



## **CONSOLIDATED FINANCIAL STATEMENTS**

**For the term ending  
December 31 2014 and 2013**

**AGUAS ANDINAS S.A.**

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## 7.1\_FINANCIAL STATEMENTS

### **INDEPENDENT AUDITOR'S REPORT**

#### **Shareholders and Directors of Aguas Andinas S.A.**

We reviewed the consolidated financial statement of Aguas Andinas S.A. and subsidiaries which comprises the consolidated financial position to December 31, 2014 and the related consolidated statements of comprehensive results, changes in net equity and direct cash flow for the year ended in that date and the related notes to consolidated financial statements.

#### **Management's responsibility for the consolidated financial statements**

The Company's management is responsible for the preparation and presentation of this consolidated financial statements in accordance with instructions of preparation and presentation of financial information issued by the Superintendency of Securities and Insurance described in Note 2 to the consolidated financial statements. This responsibility includes designing, implementing and maintaining sufficient internal control to the reasonable preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion about these consolidated financial statements based on our audits. Our audits were made in accordance to audits's standards generally accepted in Chile. Those standards require that we plan and perform our work to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining evidence supporting amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of misstatement of the consolidated financial statements, whether due to fraud or error. Making those risk assessments, the auditor considers relevant internal control to the reasonable preparation and presentation of the consolidated financial statements of the entity, in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion about the internal control effectivity of the entity. Thus, we do not express that opinion. An audit also includes assessing the appropriateness of accounting policies that are used and the reasonableness of significant accounting estimates made by management of the society, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide us a basis for our audit opinion.

### **Opinion about the regulatory basis of accounting**

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Aguas Andinas S.A. and subsidiaries to December 31, 2014, and the results of its operation and the cash flows for the year ended in that date, in accordance to the requirements of preparation and presentation of financial information established by the Superintendency of Securities and Insurances described in Note 2.

### **Accounting basis**

As described in Note 2 to the consolidated financial statements, in accordance with its attributions the Superintendency of Securities and Insurances dated October 17, 2014 issued Circular 856 that instructs the auditees, register in the respective period against equity the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780, changing the frame of preparation and presentation of financial information adopted until that date, given that previous frame (IFRS) needs to be adopted comprehensively, explicit and unreserved. As of December 31, 2014 and the year ended in that date, the quantification of change of accounting frame also is described in Note 23. Our opinion is not modified in this matter.

### **Other matters**

Previously, we have made an audit, in accordance to standards's audit generally accepted in Chile, to the consolidated financial statements to December 31, 2013 of Aguas Andinas S.A. and subsidiaries, and we express an opinion without modifications about those financial statements in our report dated March 26, 2014.

Luis Vila R.

EY LTDA.

Santiago, March 25, 2015.

## 7.2\_FINANCIAL STATEMENTS

### **CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED DECEMBER 31, 2014 AND 2013**

**Consolidated Statements of Financial Position  
As of December 31, 2014 and December 31, 2013  
(Thousands of Chilean pesos - ThCh\$)**

<b>ASSETS</b>	<b>Note</b>	<b>31-12-2014 ThCh\$</b>	<b>31-12-2013 ThCh\$</b>
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	7	26.202.154	38.658.981
Other non-financial assets		1020.792	232.245
Trade debtors & other accounts receivable	8	94.559.029	87.948.310
Accounts receivable from related entities	9	70.629	38.774
Inventories	10	3.902.943	3.608.089
Tax assets		1.355.008	2.485.108
<b>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</b>		<b>127.110.555</b>	<b>132.971.507</b>
<b>TOTAL CURRENT ASSETS</b>		<b>127.110.555</b>	<b>132.971.507</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	8	7.413.197	7.413.197
Other non-financial assets		685.964	420.067
Receivables	8	2.197.980	1.879.762
Intangible assets other than goodwill	11	232.174.750	227.347.269
Goodwill	12	36.233.012	36.233.012
Property, plant & equipment	13	1.188.402.068	1.171.182.828
Deferred tax assets	23	12.254.100	263.122
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1.479.361.071</b>	<b>1.444.739.257</b>
<b>TOTAL ASSETS</b>		<b>1.606.471.626</b>	<b>1.577.710.764</b>

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

## 7.2 FINANCIAL STATEMENTS

### Consolidated Statements of Financial Position As of December 31, 2014 and December 31, 2013 (Thousands of Chilean pesos - ThCh\$)

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>31-12-2014 ThCh\$</b>	<b>31-12-2013 ThCh\$</b>
<b>CURRENT LIABILITIES</b>			
Other financial liabilities	8	56.680.231	93.620.208
Trade creditors & other accounts payable	8	83.324.297	90.036.301
Accounts payable to related entities	9	29.483.847	29.981.177
Other provisions	15	591.098	918.556
Tax liabilities		1.394.707	59.151
Provisions for employee benefits	19	4.310.289	4.198.437
Other non-financial liabilities		721.107	1.381.524
<b>Total current liabilities other than liabilities included in groups of liabilities for disposal classified as held for sale</b>		<b>176.505.576</b>	<b>220.195.354</b>
<b>TOTAL CURRENT LIABILITIES</b>		<b>176.505.576</b>	<b>220.195.354</b>
<b>NON-CURRENT LIABILITIES</b>			
Other financial liabilities	8	698.421.729	626.272.073
Other accounts payable	15	1.187.618	1.118.746
Other provisions	23	42.486.184	34.162.915
Deferred tax liabilities	8	1.684.433	1.862.609
Provisions for employee benefits	19	11.982.471	8.542.371
Other non-financial liabilities	8	7.805.844	7.888.046
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>763.568.279</b>	<b>679.846.760</b>
<b>TOTAL LIABILITIES</b>		<b>940.073.855</b>	<b>900.042.114</b>
<b>EQUITY</b>			
Issued capital		155.567.354	155.567.354
Accumulated earnings		297.097.777	302.875.246
Accounting issues		164.064.038	164.064.038
Other equity participations		-5.965.550	-5.965.550
<b>Equity attributable to owners of the controller</b>		<b>610.763.619</b>	<b>616.541.088</b>
<b>Non-controller participations</b>	4	<b>55.634.152</b>	<b>61.127.562</b>
<b>TOTAL EQUITY</b>		<b>666.397.771</b>	<b>677.668.650</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1.606.471.626</b>	<b>1.577.710.764</b>

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

## 7.2\_FINANCIAL STATEMENTS

### Consolidated Statements of Comprehensive Results by Nature As of December 31, 2014 and 2013 (Thousands of Chilean pesos - ThCh\$)

Statement of results by nature	Note	31-12-2014	31-12-2013
Statement of results		ThCh\$	ThCh\$
Revenues from ordinary activities	17	440.734.172	403.879.482
Raw materials & consumables used		-30.182.683	-27.416.534
Employee benefit expenses	19	-45.331.445	-40.455.749
Charges for depreciation & amortization	11-13	-66.225.212	-64.704.889
Other expenses, by nature	21	-91.583.058	-87.474.313
Other gains	5	414.486	70.785
Financial income	5	5.303.835	6.965.852
Financial costs	5	-30.738.756	-28.885.840
Exchange differences	20	-33.929	-2.130
Results of indexation adjustments		-34.251.728	-12.955.937
<b>Earnings before taxes</b>		<b>148.105.682</b>	<b>149.020.727</b>
Charge for income taxes	23	-25.045.174	-29.311.608
<b>Earnings from continuing operations</b>		<b>123.060.508</b>	<b>119.709.119</b>
Earnings		123.060.508	119.709.119
<b>Earnings attributable to:</b>			
<b>Owners of the controller</b>		<b>119.422.474</b>	<b>116.675.534</b>
Earnings attributable to non-controller participations	4	3.638.034	3.033.585
Earnings		123.060.508	119.709.119
Earnings per share			
Basic earnings per share from continuing operations		19,52	19,07
<b>Basic earnings per share</b>	24	<b>19,52</b>	<b>19,07</b>

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

## 7.2\_FINANCIAL STATEMENTS

**Consolidated Statements of Comprehensive Results by Nature**  
**As of December 31, 2014 and 2013**  
**(Thousands of Chilean pesos - ThCh\$)**

STATEMENT OF COMPREHENSIVE RESULTS		31-12-2014	31-12-2013
		ThCh\$	ThCh\$
Earnings		123.060.508	119.709.119
OTHER COMPREHENSIVE RESULT			
Components of other comprehensive result that it will not be reclassified to the result of the period, before taxes			
Actuarial gains (losses) on defined benefit plans		-1.626.708	0
Other comprehensive result that it will not be reclassified to the result of the period, before taxes		-1.626.708	0
Income taxes related to components of other comprehensive results that it will not be reclassified to the result of the period			
Income taxes related to components of other comprehensive results that it will not be reclassified to the result of the period		439.719	0
Income taxes related to components of other comprehensive results that it will not be reclassified to the result of the period		439.719	0
Total other comprehensive result		-1.186.989	0
TOTAL COMPREHENSIVE RESULT		121.873.519	119.709.119
Comprehensive result attributable to:			
Result attributable to owners of the controller		118.249.575	116.675.534
Result attrubutable to non-controller participations	4	3.623.944	3.033.585
Total comprehensive result		121.873.519	119.709.119

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



## 7.2\_FINANCIAL STATEMENTS

**Consolidated Statements of Direct Cash Flows**  
**As of December 31, 2014 and 2013**  
**(Thousands of Chilean pesos - ThCh\$)**

STATEMENT OF CASH FLOWS, DIRECT	Note	31-12-2014 ThCh\$	31-12-2013 ThCh\$
<b>Proceeds classes from operating activities</b>		<b>517.974.789</b>	<b>467.066.068</b>
Proceeds of sales of goods & services		512.008.167	463.107.945
Proceeds of insurance claims & annuities		968.644	1.602.264
Other proceeds from operating activities		4.997.978	2.355.859
<b>Payment classes from operating activities</b>		<b>-256.176.239</b>	<b>-211.380.021</b>
Payments to suppliers of goods & services		-156.634.017	-128.119.206
Payments to & on behalf of employees		-46.019.064	-40.552.722
Payments of insurance premiums & other obligations		-2.897.546	-475.155
Other operating activity payments		-50.625.612	-42.232.938
<b>Cash flow from (used in) operating activities</b>		<b>-57.199.075</b>	<b>-51.341.129</b>
Interest paid		-20.680.839	-20.846.867
Interest received		1.370.144	2.684.173
Income taxes refunded (paid)		-30.342.491	-31.214.131
Other cash inflows (outflows)		-7.545.889	-1.964.304
<b>Cash flow from (used in) operating activities</b>		<b>204.599.475</b>	<b>204.344.918</b>
Proceeds of sales of property, plant & equipment		381.965	25.502
Purchases of property, plant & equipment		-81.834.787	-116.823.900
Purchases of intangible assets		-411.944	-191.274
Other cash inflows (outflows)		-1.753.968	-2.039.585
<b>Cash flow from (used in) investment activities</b>		<b>-83.618.734</b>	<b>-119.029.257</b>
Proceeds of long-term loans		141.844.872	50.933.592
Proceeds of short-term loans		47.044.950	0
<b>Loan proceeds from financing activities</b>		<b>188.889.822</b>	<b>50.933.592</b>
Loan repayments		-201.061.084	-43.700.509
Dividends paid		-120.854.347	-89.329.355
Other cash inflows (outflows)		-411.959	-204.845
<b>Cashflows from (used in) financing activities</b>		<b>-133.437.568</b>	<b>-82.301.117</b>
<b>Increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate</b>		<b>-12.456.827</b>	<b>3.014.544</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>-12.456.827</b>	<b>3.014.544</b>
Cash and cash equivalents at start of the period		38.658.981	35.644.437
<b>Cash and cash equivalents at end of the period</b>	<b>7</b>	<b>26.202.154</b>	<b>38.658.981</b>

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

## 7.2\_FINANCIAL STATEMENTS

**Statement of Changes in Net Equity**  
**As of December 31, 2014 and 2013**  
**(Thousands of Chilean pesos - ThCh\$)**

Statement of changes in equity	Note	Issued capital	Accounting issues	Other participations in equity	Book of earnings and losses on defined benefit plans	Accumulated earnings (losses)	Equity attributable to owners of the controller	Non-controller participations	Total equity
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
<b>Initial balance as of 01-01-2014</b>		<b>155.567.354</b>	<b>164.064.038</b>	<b>-5.965.550</b>	<b>0</b>	<b>302.875.246</b>	<b>616.541.088</b>	<b>61.127.562</b>	<b>677.668.650</b>
<b>Comprehensive result</b>									
Earnings						119.422.474	119.422.474	2.638.034	122.060.508
Other comprehensive result					-1.172.899		-1.172.899	-14.090	-1.186.989
Dividends	3					-118.530.781	-118.530.781		-118.530.781
Transfers and other reductions	4				1.172.899	-6.669.162	-5.496.263	-8.117.354	-13.613.617
<b>Total changes in equity</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-5.777.469</b>	<b>-5.777.469</b>	<b>-5.493.410</b>	<b>-11.270.879</b>
<b>Closing balance as of 31-12-2014</b>	<b>3,4</b>	<b>155.567.354</b>	<b>164.064.038</b>	<b>-5.965.550</b>	<b>0</b>	<b>297.097.777</b>	<b>610.763.619</b>	<b>55.634.152</b>	<b>666.397.771</b>

  

Statement of changes in equity	Note	Issued capital	Accounting issues	Other participations in equity	Book of earnings and losses on defined benefit plans	Accumulated earnings (losses)	Equity attributable to owners of the controller	Non-controller participations	Total equity
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
<b>Initial balance as of 01-01-2013</b>		<b>155.567.354</b>	<b>164.064.038</b>	<b>-5.965.550</b>	<b>0</b>	<b>308.088.569</b>	<b>621.754.411</b>	<b>62.497.867</b>	<b>684.252.278</b>
<b>Comprehensive result</b>									
Earnings						116.675.534	116.675.534	3.033.585	119.709.119
Dividends	3					-121.888.857	-121.888.857		-121.888.857
Transfers and other reductions	4				0	0	0	-4.403.890	-4.403.890
<b>Total changes in equity</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-5.213.323</b>	<b>-5.213.323</b>	<b>-1.370.305</b>	<b>-6.583.628</b>
<b>Closing balance as of 31-12-2013</b>	<b>3,4</b>	<b>155.567.354</b>	<b>164.064.038</b>	<b>-5.965.550</b>	<b>0</b>	<b>302.875.246</b>	<b>616.541.088</b>	<b>61.127.562</b>	<b>677.668.650</b>

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



## 7.2\_FINANCIAL STATEMENTS

### 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 open corporation 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), being GDF (France) the major shareholder of it.



## **2. BASES OF PREPARATION AND ACCOUNTING POLICIES**

### **2.1 Preparation**

These consolidated financial statements as of December 31, 2014 have been prepared in accordance with instructions and standards issued by the Superintendency of Securities and Insurance (SVS), which are composed of the International Financial Reporting Standards (IFRS), and what is established in Circular 856 of October 17, 2014 that instructs the auditees, register in the respective period against equity the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780 with specific standards issued by the SVS. Consequently, these financial statements have not been prepared in accordance to IFRS.

These consolidated financial statements faithfully reflect the financial position of Aguas Andinas S.A. and subsidiaries as of December 31, 2014 and 2013, the result of operations, changes in net equity and cash flows for periods ended December 31, 2014 and 2013.

### **Functional and presentational currency**

The financial statements of each of the Group's entities are shown using the currency of the principal economic environment in which those 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) As of the date of these financial statements, the application has begun of IFRS 10, 12, IAS 27, 32, 36, 39 and IFRIC 21, which have been analyzed by the management which has determined that these do not affect the presentation and disclosures of the consolidated financial statements.

