



## **Interim Consolidated Financial Statements**

**For the years ending  
June 30, 2016 and 2015**

**AGUAS ANDINAS S.A.**

# **CONSOLIDATED FINANCIAL STATEMENTS**

## **AGUAS ANDINAS S.A. AND SUBSIDIARIES**

This document contains the following:

**Consolidated Statements of Financial Position**  
**Consolidated Statements of Comprehensive Revenues by Nature**  
**Consolidated Statements of Direct Cash Flow**  
**Consolidated Statement of Changes in Equity**  
**Explanatory Notes to the Interim consolidated financial statements**



EY Chile  
Avda. Presidente  
Riesco 5435, piso 4,  
Santiago

Tel: +56 (2) 2676 1000  
www.eychile.cl

## **Independent Auditor's Review Report**

(Translation of the Report originally issued in Spanish)

To  
Shareholders and Directors of  
Aguas Andinas S.A.

We have reviewed the interim consolidated statement of financial position of Aguas Andinas S.A. and subsidiaries as of June 30, 2016, and the interim consolidated statements of comprehensive income for the six- and three -month periods ended on June 30, 2016 and 2015 and the corresponding interim consolidated statements of cash flows and changes in equity for the six-month periods then ended.

### **Management's Responsibility for consolidated financial statements**

The management of Aguas Andinas S.A. and subsidiaries is responsible for the preparation and fair presentation of the interim financial information in conformity with instructions and standards of preparation and presentation of financial information issued by Superintendencia de Valores y Seguros described in Note 2.1 to the interim consolidated financial statements. This responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with the applicable financial reporting framework for preparation and presentation of financial information.

### **Auditor's Responsibility**

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in Chile applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Chile, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.



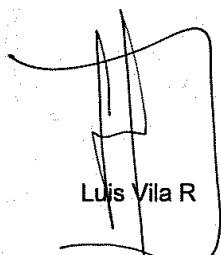
### **Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial information for it to be in conformity with instructions and standards of preparation and presentation of financial information issued by Superintendencia de Valores y Seguros described in Note 2.1 to the interim consolidated financial statements.

### **Other matters**

#### **Consolidated statement of financial position as of December 31, 2015**

On March 30, 2016, we expressed an unmodified audit opinion on the consolidated financial statements of Aguas Andinas S.A. and subsidiaries as of December 31, 2015 and 2014 prepared in conformity with instructions and standards of preparation and presentation of financial information issued by Superintendencia de Valores y Seguros described in Note 2.1 to the consolidated financial statements, which include the consolidated statement of financial position as of December 31, 2015, that is presented – together with its corresponding notes – in the accompanying interim consolidated financial statements.



Luis Vila R

Santiago, August 31, 2016

EY LTDA.

## Interim Consolidated Statements of Financial Position

As of June 30, 2016 (unaudited) and December 31, 2015  
(Thousands of pesos - Th\$)

ASSETS	Note	30-06-2016 Th\$	31-12-2015 Th\$
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	7	17,585,377	32,953,529
Other non-financial assets		1,529,021	1,714,465
Trade debtors & other accounts receivable	8	85,270,131	99,965,706
Accounts receivable from related entities	9	2,860,012	5,224,620
Inventories	10	3,397,345	3,643,700
Tax assets		5,079,147	5,127,725
<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>115,721,033</b>	<b>148,629,745</b>
<b>TOTAL CURRENT ASSETS</b>		<b>115,721,033</b>	<b>148,629,745</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	8	7,591,679	7,559,679
Other non-financial assets		868,380	816,605
Receivables	8	2,208,387	2,184,457
Intangible assets other than goodwill	11	229,915,058	230,527,689
Goodwill	12	36,233,012	36,233,012
Property, plant & equipment	13	1,251,237,869	1,248,135,284
Deferred tax assets	23	19,431,138	17,111,377
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,547,485,523</b>	<b>1,542,568,103</b>
<b>TOTAL ASSETS</b>		<b>1,663,206,556</b>	<b>1,691,197,848</b>

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

**Interim Consolidated Statements of Financial Position  
As of June 30, 2016 (unaudited) and December 31, 2015  
(Thousands of Chilean pesos - Th\$)**

