REASONED ANALYSIS

Term finished by December 31st 2011 and 2010

REASONED ANALYSIS
AGUAS ANDINAS S.A. AND SUBSIDIARIES
December - 2011

I GENERAL ASPECTS

Share composition

Aguas Andinas's capital constitutes 6.118.965.160 shares, without nominal value. By June 30th, 2011, our largest shareholder is Inversiones Aguas Metropolitanas S.A. with 50.1%.

Revenue for ordinary activities

Our revenue is derived mainly from the regulated services that we provide and which relate to: production and distribution of drinkable water; collection, treatment and sewage disposal among other regulated services (which include revenue related to the charges for supply disconnection and reconnection, the monitoring of liquid industrial waste disposal and fixed charges).

The ordinary income for the 2011 term rose to Ch$363,733 million, which is Ch$34,769 million (10.6%) above the amount obtained during the previous term. This variation is due to the increase in cubic meters produced by the natural increase in our clients, as well as with the increase in rates, indexations and, mainly, because of the incorporation of the rate associated with the going online of the Mapocho Collector Interceptor in April 2010, which allowed for the substantial improvement of sewage treatment, from 72.7% to the current 85.5%. The net profit for Aguas Andinas S.A. to December 31st, 2011, was Ch$111,479 million, which is Ch$7,630 million (7,3%) greater, with respect to the previous term.

Operational costs and expenses

The operational costs and expenses are composed by the costs of the raw materials and consumables used, expenses for employee benefits, expenses for depreciation and amortization, losses for value impairment and other expenses by nature. The most relevant items are: "other expenses by nature" with 37.4% of total operational costs and associated with the outsourcing of certain services to contractors; the expense for depreciation and amortization which represented 28.1%; The expense for employee benefits which represented 20.0%; and raw materials and consumables used which represented 14.0%, all of this during the 2011 term. Within the relevant increases observed when comparing accumulated costs in the 2011 term compared to the previous term, as well as when comparing the evolution of these same costs within the fourth trimester, it is important to note those associated to the measures destined to mitigate the consequences that the drought the Metropolitan Region is going through during the current term, is generating within the company. Among these, the purchase of water, the usage of a greater amount of wells with the consequently greater expense in electric energy, stand out. Also worth noting, is the increase in costs associated to sewage treatment, given that the going online of the Mapocho Collector Interceptor in April 2010 has meant a great increase, during the last term, of the sewage flows that finally arrive at the plants and are adequately treated before their restitution to the environment..

Rates

The selected rates for our regulated sales and services are the most important factor in determining the results of our operations and financial situation. As a natural monopoly, we are regulated by the SISS (Superintendence of Sanitary Services, Chile) and our rates are fixed in conformity to the Rates

Law for Sanitary Services D.F.L. Nº70 of 1988.

Our rate levels are revised every five years and, during said period, they are subject to additional readjustments related to a polynomial indexation, which are applied when the accumulated variation since the previous adjustment is 3.0% or above, according to calculations based on various inflation indexes. Specifically, the readjustments are applied in accordance to a formula which includes the Consumer Price Index, the Wholesale Price Index for Imported Industrial Goods and the Wholesale Price Index for National Industrial Goods, all of which are measured by the Chilean National Statistics Institute. Also, the rates are subject to change in order to reflect additional services previously authorized by the SISS.

The current rates for the 2010-2015 period were approved by Decree number 60, dated February 2nd, 2010, for Aguas Andinas S.A. from the Ministry of Economy, Development and Reconstruction started being enforced on March 1st, 2010, while the decrees for Aguas Cordillera and Aguas Manquehue S.A. correspond to N°176 dated June 8th, 2010 and N° 170 dated May 20th, 2010 respectively. Also, Empresa de Servicios Sanitarios de Los Lagos S.A. (Essal S.A.) concluded its rate negotiation process in 2011, for the five year period between 2011 and 2016. These were approved according to Decree Nº 116 dated August 31st, 2011.

