



REASONED ANALYSIS

**Period finished on
March 31st, 2012**

REASONED ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS TO MARCH 31ST, 2012

I GENERAL ASPECTS

Share composition

Aguas Andinas S.A.'s capital constitutes 6.118.965.160 shares, without nominal value. By March 31st, 2012, 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).

Ordinary revenue for the 2012 period rose to Ch\$108,710 million, which is Ch\$10,477 (10.7%) to the amount obtained during the previous period. This variation is due to the increase in cubic meters produced by the natural increase in our clients, as well as to a greater consumption by them, as well as rate increases because of the rate indexations registered throughout the 2011 term. Net profit for Aguas Andinas S.A. to March 31st, 2012, is Ch\$41,789 million, which is Ch\$4,366 million (11.7%) greater, with respect to the previous period.

Operational costs and expenses

Operational costs and expenses are composed by the costs of raw materials and consumables used, expenses for employee benefits, expenses for depreciation and amortization and other expenses by nature. The composition of the items is the following: "other expenses by nature" with 37.6% of total operational expenses and associated to the outsourcing of certain services to contractors; the expense for depreciation and amortization which represented 27.2%; expenses for employee benefits which represented 18.8%; and raw materials and consumables used which represented 16.4%, all of this during the 2012 period. Part of the observed increases when comparing accumulated costs during the 2012 period which respect to the previous period, it is worth nothing those associated to measures destined to mitigate the consequences of the drought which the Metropolitan Region is going through during the current period. Among them, purchase of water, and a greater expense in electric energy stand out, given the greater usage of wells, all of it aiming to guarantee the availability of water for our clients.

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 sanitary company, 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. N°70 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 N°60 dated February 2nd, 2010, for Aguas Andinas S.A., from the Ministry of Economy, Development and Reconstruction and started being enforced on March 1st, 2010, while for Aguas Cordillera y Aguas Manquehue S.A. said decrees 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 for 2011, for the five year period between 2011 and 2016. The new rates for Essal were approved by Decree N° 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 period, there is a persistent drought since 2010, which is meaning the application of contingency plans such as water purchasing, intensive well usage, renting and purchasing of water rights, among others. All of it with the objective of diminishing the impact of the drought and providing our services normally in terms of both quality and continuity.

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:

Inversiones comprometidas. 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 composed by those relative to the sanitizing of sewage, within which the Mapocho Urbano Limpio (MUL) Project, operating since 2010, as well as the construction of the Third Sewage Treatment Plant and the La Farfana-El Trebal Interceptor are included, all of them will allow for the achievement of the important milestone for the sanitary sector which is being able to treat 100% of sewage during the second semester of 2012.

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

Aguas Andinas S.A.

Gran Santiago: May 16th, 2011

Other Locations: December 22nd and 28th 2010 and December 29th, 2011

Aguas Cordillera S.A.



Aguas Cordillera and Villa Los Dominicos: December 29th, 2010

Aguas Manquehue S.A.

Santa María and Los Trapenses: December 28th, 2010

Chicureo, Chamisero and Valle Grande III: December 29th, 2011

Essal S.A.

X and XIV Regions: December 30th, 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, particularly IAS 23, interests over capital investments in construction in progress are capitalized. IAS 23 states that when the Entity contracts debt with the objective of financing investments, the interests for that debt should be subtracted from the financial expenses and incorporated into the construction in progress being financed, up until the total amount of said interests, applying the respective rate to the disbursements made to the date when the financial statements are presented. In consequence, the financial costs associated to 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 financial statement.



II COMPARATIVE ANALYSIS AND EXPLANATION OF VARIATIONS

STATEMENTS OF CONSOLIDATED FINANCIAL POSITION

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

Consolidated Statements of Financial position	March 2012	December 2011	Variation Mar 12 - Dic 11	
	MMCh\$	MMCh\$	MMCh\$	%
Current assets	142.662	82.643	60.019	72,6%
Long-term assets	1.401.539	1.387.353	14.186	1,0%
Total Assets	1.544.201	1.469.996	74.205	5,0%
Current liabilities	189.460	197.886	(8.426)	-4,3%
Long-term liabilities	633.353	593.048	40.305	6,8%
Total Liabilities	822.813	790.934	31.879	4,0%
Equity attributable to the parent owners	655.877	614.088	41.789	6,8%
Non-controlling interests	65.511	64.974	537	0,8%
Total Equity	721.388	679.062	42.326	6,2%
Total Equity and Liabilities	1.544.201	1.469.996	74.205	5,0%

ASSETS

The total assets of Aguas Andinas Consolidado to March 31st, 2012 present an increase of 5.0% with respect to December 2011, going from Ch\$1,469,996 million to Ch\$1,544,201 million. The following are the most relevant variations in each category.