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>30-06-2016 Th\$</b>	<b>31-12-2015 Th\$</b>
<b>CURRENT LIABILITIES</b>			
Other financial liabilities	8	52,251,549	75,672,328
Trade creditors & other accounts payable	8	51,512,361	92,538,326
Accounts payable to related entities	9	14,086,650	44,168,351
Other provisions	15	405,117	547,288
Tax liabilities		193,437	139,262
Provisions for employee benefits	19	2,694,825	5,484,815
Other non-financial liabilities		12,032,269	13,856,942
<b>Total current liabilities other than liabilities included in groups of liabilities for disposal classified as held for sale</b>		<b>133,176,208</b>	<b>232,407,312</b>
<b>TOTAL CURRENT LIABILITIES</b>		<b>133,176,208</b>	<b>232,407,312</b>
<b>NON-CURRENT LIABILITIES</b>			
Other financial liabilities	8	809,365,989	722,132,796
Other accounts payable	8	1,839,780	1,829,986
Other provisions	15	1,262,106	1,239,995
Deferred tax liabilities	23	39,383,027	40,336,291
Provisions for employee benefits	19	15,079,821	13,957,804
Other non-financial liabilities	8	8,269,707	7,703,197
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>875,200,430</b>	<b>787,200,069</b>
<b>TOTAL LIABILITIES</b>		<b>1,008,376,638</b>	<b>1,019,607,381</b>
<b>EQUITY</b>			
Issued capital	3	155,567,354	155,567,354
Accumulated earnings	3	288,556,921	303,530,135
Issuance premiums	3	164,064,038	164,064,038
Other equity participations	3	-5,965,550	-5,965,550
<b>Equity attributable to owners of the controller</b>		<b>602,222,763</b>	<b>617,195,977</b>
<b>Non-controller participations</b>	4	<b>52,607,155</b>	<b>54,394,490</b>
<b>TOTAL EQUITY</b>		<b>654,829,918</b>	<b>671,590,467</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>1,663,206,556</b>	<b>1,691,197,848</b>

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

**Interim Comprehensive Revenues Statements by Consolidated Nature**  
**As of June 30, 2016 and 2015 (unaudited)**  
**(Thousands of Chilean pesos - Th\$)**

STATEMENT OF RESULTS BY NATURE	Note	30-06-2016 Th\$	30-06-2015 Th\$	01-04-2016 30-06-2016 Th\$	01-04-2015 30-06-2015 Th\$
Revenues from ordinary activities	17	250,269,661	243,290,430	111,203,801	112,324,833
Raw materials & consumables used		-17,323,900	-18,565,651	-8,408,756	-9,836,303
Employee benefit expenses	19	-25,816,638	-25,609,212	-13,350,516	-12,445,193
Charges for depreciation & amortization	11-13	-33,219,187	-33,906,794	-16,691,832	-17,004,136
Other expenses, by nature	21	-55,607,111	-51,062,895	-28,965,413	-26,577,898
Other gains	5	101,848	150,503	137,046	134,936
Financial income	5	3,776,603	2,991,843	1,863,304	1,561,207
Financial costs	5	-13,632,830	-13,993,068	-6,769,520	-7,388,725
Exchange differences	20	6,819	11,708	-4,431	5,516
Results of indexation adjustments		-12,197,387	-8,978,371	-6,741,807	-9,544,643
<b>Earnings before taxes</b>		<b>96,357,878</b>	<b>94,328,493</b>	<b>32,271,876</b>	<b>31,229,594</b>
Charge for income taxes	23	-20,816,428	-19,418,608	-6,404,114	-5,090,840
<b>Earnings from continuing operations</b>		<b>75,541,450</b>	<b>74,909,885</b>	<b>25,867,762</b>	<b>26,138,754</b>
<b>Earnings</b>		<b>75,541,450</b>	<b>74,909,885</b>	<b>25,867,762</b>	<b>26,138,754</b>
<b>Earnings attributable to:</b>					
Owners of the controller		<b>73,469,696</b>	<b>73,219,963</b>	<b>25,176,009</b>	<b>25,626,062</b>
Earnings attributable to non-controller participations	4	2,071,754	1,689,922	691,753	512,692
<b>Earnings</b>		<b>75,541,450</b>	<b>74,909,885</b>	<b>25,867,762</b>	<b>26,138,754</b>
<b>Earnings per share</b>					
Basic earnings per share from continuing operations	24	12.007	11.966	4.11	4.19
<b>Basic earnings per share</b>		<b>12.007</b>	<b>11.966</b>	<b>4.114</b>	<b>4.188</b>