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



New interpretations and amendments	Date of mandatory application
IFRS 9, Financial instruments, clasification and measurement	Annual periods starting or after January 1, 2018
IFRS 14, Regulatory Deferral Accounts	Annual periods starting or after January 1, 2016
IFRS 15, Revenue from Contracts with Customers	Annual periods starting or after January 1, 2017

Improvements and modifications	Date of mandatory application
IAS 19, Employee benefits	Annual periods starting or after July 1, 2014
IFRS 3, Business Combinations	Annual periods starting or after July 1, 2014
IAS 40, Investment properties	Annual periods starting or after July 1, 2014
IAS 16, Property, Plant & Equipment	Annual periods starting or after January 1, 2016
IAS 38, Intangible Assets	Annual periods starting or after January 1, 2016
IAS 41, Agriculture	Annual periods starting or after January 1, 2016
IFRS 11, Joint Arrangements	Annual periods starting or after January 1, 2016
IAS 27, Separate Financial Statements	Annual periods starting or after January 1, 2016
IAS 28, Investments in Associates and Joint Ventures	Annual periods starting or after January 1, 2016
IFRS 10, Consolidated Financial Statements	Annual periods starting or after January 1, 2016
IRFS 5, Non-current Assets Held for Sale and Discontinued Operations	Annual periods starting or after January 1, 2016
IFRS 7, Financial Instruments: Disclosures	Annual periods starting or after January 1, 2016
IFRS 12, Disclosure About Participation in other entities	Annual periods starting or after January 1, 2016
IAS 1, Presentation of Financial Statements	Annual periods starting or after January 1, 2016
IAS 34, Interim Financial Information	Annual periods starting or after January 1, 2016

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

### Responsibility for the information and estimates made

The information contained in these consolidated financial statements is the responsibility of the board of the Society, which states that all the principles and criteria included in International Financial Reporting Standards (IFRS) and the instructions imparted by the SVS. The board on meeting held on March 25, 2015, approved these consolidated financial statements.



The consolidated financial statements of Aguas Andinas S.A. and subsidiaries for the period 2013 were approved by the board at its meeting held on March 26, 2014.

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

- Useful lives of fixed assets 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 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 their important activities, has the right to variable returns relating to its participations and the capacity to use such power to influence the amount of the returns of the investor. 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 N°	Society	Direct%	Indirect%	Total 2014 (%)	Direct%	Indirect%	Total 2013 (%)
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	Inversiones 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 the 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 prospectively.

### ii. Amortization method of intangible:

#### Intangible with defined useful life.

The amortization method employed by the Society reflects the pattern which is expected to be used, by the entity, the future economic benefits of the asset. The Society therefore uses the straight-line depreciation method.



### **Computer programs.**

The estimated useful life of software is 4 years. 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 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.

### **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.

Goodwill 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 is 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 book 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 incurred.

### **Depreciation method and estimated useful life for property, plant and equipment:**

The depreciation method applied by the Society reflects the extent to which the assets are used by the entity 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 14).

### **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 component materials in 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 Society and as there are no contractual obligations or other construction requirements 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 whether any impairment has been suffered. 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 conditions of the lease 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 IFRIC 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, as indicated in 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.

As of December 31, 2014, the Society and its subsidiary Aguas del Maipo S.A. hold shares in Sociedad Eléctrica Puntilla S.A., which have been valued at their fair value at the acquisition date, as defined in IAS No. 39. Their subsequent measurement will be at cost because there is no active market, as provided in the same 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 the effective return. The Society and its subsidiaries currently have no assets held to maturity at the close of these consolidated financial statements.

### **iv. Loans and accounts receivable**

Trade debtors, loans and other accounts receivable are non-derivative financial assets, which have fixed or determinable payments and which are not traded on an active market, classified as loans and accounts receivable. Loans and accounts receivable are valued at amortized cost using the effective interest-rate method less any loss for impairment, 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 for impairment of trade debtors and other accounts receivable**

The Society periodically evaluates impairments affecting its financial assets. The amount is booked as a bad debt provisions. 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 comprehensive 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.

In 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 S.A., a 100% provision is made of debts of customers 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/or 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 consolidated 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 Society's 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, subject to approval by the ordinary shareholder 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	31-12-2014	31-12-2013
	\$	\$
US Dollar	606,75	524,61
Euro	738,05	724,30

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 their conversion 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 hedge accounting

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 financial 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 event 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 hedge 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 consolidated statement of results.

The Group has no derivative financial instruments in its consolidated financial statements as of December 31, 2014 and December 31, 2013.

## **N. Provisions and contingent liabilities**

The Group makes a provision when there is a present obligation as a consequence of past events, 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 those possible obligations arising as a result of past events, whose future materialization and associated equity effect is believed to be a low probability. In accordance with IFRS, the group makes no provision for these concepts; if there were, they would be detailed in Note 15.

## **O. Employee benefits**

The obligation for termination benefits which are estimated to accrue to employees who retire in 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, wage increases or discount rate, are determined in accordance with IAS 19, in other comprehensive results, thus directly affecting equity, and then later re-classified in accumulated earnings.





**Aguas Andinas S.A.**

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

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

The termination benefits in 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 termination benefit 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 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 who 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 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.

Advances granted to personnel against these funds are shown deducted from outstanding 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 figures 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 to recover or settle the book values of its assets and liabilities at the date of report.

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 booking of ordinary revenue from sales of goods**

Revenue from sales of goods is booked once the risk and significant advantages deriving from ownership of the goods are transferred, the Society retains no relationship with the asset sold, the amount of revenue can be measured reliably, it is probable that the company will receive the economic benefits associated with the sale and the costs incurred in the transaction can also be measured reliably.

### **Policy for booking of ordinary revenue from 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 transferred to the client and recovery is considered probable, and the associated costs and possible discounts for erroneous billings 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 service 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 used for determining 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 ended December 31, 2014.

During the period 2014 and year 2013, the Group has not carried out any kind of operation with a potential diluting effect that supposes that diluted earnings per share are any 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 useful lives of the different elements.

### **T. Consolidated statement of cash flows**

The cash flow statement records 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 net 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 according to 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:**

Interest paid or accrued on debt used to finance qualified assets is capitalized, as stipulated in IAS 23 which states that when the entity acquires debt to finance investments the interest on that debt should be deducted from the financial expense and incorporated in the construction project financed, up to the total amount of such



interest, applying the respective rate to the disbursements made to the date of presentation of the financial statements.

## W. Reclassifications

For comparison purposes, certain reclassifications have been made to the statement of financial position as of December 31, 2013, according to the following detail:

Reclassifications	Increase/ (Decrease) ThCh\$
Statement of financial position:	
Trade and other accounts receivables	167
Accounts receivable from related parties	-167
Trade accounts and other accounts payables	4.109
Accounts payable to related parties	-4.109
Statement of result by nature:	
Revenue	1.255.891
Other earnings	-1.255.891

## 2.3 Accounting changes

The Superintendency of Securities and Insurance (SVS), under its authority, dated October 17, 2014, issued the Circular 856 that instructs the auditees, to register in the respective period against equity the differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780. The above, changed the preparation and presentation frame of financial report adopted until that date, given that previous frame (IFRS) needs to be adopted comprehensively, explicit and unreserved.

As of December 31, 2014 and for the year ended in that date, the quantification of change of accounting frame meant a lower charge to results of ThCh\$9,391,825.

## 3. EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER

The capital of the Society is divided into 6,118,965,160 nominative shares of no par value, totally subscribed and paid at December 31, 2014, 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:

	31-12-2014	31-12-2013
Series A Shares	5.811.030.417	5.811.029.417
Series B Shares	307.934.743	307.935.743
<b>Total</b>	<b>6.118.965.160</b>	<b>6.118.965.160</b>

The capital as of December 31, 2014 and December 31, 2013 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 capital management objectives or policies in the periods reported.

In the period 2014 agreed and made dividend payment as detailed below:

- In board meeting held on December 17, 2014, unanimously agreed to distribute among shareholders the sum of ThCh\$38,855,429, as an interim dividend, against the earnings for 2014. Because of this, the interim dividend No 59 of the Company amounted to Ch\$6.35 per share. This payment was made in January 13, 2015.
- The ordinary shareholders' meeting held on April 29, 2014 agreed to distribute 100% of earnings for 2013, after deducting the interim dividend paid in January 2014. Because of this, the dividend No 58 of the Company amounted to ThCh\$79,675,352 equivalent to Ch\$13.021 per share. This payment was required from May 26, 2014, having entitled to 6,118,965,160 shares.

In the period 2013 agreed and made dividends payment as detailed below:

- The ordinary shareholders meeting held on April 23, 2013 agreed to distribute 100% of the earnings for 2012, after deducting the interim dividend paid in November 2012. Because of this, the dividend No. 56 of the Company amounted to ThCh\$ 85,813,215 equivalent to Ch\$ 14.024 per share. This payment was required from May 22, 2013, having entitled to 6,118,965,160 shares.
- The ordinary board meeting held on November 26, 2013 unanimously agreed to distribute the sum of ThCh\$37,000,158 against the earnings for 2013 as an interim dividend. The amount of dividend No.57 was therefore Ch\$6.0468 per share, payable from January 14, 2014.

### Provision for minimum dividend

In accordance with the policy described in Note 2.2. J, the Society has made no provision for the minimum dividend as of December 31, 2014. As of December 31, 2012 were paid ThCh\$924,524 against the earnings for the previous period.



## Accumulated earnings

The amounts booked for revaluation of land and intangible assets and other adjustments on 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 their use or sale, as established in IAS 16 and Circular 456 of June 20, 2008 of the SVS. Also included is the amount corresponding to the actuarial gains and losses determined since 2009, as a result of variations in the obligations for defined benefit plans. The balances as of December 31, 2014 and December 31, 2013 are ThCh\$297,097,777 and ThCh\$302,875,246 respectively.

As of December 31, 2013, Aguas Cordillera S.A. sold some water rights which generated an adjustment to the first-adoption reserve of ThCh\$82,798. During the same period, Aguas Andinas S.A. sold land revalued under the first-adoption exception which generated the application of the reserve for ThCh\$59,075.

The reduction for transfers and other changes of ThCh\$5,496,263, is the impact of differences in assets and liabilities for deferred taxes that have occurred as a direct effect of the increase in the corporate income tax rate introduced by Law 20,780, and booked to equity in accordance with the instructions given in Circular No. 856 published by the Superintendency of Securities and Insurance on October 17, 2014.

In addition, were made modifications to the calculation parameters in the actuarial earnings and losses on compensation, which generated a register in accumulated results of ThCh\$1,172,899 (see note 2.0)

## 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 December 31, 2014 and December 31, 2013 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 companies under common control made in 2007 and 2008. The balance as of December 31, 2014 and December 31, 2013 is ThCh\$-5,965,550 in each period.

## 4. EQUITY ATTRIBUTABLE TO NON-CONTROLLER PARTICIPATIONS

The detail by society of the effects caused by the participation of third parties in the equity and results as of December 31, 2014 and 2013 is as follows:



Society	% Participation		Non- controller participations			
	31-12-2014	31-12-2013	31-12-2014		31-12-2013	
	%	%	Equity ThCh\$	Result ThCh\$	Equity ThCh\$	Result ThCh\$
Aguas Cordillera S.A.	0,00997%	0,00997%	19.466	2.121	20.268	1.830
Essal S.A. (1)	46,49350%	46,49350%	55.614.686	3.635.913	61.107.294	3.031.755
<b>Total</b>			<b>55.634.152</b>	<b>3.638.034</b>	<b>61.127.562</b>	<b>3.033.585</b>

(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.

The amount recorded in non-controlling interests is the impact of changes in corporate income tax on equity, according to the provisions of Circular No. 856 issued by the Superintendency of Securities and Insurance, for ThCh\$3,895,560.

The amount corresponding to the actuarial earnings and losses due to the modifications in the calculation parameters amounted to ThCh\$14,090.

## 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	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
<b>Other earnings</b>		
Gain on sale of non-current assets, not held for sale	481.205	74.674
Other losses	-66.719	-3.889
<b>Total</b>	<b>414.486</b>	<b>70.785</b>
<b>Financial Costs</b>		
Bank loans	-4.667.943	-5.538.544
AFR interest expenses	-4.662.188	-4.545.056
Bond interest expense	-18.099.258	-17.646.854
Other interest costs	-730.749	-316.229
Amortization of loan agreement complementary costs	-2.578.618	-839.157
<b>Total</b>	<b>-30.738.756</b>	<b>-28.885.840</b>
<b>Financial Revenues</b>		
Interest income	4.494.489	6.246.530
Gain on redemption & extinction of debt	809.346	719.322
<b>Total</b>	<b>5.303.835</b>	<b>6.965.852</b>





## 6. FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

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

### Statement of financial position of subsidiaries (summarized) as of December 31, 2014

31-12-2014 Subsidiaries	Current assets ThCh\$	Non-current assets ThCh\$	Current liabilities ThCh\$	Non-current liabilities ThCh\$	Equity ThCh\$
Aguas Cordillera S.A.	20.751.194	243.394.965	14.691.450	54.212.972	195.241.737
Aguas Manquehue S.A.	4.473.100	71.239.462	7.114.700	18.465.022	50.132.840
Inversiones Iberaguas Ltda.	2.386.677	65.102.306	44.714	0	67.444.269
Empresa de Servicios Sanitarios de Los Lagos S.A.	14.736.199	133.248.212	14.019.578	58.698.964	75.265.869
Ecoriles S.A.	4.460.897	349.256	1.824.643	0	2.985.510
Gestión y Servicios S.A.	6.617.684	378.776	2.473.253	76.560	4.446.647
Análisis Ambientales S.A.	3.605.573	1.507.230	1.139.501	0	3.973.302
Aguas del Maipo S.A.	2.272.296	8.569.107	410.504	34.092	10.396.807

### Statement of comprehensive results of subsidiaries (summarized) as of December 31, 2014

31-12-2014 Subsidiaries	Result for the period ThCh\$	Ordinary revenue ThCh\$	Operating expenses (-) ThCh\$	Other net expenses (-) / revenue (+) ThCh\$
Aguas Cordillera S.A.	21.275.864	48.830.273	-28.797.317	1.242.908
Aguas Manquehue S.A.	5.249.916	12.371.031	-5.820.842	-1.300.273
Inversiones Iberaguas Ltda.	5.831.132	5.061	-5.515	5.831.586
Empresa de Servicios Sanitarios de Los Lagos S.A.	11.519.412	45.158.426	-25.836.974	-7.802.040
Ecoriles S.A.	1.640.245	11.865.133	-9.872.519	-352.369
Gestión y Servicios S.A.	454.183	8.951.259	-8.387.024	-110.052
Análisis Ambientales S.A.	1.090.093	6.603.852	-5.283.498	-230.261
Aguas del Maipo S.A.	682.044	772.291	-563.449	473.202



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

<b>31-12-2013</b>	<b>Current assets</b>	<b>Non-current assets</b>	<b>Current liabilities</b>	<b>Non-current liabilities</b>	<b>Equity</b>
<b>Subsidiaries</b>	<b>ThCh\$</b>	<b>ThCh\$</b>	<b>ThCh\$</b>	<b>ThCh\$</b>	<b>ThCh\$</b>
Aguas Cordillera S.A.	22.101.279	236.931.260	26.668.425	29.081.201	203.282.913
Aguas Manquehue S.A.	5.848.456	61.779.211	5.478.224	14.413.065	47.736.378
Inversiones Iberaguas Ltda.	2.134.761	67.327.751	24.090	0	69.438.422
Empresa de Servicios Sanitarios de Los Lagos S.A.	15.763.160	130.139.567	12.806.767	53.466.475	79.629.485
Ecoriles S.A.	4.396.638	300.765	1.334.144	0	3.363.259
Gestión y Servicios S.A.	6.485.193	422.369	2.130.391	64.668	4.712.503
Análisis Ambientales S.A.	3.673.948	1.343.539	716.039	0	4.301.448
Aguas del Maipo S.A.	1.483.124	8.681.362	221.386	25.895	9.917.205

