



CONSOLIDATED FINANCIAL STATEMENTS

Period Ended December 31, 2010

AGUAS ANDINAS S.A.



INDEPENDENT AUDITORS REPORT

To shareholders of Aguas Andinas S.A.

We reviewed the interim consolidated financial statement of Aguas Andinas S.A. and subsidiaries to December 31, 2010 and 2009 and the relate consolidated statements of comprehensive income, changes in equity and cash flows for the years ended in those dates. The preparation of those financial statements (which include its related notes), is responsibility of Aguas Andinas S.A.'s management. Our responsibility is to issue an opinion about these consolidated financial statements based on the audits.

Our audits were made in accordance to audit's standards generally accepted in Chile. Those standards require that we plan and perform our work to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the used accounting principles and significant estimates made by management of the society, as well as evaluating the overall presentation of the consolidated financial statements. Consider that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Aguas Andinas S.A. and subsidiaries to December 31, 2010 and 2009, the results of its operation and the cash flows for the years ended in those dates, in accordance to International Financial Reporting Standards.

January 25, 2011

Edgardo Hernández G.
7.777.218-9

CONSOLIDATED FINANCIAL STATEMENTS

AGUAS ANDINAS S.A.

Statements of Financial Position
Statements of Comprehensive Results by Nature
Statements of Direct Cash Flows
Statement of Changes in Equity
Notes to the consolidated financial statements



Consolidated Statements of Financial Position
As of December 31, 2010 and 2009
(Thousands of Chilean pesos - ThCh\$)

ASSETS	NOTE	31-12-2010 ThCh\$	31-12-2009 ThCh\$
CURRENT ASSETS			
Cash & cash equivalents	6	6.089.962	24.996.283
Other current financial assets	7	406.502	900.059
Other current non-financial assets		770.747	418.580
Trade debtors & other accounts receivable	7	62.368.041	61.855.960
Accounts receivable from related entities, current	8	18.221	63.570
Inventories	9	1.883.409	1.694.961
Current tax assets		4.170.701	1.467.090
Total current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to owners		75.707.583	91.396.503
TOTAL CURRENT ASSETS		75.707.583	91.396.503
NON-CURRENT ASSETS			
Other non-current non-financial assets	7	7.238.651	17.517
Other non-current non-financial assets		276.142	462.712
Non-current collection rights	7	2.961.131	3.265.193
Intangible assets other than goodwill	10	218.513.009	217.800.680
Goodwill	11	36.592.577	36.592.577
Property, plant & equipment	12	1.031.875.461	1.018.308.407
Deferred tax assets	21	33.274.830	31.531.022
TOTAL NON-CURRENT ASSETS		1.330.731.801	1.307.978.108
TOTAL ASSETS		1.406.439.384	1.399.374.611

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



Consolidated Statements of Financial Position
As of December 31, 2010 and 2009
(Thousands of Chilean pesos - ThCh\$)

EQUITY AND LIABILITIES	Note	30-09-2010 ThCh\$	31-12-2009 ThCh\$
CURRENT LIABILITIES			
Other financial liabilities, current	7	22.293.049	36.560.941
Trade creditors & other accounts payable, current	7	44.530.080	62.673.939
Accounts payable to related entities, current	8	20.018.775	4.993.546
Other short-term provisions	14	991.798	639.310
Tax liabilities, current		1.866	4.289.119
Current provisions for personnel benefits	18	3.607.781	3.824.586
Other current non-financial assets		1.488.676	2.631.830
Total current liabilities other than liabilities included in groups of liabilities for disposal classified as held for sale		92.932.025	115.613.271
TOTAL CURRENT LIABILITIES		92.932.025	115.613.271
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	7	549.288.012	508.405.440
Other accounts payable, non-current	14	1.020.602	1.029.507
Other long-term provisions	21	74.260.083	76.579.980
Deferred tax liabilities	7	1.192.731	1.557.754
Non-current provisions for personnel benefits	18	6.805.124	5.747.456
Other non-financial liabilities, non-current		7.309.028	495.290
TOTAL NON-CURRENT LIABILITIES		639.875.580	593.815.427
TOTAL LIABILITIES		732.807.605	709.428.698
EQUITY			
Issued capital		155.567.354	155.567.354
Accumulated earnings		293.922.289	309.334.336
Accounting issues		164.064.038	164.064.038
Other equity participations		-5.965.555	-5.965.555
Equity attributable to owners of the controller		607.588.126	623.000.173
Minority participations		66.043.653	66.945.740
TOTAL EQUITY	2.3	673.631.779	689.945.913
TOTAL EQUITY AND LIABILITIES		1.406.439.384	1.399.374.611

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



Consolidated Statements of Comprehensive Results by Nature
For the years ended December 31, 2010 and 2009
(Thousands of Chilean pesos - ThCh\$)

STATEMENT OF RESULTS BY NATURE	Note	31-12-2010	31-12-2009
Statement of Results		ThCh\$	ThCh\$
Revenues from ordinary activities	16	328.964.014	328.118.120
Raw materials & inputs used		-23.023.646	-27.837.125
Personnel benefits expenses	18	-37.960.887	-35.350.862
Charges for depreciation & amortization	10-12	-53.011.929	-50.578.521
Losses for impairment booked in result for the period	13	-1.559.616	0
Other expenses, by nature		-63.621.781	-59.321.109
Other gains	3	3.802.277	3.775.866
Financial income	3	4.274.666	5.116.191
Financial costs	3	-22.744.193	-22.407.783
Exchange differences	19	-23.630	419.11
Results of indexation adjustments		-10.866.290	8.730.221
Earnings before tax		124.228.985	150.286.909
Charge for income taxes	21	-19.276.686	-25.731.468
Earnings from ongoing operations		104.952.299	124.555.441
Earnings		104.952.299	124.555.441
Earnings attributable to			
Earnings attributable to owners of the controller		103.849.578	123.047.509
Earnings attributable to non-controller participations		1.102.721	1507.932
Earnings		104.952.299	124.555.441
Basic earning per share			
Basic earnings per share from ongoing operations		16,97	20,11
Basic earnings per share (\$)	22	16,97	20,11

STATEMENT OF COMPREHENSIVE RESULTS		31-12-2010	31-12-2009
		ThCh\$	ThCh\$
Earnings		104.952.299	124.555.441
Comprehensive total result		104.952.299	124.555.441
Comprehensive result attributable to			
Comprehensive result attributable to owners of controller		103.849.578	123.047.509
Comprehensive result attributable to non-controller participations		1.102.721	1507.932
Total comprehensive result		104.952.299	124.555.441

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



Consolidated Statements of Direct Cash Flows
For the years ended December 31, 2010 and 2009
(Thousands of Chilean pesos - ThCh\$)

STATEMENT OF CASH FLOWS	Note	31-12-2010	31-12-2009
		ThCh\$	ThCh\$
Proceeds of sales of goods & provision of services		386.941.692	393.446.002
Proceeds of premiums & provisions, annuities and other benefits of policies signed		3.953.665	418.058
Other operating activity receipts		3.848.773	4.155.603
Payments to suppliers for supply of goods & services		-104.938.804	-104.586.276
Payments to & on behalf of personnel		-38.099.654	-35.901.642
Payments of premiums & provisions, annuities and other obligations of policies signed		-1.372.551	-1.104.112
Other operating activity payments		-38.716.454	-34.155.958
Dividends received		267.452	0
Interest paid		-14.472.547	-19.882.085
Interest received		408.004	473.883
Income tax paid		-28.181.637	-23.754.535
Other cash outflows		-1.576.956	-1.058.377
Net cash flow from operating activities		168.060.983	178.050.561
Proceeds of sales of property, plant & equipment		628.897	4.416.715
Acquisitions of property, plant & equipment		-68.850.199	-86.623.815
Purchases of intangible assets		-639.231	-19.439
Other cash outflows		-1.290.543	-1.475.878
Net cash flow used in investment activities		-70.151.076	-83.702.417
Proceeds of long-term loans		68.583.714	75.370.746
Proceeds of short-term loans		2.459.434	8.573.144
Total loan proceeds		71.043.148	83.943.890
Loan repayments		-61.436.812	-44.152.739
Dividends paid		-125.874.413	-109.680.455
Other cash outflows		-548.151	-82.159
Net cash flow used in financing activities		-116.816.228	-69.971.463
Net increase in cash & cash equivalents, before the effect of changes in exchange rates		-18.906.321	24.376.681
Net increase in cash & cash equivalents		-18.906.321	24.376.681
Cash & cash equivalents at start of the period		24.996.283	619.602
Cash & cash equivalents at end of the period	6	6.089.962	24.996.283

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



Statements of Changes in Equity
For the years ended December 31, 2010 and 2009
(Thousands of Chilean pesos - ThCh\$)

Statement of changes in equity	Note	Issued Capital	Accounting issues	Other equity participations	Accumulated earnings (losses)	Equity attributable to owners of the controller	Non-controller participations	Total Equity
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Opening balance at 01-01-2010		155.567.354	164.064.038	-5.965.555	309.334.336	623.000.173	66.945.740	689.945.913
Restated opening balance		155.567.354	164.064.038	-5.965.555	309.334.336	623.000.173	66.945.740	689.945.913
Comprehensive result								
Earnings					103.849.578	103.849.578	1.102.721	104.952.299
Dividends	2.3				119.261.625	119.261.625		119.261.625
Decrease through transfers & other changes							-2.004.808	-2.004.808
Total changes in equity		0	0	0	-15.412.047	-15.412.047	-902.087	-16.314.134
Closing balance at 30-09-2010		155.567.354	164.064.038	-5.965.555	293.922.289	607.588.126	66.043.653	673.631.779
Statement of changes in equity	Note	Issued Capital	Accounting issues	Other equity participations	Accumulated earnings (losses)	Equity attributable to owners of the controller	Non-controller participations	Total Equity
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Opening balance at 01-01-2009		155.567.354	164.064.038	-5.965.555	292.940.067	606.605.904	67.351.366	673.957.270
Increased by error correction	2.3				6.366.743	6.366.743		6.366.743
Restated opening balance		155.567.354	164.064.038	-5.965.555	299.306.810	612.972.647	67.351.366	680.324.013
Comprehensive result								
Earnings					123.047.509	123.047.509	1.507.932	124.555.441
Dividends	2.3				113.019.983	113.019.983		113.019.983
Decrease through transfers & other changes						0	-1.913.558	-1.913.558
Total changes in equity		0	0	0	10.027.526	10.027.526	-405.626	9.621.900
Closing balance at 31-12-2009		155.567.354	164.064.038	-5.965.555	309.334.336	623.000.173	66.945.740	689.945.913

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



CONSOLIDATED FINANCIAL STATEMENTS

AGUAS ANDINAS S.A.

Notes to Financial Statements



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1. GENERAL INFORMATION

Aguas Andinas S.A. (hereinafter the "Society") and its subsidiaries make up the Group Aguas Andinas (hereinafter the "Group"). Its legal domicile is Avenida Presidente Balmaceda 1398, Santiago, Chile and its tax number is 61.808.000-5.

Aguas Andinas S.A. was formed as anonymous society open by deed on May 31, 1989 in Santiago by the notary public Mister Raúl Undurraga Laso. An extract of the statute was published on the Official Journal of the day Jun, 10 1989, being registered in the Commercial Register as 13,981, Number 7,040 of 1989 of the Conservative Real Estate of Santiago.

The Society's corporate purpose, in accordance with the second article of its by-laws, is the provision of sanitation services, which includes the construction and exploitation of public services, for producing and distributing drinking water and gather and provide waste water. Its current concession area is distributed in the Great Santiago and peripheral locations.

The Society is matrix of three sanitation companies, two of them in the Great Santiago (Aguas Cordilleras S.A. and Aguas Manquehue S.A.) and the other one in the district of Los Ríos and Los Lagos (Empresa de Servicios Sanitarios de Los Lagos S.A., ESSAL). To provide an integral service in its business, the Society has non-sanitation subsidiaries giving services as liquid industrial waste treatment (Ecoriles S.A.), laboratory analysis (Análisis Ambientales S.A.) and commercialization of materials and other services related to the sanitary sector (Gestión y Servicios S.A.).

The Society and its subsidiary Essal are registered in the Securities Register of the Superintendency of Securities and Insurance with the Number 346 and 524, respectively. The subsidiaries Aguas Cordilleras S.A. and Aguas Manquehue S.A. are registered in the reporting entities Register of the Superintendency of Securities and Insurance with the Number 170 and 2, respectively. As companies of the sanitation sector, they are regulated by the Superintendency of Sanitary Services in accordance with the Law 18.902 of 1989 and the Decrees having the Force of Law 382 and 70, both of 1988.

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

Direct controlling entity is Inversiones Aguas Metropolitanas S.A. ("IAM"), anonymous society which in turn is controlled by Sociedad General Aguas Barcelona S.A. ("Agbar"), entity located in Spain and one of the major operators of sanitation services in the world.

To December 31, 2010, the Group has 1,924 employees distributed in 65 CEOs, 479 professionals and 1,380 employees and administratives.



2. BASES OF PREPARATION AND ACCOUNTING POLICIES

2.1 Preparation

These consolidated financial statements relate to the statements of financial position, comprehensive results of its operations, changes in equity and cash flows in the twelve-month periods ended December 31, 2010 and 2009, and represent the integral, explicit and unreserved adoption of the IFRS and have been prepared in accordance with circulars 1,924 of April 24, 2009, 556 of December 3, 2009 and 473 of September 25, 2008 of the Superintendency of Securities and Insurance (SVS).

These consolidated financial statements fully comply with each IFRS current on this date.

The Group complies with all the legal conditions of the environment in which it carries on its business, particularly the sanitation subsidiaries with respect to the sanitation sector regulations, which operate normally in every area of their activities, projecting a profitable operation and with the ability to access the financial system to finance its business which, in the management's opinion, determines its ability to continue as an ongoing business, as established by the accounting standards under which these financial statements are issued.

Functional and presentational currency

The individual financial statements of each of the Group's entities are shown using the currency of the principal economic environment in which the societies operate (functional currency). For the purposes of the consolidated financial statements, the results and financial position of each Group company are shown in Chilean pesos, which is the Society's functional currency and the presentational currency for the consolidated financial statements.

New accounting pronouncements

- a) The following standards and interpretations have been adopted in these consolidated financial statements. Their adoption has had no significant impact on the figures reported in these consolidated financial statements but could affect the booking of future transactions or agreements.