STATEMENT OF COMPREHENSIVE RESULTS	Note	30-06-2016 Th\$	30-06-2015 Th\$	01-04-2016 30-06-2016 Th\$	01-04-2015 30-06-2015 Th\$
<b>Earnings</b>		<b>75,541,450</b>	<b>74,909,885</b>	<b>25,867,762</b>	<b>26,138,754</b>
<b>TOTAL COMPREHENSIVE RESULT</b>		<b>75,541,450</b>	<b>74,909,885</b>	<b>25,867,762</b>	<b>26,138,754</b>
<b>Comprehensive result attributable to</b>					
<b>Result attributable to owners of the controller</b>		<b>73,469,696</b>	<b>73,219,963</b>	<b>25,176,009</b>	<b>25,626,062</b>
Result attributable to non-controller participations	4	2,071,754	1,689,922	691,753	512,692
<b>Total comprehensive result</b>		<b>75,541,450</b>	<b>74,909,885</b>	<b>25,867,762</b>	<b>26,138,754</b>

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

**Consolidated Statements of Direct Cash Flows**  
**As of June 30, 2016 and 2015 (unaudited)**  
**(Thousands of Chilean pesos - Th\$)**



Statement of direct cash flow	Note	30-06-2016 Th\$	30-06-2015 Th\$
<b>Proceeds classes from operating activities</b>		<b>311,009,274</b>	<b>293,969,391</b>
Proceeds of sales of goods & services		309,234,350	292,974,766
Proceeds of insurance claims & annuities		277,227	239,492
Other proceeds from operating activities		1,497,697	755,133
<b>Payment classes from operating activities</b>		<b>-144,909,226</b>	<b>-135,455,786</b>
Payments to suppliers of goods & services		-87,959,310	-80,119,342
Payments to & on behalf of employees		-27,919,368	-24,697,067
Payments of insurance premiums & other obligations		-570,397	-435,738
Other operating activity payments		-28,460,151	-30,203,639
<b>Cash flow from (used in) operating activities</b>		<b>-31,881,504</b>	<b>-33,313,232</b>
Interest paid		-8,432,362	-10,680,506
Interest received		1,165,936	342,583
Income taxes refunded (paid)		-23,238,797	-21,574,649
Other cash inflows (outflows)		-1,376,281	-1,400,660
<b>Net cash flow from operating activities</b>		<b>134,218,544</b>	<b>125,200,373</b>
Other payments to acquire equity or debt instruments of other entities		-92,411	0
Proceeds of sales of property, plant & equipment		254,248	130,420
Purchases of property, plant & equipment		-59,722,056	-44,790,419
Purchases of intangible assets		-571,557	-36,368
Interest received		152,781	413,209
Other cash inflows (outflows)		-2,208,267	-115,904
<b>Net cash flow used in investment activities</b>		<b>-62,187,262</b>	<b>-44,399,062</b>
Proceeds of long-term loans		93,302,165	53,198,620
Proceeds of short-term loans		2,991,643	893,179
<b>Loan proceeds from financing activities</b>		<b>96,293,808</b>	<b>54,091,799</b>
Loan repayments		-49,107,357	-23,149,526
Dividends paid		-134,585,885	-124,771,159
<b>Net cash flow used in financing activities</b>		<b>-87,399,434</b>	<b>-93,828,886</b>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>		<b>-15,368,152</b>	<b>-13,027,575</b>
Cash & cash equivalents at start of the period		32,953,529	26,202,154
<b>Cash &amp; cash equivalents at end of the period</b>	<b>7</b>	<b>17,585,377</b>	<b>13,174,579</b>

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

**Statement of Changes in Net Equity**  
**As of June 30, 2016 and 2015 (unaudited)**  
**(Thousands of Chilean pesos - Th\$)**