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

<b>31-12-2013</b>	<b>Result for the period</b>	<b>Ordinary revenue</b>	<b>Operating expenses (-)</b>	<b>Other net expenses (-) / revenue (+)</b>
<b>Subsidiaries</b>	<b>ThCh\$</b>	<b>ThCh\$</b>	<b>ThCh\$</b>	<b>ThCh\$</b>
Aguas Cordillera S.A.	18.358.198	45.726.292	-26.687.890	-680.204
Aguas Manquehue S.A.	3.662.976	9.204.103	-4.707.977	-833.150
Inversiones Iberaguas Ltda.	5.453.869	0	-5.098	5.458.967
Empresa de Servicios Sanitarios de Los Lagos S.A.	10.735.266	40.442.239	-23.997.322	-5.709.651
Ecoriles S.A.	1.539.224	12.402.284	-10.542.408	-320.652
Gestión y Servicios S.A.	596.273	9.925.119	-9.107.218	-221.628
Análisis Ambientales S.A.	1.129.858	5.839.345	-4.505.730	-203.757
Aguas del Maipo S.A.	850.339	760.846	-673.083	762.576

**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:



Name of significant subsidiary	Aguas Cordillera S.A.	Aguas Manquehue S.A.	Essal S.A.
Country	Chile	Chile	Chile
Functional currency	Chilean Pesos	Chilean Pesos	Chilean Pesos
Percentage share in significant subsidiary	99,99003%	100,00000%	53,50650%
Percentage voting rights in significant subsidiary	99,99003%	100,00000%	53,50650%
<b>Percentage of consolidated values</b>			
Contribution margin	9,66%	3,16%	6,63%
Property, plant and equipment	7,32%	3,77%	16,40%

## 7. CASH AND CASH EQUIVALENTS

The composition is as follows:

Cash and cash equivalents	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Banks	2.747.248	3.343.981
Time deposits (Note 8.6)	23.454.906	35.315.000
<b>Total</b>	<b>26.202.154</b>	<b>38.658.981</b>

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 proceeds:** 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 has 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 a going concern 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 accounting criteria, the bases of measurement and the bases on which the revenues and expenses are booked, with respect to each class of financial assets and financial obligations, are described in Notes 2H, 2L and 2M to these consolidated financial statements.

## 8.3 Classes of financial instruments

Classes of financial instruments			31-12-2014	31-12-2013
			ThCh\$	ThCh\$
<b>Trade debtors</b>			<b>96.757.009</b>	<b>89.828.072</b>
<b>Trade debtors, current</b>			<b>94.559.029</b>	<b>87.948.310</b>
Trade debtors & other accounts receivable, current	CLP	8.5	94.510.475	87.911.113
Trade debtors & other accounts receivable, current	USD	8.5	30.233	24.366
Trade debtors & other accounts receivable, current	EUR	8.5	18.321	12.831
<b>Fees receivable, non-current</b>			<b>2.197.980</b>	<b>1.879.762</b>
Fees receivable, non-current	CLP		2.197.980	1.879.762
<b>Other financial liabilities, current</b>			<b>56.680.231</b>	<b>93.620.208</b>
Bank loans	CLP	8.4	21.118.729	8.119.586
Bonds	CLP	8.4	33.176.766	81.065.933
Reimbursable financial contributions (AFR)	CLP	8.4	2.384.736	4.434.689
<b>Other financial liabilities, non-current</b>	CLP	8.4	<b>698.421.729</b>	<b>626.272.073</b>
Bank loans	CLP	8.4	90.504.265	70.467.745
Bonds	CLP	8.4	456.075.129	430.733.178
Reimbursable financial contributions (AFR)	CLP	8.4	151.842.335	125.071.150
<b>Trade creditors</b>			<b>85.008.730</b>	<b>91.898.910</b>
<b>Trade accounts &amp; other accounts payable, current</b>			<b>83.324.297</b>	<b>90.036.301</b>
Trade accounts & other accounts payable, current	CLP	8.7	83.181.583	89.781.336
Trade accounts & other accounts payable, current	USD	8.7	102.359	191.010
Trade accounts & other accounts payable, current	EUR	8.7	40.355	63.955
<b>Other accounts payable, non-current</b>			<b>1.684.433</b>	<b>1.862.609</b>
Other accounts payable, non-current	CLP	8.7	1.684.433	1.862.609



## **8.4 Information on financial liabilities**

### **Other financial liabilities**

Other financial liabilities include bank loans, bonds and reimbursable financial contributions (AFRs) are valued at amortized cost, as explained below:

### **Reimbursable financial contributions (AFRs)**

In accordance with 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 December 31, 2014 and December 31, 2013 is as follows:

**Bank loan balances, current period.**

<b>Debtor tax no.</b>	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	96.809.310-K	
<b>Debtor name</b>	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Cordillera S.A.	
<b>Debtor country</b>	Chile	Chile	Chile	Chile	Chile	
<b>Creditor Tax N°</b>	97.032.000-8	97.004.000-5	97.036.000-K	97.006.000-6	97.032.000-8	
<b>Bank or financial institution</b>	BANCO BBVA	BANCO DE CHILE	BANCO SANTANDER	BANCO BCI	BANCO BBVA	
<b>Currency or indexation unit</b>	CLP	CLP	CLP	CLP	CLP	
<b>Repayment</b>	Semi-annual	Semi-annual	Semi-annual	At maturity	Semi-annual	
<b>Effective rate</b>	4,05%	5,33%	5,06%	4,05%	4,01%	
<b>Nominal rate</b>	4,00%	4,58%	4,00%	4,05%	4,01%	
<b>Nominal values</b>						
<b>To 1 year</b>	<b>2.660.318</b>	<b>8.260.313</b>	<b>9.669.458</b>	<b>283.337</b>	<b>281.250</b>	<b>21.154.676</b>
To 90 days	1.421.131	4.634.817		283.337	281.250	6.620.535
Over 90 days to 1 year	1.239.187	3.625.496	9.669.458			14.534.141
<b>Over 1 year to 3 years</b>	<b>10.621.600</b>	<b>40.631.070</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51.252.670</b>
Over 1 year to 2 years	10.621.600	7.235.670				17.857.270
Over 2 years to 3 years	0	33.395.400				33.395.400
<b>Over 3 years to 5 years</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19.270.304</b>	<b>20.000.000</b>	<b>39.270.304</b>
Over 3 years to 4 years						0
Over 4 years to 5 years				19.270.304	20.000.000	39.270.304
Over 5 years						0
<b>Total nominal values</b>	<b>13.281.918</b>	<b>48.891.383</b>	<b>9.669.458</b>	<b>19.553.641</b>	<b>20.281.250</b>	<b>111.677.650</b>
<b>Book values</b>						
<b>Current bank loans</b>	<b>2.655.424</b>	<b>8.232.231</b>	<b>9.666.486</b>	<b>283.338</b>	<b>281.250</b>	<b>21.118.729</b>
To 90 days	1.416.237	4.614.396		283.338	281.250	6.595.221
Over 90 days to 1 year	1.239.187	3.617.835	9.666.486			14.523.508
<b>Non-current bank loans</b>	<b>10.618.835</b>	<b>40.615.126</b>	<b>0</b>	<b>19.270.304</b>	<b>20.000.000</b>	<b>90.504.265</b>
<b>Over 1 year to 3 years</b>	<b>10.618.835</b>	<b>40.615.126</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51.233.961</b>
Over 1 year to 2 years	10.618.835	7.232.831				17.851.666
Over 2 years to 3 years	0	33.382.295				33.382.295
<b>Over 3 years to 5 years</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19.270.304</b>	<b>20.000.000</b>	<b>39.270.304</b>
Over 3 years to 4 years						0
Over 4 years to 5 years					20.000.000	20.000.000
Over 5 years				19.270.304		19.270.304
<b>Total bank loans</b>	<b>13.274.259</b>	<b>48.847.357</b>	<b>9.666.486</b>	<b>19.553.642</b>	<b>20.281.250</b>	<b>111.622.994</b>

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

Nominal value = principal+accrued interest at issue rate - interest and principal payments





The detail of reimbursable financial contributions as of December 31, 2014 and December 31, 2013 is as follows:

### Reimbursable financial contributions, current portion

Registration No. or Identification of the Instrument	Currency indexation unit	Residual UF 31-12-2014	Book value		Contract real interest rate	Effective rate	Placement in Chile or abroad	Issuer	Issuer tax No.	Repayment	Secured (Yes/No)
			31-12-2014 ThCh\$	31-12-2013 ThCh\$							
AFR	UF	77.635	2.217.213	2.022.813	2,59%	2,51%	Chile	Aguas Andinas S.A	61.808.000-5	At maturity	No
AFR	UF	8.632	167.523	2.175.404	2,52%	2,44%	Chile	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	0	0	236.472	-	-	Chile	Aguas Manquehue S.A	89.221.000-4	At maturity	No
<b>Total</b>		<b>86.267</b>	<b>2.384.736</b>	<b>4.434.689</b>							

### Reimbursable financial contributions, non-current portion

Registration No. or Identification of the Instrument	Currency indexation unit	Residual UF 31-12-2014	Book value		Maturity Date	Contract real interest rate	Effective rate	Issuer	Issuer tax No.	Repayment	Secured (Yes/No)
			31-12-2014 ThCh\$	31-12-2013 ThCh\$							
AFR	UF	4.321.273	107.509.452	89.233.486	25-09-2029	3,91%	3,79%	Aguas Andinas S.A	61.808.000-5	At maturity	No
AFR	UF	1.078.867	26.858.207	21.980.886	11-09-2029	4,14%	3,98%	Aguas Cordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	450.149	11.192.604	8.707.256	22-04-2029	3,79%	3,63%	Aguas Manquehue S.A	89.221.000-4	At maturity	No
AFR	UF	255.088	6.282.072	5.149.522	01-12-2029	3,70%	3,70%	Essal S.A.	96.579.800-5	At maturity	No
<b>Total</b>		<b>6.105.377</b>	<b>151.842.335</b>	<b>125.071.150</b>							





The detail of bonds outstanding as of December 31, 2014 and December 31, 2013 is as follows:

### Total public obligations, current period

Debtor tax no.	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	96.579.800-5
Debtor name	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Essal S.A.
Debtor country	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile
Registration number	580	305	527	580	580	629	630	654	654	655	346	346	284
Series	BAGUA-I	BAGUA-J	BAGUA-K	BAGUA-M	BAGUA-N	BAGUA-P	BAGUA-Q	BAGUA-R	BAGUA-S	BAGUA-U	BAGUA-V	BAGUA-W	BESAL-B
Final maturity	01-12-2015	01-12-2018	01-10-2016	01-04-2031	01-10-2016	01-10-2033	01-06-2032	01-04-2019	01-04-2035	01-04-2037	01-04-2037	01-06-2037	01-06-2028
Currency or indexation unit	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF
Repayment	Semi-annual	At maturity	Semi-annual	At maturity	At maturity	At maturity	At maturity	Semi-annual	At maturity	At maturity	At maturity	At maturity	Semi-annual
Effective rate	4,18%	3,07%	4,06%	3,36%	3,81%	3,94%	3,67%	3,93%	3,81%	3,50%	3,48%	3,16%	6,63%
Nominal rate	3,70%	4,00%	2,90%	4,20%	3,17%	3,86%	4,00%	3,30%	3,90%	3,80%	3,60%	3,30%	6,00%
Nominal values													
To 1 year	17.785.688	81.286	4.032.515	447.868	242.054	353.097	134.122	5.674.212	546.967	463.556	427.256	154.501	2.851.558
To 90 days	0												0
Over 90 days to 1 year	17.785.688	81.286	4.032.515	447.868	242.054	353.097	134.122	5.674.212	546.967	463.556	427.256	154.501	2.851.558
Over 1 year to 3 years	0	0	8.865.756	0	30.783.875	0	0	10.945.378	0	0	0	0	5.703.116
Over 1 year to 2 years	0	0	8.865.756	0	30.783.875	0	0	5.472.689	0	0	0	0	5.703.116
Over 2 years to 3 years	0	0	0	0	0	0	0	5.472.689	0	0	0	0	5.472.689
Over 3 years to 5 years	0	24.627.100	0	43.097.425	0	36.940.650	40.634.715	8.209.034	56.642.330	49.254.200	49.254.200	56.642.330	34.015.405
Over 3 years to 4 years	0	24.627.100	0	0	0	0	0	5.472.689	0	0	0	0	5.703.116
Over 4 years to 5 years	0	0	0	0	0	0	0	2.736.345	0	0	0	0	2.736.345
Over 5 years	0	0	0	43.097.425	0	36.940.650	40.634.715	0	56.642.330	49.254.200	49.254.200	56.642.330	28.312.289
Total nominal values	17.785.688	24.708.386	12.898.271	43.545.293	31.025.929	37.293.747	40.768.837	24.828.624	57.189.297	49.717.756	49.681.456	56.796.831	42.570.079
Book values													
Current public obligations	17.749.996	49.871	4.015.190	458.370	190.005	361.505	145.966	5.645.619	540.078	460.813	427.256	196.146	2.935.951
To 90 days	0												0
Over 90 days to 1 year	17.749.996	49.871	4.015.190	458.370	190.005	361.505	145.966	5.645.619	540.078	460.813	427.256	196.146	2.935.951
Non-current public obligations	0	24.509.817	8.858.638	43.333.829	30.770.796	37.156.440	40.911.569	19.035.918	56.449.179	49.161.239	49.254.200	57.688.997	38.944.507
Over 1 year to 3 years	0	0	8.858.638	0	30.770.796	0	0	10.892.714	0	0	0	0	5.579.274
Over 1 year to 2 years	0	0	8.858.638	0	30.770.796	0	0	5.446.357	0	0	0	0	5.579.274
Over 2 years to 3 years	0	0	0	0	0	0	0	5.446.357	0	0	0	0	5.446.357
Over 3 years to 5 years	0	24.509.817	0	43.333.829	0	37.156.440	40.911.569	8.143.204	56.449.179	49.161.239	49.254.200	57.688.997	33.365.233
Over 3 years to 4 years	0	24.509.817	0	0	0	0	0	5.446.357	0	0	0	0	5.579.274
Over 4 years to 5 years	0	0	0	0	0	0	0	2.710.013	0	0	0	0	2.710.013
Over 5 years	0	0	0	43.333.829	0	37.156.440	40.911.569	-13.166	56.449.179	49.161.239	49.254.200	57.688.997	27.785.959
Total public obligations	17.749.996	24.559.688	12.873.828	43.792.199	30.960.801	37.517.945	41.057.535	24.681.537	56.989.257	49.622.052	49.681.456	57.885.143	41.880.458

