



**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**Period ended
September 30, 2010**

AGUAS ANDINAS S.A.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AGUAS ANDINAS S.A.

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



Consolidated Statements of Financial Position
As of September 30, 2010 and December 31, 2009
(Thousands of Chilean pesos - ThCh\$)

ASSETS	Note	30-09-2010 ThCh\$	31-12-2009 ThCh\$
CURRENT ASSETS			
Cash & cash equivalents	6	36.155.111	24.996.283
Other current financial assets	7	551.736	900.059
Other current non-financial assets		1.082.068	418.581
Trade debtors & other accounts receivable	7	52.153.306	61.855.960
Accounts receivable from related entities, current	8	62.426	63.570
Inventories	9	1.837.377	1.694.961
Current tax assets		2.400.232	1.428.934
Total current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to owners		94.242.256	91.358.348
TOTAL CURRENT ASSETS		94.242.256	91.358.348
NON-CURRENT ASSETS			
Other non-current non-financial assets		332.303	480.229
Non-current collection rights	7	2.293.122	3.265.193
Intangible assets other than goodwill	10	218.492.702	217.800.680
Goodwill	11	36.592.577	36.592.577
Property, plant & equipment	12	1.027.007.904	1.022.473.285
Deferred tax assets	21	32.414.401	27.514.333
TOTAL NON-CURRENT ASSETS		1.317.133.009	1.308.126.297
TOTAL ASSETS		1.411.375.265	1.399.484.645

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



Consolidated Statements of Financial Position
As of September 30, 2010 and December 31, 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	27.846.847	36.560.941
Trade creditors & other accounts payable, current	7	52.469.626	62.355.834
Accounts payable to related entities, current	8	20.424.247	4.993.546
Other short-term provisions	14	1.003.217	957.415
Tax liabilities, current		532.057	4.250.963
Current provisions for personnel benefits	18	2.167.589	3.824.586
Other current non-financial assets	7	3.460.894	2.631.830
Total current liabilities other than liabilities included in groups of liabilities for disposal classified as held for sale		107.904.477	115.575.115
TOTA CURRENT LIABILITIES		107.904.477	115.575.115
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	7	551.851.920	508.405.440
Other long-term provisions	14	944.230	1.029.507
Deferred tax liabilities	21	80.586.082	78.930.669
Other accounts payable, non-current	7	988.804	1.557.754
Non-current provisions for personnel benefits	18	5.562.778	5.747.456
Other non-financial liabilities, non-current		15.728.163	4.660.169
TOTA NON-CURRENT LIABILITIES		655.661.977	600.330.995
TOTAL LIABILITIES		763.566.454	715.906.110
EQUITY			
Issued capital		155.567.354	155.567.354
Accumulated earnings		268.179.283	302.967.593
Accounting issues		164.064.038	164.064.038
Other equity participations		-5.965.555	-5.965.555
Equity attributable to owners of the controller		581.845.120	616.633.430
Non-controller participations		65.963.691	66.945.105
TOTAL EQUITY	2.3	647.808.811	683.578.535
TOTAL EQUITY AND LIABILITIES		1.411.375.265	1.399.484.645

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



**Consolidated Statements of Comprehensive Results by Nature
To September 30, 2010 and September 30, 2009
(Thousands of Chilean pesos - ThCh\$)**

STATEMENT OF RESULTS BY NATURE	Note	30-09-2010	30-09-2009	01-07-2010	01-07-2009
Statement of Results		ThCh\$	ThCh\$	30-09-2010	30-09-2009
				ThCh\$	ThCh\$
Revenues from ordinary activities	16	238.404.700	241.072.286	72.009.799	68.208.541
Raw materials & inputs used		-16.788.979	-21.412.894	-5.256.969	-6.835.401
Personnel benefits expenses	18	-27.164.203	-26.653.394	-9.199.516	-8.296.787
Charges for depreciation & amortization	10-12	-39.830.439	-37.671.137	-13.562.766	-14.478.202
Losses for impairment booked in result for the period	13	-1.554.718	0	-4.822	0
Other expenses, by nature		-44.986.154	-45.625.059	-14.448.052	-14.493.182
Other gains	3	1.648.933	2.265.982	38.342	96.960
Financial income	3	2.766.096	4.163.998	1.003.002	1.080.523
Financial costs	3	-16.245.900	-17.303.332	-5.998.168	-4.768.482
Exchange differences	19	-17.501	34.079	1.238	1.224
Results of indexation adjustments		-8.430.608	10.949.736	-2.976.236	1.938.548
Earnings before tax		87.801.227	109.820.265	21.605.852	22.453.742
Charge for income taxes	21	-13.678.433	-19.345.294	-3.290.371	-3.927.290
Earnings from ongoing operations		74.122.794	90.474.971	18.315.481	18.526.452
Earnings		74.122.794	90.474.971	18.315.481	18.526.452
Earnings attributable to					
Earnings attributable to owners of the controller		73.352.088	89.181.750	18.367.365	19.501.450
Earnings attributable to minority shareholders		770.706	1.293.221	-51.884	-974.998
Earnings		74.122.794	90.474.971	18.315.481	18.526.452
Earnings per share					
Basic earnings per share from ongoing operations		11,98	14,57	3,00	3,19
Basic earnings per share	22	11,98	14,57	3,00	3,19

STATEMENT OF COMPREHENSIVE RESULTS		30-09-2010	30-09-2009	01-07-2010	01-07-2009
		ThCh\$	ThCh\$	30-09-2010	30-09-2009
				ThCh\$	ThCh\$
Earnings		74.122.794	90.474.971	18.315.481	18.526.452
Total comprehensive result		74.122.794	90.474.971	18.315.481	18.526.452
Comprehensive result attributable to					
Comprehensive result attributable to owners of controller		73.352.088	89.181.750	18.367.365	19.501.450
Comprehensive result attributable to minority shareholders		770.706	1.293.221	-51.884	-974.998
Total comprehensive result		74.122.794	90.474.971	18.315.481	18.526.452

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



Consolidated Statements of Cash Flows
To September 30, 2010 and September 30, 2009
(Thousands of Chilean pesos - ThCh\$)

STATEMENT OF CASH FLOWS	NOTE	30-09-2010	30-09-2009
		ThCh\$	ThCh\$
Proceeds of sales of goods & provision of services		296.461.440	305.810.041
Proceeds of premiums & provisions, annuities and other benefits of policies signed		3.706.086	405.029
Other operating activity receipts		3.909.997	2.681.078
Payments to suppliers for supply of goods & services		-79.433.255	-78.096.819
Payments to & on behalf of personnel		-29.699.852	-27.893.826
Payments of premiums & provisions, annuities and other obligations of policies signed		-1.342.244	-1.003.295
Other operating activity payments		-30.210.931	-26.780.113
Interest paid		-11.073.715	-16.110.304
Interest received		251.564	277.415
Income tax paid		-21.734.349	-18.573.157
Other cash outflows		-1.329.413	-693.212
Net cash flow from operating activities		129.505.328	140.022.837
Proceeds of sales of property, plant & equipment		574.339	4.369.917
Acquisitions of property, plant & equipment		-46.049.415	-67.549.082
Purchases of intangible assets		-386.124	-19.439
Other cash outflows		-682.732	-683.259
Net cash flow used in investment activities		-46.543.932	-63.881.863
Proceeds of long-term loans		52.367.663	56.275.659
Proceeds of short-term loans		305.239	8.573.144
Total loan proceeds		52.672.902	64.848.803
Loan repayments		-32.256.391	-15.725.932
Dividends paid		-91.670.927	-76.633.246
Other cash outflows		-548.152	-82.160
Net cash flow used in financing activities		-71.802.568	-27.592.535
Net increase in cash & cash equivalents, before the effect of changes in exchange rates		11.158.828	48.548.439
Cash & cash equivalents at start of the period		24.996.283	619.602
Cash & cash equivalents at end of the period	6	36.155.111	49.168.041

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



Statements of Changes in Equity
For the period to September 30, 2010 and September 30, 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	302.967.593	616.633.430	66.945.105	683.578.535
Restated opening balance		155.567.354	164.064.038	-5.965.555	302.967.593	616.633.430	66.945.105	683.578.535
Comprehensive result								
Earnings					73.352.088	73.352.088	770.706	74.122.794
Dividends	2.3				108.140.398	108.140.398		108.140.398
Decrease through transfers & other changes						0	-1.752.120	-1.752.120
Total changes in equity		0	0	0	-34.788.310	-34.788.310	-981.414	-35.769.724
Closing balance at 30-09-2010		155.567.354	164.064.038	-5.965.555	268.179.283	581.845.120	65.963.691	647.808.811

Statement of change 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
Restated opening balance		155.567.354	164.064.038	-5.965.555	292.940.067	606.605.904	67.351.366	673.957.270
Comprehensive result								
Earnings					89.181.750	89.181.750	1.293.221	90.474.971
Dividends	2.3				102.860.369	102.860.369		102.860.369
Decrease through transfers & other changes						0	-1.696.815	-1.696.815
Total changes in equity		0	0	0	-13.678.619	-13.678.619	-403.594	-14.082.213
Closing balance at 30-09-2009		155.567.354	164.064.038	-5.965.555	279.261.448	592.927.285	66.947.772	659.875.057

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



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AGUAS ANDINAS S.A.

Notes to the Consolidated 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 an 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, 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 September, 30 2010, the Group has 1,886 employees distributed in 61 CEOs, 450 professionals and 1,375 employees and administratives.