Statement of changes in equity	Note	Issued Capital	Other participations in the 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
		Th\$	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
<b>Initial balance as of 01-01-2016</b>		<b>155,567,354</b>	<b>164,064,038</b>	<b>-5,965,550</b>	<b>303,530,135</b>	<b>617,195,977</b>	<b>54,394,490</b>	<b>671,590,467</b>
<b>Comprehensive result</b>								
Earnings		0	0	0	73,469,696	<b>73,469,696</b>	2,071,754	<b>75,541,450</b>
Other comprehensive result		0	0	0	0	<b>0</b>		<b>0</b>
Dividends	3	0	0	0	-88,442,910	<b>-88,442,910</b>	0	<b>-88,442,910</b>
Decrease for transfers and other changes	3 - 4	0	0	0	0	<b>0</b>	-3,859,089	<b>-3,859,089</b>
<b>Total changes in equity</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>-14,973,214</b>	<b>-14,973,214</b>	<b>-1,787,335</b>	<b>-16,760,549</b>
<b>Closing balance as of 30-06-2016</b>	3-4	<b>155,567,354</b>	<b>164,064,038</b>	<b>-5,965,550</b>	<b>288,556,921</b>	<b>602,222,763</b>	<b>52,607,155</b>	<b>654,829,918</b>

Statement of changes in equity	Note	Issued Capital	Other participations in the 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
		Th\$	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
<b>Initial balance as of 01-01-2015</b>		<b>155,567,354</b>	<b>164,064,038</b>	<b>-5,965,550</b>	<b>297,097,777</b>	<b>610,763,619</b>	<b>55,634,152</b>	<b>666,397,771</b>
<b>Comprehensive result</b>								
Earnings		0		0	73,219,963	<b>73,219,963</b>	1,689,922	<b>74,909,885</b>
Dividends	3	0		0	-80,566,577	<b>-80,566,577</b>	0	<b>-80,566,577</b>
Decrease for transfers and other changes	3-4	0		0	0	<b>0</b>	-3,188,272	<b>-3,188,272</b>
<b>Total changes in equity</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>-7,346,614</b>	<b>-7,346,614</b>	<b>-1,498,350</b>	<b>-8,844,964</b>
<b>Closing balance as of 30-06-2015</b>	3-4	<b>155,567,354</b>	<b>164,064,038</b>	<b>-5,965,550</b>	<b>289,751,163</b>	<b>603,417,005</b>	<b>54,135,802</b>	<b>657,552,807</b>

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



## Notes on the Interim consolidated financial statements

### Index

	<u>Page</u>
Note 1. GENERAL INFORMATION .....	1
Note 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES .....	2
2.1 Basis of Preparation .....	2
2.2 Accounting Policies .....	4
A. Basis Consolidation .....	4
B. Operative segments .....	5
C. Intangible assets other than goodwill .....	5
D. Goodwill .....	6
E. Property, plant and equipment .....	7
F. Impairment of tangible and intangible assets except goodwill .....	8
G. Leases .....	9
H. Financial assets .....	10
I. Inventories .....	12
J. Dividend policy .....	12
K. Foreign currency transactions .....	13
L. Financial liabilities .....	13
M. Derivative financial instruments and hedge accounting .....	13
N. Provisions and contingent liabilities .....	14
O. Employee benefits .....	15
P. Revenues tax and deferred taxes .....	16
Q. Ordinary revenue .....	16
R. Earnings per share .....	17
S. Information on the environment .....	18
T. Consolidated statement of cash flows .....	18
U. Construction contracts .....	18
V. Capitalized financing costs .....	19
W. Reclassifications .....	19
Note 3. ....	20
EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER .....	20
Note 4. EQUITY ATTRIBUTABLE TO NON-CONTROLLER PARTICIPATIONS .....	22
Note 5. ....	23
OTHER REVENUE AND EXPENSES .....	23
Note 6. ....	23
FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES .....	23



Note 7.....	26
CASH AND CASH EQUIVALENTS.....	26
Note 8. ....	26
FINANCIAL INSTRUMENTS .....	26
Note 9.....	43
INFORMATION ON RELATED ENTITIES .....	43
Note 10. INVENTORIES .....	46
Note 11. ....	46
INTANGIBLE ASSETS OTHER THAN GOODWILL.....	46
Note 12. ....	50
GOODWILL.....	50
Note 13. PROPERTY, PLANT AND EQUIPMENT.....	50
Note 14. ....	55
IMPAIRMENT OF VALUE OF ASSETS.....	55
Note 15. ....	56
PROVISIONS AND CONTINGENT LIABILITIES.....	56
16. ....	60
GUARANTEES AND RESTRICTIONS .....	60
Note 17. ORDINARY REVENUE.....	68
Note 18. LEASES.....	68
19. EMPLOYEE BENEFITS .....	69
Note 20. EFFECT OF EXCHANGE DIFFERENCES .....	75
Note 21. ....	75
OTHER EXPENSES BY NATURE.....	75
Note 22. ....	75
CAPITALIZED FINANCING COSTS .....	75
Note 23. ....	76
INCOME TAXES AND DEFERRED TAXES .....	76
Note 24. EARNINGS PER SHARE .....	80
Note 25. BUSINESS SEGMENTS .....	80
Note 26. ENVIRONMENT .....	86
Note 27. EVENTS OCCURRING AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION .....	87



