



CONSOLIDATED FINANCIAL STATEMENTS

Period Ended March 31, 2013

AGUAS ANDINAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

AGUAS ANDINAS S.A. AND SUBSIDIARIES

**Consolidated Statements of Financial Position
Consolidated Statements of
Comprehensive Results by Nature
Consolidated Statements of Direct Cash Flows
Statements of Changes in Equity
Notes to the Consolidated Financial Statements**

**Consolidated Statements of Financial Position
As of March 31, 2013 and December 31, 2012
(Thousands of Chilean pesos - ThCh\$)**

ASSETS	Note	31-03-2013 ThCh\$	31-12-2012 ThCh\$
CURRENT ASSETS			
Cash & cash equivalents	7	60.417.568	35.644.437
Other non-financial assets, current		1.269.747	1.768.870
Trade debtors & other accounts receivable, current	8	86.109.223	78.138.154
Accounts receivable from related entities, current	9	15.260	8.215
Inventories	10	4.190.937	4.383.030
Tax assets, current		1.460.542	1.340.037
Total current assets other than assets or groups of assets for disposal classified as held for sale or held to be distributed to the owners		153.463.277	121.282.743
TOTAL CURRENT ASSETS		153.463.277	121.282.743
NON-CURRENT ASSETS			
Other financial assets	8	7.388.813	7.367.236
Other non-financial assets		398.360	408.949
Collection rights	8	3.039.474	3.035.747
Intangible assets other than goodwill	11	225.245.093	225.272.517
Goodwill	12	36.233.012	36.233.012
Property, plant & equipment	13	1.149.918.402	1.152.300.877
Deferred tax assets	23	314.740	324.398
TOTAL NON-CURRENT ASSETS		1.422.537.894	1.424.942.736
TOTAL ASSETS		1.576.001.171	1.546.225.479

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

Consolidated Statements of Financial Position
As of March 31, 2013 and December 31, 2012
(Thousands of Chilean pesos - ThCh\$)

EQUITY & LIABILITIES	Note	31-03-2013 ThCh\$	31-12-2012 ThCh\$
CURRENT LIABILITIES			
Other financial liabilities	8	58.998.456	56.804.996
Trade creditors & other accounts payable	8	71.013.446	74.682.140
Accounts payable to related entities	9	21.579.767	27.662.460
Other provisions	15	1.186.039	1.331.679
Tax liabilities		2.063.243	1.422.685
Provisions for employee benefits	19	326.373	2.906.724
Other non-financial liabilities		2.044.145	1.941.637
Total current liabilities other than liabilities included in groups of liabilities for disposal classified as held for sale		157.211.469	166.752.321
TOTAL CURRENT LIABILITIES		157.211.469	166.752.321
NON-CURRENT LIABILITIES			
Other financial liabilities	8	637.441.567	637.349.551
Other provisions	15	1.095.736	1.094.239
Deferred tax liabilities	23	36.966.716	37.557.315
Other payable accounts	8	1.551.458	1.498.799
Provisions for employee benefits	19	9.050.873	8.677.001
Other non-financial liabilities		9.354.762	9.043.975
TOTAL NON-CURRENT LIABILITIES		695.461.112	695.220.880
TOTAL LIABILITIES		852.672.581	861.973.201
EQUITY			
Issued capital		155.567.354	155.567.354
Accumulated earnings		346.293.789	308.088.569
Accounting issues		164.064.038	164.064.038
Other equity participations		-5.965.550	-5.965.550
Equity attributable to owners of the controller		659.959.631	621.754.411
Non-controller participations	4	63.368.959	62.497.867
TOTAL EQUITY		723.328.590	684.252.278
TOTAL EQUITY & LIABILITIES		1.576.001.171	1.546.225.479

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

Consolidated Statements of Comprehensive Results by Nature
For the periods ended March 31, 2013 and 2012
(Thousands of Chilean pesos - ThCh\$)

STATEMENT OF RESULTS BY NATURE		31-03-2013	31-03-2012
Statement of Results		ThCh\$	ThCh\$
Revenues from ordinary activities	17	108.283.875	108.710.040
Raw materials & consumables used		-6.812.889	-7.897.863
Employee benefit expenses	19	-9.492.724	-9.101.183
Charges for depreciation & amortization	11-13	-15.987.669	-13.118.223
Other expenses, by nature	21	-21.624.512	-18.170.783
Other gains	5	558.244	305.493
Financial income	5	1.712.902	1.605.632
Financial costs	5	-7.245.846	-5.539.323
Exchange differences	20	9.761	3.493
Results of indexation adjustments		-875.993	-5.783.223
Earnings before taxes		48.525.149	51.014.060
Charge for income taxes	23	-9.448.837	-8.688.220
Earnings from continuing operations		39.076.312	42.325.840
Earnings		39.076.312	42.325.840
Earnings attributable to:			
Owners of the controller		38.205.220	41.788.948
Earnings attributable to non-controller participations	4	871.092	536.892
Earnings		39.076.312	42.325.840
Earnings per share			
Basic earnings per share from continuing operations		6,24	6,83
Basic earnings per share	24	6,24	6,83

STATEMENT OF COMPREHENSIVE RESULTS		31-03-2013	31-03-2012
		ThCh\$	ThCh\$
Earnings		39.076.312	42.325.840
Total comprehensive result		39.076.312	42.325.840
Comprehensive result attributable to:			
Owners of the controller		38.205.220	41.788.948
Non-controller participations	4	871.092	536.892
Total comprehensive result		39.076.312	42.325.840

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

Consolidated Statements of Direct Cash Flows
For the periods ended March 31, 2013 and 2012
(Thousands of Chilean pesos - ThCh\$)

STATEMENT OF CASH FLOWS, DIRECT	Note	31-03-2013 ThCh\$	31-03-2012 ThCh\$
Proceeds of sales of goods & services		128.526.788	125.394.215
Proceeds of royalties, quotas, commissions & other ordinary activities		0	29.553
Proceeds of insurance claims & annuities		265.109	46.812
Other proceeds from operating activities		659.820	532.893
Payments to suppliers of goods & services		-29.631.257	-29.671.976
Payments to & on behalf of employees		-12.778.884	-12.474.546
Payments of insurance premiums & other obligations		-1.560	-40.357
Other operating activity payments		-9.163.858	-11.838.137
Interest paid		-7.438.744	-3.685.818
Interest received		697.338	404.704
Income taxes refunded (paid)		-8.943.149	-8.999.280
Other cash inflows (outflows)		-408.438	-226.253
Net cash flow from operating activities		61.783.165	59.471.810
Proceeds of sales of property, plant & equipment		8.000	195.217
Purchases of property, plant & equipment		-32.148.059	-29.446.100
Purchases of intangible assets		-64.569	-5.000
Other cash inflows (outflows)		-383.158	-3.248.230
Net cash flow used in investment activities		-32.587.786	-32.504.113
Proceeds of long-term loans		76.490	39.938.922
Proceeds of short-term loans		0	2.814.985
Total loan proceeds		76.490	42.753.907
Loan repayments		-4.498.738	-17.891.681
Other cash inflows (outflows)		0	-249.989
Net cash flow used in financing activities		-4.422.248	24.612.237
Net increase in cash and cash equivalents before the effect of changes in the exchange rate		24.773.131	51.579.934
Effects of changes in exchange rates on cash and cash equivalents		0	0
Net increase in cash & cash equivalents		24.773.131	51.579.934
Cash & cash equivalents at start of the period		35.644.437	5.051.499
Cash & cash equivalents at end of the period	7	60.417.568	56.631.433

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

Statements of Changes in Equity
For the periods ended March 31, 2013 and 2012
(Thousands of Chilean pesos - ThCh\$)

Statement of changes in equity	Note	Issued capital	Accounting issues	Other participations in the equity	Accumulated earnings (losses)	Equity attributable to owners of the controller	Non-controller participations	Total equity
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Initial balance as of 01-01-2013		155.567.354	164.064.038	-5.965.555	308.088.569	621.754.411	62.497.867	684.252.278
Restated initial balance		155.567.354	164.064.038	-5.965.555	308.088.569	621.754.411	62.497.867	684.252.278
Comprehensive result								
Earnings					38.205.220	38.205.220	871.092	39.076.312
Total changes in equity		0	0	0	38.205.220	38.205.220	871.092	39.076.312
Closing balance as of 31-03-2013	3-4	155.567.354	164.064.038	-5.965.555	346.293.789	659.959.631	63.368.959	723.328.590

Statement of changes in equity	Note	Issued capital	Accounting issues	Other participations in the equity	Accumulated earnings (losses)	Equity attributable to owners of the controller	Non-controller participations	Total equity
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Initial balance as of 01-01-2012		155.567.354	164.064.038	-5.965.555	300.422.138	614.087.975	64.973.845	679.061.820
Restated initial balance		155.567.354	164.064.038	-5.965.555	300.422.138	614.087.975	64.973.845	679.061.820
Comprehensive result								
Earnings					41.788.948	41.788.948	536.892	42.325.840
Total changes in equity		0	0	0	41.788.948	41.788.948	536.892	42.325.840
Closing balance as of 31-03-2012		155.567.354	164.064.038	-5.965.555	342.211.086	655.876.923	65.510.737	721.387.660

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

CONSOLIDATED FINANCIAL STATEMENTS

AGUAS ANDINAS S.A.

Notes to Financial Statements



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1. GENERAL INFORMATION

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

Aguas Andinas S.A. was formed as 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.) and perform activities associated with water use and energy projects resulting from facilities and goods of sanitary companies (Aguas del Maipo).

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, which in turn is controlled by Suez Environment (France), this being controlled by GDF (France).



2. BASES OF PREPARATION AND ACCOUNTING POLICIES

2.1 Preparation

These consolidated financial statements relate to the statements of financial position as of March 31, 2013 and December 31, 2012, and the comprehensive results of its operations, changes in equity and cash flows for the periods ended March 31, 2013 and 2012, and have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board ("IASB") and represent the full, explicit and unreserved adoption of IFRS as established in Circular 1,924 of April 24, 2009, Circular 556 of December 3, 2009 and Circular 658 of February 2, 2011 of the SVS.

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. The Group companies operate normally in every area of their activities, projecting a profitable operation and able to access the financial system for financing their businesses which, in the management's opinion, determines its ability to continue as an ongoing company, as established by the accounting standards under which these consolidated 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 consolidated financial statements, the results and financial position of each Group company are shown in Chilean pesos (rounded to thousands of pesos), which is the functional currency and the presentational currency of the Society and its subsidiaries for the consolidated financial statements.

New accounting pronouncements

- a) The following IFRS improvements and modifications have been published in the period. These standards have not come into effect at the date of these financial statements and the Company has not applied them in advance:

IFRS amendments	Date of obligatory application
IFRS 9, Financial assets, classification and measurement	Annual periods starting or after January 1, 2015



b) The following new standards and interpretations have been issued but are not yet applicable:

New & amendments	Date of obligatory application
IFRS 7, Financial instruments: disclosures	Annual periods starting or after July 1, 2013
IFRS 10, Consolidated financial statements	Annual periods starting or after January 1, 2014
IFRS 12 Disclosures of participation in other entities	Annual periods starting or after January 1, 2014
IAS 27 Separate financial statements	Annual periods starting or after January 1, 2014
IAS 32, Financial instruments presentation	Annual periods starting or after January 1, 2014

The management of the Society and its subsidiaries are analyzing the eventual impact of the above-mentioned amendments and interpretations on the Group's consolidated financial statements.

Responsibility for the information in the financial statements and estimates made

The information contained in these consolidated financial statements is the responsibility of the board of the Society, which states that all the principles and criteria included in the International Financial Reporting Standards (IFRS) have been fully applied. The board, at April 23, 2013, approved these consolidated financial statements.

The consolidated financial statements of Aguas Andinas S.A. and subsidiaries as of year 2012 were approved by the board at its meetings held on March 26, 2013.

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

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

Although these estimates and judgments were made as a function of the best information available on the date of issue of these consolidated financial statements, it is possible that events may occur in the future that cause them to be amended (upward or downward) in the following periods, which would be booked prospectively as



soon as the variation is known, booking the effects of such changes in the corresponding future consolidated financial statements.

2.2 Accounting Policies

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

A. Consolidation

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

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

The Society and its subsidiaries follow the Group's policies uniformly.

