average cost. Inventories that have not turned over during the previous 12 months are valued annually and are booked at market value, if less.

### **I. Dividends policy**

The Company's dividends policy is to distribute 50% of the earnings for each year, that is, 30% as an obligatory dividend and the remaining 20% as an additional dividend.



The minimum dividend established in the Corporations Law, equivalent to 30% of annual profits, will be shown at the end of each period. In the event there were no interim dividends or were less than the 30% referenced, the respective provision will be registered.

#### J. Foreign currency transactions

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

Currency	12-31-2015 \$	12-31-2014 \$
United States Dollar	710.16	606.75
Euro	774.61	738.05

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 their conversion at the closing exchange rates for monetary assets and liabilities denominated in foreign currency, are shown in the consolidated statement of comprehensive results.

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

#### K. Financial liabilities

Loans, payable bonds and similar documents are shown initially at their fair value, net of the costs incurred in the transaction. 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.

#### L. 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 use derivative financial instruments for hedging instruments to reduce risks from inflation, interest-rates and exchange rates on current positions to which it is exposed due to its business.

Derivatives are recorded at fair value on the date of the financial situation statement. In the case of financial derivatives, if the value is positive it is booked under "Other Financial Assets" and if negative under "Other Financial Liabilities."

Changes in the fair value are booked directly in results, except when a derivative has been designated as a hedge accounting instrument and meets all of the conditions established by the IFRS to apply hedge accounting.

#### Implicit derivative.

Aguas Cordillera S.A. and its 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 consolidated statement of results.

#### M. Provisions and contingent liabilities

Aguas Cordillera S.A. and its Subsidiary registers a provision when there is a present obligation as a consequence of past events, for which it is probable that they will use resources to settle the obligation and for which a fair estimate of the amount of the obligation can be made.

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

Contingent liabilities are those possible obligations arising as a result of past events, whose future materialization and associated equity effect is believed to be a low probability. In accordance with IFRS, Aguas Cordilleras S.A. and its Subsidiary make no provision for these concepts, if they did exist, as would be required.

#### N. Employee benefits

The obligation of termination benefits which are estimated to accrue to employees who retire in 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, are determined in accordance with IAS 19, in other comprehensive results, thus directly affecting Equity, and then later re-classified in accumulated earnings.





Compensation for years of service in Aguas Cordillera S.A. and its subsidiary are governed as indicated in the Labor Code, except the amount of the indemnity in any event accumulated through December 31, 2002 and the termination benefit of 1 monthly wage without any amount or age limit for workers covered by current collective agreements and for those to whom this benefit is extended through their individual work contract. 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.

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

#### **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. The income tax payable by Aguas Cordillera S.A. and its 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 figures 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 the closing date of each financial position statement and is reduced to the extent that it is unlikely 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 of settling the liability or realizing the asset, based on the tax rates that have been approved or have almost finalized 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 its Subsidiary expect to recover or settle the book values of its assets and liabilities at the date of report.

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 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 booking of 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, the Company retains 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 booking of ordinary revenue from 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 transferred to the client and recovery is considered probable, and the associated costs and possible discounts for erroneous billings can be estimated reliably.

The services area of the Company and its subsidiary is divided into billing groups which determine dates for meter readings and later billing. This process is developed based on a calendar month, which leads to the end of each month are unread consumption, and therefore, not billed. For the purposes of revenue accounting, the Company and its subsidiary makes an estimate of unbilled 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 is made according to actual consumption, and a monthly provision is made for consumption not yet billed, based on the previous billing.



### Method used for determining 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 and its Subsidiary.

### P. Information on 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 and its subsidiary's businesses.

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

The Company and its Subsidiary amortize these elements on a straight-line basis as a function of the estimated remaining years of useful lives of the different elements.

### Q. 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 periods ending December 31, 2015 and 2014.

During the years 2015 and 2014, the Group has not carried out any kind of operation with a potential diluting effect that supposes that diluted earnings per share are any different to basic earnings per share.

### R. Consolidated statement of cash flows

The cash flow statement records the cash movements during the period which include Value Added Tax (VAT), determined by the direct method under 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 net equity and liabilities not forming part of the ordinary activities.

### S. Construction contracts

For construction contracts, Aguas Cordillera and its 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 according to 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 its 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 its 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).



## T. 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 which 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.

## U. Reclassifications

For comparison purposes, certain reclassifications have been made to the statement of financial position as of December 31, 2015, according to the following detail:

<b>Reclassifications</b>	<b>Increase / (Decrease) Th\$</b>
<b>Statement of financial position:</b>	
Other non-financial liabilities	1,879,479
Trade and other accounts receivable	-1,879,479
<b>State of direct cash flow:</b>	
Payments to suppliers of goods and services	-1,400,263
Payments to and on behalf of employees	182,436
Proceeds from sales of goods and services	1,217,827
Other operating activity payments	-1,734,781
Income taxes paid (refunded)	1,734,781
Other cash flows (outflows)	-2,441,394
Purchases of property, plants and equipment	2,441,394

## 2.3 Accounting changes

The Superintendence of Securities and Insurance (SVS), under its authority, dated October 17, 2014, issued the Circular N° 856 that instructs the entities being audited to register in the respective period, against equity, the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780. The above, changed the preparation and presentation frame of the financial report adopted until that date, given that the previous frame (IFRS) needs to be adopted comprehensively, explicitly and without reservations.