### Total public obligations, previous period



Debtor tax no.	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	61.808.000-5	96.579.800-5
Debtor name	Aguas Andinas S.A	Aguas Andinas S.A	Aguas Andinas S.A	Aguas Andinas S.A	Aguas Andinas S.A	Aguas Andinas S.A	Aguas Andinas S.A	Aguas Andinas S.A	Aguas Andinas S.A	Aguas Andinas S.A	Aguas Andinas S.A	Aguas Andinas S.A	Essal S.A.
Debtor country	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile
Registration number	305	527	580	580	629	630	654	654	655	346	346	713	284
Series	BAGUA-F	BAGUA-G	BAGUA-I	BAGUA-J	BAGUA-K	BAGUA-M	BAGUA-N	BAGUA-P	BAGUA-Q	BAGUA-R	BAGUA-S	BAGUA-U	BESAL-B
Final maturity	01-12-2026	01-04-2014	01-12-2015	01-12-2018	01-10-2016	01-04-2031	01-10-2016	01-10-2033	01-06-2032	01-04-2019	01-04-2035	01-04-2036	01-06-2028
Currency or indexation unit	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF
Repayment	Semi-annual	At maturity	Semi-annual	At maturity	Semi-annual	At maturity	At maturity	At maturity	At maturity	At maturity	At maturity	At maturity	Semi-annual
Effective rate	4,68%	3,39%	4,03%	4,17%	3,08%	4,14%	3,33%	3,81%	3,94%	3,62%	3,93%	3,81%	6,63%
Nominal rate	4,15%	3,00%	3,70%	4,00%	2,90%	4,20%	3,17%	3,86%	4,00%	3,30%	3,90%	3,80%	6,00%
Nominal values													
To 1 year	6.407.071	58.707.720	7.533.126	76.937	3.843.621	423.908	224.496	327.485	124.393	186.906	507.292	2.846.697	2.699.001
To 90 days	272.974	433.820	74.067	76.937	114.091	423.908	224.496	327.485	124.393	186.906	507.292	201.980	0
Over 90 days to 1 year	6.134.097	58.273.900	7.459.059	0	3.729.530	0	0	0	0	0	0	2.644.717	2.699.001
Over 1 year to 3 years	12.268.194	0	16.782.883	0	12.120.972	0	29.136.950	0	0	10.359.804	0	0	6.046.546
Over 1 year to 2 years	6.134.097	0	16.782.883	0	3.729.530	0	0	0	0	5.179.902	0	0	3.023.273
Over 2 years to 3 years	6.134.097	0	0	0	8.391.442	0	29.136.950	0	0	5.179.902	0	0	3.023.273
Over 3 years to 5 years	61.340.925	0	0	23.309.560	0	40.791.673	0	34.964.340	38.460.774	12.949.755	53.611.988	46.619.120	34.767.662
Over 3 years to 4 years	6.134.097	0	0	0	0	0	0	0	0	5.179.902	0	0	3.023.273
Over 4 years to 5 years	6.134.097	0	0	23.309.560	0	0	0	0	0	5.179.902	0	0	3.023.273
Over 5 years	49.072.731	0	0	0	0	40.791.673	0	34.964.340	38.460.774	2.589.951	53.611.988	46.619.120	28.721.116
Total nominal values	80.016.190	58.707.720	24.316.009	23.386.497	15.964.593	41.215.581	29.361.446	35.291.825	38.585.167	23.496.465	54.119.280	49.465.817	43.513.209
Book values													
Current public obligations	6.105.922	58.654.377	7.465.304	46.104	3.820.445	434.930	187.480	342.308	138.264	142.219	510.948	435.962	2.781.670
To 90 days	272.974	433.820	74.067	46.104	114.091	434.930	187.480	342.308	138.264	142.219	510.948	435.962	192.827
Over 90 days to 1 year	5.832.948	58.220.557	7.391.237	0	3.706.354	0	0	0	0	0	0	0	2.588.843
Non-current public obligations	71.667.323	0	16.747.187	23.157.374	12.096.556	41.058.203	29.060.917	35.188.538	38.747.406	23.139.396	53.411.981	46.523.512	39.934.785
Over 1 year to 3 years	11.944.562	0	16.747.187	0	12.096.556	0	29.060.917	0	0	10.284.176	0	0	5.916.262
Over 1 year to 2 years	5.972.281	0	16.747.187	0	3.722.017	0	0	0	0	5.142.088	0	0	2.958.131
Over 2 years to 3 years	5.972.281	0	0	0	8.374.539	0	29.060.917	0	0	5.142.088	0	0	2.958.131
Over 3 years to 5 years	59.722.761	0	0	23.157.374	0	41.058.203	0	35.188.538	38.747.406	12.855.220	53.411.981	46.523.512	34.018.523
Over 3 years to 4 years	5.972.281	0	0	0	0	0	0	0	0	5.142.088	0	0	2.958.131
Over 4 years to 5 years	5.972.281	0	0	23.157.374	0	0	0	0	0	5.142.088	0	0	2.958.131
Over 5 years	47.778.199	0	0	0	0	41.058.203	0	35.188.538	38.747.406	2.571.044	53.411.981	46.523.512	28.102.261
Total public obligations	77.773.245	58.654.377	24.212.491	23.203.478	15.917.001	41.493.133	29.248.397	35.530.846	38.885.670	23.281.615	53.922.929	46.959.474	42.716.455



## 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 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	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Gross exposure per balance sheet for risks of accounts receivable	133.672.007	121.803.399
Gross exposure per estimates of risks of accounts receivable	-36.915.040	-31.975.327
<b>Net exposure, risk concentration</b>	<b>96.756.967</b>	<b>89.828.072</b>

Movement of credit risk, accounts receivable	ThCh\$
<b>Initial balance at 01-01-2014</b>	31.975.327
Increase in existing provisions	5.189.375
Reductions	-249.662
<b>Changes, total</b>	4.939.713
<b>Closing balance at 31-12-2014</b>	<b>36.915.040</b>



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

Ageing of debt	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Less than three months	93.967.247	85.149.909
Three to six months	1.267.420	2.537.104
Six to eight months	654.829	1.014.474
More than eight months	37.782.511	33.101.912
<b>Total</b>	<b>133.672.007</b>	<b>121.803.399</b>

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

Past-due debt	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Less than three months	9.035.546	10.199.591
Three to six months	993.925	1.289.628
Six to eight months	570.545	624.320
More than eight months	35.100.759	30.837.880
<b>Total</b>	<b>45.700.775</b>	<b>42.951.419</b>

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 a 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 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)

Balance at 31-12-2014	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	7.197.279	4,41%	16.625.683	4,14%	58.039.090	4,45%	22.756.624	4,05%	19.655.710	4,01%
Bonds	-	-	47.991.340	3,60%	94.158.231	3,52%	62.625.612	3,50%	576.048.835	3,50%
AFR	397.486	2,33%	2.001.460	2,84%	44.052.033	4,50%	29.164.036	3,77%	134.462.700	3,65%
<b>Total</b>	<b>7.594.765</b>		<b>66.618.483</b>		<b>196.249.354</b>		<b>114.546.272</b>		<b>730.167.245</b>	

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

Debt instruments	Rate	%
Bank loans	Variable	14,75%
Bonds	UF	64,73%
AFR	UF	20,52%
<b>Total</b>		<b>100,00%</b>

### 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%.

Society	Nominal amount of debt ThCh\$	Variable rate	Points (+/-)	Impact on result ThCh\$ (+/-)
				ThCh\$
Consolidated Aguas Andinas	111.669.989	TAB 180 days	151	1.689.867

For loans based on 180-day TAB, the positive or negative change in nominal TAB of 151 basis points, calculated annually, would have an impact on results of +/- ThCh\$1,689,867.



## 8.6 Cash equivalents.

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

Society	Instruments	31-12-2014	31-12-2013
		ThCh\$	ThCh\$
Aguas Andinas S.A.	Time deposit	8.600.000	11.515.000
Aguas Cordillera S.A.	Time deposit	7.010.000	12.350.000
Aguas Manquehue S.A.	Time deposit	1.100.000	3.080.000
Aguas del Maipo S.A.	Time deposit	2.050.000	750.000
Análisis Ambientales S.A.	Time deposit	1.855.000	1.300.000
Gestión y Servicios S.A.	Time deposit	0	115.000
Eco-Riles S.A.	Time deposit	800.000	805.000
ESSAL S.A.	Time deposit	2.039.906	5.400.000
<b>Total (cash equivalent)</b>		<b>23.454.906</b>	<b>35.315.000</b>

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 effective equity of the mutual fund and time deposits, 10% of the bank's equity.

## 8.7 Trade creditors and other accounts payable

The principal concepts included in this account are the following:



Trade creditors & other accounts payable, current	Currency or indexation unit	31-12-2014 ThCh\$	31-12-2013 ThCh\$
Dividends	CLP	21.627.533	20.474.967
Taxes (VAT, prepayments, sole tax, others)	CLP	13.326.163	11.600.092
Suppliers for investments in progress	CLP	17.252.171	17.704.910
Personnel	CLP	2.795.596	2.638.281
Suppliers (expense)	CLP	10.846.749	13.967.086
Suppliers (expense)	USD	102.359	99.767
Suppliers (expense)	EUR	40.355	63.955
Suppliers (investment)	CLP	2.331.895	3.693.728
Accrued services	CLP	13.787.483	17.391.986
Accrued services	USD	0	91.243
AFR (expense)	CLP	591.800	1.641.618
Others (expense)	CLP	594.349	609.461
Others (investment)	CLP	27.844	59.207
<b>Sub-total current</b>		<b>83.324.297</b>	<b>90.036.301</b>
AFR water	CLP	531.838	523.620
Suppliers for investments in progress	CLP	1.082.200	1.268.889
Sundry creditors	CLP	70.395	70.100
<b>Sub total non-current</b>		<b>1.684.433</b>	<b>1.862.609</b>
<b>Total current &amp; non-current</b>		<b>85.008.730</b>	<b>91.898.910</b>

### Current trade accounts:

#### Current period

Current trade accounts according to term	31-12-2014			
	Goods	Services	Other	Total
To 30 days	868.191	1.230.016	62.034	2.160.241
From 31 to 60 days	179.892	23.766	663	204.321
From 61 to 90 days	19.937	0	0	19.937
From 91 to 120 days	0	10	0	10
From 121 to 365 days	0	145.008	0	145.008
More than 365 days	0	0	0	0
<b>Total</b>	<b>1.068.020</b>	<b>1.398.800</b>	<b>62.697</b>	<b>2.529.517</b>



**Previous period**

Current trade accounts according to term	31-12-2013			
	Goods	Services	Other	Total
To 30 days	1.123.586	3.117.406	37.442	4.278.434
From 31 to 60 days	280.181	54.309	0	334.490
From 61 to 90 days	267.171	1.492.646	0	1.759.817
From 91 to 120 days	0	6.666	0	6.666
From 121 to 365 days	9.134	3.618	0	12.752
More than 365 days	0	0	0	0
<b>Total</b>	<b>1.680.072</b>	<b>4.674.645</b>	<b>37.442</b>	<b>6.392.159</b>

**Overdue trade accounts:****Current period**

Overdue trade accounts according to term	31-12-2014			
	Goods	Services	Other	Total
To 30 days	51.831	157.612	3.990	213.433
From 31 to 60 days	37.808	11.473	2.600	51.881
From 61 to 90 days	2.943	173.924	144	177.011
From 91 to 120 days	1.122	39.562	0	40.684
From 121 to 365 days	42.596	141.517	8.142	192.255
More than 365 days	16.087	24.133	184	40.404
<b>Total</b>	<b>152.387</b>	<b>548.221</b>	<b>15.060</b>	<b>715.668</b>

**Previous period**

Overdue trade accounts according to term	31-12-2013			
	Goods	Services	Other	Total
To 30 days	15.744	41.774	184	57.702
From 31 to 60 days	20.517	2.176	0	22.693
From 61 to 90 days	591	3.356	0	3.947
From 91 to 120 days	32	0	0	32
From 121 to 365 days	10.152	13.143	0	23.295
More than 365 days	5.635	13.006	0	18.641
<b>Total</b>	<b>52.671</b>	<b>73.455</b>	<b>184</b>	<b>126.310</b>





## 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 obligations, including those that are not shown at fair value in the statement of financial position:

	31-12-2014	
	Amortized cost ThCh\$	Fair value ThCh\$
<b>Investments booked at fair value</b>	<b>23.454.906</b>	<b>23.454.906</b>
Time deposits	23.454.906	23.454.906
<b>Other financial liabilities</b>	<b>755.101.960</b>	<b>793.131.535</b>
<b>Financial liabilities booked at amortized cost</b>	<b>755.101.960</b>	<b>793.131.535</b>
Bank debt	111.622.994	113.665.811
Bonds	489.251.895	525.238.653
AFR	154.227.071	154.227.071

### Methodology and assumptions used in the calculation of fair value

The fair values of financial assets and liabilities were 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 cash disbursement.



## **Booking hierarchy of fair value measurements in the consolidated financial 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 from 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**

These mainly relate to the acquisition of shares in Sociedad Eléctrica Puntilla S.A. (EPSA) for a total amount of ThCh\$7,395,680 as of December 31, 2014 and December 31, 2013 (see Note 2.2, h, ii), over which the Group has no control or significant influence. The balance of ThCh\$17,517 relates to other financial investments in both periods.

### **8.10 Other non-financial liabilities**

This is deferred income reflecting an obligation by the Company to the Asociación Sociedad de Canalistas del Maipo not to move the location of current water rights, for ThCh\$7,294,709 as of December 31, 2014 and December 31, 2013. The balance of ThCh\$511,135 and ThCh\$593,337 respectively is mainly related to agreements with real estate developers.

## **9. INFORMATION ON RELATED ENTITIES**

### **Balances and transactions with related entities**

Transactions between the Society and its subsidiaries are in line with 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	31-12-2014	31-12-2013
								ThCh\$	ThCh\$
96.713.610-7	Agbar Chile S.A.	Related to the controller	CL	Laboratory analysis and sampling services	CLP	30 days	Unsecured	2.275	2.289
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	CL	Sewage & liquid waste analysis services	CLP	30 days	Unsecured	6.729	10.378
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Laboratory analysis and sampling services	CLP	30 days	Unsecured	59.825	26.107
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Units's cleaning	CLP	30 days	Unsecured	1.800	
<b>Total</b>								<b>70.629</b>	<b>38.774</b>

## Accounts payable to related entities

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction with related party	Currency	Term	Security	31-12-2014	31-12-2013
								ThCh\$	ThCh\$
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Hydraulic efficiency project	CLP	30 days	Unsecured	1.086.207	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Change of Method Adsorption of arsenic to Quilicura plant	CLP	30 days	Unsecured	31.932	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Ice-Pigging network cleaning service contract	CLP	30 days	Performance bond ThCh\$26,600	103.211	137.081
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Lo Pinto project	CLP	30 days	Guarantee UF22.470	2.357.458	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Design, construction & start-up contract of La Unión percolated filter	CLP	30 days	Performance bond ThCh\$95,869	93.112	216.567
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Construction and expansion of sludge line La Union	CLP	30 days	Performance bond ThCh\$47,110	74.355	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Update service of the operation and security of dam Pudeto and Gamboa	CLP	30 days	Performance bond ThCh\$705	54.828	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Cleaning & maintenance service sludge anaerobic digester at Talagante sewage treatment plant	CLP	30 days	Performance bond UF2,084	0	261.194
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Modeling odor panels	CLP	30 days	Unsecured	18.523	0
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the controller	CL	Purchase of materials	CLP	60 days	Performance bond ThCh\$27,298	553.550	434.082
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the controller	CL	Consultancy for computer development of self-service system Aguas Andinas S.A.	CLP	30 days	Performance bond UF168	0	29.295
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the controller	CL	Customer management consultancy service	CLP	30 days	Unsecured	0	10.000
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the controller	CL	Implementation of geographic information system Essal S.A.	CLP	30 days	Performance bond UF887	102.652	108.004
76.046.628-K	Asterión S.A.	Related to the controller	CL	Process re-engineering service contract & implementation of new customer service information systems	CLP	30 days	Performance bond ThCh\$845,149	395.343	5.061.598
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	CL	La Farfana sewage treatment plant operation & maintenance services	CLP	30 days	Performance bond UF194,249.62	24.545	2.959.632
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	CL	Digested sludge metanogenic activity	CLP	30 days	Unsecured	0	678
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	CL	Biogas plant operation services	CLP	30 days	Unsecured	37.161	33.699
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	90 days	Performance bond UF357,863	5.039.821	2.190.816
None	Labaqua S.A.	Related to the controller	CL	Sewage analysis technical services	CLP	30 days	Unsecured	0	586
None	Aqua Development Network S.A.	Related to the controller	CL	Training services	CLP	30 days	Unsecured	43.671	0
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	CL	Dividends payable	CLP	30 days	Unsecured	19.467.478	18.537.945
<b>Total</b>								<b>29.483.847</b>	<b>29.981.177</b>