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

Tax No.	Company	Direct %	Indirect %	Total 2013 %	Direct %	Indirect %	Total 2012 %
96.809.310-K	Aguas Cordillera S.A.	99,990300	0,000000	99,990300	99,990300	0,000000	99,990300
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
76.190.084-6	Aguas del Maipo S.A.	82,649996	17,350004	100,0000	82,649996	17,350004	100,0000

B. Operative segments

IFRS 8 sets the standards for reporting with respect to the operative segments and disclosures relating to products and services. Operative segments are defined as components of an entity for which separate financial information exists which is regularly reviewed by management for taking decisions on the assignment of resources to the subsidiaries and evaluating their 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 be shown that it is probable that future economic benefits attributed to it will flow to the entity and the cost can be correctly valued.

i. Intangible assets acquired separately

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

ii. Method of amortization of intangible assets:

Intangible assets with defined useful life.

The amortization method employed by the Company reflects the level to which future economic benefits of the asset flow to 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 assets with defined useful lives, the useful life for amortization relates to the periods defined in the contracts or rights originating them.

Intangible assets with indefinite useful lives.

Intangible assets with indefinite useful lives relate mainly to water rights and easements which were obtained on an indefinite basis, as established in the acquisition contracts and the rights obtained from the Waters Authority of the Ministry of Public Works. These assets are not amortized but a deterioration test is made annually 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 of present or potential competitors.
- Natural or climatic factors and technological changes that affect the capacity to generate profits.

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

D. Goodwill

Goodwill 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 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 made to IAS 27 "Consolidated and separate financial statements", any effect arising from a transaction with non-controller (minority) participations, not deriving from a change in control, are booked directly in equity attributed to the owners of the controller. During the period of three months ended March 31, 2013, there have been no transactions with non-controller 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 an estimate is made at the end of each accounting period as to whether any impairment has occurred that reduces the recoverable value to below the net booked cost, 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 the valuation of property, plant and equipment. Historic cost includes expenses directly attributable to the acquisition of the asset.

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

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 the asset are used during the period in which they generate economic benefits. 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 consideration that the useful life of some asset has been modified.

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

1. Nature of the materials contained in the equipment or buildings
2. Operating environment of the equipment
3. Intensity of use
4. Legal, regulatory or contractual limitations

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

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

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

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

Fixed asset sales policy

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

F. Impairment of tangible and intangible assets except goodwill

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

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

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

When it is estimated that the recoverable value of an asset (or cash-generating unit) is less than its book value, the book value of that asset (or cash-generating unit) is adjusted to its recoverable value, booking a loss for impairment in results immediately. When a loss for impairment is reversed, the book value of the asset (or cash-generating unit) is adjusted to the revised estimate of its recoverable value, provided the adjusted book value does not exceed the book value that would have been determined if no loss for impairment of the asset (or cash-generating unit) had been booked in previous periods.



G. Leases

i. Financial leases

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

Assets acquired under financial leases are booked initially as Group assets at the lower of fair value at the start of the lease and the present value of the minimum lease payments. The corresponding leasing obligation is included in the statement of position as a financial lease obligation.

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

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

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

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

ii. Operative leases

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

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

iii. Implicit leases

The Society and subsidiaries revise their contracts to check the possible existence of implicit leases, in accordance with CFRS 4.

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 very high protection against loss associated with credit risks/quotas with the lowest sensitivity to changes in economic conditions). Time deposits and repurchase agreements are instruments classified N-1 (instruments with the highest capacity for paying the principal and interest on the agreed terms and maturities).

The issuing institutions of these instruments are banks or their subsidiaries with an N-1 credit rating and their instruments have a rating of least AA (very high capacity for paying the principal and interest on the agreed terms and maturities, which would not be affected significantly by possible changes in the issuer, the industry to which it belongs or the economy).

i. Effective interest-rate method

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

ii. Financial assets at fair value with changes in results

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

A financial asset is classified as held for trading if:

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

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



- Such designation eliminates or significantly reduces some inconsistency in the valuation or the booking that would arise by using different criteria for valuing assets, or in booking their losses or gains on different bases; or
- It forms part of a group of financial assets which is managed and its return evaluated according to fair value criteria, in accordance with an investment and risk management strategy documented by the Company; or
- It is an implicit derivative that has to be separated from its original contract according to IAS 39.

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 March 31, 2013, the Society and subsidiary Aguas del Maipo S.A. has a shareholding in Sociedad Eléctrica Puntilla S.A. which has been valued at fair value on the acquisition date, as established in IAS 39, paragraph 43. Its later measurement will be at cost as there is no active market, as specified in paragraph 46 c) of that standard.

iii. Financial assets held to maturity

Financial assets held to maturity correspond to non-derivative financial assets with fixed or determinable payments and established maturity dates that the Group has the intention and capacity to hold until maturity. Financial assets held to maturity are booked at amortized cost using the effective interest-rate method less any impairment of value, and income is booked on the basis of effective return. The Society and its subsidiaries currently have no assets held to maturity.

iv. Loans and accounts receivable

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

Trade debtors and other accounts receivable.

Trade debtors relate to the billing of water consumption, sewage services, sewage treatment and other services, and to the accrued revenue from consumption between the date of the last meter reading (according to an established monthly routine) and the closing date of the financial statements. These are shown net of the estimate of bad accounts or of doubtful recovery.

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



Policy of impairment of financial assets

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

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

For Aguas Andinas S.A. and its subsidiaries Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., a 100% provision is made for customers with debts overdue more than 8 months.

For Aguas Andinas S.A. and its subsidiaries Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., a provision of 100% of the agreed balance is made for consumption debts transformed into payment agreements.

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

A 100% provision 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 or are specifically designated as available for sale. 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 date of these financial statements, the Group has no financial assets available for sale.

I. Inventories

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

J. Dividend policy

The 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 and provided the present level of capitalization is maintained and it is compatible with the investment policies.



The booking of the minimum dividend established in the Corporations Law will be shown at the end of each period if there were no interim dividend or if this were less than the 30% mentioned in that law.

K. Foreign currency transactions

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

Currency	31-03-2013 Ch\$	31-12-2012 Ch\$
US dollar	472,03	479,96
Euro	605,40	634,45

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.

Exchange differences are booked to results for 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 interest-rate and exchange risks on current 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 an equity reserve called "cash flow hedge", while the ineffective part is shown in results. The amount shown in equity is not passed to the results account until the results of the transactions hedged are shown there or until the 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.

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

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

The Group has no derivative financial instruments as of the close of these financial statements.

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 of which a fair estimate of the amount of the obligation can be made.

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

Contingent liabilities are all those possible obligations arising as a result of past events, whose future materialization and associated equity damage is estimated to be a low probability. In accordance with IFRS, the Group does not book any provision for these concepts, but they are detailed, if any, in Note 15 as required by the standard.



O. Employee benefits

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

Aguas Andinas S.A.

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

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

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

Essal S.A.

Indemnities to workers forming part of or are incorporated into the current collective agreement at the date of the financial statements are calculated at their actuarial value only in the case of retirement and death. In those cases there is a limit of six months for purposes of the payment. In other cases, the rules of the Labor Code apply, i.e. they have no right to an indemnity except for dismissal and with a limit of 11 months wages.

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 5.7% annually and with mortality rates obtained from the tables RV-2009 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 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 tax assets against tax liabilities and these are related to the same entity and tax authority.

Q. Ordinary revenue

Policy for accounting for ordinary revenue

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



Policy for accounting for ordinary revenue for sales of goods

Revenue from sales of goods is booked once the risk and benefits are transferred.

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 customer, and can be estimated reliably.

The services area of the sanitation companies is divided into billing groups which determine dates for meter readings and later billing. This process is developed based on a calendar month, which leads to the end of each month are unread consumption, and therefore, not billed. For the purposes of revenue accounting, the society makes an estimate of unbilled consumption.

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

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

Method for determining the state of termination of services

The provision of the sanitation services is confirmed through the metering of consumption, in accordance with corresponding legislation, while the non-sanitation subsidiaries do so once the services and/or respective reports are completed.

Revenue under agreements with property developers is booked as ordinary revenue provided it complies with the conditions of each contract that ensure that the related economic benefits will flow to the Society.

R. Earnings per share

Basic earnings per share is calculated as the earnings (loss) attributable to the holders of equity of the controller divided by the average weighted number of common shares in circulation during the period of three months ended March 31, 2013 and 2012.

During the periods 2013 and 2012, the Group has carried out no kind of operation with a potential diluting effect that supposes that diluted earnings per share are different to 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 to minimize adverse environmental impacts and ensure the protection and improvement of the environment, including the reduction or elimination of the future contamination of Aguas Andinas S.A. and subsidiaries's businesses.

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

T. Consolidated statement of cash flows

The cash flow statement gathers the cash movements during the period which include VAT, determined by the direct method under the following criteria:

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

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

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

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

U. Construction contracts

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

Contract costs are booked when incurred. When the result of a construction contract cannot be estimated reliably, and it is probable that the contract is going to be profitable, contract revenues are booked over the term of the contract. When it is probable that the contract costs are going to exceed the total revenues, the expected loss is booked immediately as an expense in the period. When the result of a construction contract cannot be estimated reliably enough, contract revenues are booked only to the extent of the contract costs incurred that will probably be recovered.



The Group shows as an asset the gross amount due by customers for the work of all the contracts in progress for which the costs incurred plus booked profits (less booked losses) exceed the partial invoicing. Partial invoicing still unpaid by customers and the withholdings are included in "trade debtors and other accounts receivable".

The Group shows as a liability the gross amount due to customers for the work of all contracts in progress for which the partial invoicing exceeds the costs incurred plus booked profits (less booked losses).

V. Capitalized financing costs

Interest-bearing loans policy:

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

Interest-cost capitalization policy:

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

3. EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER

The capital of the Company is divided into 6,118,965,160 nominative shares of no par value, totally subscribed and paid at March 31, 2013, corresponding 94,97% to series A and 5,03% to series B.

Series B shares has a veto o preference, contained in Article 5 of the Society's Statues, consisting of special quorum required for the extraordinary shareholders to decide about acts and contracts related to water use rights and sanitary concessions of Aguas Andinas.

The composition of each series is as follows:

	31-03-2013	31-12-2012
Serie A Shares	5.811.029.417	5.811.028.171
Serie B Shares	307.935.743	307.936.989
Total	6.118.965.160	6.118.965.160

The capital as of March, 31, 2013 and December 31, 2012 amounts to ThCh\$155,567,354.

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

In the period January-March 2013, have not been agreed dividend payments.

During year 2012, agreed and made dividend payments in Aguas Andinas S.A., as detailed below:

- The ordinary shareholders meeting held on April 17, 2012 agreed to distribute 100% of the earnings for 2011, after deducting the interim dividend paid in November 2011. Because of this, the dividend No. 54 of the Company amounted to ThCh\$ 77,222,260 equivalent to Ch\$ 12.62015 per share. This payment was required from May 23, 2012, having entitled to 6,118,965,160 shares.
- In board meeting held on October 23, 2012 agreed to distribute the sum of ThCh\$35,456,344, on account of earnings for 2012, as interim dividend. Because of this, the interim dividend No. 55 of the Company amounted to ThCh\$5.7945 per share. This payment was made on November 13, 2012, having entitled to 6,118,965,160 shares.

Provision of minimum dividend

In accordance to the established in the policy described note 2.2 letter J, at March, 31, 2013 and 201, the Society has not registered provision of minimum dividend.

Accumulated earnings

The amounts booked for revaluation of land and intangible assets and other adjustments of the first adoption of IFRS are included in accumulated earnings and are subject to restrictions on their distribution as they first have to be booked as realized, through the use or sale, as established in IAS 16 and Circular 456 of June 20, 2008 of the SVS. The balance as of March 31, 2013 and December 31, 2012 amounts to ThCh\$346,293,789 and ThCh\$308,088,569 respectively.

There were no accumulated results resulting from first-adoption adjustments booked as of January 1, 2008 during the 2013 and 2012 periods.

Accounting issues

The amount registered in accounting issues is the premium on the sale of shares produced in 1999 due to the capital increase. The balance as of March 31, 2013 and December 31, 2012 amounted to ThCh\$164,064,038 in each period.

Other participations in equity.