As of December 31, 2014 and for the year ending on that date, the quantification of change of accounting framework meant a lower charge to results of Th\$2,918,361.



## DISCLOSURE INFORMATION ON RELATED ENTITIES

### A. Balances and transactions with related entities

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

#### Accounts Receivable from Related Companies

Tax ID Related Party	Name of Related Party	Nature of relationship	Country of Origin	Nature of transaction with related parties	Type of Currency	Limits	Securities	Accounts Th\$	
								12-31-2015	12-31-2014
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Collections, sale of materials, lease securities, contract for interconnection of potable and wastewater without interest, short-term loans in pesos	CLP	30 days	Unsecured	87,884	94,354
76.190.084-6	Aguas del Maipo S.A.	Related to Controller	CL	Provision of dividend	CLP	30 days	Unsecured	33,585	35,500
96.828.120-8	Gestión y Servicios S.A.	Related to Controller	CL	Provision of dividend	CLP	30 days	Unsecured	3,986	2,932
96.828.120-8	Gestión y Servicios S.A.	Related to Controller	CL	Sale of Materials	CLP	30 days	Unsecured	0	73
96.967.550-1	Análisis Ambientales S.A.	Related to Controller	CL	Provision of dividend	CLP	30 days	Unsecured	3,412	3,270
96.945.210-3	Ecoriles S.A.	Related to Controller	CL	Provision of dividend	CLP	30 days	Unsecured	5,379	4,731
<b>Total accounts receivable</b>								<b>134,246</b>	<b>140,860</b>



### Accounts Payable to Related Companies

Tax ID Related Party	Name of Related Party	Nature of relationship	Country of Origin	Nature of transaction with related parties	Type of Currency	Limits	Securities	Accounts Th\$	
								12-31-2015	12-31-2014
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Interconnections of wastewater, potable water, payment collection without interest and leasing of properties without interest, short-term loans in pesos	CLP	30 days	Unsecured	4,925,504	4,956,833
79.046.628-K	Asterión S.A.	Related to Controller	CL	Reengineering service contract for procedures and installation of new information systems for customer service	CLP	30 days	Unsecured	26,069	31,223
96.828.120-8	Gestión y Servicios S.A.	Related to Controller	CL	Wastewater Treatment Plant cleaning Service	CLP	30 days	Unsecured	3,537	4,312
96.945.210-3	Ecoriles S.A.	Related to Controller	CL	Alto Lampa Absorption Plant	CLP	30 days	Unsecured	0	136,756
96.967.550-1	Análisis Ambientales S.A.	Related to Controller	CL	Chemical and bacteriological analysis service	CLP	30 days	Unsecured	116,708	62,793
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to Controller	CL	Lo Pinto Project	CLP	30 days	Unsecured	0	2,357,458
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to Controller	CL	Ice Pigging Service	CLP	30 days	Compliance with contract. Amount Th\$26,600	125,398	103,211
<b>Total accounts payable</b>								<b>5,197,216</b>	<b>7,652,586</b>



### Transactions between related parties

Tax ID Related Party	Name of Related Party	Nature of relationship	Country of origin	Nature of Transactions with Related Parties	Type of Currency	Accounts (Thousands of \$)			
						12-31-2015		12-31-2014	
						Amount	Impact on Statement (Change) / Inc	Amount	Impact on Statement (Change) / Inc
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Potable water and sewage interconnections	CLP	14,715,266	-14,715,266	-13,973,312	13,973,312
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loan collection	CLP	24,615,000	-150,048	300,000	-91,046
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Dividend payments	CLP	13,825,486	0	34,803,726	0
96.967.550-1	Análisis Ambientales S.A.	Related to the Controller	CL	Laboratory services	CLP	761,476	-761,476	-380,115	380,115
79.046.628-K	Asterión S.A.	Other related parties	CL	Process reengineering and new client service information system service contract	CLP	81,263	-76,084	-168,954	-32,018
76.148.998-4	Aqualogy Mediambiente S.A.	Related to the Controller	CL	Lo Pinto project	CLP	704,601	0	5,054,179	-177,333

The criteria of materiality for reporting transactions with related entities are accumulated amounts of over M \$100,000.