Current Assets

When comparing the March 2012 values with December 2011, these present a greater value of Ch\$60,019 million, mainly due to the increase in cash for Ch\$51,580 million, explained, mainly, by the issuing of a new Bond in January 2012 for 1.65 million UF, together with an increase in commercial debtors for Ch\$8,590 million, associated with the greater sales volume for the trimester.

Long-term assets

They present an increase in Ch\$14,186 million which is mainly explained by the increase in properties, plant and equipment for Ch\$13,644 million due to the investments that the Group is making.



The main investments made are reflected in the following table:

Investment Projects	Acum Mar 2012 (MMCh\$)
Mapocho Sewage Treatment Plant	15.624
Farfana - Trebal Interceptor	2.683
Improvements for the La Farfana Sewage Treatment Plant	1.628
Cerro Negro drilling enabled	1.289

It is worth noting that with the investments made, and with the activation of the Third Sewage Treatment Plant, a 100% level of sewage treatment for the Metropolitan Region will be achieved during 2012, which constitutes an important milestone for the country, in sanitary matters.

LIABILITIES AND EQUITY

Liabilities

Liabilities to March 2012 grew 4.0% with respect to December 2011, which is Ch\$31,879 million.

The following shows the most relevant variations in each category.

Current Liabilities

When comparing the March 2012 values with December 2011, these decreased for Ch\$8,426 million. The main variation corresponds to fewer short-term bank loans for Ch\$9,901 million together with a lower gratification provision for Ch\$2,378 million; This is partially compensated by a greater provision of accrued interest in bonds for Ch\$4,565 million.

Long-term Liabilities

They increase for Ch\$40,305 million (6.8%), when comparing the March 2012 values with December 2011. The main variation corresponds to the new issuing of the Q series Bond in January 2012 for 1.65 million UF.

Equity

When comparing the March 2012 values with December 2011, net equity increase for Ch\$42,326 million, where equity attributable to parent instrument holders increased for Ch\$41,789 million, which is due to the profit generated during the first trimester of 2012.



FINANCIAL INDICATORS

The following presents a comparative table of certain financial indexes.

Indicator		March 2012	December 2011	Variation Mar 12 - Dic 11
Liquidity				
Current Liquidity	times	0,75	0,42	78,6%
Acid-Test Ratio	times	0,30	0,03	1050,0%
Debt				
Total Debt	%	114,06	116,47	-2,1%
Current Debt	%	23,03	25,02	-8,0%
Long-term Debt	%	76,97	74,98	2,7%
Annualized financial expenses coverage	times	6,69	6,37	5,0%
Profitability				
Annualized Parent equity profitability	%	17,81	18,25	-2,4%
Annualized Asset Profitability	%	7,83	7,84	-0,1%
Annualized profitability per share	\$	18,93	18,22	3,9%
Dividend return	%	5,88	5,76	2,1%

To March 2012, current liquidity had a 78.6% increase, due to the significant increase in current assets for Ch\$60,019 million (72.6%) and, to a lesser degree, to a decrease in current liabilities for Ch\$8,426 million, with respect to December 2011. The main increases in current assets are cash and cash equivalents for Ch\$51,580 million, produced by the new issuing of bonds made in January 2012 for 1.65 million UF and commercial debtors and other accounts receivable for Ch\$8,590 million, due to a greater sales volume. On the other hand, the main decreases in current liabilities correspond to financial liabilities for Ch\$5,857 million and provisions for employee benefits for Ch\$2,949 million.

The acid-test ratio increases significantly, due mainly to the aforementioned increase in cash and cash equivalents, proceeding from the issuing of the Q bond in January 2012, and to a lesser degree to decrease in current liabilities, which can be explained mainly by fewer bank loans.