Market Risk

Our company presents a favorable situation when it comes to risk, which is mainly due to the particular characteristics of the health sector. Our business is seasonal and the exploitation results may vary from one trimester another. We tend to record higher levels of demand and revenue during the summer months (December through March) and the lowest levels of demand and revenue during the winter months (June through September). In general, demand for water is greater during the warmest months and not in the months with milder temperatures, due mainly to the additional water requirements generated by irrigation systems and other external uses of water.

Adverse climate conditions can eventually affect the optimal delivery of sanitary services because the catchment and water production processes for drinking water largely depend on the climate conditions that develop in hydrographic basins. Factors such as meteorological precipitations (snow, hail, rain, fog), temperature, humidity, sediment transport, as well as river flows and turbidity, determine the quantity, quality and continuity of raw water available at every intake, which can be treated at a drinking water treatment plant. In case of drought, we have large water reserves at the El Yeso reservoir, Laguna Negra and Lo Encañado, in addition to the contingency plans that we have developed, and that allow us to diminish the possible negative impacts that adverse weather conditions could cause for our operations. During the present term, the second consecutive year of drought has presented itself, which has meant the application of contingency plans such as the purchase of water, usage of wells, rent and purchase of water rights and others. All of this with the object of diminishing the impact of the drought and perform our services normally.

Capital Investments

One of the variables that has the most incidence in our operations' results and financial standing is capital investments. There are two types:

Committed Investments. We have the obligation to agree on an investment plan with the SISS, where we describe the investments that we must make for the next 15 years till the date when the corresponding investment plan starts being enforced. Specifically, the investment plan reflects commitment on our part to undertake certain projects related to the maintenance of certain standards for quality and coverage. The aforementioned investment plan is subject to revising every five years, with the possibility of requests for change being made when certain relevant facts are verified.

Part of these investments are those related to the sanitation of sewage, within which the Mapocho Urbano Limpo (MUL) project, from 2010 and the construction of the thirds Sewage Treatment Plant and the La Farfana-El Trebal Interceptor are included. All of these are Works that will allows us to achieve 100% in sewage treatment for the second semester of 2012.

Approval dates for updates in the development plans of Grupo Aguas.

Aguas Andinas S.A.
Gran Santiago: May 16^{th} 2011
Other Locations: December 22^{nd} and 28^{th}, 2010 and December 29^{th}, 2011

Aguas Cordillera S.A.
Aguas Cordillera and Villa Los Dominicos: December 29^{th}, 2010

Aguas Manquehue S.A.
Santa María and Los Trapenses: December 28^{th}, 2010
Chicureo, Chamisero and Valle Grande III: December 29^{th}, 2011

Essal S.A.
X and XIV Regions: December 30^{th}, 2010

Non Committed investments. Non committed investments are those which are not considered in the investment plan and which we voluntarily undertake with the objective of ensuring the quality of our services and replacing obsolete assets, acquiring water use rights and the investment in non - regulated businesses, among others.

In accordance to international financial information standards enforced in Chile (NIIFCH), interests over capital investments in construction in progress are capitalized. In consequence, any changes in our capital investment plan affect the amount of expenses in paid interest in the revenue statements, consigned as construction in progress under "Properties, plant and equipment" of our balance.

II COMPARATIVE ANALYSIS AND EXPLANATION OF VARIATIONS

Consolidated statements of financial position

The composition of assets and liabilities is as follows:

Consolidated Statements of Financial position	December 2011	December 2010	Variation Dec 11 - Dec 10	
	MMCh$	MMCh$	MMCh$	%
Current assets	82.643	75.792	6.851	9,0%
Long-term assets	1.387.353	1.297.594	89.759	6,9%
Total Assets	**1.469.996**	**1.373.386**	**96.610**	**7,0%**
Current liabilities	197.886	92.932	104.954	112,9%
Long-term liabilities	593.048	606.822	(13.774)	-2,3%
Total Liabilities	**790.934**	**699.754**	**91.180**	**13,0%**
Equity attributable to the parent owners	614.088	607.588	6.500	1,1%
Non-Controlling interests	64.974	66.044	(1.070)	-1,6%
Total Equity	**679.062**	**673.632**	**5.430**	**0,8%**
Total Equity and Liabilities	**1.469.996**	**1.373.386**	**96.610**	**7,0%**

Assets

The total assets of Aguas Andinas Consolidado to December 31st, 2011 present a rise of 7.0% compared to December 2010, going from Ch$1,371,386 million to Ch$1,469,996 million. The following are the most relevant variations in each category.