## AGUAS CORDILLERA S.A. AND SUBSIDIARY

<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2015 Th\$</b>	<b>2014 Th\$</b>
<b>ASSETS</b>		
Current assets	22,617,084	23,165,018
Non-current assets	276,453,612	264,250,644
<b>Total Assets</b>	<b>299,070,696</b>	<b>287,415,662</b>
<b>LIABILITIES</b>		
Current liabilities	23,685,163	19,495,703
Non-current liabilities	75,730,167	72,677,994
Equity	199,655,122	195,241,736
Minority Participations	244	229
<b>Total liabilities and equity</b>	<b>299,070,696</b>	<b>287,415,662</b>
<b>STATEMENT OF COMPREHENSIVE RESULTS</b>	<b>2015 Th\$</b>	<b>2014 Th\$</b>
Revenue	62,038,204	60,227,650
Operational costs	-37,592,758	-33,644,504
Financial result	-835,484	-510,836
Other than operation	-1,472,841	-1,722,647
Income tax	-3,670,465	-3,073,776
Minority Participations	-15	-23
<b>Earnings attributable to owners of the controller</b>	<b>18,466,641</b>	<b>21,275,864</b>
<b>STATEMENT OF CASH FLOW</b>	<b>2015 Th\$</b>	<b>2014 Th\$</b>
Net cash flows of operational activities	19,080,170	21,984,079
Net cash flows of investment activities	-10,324,999	-15,663,380
Net cash flows of financing activities	-8,649,832	-13,508,093
Net increase (decrease) on cash and cash equivalents	105,339	-7,187,394
Initial balance of cash and cash equivalents	8,940,790	16,128,184
<b>Closing balance of cash and cash equivalents</b>	<b>9,046,129</b>	<b>8,940,790</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>2015 Th\$</b>	<b>2014 Th\$</b>
Capital issued	153,608,183	153,608,183
Other participations in equity	-61,060,426	-61,060,426
Accumulated gains (losses)	107,107,365	102,693,979
Non-controlling participation	244	229
<b>Total equity</b>	<b>199,655,366</b>	<b>195,241,965</b>



## Aguas del Maipo S.A.

### General Information

Name	: Aguas del Maipo S.A
Type of entity	: Closed corporation
Address	: Avenida Presidente Balmaceda N° 1398, Santiago Chile
Phone Number	: (56-2) 2 569 2118
Fax	: (56-2) 2569 2309
Tax ID Number (RUT)	: 76.190.084-6
Area	: The development and exploitation of any energy project from the use of installations and natural goods of water sanitation companies.
Capital subscribed and paid	: Th\$ 7,971,221
External auditors	: Ernst & Young
Tax ID Number (RUT)	: 77.802.430-6

### Corporate Purpose

The Company's corporate purpose is to perform all kind of activities related to water use rights, the development and exploitation of any energy project from the use of installations and natural goods of water sanitation companies, its products and/or by-products, among them the electric cogeneration, biogás generation and hydropower.

### Constitutive Documents

The Company was established by deed on April 14, 2011, in the Santiago Notary's office of Mr. Iván Torrealba Acevedo, an extract of the statutes was registered in the Commercial Register of the Conservative Real Estate of Santiago of that year in pages 19364 N° 14746 of the Commercial Register of Santiago for the year 2011.

### Board of Directors

President	: <b>Felipe Larraín Aspillaga</b> (President of Aguas Andinas S.A.)
Named board members	: <b>Jordi Valls Riera</b> (CEO of Aguas Andinas S.A.)
	: <b>Cosme Sagnier Guimón</b> (Director of Aguas Andinas S.A.)
CEO	: <b>Manuel Baurier Trias</b> (Senior executive of Aguas Andinas S.A.)

### Parent Company's ownership: 82.64996% direct

### Proportion representing the parent's investment in the asset.

Investment in the Company represents the proportion of 0.53%

### Business relationship with parent and subsidiaries of the parent

During the period ending December 31, 2015, the Company held supply contracts for biogas and leases with its Parent, which are according to market conditions. In the future it is expected to maintain similar commercial relationships.



## 2.- BASIS OF ACCOUNTING PRESENTATION AND POLICIES

### 2.1.- Basis of Preparation

The consolidated financial statements as of December 31, 2015, have been prepared in accordance with instructions and standards issued by the Superintendence of Securities and Insurance (SVS), which are composed of the International Financial Reporting Standards (IFRS) and what is established in Circular 856 of October 17, 2014 that instructs the auditees, to register in the respective period against equity the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780 with specific standards issued by the SVS.

These consolidated financial statements faithfully reflect the financial position of Aguas del Maipo S.A. as of December 31, 2015 and 2014, the results of operations, changes in net equity and cash flows for periods ended December 31, 2015 and 2014.

The Company complies with all the legal conditions of the environment in which it carries on its business, particularly the biogas generation, operate normally in every area of their activities, projecting a profitable operation and able to access the financial system for financing their businesses which determines its ability to continue as an ongoing company, as established by the accounting standards under which these financial statements are issued.