2. BASES OF PREPARATION AND ACCOUNTING POLICIES

2.1 Preparation

These interim consolidated financial statements relate to the statements of financial position as of September 30, 2010 and December 31, 2009 and the comprehensive results of its operations, changes in equity and cash flows in the nine-month periods ended September 30, 2010 and 2009, and have been prepared in accordance with IFRS 34, Circular 1,924 of April 24, 2009 of the Superintendency of Securities and Insurance (SVS) and its Circulars 556 of December 3, 2009 and 473 of September 25, 2008.

The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which have been adopted in Chile with the name Chilean Financial Information Standards (CFRS) and represent the integral, explicit and unreserved adoption of the IFRS referred to.

These Interim consolidated financial statements fully comply with 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 company, as established by the accounting standards under which these financial statements are issued.

Functional and presentational currency

The unconsolidated financial statements of each of the Group's entities are shown using the currency of the principal economic environment in which the companies operate (functional currency). For the purposes of the interim 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 interim consolidated financial statements.

New accounting pronouncements

- a) The following standards and interpretations have been adopted in these financial statements. Their adoption has had no significant impact on the figures reported in these 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 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

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 November 25, 2010.



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 interim 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 financial statements.

2.2 Accounting Policies

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

A. Consolidation

The interim 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 Society 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 a maximum of one year from the acquisition date. Until the fair value of assets and liabilities is determined definitively, the difference between the acquisition price and the book value of the acquired company is shown provisionally as goodwill.

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 first half of 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.

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:

ITEM	Minimum useful life (years)	Maximum useful life (years)
Buildings	25	80
Plant & equipment	5	50
Computer equipment	4	4
Fixed installations & accessories	5	80
Motor vehicles	7	7
Improvements to leased assets	5	5
Other property, plant & equipment	4	80

Policy for estimating costs of dismantling, retirement 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 (see Note 13).

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.

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 Society.



- 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.

At the date of closing of these interim financial statements, the Group holds no financial assets at fair value with changes in results.

iii. Financial assets held to maturity

Financial assets held to maturity correspond to non-derivative financial assets with fixed or determinable payments and established maturity dates that the Group has the intention and capacity to hold until maturity. Financial assets held to maturity are booked at amortized cost using the effective interest-rate method less any impairment of value, and the 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. 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 of 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	30-09-2010 Ch\$	31-12-2009 Ch\$	30-09-2009 Ch\$
US dollar	483,65	507,10	550,36
Euro	659,46	726,82	805,09

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 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 the costs incurred in the transaction. They are later shown at amortized cost, using the effective interest rate, except for transactions for which hedge contracts have been signed, which are valued as described in the following section.

M. Derivative financial instruments and accounting of hedges

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

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

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

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

Hedges of cash flows and net foreign-currency investments. Changes in the fair value of these derivative financial instruments are shown, for the part that is effective, directly in a reserve of net equity called "Cash flow hedge", while the ineffective part is shown in 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 organized 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 fair value or the cash flows of the underlying item directly attributable to the risk hedged are offset by changes in the fair value or cash flows of the hedging instrument, with an effectiveness of between 80% and 125%.

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. 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 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

The severance payments of Aguas Cordillera 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 Aguas Cordillera 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 Society, is shown at its actuarial value, determined in accordance with the projected credit-unit method, at a discount rate of 7.1% 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 assets 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.

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

The 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 year 2009 and the third quarter of 2010, the Group has carried out no type 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 of Aguas Andinas and its subsidiaries.

These assets are valued at cost, like any other asset. The Company and subsidiaries amortize these elements on a straight-line basis as a function of the estimated remaining years of 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 Company 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 the 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. The state of progress is determined by reference to the contract costs incurred at the date of the statement of financial position as a percentage of the total estimated costs for each contract. Costs incurred during the period in relation to the future activity of a contract are excluded from the contract costs to determine the percentage of progress.

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 the 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:

	30-09-2010	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 objectives or capital management 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.

During the periods January-December 2009, Aguas Andinas S.A. 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.
- The ordinary shareholders meeting held on April 21, 2010 agreed to distribute 100% of the net income for 2009, discounting the interim dividend paid in November 2009. The amount of dividend No.14 amounted to ThCh\$ 44,679,000, equivalent to Ch\$ 44.6790 per share. This payment was made on May 19, 2010.

Provision for minimum dividend

As of September 30, 2010 and 2009, a provision was made for a minimum dividend of 30% of earnings, amounting to ThCh\$ 22,005,626 and ThCh\$ 26,754,525 respectively.

Retained earnings

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

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 to IFRS, 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 company 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, 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	30-09-2010 ThCh\$	30-09-2009 ThCh\$	01-07-2010 30-09-2010 ThCh\$	01-07-2009 30-09-2009 ThCh\$
Other revenue	1.648.933	2.265.982	38.342	96.960
Insurance claims (1)	1.494.474	0	0	0
Gain (loss) on sales of non-current assets, not held for sale	154.459	2.265.982	38.342	96.960
Financial costs	16.245.900	17.303.332	5.998.168	4.768.482
Bank loans	1.917.575	5.608.068	819.949	1.061.535
Interest expense, AFR	2.070.950	1.341.874	754.909	473.562
Interest expense, bonds	10.865.879	9.233.347	3.893.653	3.026.573
Interest expense, others	332.155	269.117	152.900	120.826
Amortization of complementary costs related to loan agreements	1.059.341	850.926	376.757	85.986
Financial income	2.766.096	4.163.998	1.008.002	1.080.523
Interest expense	1.850.331	2.520.754	757.700	708.306
Gain on redemption & extinction of debt	915.765	1.643.244	250.302	372.217

During the 2010 period, the subsidiary Essal S.A. 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.



4. COMBINATIONS OF BUSINESSES

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., 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 the equivalent of 2.5064% of the share capital.

The cost of the combination was 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 September 30, 2010 and December 31, 2009 is as follows:

IBERAGUAS LTDA. CONSOLIDATED	IBERAGUAS Consolidated	Fair Value	IBERAGUAS Consolidated	IBERAGUAS Consolidated	Fair Value	IBERAGUAS Consolidated
	30-09-2010	30-09-2010	30-09-2010	31-12-2009	31-12-2009	31-12-2009
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Assets						
Current assets						
Total current assets	11.355.789	0	11.355.789	8.796.455	0	8.796.455
Other non-current non-financial assets	17.517	0	17.517	17.517	0	17.517
Intangible assets other than goodwill	6.545.523	4.271	6.549.794	6.536.147	4.574	6.540.721
Goodwill	26.716.713	-26.716.713	0	26.716.713	-26.716.713	0
Property, plant & equipment	126.931.270	87.856.851	214.788.121	122.762.257	92.035.336	214.797.593
Deferred tax assets	2.382.548	0	2.382.548	2.555.681	0	2.555.681
Total non-current assets	162.593.571	61.144.409	223.737.980	158.588.315	65.323.197	223.911.512
Total assets	173.949.360	61.144.409	235.093.769	167.384.770	65.323.197	232.707.967
Total current liabilities	8.734.407	0	8.734.407	8.773.966	0	8.773.966
Other non-current financial liabilities	43.658.683	5.364.557	49.023.240	43.869.548	5.592.298	49.461.846
Non-current liabilities	857.013	0	857.013	845.994	0	845.994
Deferred tax liabilities	11.727.986	14.229.095	25.957.081	11.697.405	14.900.773	26.598.178
Non-current provisions for personnel benefits	101.257	0	101.257	97.623	0	97.623
Other non-current non-financial liabilities	6.411.436	0	6.411.436	1.563.712	0	1.563.712
Total non-current liabilities	62.756.375	19.593.652	82.350.027	58.074.282	20.493.071	78.567.353
Total liabilities	71.490.782	19.593.652	91.084.434	66.848.248	20.493.071	87.341.319
Issued capital	49.090.900	0	49.090.900	49.090.900	0	49.090.900
Accumulated earnings (losses)	1.917.199	-5.293.967	-3.376.768	568.113	-3.539.292	-2.971.179
Other reserves	15.276.404	15.224.305	30.500.709	15.276.404	15.224.305	30.500.709
Equity attributable to owners of the controller	66.284.503	9.930.338	76.214.841	64.935.417	11.685.013	76.620.430
Minority participations	36.174.075	31.620.419	67.794.494	35.601.104	33.145.113	68.746.218
Total equity	102.458.578	41.550.757	144.009.335	100.536.521	44.830.126	145.366.647
Total equity & liabilities	173.949.360	61.144.409	235.093.769	167.384.770	65.323.197	232.707.967