Current Assets

When comparing the December 2011 values with December 2010, they present a greater value, of Ch$6,851 million, mainly due to an increase of commercial debtors for Ch$7,833 million, explained by an increase in clients, consumption and new features, partially compensated by a decrease in cash for Ch$1.038 million.

Long-term assets

They present an increase of Ch$89,759 million which is mainly explained by the increase in properties, plants and equipment for Ch$85,895 million due to investments by the Group.

The main investments made are reflected in the following table:

Investment Projects	**Acum Dec 2011 (MMCh$)**
Third STP Gran Santiago	78.045
Farfana - Trebal Interceptor	22.194
External platform for sludge disposal management	6.405
Exit tanks Vizcachas complex	2.362
Improvements to La Farfana STP	1.528

It is worth noting that, with the investments made during 2011 and with the rollout of these investments throughout 2012, the level of sewage treatment in the Metropolitan Region will reach 100%.

LIABILITIES AND EQUITY

Liabilities

Liabilities for December 2011 increased 13.0% compared to December 2010, which is, Ch$91,180 million. The following shows the most relevant variations in each category.

Current Liabilities

When comparing the December 2011 values to December 2010, these increase in Ch$104,954 million. The main variations correspond to obligations in short term bonds for Ch$39,730 million, basically explained by the reclassification of the E Bond from the long-term liability , closer to its due date; to greater bank loans for Ch$23,505 million, increase in accounts payable to related companies for Ch$22,313 million, explained by the advance in the construction of the Mapocho-Trebal STP and greater commercial accounts payable for Ch$19,682 million, all these increases explained by the intense investment effort made throughout the term. It is worth noting that this increase in current liabilities has been transitory, because in January 2012, with the issuing of the Q Bond for 1.65 million UF, and the later reduction of the short-term loan debt, the debt structure has returned to a situation similar to that of the closing of the 2010 term.

Long-term Liabilities

They decreased inCh$13,774 million, when comparing the December 2011 values to December 2010. The main variation corresponds to the decrease of other long-term financial liabilities forCh$7,689 million, basically explained by the prepayment of the B series bond, the aforementioned reclassification of the E Bond and the addition of the N and P bonds issued during the term.

Equity

When comparing the values to December 2011 with December 2010, net equity increased in Ch$5,430 million, equity attributable to parent instrument holders increased in Ch$6,500 million, which is due to the profit generated during the 2011 term for Ch$111,479, 7.3% greater than the previous year, compensated by the distribution of dividends made during the term, for Ch$104,979 million, corresponding to the final dividend of the 2010 term (100% of profit) and to the payment of the provisional dividend for 2011, equivalent to approximately 30% of the result for the present term.

FINANCIAL INDICATORS

Indicator		December 2011	December 2010	Variation Dec 11 - Dec 10
Liquidity				
Current Liquidity	times	0,42	0,82	-48,8%
Acid-Test Ratio	times	0,03	0,07	-60,6%
Debt				
Total Debt	%	116,47	103,88	12,1%
Current Debt	%	25,02	13,28	88,4%
Long-term Debt	%	74,98	86,72	-13,5%
Financial expenses coverage	times	6,37	6,46	-1,4%
Profitability				
Annualized Parent equity profitability	%	18,25	16,88	8,1%
Annualized Asset Profitability	%	7,84	7,49	4,7%
Annualized profitability per share	$	18,22	16,97	7,4%
Dividend return (1)	%	5,76	8,25	-30,2%

(1) The price of shares to December 2010 went up to Ch$245 while, to December 2011 it goes up to Ch$298, which generates the fall shown here.