### Functional and presentation currency

Individual financial statements are presented using the currency of the principal economic environment in which the Company operates (Functional currency). The financial statements are presented in Chilean pesos, which is the Company's functional currency and the presentation currency for the financial statements.

### New accounting pronouncements

- As of the period beginning January 01, 2015 there do not exist accounting pronouncements of effective application that significantly impact the presentation and disclosure of the consolidated financial statements.
- The following new Standards and Interpretations have been issued but are not yet in force:

New IFRS	Date of mandatory application
IFRS 9, Financial Instruments, classification and measurement	Annual periods starting on or after January 01, 2018
IFRS 14, Deferred Regulatory Accounts	Annual periods starting on or after January 01, 2016
IFRS 15, Revenue from Contracts with Customers	Annual periods starting on or after January 01, 2018
IFRS 16, Leases	Annual periods starting on or after January 01, 2019
Improvements and Modifications	Date of mandatory application
IAS 19, Employee benefits	Annual periods starting on or after January 01, 2016
IAS 16, Property, Plant and Equipment	Annual periods starting on or after January 01, 2016
IAS 38, Intangible Assets	Annual periods starting on or after January 01, 2016
IAS 41, Agriculture	Annual periods starting on or after January 01, 2016
IFRS 11, Joint Agreements	Annual periods starting on or after January 01, 2016
IAS 27, Separate Financial Statements	Annual periods starting on or after January 01, 2016
IAS 28, Investments in Associates and Joint Ventures	Annual periods starting on or after January 01, 2016
IFRS 10, Consolidated Financial Statements	Annual periods starting on or after January 01, 2016
IFRS 5, Non-Current Assets Maintained for the Sale and Discontinued Operations	Annual periods starting on or after January 01, 2016
IFRS 7, Financial Instruments: Disclosures	Annual periods starting on or after January 01, 2016
IFRS 12, Disclosures about participation in other entities	Annual periods starting on or after January 01, 2016
IAS 1, Presentation of Financial Statements	Annual periods starting on or after January 01, 2016
IAS 34, Interim Financial Information	Annual periods starting on or after January 01, 2016

The management of the Company is analyzing the eventual impact of the above-mentioned standards and amendments on the financial statements.

Notwithstanding, those whose date of entry into force are in annual periods starting on January 1, 2016, have been analyzed and it is determined they will not have relevant effects in the preparation and presentation of future financial statements.

### Responsibility for the information and estimates made

The information contained in these financial statements is the responsibility of the Board of Directors of the Company, which states that it has applied all principles and criteria included in the standards imposed by the Superintendence of Securities and Insurance (SVS). The Board of Directors, in a meeting held on March 21, 2016, approved these consolidated financial statements.

The financial statements of the Company for the 2014 period were approved by the Board of Directors at its meeting held on March 20, 2015.

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

- Useful life of fixed intangible assets
- Valuation of assets
- Losses through impairment of assets
- Revenues from supplies with invoice pending
- Provisions for commitments acquired with third parties
- Risks deriving from pending litigation



Although these estimates and judgments were made as a function of the best information available on the date of issue of these financial statements, it is possible that events may occur in the future that cause them to be amended (upward or downward) in subsequent periods, which would be registered prospectively as soon as the variation is known, recognizing 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 recognizes an identifiable intangible asset when it can be shown that it is probable that future economic benefits attributed to it will flow to the entity and the cost can be correctly valued.

The basis for booking and measuring is the cost method.

#### i. Intangible assets acquired separately

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

#### ii. Amortization method for intangibles:

##### Intangibles with defined useful lives.

The amortization method employed by the Company reflects the pattern for which the future economic benefits of the asset is expected to be used by the entity. The Company therefore uses the straight-line depreciation method

### Computer programs.

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

### Intangibles with indefinite useful lives.

Intangible assets with indefinite useful lives relate mainly to water rights, which were obtained on an indefinite basis, as established in the acquisition contracts and the rights obtained from the General Water Authority of the Ministry of Public Works.

### Determination of useful life

The factors that should 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 of 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 the valuation of 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 future economic benefits associated with the elements of fixed assets are going to flow to

the Company and the cost of the element can be determined reliably. The value of the component substituted is written off in the books. Other repairs and maintenance are charged to results in the period in which they are incurred.

### Depreciation method and estimated useful life for property, plant and equipment:

The depreciation method applied by the Company and its subsidiary reflects the extent to which the assets are used by the entity during the period in which they generate economic benefits. The Company 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 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 life

The useful life considered in calculating the depreciation are based on technical studies prepared by external specialist firms, which are revised as new information arises that permits a consideration that the useful life of some asset has been 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 component materials in equipment or buildings
2. Operating environment of the equipment
3. Intensity of use
4. Legal, regulatory or contractual limitations

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

ITEM	Useful life (years) minimum	Useful life (years) maximum
Plant and equipment	5	50
Computer technology equipment	4	4
Fixed installations and accessories	10	80
Other property, plant and equipment	4	80

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

Due to the nature of the assets constructed in the Company and given that there are no contractual obligations or other construction requirements like those mentioned in the IFRS, the concept of dismantling costs is not applicable as of the date of these financial statements.