Other participations refer to the monetary correction of paid capital of the year 2008, the year of transition to IFRS, in accordance with SVS Circular 456, and the effects of combinations of businesses of societies under



common control merger of subsidiaries in 2007 and 2008. The balance as of March 31, 2013 and December 31, 2012 is ThCh\$-5,965,550 in each period.

4. NON-CONTROLLER PARTICIPATIONS

The detail by society of the effects caused by the participation of third parties in the equity and results as of March 31, 2013 and 2012 is as follows:

Company	% Participation		Non-controller participations			
	31-03-2013	31-03-2012	31-03-2013		31-03-2012	
	%	%	Equity ThCh\$	Result ThCh\$	Equity ThCh\$	Result ThCh\$
Aguas Cordillera S.A.	0,00997%	0,00997%	20.169	653	21.067	679
Essal S.A. (1)	46,49350%	46,49350%	63.348.790	870.439	65.489.670	536.213
Total			63.368.959	871.092	65.510.737	536.892

(1) Includes third party participations through the assignment to market value of the assets and liabilities arising from the purchase of Inversiones Iberaguas Ltda. and Essal S.A. at the time of the combination of businesses

5. OTHER REVENUE AND EXPENSES

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



Non-operating revenue & expenses	31-03-2013	31-03-2012
	ThCh\$	ThCh\$
Other earnings (losses)	558.244	305.493
Insurance claims	574.099	0
Gain on sale of non-current assets, not held for sale	-8.507	305.493
Other losses	-7.348	0
Financial costs	-7.245.846	-5.539.323
Bank loans	-1.530.265	-1.748.474
AFR interest expenses	-1.185.776	-773.565
Bond interest expense	-4.226.374	-2.660.595
Other interest costs	-77.622	-120.926
Amortization of loan agreement complementary costs	-225.809	-235.763
Financial income	1.712.902	1.605.632
Interest income	1.419.686	1.321.799
Gain on redemption & extinction of debt	293.216	283.833

6. CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

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



Statement of financial position of subsidiaries (summarized) as of March 31, 2013

31-03-2013	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Subsidiary	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Aguas Cordillera S.A.	22.940.778	234.733.382	27.656.630	27.720.024	202.297.506
Aguas Manquehue S.A.	3.152.301	57.423.527	2.042.361	12.855.972	45.677.495
Inversiones Iberaguas Ltda.	1.160.237	68.174.481	11.741	0	69.322.977
Empresa de Servicios Sanitarios de Los Lagos S.A.	19.430.107	128.475.266	11.872.914	54.742.719	81.289.740
Ecoriles S.A.	4.266.595	215.102	1.301.721	0	3.179.976
Gestión y Servicios S.A.	7.098.986	486.475	3.258.526	64.668	4.262.267
Análisis Ambientales S.A.	3.368.524	1.969.006	976.305	0	4.361.225
Aguas del Maipo S.A.	945.777	8.751.853	640.349	19.304	9.037.977

Statement of comprehensive results of subsidiaries (summarized) as of March 31, 2013

31-03-2013	Result for the period	Ordinary revenue	Operating expenses (-)	Other expenses (-) / revenue (+) net
Subsidiary	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Aguas Cordillera S.A.	6.549.346	13.210.999	-6.762.841	101.188
Aguas Manquehue S.A.	1.604.093	3.278.423	-1.246.644	-427.686
Inversiones Iberaguas Ltda.	1.491.011	0	-1.134	1.492.145
Empresa de Servicios Sanitarios de Los Lagos S.A.	2.925.786	10.259.031	-6.048.994	-1.284.251
Ecoriles S.A.	224.941	2.642.657	-2.379.628	-38.088
Gestión y Servicios S.A.	146.037	2.257.912	-2.021.805	-90.070
Análisis Ambientales S.A.	189.635	1.152.772	-938.236	-24.901
Aguas del Maipo S.A.	-28.890	157.309	-164.635	-21.564

Statement of financial position of subsidiaries (summarized) as of December 31, 2012

31-12-2012	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Subsidiary	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Aguas Cordillera S.A.	17.483.411	234.106.952	27.378.573	28.463.630	195.748.160
Aguas Manquehue S.A.	2.420.975	57.320.378	3.051.129	12.616.822	44.073.402
Inversiones Iberaguas Ltda.	1.162.650	66.682.330	13.014	0	67.831.966
Empresa de Servicios Sanitarios de Los Lagos S.A.	15.695.515	128.022.490	10.929.850	54.424.201	78.363.954
Ecoriles S.A.	4.043.103	216.291	1.304.359	0	2.955.035
Gestión y Servicios S.A.	7.527.597	329.548	3.676.247	64.668	4.116.230
Análisis Ambientales S.A.	3.245.982	1.900.236	974.628	0	4.171.590
Aguas del Maipo S.A.	753.481	8.766.378	436.044	16.949	9.066.866



Statement of comprehensive results of subsidiaries (summarized) as of March 31, 2012

31-03-2012	Result for the period	Ordinary revenue	Operating expenses (-)	Other expenses (-) / revenue (+) net
Subsidiary	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Aguas Cordillera S.A.	6.809.670	13.813.839	-7.003.780	-389
Aguas Manquehue S.A.	1.445.243	3.123.264	-1.251.859	-426.162
Inversiones Iberaguas Ltda.	1.144.463	0	-1.210	1.145.673
Empresa de Servicios Sanitarios de Los Lagos S.A.	2.246.432	9.916.908	-6.308.293	-1.362.183
Ecoriles S.A.	447.218	2.663.474	-2.146.395	-69.861
Gestión y Servicios S.A.	118.049	2.052.915	-1.904.250	-30.616
Análisis Ambientales S.A.	241.346	1.189.549	-890.141	-58.062

Detail of significant subsidiaries

The definition of significant subsidiaries is based on their percentage participation in the operating results, their participation in fixed assets and results for the period with respect to the consolidated financial statements. The following are considered to be significant subsidiaries:

Significant subsidiary	Aguas Cordillera S.A.	Aguas Manquehue S.A.	Essal S.A.
Tax No.	96.809.310-k	89.221.000-4	95.579.800-5
Functional currency	Chilean pesos	Chilean pesos	Chilean pesos
Percentage participation in significant subsidiary	99,99003%	100,00000%	53,50650%
Percentage voting power in significant subsidiary	99,99003%	100,00000%	53,50650%
Percentage of consolidated values			
Contribution margin	11,56%	3,64%	5,05%
Property, plant & equipment	7,46%	2,93%	17,03%
Result for the period	12,93%	4,20%	2,62%

7. CASH AND CASH EQUIVALENTS

The composition is as follows:

Cash & cash equivalents	31-03-2013	31-12-2012
	ThCh\$	ThCh\$
Banks	3.129.834	2.804.022
Time deposits (Note 8.6)	57.287.734	32.840.415
Total	60.417.568	35.644.437



Cash and cash equivalents relate to financial assets in 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 operating activity receipts:** Relate to services connected with the business, principally agreements signed with property developers.
- **Other operating activity payments:** Relate principally to the payment of value added tax (VAT).
- **Other investment activity outflows:** Relate mainly to interest associated with bond issues, which have been capitalized as a result of investments in property, plant and equipment.

8. FINANCIAL INSTRUMENTS

8.1 Capital risk management

The Group manages its capital to ensure that Group entities continue as ongoing businesses through the maximization of profitability for shareholders by the optimization of the debt and capital structure. The Group's general strategy has not changed since 2009. The group's capital structure comprises debt, which includes the loans disclosed in Note 8.4, the capital attributable to equity holders of the controller, which includes the capital, reserves and retained earnings which are shown in Note 3.

8.2 Significant accounting policies

The significant accounting policies and methods adopted, including 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 liabilities, are described in Notes 2H, 2L and 2M to these financial statements.



8.3 Classes of financial instruments

Classes of financial instruments	Currency	Note	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Trade debtors			89.148.697	81.173.901
Trade debtors & other accounts receivable, current			86.109.223	78.138.154
Trade debtors & other accounts receivable, current	CLP	8.5	85.926.718	78.133.751
Trade debtors & other accounts receivable, current	USD	8.5	35.082	882
Trade debtors & other accounts receivable, current	EUR	8.5	147.423	3.521
Trade debtors & other accounts receivable, non-current			3.039.474	3.035.747
Collection rights, non-current	CLP	8.5	3.039.474	3.035.747
Other financial liabilities, current			58.998.456	56.804.996
Bank loans	CLP	8.4	17.692.894	20.744.471
Bonds	CLP	8.4	26.383.600	21.727.323
Reimbursable financial contributions (AFR)	CLP	8.4	14.921.962	14.333.202
Other financial liabilities, non-current	CLP	8.4	637.441.567	637.349.551
Bank loans	CLP	8.4	73.560.038	76.631.832
Bonds	CLP	8.4	453.567.388	452.897.896
Reimbursable financial contributions (AFR)	CLP	8.4	110.314.141	107.819.823
Trade debtors			72.564.904	76.180.939
Trade creditors & other accounts payable, current			71.013.446	74.682.140
Trade creditors & other accounts payable, current	CLP	8.7	70.289.254	73.992.425
Trade creditors & other accounts payable, current	USD	8.7	348.363	531.414
Trade creditors & other accounts payable, current	EUR	8.7	375.829	158.301
Other accounts payable, non-current			1.551.458	1.498.799
Other accounts payable, non-current	CLP	8.7	1.551.458	1.498.799

8.4 Information on financial liabilities

Other financial liabilities

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

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



Reimbursable financial contributions (AFRs)

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 certain amounts of money or works that sanitation public utilities can require of those asking to be incorporated as customers or who request an expansion of service and which, according to current regulations, have defined forms and terms for their reimbursement.

The reimbursement of the amounts contributed by customers is made basically through the issue of endorsable promissory notes at 10 or 15 years and, in some minor cases, through reimbursement by the provision of sanitation services.

The detail of bank loans as of March 31, 2013 and December 31, 2012 is as follows:

Bank loan balances, current.

Debtor	Tax No. Debtor	Country of debtor	Bank or financial institution	Tax No. Creditor	Country of creditor	Residual 31-03-2013 ThCh\$	Total book value ThCh\$			Total nominal value ThCh\$		Nominal rate	Effective rate	Repayment
							31-03-2013		31-12-2012 ThCh\$	31-03-2013	31-12-2012			
							Up to 90 days	91 to 365 days						
Aguas Andinas S.A.	61.808.000-5	CL	Banco BBVA	97.032.000-8	CL	2.301.347	0	2.391.354	2.698.584	2.392.567	2.704.577	6,40%	6,41%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	Banco de Chile	97.004.000-5	CL	746.130	0	880.512	1.065.597	886.293	1.070.990	6,72%	6,76%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	Banco Corpbanca	97.023.000-9	CL	10.600.000	0	10.656.324	12.263.790	10.657.049	12.267.500	6,25%	6,48%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	Banco Santander	97.036.000-K	CL	0	0	49.148	213.287	52.559	217.232	6,40%	6,44%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	Banco de Chile	97.004.000-5	CL	3.150.000	0	3.715.556	4.503.213	3.741.738	4.521.487	6,72%	6,76%	Semi-annual
			Total			16.797.477	0	17.692.894	20.744.471	17.730.206	20.781.786			

Book value = principal +/- issue above/below – issue costs + accrued interest by effective interest method and paid capital

Nominal value = principal +/- accrued interest at issuance rate-payments of principal/interest

Bank loan balances, non-current.