IFRS Amendments	Date of obligatory application
IFRS 1 (Revised), First-time adoption of IFRS	Annual periods starting July 1, 2009
IFRS 2, Share-based payments	Annual periods starting or after January 1, 2010
IFRS 3 (Revised), Combination of businesses	Annual periods starting July 1, 2009
IAS 27 (Revised), Consolidated & unconsolidated financial statements	Annual periods starting July 1, 2009
IAS 39, Financial Instruments: Measurement & booking – eligible covered items	Retroactive application for annual periods starting on or after July 1, 2009
IFRS improvements – collection of amendments to 12 IFRSs	Annual periods starting or after January 1, 2010

New Interpretations	Date of obligatory application
CFRS 17, Distribution of non-monetary assets to owners	Annual periods starting or after July 1, 2009

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

New IFRS	Date of obligatory application
IFRS 9, Financial Instruments	Annual periods starting or after January 1, 2013
Amendments of IFRS	Date of obligatory application
IAS 12, Deferred Tax-Recovery of underlying assets	Annual periods starting or after January 1, 2012
IAS 24, Related Parties	Annual periods starting or after January 1, 2011
IAS 32, Classification of issue rights	Annual periods starting or after February 1, 2010
Improvements to IFRS May 2010 – collection of amendments to 7 IFRSs	Annual periods starting or after January 1, 2011
IFRS 7, Financial Instruments: Disclosures - Disclosures - Transfers of financial assets	Annual periods starting or after July 1, 2011
IFRS 9, Financial Instruments-Additions to IFRS 9 for accounting of financial assets	Annual periods starting or after January 1, 2013
New Interpretations	Date of obligatory application
CFRS 19, Extinction of financial liabilities with equity instruments	Annual periods starting or after July 1, 2010
Amendments to Interpretations	Date of obligatory application
CFRS 14, Limit on an asset for defined benefits, minimum funding requirements & their interaction	Annual periods starting or after January 1, 2011

The management of the Society and its subsidiaries believes that the adoption of the standards, amendments and interpretations described above will have no significant impact on the Group's consolidated financial statements in the period of their initial application.

Responsibility for the Information and Estimates Made

The information contained in these consolidated financial statements is the responsibility of the board of the Society, which shows that all the principles and criteria included in the International Financial Reporting Standards (IFRS) have been applied. The board approved these financial statements at its meeting held on January 25, 2011.



The consolidated financial statements of Aguas Andinas S.A. and subsidiaries for the year 2009 were approved by the board at its meeting held on March 9, 2010.

Estimates like the following have been used in the preparation of the financial statements:

- Useful lives of property, plant and equipment and intangible assets
- Valuation of assets and goodwill
- Impairment of assets
- Assumptions used in the actuarial calculation of employee severance benefits
- Assumptions used in the calculation of fair value of financial instruments
- Revenues for supplies pending invoicing
- Provisions for commitments acquired with third parties
- Risks arising from pending litigation

Although these estimates and judgments were made as a function of the best information available on the date of issue of these consolidated financial statements, it is possible that events may occur in the future that force them to be amended (upward or downward) in the next periods, which would be recorded as soon as the variation is known, booking the effects of such changes in the corresponding future consolidated financial statements.

2.2 Accounting Policies

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

A. Consolidation

The consolidated financial statements include the financial statements of the Society and the entities controlled by it (its subsidiaries). Subsidiaries are those entities in which the Group has the power to direct the financial and operating policies, which is generally accompanied by a holding of over half the voting rights. When evaluating whether the Group controls another entity, the existence and effect of the potential voting rights that are currently being exercised or converted are taken into account. The subsidiaries are consolidated from the date on which control passes to the Group, and are excluded from the consolidation when such control ceases (see subsidiaries included in the consolidated financial statements of Aguas Andinas S.A. in Note 5).

The acquisition of subsidiaries is booked using the acquisition method as established in IFRS 3 *Combinations of Businesses*. The cost of a combination of business is the sum of the fair value of the assets acquired, the liabilities incurred or assumed and the equity instruments issued on the exchange date, plus costs directly attributable to the acquisition. The identifiable assets acquired and the



liabilities and identifiable contingencies assumed in the combination of businesses are valued initially at their fair value on the date of acquisition, independently from the scope of minority interests. The excess of the acquisition cost over the fair value of the Group's participation in the net identifiable assets acquired is shown as goodwill. If, following a re-evaluation, the Group's participation in the fair value of the net identifiable assets acquired exceeds the cost of acquisition, the excess is shown immediately in the statement of comprehensive results. The period for the valuation to determine the definitive fair value of assets and liabilities, as established in IFRS 3, should not exceed one year from the date of acquisition.

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

When considered necessary, the subsidiaries' accounting policies have been adjusted to ensure their uniformity with the policies followed by the Group.

B. Operative segments

The Group adopted IFRS 8, *Operative Segments*, with effect from January 1, 2009. IFRS 8 sets the standards for reporting with respect to the operative segments and disclosures relating to products and services. Operative segments are defined as components of an entity for which separate financial information exists which are regularly revised by management for taking decisions on the assignment of resources and evaluating performance.

The Group manages and measures performance of its operations by business segment. The operative segments reported internally are:

- Operations related to the sanitation business (Water).
- Operations unrelated to the sanitation business (Non-Water).

C. Intangible assets other than goodwill

The Society books an identifiable intangible asset when it can show that it is probable that the future economic benefits attributed to it flow to the entity and the cost may be correctly valued.

The basis for booking and measurement is the cost method. However and as indicated in IFRS 1, first adoption, certain water rights and easements were revalued and these values were used as their attributed cost.

i. Intangible assets acquired separately

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



ii. Intangible assets generated internally – research and development expenses

Research activity expenses are booked as an expense in the period in which they are incurred.

An internally-generated intangible asset originating from development projects (or development phase of an internal project) is booked only when the following has been proven:

- It is technically possible to complete the production of the intangible asset in such a way as to make it available for use or sale;
- The management has the intention of completing the intangible asset for its use or sale;
- There is the capacity to use or sell the intangible asset;
- It is possible to show how the intangible asset will generate probable economic benefits in the future;
- There are sufficient technical, financial and other resources available for completing the development and using or selling the intangible asset; and
- It is possible to value reliably the disbursements attributable to the intangible asset during its development.

The amount initially booked for the intangible assets generated internally is the sum of the expenses incurred from the date on which the intangible asset meets for the first time the criteria mentioned above. When an internally-generated intangible asset cannot be booked, the development expenses are taken to results in the period in which they were incurred.

After the initial booking, internally-generated intangible assets are shown at cost less accumulated amortization and accumulated impairment, on the same basis as for intangible assets acquired from third parties.

iii. Method of amortization of intangible assets:

Intangible assets with defined useful life.

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

Computer programs.

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



Intangible assets with undefined useful life.

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

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 by present or potential competitors.
- Natural or climatic factors and technological changes that affect the capacity to generate profits.

The useful life may require modifications over time due to changes in estimates as a result of changes in assumptions about the above-mentioned factors.

D. Goodwill

Goodwill generated in the consolidation represents the excess of acquisition cost over the Group's participation in the fair value of the assets and liabilities, including identifiable contingent liabilities of a subsidiary at the date of the acquisition.

The valuation of assets and liabilities acquired is made provisionally on the date of taking control of the company and then revised within one year from the acquisition date. Until the fair value of assets and liabilities is determined definitively, the difference between the acquisition price and the book value of the acquired company is shown provisionally as goodwill.

When the definitive determination of the goodwill is made in the financial statements of the year following the acquisition of the participation, the headings of the previous year shown for comparison purposes are modified to incorporate the value of the acquired assets and liabilities and the definitive goodwill from the date the participation was acquired.

Effective 2010, with the coming into effect of the modifications included in IAS 27 "Consolidated and separate financial statements", any effect arising from a transaction with the minority participations,



not deriving from a change in control, are booked directly in equity and attributed to the owners of the controller. During the year 2010, there have been no transactions with minority participations.

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

Goodwill is not amortized but, at the end of each accounting period, an estimate is made of whether any impairment has occurred that reduces the recoverable value to below the net cost booked, in which case an adjustment for impairment is made, as required by IAS 36.

E. Property, plant and equipment

The Society follows the cost method for valuing the property, plant and equipment. However, for the first application of IFRS, certain land was revalued and the value obtained was considered as its attributed cost. Historic cost includes expenses directly attributable to the acquisition of the asset.

Subsequent costs are included in the value of the initial asset or are shown as a separate asset, only when it is probable that the future economic benefits associated with the elements of fixed assets are going to flow to the Group and the cost of the element can be determined reliably. The value of the component substituted is written off in the books. Remaining repairs and maintenance are charged to results in the period in which they are incurred.

The sanitation subsidiaries receive contributions from third parties relating to property developments carried out by construction companies in developing their projects, enabling their customers to be connected to sanitation services of the Aguas Andinas S.A. and its subsidiaries. These contributions, relating basically to the water and sewage networks necessary for the normal development of the provision of sanitation services to new customers, in accordance with article 9 of Law 70, do not constitute assets of the sanitation companies for the setting of tariffs.

Articles 36 to 43 and 53 of Law 382/1988 of the Ministry of Public Works (General Sanitation Services Law) establish the responsibilities with respect to the installation by the property developer and the maintenance and replacement costs, by the provider of the service.

On their reception, the Society and its sanitation subsidiaries book these assets at their fair value and show deferred income of the same amount. This deferred income is amortized in the same period of useful life of the related assets.

Method of depreciation and estimated useful life for property, plant and equipment:

The depreciation method employed by the Society reflects the extent to which economic benefits generated by asset are used. The Society 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 13).

Useful lives

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

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

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

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

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

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

Due to the nature of the assets of the Company and as there are no contractual obligations like those mentioned in IFRS, the concept of dismantling costs is not applicable at the date of these financial statements.

Fixed assets sales policy

The results of fixed asset sales are calculated by comparing the proceeds received with the book value, and are booked in the statement of comprehensive results.



F. Impairment of tangible and intangible assets except goodwill

The Group revises the book values of its tangible and intangible assets at each closing date of the statement of financial position to see whether there exists any indication of impairment. Should these exist, the recoverable value is estimated of such assets in order to determine the impairment suffered (if any). When it is not possible to estimate the recoverable value of an asset in particular, the Group estimates the fair value of the cash-generating unit to which this asset belongs.

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

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

When it is estimated that the recoverable value of an asset (or cash-generating unit) is less than its book value, the book value of that asset (or cash-generating unit) is adjusted to its recoverable value, booking immediately a loss for impairment in results. When a loss for impairment is reversed, the book value of the asset (or cash-generating unit) is adjusted to the revised estimate of its recoverable value, provided the adjusted book value does not exceed the book value that would have been determined if no loss for impairment of the asset (or cash-generating unit) had been booked in previous periods. The reversal of a loss for impairment is booked immediately to results unless the corresponding asset is booked at a revalued amount in which case the reversal is dealt with as an increase in the revaluation.

G. Leases

i. Financial leases

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

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

The minimum lease installments are assigned between financial expenses and a reduction in the obligation in order to obtain a constant interest rate, on the balance outstanding of the obligation. The financial expenses are charged directly to results unless they are directly related to qualified assets, in which case they are capitalized in accordance with the Group's general policy regarding financing costs. Contingent lease payments are booked as expenses in the period in which they are incurred.



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.

H. Financial assets

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

Financial assets are classified in the following categories:

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

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

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

The issuers of these instruments are banks or their subsidiaries with an N-1 credit rating and 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 and of the assignment of interest income over the whole corresponding period. The effective interest rate is the rate that exactly discounts the estimated future cash flows receivable over the expected life of the financial asset and the net present value equal to zero.



ii. Financial assets at fair value with changes in results

Financial assets are shown at fair value through results when the asset is held for trading or is designated as at fair value with changes in results.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling or re-purchasing in the immediate future; or
- It forms part of a portfolio of identified financial instruments which the Group manages together and for which there is evidence of a recent and real pattern of obtaining short-term benefits; or
- It is a derivative that has not been designated nor is effective as a hedge instrument

A financial asset that has not been held for trading may be classified at fair value with changes in results in the initial booking if:

- Such designation eliminates or significantly reduces some inconsistency in the valuation or the booking that would arise by using different criteria for valuing assets, or in booking their losses or gains on different bases; or
- It forms part of a group of financial assets which is managed and its return evaluated according to fair value criteria, in accordance with an investment and risk management strategy documented by the Company; or
- It forms part of a contract that contains one or more implicit derivatives, and IAS 39 *Financial Instruments: Booking and Measurement* permits the whole combined contract (asset or liability) to be designated 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, 2010, the Society and subsidiaries holds shares in Sociedad Eléctrica Puntilla S.A. which have been valued at fair value on the date of acquisition, as established in IAS 39, paragraph 43. Its later measurement will be at cost as there is no active market, as provided in paragraph 46 c of the same standard. The Society and subsidiaries, in consideration for the shares received, signed a permanence contract by which performance bonds are held for the term of the contract to ensure compliance.

iii. Financial assets held to maturity

Financial assets held to maturity correspond to non-derivative financial assets with fixed or determinable payments and established maturity dates that the Group has the intention and capacity to hold until maturity. Financial assets held to maturity are booked at amortized cost using the effective interest-rate method less any impairment of value, and income is booked on the basis of effective return.



iv. Loans and accounts receivable

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

Trade debtors and other accounts receivable.

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

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

Policy for impairment of financial assets

The Society periodically evaluates impairments affecting its financial assets. The amount of the allowance is the difference between the book value and the present value of estimated future cash flows, discounted at the effective interest rate. The book value of an asset is reduced to the extent that the allowance account is used and the loss is booked in the statement of results in "other expenses". When an account receivable is not recoverable, it is written off against the allowances for accounts receivable.

The estimates are based on the following historic information: recovery statistics which indicate that following the eighth month from billing, the possibility of recovery is marginal, i.e. the probability of recovery of amount billed is minimal, less than 1%.

For Aguas Andinas S.A. and its subsidiaries Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., a 100% allowance is made for the overdue debt of customers with debts of over 8 months.

For Aguas Andinas S.A. and Aguas Cordillera S.A., an allowance of 100% of the agreed balance is made for consumption debts transformed into payment agreements.

For the subsidiaries Gestión y Servicios S.A., Anam S.A. and Ecoriles S.A., a 100% allowance is made for customers with debts overdue more than 120 days.

A 100% allowance is made for overdue notes receivable.



v. Financial assets available for sale

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

At the close of these interim financial statements, the Group has no financial assets available for sale.

I. Inventories

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

In the case of the subsidiary Gestión y Servicios S.A., dedicated to the commercialization of materials, inventories are valued at cost which does not exceed their net realization value.

J. Dividend policy

The dividend policy is to distribute 30% of the earnings for each year as a final dividend, plus 70% as an additional dividend provided financial conditions permit, and subject to approval by the ordinary shareholders meeting.