## Fixed asset sales policy

The results of fixed asset sales are calculated by comparing the proceeds received with the book value, and are registered 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 each Statement of Financial Position, with useful life defined to see whether there exists any indication of a loss due to impairment. Should this exist, the recoverable value of such assets is estimated in order to determine whether any impairment has been suffered. 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 the asset belongs.

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

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

When it is estimated that the recoverable value of an asset (or cash-generating unit) is less than its book value, the book value of that asset (or cash-generating unit) is adjusted to its recoverable value, booking a loss for impairment in results immediately. 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 conditions of the lease 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 and subsidiaries review their contracts to check for the possible existence of implicit leases, in accordance with IFRIC 4.

## E. Financial assets

The 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 have been transferred and the Company has passed 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 del Maipo S.A. 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 very 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 issuing institutions of these instruments are bank Companies or subsidiaries of the Banks with an N-1 credit rating, and their instruments have a rating of least AA (very high capacity for paying the principal and interest on the agreed terms and maturities, which would not be affected significantly by possible changes in the issuer, the industry to which it belongs or the economy).

#### **I. Effective interest-rate method**

The effective interest-rate method is the method for calculating the amortized cost of a financial asset or liability and of the assignment of interest income or expense over the whole corresponding period. The effective interest rate is the rate that exactly discounts the estimated future cash flows receivable over the expected life of the financial asset, and makes the Net Present Value (NPV) equal to its nominal amount.

#### **ii. Loans and accounts receivable**

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

#### **F. Commercial debtors and other accounts receivable**

Commercial debtors and other accounts receivable are registered initially for their fair value, shown net of the estimate of bad debts or debts with doubtful recovery.

#### **Policy for impairment of commercial debtors and other accounts receivable**

The Company periodically evaluates impairments affecting its financial assets. The amount is booked as bad debt provisions. The book value of an asset is reduced to the extent that the provision account is used and the loss is booked in the statement of comprehensive results in "other expenses." When an account receivable is not recoverable, it is written off against provisions for accounts receivable.

Estimates are based on the age of the debts and historical recuperation, according to the following:

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

A 100% provision is made for overdue notes receivable.

#### **G. Dividends policy**

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

The minimum dividend established in the Corporations Law, equivalent to 30% of annual profits, will be shown at the end of each period. In the event there were no interim dividends or were less than the 30% referenced, the, the respective provision will be registered

#### **H. Foreign currency transactions**

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

Currency	12-31-2015\$	12-31-2014\$
United States Dollar	710.16	606.75
Euro	774.61	738.05

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 their conversion at the closing exchange rates for monetary assets and liabilities denominated in foreign currency, are shown in the consolidated statement of comprehensive results.

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

#### **I. Financial liabilities**

Loans, payable bonds and similar documents are shown initially at their fair value, net of the costs incurred in the transaction. They are later shown at amortized cost, using the effective interest rate.

#### **J. Provisions and contingent liabilities**

The Company registers a provision when there is a present obligation as a consequence of past events, for which it is probable that the Company will use resources to settle the obligation and for which a fair estimate of the amount of the obligation can be made.





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

Contingent liabilities are those possible obligations arising as a result of past events, whose future materialization and associated equity effect is believed to be a low probability. In accordance with IFRS, the Company makes no provision for these concepts.

#### **K. Income tax and deferred taxes**

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

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

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 figures 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 the closing date of each financial position statement and is reduced to the extent that it is unlikely 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 of settling the liability or realizing the asset, based on the tax rates that have been approved or have almost finalized 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 to recover or settle the book values of its assets and liabilities at the date of report.

Deferred tax assets and liabilities are offset when there is a legal right to offset tax assets against tax liabilities and these are related to the same entity and tax authority.

#### **L. Ordinary revenue**

##### **Policy for accounting for ordinary revenue**

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

##### **Policy for booking of ordinary revenue from sales of goods**

In the event a sale of properties, plants and equipment were to occur, the revenue is booked once the risk and significant advantages deriving from ownership of the goods are transferred.

##### **Policy for booking of ordinary revenue from 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 transferred to the client and recovery is considered probable, and the associated costs and possible discounts for erroneous billings can be estimated reliably.

#### **M. Information on 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 Aguas del Maipo S.A.' business.

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

#### **N. Statement of cash flows**

The cash flow statement records the cash movements during the period which include Value Added Tax (VAT), determined by the direct method under 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 Society 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 net equity and liabilities not forming part of the ordinary activities.