Debtor	Tax No. Debtor	Country of debtor	Bank or financial institution	Tax No. Creditor	Country of creditor	Currency or indexation unit	Years to maturity				31-03-2013		31-12-2012		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.	61.808.000-5	CL	Banco BBVA	97.032.000-8	CL	CLP	4.867.332	9.380.676	0	28-08-2016	14.248.008	14.250.647	15.386.947	15.401.320	6,40%	6,41%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	Banco de Chile	97.004.000-5	CL	CLP	2.449.774	7.083.042	0	17-07-2017	9.532.816	9.539.805	9.904.646	9.912.870	6,72%	6,76%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	Banco Santander	97.036.000-K	CL	CLP	9.532.257	0	0	28-08-2015	9.532.257	9.537.000	9.529.981	9.537.000	6,40%	6,44%	Semi-annual
Aguas Andinas S.A.	61.808.000-5	CL	Banco de Chile	97.004.000-5	CL	CLP	10.342.793	29.904.164	0	17-07-2017	40.246.957	40.275.000	41.810.258	41.850.000	6,72%	6,76%	Semi-annual
							27.192.156	46.367.882	0		73.560.038	73.602.452	76.631.832	76.701.190			



Book value = principal +/- issue above/below – issue costs + accrued interest by effective interest method and paid capital

Nominal value = principal +/- accrued interest at issuance rate-payments of principal/interest

The detail of reimbursable financial contributions as of March 31, 2013 and December 31, 2012 is as follows:

Reimbursable financial contributions, current portion

Registration No. or Identification of the Instrument	Currency/indexation unit	Residual UF 31-03-2013	Book value		Contract real interest rate	Effective rate	Placement in Chile or abroad	Issuer	Issuer tax No.	Country	Repayment	Secured (Yes/No)
			31-03-2013 ThCh\$	31-12-2012 ThCh\$								
AFR	UF	85.248	1.949.575	1.825.642	2,74%	2,70%	Chile	Aguas Andinas S.A.	61.808.000-5	Chile	At maturity	No
AFR	UF	567.238	12.972.387	12.507.560	8,61%	8,29%	Chile	Aguas Cordillera S.A.	96.809.310-k	Chile	At maturity	No
Total		652.486	14.921.962	14.333.202								

Reimbursable financial contributions, non-current portion

Registration No. or Identification of the Instrument	Currency/indexation unit	Residual UF 31-03-2013	Book value		Maturity date	Contract real interest rate	Effective rate	Issuer	Issuer tax No.	Repayment	Secured (Yes/No)
			31-03-2013 ThCh\$	31-12-2012 ThCh\$							
AFR	UF	3.447.001	78.830.784	75.872.878	22-03-2028	3,79%	3,71%	Aguas Andinas S.A.	61.808.000-5	At maturity	No
AFR	UF	877.239	20.061.910	20.788.046	12-03-2028	4,31%	4,18%	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	294.684	6.739.235	6.630.461	18-02-2028	3,76%	3,68%	Aguas Manquehue S.A.	89.221.000-4	At maturity	No
AFR	UF	204.737	4.682.212	4.528.438	22-01-2028	3,78%	3,85%	Essal S.A.	96.579.800-5	At maturity	No
Total		4.823.661	110.314.141	107.819.823							

The detail of bonds outstanding as of March 31, 2013 and December 31, 2012 is as follows:

Bonds, current portion

Type of document	Amount outstanding UF	Book value ThCh\$			Final maturity	Nominal annual interest rate	Effective annual interest rate	Payments of		Issuer	Tax No. of issuer
		31-03-2013		31-12-2012 ThCh\$				Interest	Principal		
		Up to 90 days	91 to 365 days								
BAGUA-F	263.158	4.005.795	2.852.111	5.980.527	01-12-2026	4,15%	4,70%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-G	0	637.280	0	212.871	01-04-2014	3,00%	3,39%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-I	320.000	3.997.366	3.617.253	7.315.054	01-12-2015	3,70%	4,04%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-J	0	268.708	0	42.500	01-12-2018	4,00%	4,19%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-K	160.000	2.092.382	1.815.832	3.763.803	01-10-2016	2,90%	3,08%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-M	0	843.361	0	426.823	01-04-2031	4,20%	4,14%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-N	0	409.071	0	167.191	01-10-2016	3,17%	3,36%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-P	0	663.816	0	335.437	01-10-2033	3,86%	3,81%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-Q	0	509.200	0	135.291	01-06-2032	4,00%	3,94%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-R	0	319.009	0	115.303	01-04-2019	3,30%	3,63%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-S	0	1.009.062	0	500.563	01-04-2035	3,90%	3,93%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BESAL-B	115.789	2.019.338	1.324.016	2.731.960	01-06-2028	6,00%	6,63%	Semi-annual	Semi-annual	Essal S.A.	96.579.800-5
Totales	858.947	16.774.388	9.609.212	21.727.323							



Bonds, non-current portion

Type of document	Amount outstanding UF	Book value ThCh\$				Final maturity	Nominal annual interest rate	Effective annual interest rate	Payments of		Issuer	Tax No. of issuer
		31-03-2013			31-12-2012				Interest	Principal		
		13 months to 3 years	3 to 5 years	More than 5 years								
BAGUA-J	1.000.000	0	0	22.695.008	22.657.929	01-12-2018	4,00%	4,19%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-K	760.000	7.298.834	8.211.189	0	15.484.120	01-10-2016	2,90%	3,08%	Semi-annual	Semi-annual	Aguas Andinas S.A.	61.808.000-5
BAGUA-M	1.750.000	0	0	40.298.364	40.251.148	01-04-2031	4,20%	4,14%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-N	1.250.000	0	28.466.611	0	28.444.037	01-10-2016	3,17%	3,36%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-P	1.500.000	0	0	34.530.353	34.489.410	01-10-2033	3,86%	3,81%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-Q	1.650.000	0	0	38.030.000	37.985.428	01-06-2032	4,00%	3,94%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-R	1.000.000	5.035.162	10.070.324	7.552.743	22.630.622	01-04-2019	3,30%	3,63%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BAGUA-S	2.300.000	0	0	52.394.680	52.319.190	01-04-2035	3,90%	3,93%	Semi-annual	At maturity	Aguas Andinas S.A.	61.808.000-5
BESAL-B	1.736.842	5.163.410	5.163.410	31.713.343	42.040.174	01-06-2028	6,00%	6,63%	Semi-annual	Semi-annual	Essal S.A.	96.579.800-5
Total	20.199.473	110.073.487	63.614.792	279.879.109	452.897.896							

8.5 Risk management

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

This management is carried out through the identification of the risks, the determination of tolerance to each risk, the hedging of such financial risks and the control of hedge transactions. 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 the 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	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Gross exposure per balance sheet for risks of accounts receivable	120.962.072	112.197.434
Gross exposure per estimates of risks of accounts receivable	-31.813.375	-31.023.533
Net exposure, risk concentration	89.148.697	81.173.901

Movement of credit risk, accounts receivable	ThCh\$
Initial balance at 01-01-2013	31.023.533
Increase in existing provisions	1.242.810
Decreases	-452.968
Changes, total	789.842
Closing balance at 31-03-2013	31.813.375

The following shows the composition of the ageing of gross debt:

Ageing of debt	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Less than 3 months	82.535.423	75.832.558
3 to 6 months	3.390.606	2.176.991
6 to 8 months	1.077.998	906.418
More than 8 months	33.958.045	33.281.467
Total	120.962.072	112.197.434

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

Past-due debt	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Less than 3 months	10.702.231	9.588.420
3 to 6 months	1.655.144	1.090.508
6 to 8 months	661.735	1.056.237
More than 8 months	30.154.285	29.237.321
Total	43.173.395	40.972.486

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



ii. Liquidity risk

Liquidity risk is the possibility that adverse situations in the capital markets prevent the Group from having access to financing and from being able to finance its acquired commitments 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 preventive measures taken to manage the liquidity risk include the following:

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

Maturity structure (non-discounted flows)

Maturity structure	Up to 90 days		91 days to 1 year		13 months to 3 years		3 to 5 years		More than 5 years	
	ThCh\$	Contract interest rate	ThCh\$	Contract interest rate	ThCh\$	Contract interest rate	ThCh\$	Contract interest rate	ThCh\$	Contract interest rate
Bank loans	0	0,00%	22.305.521	6,38%	35.851.079	6,55%	50.062.142	6,66%	0	0,00%
Bonds	18.991.142	4,00%	18.796.779	4,00%	141.967.569	3,43%	89.420.447	3,57%	397.031.843	4,20%
AFR	4.323.681	7,76%	11.156.406	6,76%	5.835.390	2,95%	35.015.005	4,45%	105.886.727	3,72%
Total	23.314.823		52.258.706		183.654.038		174.497.594		502.918.570	

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

iii. Interest rate risk

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

Debt instruments	Rate	%
Bank loans	Variable	13,12%
Bonds	Fixed (UF)	68,88%
AFR	Fixed (UF)	18,00%
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	Amount due (principal) ThCh\$	Variable rate	Pts (+/-)	Impact on result ThCh\$ (+/-)
Aguas Andinas S.A.	90.399.928	TAB 180 days	59	532.066

For loans based on 180-day TAB, the positive or negative change in nominal TAB of 59 basis points, calculated annually, would have an impact on results of +/- ThCh\$532,066.

8.6 Cash equivalents.

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

Company	Instrument	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Aguas Andinas S.A.	Time deposit	30.765.000	15.534.711
Aguas Cordillera S.A.	Time deposit	14.040.000	8.925.063
Aguas Manquehue S.A.	Time deposit	345.000	0
Análisis Ambientales S.A.	Time deposit	2.020.000	1.684.220
Eco-Riles S.A.	Time deposit	1.570.000	1.133.107
Essal S.A.	Time deposit	8.547.734	5.563.314
Total		57.287.734	32.840.415

The Society and subsidiaries make investments with portfolio limits of a maximum of 40% of the total per issuing institution, and limits for types of instruments, e.g. mutual funds – 10% of the fund's assets, and time deposits – 10% of the bank's equity.



8.7 Trade creditors and other accounts payable, current and non-current

The principal concepts are the following:

Trade creditors & other accounts payable, current	Currency or indexation unit	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Dividends	CLP	1.570.359	1.567.984
Taxes (VAT, prepayments, sole tax, others)	CLP	13.199.593	11.551.548
Suppliers for investments in progress	CLP	16.165.522	24.854.971
Personnel	CLP	1.807.154	2.149.166
Suppliers	CLP	19.763.018	16.740.975
Suppliers	USD	348.363	422.591
Suppliers	EUR	375.829	158.301
Accrued services	CLP	17.028.848	16.417.188
Accrued services	USD	0	91.243
Others	CLP	754.760	710.593
Others	USD	0	17.580
Sub-total current		71.013.446	74.682.140
Afr water	CLP	501.755	467.433
Suppliers for investments in progress	CLP	971.088	961.402
Sundry creditors	CLP	78.615	69.964
Sub total non-current		1.551.458	1.498.799
Total current & non-current		72.564.904	76.180.939

8.8 Fair value of financial instruments

Fair value of financial instruments booked at amortized cost.

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



	31-03-2013	
	Amortized cost ThCh\$	Fair value ThCh\$
Cash & cash equivalents		
Investments held at fair value	57.287.734	57.287.734
Time deposits	696.440.023	707.942.906
Other financial liabilities		
Financial liabilities held at amortized cost	696.440.023	707.942.906
Bank debt	91.252.932	94.244.740
Bonds	479.950.988	488.462.063
AFR	125.236.103	125.236.103

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) The fair value of bonds was determined based on market price references as these instruments are traded on the market under normal conditions and with a high level of liquidity.
- d) The fair value of bank debt was determined through the updating of the cash flows of each loan (principal and interest disbursements), applying the discount curves corresponding to the remaining term. This term corresponds to the number of days between the closing date of the financial statements and the date of the disbursement of cash.

Booking of fair value measurements in the financial information statements

- Level 1 relates to fair-value measurement methodologies by market quotes (without adjustments) in active markets and considering the same assets and liabilities valued.
- Level 2 relates to fair-value measurement methodologies 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.



8.9 Other financial assets, non-current

These mainly relate to the acquisition of shares in Sociedad Eléctrica Puntilla S.A. (EPSA) for a total amount of ThCh\$7,371,296 and ThCh\$7,349,719, as of March 31, 2013 and December 31, 2012 respectively (see Note 2.2, h, ii), over which the Company has no control or significant influence. The balance of ThCh\$17,517, relates to other financial investments in both periods.