## Transactions

Tax No. related party	Name of related party	Relationship	Country of origin	Transaction	Currency	31-12-14		31-12-13	
						Amount	Effect on results (Charge)/ Credit	Amount	Effect on results (Charge)/ Credit
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	-2.143.238	-403.884	5.200.279	-325.211
None	Aqua Development Network	Related to the controller	CL	Integrated talent management contract	CLP	541.432	-541.432	0	0
76.080.553-K	Aqualogy Solutions Chile Ltda	Related to the controller	CL	Purchase of materials	CLP	2.363.783	-2.363.783	2.453.286	-2.453.286
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Ice-Pigging network cleaning service	CLP	194.074	-194.074	210.515	-210.515
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Lo Pinto project	CLP	3.778.331	0	0	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Hydraulic efficiency project	CLP	1.000.215	0	0	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Design, construction & start-up contract of La Unión percolated filter	CLP	381.247	0	364.230	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Cocule Plant	CLP	392.736	0	0	0
76.148.998-4	Aqualogy Medioambiente Chile S.A.	Related to the controller	CL	Cleaning & maintenance service sludge anaerobic digester at Talagante sewage treatment plant	CLP	0	0	390.494	0
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	CL	Operation & maintenance services El Trebal sewage treatment plant, construction, operation & maintenance Mapocho sewage treatment plant	CLP	13.608.263	-11.939.580	10.826.552	-9.023.394
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	CL	Operation & maintenance services La Farfana sewage treatment plant	CLP	13.091.050	-10.394.397	15.345.115	-12.085.747
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	CL	Operation & maintenance services biogas purification plant	CLP	37.161	-37.161	178.212	-178.212
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	CL	Dividends paid	CLP	19.467.478	0	42.994.433	0

The criteria of materiality for reporting transactions with related entities are accumulated amounts of over ThCh\$100,000.

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

	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Directors	370.884	391.098
Directors' committee	30.298	24.377
<b>Total</b>	<b>401.182</b>	<b>415.475</b>

These are fees related to their functions as members of the board and directors' committee as defined and agreed by the ordinary shareholders' meeting.



**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**

Inventory class	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Spares & meters	3.210.332	2.972.896
Supplies for production	591.598	588.153
Others	101.013	47.040
<b>Total</b>	<b>3.902.943</b>	<b>3.608.089</b>

The cost of the inventories shown as an expense in the statement of results during periods 2014 and 2013 amounts to ThCh\$10,341,300 and ThCh\$10,845,205 respectively.

**11. INTANGIBLE ASSETS OTHER THAN GOODWILL**

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

	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
<b>Intangible assets, net</b>	<b>232.174.750</b>	<b>227.347.269</b>
Trademarks, net	13.000	13.000
Computer programs, net	15.439.243	10.916.343
Other intangible assets, net	216.722.507	216.417.926
<b>Intangible assets, gross</b>	<b>267.732.735</b>	<b>259.153.301</b>
Trademarks, gross	13.000	13.000
Computer programs, gross	38.804.351	30.716.721
Other intangible assets, gross	228.915.384	228.423.580
<b>Intangible assets, accumulated amortization</b>	<b>35.557.985</b>	<b>31.806.032</b>
Trademarks, accumulated amortization	0	0
Computer programs, accumulated amortization	23.365.108	19.800.378
Other intangible assets, accumulated amortization	12.192.877	12.005.654



## Movement of intangible assets

### Movement of intangible assets to December 31, 2014

Intangible asset movements	Trademarks, net ThCh\$	Computer programs, net ThCh\$	Other intangible assets, net ThCh\$	Total ThCh\$
<b>Initial balance at 01-01-2014</b>	<b>13.000</b>	<b>10.916.343</b>	<b>216.417.926</b>	<b>227.347.269</b>
Amortization	0	-5.384.303	-187.223	-5.571.526
Increases (reductions) for transfers	0	3.828.805	-123.156	3.705.649
Increases (reductions) for other changes	0	6.078.398	616.934	6.695.332
Disposals and withdrawals from service	0	0	-1.974	-1.974
<b>Changes, total</b>	<b>0</b>	<b>4.522.900</b>	<b>304.581</b>	<b>4.827.481</b>
<b>Closing balance</b>	<b>13.000</b>	<b>15.439.243</b>	<b>216.722.507</b>	<b>232.174.750</b>

### Movement of intangible assets to December 31, 2013

Intangible asset movements	Trademarks, net ThCh\$	Computer programs, net ThCh\$	Other intangible assets, net ThCh\$	Total ThCh\$
<b>Initial balance at 01-01-2013</b>	<b>13.000</b>	<b>9.304.987</b>	<b>215.954.530</b>	<b>225.272.517</b>
Amortization	0	-3.693.522	-187.223	-3.880.745
Increases (reductions) for transfers	0	1.789.556	72.352	1.861.908
Increases (reductions) for other changes	0	3.515.322	682.458	4.197.780
Disposals and withdrawals from service	0	0	-104.191	-104.191
<b>Changes, total</b>	<b>0</b>	<b>1.611.356</b>	<b>463.396</b>	<b>2.074.752</b>
<b>Closing balance 31-12-2013</b>	<b>13.000</b>	<b>10.916.343</b>	<b>216.417.926</b>	<b>227.347.269</b>

## Disclosure information on intangible assets (gross value)

### Current Period 31-12-2014

Intangible asset movements	Trademarks, gross ThCh\$	Computer programs, gross ThCh\$	Other intangible assets, gross ThCh\$	Total ThCh\$
<b>Initial balance at 01-01-2014</b>	<b>13.000</b>	<b>30.716.721</b>	<b>228.423.580</b>	<b>259.153.301</b>
Increases (reductions) for transfers	0	3.828.805	-123.156	3.705.649
Increases (reductions) for other changes	0	6.078.398	616.934	6.695.332
Disposals and withdrawals from service	0	-1.819.573	-1.974	-1.821.547
<b>Changes, total</b>	<b>0</b>	<b>8.087.630</b>	<b>491.804</b>	<b>8.579.434</b>
<b>Closing balance</b>	<b>13.000</b>	<b>38.804.351</b>	<b>228.915.384</b>	<b>267.732.735</b>



**Previous Period 31-12-2013**

Intangible asset movements	Trademarks, gross ThCh\$	Computer programs, gross ThCh\$	Other intangible assets, gross ThCh\$	Total ThCh\$
<b>Initial balance at 01-01-2013</b>	<b>13.000</b>	<b>25.432.885</b>	<b>227.777.164</b>	<b>253.223.049</b>
Increases (reductions) for transfers	0	1.789.556	72.352	1.861.908
Increases (reductions) for other changes	0	3.494.280	682.458	4.176.738
Disposals and withdrawals from service	0	0	-108.394	-108.394
<b>Changes, total</b>	<b>0</b>	<b>5.283.836</b>	<b>646.416</b>	<b>5.930.252</b>
<b>Closing balance 31-12-2013</b>	<b>13.000</b>	<b>30.716.721</b>	<b>228.423.580</b>	<b>259.153.301</b>

**Disclosure information on intangible assets (accumulated amortization)****Current Period 31-12-2014**

Intangible asset movements	Trademarks, accumulated amortization ThCh\$	Computer programs, accumulated amortization ThCh\$	Other intangible assets, accumulated amortization ThCh\$	Total ThCh\$
<b>Initial balance at 01-01-2014</b>	<b>0</b>	<b>19.800.378</b>	<b>12.005.654</b>	<b>31.806.032</b>
Amortization	0	5.384.303	187.223	5.571.526
Increases (reductions) for transfers	0	0	0	0
Increases (reductions) for other changes	0	0	0	0
Disposals and withdrawals from service	0	-1.819.573	0	-1.819.573
<b>Changes, total</b>	<b>0</b>	<b>3.564.730</b>	<b>187.223</b>	<b>3.751.953</b>
<b>Closing balance</b>	<b>0</b>	<b>23.365.108</b>	<b>12.192.877</b>	<b>35.557.985</b>

**Previous Period 31-12-2013**

Intangible asset movements	Trademarks, accumulated amortization ThCh\$	Computer programs, accumulated amortization ThCh\$	Other intangible assets, accumulated amortization ThCh\$	Total ThCh\$
<b>Initial balance at 01-01-2013</b>	<b>0</b>	<b>16.127.898</b>	<b>11.822.634</b>	<b>27.950.532</b>
Amortization	0	3.693.522	187.223	3.880.745
Increases (reductions) for transfers	0	0	0	0
Increases (reductions) for other changes	0	-21.042	0	-21.042
Disposals and withdrawals from service	0	0	-4.203	-4.203
<b>Changes, total</b>	<b>0</b>	<b>3.672.480</b>	<b>183.020</b>	<b>3.855.500</b>
<b>Closing balance 31-12-2013</b>	<b>0</b>	<b>19.800.378</b>	<b>12.005.654</b>	<b>31.806.032</b>

**Detail of significant individual intangible assets:**

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



Society	31-12-2014			31-12-2013		
	Water rights ThCh\$	Easements ThCh\$	Others ThCh\$	Water rights ThCh\$	Easements ThCh\$	Others ThCh\$
Aguas Andinas S.A.	74.178.930	8.031.096	5.322.126	74.145.612	7.907.294	5.510.142
Aguas Cordillera S.A.	92.438.131	7.866.530	0	92.438.138	7.866.530	0
Aguas Manquehue S.A.	21.625.505	900.294	0	21.275.956	951.812	0
Essal S.A.	5.217.790	1.087.305	0	5.231.660	1.035.982	0
Aguas del Maipo S.A.	13.700	0	0	13.700	0	0
Ecoriles S.A.	13.700	0	0	13.700	0	0
Gestión y Servicios S.A.	13.700	0	0	13.700	0	0
Análisis Ambientales S.A.	13.700	0	0	13.700	0	0
<b>Total</b>	<b>193.515.156</b>	<b>17.885.225</b>	<b>5.322.126</b>	<b>193.146.166</b>	<b>17.761.618</b>	<b>5.510.142</b>

### Intangible assets with undefined 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 the period 2015 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:

Society	ThCh\$
Aguas Andinas S.A.	1.095.474
Aguas Cordillera S.A.	33.750
Aguas Manquehue S.A.	160.300
Essal S.A.	459.802
Análisis Ambientales S.A.	160.000
<b>Total</b>	<b>1.909.326</b>

## 12. GOODWILL

The detail of goodwill follows for the different cash-generating units or groups to which they are assigned and its movement in periods 2014 and 2013.

Tax N°	Society	31-12-2014	31-12-2013
		ThCh\$	ThCh\$
96.809.310-K	Aguas Cordillera S.A.	33.823.049	33.823.049
95.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A. (Essal S.A.)	343.332	343.332
96.897.320-7	Inversiones Iberaguas Ltda.	2.066.631	2.066.631
<b>Total</b>		<b>36.233.012</b>	<b>36.233.012</b>





**13. PROPERTY, PLANT AND EQUIPMENT**

	<b>31-12-2014</b>	<b>31-12-2013</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
<b>Property, plant &amp; equipment, net</b>	<b>1.188.402.068</b>	<b>1.171.182.828</b>
Land	158.072.457	152.074.916
Buildings	74.015.778	72.743.012
Machinery	112.453.483	117.271.761
Transport vehicles	2.441.287	2.151.180
Fixed installations & accessories	591.523	348.018
Computer equipment	2.349.503	2.062.523
Improvements to leased assets	77.977	32.621
Construction in progress	72.421.357	107.134.077
Other property, plant & equipment *	765.978.703	717.364.720
<b>Property, plant &amp; equipment, gross</b>	<b>2.222.113.886</b>	<b>2.158.573.619</b>
Land	158.072.457	152.074.916
Buildings	99.239.758	96.074.956
Machinery	291.343.330	282.654.119
Transport vehicles	6.291.303	6.399.977
Fixed installations & accessories	4.949.375	4.855.235
Computer equipment	8.770.905	11.595.066
Improvements to leased assets	573.520	511.903
Construction in progress	72.421.357	107.134.077
Other property, plant & equipment	1.580.451.881	1.497.273.370
<b>Accumulated depreciation</b>	<b>1.033.711.818</b>	<b>987.390.791</b>
Buildings	25.223.980	23.331.944
Machinery	178.889.847	165.382.358
Transport vehicles	3.850.016	4.248.797
Fixed installations & accessories	4.357.852	4.507.217
Computer equipment	6.421.402	9.532.543
Improvements to leased assets	495.543	479.282
Other property, plant & equipment	814.473.178	779.908.650

\* Mainly relate to drinking water and sewage.