The total debt ratio had a 2.1% decrease due, basically to the increase in long-term liabilities for Ch\$40,305 million due to the new issuing of Q series bonds made in January 2012, compensated with an increase in total equity for Ch\$42,326 million, produced by the profit generated in the first trimester of 2012.

Annualized parent equity profitability presents a 2.4% decrease, due mainly to the increase in average equity for Ch\$39,606 million, with respect to December 2011, compensated mildly by an increase of Ch\$4,366 million in the result for the mobile period to March 2012, with respect to the result for the 2011 term.



STATEMENTS OF INCOME BY NATURE

The result attributable to the parent owners for Aguas Andinas S.A., to March 31st 2012, reached Ch\$41,789 million, which represents an 11.7% increase with respect to the same previous period, where it obtained Ch\$37,423 million.

The following table shows the statements of income for the 2012 and 2011 periods:

Statement of Income by nature	March 2012	March 2011	Variation Mar 12 - Mar 11	
	MM\$	MM\$	MM\$	%
Income for ordinary activities	108.710	98.233	10.477	10,7%
Raw materials and consumables used	(7.898)	(6.209)	(1.689)	27,2%
Expenses for employee benefits	(9.101)	(8.888)	(213)	2,4%
Expenses for depreciation and amortization	(13.118)	(12.974)	(144)	1,1%
Other expenses by nature	(18.171)	(15.912)	(2.259)	14,2%
Exploitation result	60.422	54.250	6.172	11,4%
Financial Income	1.606	1.209	397	32,8%
Financial costs	(5.539)	(6.173)	634	-10,3%
Exchange difference	3	1	2	200,0%
Results by Indexation Units	(5.783)	(2.668)	(3.115)	116,8%
Financial Result	(9.713)	(7.631)	(2.082)	27,3%
Other income	305	27	278	1029,6%
Results before taxes	51.014	46.646	4.368	9,4%
Income tax expenses	(8.688)	(9.151)	463	-5,1%
Period Result	42.326	37.495	4.831	12,9%
Income attributable to non-controlling interests	(537)	(72)	(465)	645,8%
Income attributable to parent owners	41.789	37.423	4.366	11,7%

Our income is derived mainly from the regulated services that we provide, related to the production and distribution of drinking water, collection treatment and disposal of sewage and other regulated services.

- Ordinary Income:**

By the end of the first trimester, this is, to March 31st 2012, Aguas Andinas S.A. gained income for Ch\$108,710 million, which is Ch\$10,477 million above the amount obtained on the same period for 2011.



The aforementioned variation is obtained from the following income composition:

Ordinary Income	March 2012		March 2011		Variation Mar 12 - Mar 11	
	MMCh\$	%	MMCh\$	%	MMCh\$	%
Drinking water	49.060	45,1%	44.958	45,8%	4.102	9,1%
Sewage	50.062	46,1%	45.051	45,9%	5.011	11,1%
Other regulated income	664	0,6%	1.064	1,0%	-400	-37,6%
Non-regulated businesses	8.924	8,2%	7.160	7,3%	1.764	24,6%
Ordinary income Total	108.710	100,0%	98.233	100,0%	10.477	10,7%

a) **Drinking Water:** Here, we consider the production and distribution of drinking water. These services present an increase of Ch\$4,102 million with respect to the same period for the previous year. The main explanation is because of a greater sales volume of 4 million associated to the growth in clients as well as their greater average consumption. Additionally, there is a positive variation in the average rate, which is explained by the accumulated effect of indexations experience during 2011.

b) **Sewage:** Here we consider the collection, treatment, disposal and interconnection of sewage. The revenues for these services present an increase for Ch\$5,011 produced by:

- Greater income in collection for Ch\$1,937 million (Ch\$24,057 million from the first trimester of 2012, with respect to the Ch\$22,120 million of the same period for the previous year), due to a greater sales volume of 4.8 million m³ together with a rate increase. The variation in the average rate is explained by the accumulated effect of positive indexations experienced during 2011.
- Greater income in treatment for Ch\$1,968 million (Ch\$19,962 million from the first trimester of 2012, with respect to the Ch\$17,994 million from the same period for the previous year) mainly due to a greater sales volume of 3.8 million m³, together with a rate increase. The variation in the average rate is explained by the accumulated effect of positive indexations experienced during 2011.
- Greater income in sewage interconnections for Ch\$1,106 million (Ch\$6,042 million from the first trimester of 2012 with respect to the Ch\$4,936 million from the same period for previous year), due to a greater sales volume of 1.6 millones m³, together with a greater average applied rate. The variation in the average rate is explained by the accumulated effect of positive indexations experienced during 2011.