9. INFORMATION ON RELATED ENTITIES

Balances and transactions with related entities

Transactions between the Society and its subsidiaries meet 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	Name of related party	Relationship	Country of origin	Transaction with related party	Currency	Term	Security	31-03-2013 ThCh\$	31-12-2012 ThCh\$
96.713.610-7	Agbar Chile S.A.	Related to the controller	CL	Development & implementation geographic information system	CLP	30 days	Unsecured	43	2.379
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the controller	CL	Reimbursement of expenses	CLP	30 days	Unsecured	241	75
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	CL	Sale of inputs & laboratory services	CLP	30 days	Unsecured	14.470	5.249
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Reimbursement of expenses	CLP	30 days	Unsecured	60	60
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to the controller	CL	Chemical & bacteriological analysis services	CLP	30 days	Unsecured	446	452
Total accounts receivable								15.260	8.215



Accounts payable to related entities

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction with related party	Currency	Term	Security	31-03-2013 ThCh\$	31-12-2012 ThCh\$
96.713.610-7	Agbar Chile S.A.	Related to controller	CL	Development & implementation geographic information system	CLP	30 days	Unsecured	0	46.047
None	Aqualogy Aqua Ambiente Servicios Integrales S.A.	Related to controller	CL	Updating & preparation of operating & safety regulations La Dehesa dam	CLP	30 days	Unsecured	46.251	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to controller	CL	Ice-Piggins service contract	CLP	30 days	Unsecured	0	207.258
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to controller	CL	Purchase of materials	CLP	30 days	Performance bond. Amount ThCh\$279,298	358.906	746.659
76.046.628-K	Asterión S.A.	Related to controller	CL	Process re-engineering service contract & implementation of new customer service information systems	CLP	30 days	Performance bond for ThCh\$845,149	2.359.390	2.296.412
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to controller	CL	La Farfana sewage treatment plant operation & maintenance services	CLP	30 days	Performance bond for UF194,249.62	2.756.159	2.747.486
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to controller	CL	Biogas plant operation services	CLP	30 days	Unsecured	46.645	0
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to controller	CL	Operation & maintenance services El Trebal sewage treatment plant, construction, operation & maintenance Mapocho sewage treatment plant	CLP	90 days	Performance bond for UF357,863	15.549.208	21.131.244
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to controller	CL	Purchase of materials	CLP	30 days	Unsecured	0	24.146
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	CL	Dividends payable	CLP		Unsecured	463.208	463.208
Total accounts payable								21.579.767	27.662.460

Transactions

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction	Currency	31-03-2013 ThCh\$		31-03-2012 ThCh\$	
						Amount	Effect on results (Charge)/	Amount	Effect on results (Charge)/
79.046.628-K	Asterión S.A.	Related to the controller	CL	Process re-engineering service contract & implementation of new information systems for customer service	CLP	162.656	-88.053	432.995	-86.673
76.080.553-K	Agbar Solutions Chile Ltda.	Related to the controller	CL	Purchase of materials	CLP	309.639	0	714.802	-487.369
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	CL	Operation & maintenance services El Trebal sewage treatment plant, construction, operation & maintenance Mapocho sewage treatment plant	CLP	1.911.515	-1.714.335	28.075.953	-1.555.443
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to the controller	CL	Operation & maintenance services La Farfana sewage treatment plant	CLP	3.825.895	-2.991.315	3.194.336	-2.804.632
76.938.110-4	Empresa Depuradora de Aguas Servidas Ltda.	Related to the controller	CL	Operation & maintenance services biogas purification plant	CLP	20.438	-20.438	43.989	-43.989

The criterion of materiality for reporting transactions with related entities is accumulated amounts of over ThCh\$ 25,000.



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

	31-03-2013	31-03-2012
	ThCh\$	ThCh\$
Directors	92.605	101.159
Directors' committee	6.166	6.963
Total	98.772	108.122

These correspond to fees related to their functions as members of the board and directors' committee as agreed by the ordinary shareholders meetings of the Company and its 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, other than their fees and remuneration.

10. INVENTORIES

Class of inventories	31-03-2013	31-12-2012
	ThCh\$	ThCh\$
Spares & meters	3.492.355	3.778.480
Supplies for production	552.395	586.283
Others	146.187	18.267
Total inventories	4.190.937	4.383.030

The cost of the inventories shown as an expense in the statement of results of period 2013 and 2012 amounts to ThCh\$2,761,107 and ThCh\$2,099,884 respectively.

11. INTANGIBLE ASSETS OTHER THAN GOODWILL

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



	31-03-2013	31-12-2012
	ThCh\$	ThCh\$
Intangible assets, net	225.245.093	225.272.517
Intangible assets with finite life, net	14.823.193	15.010.122
Intangible assets with undefined life, net	210.421.900	210.262.395
Intangible assets, net	225.245.093	225.272.517
Patents, registered trademarks & other rights, net	5.658.983	5.705.135
Computer programs, net	9.164.210	9.304.987
Other intangible assets, net	210.421.900	210.262.395
Intangible assets, gross	253.932.307	253.011.694
Intangible assets, gross	253.932.307	253.011.694
Other intangible assets, gross	253.932.307	253.011.694
Identifiable intangible assets, gross	220.084.471	219.924.966
Patents, registered trademarks & other rights, gross	7.654.496	7.653.843
Computer programs, gross	26.193.340	25.432.885

Classes of accumulated amortization & impairment of value, intangible assets	31-03-2013	31-12-2012
	ThCh\$	ThCh\$
Accumulated amortization & impairment, intangible assets, total	28.687.214	27.739.177
Accumulated amortization & impairment, patents, registered trademarks & other rights	1.995.513	1.948.708
Accumulated amortization & impairment, computer programs	17.029.130	16.127.898
Accumulated amortization & impairment, other intangible assets	9.662.571	9.662.571

Movement of intangible assets

Current period 31-03-2013

Concept	Patents, registered trademarks & other rights, net	Computer programs, net	Other intangible assets, net
	ThCh\$	ThCh\$	ThCh\$
Initial balance at 01-01-2013	5.705.135	9.304.987	210.262.395
Additions	652	760.457	159.505
Amortization	-46.804	-901.234	0
Changes, total	-46.152	-140.777	159.505
Closing balance at 31-03-2013	5.658.983	9.164.210	210.421.900



Previous period 31-12-2012

Concept	Patents, registered trademarks & other rights, net	Computer programs, net	Other intangible assets, net
	ThCh\$	ThCh\$	ThCh\$
Initial balance at 01-01-2012	5.892.614	7.313.066	209.900.577
Additions	1.589	4.999.336	367.767
Disposals	-1.853	0	-5.949
Amortization	-187.215	-3.007.415	0
Changes, total	-187.479	1.991.921	361.818
Closing balance at 31-12-2012	5.705.135	9.304.987	210.262.395

Detail of significant individual identifiable intangible assets:

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

Company	31-03-2013		31-12-2012	
	Water rights	Easements	Water rights	Easements
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Aguas Andinas S.A.	74.249.357	7.458.505	74.099.786	7.489.600
Aguas Cordillera S.A.	92.506.524	7.865.849	92.506.464	7.865.577
Aguas Manquehue S.A.	21.207.395	900.294	21.207.395	900.294
Essal S.A.	5.200.221	1.033.755	5.159.524	1.033.755
Total	193.163.497	17.258.403	192.973.169	17.289.226

Intangible assets with indefinite useful lives:

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

Commitments for acquiring intangible assets:

Commitments for acquisitions of intangible assets for period April-December 2013 relate to water rights, easements and computer programs 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	ThCh\$
Aguas Andinas S.A.	4.887.912
Aguas Cordillera S.A.	212.674
Aguas Manquehue S.A.	199.453
Essal S.A.	380.745
Análisis Ambientales S.A.	33.300
Total	5.714.084

12. GOODWILL

The following is a detail of goodwill for the different cash-generating units or groups of them to which this is assigned and its movement in the period 2013 and year 2012.

Tax No.	Company	31-03-2013 ThCh\$	31-12-2012 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.	343.332	343.332
96.897.320-7	Inversiones Iberaguas Ltda.	2.066.631	2.066.631
Total		36.233.012	36.233.012



13. PROPERTY, PLANT AND EQUIPMENT

	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Property, plant & equipment, net	1.149.918.402	1.152.300.877
Construction in progress	90.698.789	90.147.941
Land	152.067.413	151.936.301
Buildings	72.862.495	73.255.245
Plant & equipment	266.021.490	269.308.541
Computer equipment	2.220.665	2.012.780
Fixed installations & accessories	562.159.130	562.408.958
Motor vehicles	1.583.300	1.014.335
Improvements to leased assets	33.977	31.478
Other property, plant & equipment	2.271.143	2.185.298
Property, plant & equipment, gross	2.095.128.457	2.083.643.414
Construction in progress	90.698.789	90.147.941
Land	152.067.413	151.936.301
Buildings	94.825.365	94.884.369
Plant & equipment	456.144.780	453.700.638
Computer equipment	10.980.155	10.518.469
Fixed installations & accessories	1.280.193.659	1.272.959.964
Motor vehicles	5.433.891	4.768.271
Improvements to leased assets	469.100	463.266
Other property, plant & equipment	4.315.305	4.264.195
Accumulated depreciation	945.210.055	931.342.537
Buildings	21.962.870	21.629.124
Plant & equipment	190.123.290	184.392.097
Computer equipment	8.759.490	8.505.689
Fixed installations & accessories	718.034.529	710.551.006
Motor vehicles	3.850.591	3.753.936
Improvements to leased assets	435.123	431.788
Other property, plant & equipment	2.044.162	2.078.897



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

In accordance to IAS 16 paragraph 73, the following is information on each of the Company's classes of property, plant and equipment.



Current period 31-03-2013

Concept	Initial balance	Additions	Disposals	Depreciation	Total changes	Final balance
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Construction in progress, net	90.147.941	562.540	-11.692	0	550.848	90.698.789
Land	151.936.301	131.112	0	0	131.112	152.067.413
Buildings, net	73.255.245	69.009	0	-461.759	-392.750	72.862.495
Plant & equipment, net	269.308.541	2.930.562	0	-6.217.613	-3.287.051	266.021.490
Computer equipment, net	2.012.780	461.687	0	-253.802	207.885	2.220.665
Fixed installations & accessories, net	562.408.958	7.734.094	0	-7.983.922	-249.828	562.159.130
Motor vehicles, net	1.014.335	702.790	-17.248	-116.577	568.965	1.583.300
Improvements to leased assets, net	31.478	5.833	0	-3.334	2.499	33.977
Other property, plant & equipment, net	2.185.298	88.469	0	-2.624	85.845	2.271.143
Classes of property, plant & equipment, net	1.152.300.877	12.686.096	-28.940	-15.039.631	-2.382.475	1.149.918.402

Previous period 31-12-2012

Concept	Initial balance	Additions	Disposals	Depreciation	Total changes	Final balance
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Construction in progress, net *	169.583.994	-79.156.928	-279.125	0	-79.436.053	90.147.941
Land	151.262.638	688.257	-14.594	0	673.663	151.936.301
Buildings, net	69.943.651	5.146.218	-49.985	-1.784.639	3.311.594	73.255.245
Plant & equipment, net	193.175.614	94.840.613	-197.639	-18.510.047	76.132.927	269.308.541
Computer equipment, net	1.966.760	1.001.157	0	-955.137	46.020	2.012.780
Fixed installations & accessories, net	528.763.450	65.301.104	-1.337.829	-30.317.767	33.645.508	562.408.958
Motor vehicles, net	1.234.200	313.295	-122.759	-410.401	-219.865	1.014.335
Improvements to leased assets, net	36.951	20.999	0	-26.472	-5.473	31.478
Other property, plant & equipment, net	1.718.905	477.070	-179	-10.498	466.393	2.185.298
Classes of property, plant & equipment, net	1.117.686.163	88.631.785	-2.002.110	-52.014.961	34.614.714	1.152.300.877

*The negative additions relate to transfers from works under construction to definitive assets.

The detail of each consolidated Group society of amounts of future commitments for acquisitions of property, plant and equipment to period April-December 2013, is as follows:

Company	ThCh\$
Aguas Andinas S.A.	40.238.909
Aguas Cordillera S.A.	3.135.423
Aguas Manquehue S.A.	4.491.392
Essal S.A.	4.977.143
Ecoriles S.A.	46.125
Gestión y Servicios S.A.	25.117
Análisis Ambientales S.A.	804.420
Total	53.718.529



Elements of property, plant and equipment temporarily out of service, which it is believed might be re-used in the future:

Company	31-03-2013 ThCh\$
Aguas Andinas S.A.	103.482
Aguas Cordillera S.A.	165.687
Total	269.169

14. IMPAIRMENT OF VALUE OF ASSETS

Asset impairment by 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 and represents the smallest group of assets that generate independent cash flows. According to the accounting standards, the Society evaluates 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 and goodwill, the impairment test will be made at least at the close of the period or when there are signs.