To December 2011, current liquidity decreased 48.8% due to the fact that the increase in current asset for Ch$6,851 million (9,0%), was very inferior to the increase in current liabilities, which was for Ch$104,954 million (112.9%), all of this with respect to December 2010. The main variations in current liabilities are: reclassification of the E bond from the long-term liability closer to its due date; to greater bank loans for Ch$21,176 million, increase in the accounts payable to related companies for Ch$22,314 million (construction of Mapocho STP) and greater commercial accounts payable for Ch$19,862 million, explained by the investments made throughout the term.

The total debt ratio had an increase of 12.1% due, basically to an increase of current liability in Ch$104,954 million, produced by the variations mentioned before. It is worth noting that the increase of short-term debt is transitory, given that in January 2012, the Q Bond has been issued, which the current structure of debt returns to a situation similar to the one that existed at the end of the 2010 term.

Equity profitability attributable to parent owners presents an increase of 8.1%, due, basically, to an increase in the term results, for Ch$7,630 million, compensated with a decrease in average equity in Ch$4,456 million to December 2011, with respect to December 2010. The increase in results is explained by the following paragraph, insofar as the decrease in average equity is explained, mainly, by a lower result reached in 2011, with respect to 2009 in Ch$11,569 million and for lower dividends in Ch$8,041 million.

STATEMENTS OF INCOME BY NATURE

The following table shows the statements of income for the 2011 and 2010 periods:

Statement of Income by nature	December 2011	December 2010	Variation Dec 11 - Dec 10	
	MMCh$	MMCh$	MMCh$	%
Income for ordinary activities, total	363.733	328.964	34.769	10,6%
Raw materiales and consumables used	(26.646)	(23.023)	(3.623)	15,7%
Expenses for employee benefits	(38.129)	(37.961)	(168)	0,4%
Depreciation and amortization costs	(53.605)	(53.012)	(593)	1,1%
Losses for value impairment recognized in term result	(822)	(1.560)	738	-47,3%
Other expenses by nature	(71.300)	(63.622)	(7.678)	12,1%
Exploitation result	**173.231**	**149.786**	**23.445**	**15,7%**
Financial Income	6.483	4.275	2.208	51,6%
Financial costs	(25.648)	(22.744)	(2.904)	12,8%
Exchange difference	7	(24)	31	-129,2%
Results by Indexation Units	(19.082)	(10.866)	(8.216)	75,6%
Financial Result	**(38.240)**	**(29.359)**	**(8.881)**	**30,2%**
Other income	2.863	3.802	(939)	-24,7%
Results before taxes	**137.854**	**124.229**	**13.625**	**11,0%**
Income tax expenses	(25.688)	(19.277)	(6.411)	33,3%
Income attributable to non-controlling interests	(687)	(1.103)	416	-37,7%
Income attributable to parent owners	**111.479**	**103.849**	**7.630**	**7,3%**

Our income is derived mainly from the regulated services that we provide, related with production and distribution of drinking water, collection, treatment and disposal of sewage and other non-regulated services. In accordance with this, it is necessary to note that the variations in the associated income and costs consider facts of great relevance such as the entry into operation of the Mapocho Urbano Limpio Interceptor Collector (MUL) in April 2010, which allowed to substantially improve sewage treatment coverage from 72.7% to 85.5%. As a product of the MUL going on line, it is worth noting that for the effects of comparative analysis, that the rates for 2010 were only applied during 9 months, while from 2011 onwards, 12 months are considered.

- **Ordinary Income:**

By the end of 2011, Aguas Andinas S.A. obtained income forCh$363,733 million, which is Ch$34,769 million (10.6%) above the amount obtained in 2010.