K. Foreign currency transactions

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

Currency	31-12-2010	31-12-2009
	\$	\$
US Dollar	468,01	507,10
Euro	621,53	726,82



Foreign currency transactions are translated to the functional currency using the exchange rates on the date of the transactions. Foreign currency gains and losses resulting from the liquidation of these transactions and the translation at the closing exchange rates for monetary assets and liabilities denominated in foreign currency, are shown in the statement of comprehensive results, unless they are deferred in equity as cash-flow and net investment hedges.

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

L. Financial liabilities

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

M. Derivative financial instruments and accounting of hedges

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

The Group does not use derivative financial instruments for speculative purposes but exclusively as hedging instruments to eliminate or significantly reduce existing interest-rate and exchange risks on equity positions to which it is exposed due to its business.

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

Hedges of fair value. Changes in the market value of derivative financial instruments designated as hedges as well as the items hedged are shown as a credit or charge to results in the respective result accounts (Note 7).

Hedges of cash flows and net foreign-currency investments. Changes in the fair value of these derivative financial instruments are shown, for the part that is effective, directly in a reserve of net equity called "cash flow hedge", while the ineffective part is shown in the results. The amount shown in equity is not passed to the results account until the results of the transactions hedged are shown there or until the expiry date of such transactions.

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

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

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



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

N. Provisions and contingent liabilities

The Group makes a provision when there is a present obligation as a consequence of past events and for which it is probable that the group will use resources to settle the obligation and on which it can make a fair estimate of the amount of the obligation.

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

Contingent liabilities are possible obligations arising from past events whose future materialization and associated equity damage is considered to have a low probability. According to IFRS, the Group makes no provision for these concepts although, as required in the same rule, they are shown in Note 14 if they do exist.

O. Personnel benefits

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

Aguas Andinas S.A.

The severance payments of Aguas Andinas S.A. are governed by the Labor Code, except for the amount of the indemnity in any event accumulated to July 31, 2002 and the severance payment of 1.45 monthly wages, excluding voluntary resignation, without any amount or age limit for workers subject to current collective agreements and those, who through their individual work contract, enjoy this benefit. The amount in any event accumulated to that date is adjusted quarterly in line with changes in the consumer price index. The mentioned collective agreement also states that workers who retire from Aguas Andinas S.A. within 120 days of the date when they reach the legal retirement age, can have access to the benefits under the collective contract, and continue to accrue this benefit after July 2002.



Aguas Cordillera S.A. and Aguas Manquehue S.A.

The severance payments of the subsidiary Aguas Cordillera S.A. and Aguas Manquehue S.A. are governed as indicated in the Labor Code, except the amount of the indemnity in any event accumulated to December 31, 2002 and the severance payment of 1 monthly wage without any amount or age limit for workers subject to current collective agreements and those, who through their individual work contract, are extended this benefit. The amount in any event accumulated to that date is adjusted quarterly in line with changes in the consumer price index. The mentioned collective agreement also states that workers who retire from the subsidiaries Aguas Cordillera S.A. and Aguas Manquehue S.A. continue to accrue this benefit after December 2002.

Essal S.A.

Indemnities to workers forming part of or 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, with a limit of six months for their 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.

Actuarial assumptions

The obligation of the Society and subsidiaries for the accrued severance payments of employees until July and December 2002 and the obligation for the additional indemnity estimated to accrue to workers retiring from the Company, is shown at their actuarial value, determined in accordance with the projected credit-unit method, at a discount rate of 6.4% annually and with mortality rates obtained from the tables RV-2004 of the Superintendency of Securities and Insurance (SVS) and from turnover obtained from internal studies. In addition, there are indemnities agreed in individual work contracts that are booked using the same method.

Advances granted to personnel against this fund are shown deducted from the current obligations. These will be imputed in the final indexed settlement in accordance with the provisions of the mentioned contracts.

There are no benefits of this kind in the other subsidiaries.

P. Income tax and deferred taxes

The charge for income tax relates to the sum of income tax payable and variations in deferred tax assets and liabilities

Income tax payable is determined on the basis of the tax result for the period. The income tax payable by the Group is calculated using the tax rates that have been approved or that are in the approval process, on the closing date of the statement of financial position.



Deferred taxes are shown on the basis of differences between the book values of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of the tax result, and are booked in accordance with the liability method. Deferred tax liabilities are booked for all taxable timing differences, and deferred tax assets are shown for all deductible timing differences provided it is probable that there will be future tax benefits to be able to offset such differences. Deferred tax assets or liabilities are not booked if the timing differences arise from the reduced value or initial booking (except in a combination of businesses) of other assets and liabilities in a transaction that does not affect the tax or financial results.

The book value of deferred tax assets is revised on each closing date of the statement of financial position and is reduced to the extent that it is improbable that there will be sufficient tax results available to permit the recovery of all or part of the asset.

Deferred tax assets and liabilities are measured at the tax rates expected to be in effect at the time that the liability is settled or asset realized, based on the tax rates that have been approved or are in the approval process at the close of the statement of financial position. The measurement of deferred assets and liabilities reflects the tax consequences that would be produced in the way the Group expects, at the date of report, to recover or settle the book values of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legal right to offset before the tax authority the amounts booked in these headings and when the deferred tax assets and liabilities derive from income tax corresponding to the same tax authority and the Group intends to liquidate its current tax assets and liabilities on a net basis.

Q. Ordinary revenue

Policy for accounting for ordinary revenue

Revenue is booked arising from all the normal operations and other events at the fair value of the payment received or receivable taking into account the terms of payment, rebates and credit notes, and provided the amount of revenue can be measured reliably.

Policy for accounting for ordinary revenue for sales of goods

Revenue from sales of goods is booked once the risk and benefits are transferred. For the subsidiary Gestión y Servicios S.A., invoicing is made once the material is delivered. For the rest of the Group companies, if there are some sales of elements of Property, plant and equipment. The revenue is booked when it is feasible to value it reliably.

Policy for accounting for ordinary revenue for sales of services

Revenue from sales of services is measured at fair value. Billing is carried out on the basis of actual consumption or work carried out of the consideration receivable, net of returns, trade discounts and rebates, so the revenue is booked when it is considered probable that the recovery, associated costs and possible discounts for mistaken collections is transferred to the buyer, and can be estimated reliably.



The services area of the sanitation companies is divided into billing groups which set dates for meter reading and later billing. This process is based on a monthly calendar. 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 groups of billing for sanitation services, 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 services area of the sanitation companies is divided into billing groups, which determine the meter-reading dates and later billing. This process is performed on a calendar-month basis.

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

Method for determining the state of termination of services

The provision of the sanitation services is confirmed through the metering of consumption, in accordance with legal provisions, 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 certain conditions of each contract, which ensure that the economic benefit will flow to the Society.

R. Earnings per share

The basic earnings per share are calculated as the earnings (loss) attributable to the holders of equity of the controller divided by the average weighted number of common shares in circulation during the period.

During the years 2009 and 2010, the Group has carried out no kind of operation with a potential diluting effect that supposes diluted earnings per share different to the basic earnings per share.

S. The environment

Assets of an environmental kind are those used constantly in the business of the Society and subsidiaries, whose principal objective is the minimization of adverse environmental impacts and the protection and improvement of the environment, including the reduction or elimination of the future contamination of the business Aguas Andinas and subsidiaries's 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 life of the different elements.

T. Consolidated statement of cash flows

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

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

Operating activities. Typical activities of the normal business operation of the Society and subsidiaries, plus others that cannot otherwise be defined as investment or financing activities.

Investment activities. The acquisition, disposal or use by other means of long-term assets and other investments not included in cash and cash equivalents.

Financing activities. Activities that produce changes in the amount and composition of equity and liabilities not forming part of ordinary activities.

U. Construction contracts

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

Contract costs are booked when incurred. When the result of a construction contract cannot be estimated reliably, and it is probable that the contract is going to be profitable, contract revenues are recorded over the term of the contract. When it is probable that the contract costs are going to exceed its total revenues, the expected loss is recorded 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 which will probably be recovered.

The Group shows as an asset the gross amount due by customers for the work of all contracts in progress for which the costs incurred plus recognized profits (less recognized 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 recognized profits (less recognized losses).

V. Capitalized financing costs

Interest-bearing loans:

The costs of loans directly attributable to the acquisition, construction or production of assets that meet the conditions for their qualification, are capitalized, thus forming part of the cost of such assets.

Interest-cost capitalization policy:

Only interest paid or accrued on debt used exclusively to finance qualified assets is capitalized, as established in IAS 23.

2.3 Capital and equity

The capital of the Society is divided into 6,118,965,160 nominative shares of no par value and its composition is the following:

	31-12-2010	31-12-2009
Serie A Shares	3.976.260.060	3.976.257.342
Serie B Shares	2.142.705.100	2.142.707.818
Total	6.118.965.160	6.118.965.160

There are no own shares held in portfolio, nor are there preference shares.

The Society manages its capital to ensure permanent and expedite access to the financial markets, which permits it to carry out its objectives of growth, solvency and profitability.

There have been no changes in the capital management objectives or policies in the periods reported.

- The ordinary shareholders meeting held on April 21, 2010 agreed to distribute 100% of the net income for 2009 and the distribution of ThCh\$ 1,563 in reserves for future dividends, discounting the interim dividend paid in November 2009. The amount of dividend No.50 amounted to ThCh\$ 90,618,558, equivalent to Ch\$ 14.80945 per share. This payment was made on May 17, 2010, having entitled to 6,118,965,160 shares.
- In board meeting held October 26, 2010 agreed to distribute the amount of ThCh\$ 33,126,854 on account of earnings 2010, acting as interim dividends. Because of this the dividend No. 51



amounted to Ch\$ 5.4138 per share. This payment was made on November 22, 2010, having entitled to 6,118,965,160 shares.

During period 2009 Aguas Andinas S.A. agreed and made the following dividend payments:

- The ordinary shareholders meeting held on April 16, 2009 agreed to distribute 100% of the net income for 2008, discounting the interim dividend paid in October 2008. The amount of dividend No.48 amounted to ThCh\$ 76,105,731, equivalent to Ch\$ 12.43768 per share. This payment was made on June 22, 2009 on 6,118,965,160 shares.
- On November 23, 2009, an interim dividend Number 49 of Ch\$5.3 per share was paid, equivalent to ThCh\$ 32,430,515, charged to earnings of 2009. This payment was agreed at a board meeting held on October 20, 2009 on the 6,118,965,160 shares.

Provision for minimum dividend

As of September 30, 2010, no provision was made given that the interim dividend exceeds 30% of the earnings. As of December 31, 2009 a provision was made for a minimum dividend to reach 30% of earnings, amounting to ThCh\$ 36,914,252.

Accumulated earnings (losses)

The amounts booked for revaluation of land and intangible assets and other adjustments of the first adoption are included in accumulated earnings and are subject to restrictions on their distribution as they first have to be booked as realized, through their use or sale, as established in IAS 16 and Circular 456 of June 20, 2008 of the SVS.

During 2010 and 2009, there were no accumulated earnings deriving from adjustments on the first adoption booked on January 1, 2008.

The subsidiary Aguas Cordillera S.A. booked retroactively an error amounting to ThCh\$ 6,366,643, booking a debit to deferred taxes asset account and a credit to accumulated earnings in equity. This adjustment arose in 2008 with its merger with the subsidiary Aguas Los Domínicos S.A., when the deferred tax was not determined on the timing difference generated in tax goodwill distributed among the land and intangible assets of undefined useful lives merged into Aguas Cordillera S.A.

Accounting issues

The amount registered in accounting issues is the premium on the sale of shares produced in 1999 due to the capital increase.

Other participations in equity.



Other participations refer to the monetary correction of paid capital of the year 2008, the year of transition, in accordance with SVS Circular 456, and the effects of combinations of businesses of companies under common control (merger of subsidiaries in 2007 and 2008).

2.4 Reclassifications

In accordance with instructions issued by the SVS in Circular 1975 of March 25, 2010, the Society has made certain reclassifications to the statement of financial position as of December 31, 2009, mainly related to the presentation of goodwill, personnel benefits and financial liabilities and assets, all within the respective current and non-current headings as corresponds.

3. OTHER REVENUE AND EXPENSES

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

Revenues & expenses other than from the operation	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
Other revenue		
Insurance claims (1)	3.565.247	234.016
Gain (loss) on sales of non-current assets, not held for sale	237.030	3.541.850
Total	3.802.277	3.775.866
Financial costs		
Bank loans	3.122.137	6.102.173
Interest expense, AFR	2.821.882	1.931.893
Interest expense, bonds	14.652.868	12.580.167
Interest expense, others	451.029	309.549
Amortization of complementary costs related to loan agreements	1.696.277	1.484.001
Total	22.744.193	22.407.783
Financial income		
Interest expense	2.924.925	3.154.492
Gain on redemption & extinction of debt	1.349.741	1.961.699
Total	4.274.666	5.116.191

- (1) Insurance claims during 2010 relate mainly to the subsidiary Essal S.A. which has received from RSA Seguros Chile S.A. payment of its claim for damages to infrastructure in the town of Chaitén, affected by the eruption of the volcano of the same name in May 2008. The total amounted to



ThCh\$ 1,494,474. In addition, the subsidiaries Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A. received advances from insurance companies against their claims for damage caused by the earthquake that affected Chile in February 2010. The total amount received was ThCh\$ 2,035,907.

4. COMBINATIONS OF BUSINESSES

Detail of acquisition

On July 10, 2008, Aguas Andinas S.A., jointly with its subsidiary Aguas Cordillera S.A. acquired from Iberdrola Energía de Chile Ltda. all its corporate rights in Inversiones Iberaguas Ltda. (Iberaguas Ltda.), a company which then held 488,712,657 shares in Empresa de Servicios Sanitarios de Los Lagos S.A., equivalent to 51% of its share capital. At the same time, it acquired 24,018,816 shares in Essal S.A. through a public share purchase offering, equivalent to 2.5064% of the share capital.

The cost of combination of businesses amounted to ThCh\$81,122,784 (both societies).

On July 1, 2009, the final assignment of fair value was made of the assets and liabilities acquired in Inversiones Iberaguas Ltda. and Essal S.A.. This produced goodwill of ThCh\$ 2,426,198 for the purchase of Inversiones Iberaguas Ltda. and ThCh\$343,332 for the purchase of Essal S.A.