The variations in the average rates are produced by the accumulated effect of positive indexations experience thigout 2011 (Aguas Andinas indexed on February 15th 2011, Aguas Andinas S.A. did son on April 15th, 2011, Essal S.A. did so on April 15th, 2011 and Aguas Cordillera S.A. did son on May 15th, 2011). Starting January 1st, 2012, new rates adjusted downwards started being enforced, picking up the reduction of the income tax rate which came into effect on that same date. This downwards adjustment affected every rate group.

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 Ch\$400 million decrease explained, mainly by a lower income provision for Ch\$688 million, partially compensated by greater income in fixed charges to clients for Ch\$217 million.



d) **Non-regulated businesses:** present a Ch\$1,764 million increase with respect to the same period for the previous year, mainly explained by the following businesses:

- Sanitary: Ch\$1,204 million increase, associated mainly with greater income coming from agreements with developer and to greater household drinking water connections, as a product of the greater level of activity in the incorporation of new clients.
- Non-Sanitary: Ch\$560 increase explained, mainly, by greater materials sales in Gestión y Servicios S.A., followed by a greater level of activities in Ecoriles S.A. (operation of liquid residue treatment plants and treatment of excess industrial organic load).

Group Consolidate	March 2012	March 2011	Variation Mar 12 - Mar 11	
	MMCh\$	MMCh\$	MMCh\$	%
Ecoriles S.A.	2.872	2.674	198	7,4%
Gestión y Servicios S.A.	1.775	1.382	393	28,4%
Anam S.A.	350	381	(31)	-8,1%
Non-Sanitary non-regulated products	4.997	4.437	560	12,6%

- **Raw materials and consumables used**

By the end of the first trimester of 2012 these costs rise to Ch\$7,898 million, which is Ch\$1,689 above the amount obtained for the same period in 2011. This is explained, mainly by the purchase of water and by greater costs of electric energy, both increases produced by the cost of the mitigation measures in place for the drought that affects us since 2010, and complementarily, the increase also gathers the greater cost of materials for a greater sales volume in Gestión y Servicios S.A.

- **Expenses for employee benefits**

By the end of the first trimester of 2012, these expenses rise to Ch\$9,101 million, which is Ch\$213 million above the amount obtained to the same period of the previous year, explained mainly, by greater salaries and personnel benefits, both associated to PCI readjustments.

- **Expenses for depreciation and amortization**

By the end of the first trimester of 2012, these expenses rise to Ch\$13,118 million, which is Ch\$144 million above the amount obtained for the same period of 2011, explained, mainly by the new investments made by the company.

- **Other expenses, by nature**

By the end of the first trimester of 2012, these expenses rise to Ch\$18,171 million, which is Ch\$2,259 million above the amount obtained for the same period of 2011, explained mainly by greater general expenses for Ch\$699 million, service to clients for Ch\$362 million, network maintenance and repair for Ch\$334 million and maintenance of enclosures and equipment for Ch\$433 million, which includes repair costs for the Arquimedes' Screw that exists in the La Farfana Sewage Treatment Plant. The failure in said elevation system in said Plant has generated a situation of risk for the continuity of operation of the Plant, situation which is expected to be resolved in the coming months, after which the Plant would return to it's regular working regimen.



- **Financial Income**

By the end of the first trimester of 2012, Aguas Andinas Consolidado, gained financial income for Ch\$1,606 million, which is Ch\$397 million above the amount obtained to the same period fo 2011, mainly explained by greater financial interests produced by a greater availability of temporary cash surpluses.

- **Financial costs**

By the end of the first trimester of 2012, these costs rise to Ch\$5,539 million, which is Ch\$634 million below the amount obtained for the same period of 2011. This is mainly explained by a greater interest activation, produced by greater construction in progress (mainly the construction of the Mapocho Sewage Treatment Plant); partially compensated by greater financial income produced by a greater debt level. The activation of interests is made in virtue of what the International Accounting Standard (IAS 23) establishes, which staes that such capitalization is produced in the measure that there exists contracted debt by the Company for the execution of long-term investments, as is the case to date and is indicated in the Capital Investments item of the present document.