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

The following is information on each of the Company's classes of property, plant and equipment, as required by IAS 16, paragraph 73:



**Current period 31-12-2014**

Concept	Initial balance	Depreciation	Increases (reductions) for transfers from construction in progress	Other increases (decreases)	Disposals & withdrawals from service	Total changes	Closing balance
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Land	152.074.916	0	157.169	5.969.509	-129.137	5.997.541	158.072.457
Buildings	72.743.012	-1.908.062	1.706.562	1.475.844	-1.578	1.272.766	74.015.778
Machinery	117.271.761	-21.281.824	10.264.849	6.362.362	-163.665	-4.818.278	112.453.483
Transport vehicles	2.151.180	-476.826	196.556	656.458	-86.081	290.107	2.441.287
Fixed installations & accessories	348.018	-102.150	136.685	208.970	0	243.505	591.523
Computer equipment	2.062.523	-1.148.146	433.830	1.001.300	-4	286.980	2.349.503
Improvements to leased assets	32.621	-16.261	243	61.374	0	45.356	77.977
Construction in progress	107.134.077	0	-73.806.314	39.182.939	-89.345	-34.712.720	72.421.357
Other property, plant & equipment	717.364.720	-35.720.417	57.204.767	27.209.217	-79.584	48.613.983	765.978.703
Total property, plant & equipment, net	1.171.182.828	-60.653.686	-3.705.653	82.127.973	-549.394	17.219.240	1.188.402.068

**Previous period 31-12-2013**

Concept	Initial balance	Depreciation	Increases (reductions) for transfers from construction in progress	Other increases (decreases)	Disposals & withdrawals from service	Total changes	Closing balance
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Land	151.936.301	0	-72.353	262.776	-51.808	138.615	152.074.916
Buildings	73.170.996	-1.868.323	595.390	848.087	-3.138	-427.984	72.743.012
Machinery	116.776.753	-20.749.890	5.694.226	15.551.505	-833	495.008	117.271.761
Transport vehicles	1.014.333	-543.381	642.836	1.065.763	-28.371	1.136.847	2.151.180
Fixed installations & accessories	385.049	-97.850	30.192	30.628	-1	-37.031	348.018
Computer equipment	2.012.781	-1.027.756	169.563	908.325	-390	49.742	2.062.523
Improvements to leased assets	31.477	-15.113	5.834	10.423	0	1.144	32.621
Construction in progress	91.448.969	0	-29.743.739	45.440.539	-11.692	15.685.108	107.134.077
Other property, plant & equipment	715.524.232	-36.521.831	20.816.144	17.614.024	-67.849	1.840.488	717.364.720
Total property, plant & equipment, net	1.152.300.891	-60.824.144	-1.861.907	81.732.070	-164.082	18.881.937	1.171.182.828



## Disclosure information for property, plant and equipment (gross value)

## Current Period 31-12-2014

Concept	Initial balance	Increases (reductions) for transfers from Construction in progress	Other increases (decreases)	Disposals & withdrawals from service	Total changes	Closing balance
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Land	152.074.916	157.169	5.969.509	-129.137	5.997.541	158.072.457
Buildings	96.074.956	1.706.562	1.475.844	-17.604	3.164.802	99.239.758
Machinery	282.654.119	10.264.849	6.362.374	-7.938.012	8.689.211	291.343.330
Transport vehicles	6.399.977	196.556	638.919	-944.149	-108.674	6.291.303
Fixed installations & accessories	4.855.235	136.685	208.970	-251.515	94.140	4.949.375
Computer equipment	11.595.066	433.830	1.001.288	-4.259.279	-2.824.161	8.770.905
Improvements to leased assets	511.903	243	61.374	0	61.617	573.520
Construction in progress	107.134.077	-73.806.314	39.182.939	-89.345	-34.712.720	72.421.357
Other property, plant & equipment	1.497.273.370	57.204.767	27.226.756	-1.253.012	83.178.511	1.580.451.881
Total property, plant & equipment, gross	2.158.573.619	-3.705.653	82.127.973	-14.882.053	63.540.267	2.222.113.886

## Previous Period 31-12-2013

Concept	Initial balance	Increases (reductions) for transfers from Construction in progress	Other increases (decreases)	Disposals & withdrawals from service	Total changes	Closing balance
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Land	151.936.301	-72.353	262.776	-51.808	138.615	152.074.916
Buildings	94.672.107	595.390	848.087	-40.628	1.402.849	96.074.956
Machinery	264.117.154	5.694.226	14.495.187	-1.652.448	18.536.965	282.654.119
Transport vehicles	4.768.271	642.836	1.065.763	-76.893	1.631.706	6.399.977
Fixed installations & accessories	4.847.101	30.192	30.628	-52.686	8.134	4.855.235
Computer equipment	10.518.469	169.563	908.325	-1.291	1.076.597	11.595.066
Improvements to leased assets	495.646	5.834	10.423	0	16.257	511.903
Construction in progress	91.448.969	-29.743.739	45.440.539	-11.692	15.685.108	107.134.077
Other property, plant & equipment	1.459.722.565	20.816.144	17.284.589	-549.928	37.550.805	1.497.273.370
Total property, plant & equipment, gross	2.082.526.583	-1.861.907	80.346.317	-2.437.374	76.047.036	2.158.573.619



## Disclosure information for property, plant and equipment (accumulated depreciation)

### Current Period 31-12-2014

Concept	Initial balance ThCh\$	Depreciation ThCh\$	Other increases (decreases) ThCh\$	Disposals & withdrawals from service ThCh\$	Total changes ThCh\$	Closing balance ThCh\$
Buildings	23.331.944	1.908.062	0	-16.026	1.892.036	25.223.980
Machinery	165.382.358	21.281.824	12	-7.774.347	13.507.489	178.889.847
Transport vehicles	4.248.797	476.826	-17.539	-858.068	-398.781	3.850.016
Fixed installations & accessories	4.507.217	102.150	0	-251.515	-149.365	4.357.852
Computer equipment	9.532.543	1.148.146	-12	-4.259.275	-3.111.141	6.421.402
Improvements to leased assets	479.282	16.261	0	0	16.261	495.543
Other property, plant & equipment	779.908.650	35.720.417	17.539	-1.173.428	34.564.528	814.473.178
Total property, plant & equipment, accumulated depreciation	987.390.791	60.653.686	0	-14.332.659	46.321.027	1.033.711.818

### Previous Period 31-12-2013

Concept	Initial balance ThCh\$	Depreciation ThCh\$	Other increases (decreases) ThCh\$	Disposals & withdrawals from service ThCh\$	Total changes ThCh\$	Closing balance ThCh\$
Buildings	21.501.111	1.868.323		-37.490	1.830.833	23.331.944
Machinery	147.340.401	20.749.890	-1.056.318	-1.651.615	18.041.957	165.382.358
Transport vehicles	3.753.938	543.381		-48.522	494.859	4.248.797
Fixed installations & accessories	4.462.052	97.850		-52.685	45.165	4.507.217
Computer equipment	8.505.688	1.027.756		-901	1.026.855	9.532.543
Improvements to leased assets	464.169	15.113			15.113	479.282
Other property, plant & equipment	744.198.333	36.521.831	-329.435	-482.079	35.710.317	779.908.650
Total property, plant & equipment, accumulated depreciation	930.225.692	60.824.144	-1.385.753	-2.273.292	57.165.099	987.390.791



**The detail of each consolidated Group society of amounts of future commitments for acquisitions of property, plant and equipment for the period 2015, is as follows:**

<b>Society</b>	<b>ThCh\$</b>
Aguas Andinas S.A.	88.994.445
Aguas Cordillera S.A.	14.771.338
Aguas Manquehue S.A.	8.582.378
Essal S.A.	11.000.000
Ecoriles S.A.	114.502
Gestión y Servicios S.A.	16.400
Análisis Ambientales S.A.	9.481
<b>Total</b>	<b>123.488.544</b>

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

<b>Society</b>	<b>Gross Value ThCh\$</b>	<b>Accumulated Depreciation ThCh\$</b>	<b>Net Value ThCh\$</b>
Aguas Andinas S.A.	1.971.253	-1.882.489	88.764
Aguas Cordillera S.A.	274.332	-112.058	162.274
<b>Total</b>	<b>2.245.585</b>	<b>-1.994.547</b>	<b>251.038</b>

#### **14. IMPAIRMENT OF VALUE OF ASSETS**

**Asset impairment by cash generating unit:**

Each society as a whole is defined as a cash-generating unit as each is individually capable of generating future economic benefits 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 2014 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 December, 2014 and 2013 and there are no indications of impairment at the end of those periods.



## 15. PROVISIONS AND CONTINGENT LIABILITIES

### A. Provisions

The detail of these as of December 2014 and December 2013 is as follows:

Classes of provisions	31-12-2014 ThCh\$	31-12-2013 ThCh\$
Provision for legal claims	591.098	918.556
<b>Provisions, current</b>	<b>591.098</b>	<b>918.556</b>
Other provisions, non-current	1.187.618	1.118.746
<b>Provisions, non-current</b>	<b>1.187.618</b>	<b>1.118.746</b>

The movement in current provisions for the periods was:

Legal claims		
	31-12-2014 ThCh\$	31-12-2013 ThCh\$
<b>Initial balance provisions</b>	<b>918.556</b>	<b>1.331.679</b>
<b>Changes in provisions</b>		
Increase in existing provisions	246.666	405.257
Provision used	-446.174	-690.235
Other increases (decreases)	-127.950	-128.145
<b>Changes in provisions, total</b>	<b>-327.458</b>	<b>-413.123</b>
<b>Closing balance provisions</b>	<b>591.098</b>	<b>918.556</b>

The provisions under 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 might 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 appeals will be accepted.

- b) **Nature of class of provision:** There is a lawsuit relating to labor demands against Aguas Andinas, under the sub-contracting legislation, i.e. severally with the contractor.

**Timetable foreseen for release of class of provision:** Undetermined.

**Uncertainties about the timing and amount of a class of provision:** The lawsuits relate to labor demands amounting to ThCh\$ 5,348.-

**Principal assumptions regarding future events relating to the class of provision:** The demand was accepted and the defendant ordered to pay the principal. Aguas Andinas, was additionally ordered to pay, the main defendant appealed against the final decision, but this was rejected.

- c) **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 administrative appeal against that decision was made, which has not been resolved.

- d) **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 produced by mains bursts 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 S.A. is 101 UTA for each sanction made. Prior to claim the fine was paid. The parties are called to hear sentence. In accordance to the status of the case, is not possible to estimate the result.

- e) 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. Pending the realization of an expert report ordered by the court. The record is filed in the court file. There are moderate probabilities that the demand will be accepted.

- f) Nature of class of provision:** CONAMA (the national environmental authority) applied a fine of 300 UTM through Resolution 069/2005 of February 17, 2005, 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. There are low probabilities that the demand will be accepted. Pending notification of the sentence in the first instance rejecting the appeal made by the company.

- g) 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. An appeal has been made by Aguas Andinas to the Santiago courts of appeal which was fully accepted revoking the interposed fine. The claimed made an appeal, which was accepted, so the amount outstanding should now be determined.



- h) Nature of class of provision:** Sanitary Authority has applied administrative sanctioning processes to subsidiary Essal S.A., which are in process of legal claim by the society.

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

**Uncertainties about the timing and amount of a class of provision:** The legal claims corresponding to sanctions imposed by Chilean Treasury amounted to ThCh\$89,212.

- i) 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 fine was paid. Sentence was given rejecting the demand, the case is ended.

## **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 by the National Corporation of Consumers and Users of Chile, CONADECUS, for breach of the supply contract and the terms of the water production and distribution concession, by delivering bad quality water, not providing water and not informing supply cuts promptly on January 21 and 22, and February 8 and 9, 2013. The damage caused to customers of Aguas Andinas S.A. would be the lack of this vital element for ordinary consumption, food preparation, not having water for the bathroom and personal cleanliness and being deprived of water for sanitation purposes. Users affected by the cuts would amount to around 4,000,000 people. The court upheld an administrative appeal by Aguas Andinas, declaring the collective action inadmissible. The plaintiffs filed an appeal against that decision, and against a presentation by Aguas Andinas which sought their appeal to be time barred. Currently the administrative appeal by CONADECUS was declared inadmissible and untimely respectively. The plaintiffs appealed "in fact" before the Court of Appeals of Santiago asking to be declared as admissible the



case that was dismissed at first ruling. In turn Andinas appealed against the "in fact" appeal by CONADECUS, which is pending judgement.

2. There is a demand 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 this sewage plant, 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. Currently pending summons to hear sentence.
3. The Treasury has issued a demand against 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\$2,745,993 plus indexation, interest and costs. Currently some cases have reached the ruling stage (ThCh\$541,058), which have been paid to court. The remaining cases are pending, due to an objection by the Chilean Treasury regarding the settlement of the amounts issued by the court. The management believes that this will have no adverse effect on the financial statements.
4. Aguas Andinas S.A. was sued for damages for injuries allegedly suffered by a Mining Company for the installation of infrastructure on land on which the applicant had mining properties, thereby preventing mineral extraction and causing alleged damages. The amount claimed is ThCh\$1,093,564.- The case is at the discussion stage.

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\$35,051,026 and ThCh\$30,138,094 as of December 31, 2014 and December 31, 2013 respectively.

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



Creditor	Debtor	Type of guarantee	31-12-2014 ThCh\$	31-12-2013 ThCh\$
Asociación Canal Sociedad Maipo	Aguas Andinas S.A.	Performance bond	6.962.028	6.525.205
Chilectra S.A.	Aguas Andinas S.A.	Performance bond	0	11.655
Constructora San Francisco	Aguas Andinas S.A.	Performance bond	190.860	174.822
Dirección de Obras Hidráulica	Aguas Andinas S.A.	Performance bond	439.132	300.902
Dirección Regional de Vialidad	Aguas Andinas S.A.	Performance bond	376.745	14.499
Director de Vialidad	Aguas Andinas S.A.	Performance bond	0	337.989
Gobierno Regional Metropolitano	Aguas Andinas S.A.	Performance bond	0	44.526
Ministerio de Obras Públicas - Dirección General de Aguas	Aguas Andinas S.A.	Performance bond	369.628	632.691
Municipalidad de Calera de Tango	Aguas Andinas S.A.	Performance bond	25.403	8.958
Municipalidad de La Florida	Aguas Andinas S.A.	Performance bond	412.430	0
Municipalidad de La Pintana	Aguas Andinas S.A.	Performance bond	57.903	31.440
Municipalidad de Las Condes	Aguas Andinas S.A.	Performance bond	10.000	10.000
Municipalidad de Macul	Aguas Andinas S.A.	Performance bond	17.288	0
Municipalidad de Melipilla	Aguas Andinas S.A.	Performance bond	63.363	0
Municipalidad de Peñalolen	Aguas Andinas S.A.	Performance bond	0	37.851
Municipalidad de Providencia	Aguas Andinas S.A.	Performance bond	101.365	47.971
Municipalidad de San Joaquín	Aguas Andinas S.A.	Performance bond	11.304	0
Municipalidad de Santiago	Aguas Andinas S.A.	Performance bond	22.903	37.858
Servicio de Vivienda y Urbanismo Metropolitano	Aguas Andinas S.A.	Performance bond	6.374.779	4.526.044
Superintendencia de Servicios Sanitarios	Aguas Andinas S.A.	Performance bond	6.663.724	5.910.187
Asociación Canal de Maipo	Aguas Cordillera S.A.	Performance bond	850.362	804.868
Superintendencia de Servicios Sanitarios	Aguas Cordillera S.A.	Performance bond	535.713	507.053
Ministerio de Obras Públicas - Dirección General de Aguas	Aguas Cordillera S.A.	Performance bond	366.501	346.893
Servicio de Vivienda y Urbanismo Metropolitano	Aguas Cordillera S.A.	Performance bond	406.347	303.024
Municipalidad de Vitacura	Aguas Cordillera S.A.	Performance bond	49.254	46.619
Municipalidad de Las Condes	Aguas Cordillera S.A.	Performance bond	30.000	30.000
Municipalidad Lo Barnechea	Aguas Cordillera S.A.	Performance bond	12.314	17.013
Asociación Canal de Maipo	Aguas Manquehue S.A.	Performance bond	956.587	905.410
Servicio de Vivienda y Urbanismo Metropolitano	Aguas Manquehue S.A.	Performance bond	701.899	99.527
Superintendencia de Servicios Sanitarios	Aguas Manquehue S.A.	Performance bond	689.189	574.371
Servicio de Vivienda y Urbanismo	Gestión y Servicios S.A.	Performance bond	2.314.053	2.308.566
Municipalidad de Las Condes	Gestión y Servicios S.A.	Performance bond	18.470	17.482
Empresa Servicios Sanitarios del BioBio S.A.	Anam S.A.	Performance bond	279.827	31.468
Siderúrgica Huachipato	Anam S.A.	Performance bond	49.254	46.619
Compañía Cervecerías Unidas S.A.	Anam S.A.	Performance bond	37.662	120.794
Compañía Minera Doña Inés de Collahuasi	Anam S.A.	Performance bond	14.598	14.598
Minera Nevada	Anam S.A.	Performance bond	0	57.536
Director de Obras Hidráulicas	Essal S.A.	Performance bond	901.552	1.334.591
Servicio de Vivienda y Urbanismo	Essal S.A.	Performance bond	21.230	352.284
Director General del Territorio Marítimo y de Marina Mercante	Essal S.A.	Performance bond	13.350	12.969
Municipalidad de Futaleufú	Essal S.A.	Performance bond	0	16.604
Gobierno Regional de la Región de Los Ríos	Essal S.A.	Performance bond	147.681	162.338
Director de Vialidad	Essal S.A.	Performance bond	24.627	169.627
Empresa de Ferrocarriles del Estado	Essal S.A.	Performance bond	0	7.002
Superintendencia de Servicios Sanitarios	Essal S.A.	Insurance policy	3.779.890	2.734.941
Cooperativa Agrícola y Lechera de la Unión Ltda.	Essal S.A.	Performance bond	26.000	26.000
Municipalidad de Futrono	Essal S.A.	Performance bond	0	10.676
Exportadora Los Fiordos Ltda.	Essal S.A.	Performance bond	11.739	0
Secretaría Regional	Essal S.A.	Performance bond	27.582	0
<b>Total</b>			<b>34.364.536</b>	<b>29.711.471</b>



## **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 consolidated financial statements, and of the subsidiaries 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.- At the end of each quarter maintain a debt ratio not exceeding 1.5 times. Nonetheless, the above limit is adjusted according to the ratio of the Consumer Price Index for the month in which the debt ratio is calculated and the Consumer Price Index at December 2009. The maximum limit will be 2 times.