## Note 1. GENERAL INFORMATION

Aguas Andinas S.A. (Hereinafter the "Company") and its subsidiaries compose the Aguas Andinas Group (hereinafter the "Group"). Its legal address is Avenida Presidente Balmaceda N° 1398, Santiago, Chile and its Unique Tax ID is 61.808.000-5.

Aguas Andinas S.A. was established as an open joint stock company by public deed on May 31, 1989 in Santiago, before the Notary Public Mr. Raúl Undurraga Laso. An excerpt of the articles was published in the Official Gazette on June 10, 1989, being registered in the Registry of Commerce at page 13,981, No. 7,040 of 1989 of Real Estate Conservator of Santiago.

The Company's corporate purpose, in accordance with article two of its bylaws, is the provision of sanitation services, which includes the construction and operation of public services to produce and distribute drinking water and wastewater collection and disposal. Its current concession area is distributed in Greater Santiago and peripheral locations.

The Company is a matrix of three sanitation companies, two of them in Greater Santiago (Aguas Cordilleras S.A. and Aguas Manquehue S.A.) and the other one in the Los Ríos and Los Lagos regions (Empresa de Servicios Sanitarios de Los Lagos S.A., ESSAL). To provide an integral service in its business, the Company has non-sanitation subsidiaries providing services such as liquid industrial waste treatment (Ecoriles S.A.), laboratory analysis (Análisis Ambientales S.A.), commercialization of materials and other services related to the sanitation sector (Gestión y Servicios S.A.), and performs activities associated with water use and energy projects resulting from facilities and goods of sanitation companies (Aguas del Maipo).

The Company and its subsidiary Essal are registered in the Securities Registry of the Superintendence of Securities and Insurance under N°346 and N°524, respectively. The subsidiaries Aguas Cordilleras S.A. and Aguas Manquehue S.A. are registered in the special information entities Registry of the Superintendence of Securities and Insurance with the N° 170 and N° 2, respectively. As companies in the sanitation sector, they are regulated by the Superintendence of Sanitary Services in accordance with Law N°18,902 of 1989 and the Decrees having the Force of Law N°382 and N°70, both of 1988.

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

The direct controlling entity is Inversiones Aguas Metropolitanas S.A. ("IAM"), a publicly traded company which in turn is controlled by Sociedad General Aguas Barcelona S.A. ("Agbar"), an entity located in Spain and one of the major operators of sanitation services in the world, which in turn is controlled by Suez (France), with ENGIE (France) being its major shareholder.



## **Note 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

### **2.1 Basis of Preparation**

These interim consolidated financial statements as of June 30, 2016 have been prepared in accordance with instructions and standards issued by the Superintendence of Securities and Insurance (SVS), which are composed of the International Financial Reporting Standards (IFRS), and what is established in Circular N°856 of October 17, 2014 that instructs the audited entities to register in the respective period the differences against equity 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.

These interim consolidated financial statements faithfully reflect the financial position of Aguas Andinas S.A. and subsidiaries as of June 30, 2016 and December 31, 2015, the results of operations, changes in net equity and cash flows for periods ended June 30, 2016 and 2015.

The Group complies with the legal requirements of the environment in which it operates, particularly the sanitation subsidiaries with respect to the specific regulations of the sanitation sector. The Group's companies have normal operating conditions in each area in which they operate. Each company's projections show a profitable operation and they are able to access the financial system to finance their operations, which in the opinion of management determines their ability to continue as a company, as established by the accounting standards under which these interim consolidated financial statements are issued.

### **Functional and presentation currency**

The financial statements of each of the Group's entities are presented using the currency of the principal economic environment in which those companies operate (Functional currency). For the purposes of the interim consolidated financial statements, the results and financial position of each company in the Group are shown in Chilean pesos (rounded to thousands of pesos), which is the functional currency of the Company and its subsidiaries, and the presentation currency for the interim consolidated financial statements.

### **New accounting pronouncements**

The following new standards and interpretations, as improvements and modifications to IFRS, have been issued, come into effect at the date of these financial statements and have been detailed below. The Company has applied these standards concluding that will not impact significantly the financial statements.