The aforementioned variation is obtained from the following income composition:

Ordinary Income	December 2011		December 2010		Variation Dec 11 - Dec 10	
	MMCh$	%	MMCh$	%	MMCh$	%
Drinking water	147.715	40,6%	136.573	41,5%	11.142	8,2%
Sewage	166.504	45,8%	148.169	45,0%	18.335	12,4%
Other regulated income	11.708	3,2%	12.994	4,0%	-1.286	-9,9%
Non-regulated businesses	37.806	10,4%	31.228	9,5%	6.578	21,1%
Ordinary income Total	**363.733**	**100,0%**	**328.964**	**100,0%**	**34.769**	**10,6%**

a) **Drinking Water:** Here, we consider the production and distribution of drinking water. These services present an increase of Ch$11,142 million with respect to the same period for the previous year. The main explanation is because of a greater sales volume of 15 million m3 together with a greater average rate. The variation in the average rate is explained by the cumulative effect of positive indexations experienced during 2010 and 2011.

b) **Sewage:** Here we consider the collection, treatment, disposal and interconnection of sewage. Income for these services increased in Ch$18,335 million as a product of:

- Greater income in collection for Ch$8,004 million (Ch$82,538 million from 2011, with respect to the Ch$74,534 for the previous year), due, mainly to a greater sales volume of 14.1 million m^3 together with a rate increase, given the rate indexations executed during the term.

- Greater income in treatment forCh$8,271 million (Ch$66,757 million from 2011, with respect to the Ch$58,486 from the previous year) due, mainly to a greater sales volume of 11.8 million m^3 together with a rate increase, given the rate indexations executed during the term.

- Greater income in sewage interconnection Ch$2,060 million (Ch$17,209 million from 2011 with respect to the Ch$15,149 million for the previous year), due to a greater sales volume of 2.6 million m^3 together with a rate increase, given the rate indexations executed during the term.

The variations in the average rates are produced by the accumulated effect of the positive indexations occurred during 2010 and 2011. In 2011, positive indexations have been generated. Starting January 1st, 2011, the new rates started being enforced, because of the rise in the tax rate, affecting every rate group. Also, on February 15th, 2011, Aguas Manquehue indexed S.A., Aguas Andinas did so on April 15th, 2011, Essal on April 15th, 2011 and Aguas Cordillera did so on May 15th, 2011.

Additionally, on April 1st, 2010, the rate agreed upon with the Superintendency of Sanitary Services, after the Mapocho Collector Interceptor went online, began to be enforced. The investment made in this new infrastructure rose to US$ 115 million and allowed for the increase of sewage treatment coverage from 72.7% to 85.5%.

c) **Other Regulated Income:** Here we consider the fixed charge to our customers, the interruption and resuming of service and provisions for uncharged consumption. These revenues present a decrease of Ch$1,286 million explained, mainly by a lower income provision forCh$2,029 million, compensated partially, by greater customer fixed rate income forCh$723 million, produced by the greater number of clients.

d) **Non-regulated businesses:** present an increase of Ch$6,578 million with respect to the same period of the previous year, explained, mainly by the following businesses:

- Sanitary: Ch$3,792 million increase, mainly associated with greater income for services to third parties, together with greater income for jobs paid by clients, both concepts associated to a greater level of activity of non-habitual features, and for greater easements given.

- Non- Sanitary: Ch$2,786 million increase, explained mainly by a greater level of activity in Ecoriles S.A. (operation of liquid residue treatment plants and treatment of excess industrial organic load), followed by greater material sales in Gestión y Servicios S.A. and, to a lesser degree, by Análisis Ambientales S.A. (laboratory services; sampling and analysis).

Group Consolidate	December 2011 MMCh$	December 2010 MMCh$	Variation Dec 11 - Dec 10	
			MMCh$	%
Ecoriles S.A.	10.746	9.178	1.568	17,1%
Gestión y Servicios S.A.	6.637	5.729	908	15,8%
Anam S.A.	1.557	1.247	310	24,9%
Non-Sanitary non-regulated products	**18.940**	**16.154**	**2.786**	**17,2%**

- **Raw materials and consumables used**

To the end of 2011, these costs rise to Ch$26,646 million, which is Ch$3,623 million above the amount obtained in 2010. This is explained, mainly, by the purchase of water together with a greater cost of electric energy, both increases, as has been discussed, are a product of the drought that occurs in 2011.