The summarized statement of financial position of the acquired company including the assignment of fair value as of December 31, 2010 and 2009 is as follows:



5. CONSOLIDATED AND UNCONSOLIDATED FINANCIAL STATEMENTS

Identification of link between controller and subsidiary

The subsidiary societies (as defined in Note 2.2 A) included in the consolidated financial statements of Aguas Andinas S.A. are the following:

Tax No	Company	Direct%	Indirect%	Total 2010 (%)	Direct%	Indirect%	Total 2009 (%)
96.809.310-K	Aguas Cordillera S.A.	99,9903	0,000000	99,9903	99,9903	0,000000	99,9903
89.221.000-4	Aguas Manquehue S.A.	0,000400	99,999600	100,0000	0,000400	99,999600	100,0000
96.967.550-1	Análisis Ambientales S.A.	99,000000	1,000000	100,0000	99,000000	1,000000	100,0000
96.945.219-8	Ecoriles S.A.	99,038500	0,961500	100,0000	99,038500	0,961500	100,0000
95.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A.	2,506500	51,000000	53,5065	2,506500	51,000000	53,5065
96.828.120-8	Gestión y Servicios S.A.	97,847800	2,152200	100,0000	97,847800	2,152200	100,0000
96.897.320-7	Inversión Iberaguas Ltda.	99,999998	0,000002	100,0000	99,999998	0,000002	100,0000

The summarized statement of financial position and of comprehensive results of each of the subsidiaries included in the consolidated financial position is as follows:

Summarized financial information of subsidiaries (statement of financial position) as of 31-12-2010

31-12-2010 Subsidiaries	Current assets ThCh\$	Non-current assets ThCh\$	Current liabilities ThCh\$	Non-current liabilities ThCh\$	Equity ThCh\$
Aguas Cordillera S.A.	12.937.685	243.169.524	10.810.801	45.352.829	199.943.579
Aguas Manquehue S.A.	2.868.256	57.505.628	7.923.577	14.504.681	37.945.626
Inversiones Iberaguas Ltda.	1.035.811	65.012.132	9.341	0	66.038.602
Empresa de Servicios Sanitarios de Los Lagos S.A.	9.571.257	130.766.481	8.999.103	56.249.579	75.089.056
Ecoriles S.A.	9.376.986	169.664	1.201.190	0	8.345.460
Gestión y Servicios S.A.	6.739.134	1.845.971	3.223.124	0	5.361.981
Análisis Ambientales S.A.	3.888.774	1.358.229	340.877	0	4.906.126



Summarized financial information of subsidiaries (statement of comprehensive results) as of 31-12-2010

31-12-2010 Subsidiaries	Result for period ThCh\$	Ordinary revenues ThCh\$	Operating expenses (-) ThCh\$	Other expenses (-) / Net revenue (+) ThCh\$
Aguas Cordillera S.A.	13.572.932	37.565.890	-8.841.008	-15.151.950
Aguas Manquehue S.A.	2.248.910	6.205.486	-2.179.917	-1.776.659
Inversiones Iberaguas Ltda.	3.428.618	1.080	0	3.427.538
Empresa de Servicios Sanitarios de Los Lagos S.A.	6.741.358	32.228.930	-15.676.719	-9.810.853
Ecoriles S.A.	1.587.788	8.396.784	-4.308.933	-2.500.063
Gestión y Servicios S.A.	993.311	8.638.283	-6.212.460	-1.432.512
Análisis Ambientales S.A.	1.034.804	4.288.034	-2.274.561	-978.669

Summarized financial information of subsidiaries (statement of financial position) as of 31-12-2009

31-12-2009 Subsidiaries	Current assets ThCh\$	Non-current assets ThCh\$	Current liabilities ThCh\$	Non-current liabilities ThCh\$	Equity ThCh\$
Aguas Cordillera S.A.	18.466.182	240.558.843	8.899.779	43.224.192	206.901.054
Aguas Manquehue S.A.	2.612.051	54.840.181	8.488.866	13.266.650	35.696.716
Inversiones Iberaguas Ltda.	1.169.554	63.770.924	5.061	0	64.935.417
Empresa de Servicios Sanitarios de Los Lagos S.A.	8.768.396	130.307.890	9.910.401	56.510.570	72.655.315
Ecoriles S.A.	7.363.105	164.799	770.232	0	6.757.672
Gestión y Servicios S.A.	7.221.674	1.692.613	4.545.617	0	4.368.670
Análisis Ambientales S.A.	3.004.540	1.314.134	447.352	0	3.871.322

Summarized financial information of subsidiaries (statement of comprehensive results) as of 31-12-2009

31-12-2009 Subsidiaries	Result for period ThCh\$	Ordinary revenues ThCh\$	Operating expenses (-) ThCh\$	Other expenses (-) / Net revenue (+) ThCh\$
Aguas Cordillera S.A.	20.380.118	35.691.065	-8.590.614	-6.720.333
Aguas Manquehue S.A.	3.488.866	7.613.382	-1.928.712	-2.195.804
Inversiones Iberaguas Ltda.	3.876.414	-2	0	3.876.416
Empresa de Servicios Sanitarios de Los Lagos S.A.	7.617.365	32.394.608	-16.012.988	-8.764.255
Ecoriles S.A.	1.455.812	6.368.093	-2.894.946	-2.017.335
Gestión y Servicios S.A.	1.031.870	9.579.596	-7.348.721	-1.199.005
Análisis Ambientales S.A.	927.886	3.518.528	-1.816.273	-774.369



Detail of significant subsidiaries

The definition of significant subsidiaries is based on their percentage contribution to the operating results, their participation in Property, plant and equipment and Results for the period of the consolidated financial statements. The following companies are considered as significant subsidiaries:

Name of significant subsidiary	Aguas Cordillera S.A.	Essal S.A.
Tax No	96.809.310-k	96.579.800-5
Country	Chile	Chile
Functional currency	Chilean Pesos	Chilean Pesos
Percentage participation in significant subsidiary	99,99003%	53,50650%
Percentage voting rights in significant subsidiary	99,99003%	53,50650%
Percentage of consolidated totals		
Contribution margin	12,09%	6,97%
Property, plant & equipment	8,66%	11,81%
Result for the period	10,35%	5,14%

6. CASH AND CASH EQUIVALENTS

The composition is as follows:

Cash & cash equivalents	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
Banks	1.755.962	970.103
Mutual Funds	1.967.000	0
Time deposits (note 7.7)	2.367.000	24.026.180
Totales	6.089.962	24.996.283

Cash and cash equivalents relate to financial assets and time deposits with maturities of less than 90 days from the date of the transaction.



Detail of some items of the statement of cash flows

- **Other inflows from operating activities:** Relate to services connected with the business, principally agreements signed with property developers.
- **Other payments for operating activities:** Relate mainly to the payment of value added tax (VAT).

7. FINANCIAL INSTRUMENTS

7.1 Capital risk management

The Group manages its capital to ensure that Group entities will continue as ongoing businesses by the maximization of profitability for shareholders through 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 7.4, the capital attributable to equity holders of the controller, which includes the capital, reserves and retained earnings which are shown in Note 2.3.

7.2 Significant accounting policies

The significant accounting policies and methods adopted, including booking criteria, the bases of measurement and the bases on which the revenues and expenses are booked, with respect to each class of financial assets and financial obligations, are described in Notes 2H and 2L to these financial statements.



7.3 Classes of financial instruments

Classes of financial instruments	Currency or indexation unit	31-12-2010	31-12-2009
		ThCh\$	ThCh\$
Other current financial assets		406.502	900.059
Hedge assets, currency derivatives, current	CLP	406.502	900.059
Trade debtors & other accounts receivable, current and collection rights, non-current		65.329.172	65.121.153
Trade debtors & other accounts receivable, net	CLP	62.320.696	61.828.838
Trade debtors & other accounts receivable, net	USD	44.320	24.071
Trade debtors & other accounts receivable, net	EUR	3.025	3.051
Non-current receivables	CLP	2.961.131	3.265.193
Other current financial liabilities		22.293.049	36.560.941
Bank loans, current	CLP	3.913.732	11.624.136
Bonds, current	CLP	17.604.950	23.594.341
Reimbursable financial contributions, current	CLP	355.944	357.532
Hedge liabilities, currency derivatives, current	CLP	418.423	984.932
Other current financial liabilities, non-current		549.288.012	508.405.440
Bank loans, non-current	CLP	105.654.339	125.562.880
Bonds, non-current	CLP	365.846.377	314.310.984
Reimbursable financial contributions, non-current	CLP	77.787.296	68.531.576
Trade creditors & other accounts payable, current		45.722.811	64.231.693
Trade creditors & other accounts payable, current	CLP	44.530.080	62.673.939
Other accounts payable, non-current	CLP	1.192.731	1.557.754
Other financial assets, non-current	CLP	7.238.651	17.517

7.4 Disclosures on financial liabilities

Other financial liabilities

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

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

Reimbursable financial contributions (AFR)

According to article 42-A of decree MINECON 453 of 1989, "Reimbursable financial contributions, for extension and for capacity constitute a financing alternative for the provider (company that provides



sanitation services) for carrying out sanitation works of extension and capacity which, under the law, are at its expense and cost.”

They consist of determined 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 and 15 years and, in some minor cases, through reimbursement by the provision of sanitation services.

The detail of bank loans as of December 31, 2010 and 2009 is as follows:

Bank loan balances, current.

Debtor	Tax No.	Country of debtor	Bank of financial institution creditor	Creditor Tax No.	Country of creditor	Currency or indexation unit	Residual 31-12-2010 ThCh\$	Total book value ThCh\$			Total nominal value ThCh\$		Nominal rate	Effective rate	Repayments
								31-12-2010 Up to 90 days	31-12-2010 91 to 365 days	31-12-2009 ThCh\$	31-12-2010	31-12-2009			
Aguas Andinas S.A.	61.808.000-5	CL	BANCO BBVA	97.032.000-8	CL	CLP	0	222.294	0	4.328.402	239.989	4.349.278	4,83%	5,00%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	BANCO DE CHILE	97.004.000-5	CL	CLP	0	118.939	0	1.531.625	153.496	1.536.625	5,29%	5,19%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	BANCO CORPBANCA	97.023.000-9	CL	CLP	2.600.000	237.661	2.600.000	2.628.275	2.887.143	2.685.418	4,83%	5,23%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	BANCO SANTANDER	97.036.000-K	CL	CLP	0	156.226	0	2.723.897	162.272	2.749.750	4,98%	5,12%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	BANCO DE CHILE	97.004.000-5	CL	CLP	0	401.035	0	300.273	463.050	388.700	3,78%	3,86%	Semi-annual
Aguas Manquehue S.A	89.221.000-4	CL	BANCO ESTADO	97.030.000-7	CL	CLP	0	177.577	0	111.664	177.577	111.664	4,58%	4,58%	Semi-annual
TOTAL							2.600.000	1.313.732	2.600.000	11.624.136	4.083.527	11.821.436			

Nominal value = principal (+) accrued interest

Residual value = total principal due

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

Balances of bank loans, non-current.

Debtor	Tax No.	Country of debtor	Bank of financial institution creditor	Creditor Tax No.	Country of creditor	Currency or indexation unit	Residual 31-12-2010 ThCh\$	Total book value ThCh\$			Total nominal value ThCh\$		Nominal rate	Effective rate	Repayments
								31-12-2010 Up to 90 days	31-12-2010 91 to 365 days	31-12-2009 ThCh\$	31-12-2010	31-12-2009			
Aguas Andinas S.A.	61.808.000-5	CL	BANCO BBVA	97.032.000-8	CL	CLP	0	222.294	0	4.328.402	239.989	4.349.278	4,83%	5,00%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	BANCO DE CHILE	97.004.000-5	CL	CLP	0	118.939	0	1.531.625	153.496	1.536.625	5,29%	5,19%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	BANCO CORPBANCA	97.023.000-9	CL	CLP	2.600.000	237.661	2.600.000	2.628.275	2.887.143	2.685.418	4,83%	5,23%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	BANCO SANTANDER	97.036.000-K	CL	CLP	0	156.226	0	2.723.897	162.272	2.749.750	4,98%	5,12%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	BANCO DE CHILE	97.004.000-5	CL	CLP	0	401.035	0	300.273	463.050	388.700	3,78%	3,86%	Semi-annual
Aguas Manquehue S.A	89.221.000-4	CL	BANCO ESTADO	97.030.000-7	CL	CLP	0	177.577	0	111.664	177.577	111.664	4,58%	4,58%	Semi-annual
TOTAL							2.600.000	1.313.732	2.600.000	11.624.136	4.083.527	11.821.436			

Nominal value = principal (+) accrued interest

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



Total current non-portion

Type of document	Amount outstanding	Book value ThCh\$					Final maturity	Annual nominal interest rate	Annual effective interest rate	Payment Dates		Issuer	Tax No Issuer	Country of issuer
		31-12-2010								Interest	Principal			
		UF	13 months to 3 years	3 to 5 years	More than 5 years									
REMOS-B1	645.805	1.356.521	1.756.277	10.234.554	13.423.032	01-09-2022	6,25%	7,04%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL	
REMOS-B2	1.014.838	2.131.704	2.759.923	16.082.831	21.093.311	01-09-2022	6,25%	7,04%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL	
BAGUA-C1	0	0	0	0	0	01-12-2010	4,25%	5,24%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL	
BAGUA-C2	0	0	0	0	0	01-12-2010	4,25%	5,24%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL	
BAGUA-E	1.650.000	35.336.023	0	0	34.337.100	01-06-2012	4,00%	4,47%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5	CL	
BAGUA-F	3.947.368	11.292.399	10.544.001	59.978.096	84.934.701	01-12-2026	4,15%	4,74%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL	
BAGUA-G	2.500.000	0	53.151.383	0	51.687.899	01-04-2014	3,00%	3,43%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5	CL	
BAGUA-I	1.680.000	13.731.552	22.012.200	0	41.455.597	01-12-2015	3,70%	4,07%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL	
BAGUA-J	1.000.000	0	0	21.208.334	20.665.315	01-12-2018	4,00%	4,20%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5	CL	
BAGUA-K	1.000.000	6.865.776	6.803.766	7.675.276	0	01-10-2016	2,90%	3,10%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5	CL	
BAGUA-M	1.750.000	0	0	37.837.821	0	01-04-2031	4,20%	4,14%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5	CL	
BESAL-B	1.910.526	4.968.652	4.968.652	35.150.636	46.714.029	01-06-2028	6,00%	6,63%	Semi-annual	Semi-annual	Essal S.A.	96.579.800-5	CL	
Total Current portion	17.098.537	75.682.627	101.996.202	188.167.548	314.310.984									

7.5 Risk management

The principal objectives of financial risk management are to ensure the availability of funds to meet financial commitments and protect the value of the economic flows of the Group's assets and liabilities.

This management is carried out through the identification of the risks, the determination of tolerance to each risk, the hedging of such financial risks and the control of hedge transactions. Financial risk management is therefore based on hedging all significant exposures, provided there are suitable instruments and they are reasonably priced.

i. Credit risk

Credit risk is the possibility of financial loss arising from default of obligations by our counterparties (customers).