- **Results for Indexation Units**

By the end of the first trimester of 2012, results were obtained for Ch\$5,783 million, which is Ch\$3,115 million above the amount obtained for the same period in 2011, explained mainly by a greater revaluation of debt, due to a greater variation in the UF compared to the same period for 2011, as well as a greater level of debt.

- **Other income**

Aguas Andinas Consolidada obtained results for Ch\$305 million, which is Ch\$278 million above the amount obtained to the same period of 2011. This difference is justified by greater income for asset sales, in conjunction with an increase in meter housing sales.

- **Expenses for income tax**

The income tax provision by the end of the first trimester of 2012 is Ch\$463 million inferior with respect to the same period of the previous year, explained mainly by the reduction of the tax rate from 20% to 18.5%.

- **Profit**

Due to the aforementioned factors, the Net Result for Aguas Andinas Consolidado, by the end of the first trimester of 2012, rose to Ch\$41,789 million, which is Ch\$4,366 million (11.7%) above the amount obtained to the same period of 2011.

CONSOLIDATED CASH FLOW STATEMENT



During the 2012 and 2011 periods, the company generated positive net cash flows for Ch\$51,580 million and Ch\$22,765 million, respectively.

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

Consolidated Direct Cash Flow Statements	March 2012	March 2011	Variation Mar 12 - Mar 11
	MMCh\$	MMCh\$	%
Net Cash flows from operation activities	59.472	45.692	30,2%
Net Cash Flows used in investment activities	-32.504	-21.792	49,2%
Net cash flows used in financing activities	24.612	-1.135	-2268,5%
Net increase in cash and cash equivalents	51.580	22.765	126,6%
Cash and cash equivalents at the beginning of the period.	5.051	6.090	-17,1%
Cash and cash equivalents at the end of the period	56.631	28.855	96,3%

The positive flow coming from operation activities experienced a Ch\$13,778 million variation when comparing March 2012 with March 2011. The main variations that justify the increase are the charges coming from the sale of goods and providing of services for Ch\$14,354 million, proceeding mainly from greater billing because of the increase in cubic meters of drinking water and sewerage billed, an average positive indexation of rates, an increase in other payments of operation activities for Ch\$509 million, a decrease in interest payment for Ch\$1,451 million, explained by the interest payment made in February 2011, corresponding to B series bonds, all of it compensated by a greater interest payment for bank loans produced by an increase in the interest rates.

The negative flow for investment activities originated a variation of Ch\$10,712 million, due, mainly, to an increase in the incorporation of Properties, Plants and Equipment for Ch\$7,662 million, with the construction of the Mapocho Sewage Treatment Plant being the main investment activity, as well as the capitalization of interests for Ch\$3.248 million, partially compensated by a lower investment in intangible assets for Ch\$33 million.

The positive financing flow had a variation of Ch\$25,747 million, mainly due to the increase in long-term loans for Ch\$38,657 million, given the issuing of a Q series bond for 1.65 million UF, and partially compensated by a decrease in the payment of loans for Ch\$11,522 million.

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% coverage in drinking water and 98.9% in sewerage service.

Aguas Manquehue S.A. has 100,0% coverage 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 thousands of m3 billed)	March 2012	March 2011	Variation Mar 12 - Mar 11
Drinking Water	156.914	152.888	2,6%
Sewage Collection	150.863	146.101	3,3%
Sewage Treatment and Disposal	129.879	126.056	3,0%
Sewage Interconnection services	35.781	34.167	4,7%

Group Clients	March 2012	March 2011	Variation Mar 12 - Mar 11
Drinking Water	1.975.032	1.916.754	3,0%
Sewage Collection	1.921.640	1.874.069	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 mainly in this currency, reason for which we do not possess significant risk in foreign currency operations.

To March 31th, 2012 the risk of the interest rate kept by Aguas Andinas S.A. is composed by an 84.1% fixed rate and a 15.9% variable rate. Fixed rate debt is composed by: the issuing of long and short term bonds (81.7%) and reimbursable financial contributions (18.3%), while the variable rate debt is related to loans by national banks.

To December 31st, 2011, the risk for the interest rate kept by Aguas Andinas S.A., was 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.

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.