- **Expenses for employee benefits**

To the end of 2011, these expenses rise to Ch$38,129 million, which is Ch$168 million above the amount obtained the previous year, explained, mainly by greater salaries and employee benefits, both associated with PCI adjustments.

- **Expenses for depreciation and amortization**

By the end of 2011, these expenses rise to Ch$53,605 million, which is Ch$593 million above the amount obtained for 2010, explained mainly by the new investments made by the Company, within which the Mapocho Urbano Limpio (MUL) collector stands out as it generated a substantial improvement in the coverage of sewage treatment from 72.7% to 85.5% and whose operation began in April, 2010.

- **Losses for impairment value recognized in the period results**

By the end of 2011, losses for asset impairment have been registered for Ch$822 million, which is Ch$738 million below the amount obtained in 2010. This is explained by the difference between the downturns produced by the 2010 earthquake and, in 2011, mainly the downturns in the Aguas Manquehue S.A. plants, after the stoppage of its operations and substitution in service through the use of the North Zone Collector and the treatment of sewage in the La Farfana STP.

- **Other expenses, by nature**

By the end of 2011, these expenses rise to Ch$71,300 million, which is Ch$7,678 million above the amount obtained in 2010, explained, mainly by greater expenses in the operation of treatment plants Ch$2,263 million and plant sludge collection for Ch$1,859 million. This increase is associated to a greater volumen of water treated after the Mapocho Urbano Limpio Collector Interceptor went online.

- **Other income**

Aguas Andinas Consolidada obtained results for Ch$2,863 million, which is Ch$939 million below the amount obtained in 2010. This difference is justified by the compensations paid by the registered insurance Company in 2010, as a product of the damages incurred in the incident caused by the Chaitén volcano in Essal S.A., together with the registration of the compensation paid by Aguas Andinas and Subisidiaries's insurance Company, registered in 2010 and 2011, for damages by the February 2010 earthquake.

- **Financial Income**

By the end of 2011, Aguas Andinas Consolidado, obtained financial income for Ch$6,483 million, which is Ch$2,208 million above the amount obtained in 2010, mainly explained by greater financial interests produced by a greater retribution of cash surpluses.

- **Financial Costs**

By the end of 2011, these costs rise to Ch$25,648 million, which is Ch$2,904 million above the amount obtained in 2010. This is explained, mainly by greater interests, given the greater bank loans and to the increase of the interest rate that the market has experienced, as well as the new bond issuing undertaken in April 2011, which incorporates new financial costs to those incurred in 2010.

- **Results by Indexation Units**

By the end of 2011, results for Ch$19,082 million were obtained, which are Ch$8,216 million above the amount obtained in 2010, mainly explained by a new revaluing of debt, due to a greater variation in the UF, compared to 2010.

- **Expenses for income tax**

Income tax provision for the end of 2011 is Ch$6,411 million above that of the previous year, explained mainly by a greater result before taxes, together with the effect of the transitory increase of the tax rate which went from 17% in the 2010 term to 20% in the 2011 term.

- **Income**

Due to the aforementioned factors, the Net Result for Aguas Andinas Consolidado by the end of 2011 rose to Ch$111,479 million, which is Ch$7,630 (7.3%) above the amount obtained to December 2010.