Essal S.A.	Essal	Fair Value	Essal at Fair Value	Essal	Fair Value	Essal at Fair Value
	30-09-2010 ThCh\$	30-09-2010 ThCh\$	30-09-2010 ThCh\$	31-12-2009 ThCh\$	31-12-2009 ThCh\$	31-12-2009 ThCh\$
Total current assets	11.350.546	0	11.350.546	8.768.396	0	8.768.396
Other non-current non-financial assets	17.517	0	17.517	17.517	0	17.517
Intangible assets other than goodwill	6.545.523	4.271	6.549.794	6.536.146	4.574	6.540.720
Property, plant & equipment	126.931.270	87.856.851	214.788.121	122.762.257	92.035.336	214.797.593
Deferred tax assets	2.382.548	0	2.382.548	2.555.681	0	2.555.681
Total non-current assets	135.876.858	87.861.122	223.737.980	131.871.601	92.039.910	223.911.511
Total assets	147.227.404	87.861.122	235.088.526	140.639.997	92.039.910	232.679.907
Total current liabilities	10.646.387	0	10.646.387	9.910.401	0	9.910.401
Other non-current financial liabilities	43.658.683	5.364.557	49.023.240	43.869.549	5.592.298	49.461.847
Non-current liabilities	857.013	0	857.013	845.993	0	845.993
Deferred tax liabilities	11.727.986	14.229.095	25.957.081	11.697.405	14.900.773	26.598.178
Non-current provisions for personnel benefits	101.257	0	101.257	0	0	97.623
Other non-current non-financial liabilities	6.411.435	0	6.411.435	1.563.711	0	1.563.711
Total non-current liabilities	62.756.374	19.593.652	82.350.026	58.074.281	20.493.071	78.567.352
Total liabilities	73.402.761	19.593.652	92.996.413	67.984.682	20.493.071	88.477.753
Issued capital	41.948.297	0	41.948.297	41.948.297	0	41.948.297
Accumulated earnings (losses)	34.766.638	-8.854.339	25.912.299	33.597.310	-5.574.970	28.022.340
Other reserves	-2.890.292	77.121.809	74.231.517	-2.890.292	77.121.809	74.231.517
Equity attributable to owners of the controller	73.824.643	68.267.470	142.092.113	72.655.315	71.546.839	144.202.154
Total equity	73.824.643	68.267.470	142.092.113	72.655.315	71.546.839	144.202.154
Total equity & liabilities	147.227.404	87.861.122	235.088.526	140.639.997	92.039.910	232.679.907

5. CONSOLIDATED AND UNCONSOLIDATED FINANCIAL STATEMENTS

Identification of link between controller and subsidiary

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

Tax No.	Company	Direct %	Indirect %	30-09-2010 (%)	Direct %	Indirect %	31-12-2009 (%)
96.809.310-K	Aguas Cordillera S.A.	99,99030	0,000000	99,99030	99,99030	0,000000	99,99030
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 30-09-2010

30-09-2010 Subsidiaries	Current Assets ThCh\$	Non-Current Assets ThCh\$	Current Liabilities ThCh\$	Non-Current Liabilities ThCh\$	Equity ThCh\$
Aguas Cordillera S.A.	15.229.024	234.721.043	8.095.991	45.157.029	196.697.047
Aguas Manquehue S.A.	1.475.500	55.728.617	6.766.518	14.418.398	36.019.201
Inversiones Iberaguas Ltda.	1.925.753	64.367.282	8.532	0	66.284.503
Empresa de Servicios Sanitarios de Los Lagos S.A.	11.350.546	135.876.858	10.646.387	62.756.374	73.824.643
Ecoriles S.A.	8.805.255	160.791	1.049.585	0	7.916.461
Gestión y Servicios S.A.	5.545.469	1.853.615	2.552.252	0	4.846.832
Análisis Ambientales S.A.	3.734.239	1.368.376	515.357	0	4.587.258

Summarized financial information of subsidiaries (statement of comprehensive results) as of 30-09-2010

30-09-2010 Subsidiary	Result for period ThCh\$	Ordinary revenues ThCh\$	Operating expenses (-) ThCh\$	Other expenses (-) / Net revenue (+) ThCh\$
Aguas Cordillera S.A.	9.543.474	26.805.825	-6.305.846	-10.956.505
Aguas Manquehue S.A.	322.484	4.207.397	-1.496.109	-2.388.804
Inversiones Iberaguas Ltda.	2.509.087	1.080	0	2.508.007
Empresa de Servicios Sanitarios de Los Lagos S.A.	4.934.987	23.773.960	-11.666.632	-7.172.341
Ecoriles S.A.	1.158.789	5.988.583	-3.027.352	-1.802.442
Gestión y Servicios S.A.	478.162	5.047.769	-3.962.661	-606.946
Análisis Ambientales S.A.	715.937	3.138.374	-1.714.329	-708.108

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

31-12-2009 Subsidiary	Current assets ThCh\$	Non-current assets ThCh\$	Current liabilities ThCh\$	Non-current liabilities ThCh\$	Equity ThCh\$
Aguas Cordillera S.A.	18.490.145	235.398.832	8.923.738	44.431.579	200.533.660
Aguas Manquehue S.A.	2.612.051	54.980.643	8.488.866	13.407.339	35.696.489
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	131.871.601	9.910.401	58.074.281	72.655.315
Ecoriles S.A.	7.364.901	164.799	772.028	0	6.757.672
Gestión y Servicios S.A.	7.222.105	1.692.613	4.546.049	0	4.368.669
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 30-09-2009

30-09-2009 Subsidiary	Result for period ThCh\$	Ordinary revenues ThCh\$	Operating expenses (-) ThCh\$	Other expenses (-) / Net revenue (+) ThCh\$
Aguas Cordillera S.A.	13.568.196	26.075.619	-6.363.736	-6.143.687
Aguas Manquehue S.A.	1.631.182	4.369.357	-1.438.861	-1.299.314
Inversiones Iberaguas Ltda.	3.086.229	-2	0	3.086.231
Empresa de Servicios Sanitarios de Los Lagos S.A.	6.063.891	24.388.609	-12.204.692	-6.120.026
Ecoriles S.A.	1.227.097	4.866.358	-2.193.515	-1.445.746
Gestión y Servicios S.A.	700.393	7.040.314	-5.323.310	-1.016.611
Análisis Ambientales S.A.	731.671	2.614.699	-1.304.818	-578.210

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	12,17%	7,19%
Property, plant & equipment	8,67%	12,36%
Result for the period	10,46%	6,64%



6. CASH AND CASH EQUIVALENTS

The composition is as follows:

Cash & cash equivalents	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Banks	1.699.092	970.103
Time deposits (Note 7.7)	34.456.019	24.026.180
Total	36.155.111	24.996.283

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.

7. FINANCIAL INSTRUMENTS

7.1 Capital risk management

The Group manages its capital to ensure that Group entities continue as ongoing businesses through the maximization of profitability for shareholders 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	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Other current financial assets		551.736	900.059
Hedge assets, currency derivatives, current	CLP	551.736	900.059
Trade debtors & other accounts receivable, current and collection rights, non-current		54.446.428	65.121.153
Trade debtors & other accounts receivable, net	CLP	52.115.649	61.828.838
Trade debtors & other accounts receivable, net	USD	34.505	24.071
Trade debtors & other accounts receivable, net	EUR	3.152	3.051
Non-current receivables	CLP	2.293.122	3.265.193
Other current financial liabilities		27.846.847	36.560.941
Bank loans, current	CLP	2.646.444	11.624.137
Bonds, current	CLP	24.238.790	23.594.341
Reimbursable financial contributions, current	CLP	345.387	357.531
Hedge liabilities, currency derivatives, current	CLP	616.226	984.932
Other current financial liabilities, non-current		551.851.920	508.405.440
Bank loans, non-current	CLP	105.323.857	125.562.880
Bonds, non-current	CLP	371.114.476	314.310.984
Reimbursable financial contributions, non-current	CLP	75.413.588	68.531.576
Trade creditors & other accounts payable, current		53.458.430	63.913.588
Trade creditors & other accounts payable, current	CLP	52.469.626	62.355.834
Other accounts payable, non-current	CLP	988.804	1.557.754

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 September 30, 2010 and December 31, 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	Residual	Total book value ThCh\$			Total nominal value ThCh\$		Nominal rate	Effective rate
							30-09-2010	30-09-2010	31-12-2009	30-09-2010	31-12-2009		
						ThCh\$	Up to 90 days	91 to 365 days	ThCh\$				
Aguas Andinas S.A.	61.808.000-5	CL	Banco BBVA	97.032.000-8	CL	0	0	2.950	4.328.402	15.303	4.349.278	4,98%	4,84%
Aguas Andinas S.A.	61.808.000-5	CL	Banco de Chile	97.004.000-5	CL	0	0	-60.007	1.531.625	9.398	1.536.625	5,29%	5,06%
Aguas Andinas S.A.	61.808.000-5	CL	Banco Corpbanca	97.023.000-9	CL	2.600.000	0	2.619.203	2.628.275	2.672.369	2.685.418	4,83%	5,30%
Aguas Andinas S.A.	61.808.000-5	CL	Banco Santander	97.036.000-K	CL	0	0	33.614	2.723.897	40.898	2.749.750	4,98%	5,18%
Aguas Andinas S.A.	61.808.000-5	CL	Banco de Chile	97.004.000-5	CL	0	0	-33.538	300.273	28.350	388.700	3,78%	3,89%
Aguas Manquehue S.A.	89.221.000-4	CL	Banco Estado	97.030.000-7	CL	0	0	84.222	111.664	84.222	111.664	4,58%	4,58%
Essal S.A.	96.579.800-5	CL	Banco de Chile	97.004.000-5	CL	0	0	0	1	0	1	0,00%	0,00%
			Totales			2.600.000	0	2.646.444	11.624.137	2.850.540	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 interest-bearing loans, non-current.