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

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



Credit Risk	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
Gross exposure per balance sheet for accounts receivable risks	94.049.674	91.301.937
Gross exposure according to risk estimates accounts receivable	-28.720.502	-26.180.784
Net exposure, risk concentrations	65.329.172	65.121.153
Trade debtors & other accounts receivable (net)	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
less than 3 months	62.041.555	61.564.005
3 to 6 months	69.468	123.632
6 to 12 months	257.018	168.323
over 12 months	2.961.131	3.265.193
Total	65.329.172	65.121.153

ii. Liquidity risk

Liquidity risk is the possibility that adverse situations in the capital markets prevent the Group from having access to sources of finance and from being able to finance its acquired commitments like long-term investments and working capital needs at reasonable market prices.

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

The following preventive measures are taken to manage the liquidity risk:

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

Maturity structure (undiscounted cash flows)

Balances as of December 31, 2010	Up to 90 days		91 days to 1 year		13 months to 3 years		3 to 5 years		More than 5 years	
	ThCh\$	Agreed interest rate	ThCh\$	Agreed interest rate	ThCh\$	Agreed interest rate	ThCh\$	Agreed interest rate	ThCh\$	Agreed interest rate
Bank loans	3.259.668	4,69%	3.695.399	4,64%	37.875.867	4,64%	31.787.374	4,56%	54.669.495	4,26%
Bonds	1.716.279	6,25%	25.484.501	4,04%	93.697.283	4,04%	115.849.148	3,59%	204.626.183	4,45%
AFRs	215.250	7,19%	48.325	5,50%	13.754.437	7,56%	6.017.515	4,77%	80.033.774	4,03%
Total	5.191.197		29.228.225		145.327.587		153.654.037		339.329.452	



The 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 S.A. has an interest-rate structure of both floating and fixed rates, as shown in the following table:

Debt instruments	Rate	%
Bank loans	Variable	19,04%
Bonds	Fixed	67,37%
AFRs	Fixed	13,60%
Total		100,00%

Interest rate sensitivity analysis

A rate analysis is made, with respect to TAB (Banking Asset Rate), assuming that 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 debt	Variable rate	Pts (+/-)	Impact on result (ThCh\$) (+/-)
Aguas Andinas S.A	100.298.667	TAB 180 days	35	346.334
Aguas Manquehue S.A	7.976.000	TAB 360 days	88	69.942

For loans based on 180-day TAB, the positive or negative change in nominal TAB of 35 basis points, calculated annually, would have an impact on results of +/- ThCh\$346,334.-

For loans based on 360-day TAB, the positive or negative change in nominal TAB of 88 basis points, calculated annually, would have an impact on results of +/- ThCh\$69,942.-

7.6 Derivative instruments

The Aguas Andinas Group has the following hedges at the date of the financial statements:



Company	Hedge instrument	Description of hedge	Item hedged	Nature of risk hedged	Assets current	Liabilities current	Assets current	Liabilities current
					31-12-2010		31-12-2009	
					ThCh\$	ThCh\$	ThCh\$	ThCh\$
Gestión y Servicios S.A.	Forward purchase	Exchange rate	Liabilities	Fair value	406.502	418.423	900.059	984.932

7.7 Cash equivalents.

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

Society	Instruments	31-12-2010	31-12-2009
		ThCh\$	ThCh\$
Aguas Andinas S.A.	Time deposit	0	1.937.006
Aguas Andinas S.A.	Mutual Fund	773.000	0
Aguas Cordillera S.A.	Time deposit	0	11.593.082
Aguas Cordillera S.A.	Mutual Fund	580.000	0
Análisis Ambientales S.A.	Time deposit	0	2.000.019
Gestión y Servicios S.A.	Time deposit	0	1.740.014
Eco-Riles S.A.	Time deposit	1.744.000	5.800.059
ESSAL S.A.	Time deposit	623.000	956.000
ESSAL S.A.	Mutual Fund	614.000	0
Total		4.334.000	24.026.180

7.8 Trade creditors and other accounts payable

The principal concepts are the following:

Trade creditors & other accounts payable, current	Currency or indexation unit	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Dividends	CLP	981.590	3.348.395
Taxes (VAT, monthly prepayments, sole tax, o	CLP	5.039.364	8.578.623
Suppliers under investments in progress	CLP	9.695.345	18.452.848
Personnel	CLP	1.928.074	2.224.134
Suppliers	CLP	13.925.457	18.429.727
Suppliers	USD	175.143	98.778
Suppliers	EUR	273.821	5.385
Services accrued	CLP	11.916.856	11.241.004
Services accrued	USD	91.243	1.526
Others	CLP	503.187	293.519
Total		44.530.080	62.673.939



7.9 Fair value of financial instruments

Fair value of financial instruments booked at amortized cost.

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

	31-12-2010	
	Amortized cost ThCh\$	Fair value ThCh\$
Other financial assets	4.334.000	4.334.000
Investments held at amortized cost	4.334.000	4.334.000
Mutual Funds	1.967.000	1.967.000
Time deposits	2.367.000	2.367.000
Other financial liabilities	571.174.559	577.562.925
Financial liabilities maintained at amortized cost	571.162.638	577.551.004
Bank debt	109.568.071	105.706.062
Bonds	383.451.327	393.701.703
AFRs	78.143.240	78.143.239
Financial liabilities maintained at fair value	11.921	11.921
Currency forwards	11.921	11.921

Methodology and assumptions used in the calculation of fair value

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

- a) The amortized cost of time 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 70).



- c) Foreign currency forwards are booked at their market value in the financial statements. These were valued using forward exchange rate quotations derived from the forward curves, supplied by an independent supplier of prices, applied to the remaining term of the instrument's maturity.
- d) 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.
- e) The fair value of bank debt was determined through the cash flow analysis methodology, applying the discount curves corresponding to the remaining term to the maturity of the obligation

Booking of fair value measurements in the statements of financial information

- Level 1 relates to fair-value measurement methodologies by market quotas (without adjustments) in active markets and considering the same assets and liabilities valued.
- Level 2 relates to fair-value measurement methodologies by market quotation data not included in Level 1, observable for the assets and liabilities valued, whether directly (prices) or indirectly (derivative of the prices).
- Level 3 relates to fair-value measurement methodologies by valuation techniques which include data on the assets and liabilities valued, not based on observable market data.

Financial liabilities booked at fair value to results	31-12-10			
	Level 1	Level2	Level 3	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Currency forwards		-11.921		-11.921
Total		-11.921	0	-11.921

There were no transfers between Levels 1 and 3 in the period.

7.10 Other financial assets

These relate mainly to the acquisition of shares in Sociedad Eléctrica Puntilla S.A. (EPSA) for a total amount of ThCh\$7,221,134.-



8. INFORMATION ON RELATED ENTITIES

Balances and transactions with related entities

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

Accounts receivable from related entities

Tax No. Related party	Related party	Relationship	Country of origin	Transactions	Currency	Term	Security	Current (ThCh\$)	
								31-12-2010	31-12-2009
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	CL	Reimbursement	CLP	30 days	Unsecured	27	0
96.713.610-7	Agbar Chile S.A.	Related to the controller	CL	Joint business with Gestión y Servicios S.A.	CLP	30 days	Unsecured	3.566	0
96.864.190-5	Brisaguan S.A.	Related to the controller	CL	Chemical & bacteriological analysis services	CLP	30 days	Unsecured	573	916
59.066.560-6	Degremont S.A. Agencia en Chile	Related to the controller	CL	Withholding in arbitration action of Degremont with third party	CLP	30 days	Unsecured	0	48.784
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	CL	Sale of materials and laboratory services	CLP	30 days	Unsecured	10.839	0
59.094.680-K	Aguas de Levante	Related to the controller	CL	Sale of materials	CLP	30 days	Unsecured	2.067	0
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to the controller	CL	Chemical & bacteriological analysis services	CLP	30 days	Unsecured	1.149	13.870
Total								18.221	63.570

Accounts payable to related entities

Tax No. Related	Related party	Relationship	Country of origin	Transactions	Currency	Term	Security	Current (ThCh\$)	
								31-12-2010	31-12-2009
93.713.610-7	Agbar Chile S.A.	Related to the controller	CL	Joint business with Gestión y Servicios S.A.	CLP	30 days	Unsecured	102.216	60.547
59.127.140-K	Aquagest Services Company S.A.	Related to the controller	CL	Purchase of materials	CLP	30 days	Unsecured	39.747	1.024.596
76.080.553-K	Agbar Solutions Chile Ltda	Related to the controller	CL	Purchase of materials on consignment	CLP	30 days	Performance bond ThCh\$ 244,800	708.636	0
None	Aquaplan	Related to the controller	CL	El Yeso reservoir modernization of operation & safety	CLP	30 days	Unsecured	0	23.769
76.046.628-K	Asterión S.A.	Related to the controller	CL	Re-engineering service contract of processes & implementation new customer-service information systems	CLP	30 days	Performance bond ThCh\$ 845,149	1.314.675	197.967
96.864.190-5	Brisaguan S.A.	Related to the controller	CL	Collections payable	CLP	30 days	Unsecured	33.581	46.410
59.066.560-6	Degremont S.A. Agencia en Chile	Related to the controller	CL	Principal construction contract La Farfana sewage treatment plant	CLP	30 days	Unsecured	382.617	333.346
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to the controller	CL	Operating & maintenance services La Farfana sewage treatment plant	CLP	30 days	Performance bond UF 194,249.62	2.265.320	1.049.491
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to the controller	CL	Operation & maintenance services biogas purification plant	CLP	30 days	Performance bond UF 112.24	27.300	8.307
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	CL	Operating & maintenance services El Trebal sewage treatment plant & Mapocho sewage treatment plant	CLP	90 days	Performance bond UF 357,863	15.128.000	0
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	CL	Dividends payable	CLP	-	Unsecured	0	2.246.457
None	Clavegueram de Barcelona S.A.	Related to the controller	CL	Technical assistance in study of Renato Poblete park	CLP	30 days	Unsecured	15.144	0
None	Sorea	Related to the controller	CL	Reimbursement	CLP	30 days	Unsecured	1.539	2.656
Total								20.018.775	4.993.546



Transactions

Tax No. Related party	Related party	Relationship	Country of origin	Transactions	Currency	Current (ThCh\$)			
						31-12-2010		31-12-2009	
						Amount	Effect on result (Charge)/ (Credit)	Amount	Effect on result (Charge)/ (Credit)
59.127.140-K	Aquagest Services Company S.A.	Other related parties	CL	Purchase of materials	CLP	1.535.459	-1.274.096	3.659.909	-3.659.909
79.046.628-K	Asterión S.A.	Other related parties	CL	Re-engineering service contract of processes & implementation new customer-service information systems	CLP	2.027.997	-329.857	421.121	-85.912
76.080.553-K	Agbar Solutions Chile Ltda	Other related parties	CL	Purchase of materials	CLP	1.790.806	-1.789.659	0	0
59.066.560-6	Degremont S.A. Agencia en Chile	Other related parties	CL	Principal contract construction of La Farfana Sewage Treatment Plant	CLP	36.965	-30.294	284.562	0
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Other related parties	CL	Operating & maintenance services El Trebal sewage treatment plant & Mapocho sewage treatment plant		22.178.406	-4.540.592	0	0
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Other related parties	CL	Operating & maintenance services La Farfana sewage treatment plant	CLP	11.927.844	-10.453.441	10.599.385	-9.807.820
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	CL	Dividends paid	CLP	60.191.329	0	54.379.195	0

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

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

	31-12-2010 (ThCh\$)	31-12-2009 (ThCh\$)
Board of directors	309.489	314.326
Directors' Committee	35.631	33.579
Total	345.120	347.905

These relate to fees related to their functions on the board and directors' committee as agreed by the ordinary shareholders meetings of the companies and their subsidiaries.

As of December 31, 2010, the number of managers and senior executives of Aguas Andinas S.A. and its subsidiaries totaled 59 professionals. The total remuneration received during the year amounted to Ch\$5,223 million and severance payments amounts to Ch\$237 million.

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

The management of the Society is unaware of any transactions between related parties and directors and/or executives.



9. INVENTORIES

Classes of inventories	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Merchandise	1.342.120	840.584
Supplies for production	482.589	782.680
Other inventories	58.700	71.697
Total inventories	1.883.409	1.694.961

The cost of the inventories shown as an expense during periods 2010 and 2009 amounts to Ch\$4,730,977.- and Ch\$7,475,841 respectively.

10. INTANGIBLE ASSETS OTHER THAN GOODWILL

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

	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Intangible assets, net	218.513.009	217.800.680
Intangible assets of finite life, net	8.963.783	9.310.245
Intangible assets of infinite life, net	209.549.226	208.490.435
Identifiable intangible assets, net	218.513.009	217.800.680
Patents, trademarks & other rights, net	6.079.377	6.267.281
Computer programs, net	2.884.406	3.042.964
Other identifiable intangible assets, net	209.549.226	208.490.435
Intangible assets, gross	241.501.386	239.472.591
Intangible assets, gross	241.501.386	239.472.591
Other identifiable intangible assets, gross	241.501.386	239.472.591
Identifiable intangible assets, gross	219.211.797	218.364.360
Patents, trademarks & other rights, gross	7.653.655	7.654.344
Computer programs, gross	14.635.934	13.453.887



Classes of accumulated amortization & impairment, intangible assets	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
Accumulated amortization & impairment, intangible assets, total	22.988.377	21.671.911
Accumulated amortization & impairment, patents, trademarks & other rights	1.574.278	1.387.063
Accumulated amortization & impairment, computer programs	11.751.528	10.410.923
Accumulated amortization & impairment, other identifiable intangible assets	9.662.571	9.873.925

Current period (31-12-2010)

Movement in identifiable intangible assets	Patents, Trademarks & Other Rights, Net	Computer programs, net	Other identifiable intangible assets, net
	ThCh\$	ThCh\$	ThCh\$
Opening balance at 01-01-2010	6.267.281	3.042.964	208.490.435
Additions	0	840.017	1.058.791
Amortization	187.215	1.351.609	0
Other increases (decreases)			0
Increases (decreases) for revaluation booked in the income statement	-689	353.034	0
Changes, Total	-187.904	-158.558	1.058.791
Closing balance at 31-12-2010	6.079.377	2.884.406	209.549.226

Previous period (31-12-2009)

Movement in identifiable intangible assets	Patents, Trademarks & Other Rights, Net	Computer programs, net	Other identifiable intangible assets, net
	ThCh\$	ThCh\$	ThCh\$
Opening balance at 01-01-2009	6.253.207	2.244.563	207.439.165
Additions	1.317.213	1.937.653	262.183
Discharge for business combination	0	0	0
Amortization	216.794	1.145.395	0
Other increases (decreases)	-1.086.345	6.143	789.087
Changes, Total	14.074	798.401	1.051.270
Closing balance at 31-12-2009	6.267.281	3.042.964	208.490.435

Detail of significant identifiable intangible assets:

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



Current period at December 31, 2010

Company	Water rights ThCh\$	Easements ThCh\$
Aguas Andinas S.A.	73.843.631	7.257.938
Aguas Cordillera S.A.	92.502.072	7.853.889
Aguas Manquehue S.A.	21.207.340	900.644
Essal S.A.	5.032.372	951.340
Total	192.585.415	16.963.811

Fully-amortized identifiable intangible assets in use correspond to a minor portion of software.