CONSOLIDATED CASH FLOW STATEMENT

The main categories for the cash flow statement are the following:

Direct Consolidated Cash Flow Statements	December 2011	December 2010	Variation Dec 11 - Dec 10
	MMCh$	MMCh$	%
Net Cash flows from operation activities	200.041	167.824	19,2%
Net Cash Flows used in investment activities	-122.265	-70.151	74,3%
Net cash flows used in financing activities	-78.815	-116.579	-32,4%
Net increase in cash and cash equivalents	-1.039	-18.906	-94,5%
Cash and cash equivalents at the beginning of the period.	6.090	24.996	-75,6%
Cash and cash equivalents at the end of the period	**5.051**	**6.090**	**-17,1%**

The positive flow coming from operation related activities experienced a variation of Ch$32,217 million when comparing December 2011 with December 2010. The main variations that justify the increase are the charges coming from sales of goods and services provided for Ch$32,681 million, coming, mainly, from greater billing caused by the Mapocho Collector Interceptor's entry in operation, increase in consumption and positive indexation of rates as well as a decrease in other payments for operation related activities for Ch$5.905 million, those effects are partially compensated with an increase in bond interests and bank loans for Ch$3,175 million, as a product of the contraction of new debts and income tax, for Ch$2,043 million.

The negative flow for investment activities originated a Ch$52,114 million variation, due, mainly to an increase in the incorporation of Properties, Plants and Equipment for Ch$51,276 million, being the construction of the Mapocho Sewage Treatment Plant and the La Farfana-El Trebal Interceptor the investments which justify the variation.

The negative financing flow had a Ch$37,764 million variation, mainly due to the decrease in paid dividends for Ch$18,776 million, derived from a lower profit for the 2010 term, compared to the 2009 term and by an increase in the income proceeding from shot and long-term loans forCh$55,189 million, variation which can be explained mainly by the new issuing of bonds executed in April 2011 (Series N and P) and by the prepayment of the B series bond.

Market Analysis

The Company does not present variations in the market it participates in, due to the nature of its services and the current legal framework, it does not have any competition in its concession area.

Aguas Andinas S.A. has 100% coverage in drinking water, del 98.7% in sewerage service and 85.5% in sewage treatment

Aguas Cordillera S.A. has 100% in drinking water and 98.9% in sewerage service.

Aguas Manquehue S.A. has 100,0% in drinking water, 99.4% in sewerage service and 94.6% in sewage treatment.

Essal S.A. has 100% coverage in drinking water, 92.9% in sewerage service and 92.5% in sewage treatment.

Group Sales Volumes (Values in^{3} thousands of m3 billed)	**December 2011**	**December 2010**	**Variation Dec 11 - Dec 10**
Drinking Water	537.234	520.482	3,2%
Sewage Collection	521.834	507.229	2,9%
Sewage Treatment and Disposal	454.197	442.314	2,7%
Sewage Interconnection services	118.866	116.281	2,2%

Aguas Cordillera Consolidado Clients	December 2011	December 2010	Variation Dec 11 - Dec 10
Drinking water	1.966.639	1.908.816	3,0%
Sewage collection	1.913.081	1.865.772	2,5%

Financial Aspects

Currency Risks: Our revenues are mainly linked to the evolution of local currency. It is because of this that our debt is issued in this currency, reason for which we do not possess significant debt in foreign currency.

To December 31st, 2011 the risk of the interest rate kept by Aguas Andinas S.A. is composed by an 80.5% fixed rate and a 19.5% variable rate. Fixed rate debt is composed by: the issuing of long and short term bonds (81.0%) and reimbursable financial contributions (19.0%), while the variable rate debt is related to loans by national banks.

To December 31st, 2010, the risk for the interest rate kept by Aguas Andinas S.A., was composed by an 81.0% fixed rate and a 19.0% variable rate. Fixed rate debt is composed by: the issuing of long and short term bonds (83.2%) and reimbursable financial contributions (16.8%), while the variable rate debt is related to loans by national banks.

The Company maintains an interest rate management and monitoring policy which, with the objective of optimizing the financing cost, permanently evaluates the coverage instruments available in the financial market.

This favorable situation has meant that credit rating agencies have awarded us an AA+ rating for long term debt. In the case of shares, Feller Rate assigned us a first class level 3 classification, while ICR gave us a first class level 2 classification.