Debtor	Tax No.	Country of debtor	Bank or financial institution creditor	Tax No. Creditor	Country of creditor	Currency or indexation unit	Years to Maturity				30-09-2010		31-12-2009		Nominal rate	Effective rate	Repayments
							13 months to 3 years	3 to 5 years	More than 5 years	Final maturity	Total Non-Current (book value)	Total Non-Current (nominal value)	Total Non-Current (book value)	Total Non-Current (nominal value)			
							ThCh\$	ThCh\$	ThCh\$		ThCh\$	ThCh\$	ThCh\$	ThCh\$			
Aguas Andinas S.A.	61808.000-5	CL	Banco BBVA	97.032.000-8	CL	CLP	2.301.347	4.779.720	10.609.944	28-08-2015	17.691.011	17.702.667	28.030.496	28.072.000	4,98%	4,84%	Semi-annual
Aguas Andinas S.A.	61808.000-5	CL	Banco de Chile	97.004.000-5	CL	CLP	746.180	2.318.000	7.842.829	17-07-2017	10.720.759	10.659.000	9.908.088	9.928.000	5,29%	5,06%	Semi-annual
Aguas Andinas S.A.	61808.000-5	CL	Banco Corpbanca	97.023.000-9	CL	CLP	14.726.003	0	0	28-08-2013	14.726.003	14.800.000	17.285.809	17.400.000	4,83%	5,30%	Semi-annual
Aguas Andinas S.A.	61808.000-5	CL	Banco Santander	97.036.000-K	CL	CLP	0	9.535.383	0	28-08-2015	9.535.383	9.537.000	17.696.436	17.748.000	4,98%	5,18%	Semi-annual
Aguas Andinas S.A.	61808.000-5	CL	Banco de Chile	97.004.000-5	CL	CLP	3.350.000	9.000.000	32.544.701	17-07-2017	44.694.701	45.000.000	44.666.051	45.000.000	3,78%	3,89%	Semi-annual
Aguas Manquehue S.A.	89.221.000-4	CL	Banco Estado	97.030.000-7	CL	CLP	7.976.000	0	0	09-07-2012	7.976.000	7.976.000	7.976.000	7.976.000	4,58%	4,58%	At maturity
			Total				28.899.480	25.426.903	50.997.474		105.323.857	105.674.667	125.562.880	126.114.000			



Nominal value = principal+accrued interest

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

The detail of reimbursable financial contributions as of September 30, 2010 and December 31, 2009 is as follows:

Reimbursable Financial Contributions, current portion

Registration N° or Identification of Instrument	Currency or Indexation Unit	Residual UF	Book Value		Contracted real interest rate	Effective rate	Placement in Chile or abroad	Issuer	Tax No. Debtor	Country	Repayment	Secured (Yes/No)
			30-09-2010 ThCh\$	31-12-2009 ThCh\$								
AFR	UF	2.197	46.890	30.906	3,77%	3,66%	Chile	Aguas Andinas S.A	61.808.000-5	Chile	At maturity	No
AFR	UF	12.991	277.227	109.251	6,32%	6,07%	Chile	Aguas Cordillera S.A.	96.809.310-k	Chile	At maturity	No
AFR	UF	943	20.133	216.237	3,55%	3,47%	Chile	Aguas Manquehue S.A.	89.221.000-4	Chile	At maturity	No
AFR	UF	53	1.137	1.137	3,93%	3,82%	Chile	Essal S.A.	96.579.800-5	Chile	At maturity	No
Total		16.185	345.387	357.531								

Reimbursable Financial Contributions, non-current portion

Registration N° or Identification of Instrument	Currency or Indexation Unit	Residual UF	Book Value		Contracted real interest rate	Effective rate	Placement in Chile or abroad	Issuer	Tax No. Debtor	Repayment	Secured (Yes/No)
			30-09-2010 ThCh\$	31-12-2009 ThCh\$							
AFR	UF	2.160.508	46.105.226	41.539.157	27-09-2025	3,77%	3,66%	Aguas Andinas S.A	61.808.000-5	Al vencimiento	No
AFR	UF	1.120.959	23.921.263	22.286.719	08-09-2025	6,32%	6,07%	Aguas Cordillera S.A.	96.809.310-k	Al vencimiento	No
AFR	UF	117.708	2.511.883	1.957.883	03-08-2025	3,55%	3,47%	Aguas Manquehue S.A.	89.221.000-4	Al vencimiento	No
AFR	UF	134.734	2.875.216	2.747.817	16-09-2025	3,93%	3,82%	Essal S.A.	96.579.800-5	Al vencimiento	No
Total		3.533.909	75.413.588	68.531.576							

The detail of bonds outstanding as of September 30, 2010 and December 31, 2009 is as follows:



BONDS

Total current portion

Type of document	Amount outstanding	Book value ThCh\$			Maturity Date	Annual nominal interest rate	Annual effective interest rate	Payment Dates		Issuer	Tax No. Debtor
		30-09-2010		31-12-2009				Interest	Principal		
		Up to 90 days	91 to 635 days	ThCh\$							
BEMOS-B1	22.580	0	489.098	576.268	01-09-2022	6,25%	7,04%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BEMOS-B2	35.481	0	768.526	903.738	01-09-2022	6,25%	7,04%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-C1	83.333	1.800.557	0	3.480.972	01-12-2010	4,25%	5,24%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-C2	250.003	5.401.783	0	10.442.955	01-12-2010	4,25%	5,24%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-E	0	313.508	0	0	01-06-2012	4,00%	4,47%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-F	263.158	3.723.035	2.807.895	5.448.256	01-12-2026	4,15%	4,74%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-G	0	597.549	0	182.918	01-04-2014	3,00%	3,43%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-I	160.000	390.302	3.414.398	0	01-12-2015	3,70%	4,07%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-J	0	251.777	0	40.067	01-12-2018	4,00%	4,20%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-K	0	271.009	0	0	01-10-2016	2,90%	3,10%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-M	0	785.844	0	0	01-04-2031	4,20%	4,14%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BESAL-B	115.789	1.988.036	1.235.473	2.519.167	01-06-2028	6,00%	6,63%	Semi-annual	Semi-annual	Essal S.A.	96.579.800-5
Total	930.344	15.523.400	8.715.390	23.594.341							

Total non-current portion

Type of document	Amount outstanding UF	Book value ThCh\$				Final maturity	Annual nominal interest rate	Annual effective interest rate	Payment Dates		Issuer	Country of issuer	Tax No. Issuer
		30-09-2010			31-12-2009								
		13 months to 3 years	3 to 5 years	More than 5 years									
BEMOS-B1	645.807	1.349.213	1.742.277	10.164.280	13.423.032	01-09-2022	6,25%	7,04%	Semi-annual	Semi-annual	Aguas Andinas S.A.	Chile	61.808.000-5
BEMOS-B2	1.014.836	2.120.233	2.737.926	15.972.273	21.093.311	01-09-2022	6,25%	7,04%	Semi-annual	Semi-annual	Aguas Andinas S.A.	Chile	61.808.000-5
BAGUA-C1	0	0	0	0	0	01-12-2010	4,25%	5,24%	Semi-annual	Semi-annual	Aguas Andinas S.A.	Chile	61.808.000-5
BAGUA-C2	0	0	0	0	0	01-12-2010	4,25%	5,24%	Semi-annual	Semi-annual	Aguas Andinas S.A.	Chile	61.808.000-5
BAGUA-E	1.650.000	35.106.960	0	0	34.337.100	01-06-2012	4,00%	4,47%	Semi-annual	At maturity	Aguas Andinas S.A.	Chile	61.808.000-5
BAGUA-F	4.078.947	11.231.578	10.457.404	62.378.114	84.934.701	01-12-2026	4,15%	4,74%	Semi-annual	Semi-annual	Aguas Andinas S.A.	Chile	61.808.000-5
BAGUA-G	2.500.000	0	52.829.205	0	51.687.899	01-04-2014	3,00%	3,43%	Semi-annual	At maturity	Aguas Andinas S.A.	Chile	61.808.000-5
BAGUA-I	1.840.000	13.657.594	17.660.168	7.616.040	41.455.597	01-12-2015	3,70%	4,07%	Semi-annual	Semi-annual	Aguas Andinas S.A.	Chile	61.808.000-5
BAGUA-J	1.000.000	0	0	21.085.180	20.665.315	01-12-2018	4,00%	4,20%	Semi-annual	At maturity	Aguas Andinas S.A.	Chile	61.808.000-5
BAGUA-K	1.000.000	5.121.598	6.761.544	9.336.754	0	01-10-2016	2,90%	3,10%	Semi-annual	Semi-annual	Aguas Andinas S.A.	Chile	61.808.000-5
BAGUA-M	1.750.000	0	0	37.638.109	0	01-04-2031	4,20%	4,14%	Semi-annual	At maturity	Aguas Andinas S.A.	Chile	61.808.000-5
BESAL-B	1.968.421	4.941.891	4.941.891	36.264.243	46.714.029	01-06-2028	6,00%	6,63%	Semi-annual	Semi-annual	Essal S.A.	Chile	96.579.800-5
Total	17.448.011	73.529.067	97.130.415	200.454.993	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 risk of a customer credit 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	30-09-2010	31-12-2009
	ThCh\$	ThCh\$
Gross exposure per balance sheet for accounts receivable risks	82.063.170	91.301.937
Gross exposure according to risk estimates accounts receivable	-27.616.742	-26.180.784
Net exposure, risk concentrations	54.446.428	65.121.153

Trade debtors & other accounts receivable (net)	30-09-2010	31-12-2009
	ThCh\$	ThCh\$
less than 3 months	51.864.981	61.564.005
3 to 6 months	54.962	123.632
6 to 12 months	233.363	168.323
over 12 months	2.293.122	3.265.193
Total	54.446.428	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 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 pattern (nominal value)