## O. Reclassifications

For comparison purposes, certain reclassifications have been made to the statement of financial position as of December 31, 2014, according to the following detail:

Reclassifications	Increase/ (Reduction) Th\$
<b>Statement of financial position:</b>	
Other non-financial liabilities	259
Trade and other accounts receivable	-259

## 2.3.- ACCOUNTING CHANGES

The Superintendence of Securities and Insurance (SVS), under its authority, dated October 17, 2014, issued the Circular N° 856 that instructs the entities being audited to register in the respective period, against equity, the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780. The above, changed the preparation and presentation frame of the financial report adopted until that date, given that the previous frame (IFRS) needs to be adopted comprehensively, explicitly and without reservations.

## INFORMATION TO REVEAL ABOUT RELATED ENTITIES

### Balances and transactions with related entities

#### Accounts Receivable from Related Entities

Tax ID Related Party	Name of Related Party	Nature of relationship	Country	Nature of transaction with related parties	Type of Currency	Limits	Securities	12-31-2015 Th\$	12-31-2014 Th\$
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Office lease security for Farfana plant	CLP	30 days	Unsecured	615	591
<b>Total Accounts Receivable</b>								<b>615</b>	<b>591</b>

#### Accounts Payable to Related Entities

Tax ID Related Party	Name of Related Party	Nature of relationship	Country	Nature of transaction with related parties	Type of Currency	Limits	Securities	12-31-2015 Th\$	12-31-2014 Th\$
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Biogas supply provision	CLP	30 days	Unsecured	57,382	101,998
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Minimum dividend provision	CLP	30 days	Unsecured	159,986	169,113
96.809.310-K	Aguas Cordillera S.A	Related to the Controller	CL	Minimum dividend provision	CLP	30 days	Unsecured	16,219	17,145
89.221.000-4	Aguas Manquehue S.A.	Related to the Controller	CL	Minimum dividend provision	CLP	30 days	Unsecured	17,365	18,356
76.938.110-4	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the Controller	CL	Operation of La Farfana Biogas Purification Plant, monitoring control of energy costs	CLP	30 days	Unsecured	118,867	37,161
76.938.110-4	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the Controller	CL	EDAS Operation Services	CLP	30 days	Unsecured	34,063	24,545
<b>Total Accounts Payable</b>								<b>403,882</b>	<b>368,318</b>



## Transactions

Tax ID Related Party	Name of Related Party	Nature of relationship	Country of Origin	Nature of Transactions with Related Parties	Type of Currency	Flows (Thousands of \$)			
						12-31-2015		12-31-2014	
						Amount	Impact on Statement (Charge)/Contr	Amount	Impact on Statement (Charge)/Contr
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Biogas	CLP	181,568	-181,568	159,856	-159,856
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Controller	CL	Plant operation, maintenance and control and energy continuation	CLP	242,422	-242,422	163,013	-163,013
61.808.000-5	Aguas Andinas S.A.	Controller	CL	Loans	CLP	2,600,000	25,935	820,000	21,790

The criteria of materiality for disclosing information with related parties is for amounts surpassing Th\$ 100,000



### Aguas del Maipo S.A.

<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2015</b>	<b>2014</b>
	<b>Th\$</b>	<b>Th\$</b>
<b>ASSETS</b>		
Current assets	1,435,830	2,272,296
Non-current assets	8,461,121	8,569,107
<b>Total Assets</b>	<b>9,896,951</b>	<b>10,841,403</b>
<b>LIABILITIES</b>		
Current liabilities	498,671	410,504
Non-current liabilities	57,196	34,092
Equity	9,341,084	10,396,807
<b>Total liabilities and equity</b>	<b>9,896,951</b>	<b>10,841,403</b>
<b>STATEMENT OF COMPREHENSIVE RESULTS</b>	<b>2015</b>	<b>2014</b>
	<b>Th\$</b>	<b>Th\$</b>
Revenue	920,864	772,291
Operational costs	-646,984	-563,449
Financial result	489,698	470,101
Other than operation	-105	543
Income tax	-118,238	2,558
<b>Earnings attributable to owners of the controller</b>	<b>645,235</b>	<b>682,044</b>
<b>STATEMENT OF CASH FLOW</b>	<b>2015</b>	<b>2014</b>
	<b>Th\$</b>	<b>Th\$</b>
Net cash flows of operational activities	192,159	830,625
Net cash flows of investment activities	489,717	470,141
Net cash flows of financing activities	-1,712,000	-
Net increase (decrease) on cash and cash equivalents	-1,030,124	1,300,766
Initial balance of cash and cash equivalents	2,058,202	757,436
<b>Closing balance of cash and cash equivalents</b>	<b>1,028,078</b>	<b>2,058,202</b>