Identifiable intangible assets with indefinite useful lives:

Both the water rights and easements are rights of the Society for which it is not possible to establish a finite 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.

There were no disbursements in research and development booked as an expense.

Commitments for the acquisition of intangible assets:

Commitments for the acquisition of intangible assets relate to water rights and easements necessary for the normal operation of the Group companies and in particular for new works under development or prior study stages, plus the expansion of concession zones, shown as follows:

	01-01-2011 a 31-12-2011
Society	ThCh\$
Aguas Andinas S.A.	2.429.067
Aguas Cordillera S.A.	62.518
Aguas Manquehue S.A.	28.799
Essal S.A.	73.010
Análisis Ambientales S.A.	
Total	2.593.394



11. GOODWILL

The following is a detail of goodwill for the different cash-generating units or groups of these to which this is assigned and its movement in periods 2010 and 2009.

Tax No	Society	31-12-2010	31-12-2009
		ThCh\$	ThCh\$
96.809.310-K	Aguas Cordillera S.A.	33.823.049	33.823.049
95.579.800-5	Empresa de Servicios Sannitarios de Los Lagos S.A. (Essal S.A.)	343.332	343.332
96.897.320-7	Inversiones Iberaguas Ltda.	2.426.196	2.426.196
Total		36.592.577	36.592.577



12. PROPERTY, PLANT AND EQUIPMENT

	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
Property, plant & equipment, net	1.031.875.461	1.018.308.407
Building in progress	71.171.543	108.193.775
Land	148.941.768	149.179.546
Buildings	70.432.661	71.758.052
Plant & equipment	199.622.110	209.746.022
Computer equipment	1.386.254	1.602.794
Fixed installations & accessories	537.158.355	474.261.342
Motor vehicles	1.307.299	1.456.189
Improvements to leased assets	70.636	92.778
Other property, plant & equipment	1.784.835	2.017.909
Property, plant & equipment, gross	1.867.465.640	1.812.025.602
Building in progress	71.171.543	108.193.775
Land	148.941.768	149.179.546
Buildings	88.617.443	88.398.891
Plant & equipment	351.036.540	344.274.493
Computer equipment	10.307.322	10.572.434
Fixed installations & accessories	1.188.318.180	1.101.457.657
Motor vehicles	4.627.828	5.083.834
Improvements to leased assets	440.754	425.036
Other property, plant & equipment	4.004.262	4.439.936
Accumulated depreciation	835.590.179	793.717.195
Buildings	18.184.782	16.640.839
Plant & equipment	151.414.430	134.528.471
Computer equipment	8.921.068	8.969.640
Fixed installations & accessories	651.159.825	627.196.315
Motor vehicles	3.320.529	3.627.645
Improvements to leased assets	370.118	332.258
Other property, plant & equipment	2.219.427	2.422.027

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.

Property developments carried out and financed by construction companies contributed to the subsidiaries as of December 31, 2010 amount to ThCh\$17,062,539.



Current period 31-12-2010

Concept	Initial balance	Additions	Divestments	Charge for depreciation	Other increases (decreases)	Total changes	Closing balance
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Building in progress, net	108.193.775	28.038.863	-36.792	0	-65.024.303	-37.022.232	71.171.543
Land	149.179.546	0	-31.431	0	-206.347	-237.778	148.941.768
Buildings, net	71.758.052	285.663	-320.958	-1.731.668	441.572	-1.325.391	70.432.661
Plant & equipment, net	209.746.022	5.891.598	-178.261	-18.182.631	2.345.382	-10.123.912	199.622.110
Computer equipment, net	1.602.794	462.414	-710	-736.682	58.438	-216.540	1.386.254
Fixed installations & accessories, net	474.261.342	32.371.339	-2.330.519	-30.322.638	63.178.831	62.897.013	537.158.355
Motor vehicles, net	1.456.189	335.555	-42.163	-444.747	2.465	-148.890	1.307.299
Improvements to leased assets, net	92.778	15.716	0	-37.858	0	-22.142	70.636
Other property, plant & equipment, net	2.017.909	0	-1.231	-16.880	-214.963	-233.074	1.784.835
Classes of property, plant & equipment, net	1.018.308.407	67.401.148	-2.942.065	-51.473.104	581.075	13.567.054	1.031.875.461



Previous year 31-12-2009

Concept	Initial balance	Additions	Divestments	Charge for depreciation	Other increases (decreases)	Total changes	Closing balance
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Building in progress, net	83.100.017	25.192.644	-163.909	0	65.023	25.093.758	108.193.775
Land	149.438.810	572.701	-831.965	0	0	-259.264	149.179.546
Buildings, net	71.346.387	2.325.993	-198.275	-1.708.564	-7.489	411.665	71.758.052
Plant & equipment, net	212.168.715	15.462.872	-122.236	-17.882.021	118.692	-2.422.693	209.746.022
Computer equipment, net	1.183.322	1.089.634	-136	-669.981	-45	419.472	1.602.794
Fixed installations & accessories, net	470.795.474	32.156.293	-176.518	-28.415.162	-98.745	3.465.868	474.261.342
Motor vehicles, net	1.657.368	283.142	-53.656	-430.665	0	-201.179	1.456.189
Improvements to leased assets, net	111.515	17.967	0	-37.654	950	-18.737	92.778
Other property, plant & equipment, net	2.017.063	1.431.683	0	-17.478	-1.413.359	846	2.017.909
Classes of property, plant & equipment, net	991.818.671	78.532.929	-1.546.695	-49.161.525	-1.334.973	26.489.736	1.018.308.407



The detail of each consolidated Group society of amounts of future commitments for acquisitions of property, plant and equipment during 2011, is as follows:

Society	ThCh\$
Aguas Andinas S.A.	110.780.445
Aguas Cordillera S.A.	3.261.613
Aguas Manquehue S.A.	838.197
Essal S.A.	5.496.628
Ecoriles S.A.	82.820
Gestión y Servicios S.A.	206.400
Análisis Ambientales S.A.	201.513
Total	120.867.616

Elements of property, plant and equipment temporarily out of service:

Society	31-12-2010
	ThCh\$
Aguas Andinas S.A.	123.344
Aguas Cordillera S.A.	170.076
Total	293.420

13. IMPAIRMENT OF VALUE OF ASSETS

Information about asset impairment per cash generating unit:

Each society as a whole is defined as a cash-generating unit as each is individually capable of generating future economic benefits. According to the standard, the Company will evaluate on each closing of its statement of financial position whether there is any sign of impairment of value of any asset. If there is, the Company will estimate the amount recoverable for the asset. For assets with an indefinite useful life, the impairment test will be made at the close of the period or when there are indications.



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

As of December 31, 2010 and 2009 the respective impairment tests were made based on the Group's estimates and projections. These estimates indicated that the benefits attributable to participations with associated goodwill individually exceed their consolidated book value in all cases.

As of December 31, 2010, revisions were made of the society's tangible assets following the earthquake of February 2010, estimating an impairment of ThCh\$ 1,559,616, which was shown within Losses for impairment in the statement of comprehensive results, associated with the following:

- Water treatment and pumping plants.
- Sewage treatment and pumping plants.
- Operative premises (enclosures and others).
- Water storage tanks.
- Sewers.
- Other administrative assets (warehouse, agencies and offices).

The detail by society is as follows:

Society	31-12-2010
	ThCh\$
Aguas Andinas S.A.	429.363
Aguas Cordillera S.A.	9.782
Aguas Manquehue S.A.	1.120.471
Total	1.559.616

14. PROVISIONS AND CONTINGENT LIABILITIES

A. Provisions

The detail of these as of December 2010 and 2009 is as follows:



Classes of provisions	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Provision for legal claims	991.798	639.310
Other provisions, current	991.798	639.310
Other provisions, non-current	1.020.602	1.029.507
Provisions, non-current	1.020.602	1.029.507

The movement in current provisions in the year is:

	Legal claims	Total
	ThCh\$	ThCh\$
Opening balance provisions	639.310	639.310
Changes in provisions		
Increases (decreases) in existing provisions	578.524	578.524
Provision used	-248.187	-248.187
Other increases (decreases)	22.151	22.151
Changes in provisions, total	352.488	352.488
Closing balance provisions	991.798	991.798

The provisions comprising this heading are described as follows:

1.- Legal claims

The Society 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 Society and subsidiaries.

The following are the provisions for legal claims that could affect the Society:

- a) Nature of class of provision:** The Sanitation Services Superintendency (SISS) has ordered fines on Aguas Andinas S.A. and subsidiaries, mainly for non-compliance with instructions and breach of the continuity and quality of the service provided by the Society.



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 Society did not commit the breach and therefore that its appeal should be accepted.

- b) **Nature of class of provision:** Aguas Andinas S.A. sold land to CORFO located at Quebrada de Ramón. The sale contract stated that there was a lawsuit pending with a third party who claimed ownership of 7.8 hectares of land, for which the court should determine its location. Depending on the location is the amount to be returned to CORFO and this to the individual.

Timetable foreseen for release of class of provision: During 2011.

Principal assumptions concerning future events relating to class of provision: The court determined the location of the land.

Uncertainties about the timing and amount of a class of provision: Pending a determination of the value of the land.

- c) **Nature of class of provision:** There are lawsuits relating to labor demands against Aguas Andinas by former employees of the company with respect to severance payments.

Timetable foreseen for release of class of provision: Undetermined.

Uncertainties about the timing and amount of a class of provision: The lawsuits relate to demands amounting to ThCh\$ 52,000.

Principal assumptions regarding future events relating to the class of provision: Sentences in first instances given and appealed against to the Supreme Court.

- d) **Nature of class of provision:** Demand for damages. Plaintiff alleges incorrect feasibility certificate issued by the company.

Timetable foreseen for release of class of provision: Not determined.



Uncertainties about the timing and amount of a class of provision: Demand accepted for UF 1,500. Aguas Andinas appealed against the sentence. The case is currently pending allegations in the Santiago Appeals Court.

- e) Nature of class of provision:** Demand for non-compliance with contract, Constructora Bengol Ltda. with Aguas Andinas S.A.

Timetable foreseen for release of class of provision: Not determined.

Uncertainties about the timing and amount of a class of provision: Pending notification of conciliation audience. Demand amounts to ThCh\$ 146,000, interest, indexation and costs. There is a high probability that the demand will be rejected.

- f) Nature of class of provision:** The Metropolitan COREMA (regional environmental authority) applied a fine of 1.000 UTM by its Resolution 177/2004 of May 28, 2004 for the alleged infringement of the environmental qualification resolution for the La Farfana sewage treatment plant.

Timetable foreseen for release of class of provision: Not determined.

Uncertainties about the timing and amount of a class of provision: The Society believes that it has not committed the fault denounced by the authority, and therefore expects its appeal to be accepted.

- g) Nature of class of provision:** CONAMA (the national environmental authority) applied a fine of 720 UTM for alleged infringement caused by foul odors originating from the La Farfana sewage treatment plant.

Timetable foreseen for release of class of provision: Not determined.

Uncertainties about the timing and amount of a class of provision: 10% of the fine has been paid in order to bring an appeal to the courts. The parties are called to hear sentence; there are moderate probabilities that the demand will be accepted.

2.- Other provisions, non-current

These relate to a transaction on July 10, 2007, signed before the notary María Gloria Acharan Toledo, between Aguas Cordillera S.A. and property developers in which it is provided that should Aguas Cordillera S.A. in the future abandon and sell the land transferred to it, it should 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.- A demand was made on Aguas Andinas S.A for an alleged breach of the environmental Law 19,300 due to defects and technical faults that caused bad odors to arise from the La Farfana sewage treatment plant, affecting the physical and mental health of the residents. The demand is for damages for environmental damage due to the production of bad odors from the Santiago West and later La Farfana sewage treatment plants. The demands amount to a total of UF 1,390,888. The Society has presented several defenses with respect to the fines and the civil demands for damages, expecting to obtain positive results in all cases.
- 2.- The Treasury has made demand on Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A., seeking the return of sums paid during 2004 with respect to the transfer of sanitation infrastructure in the Costanera Norte section. This demand amounts to ThCh\$ 2,705,451 plus indexation, interest and costs. The case is in the evidence stage. The management believes that it will have no adverse effect on the financial statements.
- 3.- Demand for damages brought against Aguas Cordillera S.A. by 79 residents of Lo Barnechea district due to supply problems in October and November 1996. The amount demanded is ThCh\$ 728,626. There are good probabilities of obtaining a favorable result.
- 4.- In September 2009, Aguas Manquehue S.A. was sued by Comsa de Chile S.A. for breach of contract in projects awarded under public tender, in the so-called North Sewer Project of Aguas Manquehue. An indemnity is claimed because Aguas Manquehue S.A. is considered to have defaulted negligently under its obligations as follows:
 - Aguas Manquehue S.A. has not complied with its obligation to pay the agreed price.
 - Aguas Manquehue S.A. did not comply on time with its obligation to provide land (to start the works).
 - Aguas Manquehue S.A. did not design a feasible project.



The amount claimed is ThCh\$ 5,942,000. The demand was notified on September 25, 2009. The case was settled out of court following the due consideration of the facts. The settlement was reached following the recognition of Aguas Manquehue S.A. of the greater works carried out by Comsa de Chile, for amounts substantially lower than those claimed.

The Society 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.

15. Guarantees and restrictions

a) Direct guarantees

Guarantee policies and performance bonds have been granted in favor of various institutions, the principal ones being the SISS, to guarantee the conditions for the provision of services and development programs in the Company's concession areas, SERVIU Metropolitano to guarantee the replacement of paving, and other institutions, for ThCh\$22,180,609 as of December 31, 2010 and ThCh\$17,814,253 as of December 31, 2009.