Balances as of September 30, 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	0	0,00%	2.600.000	4,98%	28.973.477	4,74%	25.448.520	4,55%	51.252.670	4,23%
Bonds	11.156.750	4,42%	8.696.782	4,54%	73.633.092	4,13%	99.068.975	3,56%	199.638.324	4,65%
AFRs	15.626	4,99%	327.161	5,82%	6.892.272	7,86%	8.695.025	6,00%	58.963.178	4,00%
Total	11.172.376		11.623.943		109.498.840		133.212.520		309.854.173	

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

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

Debt instruments	Rate	%
Bank loans	Variable	18,82%
Bonds	Fixed	68,16%
AFRs	Fixed	13,02%
Total		100,00%

Interest rate sensitivity analysis

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

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

Company	Nominal amount debt	Variable rate	Pts (+/-)	Impact on result (ThCh\$) (+/-)
Aguas Andinas S.A	100.298.667	TAB 180 days	50	506.018
Aguas Manquehue S.A	7.976.000	TAB 360 days	100	79.996



For loans based on 180-day TAB, the positive or negative change in nominal TAB of 50 basis points, calculated annually, would have an impact on results of +/- ThCh\$506,018.-

For loans based on 360-day TAB, the positive or negative change in nominal TAB of 100 basis points, calculated annually, would have an impact on results of +/- ThCh\$79,996.-

7.6 Derivative instruments

The Group Aguas Andinas S.A. 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
					30-09-2010		31-12-2009	
					ThCh\$	ThCh\$	ThCh\$	ThCh\$
Gestión y Servicios S.A.	Forward purchase	Exchange rate	Liabilities	Fair value	551.736	616.226	900.059	984.932

7.7 Cash equivalents.

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

Company	Instrument	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Aguas Andinas S.A.	Time deposit	10.820.175	1.937.006
Aguas Cordillera S.A.	Time deposit	9.564.979	11.593.082
Análisis Ambientales S.A.	Time deposit	2.080.991	2.000.019
Gestión y Servicios S.A.	Time deposit	1.701.776	1.740.014
Eco-Riles S.A.	Time deposit	6.455.671	5.800.059
Essal S.A.	Time deposit	3.832.427	956.000
Total		34.456.019	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	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Dividends	CLP	12.789.775	3.348.395
Taxes (VAT, monthly prepayments, sole tax, others)	CLP	7.265.272	8.578.623
Suppliers under investments in progress	CLP	6.915.030	18.134.743
Personnel	CLP	2.257.277	2.224.134
Suppliers	CLP	11.071.269	18.429.727
Suppliers	USD	187.029	98.778
Suppliers	EUR	356.023	5.385
Services accrued	CLP	11.219.104	11.241.004
Services accrued	USD	0	1.526
Others	CLP	408.847	293.519
Total		52.469.626	62.355.834

7.9 Other non-financial liabilities, current

The main items included in this category are:

Other non-financial liabilities, current	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Earthquake insurance claim advance	2.045.649	0
Easements ceded advances	400.349	0
Advances to suppliers	562.925	953.314
Engineering services advances	204.673	280.033
Advanced revenue for new concessions	113.709	1.314.340
Others	133.589	84.143
Total	3.460.894	2.631.830

7.10 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:



	30-09-2010	
	Amortized cost ThCh\$	Fair value ThCh\$
Other financial assets	34.456.019	34.456.019
Investments held at amortized cost	34.456.019	34.456.019
Time deposits	34.456.019	34.456.019
Other financial liabilities	579.147.032	590.947.666
Financial liabilities maintained at amortized cost	579.082.541	590.883.175
Bank debt	107.970.301	106.143.413
Bonds	395.353.265	408.980.787
AFRs	75.758.975	75.758.975
Financial liabilities maintained at fair value	64.491	64.491
Currency forwards	64.491	64.491

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 financial statements

- 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	30-09-2010			
	Level 2	Level 2	Level 3	Total
Currency forwards		-64.491		-64.491
Total		-64.491	0	-64.491

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

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\$)	
								30-09-2010	31-12-2009
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	2.263	0
96.864.190-5	Brisaguas S.A.	Related to the controller	CL	Chemical & bacteriological analysis services	CLP	30 days	Unsecured	486	916
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	CL	Sale of materials	CLP	30 days	Unsecured	6.744	0
59.066.560-6	Degremont S.A. Agencia en Chile S.A.	Related to the controller	CL	Withholding in arbitration action of Degremont with third party	CLP	30 days	Unsecured	0	48.784
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	50.866	13.870
Total accounts receivable								62.426	63.570



Accounts payable to related entities

Tax No. Related party	Related party	Relationship	Country of origin	Transactions	Currency	Term	Security	Current (ThCh\$)	
								30-09-2010	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	62.243	60.547
59.127.140-K	Aquagest Services Company S.A.	Related to the controller	CL	Purchase of materials	CLP	30 days	Unsecured	136.849	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	310.610	0
	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	870.768	197.967
96.864.190-5	Brisaguas S.A.	Related to the controller	CL	Collections payable	CLP	30 days	Unsecured	33.320	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	292.377	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	2.241.353	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	95.781	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	5.354.062	0
77.274.820-5	Inversiones Aguas Metropolitana S.A.	Controller	CL	Dividends payable	CLP	-	Unsecured	11.025.334	2.246.457
	Sorea	Related to the controller	CL	Expense reimbursements	CLP	30 days	Unsecured	1.550	2.656
Total accounts payable								20.424.247	3.994.500

Transactions

Tax No. Related party	Related party	Relationship	Country of origin	Transactions	Currency	Current (ThCh\$)				Current (ThCh\$)			
						30-09-2010		30-09-2009		01-07-2010 30-09-2010		01-07-2009 30-09-2009	
						Amount	Effect on result (Charge)/(Credit)	Amount	Effect on result (Charge)/(Credit)	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 on consignment	CLP	1.502.058	-1.239.461	1.559.974	-1.559.974	115.167	-115.167	311.287	-311.287
76.046.628-K	Asterión S.A.	Other related parties	CL	Re-engineering service contract of processes & implementation new customer-service information systems	CLP	1.439.036	-247.233	205.751	-776	583.728	-100.889	81.447	-776
76.080.553-K	Agbar Solutions Chile Ltda	Other related parties	CL	Purchase of materials on consignment	CLP	811.689	-810.541	0	0	586.966	-585.818	0	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	CLP	6.861.901	-3.041.972	0	0	5.214.480	-1.531.170	0	0
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Other related parties	CL	Dividends paid	CLP	45.401.990	0	38.130.749	0	0	0	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	8.779.180	-7.680.517	7.880.885	-6.782.088	3.182.076	-2.808.670	2.590.097	-2.224.061



The criterion of materiality for reporting transactions with related entities is of amounts of over ThCh\$ 75,000.

Remuneration paid to the directors of the Company and its subsidiaries and directors' committee

	Current (ThCh\$)			
	30-09-2010	30-09-2009	01-07-2010 30-09-2010	01-07-2009 30-09-2009
Board of directors	207.544	214.023	71.979	73.274
Directors' Committee	26.523	25.086	10.757	8.047
Total	234.067	239.109	82.736	81.321

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

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	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Merchandise	1.169.790	840.584
Supplies for production	594.898	782.680
Other inventories	72.689	71.697
Total inventories	1.837.377	1.694.961



The cost of the inventories shown as an expense during the 2010 period amounts to ThCh\$3,542,182 and ThCh\$7,475,841 in year 2009.

10. INTANGIBLE ASSETS OTHER THAN GOODWILL

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

	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Intangible assets, net	218.492.702	217.800.680
Intangible assets of finite life, net	9.194.128	9.310.245
Intangible assets of infinite life, net	209.298.574	208.490.435
Identifiable intangible assets, net	218.492.702	217.800.680
Patents, trademarks & other rights, net	6.126.494	6.267.281
Computer programs, net	3.067.634	3.042.964
Other identifiable intangible assets, net	209.298.574	208.490.435
Intangible assets, gross	241.112.737	239.472.591
Intangible assets, gross	241.112.737	239.472.591
Other identifiable intangible assets, gross	241.112.737	239.472.591
Identifiable intangible assets, gross	218.961.145	218.364.360
Patents, trademarks & other rights, gross	7.653.968	7.654.344
Computer programs, gross	14.497.624	13.453.887

Classes of accumulated amortization & impairment, intangible assets	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Accumulated amortization & impairment, intangible assets, total	22.620.035	21.671.911
Accumulated amortization & impairment, patents, trademarks & other rights	1.527.474	1.387.063
Accumulated amortization & impairment, computer programs	11.429.990	10.410.923
Accumulated amortization & impairment, other identifiable intangible assets	9.662.571	9.873.925



Present period (30-09-2010)

Movement in identifiable intangible assets	Patents, Trademarks & Other Rights, Net	Computer programs, net	Other identifiable intangible assets, net
Concept	Patents & water rights definite useful life	Software	Water rights & easements
	ThCh\$	ThCh\$	ThCh\$
Opening balance at 01-01-2010	6.267.281	3.042.964	208.490.435
Additions	0	679.034	805.176
Amortization	140.412	1.019.068	0
Other increases (decreases)	-375	364.704	2.963
Changes, Total	-140.787	24.670	808.139
Closing balance at 30-09-2010	6.126.494	3.067.634	209.298.574

Previous period (31-12-2009)

Movement in identifiable intangible assets	Patents, Trademarks & Other Rights, Net	Computer programs, net	Other identifiable intangible assets, net
Concept	Patents & water rights definite useful life	Software	Water rights & easements
	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
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 society is as follows:

Current period at September 30, 2010

Company	Water rights ThCh\$	Easements ThCh\$
Aguas Andinas S.A.	73.821.813	7.100.108
Aguas Cordillera S.A.	92.499.738	7.853.888
Aguas Manquehue S.A.	21.203.115	851.552
Essal S.A.	5.032.372	935.988
Total	192.557.038	16.741.536

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 Company 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:

Company	01-10-2010 31-12-2010 ThCh\$
Aguas Andinas S.A.	1.477.344
Aguas Cordillera S.A.	23.980
Aguas Manquehue S.A.	7.500
Essal S.A.	101.073
Total	1.609.897

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 the period January-September 2010 and year 2009.