STATEMENT OF FINANCIAL POSITION ENDING DECEMBER 31 2015	Aguas Andinas S.A. and Subsidiaries		Aguas Cordillera S.A and Subsidiary		Aguas Manquehue S.A.	
	2015	2014	2015	2014	2015	2014
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
<b>ASSETS</b>						
Current assets	148,629,745	127,110,555	22,617,084	23,165,018	3,319,920	4,473,100
Non-current assets	1,542,568,103	1,479,361,071	276,453,612	264,250,644	75,175,718	71,239,461
<b>Total Assets</b>	<b>1,691,197,848</b>	<b>1,606,471,626</b>	<b>299,070,696</b>	<b>287,415,662</b>	<b>78,495,638</b>	<b>75,712,561</b>
<b>LIABILITIES</b>						
Current liabilities	232,407,312	176,505,576	23,685,163	19,495,703	3,498,085	7,114,700
Non-current liabilities	787,200,069	763,568,279	75,730,167	72,677,994	21,813,263	18,465,022
Equity	617,195,977	610,763,619	199,655,122	195,241,736	53,184,290	50,132,839
Minority Participations	54,394,490	55,634,152	244	229		
<b>Total Liabilities and Equity</b>	<b>1,691,197,848</b>	<b>1,606,471,626</b>	<b>299,070,696</b>	<b>287,415,662</b>	<b>78,495,638</b>	<b>75,712,561</b>
<b>STATEMENT OF RESULTS</b>						
Ordinary Revenues	473,396,705	440,734,172	62,038,204	60,227,650	10,986,311	12,371,031
Operational costs	(259,165,276)	(233,213,669)	(37,592,758)	(33,644,504)	(6,052,435)	(5,820,842)
Financial result	(21,322,586)	(25,434,921)	(835,484)	(510,836)	57,257	183,576
Other non-operation earnings	(26,541,261)	(33,979,900)	(1,472,841)	(1,722,647)	(460,185)	(478,777)
Income tax	(33,683,724)	(25,045,174)	(3,670,465)	(3,073,776)	(988,931)	(1,005,072)
Minority Participation	(3,675,713)	(3,638,034)	(15)	(23)		
<b>Earnings attributed to ownership of the controller</b>	<b>129,008,145</b>	<b>119,422,474</b>	<b>18,466,641</b>	<b>21,275,864</b>	<b>3,542,017</b>	<b>5,249,916</b>
<b>STATEMENT OF CASH FLOW</b>						
Net cash flows of operational activities	214,469,492	207,040,868	19,080,170	21,984,079	3,431,084	5,613,526
Net cash flows of investment activities	(91,751,420)	(86,060,129)	(10,324,999)	(15,663,380)	(4,630,611)	(8,952,312)
Net cash flows of financing activities	(115,966,697)	(133,437,566)	(8,649,832)	(13,508,093)	522,049	1,370,440
Net increase (decrease) on cash and cash equivalents	6,751,375	(12,456,827)	105,339	(7,187,394)	(677,478)	(1,968,346)
<b>Initial balance of cash and cash equivalents</b>	<b>26,202,154</b>	<b>38,658,981</b>	<b>8,940,790</b>	<b>16,128,184</b>	<b>1,305,933</b>	<b>3,274,279</b>
<b>Closing Balance of Cash and Cash Equivalents</b>	<b>32,953,529</b>	<b>26,202,154</b>	<b>9,046,129</b>	<b>8,940,790</b>	<b>628,455</b>	<b>1,305,933</b>