Improvements and modifications	Date of mandatory application
IAS 19, Employee benefits	Annual periods starting or after January 1, 2016
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
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
IFRS 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 following new standards and interpretations, as improvements and modifications to IFRS, have been issued, but will not come into effect at the date of these financial statements and have been detailed below. The Company has not applied these standards in advance.

New IFRS	Date of mandatory application
IFRS 9, Financial instruments, classification and measurement	Annual periods starting or after January 1, 2018
IFRS 15, Revenue from Contracts with Customers	Annual periods starting or after January 1, 2018
IFRS 16, Leases	Annual periods starting or after January 1, 2019

Improvements and modifications	Date of mandatory application
IAS 7, Statement of cash flows	Annual periods starting or after January 1, 2017
IAS 12, Income tax	Annual periods starting or after January 1, 2017
IAS 28, Investments in Associates and Joint Ventures	Determined
IFRS 10, Consolidated Financial Statements	Determined

## Responsibility for the information and estimates made

The information contained in these interim consolidated financial statements is the responsibility of the Board of Directors of the Company, which states that it has applied all principles and criteria included in the International Financial Reporting Standards (IFRS) and the instructions imposed by the SVS. The Board of Directors, in a meeting held on August 31, 2016, approved these interim consolidated financial statements.

The interim consolidated financial statements of Aguas Andinas S.A. and Subsidiaries for the period 2015 were approved by the board at its meeting held on March 30, 2016.



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

- Useful life of fixed intangible assets
- Valuation of assets and goodwill purchased (commercial funds or lower investment value)
- 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 with invoice pending
- 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 interim consolidated financial statements, it is possible that events may occur in the future that cause them to be amended (upward or downward) in subsequent periods, which would be registered prospectively as soon as the variation is known, recognizing 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 interim consolidated financial statements.

### **A. Consolidation Basis**

The interim consolidated financial statements include the financial statements of the Company 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 process.

The Company and its subsidiaries follow the Group's policies consistently.

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





Tax ID	Company	Direct %	Indirect %	Total 2016 (%)	Direct %	Indirect %	Total 2015 (%)
96.809.310-K	Aguas Cordillera S.A.	99.990300	0.00000	99.990300	99.990300	0.00000	99.990300
89.221.000-4	Aguas Manquehue S.A.	0.000400	99.999600	100.00000	0.000400	99.999600	100.00000
96.967.550-1	Análisis Ambientales S.A.	99.000000	1.00000	100.00000	99.000000	1.00000	100.00000
96.945.210-3	Ecoriles S.A.	99.038500	0.961500	100.00000	99.038500	0.961500	100.00000
96.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A.	2.506500	51.00000	53.50650	2.506500	51.00000	53.50650
96.828.120-8	Gestión y Servicios S.A.	97.847800	2.152200	100.00000	97.847800	2.152200	100.00000
96.897.320-7	Inversiones Iberaguas Ltda.	99.999998	0.000002	100.00000	99.999998	0.000002	100.00000
76.190.084-6	Aguas del Maipo S.A.	82.649996	17.350004	100.00000	82.649996	17.350004	100.00000

## 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 making 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 Company recognizes 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 subtracting 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, accounting for the effect of any change in the estimate from then on prospectively.

### ii. Amortization method for intangibles:



## **Intangibles with defined useful lives**

The amortization method employed by the Company reflects the pattern for which the future economic benefits of the asset is expected to be used by the entity. The Company 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 from them.

## **Intangibles 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 General Water 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 (subtracting the value of investments or commercial fund) generated in the business 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 control of the company is taken, 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.



In the event the definitive determination of goodwill is made in the financial statements of the year following the acquisition of the participation, the items 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 registered at that date, while goodwill generated later is registered 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 Company follows the cost method for the valuation of Property, Plant and Equipment. Historic cost includes expenses directly attributable to the acquisition of the asset.

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

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

The depreciation method applied by the Company reflects the extent to which the assets are used by the entity during the period in which they generate economic benefits. The Company 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 life**

The useful life considered in calculating the depreciation are based on technical studies prepared by external specialist firms, which are revised as new information arises that permits a 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 life (in years) by type of asset is as follows:

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

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

Due to the nature of the assets constructed by the Company and given that there are no contractual obligations or other construction requirements like those mentioned in the IFRS, the concept of dismantling costs is not applicable as of 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 registered 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, with useful life defined to see whether there exists any indication of a loss due to impairment. Should this exist, the recoverable value of such assets is estimated 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 the 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 minus 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 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. The financial costs are moved 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 Company and its subsidiaries do not currently show financial leases acquired at the close of the periods 2016 and 2015.