Tax No.	Company	30-09-2010 ThCh\$	31-12-2009 ThCh\$
96.809.310-k	Aguas Cordillera S.A.	33.823.049	33.823.049
95.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A. (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

	30-09-2010	31-12-2009
	ThCh\$	ThCh\$
Property, plant & equipment, net	1.027.007.904	1.022.473.285
Building in progress	45.632.339	108.470.676
Land	148.902.309	149.179.546
Buildings	70.795.027	71.758.052
Plant & equipment	201.916.595	209.803.172
Computer equipment	1.432.312	1.602.794
Fixed installations & accessories	555.050.350	478.092.169
Motor vehicles	1.378.626	1.456.189
Improvements to leased assets	70.532	92.778
Other property, plant & equipment	1.829.814	2.017.909
Property, plant & equipment, gross	1.857.239.565	1.816.245.286
Building in progress	45.632.339	108.470.676
Land	148.902.309	149.179.546
Buildings	88.553.248	88.398.891
Plant & equipment	350.217.029	344.334.394
Computer equipment	10.840.162	10.572.434
Fixed installations & accessories	1.203.789.428	1.105.340.539
Motor vehicles	4.622.431	5.083.834
Improvements to leased assets	431.671	425.036
Other property, plant & equipment	4.250.948	4.439.936
Accumulated depreciation	830.231.661	793.772.001
Buildings	17.758.221	16.640.839
Plant & equipment	148.300.434	134.531.222
Computer equipment	9.407.850	8.969.640
Fixed installations & accessories	648.739.078	627.248.370
Motor vehicles	3.243.805	3.627.645
Improvements to leased assets	361.139	332.258
Other property, plant & equipment	2.421.134	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.



Current period 30-09-2010

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	108.470.676	2.245.521	-1.121.692	0	-63.962.166	-62.838.337	45.632.339
Land	149.179.546	0	-42.191	0	-235.046	-277.237	148.902.309
Buildings, net	71.758.052	207.202	-292.676	-1.297.789	420.238	-963.025	70.795.027
Plant & equipment, net	209.803.172	4.166.605	-151.094	-13.885.159	1.983.071	-7.886.577	201.916.595
Computer equipment, net	1.602.794	327.805	0	-556.721	58.434	-170.482	1.432.312
Fixed installations & accessories, net	478.092.169	38.721.544	-1.279.589	-22.553.013	62.069.239	76.958.181	555.050.350
Motor vehicles, net	1.456.189	278.339	-21.992	-336.375	2.465	-77.563	1.378.626
Improvements to leased assets, net	92.778	6.634	0	-28.880	0	-22.246	70.532
Other property, plant & equipment, net	2.017.909	0	-1.230	-13.019	-173.846	-188.095	1.829.814
Classes of property, plant & equipment, net	1.022.473.285	45.953.650	-2.910.464	-38.670.956	162.389	4.534.619	1.027.007.904

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	25.469.545	-163.909	0	65.023	25.370.659	108.470.676
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	15.522.773	-122.236	-17.884.772	118.692	-2.365.543	209.803.172
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	36.039.175	-176.518	-28.467.217	-98.745	7.296.695	478.092.169
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	82.752.613	-1.546.695	-49.216.331	-1.334.973	30.654.614	1.022.473.285



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

Company	01-10-2010 31-12-2010 ThCh\$
Aguas Andinas S.A.	26.106.186
Aguas Cordillera S.A.	1.878.671
Aguas Manquehue S.A.	2.337.460
Essal S.A.	3.001.012
Ecoriles S.A.	54.030
Gestión y Servicios S.A.	100.000
Análisis Ambientales S.A.	122.842
Total	33.600.201

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

Company	30-09-2010 ThCh\$
Aguas Andinas S.A.	126.718
Aguas Cordillera S.A.	170.563
Total	297.281

13. IMPAIRMENT OF VALUE OF ASSETS

Information about asset impairment per cash generating unit:

Each company as a whole is defined as a cash-generating unit as each is individually capable of generating future economic benefits. 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 Society 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.

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, 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 September 30, 2010, revisions were made of the company's tangible assets following the earthquake of February 2010, estimating an impairment of ThCh\$ 1,554,718, which was shown in the line 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 of the subsidiaries with respect to losses for impairment is the following:

	30-09-2010 ThCh\$	01-07-2010 30-09-2010 ThCh\$
Aguas Andinas S.A	429.320	0
Aguas Cordillera S.A.	4.822	4.822
Aguas Manquehue S.A	1.120.576	0
Total losses for impairment	1.554.718	4.822

14. PROVISIONS AND CONTINGENT LIABILITIES

A. Provisions

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

Classes of provisions	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Provision for legal claims	1.003.217	957.415
Other provisions, current	1.003.217	957.415
Other provisions, non-current	944.230	1.029.507
Provisions, non-current	944.230	1.029.507



The movement in current provisions in the period is:

	Legal claims	Total
	ThCh\$	ThCh\$
Opening balance provisions	957.415	957.415
Changes in provisions		
Increases (decreases) in existing provisions	348.210	348.210
Provision used	-108.809	-108.809
Other decreases	-193.598	-193.598
Changes in provisions, total	45.802	45.802
Closing balance provisions	1.003.217	1.003.217

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 2010.

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 society.

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 arguments 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 determine.

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 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 come 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\$ 3,226,005 plus indexation, interest and costs. The case is in the discussion stage, believing that the Treasury's demand should be rejected.
- 3.- Demand for damages brought against Aguas Cordillera S.A. by a 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 has not complied with its obligation to pay the agreed price.
 - Aguas Manquehue did not comply on time with its obligation to provide land (to start the works).
 - Aguas Manquehue did not design a feasible project.

The amount claimed is ThCh\$ 2,300,000. The demand was notified on September 25, 2009 and is currently in the discussion stage. The estimate of the result is so far unpredictable as information is being gathered to answer the demand.

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 Society's concession areas, SERVIU Metropolitano to guarantee the replacement of paving, and other institutions, for ThCh\$18,531,000 as of September 30, 2010 and ThCh\$17,674,000 as of December 31, 2009.

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



Guarantee beneficiary	Debtor	Type of guarantee	30-09-2010	31-12-2009
S.I.S.S.	A. Andinas S.A.	Guarantee policy	2.103.120	2.098.874
S.I.S.S.	A. Andinas S.A.	Performance bond	4.268.667	3.734.388
Serviu Metropolitano	A. Andinas S.A.	Performance bond	2.782.500	3.372.732
Dir. Regional de Vialidad	A. Andinas S.A.	Performance bond	70.644	76.031
Director de Vialidad	A. Andinas S.A.	Performance bond	332.904	672.266
MOP	A. Andinas S.A.	Performance bond	579.231	398.526
Mun. De Santiago	A. Andinas S.A.	Performance bond	30.665	38.928
Chilectra S.A.	A. Andinas S.A.	Performance bond	10.670	20.943
Direc. De Obras Hidraulica	A. Andinas S.A.	Performance bond	78.618	90.160
Munic. De San Bernardo	A. Andinas S.A.	Performance bond	19.204	12.566
Munic. De Peñalolen	A. Andinas S.A.	Performance bond	12.444	6.283
Serectaría Reg. Ministerial	A. Andinas S.A.	Performance bond	30.878	3.545
Secretaría Reg. Minist. De Obra	A. Andinas S.A.	Performance bond	14.515	8.739
Munic. De Providencia	A. Andinas S.A.	Performance bond	83.198	82.337
Soc. Conc. Costanera Norte	A. Andinas S.A.	Performance bond	213.399	209.429
Soc. Conc. Via Santa Rosa	A. Andinas S.A.	Performance bond	21.680	21.278
Soc. Conc. Via Santa Rosa	A. Andinas S.A.	Performance bond	15.343	15.058
S.I.S.S.	A. Cordillera S.A.	Performance bond	1.653.971	1.585.270
Serviu Metropolitano	A. Cordillera S.A.	Performance bond	53.350	40.067
MOP Direcc. Gral	A. Cordillera S.A.	Performance bond	317.581	311.672
Munic. Lo Barnechea	A. Cordillera S.A.	Performance bond	10.670	20.943
Munic. De Vitacura	A. Cordillera S.A.	Performance bond	42.680	41.886
S.I.S.S.	A. Manquehue S.A.	Performance bond	714.819	845.287
S.I.S.S.	A. Manquehue S.A.	Performance bond	926.220	902.849
Asoc. Canal	A. Manquehue S.A.	Performance bond	85.359	83.772
Municipalidad de Las Condes	Gest. y Serv. S.A.	Performance bond	23.505	7.500
Serviu	Gest. y Serv. S.A.	Performance bond	310.452	0
Codeco	Anam S.A.	Performance bond	11.958	9.212
Cía Minera Doña Inés de Collahuasi	Ecoriles S.A.	Performance bond	21.572	0
Director de Obras Hidraulicas	Essal S.A.	Performance bond	243.842	127.227
Serviu	Essal S.A.	Performance bond	14.472	37.790
Municipalidad de Futaleufú	Essal S.A.	Performance bond	15.866	15.866
S.I.S.S.	Essal S.A.	Guarantee policy	2.123.232	2.073.819
Total			17.237.229	16.965.243



b) Bond issue covenants

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

i. Aguas Andinas S.A.