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

The respective tests for impairment were made at the end of the period 2012 based on the Group's estimates and projections. These estimates indicated that the benefits attributable to the participations with lower associated values exceed individually their consolidated book values in all cases.

No impairment of assets has been booked as of March 31, 2013 and December 31, 2012.

15. PROVISIONS AND CONTINGENT LIABILITIES

A. Provisions

The detail of these as of March 2013 and December 2012 is as follows:



Classes of provisions	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Provision for legal claims	1.186.039	1.331.679
Other provisions, current	1.186.039	1.331.679
Other provisions, non-current	1.095.736	1.094.239
Provisions, non-current	1.095.736	1.094.239

The movement in current provisions in the periods was:

Legal claims	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Initial balance provisions	1.331.679	1.482.989
Changes in provisions		
Increase in existing provisions	59.801	120.253
Provision used	-109.926	-186.128
Other decreases	-95.515	-85.435
Changes in provisions, total	-145.640	-151.310
Closing balance	1.186.039	1.331.679

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 will 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 2013.

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, the company has been sued both directly and under the sub-contracting legislation, i.e. severally or alternatively of the principal defendant.

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\$ 420,319.

Principal assumptions regarding future events relating to the class of provision: Sentences in first instances given and appealed against to the Appeals Court. There are also lawsuits pending before the Santiago labor and social-security courts.

- d) **Nature of class of provision:** The SISS began proceedings to sanction Aguas Andinas S.A. with respect to overflows of waste waters due to an obstruction of the trunk sewer in the districts of El Bosque and San Bernardo. Currently in the discussion stage.



Timetable foreseen for release of class of provision: Undetermined.

Uncertainties about the timing and amount of a class of provision: Aguas Andinas S.A. was fined the sum of 301 UTA. An appeal has been made which has not yet been resolved.

- e) **Nature of class of provision:** The SISS brought two sanction proceedings against Aguas Andinas S.A. concerning alleged breaches of Law 18.902, article 11, a) b) & c), as a result of water cuts occurring on January 21 and 22 and February 9 and 10, 2013, following alluvions in the Cajón del Maipo which affected the cloudiness of the river water, the company's main supply source for production drinking water.

Timetable foreseen for release of class of provision: Undetermined.

Uncertainties about the timing and amount of a class of provision: The fine demanded from Aguas Andinas S.A. is from 1 to 1,150 UTA for each sanction proceeding. Responses have been made to the demand but it is not possible to estimate the result.

- f) **Nature of class of provision:** The SISS, by Resolutions 825/13 and 826/13, brought two sanction proceedings against the subsidiaries Aguas Cordillera S.A. and Aguas Manquehue S.A. respectively relating an alleged breach of compliance of orders and instructions by the companies concerning water cuts on February 11, 2013.

Timetable foreseen for release of class of provision: Undetermined.

Uncertainties about the timing and amount of a class of provision: The fine demanded from each subsidiary is from 1 to 100 UTA for each sanction proceeding. In response of the state of this case, it is not possible to estimate the result.

- g) **Nature of class of provision:** The SISS brought two sanction proceedings against Aguas Andinas S.A. concerning alleged breaches of Law 18.902, article 11, a) b) & c), as a result of water cuts following a burst main in the districts of Puente Alto and Macul.

Timetable foreseen for release of class of provision: Undetermined.

Uncertainties about the timing and amount of a class of provision: The fine demanded from Aguas Andinas is from 1 to 1,150 UTA for each sanction proceeding. Responses have been made to the demand but it is not possible to estimate the result.



- h) Nature of class of provision:** The Metropolitan COREMA (regional environmental authority) applied a fine of 500 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: 10% of the fine was paid into court to start the claim. The parties are called to hear sentence. There are moderate probabilities that the demand will be accepted. Currently pending resolution of a request for abandonment of proceedings presented by the COREMA.

- i) Nature of class of provision:** CONAMA (the national environmental authority) applied a fine of 300 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. Pending notification of the sentence in the first instance rejecting the appeal made by the company.

- j) Nature of class of provision:** CONAMA applied a fine of 500 UTM for non-compliance with RCA 458/01.

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

Uncertainties about the timing and amount of a class of provision: 10% of the fine has been paid in order to bring an appeal to the courts. Final sentence given rejecting the appeal; when this is notified, an appeal has been made by Aguas Andinas to the Santiago courts of appeal which is pending resolution.

- k) Nature of class of provision:** The CEA (the environmental evaluation commission) applied a fine of 500 UTM, for non-compliance with RCA 458/01.

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

Uncertainties about the timing and amount of a class of provision: The claim brought before the courts; pending term to present releases.

- I) **Nature of class of provision:** An individual made demand against Aguas Andinas for payment of an indemnity for devaluation of land as the result of a previous judgment which ordered Aguas Andinas S.A to indemnify the deterioration in value.

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

Uncertainties about the timing and amount of a class of provision: Sentence given accepting the demand and ordering Aguas Andinas to pay the sum of ThCh\$296.866.- plus costs. An appeal has been made.

2.- Other provisions, non-current

These relate basically to a transaction on July 10, 2007, signed before the notary María Gloria Acharan Toledo, between Aguas Cordillera S.A. and property developers by which should Aguas Cordillera S.A. in the future abandon and sell the land transferred to it, it would pay at least U.F.52,273.29. This amount will be set off against the debt receivable from the developers.

B.- Contingent liabilities

- 1.- Aguas Andinas S.A. was sued for damages and extra-contractual liability due to bad odors coming from the Western Santiago and later La Farfana sewage treatment plants, affecting the physical and mental health of the residents. The demands amount to a total of UF 1,153,222 which includes different cases accumulated in the 5th Civil Court of Santiago. The Society has presented several defenses against the civil demands for damages, expecting to obtain positive results in all cases.
- 2.- There is a suit for damages against Aguas Andinas S.A. with respect to bad odors from the El Trebal sewage treatment plant. The lawyer Bertolone, representing 314 residents of the district of El Trebal, adjoining the sewage plant of that name, alleges moral damages produced by odors coming from the plant, plus other environmental damage. The demands amount to a total of ThCh\$10,990,000, plus interest, indexation and costs. The discussion stage has now expired and a resolution adopted to receive evidence, but this has not been notified to date.
- 3.- There is a lawsuit against Aguas Andinas S.A. demanding the withdrawal of sewage drains crossing the plaintiff's property without easement, expropriation or other right in favor of the company.



Aguas Andinas is required to sign an easement with payment of damages valued at UF 157.193 plus interest and costs. The demand was answered by Aguas Andinas S.A., requesting its complete rejection and costs.

- 4.- The Treasury has made demand on Aguas Andinas S.A. and Aguas Cordillera S.A., seeking the return of sums paid during 2004 with respect to the transfer of sanitation infrastructure in the Costanera Norte section. This demand amounts to ThCh\$ 2,745,994 plus indexation, interest and costs. The management believes that this will have no adverse effect on the financial statements.
- 5.- Demand for damages brought against Aguas Cordillera S.A. by 79 residents of Lo Barnechea district due to supply problems in October and November 1996. The amount demanded is ThCh\$ 728,626. Sentence was given in the first instance rejecting the demand in all its parts. It is too early to estimate the result of the case.
- 6.- In 2009 Condominio Polo Manquehue sued Aguas Manquehue S.A. for damages caused to its property due to works carried out. Amount ThCh\$150,000 plus interest, indexation and costs. Currently in the discussion stage, so it is premature to estimate the result.
- 7.- In 2007 the estate of Leon Woppke demanded the Chilean Treasury (Aguas Manquehue S.A.) for determination of the amount of expropriation of a land. The plaintiff claimed the amount of provisional compensation. The amount consigned in the court was ThCh\$173,408 and the amount claimed by the plaintiff is ThCh\$910,392 plus interest, indexation and costs. Sentence was given partially accepting the claim and requiring the Company to pay UF 1.5 UF per square meter expropriated. Agreement has been reached with the claimant which has accepted a final settlement of ThCh\$ 173,408.-

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.

16. Guarantees and restrictions

a) Direct guarantees

Guarantee policies and performance bonds have been granted in favor of various institutions, the principal ones being the SISS, to guarantee the conditions for the provision of services and development programs in the Company's concession areas, SERVIU Metropolitano to guarantee the replacement of paving, and other institutions, for ThCh\$30,811,948 and ThCh\$31,283,530 as of March 31, 2013 and December 31, 2012 respectively.

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



Creditor	Debtor	Type of guarantee	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Asociación Canal Sociedad Maipo	Aguas Andinas S.A.	Performance bond	6.369.863	6.361.888
Chilectra S.A.	Aguas Andinas S.A.	Performance bond	20.545	31.965
Constructora San Francisco	Aguas Andinas S.A.	Performance bond	100.397	124.254
Constructora Santa Rosa	Aguas Andinas S.A.	Performance bond	23.235	23.206
Dirección Regional de Vialidad	Aguas Andinas S.A.	Performance bond	4.345	13.133
Dirección de Obras Hidráulica	Aguas Andinas S.A.	Performance bond	226.194	248.879
Director de Vialidad	Aguas Andinas S.A.	Performance bond	331.606	331.191
Gobierno Regional Metropolitano	Aguas Andinas S.A.	Performance bond	95.118	125.438
Ministerio de Obras Públicas	Aguas Andinas S.A.	Performance bond	807.038	806.027
Municipalidad de Lo Barnechea	Aguas Andinas S.A.	Performance bond	0	11.420
Municipalidad de Peñalolén	Aguas Andinas S.A.	Performance bond	37.136	37.089
Municipalidad de Providencia	Aguas Andinas S.A.	Performance bond	47.065	0
Municipalidad de Santiago	Aguas Andinas S.A.	Performance bond	21.269	21.472
Municipalidad de la Cisterna	Aguas Andinas S.A.	Performance bond	14.981	4.994
Municipalidad de La Pintana	Aguas Andinas S.A.	Performance bond	102.881	51.440
S.I.S.S.	Aguas Andinas S.A.	Performance bond	8.362.509	8.229.248
Secretaría Ministerial de Obra	Aguas Andinas S.A.	Performance bond	4.599	4.599
Secretaría Regional Ministerial	Aguas Andinas S.A.	Performance bond	3.503	34.098
Serviu Metropolitano	Aguas Andinas S.A.	Performance bond	3.699.315	4.255.744
S.I.S.S.	Aguas Cordillera S.A.	Performance bond	496.243	495.621
Ministerio de Obras Públicas	Aguas Cordillera S.A.	Performance bond	340.342	339.916
Serviu Metropolitano	Aguas Cordillera S.A.	Performance bond	102.912	215.322
Municipalidad de Las Condes	Aguas Cordillera S.A.	Performance bond	19.000	17.000
Municipalidad Lo Barnechea	Aguas Cordillera S.A.	Performance bond	11.435	0
Municipalidad de Vitacura	Aguas Cordillera S.A.	Performance bond	45.739	45.682
Asociación Canal de Maipo	Aguas Cordillera S.A.	Performance bond	789.669	788.681
S.I.S.S.	Aguas Manquehue S.A.	Performance bond	972.680	971.463
Asociación Canal de Maipo	Aguas Manquehue S.A.	Performance bond	888.313	887.201
Municipalidad de Las Condes	Gestión y Servicios S.A.	Performance bond	17.152	17.131
Serviu	Gestión y Servicios S.A.	Performance bond	2.789.882	2.997.341
Essbio S.A.	Anam S.A.	Performance bond	13.722	13.704
Siderúrgica Huachipato	Anam S.A.	Performance bond	45.739	45.682
Director de Obras Hidráulicas	Essal S.A.	Performance bond	596.608	586.391
Serviu	Essal S.A.	Performance bond	350.171	350.035
Director General del Territorio Marítimo y de Marina Mercante	Essal S.A.	Performance bond	10.551	8.144
Municipalidad de Futaleufú	Essal S.A.	Performance bond	24.176	24.176
Gobierno Regional de la Región de Los Ríos	Essal S.A.	Performance bond	86.145	59.231
Director de Vialidad	Essal S.A.	Performance bond	49.546	49.545
E.F.E.	Essal S.A.	Performance bond	52.634	68.563
S.I.S.S.	Essal S.A.	Insurance policy	2.391.085	2.042.428
Cooperativa Agrícola y Lechera de la Unión Ltda.	Essal S.A.	Performance bond	26.000	0
Total			30.391.344	30.739.341

b) Bond issue covenants

i. Aguas Andinas S.A.