The debt ratio is defined as the ratio of Total Liabilities/Total Equity. Total Liabilities are defined as the sum of the Total Current Liabilities and Total Non-Current Liabilities in the Financial Statements of the Issuer.

For purposes of determining the aforementioned index, is included in the Liabilities amount of all joint or several guarantees, bonds, debts or other securities, which the Issuer or its subsidiaries have granted to secure the obligations of third parties, except: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer, (ii) those granted by subsidiaries for obligations of the Issuer, and (iii) those granted to public institutions to ensure compliance with public health legislation and execution of works in public spaces.

For these purposes, the Total Net Equity is the difference between Total Assets and the sum of Total Current Liabilities and Total Non-Current Liabilities in the Financial Statements of the Issuer.

The detail of the abovementioned accounts as of December 31, 2014 is as follows (ThCh\$):



Total current liabilities	176.505.576
Total non-current liabilities	763.568.279
<b>Total IFRS liabilities</b>	<b>940.073.855</b>
Third party guarantees (*)	381.642
<b>Total liabilities</b>	<b>940.455.497</b>

Total assets	1.606.471.626
Total current liabilities	-176.505.576
Total non-current liabilities	-763.568.279
<b>Total net equity</b>	<b>666.397.771</b>

The debt ratio was 1.41 times as of December 31, 2014.

\* All joint or several guarantees, bonds, debts or other securities, which the Issuer or its subsidiaries have granted to secure the obligations of third parties, except: (i) those granted by the Issuer or its subsidiaries for obligations of other subsidiaries of the Issuer, (ii) those granted by subsidiaries for obligations of the Issuer, and (iii) those granted to public institutions to ensure compliance with public health legislation and execution of works in public spaces.

The variation in the debt ratio as of December 31, 2014 was the following:

IPC Base 2009			Covenant	
31-12-2009	31-12-2014	Accumulated inflation	Base	Limit
90,28	106,22	17,65%	1,5	1,76

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 December 31, 2014 and December 31, 2013.



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

The company 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.

From 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 December 31, 2014, the debt ratio was 0.97:1.

6.- Maintain a ratio of Ebitda to Financial expenses of no less than 3.5:1. As of December 31, 2014, the ratio was 9.06:1.

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 December 31, 2014 and December 31, 2013.

**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 company 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 December 31, 2014.

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

#### **d.- Guarantees received from third parties**

As of December 31, 2014 and December 31, 2013, the Society has received documents in guarantee for ThCh\$45,423,369 and ThCh\$53,486,864 respectively, arising mainly from works contracts with construction companies to guarantee 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 December 31, 2014 is summarized below:



Contrator or supplier	ThCh\$	Expiry date
EMPRESA DEPURADORA DE AGUAS SERVIDAS MAPOCHO TREBAL LTDA.	12.777.625	30-07-2018
EMPRESA DEPURADORA DE AGUAS SERVIDAS MAPOCHO TREBAL LTDA.	4.783.805	31-12-2017
EMPRESA DEPURADORA DE AGUAS SERVIDAS MAPOCHO TREBAL LTDA.	4.172.964	01-06-2017
DRAGADOS S.A. AGENCIA EN CHILE	771.845	15-04-2015
AQUALOGY MEDIOAMBIENTE CHILE S.A.	691.726	15-05-2015
INMOBILIARIA LAMPA ORIENTE S.A.	591.050	15-07-2015
AQUALOGY MEDIOAMBIENTE CHILE S.A.	553.371	19-11-2015
COMPAÑIA DE PETROLEOS DE CHILE S.A.	414.100	15-03-2015
AQUALOGY MEDIOAMBIENTE CHILE S.A.	369.209	01-09-2016
CONSTRUCTORA CON-PAX S.A.	324.462	18-05-2015
CAPTAGUA INGENIERIA S.A.	267.700	09-07-2015
COSTANERA CENTER S.A.	262.944	10-05-2016
AQUALOGY DEVELOPMENT NETWORK S.A.	261.589	30-07-2016
CONSTRUCTORA CON-PAX S.A.	250.000	09-03-2015
BESALCO S.A.	250.000	09-03-2015
FERROVIAL AGROMAN CHILE S.A.	250.000	07-02-2015
INGENIERIA Y CONSTRUCCIÓN SIGDO KOPPERS S.A.	250.000	02-03-2015
AQUALIA S.A.	250.000	29-03-2015
DEGREMONT S.A.S.	250.000	21-03-2015
CHILECTRA S.A.	246.271	03-08-2015
KDM S.A.	246.271	20-01-2015
CHILECTRA S.A.	246.271	11-07-2015
SECURITAS S.A.	225.323	15-11-2015
BAPA S.A.	225.141	25-07-2015
BAPA S.A.	224.033	16-04-2015
AQUALOGY SOLUTIONS CHILE LTDA.	197.643	03-05-2016
INMOBILIARIA MONTE ACONCAGUA S.A.	197.017	16-11-2016
INLAC S.A.	196.913	31-03-2015
DESARROLLOS CONSTRUCTIVOS AXIS S.A.	196.913	31-03-2015
CONSTRUCTORA COSAL S.A.	192.091	02-06-2015
BAPA S.A.	187.806	25-07-2015
ECOSAN LTDA.	169.755	31-10-2015
CONSTRUCTORA PEREZ Y GOMEZ LTDA.	162.803	16-04-2015
CHAMISERO S.A.	160.076	14-04-2015
BAPA S.A.	160.002	17-03-2015
CONSTRUCTORA PEREZ Y GOMEZ LTDA.	157.032	07-11-2015
DROGUETT Y RABY INGENIERIA Y SERVICIOS LTDA.	155.765	28-02-2015
AQUALOGY SOLUTIONS CHILE LTDA.	152.079	30-04-2015
INLAC S.A.	151.330	01-03-2016
EMP CONST QUEYLEN S.A.	150.000	15-01-2015
DRAGADOS S.A. AGENCIA EN CHILE	150.000	31-03-2015
BROTEC CONSTRUCCIÓN LTDA.	150.000	28-02-2015
INGENIERIA Y CONSTRUCCION MST S.A.	149.594	14-10-2015
EMP CONST QUEYLEN S.A.	147.763	21-07-2015
CONSTRUCTORA OLBERTZ LTDA.	146.704	30-11-2015
INM. Y CONST NVA. PACIFI. SUR LTDA.	146.221	16-03-2015
DALCO INGENIERIA LTDA.	142.432	30-03-2016
INLAC S.A.	138.060	30-06-2015
CONSTRUCTORA PEREZ Y GOMEZ LTDA.	137.770	10-03-2015
MAURICIO LEVY JOFRE	135.400	11-02-2016
CONSTRUCTORA OLBERTZ LTDA.	133.113	02-05-2016
TRANSPORTE CENTRO SUR - NORTE S.A.	130.031	03-02-2015
INMOBILIARIA TERRAZAS DE CHAMISERO S.A.	127.741	31-03-2015
COMPAÑIA DE LEASING TATTERSALL S.A.	127.273	05-09-2016
I C M S.A.	126.411	05-03-2015
CONSTRUCTORA OLBERTZ LTDA.	123.179	02-05-2016
DES. DE TECN. Y SISTEMAS LTDA.	123.136	30-06-2015
EME SERVICIOS GENERALES LTDA.	123.136	02-05-2015
BAPA S.A.	122.889	25-07-2015
INMOBILIARIA TERRAZAS DE CHAMISERO S.A.	118.530	31-03-2015
XYLEM WATER SOLUTIONS CHILE S.A.	115.871	02-01-2017
TRANSPORTES ARAYA LTDA.	110.822	30-04-2015
AQUALOGY SOLUTIONS CHILE LTDA.	109.196	18-04-2015
DALCO INGENIERIA LTDA.	102.146	28-09-2015
CLARO, VICUÑA, VALENZUELA S.A.	100.000	31-03-2015
CONST. Y OBRAS LLORENTE S.A.	100.000	10-02-2015
INGENIERIA Y MONTAJES AMBIENTALES SPA	147.047	28-03-2015
INMOBILIARIA LAS PATAGUAS SPA	106.340	30-01-2015
<b>Total</b>	<b>35.333.730</b>	



## 17. ORDINARY REVENUE

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

Classes of ordinary revenue	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Sales of goods	8.308.462	9.376.220
Provision of services	432.425.710	394.503.262
<b>Total</b>	<b>440.734.172</b>	<b>403.879.482</b>

## 18. LEASES

### Financial lease disclosures as lessor:

Financial leases, lessor	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Total gross investment	0	86.913
Minimum amounts receivable under financial leases	0	15.804
Minimum amounts receivable under financial leases	Gross M\$	Interest M\$
Up to 1 year	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
Lease installments booked in statement of results, total	0	894

### Operative lease disclosures as lessee

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



	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Future minimum non-cancellable lease payments up to 1 year, lessees	1.770.654	1.566.972
Future minimum non-cancellable lease payments, 1 to 5 years, lessees	4.377.752	3.840.103
<b>Future minimum non-cancellable lease payments, lessees, total</b>	<b>6.148.406</b>	<b>5.407.075</b>
Minimum lease payments under operative leases	3.450.029	2.905.626
<b>Lease &amp; sub-lease installments booked in statement of results, total</b>	<b>3.450.029</b>	<b>2.905.626</b>

#### 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, which are mostly used by 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	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Future minimum non-cancellable lease receivables, up to 1 year, lessors	244.538	282.993
Amount of rentals booked in statement of results	649.171	439.394
<b>Total</b>	<b>893.709</b>	<b>722.387</b>

### 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 1,878, of whom 73 are managers and senior executives. Workers who are parties to collective agreements and individual work contracts with special indemnity clauses total 1,456 and 33 respectively, while 389 workers are covered by the Labor Code.

The collective agreement relating to the employees and operatives No. 1 and 2 Unions was signed on July 31, 2014, for a four year term.

The collective agreement with the Professionals and Technicians No.3 Union was signed on June 22, 2012, for a four year term.

The current collective agreements of Aguas Cordillera S.A., and personnel of Aguas Manquehue S.A., were signed on December 1, 2014 and December 23, 2014 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, 2013 by the company's two unions, covering the period to December 31, 2016.

### 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 termination benefits.

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 termination benefits.

### **Accounting policies for gains and losses on defined benefits plans**

The termination benefits obligation 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. Actuarial gains and losses on indemnities deriving from changes in estimates or in rates of turnover, mortality, wage increases or discount rate are booked directly to Other comprehensive results in accordance with IAS 19R revised, directly affecting equity, which are later reclassified in Accumulated Results. This procedure began to be applied in 2013 following the effective date of IAS 19 revised. Until 2012, all variations in estimates and parameters used determined a direct effect on results for the year.

### **Actuarial assumptions**

**Years of service:** In Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Essal 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 (indicated above) and to workers with individual contracts including 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.: 856, Aguas Cordillera S.A.: 114, Aguas Manquehue S.A.: 19, and Essal S.A. 257.

**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 6.6% (six point six) for the period 2014 and 6.5% (six point five) during the period 2013 for the objective workers. Disabled and early retirements have not been considered due to their infrequent nature.

**Discount rate:** During periods 2014 and 2013, the rate of 5.20% and 5.70% p.a. is used respectively, corresponding to the risk-free rate, plus 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 2014 and 2013.



**Wage increase rate:** The rate uses for the 2014 and 2013 periods was 5.6% and 3.6% respectively.

### 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.

Workers of Aguas Andinas S.A. and its subsidiaries who are not a party to their collective agreements, are covered by their individual work contracts. The non-sanitation companies, Gestión y Servicios S.A., Ecoriles S.A., Anam S.A. and Aguas del Maipo S.A., apply the provisions of the Labor Code.

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

The following is the movement in actuarial provisions as of December 2014 and December 2013:

Provisions for employee benefits	31-12-2014 ThCh\$	31-12-2013 ThCh\$
<b>Movement in actuarial provision</b>		
Initial balance	9.276.593	8.575.854
Cost of services	1.590.390	968.344
Interest cost	469.711	422.473
Actuarial gains or losses	1.626.011	0
Benefits paid	-1.438.545	-704.006
Special severance allowance for seniority <sup>(1)</sup>	1.099.483	0
Provision termination benefits	251.926	13.928
<b>Sub-total</b>	<b>12.875.569</b>	<b>9.276.593</b>
<b>Profit sharing &amp; bonuses</b>	<b>3.417.191</b>	<b>3.464.215</b>
<b>Total provisions for employee benefits current</b>	<b>4.310.289</b>	<b>4.198.437</b>
<b>Total provisions for employee benefits non-current</b>	<b>11.982.471</b>	<b>8.542.371</b>

- (1) During 2014, collective negotiations were conducted with the unions at: Aguas Andinas S.A., Aguas Cordillera S.A. Aguas Manquehue S.A., Ecoriles S.A., and Anam S.A., in which a special allowance for seniority was agreed. This compensation is in any event, and in addition to any other legal or conventional compensation.

### Expected payment flows

The collective contract of Aguas Andinas S.A. indicates, in its 15th clause, that workers who resign voluntarily to be entitled to retirement shall have 120 days from the date they reach the legal retirement age to make their resignation effective.

The collective contracts of Aguas Cordillera S.A. and Aguas Manquehue S.A. indicate that a termination benefit will be made to workers who resign voluntarily on reaching the legal retirement age.

According to the mentioned benefits plans, the following are the flows for the present and following period:

Society	Number of employees	Expected payment flow ThCh\$	Year
A. Andinas S.A	9	366.930	2015
A. Cordillera S.A	1	31.048	2015
Essal S.A	3	19.734	2015
<b>Total</b>		<b>417.712</b>	

### Projected liabilities to December 31, 2015

To calculate the projected liabilities for indemnities at actuarial value to December 2015, as indicated in IAS 19, the actuarial assumptions at December 31, 2014 have been used, already commented in this note. Only the amount of the legal bonus has been increased, in line with the minimum wage proposed by the government. The following is the summary by Society:

Society	Number of employees	Cost of services ThCh\$	Interest costs ThCh\$
Aguas Andinas S.A	856	2.371.889	540.800
Aguas Cordillera S.A	114	294.724	62.618
Aguas Manquehue S.A.	19	61.946	11.037
Gestión y Servicios S.A	2	2.126	303
ESSAL S.A.	257	68.556	3.761
<b>Total</b>		<b>2.799.241</b>	<b>618.519</b>

## Sensitivity of assumptions

The sensitivity of the main assumptions has been made based on the actuarial calculation as of December 31, 2014:

Concept	Base	More than 0.5%	Less than 0.5%
		ThCh\$	ThCh\$
Discount rate	5,2%	-385.978	466.350
Turnover rate	6,6%	-784.778	955.581
Wage increase rate	5,6%	402.937	-329.949

## 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 periods 2014 and 2013, the amounts are ThCh\$3,417,191 and ThCh\$3,464,215 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 of each Group society.