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 September 30, 2010.

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

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.

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 September 30, 2010.

The Society and its subsidiaries are in compliance with all the provisions of DFL. Nº 382 of the General Sanitation Services Law of 1988, and its Regulations (D.S. MOP Nº1199/2004 published in November 2005).

d.- Guarantees received from third parties.

As of September 30, 2010 and December 31, 2009, the Society has received documents in guarantee for ThCh\$ 41,729,000 and ThCh\$ 33,132,000 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 September 30, 2010 is summarized below:



Contractor or supplier	ThCh\$	Expiry date
ITT FLYGT CHILE S.A.	202.847	31-03-2011
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	210.138	31-08-2011
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	213.001	31-08-2011
CHILECTRA S.A.	213.393	01-08-2011
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	228.316	15-03-2013
AGBAR SOLUTION CHILE LIMITADA	244.801	26-12-2010
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	266.251	31-08-2011
SOC. GRAL DE AGUAS DE BARCELONA S.A.	314.746	31-10-2012
SONDA S.A.	314.746	31-10-2012
KDM S.A.	320.089	31-12-2010
CIA DE PETROLEOS DE CHILE COPEC S.A.	358.816	22-03-2011
ING. Y CONST. M. S. T. S.A.	434.143	15-05-2013
ING. Y CONSTRUCCION MST S.A.	473.309	31-03-2011
CONSTRUCTORA OAS LTDA	495.179	29-03-2011
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	651.214	15-05-2013
ACCIONA INFRAESTRUCTURAS S.A. AGENCIA EN CHILE	1.429.827	23-07-2013
OBRASCON HUARTE LAIN S.A. AGENCIA EN CHILE	2.010.883	30-10-2010
DEGREMONT S.A.	2.604.229	31-10-2010
CONSTRUCTORA OAS LTDA.	3.570.872	29-03-2011
EMP. DEP. DE A.S. MAPOCHO TREBAL LTDA	3.615.856	01-06-2017
EMPRESA DEPURADORA DE AGUAS SERVIDAS LTDA	4.145.147	31-12-2012
EMP DEPURADORA DE A.S. MAPOCHO TREBAL LTDA	7.636.539	15-04-2012
COMSA DE CHILE S.A.	298.906	30-10-2010
COMSA DE CHILE S.A.	355.821	30-10-2010
CONSTRUCTORES Y MONTAJES COM S.A.	110.239	08-03-2012
Total	30.719.308	

16. ORDINARY REVENUES

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

Classes of ordinary revenues	30-09-2010 ThCh\$	30-09-2009 ThCh\$	01-07-2010 30-09-2010 ThCh\$	01-07-2009 30-09-2009 ThCh\$
Ordinary revenues				
Sales of goods	4.427.716	5.802.708	-2.240.245	-1.530.931
Provision of services	233.976.984	235.269.578	74.250.044	69.739.472
Total	238.404.700	241.072.286	72.009.799	68.208.541



17. LEASES

Operative leases as lessee:

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

	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Minimum future non-cancellable lease payments payable within a year, lessees	1.320.024	1.303.297
Minimum future non-cancellable lease payments payable between 1 and 5 years, lessees	5.280.097	5.213.187
Minimum future non-cancellable lease payments payable, lessees, total	6.600.121	6.516.483
Minimum lease payments under operative leases	2.253.198	1.976.492
Lease & sub-lease instalments shown in the statement of results, total	2.253.198	1.976.492

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 Society has the power to terminate in advance at any time.

Minimum future lease payments, lessors	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Minimum future non-cancellable lease payments up to 1 year, lessors	195.518	262.353
Amount of contingent rentals booked in the statement of results	144.575	269.803

Significant operative leases of the lessor:

Income from these sources is immaterial for the Society.

18. PERSONNEL BENEFITS

The Society, at the consolidated level, has a workforce of 1,886, of whom 61 are managers and senior executives. Workers who are parties to collective agreements and individual work contracts with special indemnity clauses, total 1,153 and 58 respectively, while 614 workers are covered by the Labor Code.

The collective contract for the employees and operatives Nos. 1 and 2 unions was signed on July 31, 2010 for a term of four years.

The No.3 Professionals and Technicians Union contract was submitted to arbitration as no agreement was reached with the Company. On September 8, 2010, the arbitration tribunal fully accepted as the collective work contract the proposal made by the Company to the labor authority on July 30, 2010; its term runs from the expiry date of previous collective contract, for a period of two 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 indemnities at present value until 2002 (including indemnities in any event recognized to that date), as well as for advances granted against such indemnities.

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



Accounting policies for 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 or discount of the workers, are booked directly in results.

Actuarial assumptions

Years of service: In Aguas Andinas S.A. and Aguas Cordillera 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 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 1.1% for the objective workers. Disabled and early retirements have not been considered due to their infrequent nature.

Rate of discount: A rate of 7.1% 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, amounting to 3.0%, for making long-term estimates for both 2010 and 2009.

These assumptions have remained unaltered in the nine months ended September 30, 2010 and the year 2009.

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, will be paid as an indemnity the accumulated amount for this concept until July 31, 2002, in Aguas Andinas S.A., and December 31, 2002 in Aguas Cordillera S.A., adjusted quarterly for changes in the consumer price index, 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 September 2010 and December 2009, which include movements in provisions:

Provisions for personnel benefits	30-09-2010	31-12-2009
	ThCh\$	ThCh\$
Movement in actuarial provision		
Opening balance	6.990.792	6.370.438
Benefits paid	-1.878.165	-1.296.864
Actuarial increases	635.711	1.917.218
Sub-total	5.748.338	6.990.792
Profit sharing & bonuses	1.982.029	2.581.250
Total provision for personnel benefits, current & non-current	7.730.367	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 2010 period and 2009 year, the amounts are ThCh\$ 1,982,029 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 September 2010 and 2009 are as follows:

Personnel expenses	30-09-2010	30-09-2009	01-07-2010 30-09-2010	01-07-2009 30-09-2009
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Wages & salaries	17.395.211	18.098.834	5.884.254	5.524.886
Defined benefits	6.485.163	6.542.104	2.130.130	2.066.590
Serverance payments	2.289.210	1.224.469	904.120	481.009
Other personnel expenses	994.619	787.986	281.012	224.302
Total personnel expenses	27.164.203	26.653.393	9.199.516	8.296.787

19. EFFECT OF EXCHANGE DIFFERENCES

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

	Currency	30-09-2010	30-09-2009	01-07-2010 30-09-2010	01-07-2009 30-09-2009
		ThCh\$	ThCh\$	ThCh\$	ThCh\$
Trade debtors & other accounts receivable	EUR	-535	-144	18	61
Trade debtors & other accounts receivable	US\$	0	-46.253	0	-53
Accounts receivable from related entities	EUR	112	-454	0	0
Other financial assets	US\$	77.741	-51.949	0	948
Total assets		77.318	-98.800	18	956
Trade creditors & other accounts payable	EUR	933	13.763	6.868	-1.875
Trade creditors & other accounts payable	US\$	-3.274	115.057	-5.648	2.564
Accounts payable to related entities	EUR	0	2.835	0	0
Other financial liabilities	US\$	-13.775	0	0	-3.416
Other non-financial liabilities	US\$	-78.703	0	0	0
Total liabilities		-94.819	131.655	1.220	-2.727
(Loss) gain from exchange differences		-17.501	32.855	1.238	-1.771



20. CAPITALIZED FINANCING COSTS

The detail of capitalized financing costs as of September 30, 2010 and December 2009 is as follows:

Capitalized interest costs:

Capitalized interest costs, property, plant & equipment		30-09-2010	31-12-2009
Capitalization rate of capitalized interest costs, property, plant & equipment	%	5,71	5,69
Capitalized interest costs, property, plant & equipment	ThCh\$	1.432.109	2.586.750

21. INCOME TAX AND DEFERRED TAXES

Deferred tax assets

Deferred tax assets	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Water rights (amortization)	110.552	125.263
Depreciation assets	1.524.356	1.417.312
Allowance doubtful accounts	4.696.029	4.450.683
Provision vacations	251.179	273.486
Litigation	198.053	490.538
Severance payments	622.763	570.629
Other provisions	181.751	119.122
Income in advance	382.741	51.091
Tax goodwill	6.148.064	6.797.421
Monetary correction fixed assets	15.086.235	11.354.625
Deferred income	1.571.509	419.458
Transaction La Dehesa barrage	189.637	186.108
Others	1.451.532	1.258.597
Deferred tax assets	32.414.401	27.514.333