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



Guarantee beneficiary	Debtor	Type of guarantee	31-12-2010	31-12-2009
Chilectra S.A.	Aguas Andinas S.A	Performance bond	10.728	20.943
S.I.S.S.	Aguas Andinas S.A	Guarantee policy	12.208	2.098.874
Soc. Conc. Vía Santa Rosa	Aguas Andinas S.A	Performance bond	15.427	15.058
Secretaría Reg. Minist. De Obra	Aguas Andinas S.A	Performance bond	19.658	8.739
Mun. De Santiago	Aguas Andinas S.A	Performance bond	19.945	38.928
Soc. Conc. Vía Santa Rosa	Aguas Andinas S.A	Guarantee policy	21.799	21.278
Dir. Regional de Vialidad	Aguas Andinas S.A	Performance bond	23.215	76.031
Serectaría Reg. Ministerial	Aguas Andinas S.A	Performance bond	29.306	3.545
Munic. De Providencia	Aguas Andinas S.A	Performance bond	42.193	82.337
Direc. De Obras Hidraulica	Aguas Andinas S.A	Performance bond	75.867	90.160
Director de Vialidad	Aguas Andinas S.A	Performance bond	311.105	672.266
MOP	Aguas Andinas S.A	Performance bond	582.368	398.526
Serviu Metropolitano	Aguas Andinas S.A	Performance bond	1.265.714	3.372.732
S.I.S.S.	Aguas Andinas S.A	Performance bond	6.045.981	3.734.388
Asoc. Canal Soc Maipo	Aguas Andinas S.A	Performance bond	6.680.021	2.094
Munic. Lo Barnechea	Aguas Cordillera S.A.	Performance bond	10.728	20.943
Serviu Metropolitano	Aguas Cordillera S.A.	Performance bond	19.929	40.067
Munic. De Vitacura	Aguas Cordillera S.A.	Performance bond	42.911	41.886
S.I.S.S.	Aguas Cordillera S.A.	Performance bond	764.461	865.153
Asociación Canal de Maipo	Aguas Cordillera S.A.	Performance bond	1.060.151	0
S.I.S.S.	Aguas Manquehue S.A.	Guarantee policy	84.770	902.849
S.I.S.S.	Aguas Manquehue S.A.	Performance bond	888.038	845.287
Essbio S.A.	Anam S.A.	Performance bond	30.723	0
Cía Minera Doña Inés de Collahuasi	Ecoriles S.A.	Performance bond	22.034	0
Municipalidad de Las Condes	Gestión y Servicios S.A.	Performance bond	16.091	7.500
Serviu	Gestión y Servicios S.A.	Performance bond	779.109	0
Director de Obras Hidraulicas	Essal S.A	Performance bond	184.403	127.227
Serviu	Essal S.A	Performance bond	218.444	37.790
S.I.S.S.	Essal S.A	Guarantee policy	2.272.349	2.073.819
Totales			21.549.676	15.598.420

b) Bond issue covenants

i. Aguas Andinas S.A.

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

- 1.- Send the bond-holders' representative a copy of the unconsolidated and consolidated financial statements of the subsidiary corporations registered with the SVS, both the quarterly and the audited



annual statements, in the same time period that these have to be presented to the SVS, plus all public information reported to the SVS.

2.- Book in its accounts the provisions arising from adverse contingencies that, in the opinion of the Society's management, should be reflected in its financial statements and/or those of its subsidiaries.

3.- Maintain insurance to cover reasonably its assets, including its corporate offices, buildings, plants, furniture and office equipment and vehicles, in line with usual practices for industries of the society's kind.

4.- The Society is obliged to ensure that the transactions carried out with its subsidiaries or other related parties are made on equitable conditions similar to those normally prevailing in the market.

5.- Maintain a debt ratio no higher than 1.5:1, measured on its consolidated and unconsolidated balance sheets, defined as the ratio of debt to equity.

6.- Not to 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 societies.

The Society is in compliance with all the covenants established in the bond indentures as of December 31, 2010.

i. Empresa de Servicios Sanitarios de Los Lagos S.A. (Essal S.A.)

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

1.- Send to the bond-holders' representative a copy of the financial statements, both the quarterly and the audited annual statements, in the same time period that these have to be presented to the SVS, plus all public information reported to the SVS.

2.- Book in its accounts the provisions arising from adverse contingencies that, in the opinion of the society's management, should be reflected in its financial statements.



3.- Maintain insurance to cover reasonably its assets in line with usual practices for industries of the society's kind.

4.- The Society is obliged to ensure that the 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 1.2:1, measured on its balance sheets, defined as the ratio of debt to equity.

6.- Maintain a ratio of Ebitda to Financial expenses of no less than 3.5:1.

7.- Not to sell, assign or transfer essential assets.

The Society is in compliance with all the requirements stated in the bond indenture as of December 31, 2010.

c) Bank loan covenants

The Society has covenants and restrictions in loan agreements with various Chilean banks, as follows:

1.- Maintain a debt ratio no higher than 1.5:1, measured on its consolidated and unconsolidated balance sheets, defined as the ratio of total liabilities to equity.

2.- Prohibition on disposal of or loss of title to essential assets, except for contributions or transfers of essential assets to subsidiary societies.

3.- Send the different banks with which the company has loans, a copy of the unconsolidated and consolidated financial statements, both the quarterly and the audited annual statements, within no more than five days of their presentation to the SVS.

4.- Book in its accounts the provisions arising from adverse contingencies that, in the opinion of the Society's management, should be reflected in its financial statements.



5.- Maintain insurance to cover reasonably its assets, including its corporate offices, buildings, plants, furniture and office equipment and vehicles, in line with usual practices for industries of the society's kind.

6.- Send a certificate signed by the society'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 society, 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 the transactions carried out with its subsidiaries or other related parties are made on equitable conditions similar to those normally prevailing in the market.

The Society is in compliance with all the covenants set out in bank loan agreements as of December 31, 2010.

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

d.- Guarantees received from third parties.

As of December 31, 2010 and 2009, the Society has received documents in guarantee for ThCh\$ 40,553,766 and ThCh\$ 33,581,866 respectively, arising mainly from works contracts with construction companies to ensure due performance of contracts. There are also other guarantees for service contracts and acquisition of materials, to ensure their timely delivery.

A detail of the more important bank guarantees received as of December 31, 2010 is summarized below:



Contractor or supplier	Company	ThCh\$	Expiry date
EMP DEPURADORA DE A.S. MAPOCHO TREBAL LTDA	Aguas Andinas S.A	7.675.922	15-04-2012
EMPRESA DEPURADORA DE AGUAS SERVIDAS LTDA	Aguas Andinas S.A	4.166.524	31-12-2012
EMP. DEP. DE A.S. MAPOCHO TREBAL LTDA	Aguas Andinas S.A	3.634.503	01-06-2017
CONSTRUCTORA OAS LTDA.	Aguas Andinas S.A	3.589.288	29-03-2011
OBRASCON HUARTE LAIN S.A. AGENCIA EN CHILE	Aguas Andinas S.A	2.021.254	07-05-2011
ACCIONA INFRAESTRUCTURAS S.A. AGENCIA EN CHILE	Aguas Andinas S.A	1.547.000	31-08-2011
ACCIONA INFRAESTRUCTURAS S.A. AGENCIA EN CHILE	Aguas Andinas S.A	1.437.201	23-07-2013
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	Aguas Andinas S.A	654.572	15-05-2013
CONSTRUCTORA OAS LTDA	Aguas Andinas S.A	497.733	29-03-2011
ING. Y CONSTRUCCION MST S.A.	Aguas Andinas S.A	475.750	31-03-2011
ING. Y CONST. M. S. T. S.A.	Aguas Andinas S.A	436.381	15-05-2013
CIA DE PETROLEOS DE CHILE COPEC S.A.	Aguas Andinas S.A	360.667	22-03-2011
SOC. GRAL DE AGUAS DE BARCELONA S.A.	Aguas Andinas S.A	314.746	31-10-2012
SONDA S.A.	Aguas Andinas S.A	314.746	31-10-2012
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	Aguas Andinas S.A	267.624	31-08-2011
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	Aguas Andinas S.A	229.494	15-03-2013
INMOBILIARIA BUIN S.A.	Aguas Andinas S.A	221.752	01-04-2013
CHILECTRA S.A.	Aguas Andinas S.A	214.493	01-08-2011
VIVIENDAS METROPOLITANAS S.A.	Aguas Andinas S.A	214.493	30-09-2011
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	Aguas Andinas S.A	214.099	31-08-2011
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	Aguas Andinas S.A	211.222	31-08-2011
ICAFAL	Aguas Andinas S.A	205.066	12-02-2011
ITT FLYGT CHILE S.A.	Aguas Andinas S.A	203.893	31-03-2011
COMSA DE CHILE S.A.	Aguas Manquehue S.A	214.493	27-10-2011
FONDO DE INVERSION PRIVADO LOS CASTAÑOS DE LA DEHESA	Aguas Manquehue S.A	857.973	30-04-2012
Total		30.180.889	

16. ORDINARY REVENUES

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



Classes of ordinary revenues	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
Ordinary revenues		
Sales of goods	6.004.137	8.054.885
Provision of services	322.959.877	320.063.235
Total	328.964.014	328.118.120

17. LEASES

Operative leases as lessee:

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

	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
Minimum future non-cancellable lease payments payable within a year, lessees	1.354.691	1.272.332
Minimum future non-cancellable lease payments payable between 1 and 5 years, lessees	5.418.765	5.089.327
Minimum future non-cancellable lease payments payable, lessees, total	6.773.456	6.361.659
Minimum lease payments under operative leases	2.436.193	2.674.026
Lease & sub-lease instalments shown in the statement of results, total	2.436.193	2.674.026

Significant operative leases:

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.



Bases for determining a contingent rental:

Should it be decided to terminate in advance without complying with the period of notice, the installments stipulated in the original contract must be paid.

Existence and terms of renewal or purchase options and revision clauses, operative leasing contracts:

There are agreed automatic one-year renewal periods.

Operative leases as lessors:

The Society has contracts of this kind where it acts as lessor, referring principally to parts of its operative premises and mostly with telecommunications companies. The terms fluctuate between one and ten years, but the Company has the power to terminate in advance at any time.

Minimum future non-cancellable lease payments, lessors	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
Minimum future non-cancellable lease payments up to 1 year, lessors	215.888	191.880
Amount of contingent rentals booked in the statement of results	173.619	202.632
Total	389.507	394.512

Significant operative leases of the lessor:

Revenue from these sources is immaterial for the Company.



18. PERSONNEL BENEFITS

The Society, at the consolidated level, has a workforce of 1,924, of whom 65 are managers and senior executives. Workers who are parties to collective agreements and individual work contracts with special indemnity clauses, total 1,283 and 58 respectively, while 583 workers are covered by the Labor Code.

The current collective agreement for the Nos. 1 and 2 Employee and Operative Unions was signed on July 31, 2010 for a term of 4 years. On the other hand, the Professionals and Technicians No.3 Union agreement was submitted to arbitration as no agreement was reached with the company. On September 8, 2010, the arbitrator resolved by fully accepting as the collective work agreement the offer made by the company on July 30, 2010 before the labor authority; it became effective the day following the expiry of the previous collective agreement and its term is two years.

The current collective agreements of Aguas Cordillera S.A., and the personnel of Aguas Manquehue S.A., were signed on November 26, 2010, November 30, 2010 and December 23, 2010 for the Nos. 1 and 2 Unions and the Workers and Supervisors Union respectively, all for a term of four years.

Policies for defined benefits plans

Workers who are not party to the collective agreements of Aguas Andinas S.A. and its subsidiaries are governed by the rules contained in articles 159, 160 and 161 of the Labor Code, for which no provision is made for severance payments.

The actuarial calculation is applied for workers who recorded indemnity at present value until 2002 (including indemnities in any event booked at that date), as well as advances granted against this indemnity.

For workers who form part of or were incorporated into current collective agreements at the date of the financial statements, the actuarial valuation calculation is applied for severance payments.

Accounting policies for recording gains and losses in defined benefits plans

The obligation for the indemnity which is estimated to accrue to workers who retire from Aguas Andinas S.A., Aguas Cordillera S.A. and Essal S.A., are shown at their actuarial value, determined using the projected credit-unit method. The positive or negative effect on indemnities deriving from changes in estimates or in rates of turnover, mortality, advanced retirements through dismissal, wage increases, inflation, discount rate or of the workers, are booked directly in results.



Actuarial assumptions

Years of service: In Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A. it is assumed that workers will remain with the companies until reaching the legal retirement age (women at 60 years of age and men at 65). In the subsidiary Essal S.A., there is a limit of 6 months indemnity payable to people who retire or die.

Participants in each plan: These benefits are extended to all workers who are part of a union agreement and to workers who are not unionized. Unionized workers forming part of collective agreements are as follows, by company: Aguas Andinas S.A.: 764, Aguas Cordillera S.A.: 128, Manquehue S.A.: 22, and Essal S.A.: 261.

Death rate: The RV-2004 mortality tables of the SVS are used.

Employee turnover and disability rates and early retirements: Based on the Group's statistical experience, the turnover rate used is 6.4% for the objective workers. Disabled and early retirements have not been considered due to their infrequent nature.

Rate of discount: A rate of 6.4% p.a. is used, corresponding to the risk-free rate, plus the credit risk and the estimation of expected long-term inflation.

Rate of inflation: The forecast long-term inflation rate reported by the Central Bank of Chile was used in 2010 and 2009, amounting to 3.0%, for making long-term estimates.

These assumptions were modified in the year ended December 31, 2010 with respect to 2009, the changes being the turnover rate (1.1%) and rate of discount (7.1%)

General description of defined benefits plans

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

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



In the case of the worker who retires from the Society in accordance with 2, 4 or 5 of article 159, 1 a) or 6 of article 160 of the Labor Code, an indemnity will be paid for the accumulated amount for this concept until July 31, 2002, in Aguas Andinas S.A., and December 31, 2002 in Aguas Cordillera S.A., adjusted quarterly for changes in the consumer price index, if positive.

For personnel not forming part of the collective agreements, their individual work contracts will apply.

The provision for severance payments is shown after deducting advances made to the employees.

The following are the movements in actuarial provisions to December 31, 2010 and 2009, which include movements in provisions:

Provisions for personnel benefits	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Movement in actuarial provision		
Opening balance	6.990.792	6.370.438
Benefits paid	-1.834.738	-1.296.864
Actuarial increases	2.341.793	1.917.218
Sub-total	7.497.847	6.990.792
Profit sharing & bonuses	2.915.058	2.581.250
Total provision for personnel benefits, current & non-current	10.412.905	9.572.042

Information on benefits on termination of the contractual relationship

The indemnity on termination of the labor relationship is governed by the provisions of the Labor Code, except for those special clauses in the respective collective agreements or individual contracts.

Profit sharing and bonuses

This relates to the Society's obligation with its personnel with respect to profit-sharing bonuses payable in February and March the following year. The accrued participation payable to personnel, as stipulated in current contracts, is settled during February on the basis of the statement of financial position for the immediately-preceding year. For the years 2010 and 2009, the amounts are ThCh\$ 2,915,058 and ThCh\$ 2,581,250 respectively. In addition, advances are made against this bonus in the months of March, June, September and December each year.