## Personnel expenses

Personnel expenses to December 2014 and 2013 are as follows:



Personnel expenses	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Wages & salaries	-27.767.623	-25.904.555
Defined benefits	-11.667.902	-11.142.305
Termination benefits	-3.669.581	-1.778.216
Other personnel expenses	-2.226.339	-1.630.673
<b>Total</b>	<b>-45.331.445</b>	<b>-40.455.749</b>

## 20. EFFECT OF EXCHANGE DIFFERENCES

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

Exchange differences	Currency	31-12-2014	31-12-2013
Trade debtors & other accounts receivable	eur	-600	685
	usd	-8.703	1.084
Total variation assets		-9.303	1.769
Trade accounts & other accounts payable	eur	-27.432	-2.863
	usd	2.835	-728
Accounts payable to related entities	eur	-29	-308
Total variation liabilities		-24.626	-3.899
<b>Loss from exchange differences</b>		<b>-33.929</b>	<b>-2.130</b>

## 21. OTHER EXPENSES BY NATURE

Information concerning other expenses by nature is presented below:

Other expenses by nature	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Treatment plant operation	-28.207.375	-26.939.259
Commercial services	-13.530.573	-17.067.208
Insurance, taxation, licenses & permits	-6.014.972	-4.926.539
Maintenance of networks, equipment and enclosures	-19.484.782	-19.233.472
Supplies & basic services	-10.055.313	-8.221.731
Other expenses	-14.290.043	-11.086.104
<b>Total</b>	<b>-91.583.058</b>	<b>-87.474.313</b>

## 22. CAPITALIZED FINANCING COSTS

The detail of capitalized financing costs to December 31, 2014 and December 31, 2013 is as follows:

### Capitalized interest costs:

Capitalized interest costs, property, plant & equipment	31-12-2014	31-12-2013
Rate of capitalization of capitalized interest costs, property, plant & equipment	7,23%	6,72%
Amount of capitalized interest, property, plant & equipment	2.429.963	2.103.201

## 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 consolidated statement of financial position by aggregating each position.

Deferred tax net	31-12-2014 ThCh\$	31-12-2013 ThCh\$
Deferred tax assets	12.254.100	263.122
Deferred tax liabilities	-42.486.184	-34.162.915
<b>Net position of deferred tax</b>	<b>-30.232.084</b>	<b>-33.899.793</b>

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**

<b>Deferred tax assets</b>	<b>31-12-2014</b>	<b>31-12-2013</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Water rights (amortization)	374.168	217.739
Provision for doubtful accounts	9.245.101	6.447.559
Provision for vacations	456.756	369.602
Litigation	740.986	689.240
Termination benefits	2.560.456	1.274.207
Other provisions	108.172	214.829
Revenue received in advance	9.188	29.868
Variation monetary correction & depreciation assets	59.936.509	35.570.106
Deferred income	1.969.571	1.466.817
La Dehesa dam transaction	347.582	276.169
Amortization	292.413	0
Others	708.622	1.468.357
<b>Deferred tax assets</b>	<b>76.749.524</b>	<b>48.024.493</b>

**Deferred tax liabilities**

<b>Deferred tax liabilities</b>	<b>31-12-2014</b>	<b>31-12-2013</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Depreciation fixed assets	22.310.547	17.049.329
Amortization	463.889	882.602
Expense investment related companies	114.266	84.641
Revaluation of land	22.669.870	16.792.496
Revaluations of water rights	45.611.780	33.786.504
Fair value of assets on purchase Essal S.A.	15.754.843	13.315.870
Others	56.413	12.844
<b>Deferred tax liabilities</b>	<b>106.981.608</b>	<b>81.924.286</b>
<b>Net position of deferred tax</b>	<b>30.232.084</b>	<b>33.899.793</b>

On September 29, 2014 Law N° 20,780 was published, which establishes a permanent change in corporate income tax. Therefore, in accordance with IAS 12, deferred taxes were revalued using the new rates according to the corresponding year. These will increase from 20% to 21% in 2014, 22.5% in 2015, 24% in 2016, 25.5% in 2017 and 27% in 2018 onwards.

According to the provisions of Circular No. 856 of the Superintendency of Securities and Insurance, published on October 17, 2014, the changes resulting from these amendments to tax rates were recorded in equity and amounted to ThCh\$9,391,825, the main impact being on the revaluation of property, plant and equipment and intangibles.

In addition, the effect on the result related to increased provision of income tax, resulting from the change rate of 20% to 21%, amounted to ThCh\$1,788,635.



	31-12-2014 ThCh\$	31-12-2013 ThCh\$
<b>Movement in deferred tax liabilities</b>		
<b>Deferred tax liabilities, initial balance</b>	81.924.286	83.125.884
Increases (decreases) in deferred tax liabilities	22.618.349	-147.985
Increases (decreases) in acquisitions through combinations of businesses	2.438.973	-1.053.613
<b>Changes in deferred tax liabilities</b>	<b>25.057.322</b>	<b>-1.201.598</b>
<b>Changes in deferred tax liabilities, total</b>	<b>106.981.608</b>	<b>81.924.286</b>

### Income tax charge

Charge (credit) for income taxes by current & deferred parts	31-12-2014 ThCh\$	31-12-2013 ThCh\$
<b>Charge for current income taxes</b>		
Charge for current taxes	-37.554.308	-31.410.521
Adjustment tax charge previous period	64.288	-185.596
<b>Charge for current taxes</b>	<b>-37.490.020</b>	<b>-31.596.117</b>
Deferred income (expenses) for taxes related to creation & reversal of timing differences	12.620.511	3.333.123
Charge for sole tax (disallowed expenses)	-175.665	-1.048.614
<b>Charge for income taxes</b>	<b>12.444.846</b>	<b>2.284.509</b>
<b>Charge (credit) for income taxes</b>	<b>-25.045.174</b>	<b>-29.311.608</b>

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

	31-12-2014 ThCh\$	31-12-2013 ThCh\$
<b>Charge for taxes using the statutory rate</b>	<b>-31.102.193</b>	<b>-29.804.145</b>
Permanent difference for monetary correction tax equity	5.009.142	1.961.515
Permanent difference for disallowed expenses	-175.665	-1.048.614
Permanent difference for previous years' income tax	64.288	-185.596
Other permanent differences	1.159.254	-234.768
<b>Adjustments to tax charge using the statutory rate</b>	<b>6.057.019</b>	<b>492.537</b>
<b>Tax charge using the effective rate</b>	<b>-25.045.174</b>	<b>-29.311.608</b>

**Reconciliation of the statutory rate and the effective tax rate**

	31-12-2014	31-12-2013
Statutory tax rate	21,00%	20,00%
Permanent difference for monetary correction tax equity	-3,38%	-1,32%
Permanent difference for disallowed expenses	0,12%	0,70%
Permanent difference for previous years' income tax	-0,04%	0,12%
Other permanent differences	-0,79%	0,17%
<b>Effective tax rate</b>	<b>16,91%</b>	<b>19,67%</b>

**24. EARNINGS PER SHARE**

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

	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Earnings attributable to shareholders in equity of the controller	119.422.474	116.675.534
Results available to common shareholders, basic	119.422.474	116.675.534
Weighted average number of shares, basic	6.118.965.160	6.118.965.160
Earnings per share	19,52	19,07

**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 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 sanitation business (water).
- Operations unrelated to the sanitation 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 the subsidiaries 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 and liabilities.

General information on results	31-12-2014		31-12-2013	
	Water ThCh\$	Non-water ThCh\$	Water ThCh\$	Non-water ThCh\$
Revenues from ordinary activities with external customers	416.403.600	24.330.572	378.546.727	24.076.865
Revenues from ordinary activities between segments	1.084.802	3.471.186	761.599	4.444.845
Operating expenses	-148.454.180	-23.198.994	-136.487.461	-23.959.148
Depreciation & amortization	-65.708.495	-516.717	-64.220.725	-484.164
Other revenue & expenses	413.031	1.455	1.199.026	21.218
Financial income	4.799.254	588.118	6.101.367	922.282
Financial costs	-30.805.192	-17.103	-28.872.565	-71.072
Result of indexation & exchange differences	-34.297.040	11.383	-12.967.744	9.677
Income tax charge	-24.241.837	-803.335	-28.466.797	-844.811
<b>Earnings by segment</b>	<b>119.193.943</b>	<b>3.866.565</b>	<b>115.593.427</b>	<b>4.115.692</b>
<b>Earnings by segment attributable to owners of the controller</b>	<b>115.555.909</b>	<b>3.866.565</b>	<b>112.559.842</b>	<b>4.115.692</b>
Earnings (losses) by segment attributable to non-controller participations	3.638.034	0	3.033.585	0

Total assets, liabilities & equity	31-12-2014		31-12-2013	
	Water ThCh\$	Non-water ThCh\$	Water ThCh\$	Non-water ThCh\$
Current assets	113.014.717	16.881.894	119.506.390	15.432.291
Non-current assets	1.468.639.445	10.804.367	1.434.073.964	10.748.035
<b>Total assets</b>	<b>1.581.654.162</b>	<b>27.686.261</b>	<b>1.553.580.354</b>	<b>26.180.326</b>
Current liabilities	173.601.032	5.773.341	218.449.923	3.795.347
Non-current liabilities	763.457.626	110.653	679.756.199	90.563
Equity attributable to owners of the controller	588.961.352	21.802.267	594.246.670	22.294.416
Non-controller participations	55.634.152	0	61.127.562	0
<b>Total equity &amp; liabilities</b>	<b>1.581.654.162</b>	<b>27.686.261</b>	<b>1.553.580.354</b>	<b>26.180.326</b>



## **Significant items of revenue 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.

### **Revenue**

Revenue is mainly generated by the regulated services relating to the production and distribution of water, the collection, treatment and disposal of sewage and other regulated services (including revenue 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 revenue sales of fixed assets.

### **Tariffs**

The most important factor determining the results of the Company's operations and financial position are the tariffs set for its 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., Decree 176/2010 sets those for Aguas Cordillera S.A and Decree 170/2010 those for Aguas Manquehue S.A., all for the same five-year period 2010 – 2015.

The tariffs of Essal S.A. were approved by Decree 116 of August 31, 2011 for the five-year period 2011 – 2016. To this date, the publication of new tariff decrees of Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A. are in process for the periods 2015 to 2020, after the respective agreements that have been made with the Superintendency of Sanitary Services in the respective process of fixation.

### **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 and biogas sale.

### **Significant expense items**

#### **Water segment**

The significant expense items are mainly those related to remuneration, electricity, sewage treatment plant operation, depreciation of real and personal property, 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, liabilities and equity of each segment**

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

The accounting criteria relate 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. These accounts, called accounts receivable or payable from/to related companies, are netted in the consolidation of the financial statements in accordance with the 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.



<b>Reconciliation of revenues from ordinary activities</b>	<b>31-12-2014 ThCh\$</b>	<b>31-12-2013 ThCh\$</b>
Revenues from ordinary activities of the segments	445.290.160	407.830.036
Elimination of ordinary activity revenues between segments	-4.555.988	-3.950.554
<b>Revenues from ordinary activities</b>	<b>440.734.172</b>	<b>403.879.482</b>
<b>Reconciliation of earnings</b>	<b>31-12-2014 ThCh\$</b>	<b>31-12-2013 ThCh\$</b>
Total consolidated earnings (loss) of segments	123.060.508	119.709.119
Consolidation of elimination of earnings (loss) between segments	-3.638.036	-3.033.586
<b>Consolidation of earnings (loss)</b>	<b>119.422.472</b>	<b>116.675.533</b>
<b>Reconciliations of segment assets, liabilities &amp; equity of segments</b>	<b>31-12-2014 ThCh\$</b>	<b>31-12-2013 ThCh\$</b>
<b>Reconciliation of assets</b>		
Consolidation total assets of segments	1.609.340.423	1.579.760.680
Elimination of accounts between segments	-2.868.797	-2.049.916
<b>Total assets</b>	<b>1.606.471.626</b>	<b>1.577.710.764</b>
<b>Reconciliation of liabilities</b>		
Consolidation total liabilities of segments	942.942.652	902.092.032
Elimination of accounts between segments	-2.868.797	-2.049.918
<b>Total liabilities</b>	<b>940.073.855</b>	<b>900.042.114</b>
<b>Reconciliation of equity</b>		
Consolidation total equities of segments	610.763.619	616.541.088
Elimination of accounts between segments	0	0
<b>Equity attributable to owners of the controller</b>	<b>610.763.619</b>	<b>616.541.088</b>

### Principal customers of the subsidiaries:

Principal water segment customers:

- Administradora Plaza Vespucio S.A.
- Cervecera CCU Chile Ltda.
- Embotelladoras Chilenas Unidas S.A.
- Ilustre Municipalidad de Santiago
- Pontificia Universidad Católica de Chile
- Soprole S.A.
- Centro de detención preventiva Santiago 1
- Ejercito de Chile
- Gendarmería de Chile
- Industrial Ochagavía Ltda.
- Soc. Concesionaria Autopista Central S.A.
- Universidad de Chile

Principal non-water segment customers:

- CMPC Cordillera S.A.
- Eme Servicios Generales Ltda.
- Tecnología, Ingeniería y Montaje Ltda.
- Agroindustrial El Paico Ltda.



- |  |                          |
|--|--------------------------|
| - Essbio S.A.                              | - Soprole S.A.           |
| - Metrogas S.A.                            | - Watt's Osorno.         |
| - Ingeniería y Construcción Santa Fe Ltda. | - Evercrisp.             |
| - Empresas CMPC Cartulinas Maule           | - Colun                  |
| - CCU S.A.                                 | - Dalco Ingeniería Ltda. |
| - Inmobiliaria y Cont. Nueva Pacifico      | - Inversiones Ada Ltda.  |

### **Types of products in the water and 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:

### Detailed information on disbursements related to the environment:

#### Matrix Aguas Andinas S.A.

Project Name	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Expansion & improvements Curacavi sewage treatment plant (STP)	1.652	151.925
Expansion & improvements Greater Santiago STP	7.121.288	27.546.729
Expansion & improvements Isla de Maipo STP	2.702.673	301.747
Expansion & improvements other districts STP	61.805	10.118
Expansion & improvements Paine STP	7.406	1.371.165
Expansion & improvements San José de Maipo STP	38.290	135.957
Expansion & improvements Talagante STP	4.673	18.589
Expansion & improvements Valdivia de Paine STP	3.097	57.987
Farfana - Trebal interceptor	0	317.551
Clean Urban Mapocho interceptor	17.261	355.964
Improvement & renewal equipment & installations	1.174.536	1.316.946
<b>Total</b>	<b>11.132.681</b>	<b>31.584.678</b>

#### Aguas Manquehue S.A.

Project Name	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Improvement & renewal equipment & installations	140.446	85.744
<b>Total</b>	<b>140.446</b>	<b>85.744</b>

**Essal S.A.**

Project Name	31-12-2014	31-12-2013
	ThCh\$	ThCh\$
Improvement in disposal infrastructure	178.067	153.287
Improvement of EDAR system	29.283	109.773
Renewal of treatment & disposal equipment	204.600	306.985
<b>Total</b>	<b>411.950</b>	<b>570.045</b>

**Projected environmental investments for the period 2015:**

Society	ThCh\$
Aguas Andinas S.A.	34.471.047
Aguas Manquehue S.A.	99.066
Essal S.A.	710.000
<b>TOTAL</b>	<b>35.280.113</b>

**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 2015.

The Society and its subsidiaries are affected by disbursements relating 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 AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION**

As at the date of issue of these consolidated financial statements, the management of the Society and its subsidiaries is unaware of any other subsequent events that affect the financial position as of December 31, 2014.