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

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



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

2.- Book in its accounts the provisions arising from adverse contingencies which, 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 reasonably protect its assets, including its corporate offices, buildings, plants, furniture and office equipment and vehicles, in line with usual practices for industries of the society's kind.

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

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

Starting in 2010, the above covenant was adjusted according to the difference between the consumer price index (CPI) of the month in which the debt level is calculated and the CPI for December 2009. This ratio will be adjusted up to a maximum of 2.0:1 (debt ratio = total liabilities/total equity). As of March 31, 2013, the debt ratio is 1.18:1.

6.- Not sell, assign or transfer essential assets (public-utility concession granted by the S.I.S.S. for Greater Santiago), except for contributions or transfers of essential assets to subsidiary societies.

The Society is in compliance with all the covenants established in the bond indentures as of March 31, 2013.

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

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

1.- Send to the bond-holders' representative a copy of the financial statements, both the quarterly and the audited annual statements, within 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 which, in the opinion of the society's management, should be reflected in its financial statements.



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

4.- Obligation to ensure that transactions carried out with related parties are made on equitable conditions similar to those normally prevailing in the market.

5.- Maintain a debt ratio no higher than 1.29:1, measured on its balance sheets, defined as the debt to equity ratio.

Starting in 2010, the above covenant will be adjusted according to the difference between the consumer price index (CPI) of the month in which the debt level is calculated and the CPI for December 2009. This ratio will be adjusted up to a maximum of 2.0:1 (debt ratio = total liabilities/total equity). As of March 31, 2013, the debt ratio is 0.82:1.

6.- Maintain a ratio of Ebitda to Financial expenses of no less than 3.5:1. As of March 31, 2013, the ratio is 7.66:1.

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

The Society is in compliance with all the covenants established in the bond indentures as of March 31, 2013 and December 31, 2012

c) Bank loan covenants

The Society has covenants and restrictions in loan agreements with various banks in Chile, 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 the disposal or loss of title to essential assets, except for contributions or transfers of essential assets to subsidiary societies.

3.- Send to the different banks with which the society has loans, a copy of the individual 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 which, in the opinion of the Society's management, should be reflected in its financial statements.

5.- Maintain insurance to reasonably protect its assets, including its corporate offices, buildings, plants, furniture and office equipment and vehicles, in line with usual practices for industries of the 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 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 March 31, 2013.

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

d.- Guarantees received from third parties.

As of March 31, 2013 and December 31, 2012, the Society has received documents in guarantee for ThCh\$52,918,303 and ThCh\$34,313,739 respectively, arising mainly from works contracts with construction companies to ensure their due performance. There are also other guarantees for service contracts and acquisition of materials to ensure timely delivery.

A detail of the more important bank guarantees received as of March 31, 2013 is summarized below:



Contrator or supplier	ThCh\$	Expiry date
INGENIERIA Y MONTAJES AMBIENTALES SPA	147.047	28-03-2015
INLAC S.A.	300.000	21-08-2013
DESARROLLOS CONSTRUCTIVOS AXIS S.A	300.000	28-02-2014
SONDA S.A.	314.746	31-10-2013
SOC. GRAL DE AGUAS DE BARCELONA S.A.	314.746	31-12-2013
INMOBILIARIA LOS SILOS III LTDA.	322.824	12-08-2013
INMOBILIARIA LOS SILOS III LTDA.	322.824	10-12-2013
CONSTRUCTORA PEREZ Y GOMEZ LTDA	328.342	13-09-2013
C. DE PETROLEOS DE CHILE COPEC S.A.	384.545	15-03-2014
DRAGADOS S.A. AGENCIA EN CHILE	384.549	11-03-2014
DESARROLLOS CONSTRUCTIVOS AXIS S.A.	415.199	03-04-2015
INLAC S.A.	415.199	03-04-2015
ING. Y CONST. M. S. T. S.A.	465.272	15-05-2013
CONSORCIO EDEPE S.A	493.590	23-08-2013
NAVARRETE Y DIAZ CUMSILLE ING CIVILES	697.908	15-05-2013
ACCIONA INFRAESTRUCTURAS S.A. AGENCIA EN CHILE	1.532.351	23-07-2013
DRAGADOS S.A. AGENCIA EN CHILE	1.533.621	09-01-2015
DRAGADOS S.A. AGENCIA EN CHILE	2.023.940	11-04-2014
EMP. DEP. DE A.S. MAPOCHO TREBAL LTDA	3.875.125	01-06-2017
EMPRESA DEPURADORA DE AGUAS SERVIDAS LTDA	4.442.368	31-12-2017
EMPRESA DEPURADORA DE AGUAS SERVIDAS LTDA	8.184.105	31-08-2013
EMP. DEPURADORA DE A.S. MAPOCHO EL TREBAL	11.865.642	28-02-2014
Total	42.389.882	

17. ORDINARY REVENUE

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



Classes of ordinary revenues	31-03-2013	31-03-2012
	ThCh\$	ThCh\$
Ordinary revenue		
Sale of assets	2.115.866	1.738.203
Provision of services	106.168.009	106.971.837
Total	108.283.875	108.710.040

18. LEASES

Financial leases as lessor:

Financial leases, lessor	31-03-2013	31-12-2012
	ThCh\$	ThCh\$
Total gross investment	89.299	89.299
Minimum amounts receivable under financial leases	43.932	51.620

Minimum amounts receivable under financial leases	Gross	Interest
	ThCh\$	ThCh\$
Up to 1 year	89.299	89.299
Between 1 & 5 years	43.932	51.620
Total	133.231	140.919

Lease installments booked in statement of results, total	7.742	2.055
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Operative leases as lessee

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

	31-03-2013	31-12-2012
	ThCh\$	ThCh\$
Future minimum non-cancellable lease paymentss, up to 1 year, lessees	1.535.023	1.533.102
Future minimum non-cancellable lease paymentss, 1 to 5 years, lessees	3.616.813	3.612.285
Future minimum non-cancellable lease paymentss, lessees, total	5.151.836	5.145.387
Pagos mínimos por arrendamiento bajo arrendamientos operativos	639.860	2.670.830
Cuotas de arrendamientos y subarriendos reconocidas en el estado de resultados, total	639.860	2.670.830



Significant operative leasing agreements:

The most significant operative leases relate to the commercial agencies in different districts of the Metropolitan Region. In these cases, the terms range from 1 to 5 years with automatic one-year renewals. These contracts may be terminated in advance subject to giving notice within the term and conditions established with each lessor, which would not generate contingent payments.

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 lease 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 them in advance at any time.

Future minimum non-cancellable lease receivables, lessors	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Future minimum non-cancellable lease receivables, up to 1 year, lessors	280.622	280.271
Amount of rentals booked in statement of results	80.769	400.554
Total	361.391	680.825

Significant operative leases of the lessor:

Income from these sources is immaterial for the Society.



19. EMPLOYEE BENEFITS

The Society at the consolidated level has a workforce of 1,832, of whom 64 are managers and senior executives. Workers who are parties to collective agreements and individual work contracts with special indemnity clauses total 1,139 and those with special indemnity clauses are 54, while 639 workers are covered by the Labor Code.

In 2011, the Group started its "Proyecta" program to motivate voluntary and assisted retirement that provides a series of economic, health and non-monetary benefits. This is for the benefit of our employees suffering from illnesses that make it difficult for them to perform their duties normally or are close to the legal retirement age. Proyecta program's duration is for two years.

The current collective agreements relate to the employees and operatives Nos. 1 and 2 unions and No.3 Professionals and Technicians Union, which have a term of four years and were signed on July 31 and June 22, 2012 respectively.

The current collective agreements of Aguas Cordillera S.A., and personnel of Aguas Manquehue S.A., were signed on November 26, 2010, November 30, 2010 and December 23, 2010 for the No.1 and 2 Unions and the Workers and Supervisors Union respectively, all for terms of four years.

The current collective agreements of Essal S.A. were signed on December 31, 2010 by the company's two unions, its maturity is December 31, 2013.

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 have indemnities at present value until 2002 (including indemnities in any event recognized to that date), as well as for advances granted against such indemnities.

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

Accounting policies for gains and losses on defined benefits plans

The obligation for the indemnity which it is estimated will accrue to workers who retire from Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal S.A., is booked at its actuarial value, determined using the projected credit-unit method. 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., Aguas Cordillera S.A. and Aguas Manquehue S.A. , it is assumed that workers will remain with those companies until reaching the legal retirement age (women at 60 years of age and men at 65). In the 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 with individual contracts with an indemnity clause in any event. Workers forming part of the calculation of the actuarial indemnity are as follows, by company: Aguas Andinas S.A.: 751, Aguas Cordillera S.A.: 119, Aguas Manquehue S.A.: 19, and Essal S.A. 253.

Mortality: The RV-2009 mortality tables of the SVS are used.

Employee turnover and disability rates and early retirements: Based on the Group's statistical experience, the turnover rate used is 6.5% for the objective workers. Disabled and early retirements have not been considered due to their infrequent nature.

Discount rate: A rate of 5.7% p.a. is used, corresponding to the risk-free rate, plus the credit risk and the estimate of expected long-term inflation.

Inflation rate: The forecast long-term inflation rate of 3.0% reported by the Central Bank of Chile was used for making long-term estimates for both 2013 and 2012.

Rate of remuneration increases: The rate uses for the 2013 and 2012 periods was 3.6%.

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 Company in accordance with Nos. 2, 4 or 5 of article 159, 1 a) or No.6 of article 160 of the Labor Code, he 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, provided the change is positive.



The terms of their respective individual work contracts apply for employees of Aguas Andinas S.A. and its subsidiaries who are not party to collective agreements. The non-sanitation companies, Gestión y Servicios S.A., Ecoriles S.A. and Anam S.A., apply the provisions of the Labor Code.

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

The following are the movements in actuarial provisions during March 2013 and December 2012 periods, which include movements in the provisions:

Provisions for employee benefits	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Movement in actuarial provision		
Initial balance	8.575.854	8.622.789
Cost of services	296.421	346.817
Interest cost	114.839	487.903
Actuarial (gains) or losses	7.398	-15.451
Benefits paid	-281.399	-1.275.276
Provision severance payments	0	409.072
Sub-total	8.713.113	8.575.854
Profit sharing & bonuses	664.133	3.007.871
Total provision for employee benefits, current	326.373	2.906.724
Total provision for employee benefits, non-current	9.050.873	8.677.001

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 any 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. In period 2013 and year 2012, the amounts are ThCh\$664,133 and ThCh\$3,007,871 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 March 2013 and 2012 are as follows:

Personnel expenses	31-03-2013	31-03-2012
	ThCh\$	ThCh\$
Wages & salaries	-5.904.282	-5.527.422
Defined benefits	-2.530.928	-2.582.345
Severance payments	-664.291	-598.230
Other personnel expenses	-393.223	-393.186
Total personnel expenses	9.492.724	9.101.183

20. EFFECT OF EXCHANGE DIFFERENCES



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

	Currency	31-03-2013 ThCh\$	31-03-2012 ThCh\$
Trade debtors & other accounts receivable	EUR	0	2.575
Trade debtors & other accounts receivable	US\$	0	-1.496
Other financial assets	US\$	0	-105
Other financial assets	EUR	0	-52
Total assets		0	922
Trade creditors & other accounts payable	EUR	10.021	5.726
Trade creditors & other accounts payable	US\$	-240	-3.173
Accounts payable to related entities	EUR	-20	18
Total liabilities		9.761	2.571
Gain (loss) from exchange differences		9.761	3.493

21. OTHER EXPENSES BY NATURE

Information concerning other expenses by nature is presented below:

Other expenses by nature	31-03-2013 ThCh\$	31-03-2012 ThCh\$
Treatment plant operation	-6.600.540	-6.009.328
Supplies & basic services	-2.361.093	-2.228.421
Commercial services	-7.506.493	-4.551.607
Equipment maintenance & repairs	-2.450.304	-2.530.064
Insurance, licenses & permits	-1.234.675	-1.202.572
Other expenses	-1.471.407	-1.648.791
Total	-21.624.512	-18.170.783

22. CAPITALIZED FINANCING COSTS



The detail of capitalized financing costs as of March 31, 2013 and December 31, 2012 is as follows:

Capitalized interest costs:

Capitalized interest, property, plant & equipment		31-03-2013	31-12-2012
Rate of capitalization of capitalized interest costs, property, plant & equipment	%	7,13	6,94
Amount of capitalized interest, property, plant & equipment	ThCh\$	367.006	6.819.828

23. INCOME TAX AND DEFERRED TAXES

As established in IAS 12, the following shows the net position of deferred tax assets and liabilities, determined by each individual entity and shown in the statement of financial position adding each position.