## **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 Company and subsidiaries review their contracts to check for the possible existence of implicit leases, in accordance with IFRIC 4.

## **H. Financial assets**

The 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 have been transferred and the Group has passed 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). Term 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 bank Companies or subsidiaries of the Banks 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 (NPV) 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.

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 June 30, 2016, the Company 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 N°. 39. Their subsequent measurement will be at cost because there is no active market, as provided in the same standard.

### **iii. Loans and accounts receivable**

Trade debtors, loans and other accounts receivable are non-derivative financial assets that have fixed or determinable payments and that 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 debts or debts with 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 commercial debtors and other accounts receivable**

The Company periodically evaluates impairments affecting its financial assets. The amount is booked as 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: considering recovery statistics, which indicate that eighth months after 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 more than 8 months overdue.

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 for customer debts more than 120 days overdue.

A 100% provision is made for overdue notes receivable.

## **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 Company'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 is compatible with the investment policies.

The minimum dividend established in the Corporations Law, equivalent to 30% of annual profits, will be shown at the end of each period. In the event there were no interim dividends or were less than the 30% referenced, the, the respective provision will be registered.





## 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	30-06-2016 \$	31-12-2015 \$
US Dollar	661.37	710.16
Euro	731.93	774.61

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 consolidated statement of comprehensive results.

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

## L. Financial liabilities

Loans, payable bonds 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 uses derivative financial instruments for hedging instruments to reduce risks from inflation, interest-rates and exchange rates on current positions to which it is exposed due to its business.

Derivatives are recorded at fair value on the date of the financial situation statement. In the case of financial derivatives, if the value is positive it is booked under "Other Financial Assets" and if negative under "Other Financial Liabilities."

Changes in the fair value are booked directly in results, except when a derivative has been designated as a hedge accounting instrument and meets all of the conditions established by the IFRS to apply hedge accounting.

The treatment of hedging operations with derivative instruments are the following:



### **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 expiration date of such transactions.

In the event of discontinuation of the hedge, the net equity loss or gain accumulated to that date 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.

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

The Group registers 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 for 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, as is required in the same regulation, they would be detailed in Note 15.

## **O. Employee benefits**

The obligation of 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.**

Compensation benefits for years of service 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.**

Compensation for years of service 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 through 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 to whom this benefit is extended through their individual work contract. 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.**

Compensations 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. Revenues 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.

Revenues 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 the closing date of each financial position statement and is reduced to the extent that it is unlikely 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 of settling the liability or realizing the asset, based on the tax rates that have been approved or have almost finalized 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 Company 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 periods ending June 30, 2016 and 2015.



During the years 2016 and 2015, 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. Information on the environment**

Assets of an environmental kind are those used constantly in the business of the Company and subsidiaries, whose main 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' businesses.

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

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

The cash flow statement records the cash movements during the period which include Value Added Tax (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**

For 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 as of June 30, 2015, according to the following detail:



Reclassifications	Increase/Decrease Th\$
<b>Statement of result by nature:</b>	
Other (losses) revenues	1,413
Other expenses, by nature	-1,413
<b>Statement of direct cash flow:</b>	
Payments to suppliers of goods & services	-1,318,039
Purchase of property, plant and equipment	1,318,039
Proceeds of long-term loans	-4,158,399
Proceeds of short-term loans	-893,179
Other cash inflows (outflows)	158,399
Loan payments	4,893,179

### Note 3. EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER

The capital of the Company is divided into 6,118,965,160 nominative shares of no par value, completely subscribed and paid as of June 30, 2016, with 94.97% corresponding to series A and 5.03% to series B.

Series B shares have a veto preference, contained in Article 5 of the Company bylaws, consisting of special quorum required at the Extraordinary Shareholders Meeting to decide about acts and contracts related to the water rights and sanitation concessions of Aguas Andinas.

The composition of each series is as follows:

	30-06-2016	31-12-2015
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 June 30, 2016 and December 31, 2015 amounts to Th\$155,567,354.

There are no owned shares held in the portfolio, nor are there any preference shares.