Deferred tax liabilities

Deferred tax liabilities:	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Depreciation fixed assets	21.630.277	18.997.158
Amortization	1.618.315	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	14.229.095	14.900.773
Others	19.353	89.955
Changes in deferred tax liabilities	80.586.082	78.930.669

	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Movement in deferred tax liabilities		
Deferred tax liabilities, opening balance	78.930.669	78.075.211
Increases (decreases) in deferred tax liabilities	2.103.198	1.528.768
Acquisitions through combinations of businesses	-447.785	-673.310
Changes in deferred tax liabilities	1.655.413	855.458
Changes in deferred tax liabilities, total	80.586.082	78.930.669

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

Charge (credit) for current & deferred income taxes	30-09-2010 ThCh\$	30-09-2009 ThCh\$	01-07-2010 30-09-2010 ThCh\$	01-07-2009 30-09-2009 ThCh\$
Charge for current income taxes				
Charge for current taxes	16.906.013	20.027.310	4.306.221	4.011.426
Adjustment to tax charge previous year	-13.525	245.847	0	0
Current tax charge, net, total	16.892.488	20.273.157	4.306.221	4.011.426
Deferred charge (credit) for taxes related to the creation & reversal of timing differences	-3.244.655	-954.265	-1.023.765	-89.909
Other deferred tax charge	30.601	26.402	7.916	5.773
Deferred tax charge, net, total	-3.214.055	-927.863	-1.015.850	-84.136
Charge (credit) for income taxes	13.678.433	19.345.294	3.290.371	3.927.290

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



	30-09-2010 ThCh\$	30-09-2009 ThCh\$
Tax charge calculated at the legal rate	14.926.209	18.669.445
Permanent difference for monetary correction tax equity	1.501.553	0
Other permanent differences	-253.777	-675.849
Adjustments to charge for tax using the legal rate, total	1.247.776	-675.849
Tax charge using the effective rate	13.678.433	19.345.294

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

	30-09-2010	30-09-2009
Legal tax rate	17,00%	17,00%
Permanent difference for monetary correction tax investments	-1,71%	0,00%
Other permanent differences	0,29%	0,62%
Effective tax rate	15,58%	17,62%

22. EARNINGS PER SHARE

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

Earnings per share		30-09-2010	30-09-2009	01-07-2010 30-09-2010	01-07-2009 30-09-2009
Earnings attributable to holders of participations in equity of the controller	ThCh\$	73.352.088	89.181.750	18.367.365	19.501.450
Basic results available to common shareholders	ThCh\$	73.352.088	89.181.750	18.367.365	19.501.450
Average weighted number of shares, basic		6.118.965.160	6.118.965.160	6.118.965.160	6.118.965.160
Earnings per share	Ch\$	11,98	14,57	3,00	3,19

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 to the 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.
- Operations unrelated to the water business.

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

The water segment consists only of sanitation services that permit the provision of products and production services, the distribution of water and the collection and treatment of sewage. This segment comprises 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.	30-09-2010		30-09-2009	
	Water ThCh\$	Non-Water ThCh\$	Water ThCh\$	Non-Water ThCh\$
Revenues from ordinary activities originating from external customers, total	226.096.187	12.308.513	226.550.915	14.521.371
Revenues from ordinary activities between segments, total	6.478.904	182.458	5.962.864	130.301
Interest income, total segments	2.674.327	91.769	4.119.003	44.995
Interest expense, total segments	16.198.799	47.101	17.247.081	56.251
Financial result, net	-13.524.472	44.668	-13.128.078	-11.256
Depreciation & amortization, total segments	39.553.069	277.370	37.430.943	240.195
Sums of significant revenue items, total	232.575.091	12.490.971	232.513.779	14.651.672
Sums of significant expense items, total	95.205.098	9.520.200	76.618.281	11.209.653
Earnings of the segment reported, total	73.715.898	2.352.888	89.953.983	2.659.161
Income tax charge, total	13.293.252	385.182	18.813.887	531.407

General information on assets & liabilities	30-09-2010		31-12-2009	
	Water ThCh\$	Non-Water ThCh\$	Water ThCh\$	Non-Water ThCh\$
Sums other significant non-monetary items, total segments	1.489.166.368	3.548.616	1.201.037.063	3.171.547
Assets of the segments, total	1.601.782.933	21.209.653	1.402.012.370	20.746.670
Liabilities of the segments, total	754.303.905	3.859.102	718.433.822	5.749.007

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	30-09-2010 ThCh\$	30-09-2009 ThCh\$
Reconciliation of revenues of ordinary activities total of the segments	245.066.063	247.165.451
Reconciliation of other revenues of ordinary activities	0	0
Reconciliation of elimination of ordinary activities between segments	-6.661.363	-6.093.165
Ordinary revenues, total	238.404.700	241.072.286

Reconciliation of earnings	30-09-2010 ThCh\$	30-09-2009 ThCh\$
Consolidation earnings before taxes total of the segments	76.068.786	92.613.144
Consolidation of other earnings (losses)	0	
Consolidation of elimination of gains (loss) between segments	-2.716.698	-3.431.393
Consolidation of earnings	73.352.088	89.181.751



Reconciliations of revenues from ordinary activities, results, assets & liabilities of the segments	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Reconciliation of assets		
Consolidation total assets of the segments	1.622.992.586	1.422.759.040
Consolidation of other assets	0	0
Elimination of the accounts receivable of the corporate office of the segments	-211.617.321	-23.274.395
Assets, total	1.411.375.265	1.399.484.645
Reconciliation of liabilities		
Consolidation total liabilities of the segments	758.163.006	724.182.829
Consolidation of other liabilities	0	0
Reconciliation of elimination of the accounts payable of the corporate office to the segments	5.403.448	-8.276.719
Liabilities, total	763.566.454	715.906.110

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	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Expansion & improvements PEAS	48.106	43.378
Expansion & improvements Buin Maipo sewage treatment plant (STP)	4.775	1.366.170
Expansion & improvements El Monte STP	599.374	149.346
Expansion & improvements Greater Santiago STP	3.217.119	2.588.625
Expansion & improvements Melipilla STP	2.432	18.774
Expansion & improvements Other Localities STP	6.151	22.028
Expansion & improvements Paine STP	14.526	31.704
Expansion & improvements Pomaire STP	4.321	17.180
Expansion & improvements Talagante STP	65.280	17.465
Farfana - Trebal Sewer	541.616	1.136.264
Clean Urban Mapocho sewer	14.956.641	35.828.425
Improvement & renewal equipment & installations	268.975	366.929
Total	19.729.315	41.586.287

Aguas Manquehue S.A.

Project	30-09-2010 ThCh\$	31-12-2009 ThCh\$
North Zone sewer	252.337	4.522.378
Improvement & renewal equipment & installations	5.141	20.417
Improvement STPs	24.835	1.103
Total	282.312	4.543.897



Gestión y Servicios S.A.

Project	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Biogas purification plant	31.003	111.439
Total	31.003	111.439

Essal S.A.

Project	30-09-2010 ThCh\$	31-12-2009 ThCh\$
Improvement disposal infrastructure	159.053	782.786
Improvement EDAR system	120.674	332.011
New treatment system projects	395.629	992.343
Renewal treatment & disposal equipment	46.128	884.882
Total	721.484	2.992.022

Environmental investments projected for 2010

Company	ThCh\$
Aguas Andinas S.A.	17.782.238
Aguas Manquehue S.A.	81.333
Essal S.A.	130.936
Total	17.994.507

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 2010.



Future commitments:

The estimated amounts for the year are:

Total ThCh\$ 17,994,507

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

Aguas Andinas S.A.

The board of the company, at its meeting held on October 26, 2010, agreed to distribute the sum of ThCh\$33,126,854 as an interim dividend, against the earnings for the year 2010.

The society's interim dividend No.51 therefore amounts to Ch\$5.4138 per share, payable from November 22, 2010.

On November 15, 2010, the Supreme Court rejected the annulment recourse presented by Aguas Andinas S.A. against the sentence ordering the company to pay a fine of 1,000 UTM for bad odors originating from the La Farfana sewage treatment plant. The fine, applied by Resolution SESMA No.5.180 of December 15, 2003, was paid prior to the start of this lawsuit.

Aguas Cordillera S.A.

The board of the company, at its meeting held on October 25, 2010, agreed to distribute the sum of ThCh\$7,150,304 as an interim dividend, against the earnings for the year 2010.

The company's interim dividend No.7 therefore amounts to Ch\$142,643.717 per share, payable from November 19, 2010.

Aguas Manquehue S.A.

In October 2010, a settlement was reached in the lawsuit between Aguas Manquehue S.A. and Comsa de Chile S.A. for non-compliance of the "North Sewer" project contract. The amount of the extra works was ThCh\$2,668,022.- and was paid in October this year.

Essal S.A.

As agreed by the company's ordinary shareholders meeting held on April 19, 2010, the board was authorized to determine the date of payment of an additional final dividend No.19. At its meeting held on October 29, 2010, the board agreed that the date of payment be November 19, 2010, and that the amount be Ch\$2.3847 per share.

By Resolution 641 of November 15, 2010, the SVS sanctioned Essal S.A. for not having reported the list of shareholders before January 5, 2010, with respect to December 2009, as established in SVS Circular 1481.

At the date of issue of these financial statements, the management of the Society is unaware of any other subsequent events that significantly affect the financial position and/or results of the Society and its subsidiaries as of September 30, 2010.