Statements of financial position	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Deferred tax assets	314.740	324.398
Deferred tax liabilities	-36.966.716	-37.557.315
Net deferred tax position	-36.651.976	-37.232.917

The net position shown originates from a variety of concepts constituting timing and permanent differences which at the consolidated level permit being shown under the following concepts.

Deferred tax assets



Deferred tax assets	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Water rights (amortization)	196.705	200.840
Provision doubtful accounts	6.410.761	6.252.679
Provision vacations	248.119	324.802
Litigation	685.832	725.398
Severance payments	1.180.382	1.144.765
Other provisions	136.042	190.799
Income received in advance	100.631	104.166
Variation monetary correction & asset depreciation	33.863.688	33.814.062
Deferred revenue	1.473.480	1.473.480
La Dehesa dam transaction	239.091	238.792
Others	1.749.568	1.423.185
Deferred tax assets	46.284.299	45.892.968

Deferred tax liabilities

Deferred tax liabilities	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Depreciation fixed assets	17.089.783	17.005.185
Amortization	1.040.234	1.047.877
Investment expense related companies	84.641	84.641
Revaluations property, plant & equipment	15.340.844	15.340.844
Revaluations of intangible assets	35.267.505	35.267.505
Fair value of assets in purchase of Essal S.A.	14.106.079	14.369.483
Others	7.189	10.350
Deferred tax liabilities	82.936.275	83.125.885

Net deferred tax position	36.651.976	37.232.917
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	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Movement of deferred tax liabilities		
Deferred tax liabilities, initial balance	83.125.884	71.838.796
Increases (decreases) in deferred tax liabilities	-1.449.460	10.027.238
Increases (decreases) through acquisitions through combinations of businesses	1.259.851	1.259.851
Changes in deferred tax liabilities	-189.609	11.287.089
Changes in deferred tax liabilities total	82.936.275	83.125.885



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

Credit (charge) for income tax by current & deferred parts	31-03-2013 ThCh\$	31-03-2012 ThCh\$
Charge for income tax, current		
Current tax charge	-9.999.393	-10.423.675
Adjustment previous year tax charge	-24.174	0
Current income tax charge, net	-10.023.567	-10.423.675
Tax loss credit	7.365	0
Deferred tax charge (credit) relating to the creation & reversal of timing differences	580.941	1.822.636
Other deferred tax charges	-13.576	-87.181
Deferred tax income, net	574.730	1.735.455
Charge for income taxes	-9.448.837	-8.688.220

Numerical reconciliation of the (charge) credit for tax and the result of multiplying the accounting gain by the applicable tax rates.

	31-03-2013 ThCh\$	31-03-2012 ThCh\$
Tax charge using the statutory rate	-9.705.030	-9.437.601
Permanent difference for monetary correction taxation equity	296.479	1.037.877
Other permanent differences	-40.286	-288.496
Adjustments to tax charge using the statutory rate, Total	256.193	749.381
Tax charge using the effective rate	-9.448.837	-8.688.220

In addition and as required by IAS 12, it was necessary to revalue deferred taxes, adjusting them to the new rate, raising them from 17% which was the rate of reversal approved for the year 2013 onward, to 20%.

Reconciliation of the statutory rate and the effective tax rate



	31-03-2013	31-03-2012
Tax charge using the statutory rate	20,00%	18,50%
Permanent difference for monetary correction taxation equity	-0,60%	-2,03%
Other permanent differences	0,08%	0,56%
Effective tax rate	19,48%	17,03%

24. 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		31-03-2013	31-03-2012
Earnings attributable to shareholders in equity of the controller	ThCh \$	38.205.220	41.788.948
Results available to common shareholders, basic	ThCh \$	38.205.220	41.788.948
Weighted average number of shares, basic		6.118.965.160	6.118.965.160
Earnings per share	Ch\$	6,24	6,83

Diluted earnings (losses) per share

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

25. BUSINESS SEGMENTS

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

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



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

Types of products and services that provide the ordinary revenues 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, liquid waste treatment and comprehensive engineering services, plus the sale of products related to the sanitation services, and energy projects. The subsidiaries included are EcoRiles S.A., Anam S.A., Gestión y Servicios S.A. and Aguas del Maipo S.A.

General information on results, assets, liabilities and equity.

General information on results	31-03-2013		31-03-2012	
	Water ThCh\$	Non-Water ThCh\$	Water ThCh\$	Non-Water ThCh\$
Revenues from ordinary activities with external customers	102.908.605	5.375.270	103.610.714	5.099.326
Revenues from ordinary activities between segments	119.928	739.932	165.719	795.185
Operating expenses	-12.197.354	-4.186.962	-12.335.494	-4.743.153
Depreciation & amortization	-15.872.204	-115.464	-13.011.620	-106.603
Other earnings & expenses	-20.741.387	-1.106.040	-17.654.286	-1.092.307
Financial income	1.701.519	36.915	1.584.456	33.360
Financial costs	-7.244.548	-26.830	-5.538.718	-12.789
Result of indexation & exchange differences	-866.312	81	-5.781.074	1.344
Income tax charge	-9.263.657	-185.180	-8.507.765	-180.455
Earnings of segment	38.544.590	531.722	42.531.932	-206.092
Earnings of segment attributable to owners of the controller	37.673.498	531.722	41.995.040	-206.092
Earnings of segment attributable to non-controller participations	871.092	0	536.892	0

Total assets, liabilities & equity	31-03-2013		31-12-2012	
	Water ThCh\$	Non-Water ThCh\$	Water ThCh\$	Non-Water ThCh\$
Current assets	147.003.830	15.636.684	108.893.032	14.961.038
Non-current assets	1.411.115.458	11.422.436	1.413.730.283	10.955.359
Total assets	1.558.119.288	27.059.120	1.522.623.315	25.916.397
Current liabilities	160.255.004	6.133.703	163.541.496	5.525.058
Non-current liabilities	695.377.139	83.972	695.139.263	81.617
Equity attributable to owners of the controller	639.118.186	20.841.445	601.444.689	20.309.722
Non-controller participations	63.368.959	0	62.497.867	0
Total equity & liabilities	1.558.119.288	27.059.120	1.522.623.315	25.916.397

Significant items of revenues and expenses by segment

Water and non-water segments

The significant items of ordinary revenue and expenses are principally those related to the business of the segment. There are also significant sums in relation to expenses for 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, sewer 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. As regulated companies, Aguas Andinas and its sanitation subsidiaries are regulated by the SISS and their tariffs are set in accordance with the Sanitation Services Tariffs Law (No.70 of 1988).

The tariffs 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.

Decree 60/2010 sets the tariffs for Aguas Andinas S.A. for the five-year period 2011 – 2015, Decree 176/2010 sets those for Aguas Cordillera S.A and Decree 170/2010 those for Aguas Manquehue S.A. and the Decree 116 of 31-08-2011 that sets the tariffs for Essal S.A. for the five-year period 2011 – 2016.

Non-water segment

The significant items of ordinary revenues are mainly those related to a segment's business and are closely related to the principal business of each subsidiary, involving the sale of materials to third parties, operation of liquid-waste treatment plants, and drinking water and sewage services and analysis.

Significant expense items

Water segment

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

Non-water segment

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

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 is 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.

Reconciliation of revenues from ordinary activities	31-03-2013	31-03-2012
	ThCh\$	ThCh\$
Revenues from ordinary activities of the segments	109.143.735	109.670.944
Elimination of ordinary activity revenues between segments	-859.860	-960.904
Revenues from ordinary activities	108.283.875	108.710.040

Reconciliation of earnings	31-03-2013	31-03-2012
	ThCh\$	ThCh\$
Total consolidated earnings (loss) of segments	38.205.220	41.788.948
Consolidation of elimination of earnings (loss) between segments	871.091	536.892
Consolidation of earnings (loss)	39.076.311	42.325.840

Reconciliations of assets, liabilities & equity of segments	31-03-2013	31-12-2012
	ThCh\$	ThCh\$
Reconciliation of assets		
Consolidation total assets of segments	1.585.178.408	1.548.539.712
Elimination of accounts between segments	-9.177.237	-2.314.233
Total assets	1.576.001.171	1.546.225.479
Reconciliation of liabilities		
Consolidation total liabilities of segments	861.849.818	864.287.434
Elimination of accounts between segments	-9.177.237	-2.314.233
Total liabilities	852.672.581	861.973.201
Reconciliation of equity		
Consolidation total equities of segments	659.959.631	621.754.411
Equity attributable to owners of the controller	659.959.631	621.754.411

Principal customers of the subsidiaries:

Principal water segment customers:

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 non-water segment customers:

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.).
- Comprehensive engineering services and sale of products like tubes, valves, taps and other related items (subsidiary Gestión y Servicios S.A.).
- Energy projects (subsidiary Aguas del Maipo S.A.).

26. THE ENVIRONMENT

Disbursements related to the environment:

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

Aguas Andinas S.A.

Project	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Expansion & improvements Buin Maipo sewage treatment plant (STP)	0	0
Expansion & improvements El Monte STP	0	217.890
Expansion & improvements Greater Santiago STP	22.317.521	38.848.794
Expansion & improvements other localities STP	35.792	60.041
Expansion & improvements Paine STP	273.627	902.410
Expansion & improvements Pomiare STP	0	15.930
Expansion & improvements Talagante STP	16.738	37.319
Farfana - Trebal interceptor	18.785	6.522.582
Clean Urban Mapocho interceptor	0	2.138.243
Improvement & renovation equipment & installations	307.145	686.229
Total	22.969.608	49.429.438



Aguas Manquehue S.A.

Project	31-03-2013 ThCh\$	31-12-2012 ThCh\$
North Sewer	0	0
Improvement & renovation equipment & installations	7.615	34.367
Improvement STPs	0	71.225
Total	7.615	105.592

Essal S.A.

Project	31-03-2013 ThCh\$	31-12-2012 ThCh\$
Improvement disposal infrastructure	32.468	90.222
EDAR system improvement	44.832	267.078
Renovation treatment & disposal equipment	17.453	16.377
Total	94.753	373.677

Projected environmental investments for period April-December 2013:

Company	ThCh\$
Aguas Andinas S.A.	6.709.682
Aguas Manquehue S.A.	18.867
Essal S.A.	259.982
Total	6.988.531

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.



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

The projected disbursements are estimated to be made during the period April-December 2013.

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.

27. EVENTS OCCURRING FOLLOWING THE DATE OF THE STATEMENT OF FINANCIAL POSITION

On April 17, an agreement was reached with the National Consumer Defense Service (Sernac) by which, starting in May 2013, an economic compensation will be made to those customers of the society who were affected by the water cuts occurring in January and February 2013. While these cuts were caused by force majeure, given the intense and unforeseeable aluvions produced in the Andes foothills, as qualified by the SISS, the SISS has stated that there were customers whose water service was restricted or interrupted for longer than that informed in its various communications. The society therefore has believed it prudent to make an economic compensation.

The total number of customers to benefit from this compensation is 821.860, representing all those affected by differences between the information issued by the company and the time effectively taken between the cut and renewal of the supply. The total amount of the compensation is ThCh\$2.580.504, which has been booked in the interim financial statements of March, as required by paragraph 9 of IAS 10.

The ordinary shareholders meeting held on April 23, 2013, agreed to distribute 100% of its earnings for 2012, after deducting the interim dividend paid on November 13, 2012 amounting to ThCh\$35,456,344. The amount of the final dividend therefore is ThCh\$85,813,215, equivalent to Ch\$14.024 per share.

As at the date of issue of these consolidated financial statements, the management of the Society and its subsidiaries are unaware of any other subsequent events that affect the financial position as of March 31, 2013.