STATEMENT OF FINANCIAL POSITION ENDING DECEMBER 31 2015	Iberaguas Ltda. and Subsidiary		Essal S.A.		Ecoriles S.A.	
	2015 Th\$	2014 Th\$	2015 Th\$	2014 Th\$	2015 Th\$	2014 Th\$
<b>ASSETS</b>						
Current assets	15,111,597	14,744,849	14,781,420	14,618,034	4,666,622	4,460,896
Non-current assets	167,302,687	159,964,925	140,909,823	133,366,377	384,060	349,256
<b>Total Assets</b>	<b>182,414,284</b>	<b>174,709,774</b>	<b>155,691,243</b>	<b>147,984,411</b>	<b>5,050,682</b>	<b>4,810,152</b>
<b>LIABILITIES</b>						
Current liabilities	14,486,457	11,686,265	16,343,039	14,019,578	2,217,789	1,824,643
Non-current liabilities	62,666,961	58,698,964	62,666,961	58,698,964	-	-
Equity	67,687,059	67,444,269	76,681,243	75,265,869	2,832,893	2,985,509
Minority Participations	37,573,807	36,880,276	-	-		
<b>Total Liabilities and Equity</b>	<b>182,414,284</b>	<b>174,709,774</b>	<b>155,691,243</b>	<b>147,984,411</b>	<b>5,050,682</b>	<b>4,810,152</b>
<b>STATEMENT OF RESULTS</b>						
Ordinary Revenues	49,523,574	45,163,487	49,523,574	45,158,426	12,592,871	11,865,133
Operational costs	(30,387,012)	(25,842,489)	(30,375,448)	(25,836,974)	(10,276,082)	(9,872,518)
Financial result	(2,383,381)	(2,316,605)	(2,383,381)	(2,316,605)	41,876	40,856
Other non-operation earnings	(1,720,552)	(2,520,463)	(1,720,294)	(2,520,128)	10,051	11,246
Income tax	(3,080,888)	(3,008,286)	(3,059,796)	(2,965,307)	(503,987)	(404,472)
Minority Participation		-	-	-		
<b>Earnings attributed to ownership of the controller</b>	<b>11,951,741</b>	<b>11,574,644</b>	<b>11,984,655</b>	<b>11,519,412</b>	<b>1,864,729</b>	<b>1,640,245</b>
<b>STATEMENT OF CASH FLOW</b>						
Net cash flows of operational activities	23,533,969	22,247,611	23,588,153	20,655,216	2,843,287	1,667,639
Net cash flows of investment activities	(13,023,590)	(8,971,565)	(13,023,590)	(8,971,565)	(137,608)	(140,568)
Net cash flows of financing activities	(11,366,943)	(16,508,129)	(11,418,806)	(14,917,575)	(1,950,000)	(1,539,224)
Net increase (decrease) on cash and cash equivalents	(856,564)	(3,232,083)	(854,243)	(3,233,924)	755,679	(12,153)
<b>Initial balance of cash and cash equivalents</b>	<b>2,391,285</b>	<b>5,623,368</b>	<b>2,382,635</b>	<b>5,616,559</b>	<b>806,305</b>	<b>818,458</b>
<b>Closing Balance of Cash and Cash Equivalents</b>	<b>1,534,721</b>	<b>2,391,285</b>	<b>1,528,392</b>	<b>2,382,635</b>	<b>1,561,984</b>	<b>806,305</b>





STATEMENT OF FINANCIAL POSITION ENDING DECEMBER 31 2015	Aguas del Maipo S.A		Gestión y Servicios S.A		Análisis Ambientales S.A	
	2015	2014	2015	2014	2015	2014
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
<b>ASSETS</b>						
Current assets	1,435,830	2,272,296	6,085,890	6,617,684	2,339,638	3,605,574
Non-current assets	8,461,121	8,569,107	286,174	378,776	5,492,895	1,507,230
<b>Total Assets</b>	<b>9,896,951</b>	<b>10,841,403</b>	<b>6,372,064</b>	<b>6,996,460</b>	<b>7,832,533</b>	<b>5,112,804</b>
<b>LIABILITIES</b>						
Current liabilities	498,671	410,504	1,821,756	2,473,253	4,235,959	1,139,501
Non-current liabilities	57,196	34,092	36,577	76,560		
Equity	9,341,084	10,396,807	4,513,731	4,446,647	3,596,574	3,973,303
Minority Participations	-	-				
<b>Total Liabilities and Equity</b>	<b>9,896,951</b>	<b>10,841,403</b>	<b>6,372,064</b>	<b>6,996,460</b>	<b>7,832,533</b>	<b>5,112,804</b>
<b>STATEMENT OF RESULTS</b>						
Normal revenue	920,864	772,291	9,405,126	8,951,259	6,989,535	6,603,852
Operational costs	(646,984)	(563,449)	(8,609,974)	(8,387,024)	(5,725,439)	(5,283,496)
Financial result	489,698	470,101	(5,463)	9,784	23,291	50,273
Other non-operation earnings	(105)	543	(1,163)	(2,442)	8,178	3,491
Income tax	(118,238)	2,558	(172,498)	(117,394)	(158,074)	(284,027)
Minority Participation	-	-				
<b>Earnings attributed to ownership of the controller</b>	<b>645,235</b>	<b>682,044</b>	<b>616,028</b>	<b>454,183</b>	<b>1,137,491</b>	<b>1,090,093</b>
<b>STATEMENT OF CASH FLOW</b>						
Net cash flows of operational activities	192,159	1,300,766	1,138,931	303,405	1,755,458	2,059,717
Net cash flows of investment activities	489,717	-	(606)	1,336,049	(4,845,265)	(385,631)
Net cash flows of financing activities	(1,712,000)	-	(880,000)	(1,556,273)	1,250,000	(1,129,858)
Net increase (decrease) on cash and cash equivalents	(1,030,124)	1,300,766	258,325	83,181	(1,839,807)	544,228
Initial balance of cash and cash equivalents	<b>2,058,202</b>	<b>757,436</b>	<b>244,346</b>	<b>161,165</b>	<b>1,906,905</b>	<b>1,362,677</b>
<b>Closing Balance of Cash and Cash Equivalents</b>	<b>1,028,078</b>	<b>2,058,202</b>	<b>502,671</b>	<b>244,346</b>	<b>67,098</b>	<b>1,906,905</b>