The annual amount will depend on the earnings generated by each Group society.



Personnel expenses

Personnel expenses to December 2010 and 2009 are as follows:

Personnel expenses	01-01-2010 31-12-2010 ThCh\$	01-01-2009 31-12-2009 ThCh\$
Wages & salaries	23.542.007	23.145.935
Defined benefits	8.792.983	8.747.931
Serverance payments	4.186.973	2.229.509
Other personnel expenses	1.438.924	1.227.487
Total personnel expenses	37.960.887	35.350.862

19. EFFECT OF EXCHANGE DIFFERENCES

The detail of the Group's exchange differences is as follows:

Exchange differences	Currency	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Trade debtors & other accounts receivable	eur	-690	2.118
	usd	-76	-46.382
Accounts receivable from related entities	eur	112	-454
Other financial assets	usd	77.741	-51.949
Total assets		77.087	-96.668
Trade debtors & other accounts receivable	eur	4.202	8.454
	usd	-12.441	127.289
Accounts payable to related entities	eur		2.835
Other financial liabilities	usd	-13.775	
Other non-financial liabilities	usd	-78.703	
Total liabilities		-100.718	138.578
(Loss) gain from exchange differences		-23.630	41.911



20. CAPITALIZED FINANCING COSTS

The detail of capitalized financing costs as of December 31, 2010 and 2009 is as follows:

Capitalized interest costs:

Capitalized interest costs, property, plant & equipment	31-12-2010	31-12-2009
Capitalization rate of capitalized interest costs, property, plant & equipment	7,58%	5,69%
Capitalized interest costs, property, plant & equipment	ThCh\$ 1.824.396	ThCh\$ 2.586.750

21. INCOME TAX AND DEFERRED TAXES

Due to the legal modification approved in 2010, referring to temporary change in the tax rate applicable to corporations, the reversal of timing differences for deferred taxes for the years 2011 and 2012 have been calculated as a function of the applicable rate in those years, i.e. 20% and 18.5% respectively, while reversals in the following years will continue as a function of a rate of 17%.

Deferred tax assets

Deferred tax assets	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Water rights (amortization)	121.467	90.915
Allowance doubtful accounts	4.914.826	4.450.682
Provision vacations	289.310	273.486
Litigation	526.362	490.538
Severance payments	833.913	609.397
Other provisions	236.314	116.914
Income in advance	41.521	51.091
Tax goodwill	11.500.104	11.500.996
Monetary correction fixed assets	11.520.130	12.037.369
Deferred income	1.732.743	442.198
Transaction La Dehesa barrage	191.870	186.108
Others	1.366.270	1.281.328
Deferred tax assets	33.274.830	31.531.022



Deferred tax liabilities

Deferred tax liabilities:	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Depreciation fixed assets	15.575.275	16.717.181
Amortization	1.572.926	1.853.742
Investment charge related companies	71.945	71.945
Revaluations property, plant & equipment	14.283.665	14.283.665
Revaluation intangible assets	28.733.432	28.733.432
Fair value of assets on Essal S.A. purchase	14.005.202	14.900.773
Others	17.638	19.242
Changes in deferred tax liabilities	74.260.083	76.579.980

	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Movement in deferred tax liabilities		
Deferred tax liabilities, opening balance	76.579.980	78.075.211
Increases (decreases) in deferred tax liabilities	-1.424.326	-821.921
Acquisitions through combinations of businesses	-895.571	-673.310
Changes in deferred tax liabilities	-2.319.897	-1.495.231
Changes in deferred tax liabilities, total	74.260.083	76.579.980

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

Charge (credit) for current & deferred income taxes	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Charge for current income taxes		
Charge for current taxes	23.314.963	26.583.772
Adjustment to tax charge previous year	-10.902	245.847
Current tax charge, net, total	23.304.061	26.829.619
Deferred charge (credit) for taxes related to the creation & reversal of timing differences	-4.063.707	-1.130.730
Other deferred tax charge	36.332	32.579
Deferred tax charge, net, total	-4.027.375	-1.098.151
Charge (credit) for income taxes	19.276.686	25.731.468



The numeric reconciliation between the charge (credit) for tax and the result of multiplying the accounting gain by the applicable tax rate(s).

	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Tax charge calculated at the legal rate	21.118.927	25.548.775
Permanent difference for monetary correction tax equity	-1.505.987	12.938
Other permanent differences	-336.254	169.756
Adjustments to charge for tax using the legal rate, total	-1.842.241	182.694
Tax charge using the effective rate	19.276.686	25.731.469

Reconciliation of the legal rate with the effective tax rate

Numeric reconciliation between the average effective rate and the applicable tax rate, specifying the way the applicable rate used is calculated

	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Legal tax rate	17,00%	17,00%
Permanent difference for monetary correction tax investments	-1,21%	0,01%
Other permanent differences	-0,27%	0,11%
Effective tax rate	15,52%	17,12%



22. EARNINGS PER SHARE

Earnings per share are calculated as the earnings for the period attributed to the dominant company divided by the weighted average number of common shares in circulation during the period.

	31-12-2010	31-12-2009
Earnings attributable to holders of participations in equity of the controller	ThCh\$ 103.849.578	ThCh\$ 123.047.509
Basic results available to common shareholders	ThCh\$ 103.849.578	ThCh\$ 123.047.509
Average weighted number of shares, basic	6.118.965.160	6.118.965.160
Earnings per share	16,97	20,11

Diluted earnings (loss) per share

The Society has not carried out any type of transaction with a potential diluting effect that supposes diluted earnings per share to be different from basic earnings per share.

23. BUSINESS SEGMENTS

The Group discloses information by segment in accordance with IFRS 8, *Operative Segments*, which sets the reporting standards with respect to operative segments and related disclosures for products and services. The operative segments are defined as components of an entity for which separate financial information exists which is regularly used by management for taking decisions, assigning resources and evaluating performance.

The Group manages and measures the performance of its operations by business segment. The operative segments reported internally are the following:

- Operations related to the water business (water).
- Operations unrelated to the water business (non-water).

Types of products and services that provide the ordinary revenues for each segment reported.

The water segment consists only of sanitation services that permit the provision of products and production services, the distribution of water and the collection and treatment of sewage. This segment



comprises 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, industrial waste treatment and integral engineering services, plus the sale of products related to the services mentioned. The subsidiaries included are EcoRiles S.A., Anam S.A. and Gestión y Servicios S.A.

General information on results, assets and liabilities.

General information on results.	31-12-2010		31-12-2009	
	Water ThCh\$	Non-Water ThCh\$	Water ThCh\$	Non-Water ThCh\$
Revenues from ordinary activities originating from external customers, total	307.640.913	21.323.101	308.827.797	19.290.323
Revenues from ordinary activities between segments, total	678.109	2.797.734	347.729	2.351.657
Interest income, total segments	4.087.596	187.070	4.896.250	219.941
Interest expense, total segments	22.693.004	51.189	22.340.120	67.663
Financial result, net	-18.605.408	135.880	-17.443.870	152.278
Depreciation & amortization, total segments	52.634.591	377.337	50.252.316	326.205
Sums of significant revenue items, total	308.319.023	24.120.835	309.175.526	21.641.980
Sums of significant expense items, total	116.669.291	19.617.715	93.615.449	17.371.417
Earnings of the segment reported, total	103.849.578	3.615.902	123.047.509	3.415.568
Income tax charge, total	18.630.925	645.761	25.050.400	681.068

General information on assets & liabilities	31-12-2010		31-12-2009	
	Water ThCh\$	Non-Water ThCh\$	Water ThCh\$	Non-Water ThCh\$
Sums other significant non-monetary items, total segments	1.364.203.984	3.602.344	1.223.224.940	4.016.541
Assets of the segments, total	1.413.838.637	12.772.720	1.404.751.555	11.607.006
Liabilities of the segments, total	740.721.047	4.487.230	719.071.404	5.726.615

Significant items of revenues and expenses by segment

Water and non-water segments

The significant items of ordinary revenues and expenses are principally those related to the business of the segment. There are also significant sums in relation to expenses in depreciation, personnel and other sundry expenses including outsourced services.



Revenues

Our revenues are mainly generated by the regulated services we provide related to the production and distribution of water, the collection, treatment and disposal of sewage and other regulated services (including revenues from suspending and restoring supplies, the monitoring of liquid waste discharges and fixed charges).

Detail of significant revenue items

Water Segment

The significant items of ordinary revenues are principally those related to the water and sewage businesses, i.e. from the sale of water, excess consumption, variable charge, fixed charge, sewage service, collector use and sewage treatment. It is also possible to identify revenues from the sale of fixed assets.

Tariffs

The most important factor determining the results of our operations and financial position are the tariffs set for our regulated sales and services. Having a natural monopoly, we are regulated by the SISS and our tariffs are set in accordance with the Sanitation Services Tariffs Law (No.70 of 1988).

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

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

Decrees Nos.60/2010, 176/2010 and 170/2010 set the tariffs for Aguas Andinas S.A., Aguas Cordillera S.A and Aguas Manquehue S.A. respectively for the period 2010–2015.

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 industrial-waste treatment plants, and drinking water and sewage services and analysis.

Significant items of expenses

Water segment

The significant items of expenses are mainly those related to remunerations, electricity, treatment-plant operation, depreciation of assets, financial expenses and charge for income tax.

Non-water segment

The significant items of expenses are mainly those related to remunerations, the cost materials for sale and charge for income tax.

Detail of explanation of measurement of results, assets and liabilities of each segment

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

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

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

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

Reconciliation revenues of ordinary activities	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Reconciliation of revenues of ordinary activities total of the segments	332.439.857	330.817.506
Reconciliation of other revenues of ordinary activities	0	0
Reconciliation of elimination of ordinary activities between segments	-3.475.843	-2.699.386
Ordinary revenues, total	328.964.014	328.118.120
Reconciliation of earnings	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Consolidation earnings before taxes total of the segments	107.465.480	126.463.077
Consolidation of other earnings (losses)	0	
Consolidation of elimination of gains (loss) between segments	-3.615.902	-3.415.568
Consolidation of earnings attributable to owners of the controller	103.849.578	123.047.509
Reconciliations of revenues from ordinary activities, results, assets & liabilities of the segments	31-12-2010 ThCh\$	31-12-2009 ThCh\$
Reconciliation of assets		
Consolidation total assets of the segments	1.426.611.357	1.416.358.562
Consolidation of other assets	0	0
Elimination of the accounts receivable of the corporate office of the segments	-20.171.973	-16.983.951
Assets, total	1.406.439.384	1.399.374.611
Reconciliation of liabilities		
Consolidation total liabilities of the segments	745.208.276	724.798.019
Consolidation of other liabilities	0	0
Reconciliation of elimination of the accounts payable of the corporate office to the segments	-12.400.671	-15.369.321
Liabilities, total	732.807.605	709.428.698

Information on the entity as a whole

Information on the principal customers:

Principal customers for water and sewage:

Administradora Plaza Vespucio S.A.

Centro de Detención Preventiva Santiago 1

Cervecera CCU Chile Ltda.

Ejército de Chile



Embotelladora Chilenas Unidas S.A.
Gendarmería de Chile
Ilustre Municipalidad de Santiago
Industrial Ochagavía Ltda.
Pontificia Universidad Católica de Chile
Soc. Concesionaria Autopista Central S.A.
Soprole S.A.
Universidad de Chile

Principal customers in non-sanitation segment:

CMPC Cordillera S.A.
Watt`s S.A.
Soprole S.A.
Agroindustrial El Paico Ltda.
DSM S.A.
Frigorífico O`Higgins S.A.
Soc. Proc. de leche del sur (Prolesur) S.A.
Industrial Ochagavía Ltda.
Sopraval S.A.
Trendy S.A.
Cía Pesquera Camanchaca S.A.
Codelco
Colun Ltda.
Metrogas S.A.

Types of products Water – Non-water segments:



Water segment

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

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

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

Non-Water Segment

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

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

24. THE ENVIRONMENT

Information on disbursements related to the environment:

The following disbursements related to the environment are reported in accordance with Circular 1901 of October 30, 2008:

Detailed information on disbursements related to the environment:



Aguas Andinas S.A.

Project	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
Expansion & improvements PEAS	48.106	43.378
Expansion & improvements Buin Maipo sewage treatment plant (STP)	6.865	1.366.170
Expansion & improvements El Monte STP	825.844	149.346
Expansion & improvements Greater Santiago STP	8.399.723	2.588.625
Expansion & improvements Melipilla STP	15.309	18.774
Expansion & improvements Other Localities STP	6.308	22.028
Expansion & improvements Paine STP	19.710	31.704
Expansion & improvements Pomaire STP	34.043	17.180
Expansion & improvements Talagante STP	75.713	17.465
Farfana - Trebal Sewer	4.085.009	1.136.264
Clean Urban Mapocho sewer	15.212.503	35.828.425
Improvement & renewal equipment & installations	365.624	366.929
Total	29.094.757	41.586.287

Aguas Manquehue S.A.

Project	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
North Zone sewer	1.686.570	4.522.378
Improvement & renewal equipment & installations	16.335	20.417
Improvement STPs	61.474	1.103
Total	1.764.379	4.543.897

Gestión y Servicios S.A.

Project	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
Biogas purification plant	31.003	111.439
Total	31.003	111.439



Essal S.A.

Project	31-12-2010	31-12-2009
	ThCh\$	ThCh\$
Improvement disposal infrastructure	270.246	782.786
Improvement EDAR system	207.002	332.011
New treatment system projects	411.190	992.343
Renewal treatment & disposal equipment	108.088	884.882
Total	996.526	2.992.022

Environmental investments projected for 2011

Society	ThCh\$
Aguas Andinas S.A.	90.308.456
Aguas Manquehue S.A.	16.936
Essal S.A.	775.460
TOTAL	91.100.852

Indication of whether the disbursement forms part of the cost of an asset or is reflected as an expense, disbursements in the period:

All the projects mentioned form part of the cost of construction of the respective works.

Certain or estimated date on which future disbursements will be made, disbursements in the period:

The projected disbursements are estimated to be made during 2011.

Future commitments:

The estimated amounts for the year 2011 are:



Total ThCh\$ 91,100,852

The Society and its subsidiaries are affected by disbursements related to the environment, i.e. compliance with orders, laws relating to industrial processes and installations and any other that could directly or indirectly affect protection of the environment.

25. EVENTS OCCURRING AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

At the date of issue of these consolidated financial statements, the management of the Society and its subsidiaries are unaware of any other subsequent events that significantly affect the financial position and/or results of the Company and its subsidiaries as of December 31, 2010.