The Company 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.

As of June 30, 2016, dividend payments have been made, according to the following paragraph:

- The Ordinary Shareholders' Meeting held on April 27, 2016 agreed to distribute 100% of net earnings for 2015 deducting the interim dividend paid in January 2016. Because of this, the dividend N°62 of the Company to Th\$88,442,910 equivalent to \$14.4539 per share. This payment was payable from May 25, 2016 being entitled to 6,118,965,160 shares.

In the 2015 period, a dividend payment was agreed to and made as detailed below:

- The Ordinary Shareholders' Meeting held on April 28, 2015 agreed to distribute 100% of net earnings for 2014, after deducting the interim dividend paid in January 2015. Because of this, the dividend N° 60 of the Company amounted to Th\$80,566,577 equivalent to \$13.1667 per share. This payment was payable from May 26, 2015, being entitled to 6,118,965,160 shares.
- In a board meeting held on December 16, 2015, it was unanimously agreed to distribute among shareholders the sum of Th\$40,565,068, as an interim dividend, based on the earnings for 2015. Because of this, the interim dividend N° 61 of the Company amounted to \$6.6294 per share. This payment was payable from January 13, 2016.

- **Provision for minimum dividend**

In accordance with the policy described in Note 2.2. Letter J, the Company has made no provision for the minimum dividend as of June 30, 2016 and December 31, 2015.

- **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 IFRS 1, IAS 16 and Circular N° 456 of June 20, 2008 of the Superintendence of Securities and Insurance. 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 balance of accumulated earnings as of June 30, 2016 and December 31, 2015 are Th\$288,556,921 and Th\$303,530,135 respectively.

Additionally, as of December 31, 2015, modifications were made to the calculation parameters in the actuarial earnings and losses on compensation, which generated a register in accumulated results of Th\$1,444,142 (see note 2.2. O)



- **Share premiums.**

The amount registered in share premiums is the premium on the sale of shares produced in 1999 due to the capital increase. The balance as of June 30, 2016 and December 31, 2015 amounted to Th\$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 Circular N° 456 of the Superintendence of Securities and Insurance, and the effects of combinations of businesses of companies under common control made in 2007 and 2008. The balance as of June 30, 2016 and December 31, 2015 is Th\$-5,965,550.

#### **Note 4. EQUITY ATTRIBUTABLE TO NON-CONTROLLER PARTICIPATIONS**

The detail broken down by Company of the effects caused by the third party participation in the equity and results as of June 30, 2016 and 2015 are as follows:

Company	% Participation		Non-controller participations			
	30-06-2016	30-06-2015	Equity		Result	
	%	%	30-06-2016	31-12-2015	30-06-2016	30-06-2015
			Th\$	Th\$	Th\$	Th\$
Aguas Cordillera S.A.	0.00997%	0.00997%	19,853	19,906	892	1,045
Essal S.A. (1)	46.49350%	46.49350%	52,587,302	54,374,584	2,070,862	1,688,877
<b>Total</b>			<b>52,607,155</b>	<b>54,394,490</b>	<b>2,071,754</b>	<b>1,689,922</b>

(1) Includes the participations of third parties by assigning a market value of the assets and liabilities arising from the purchase of Inversiones Iberaguas Ltda. and Essal S.A., at the moment the businesses were merged.

The dividends paid to non-controlling participations of the subsidiary Essal S.A were Th\$5,572,085 as of June 30, 2016 and Th\$5,355,744 as of June 30, 2015.



## Note 5. OTHER REVENUE AND EXPENSES

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

<b>Non-operating revenue &amp; expenses</b>	<b>30-06-2016</b>	<b>30-06-2015</b>	<b>01-04-2016</b>	<b>01-04-2015</b>
	<b>Th\$</b>	<b>Th\$</b>	<b>30-06-2016</b>	<b>30-06-2015</b>
			<b>Th\$</b>	<b>Th\$</b>
Gain on sale of non-current assets, not held for sale	93,507	128,244	126,729	111,264
Losses on replacement of property, plant and equipment	-3,618	-1,413	-3,618	0
Other losses	11,959	23,672	13,935	23,672
<b>Other earnings (losses)</b>	<b>101,848</b>	<b>150,503</b>	<b>137,046</b>	<b>134,936</b>
Bank loans interest expenses	-2,426,050	-2,146,417	-1,264,050	-1,071,444
AFR interest expenses	-3,421,117	-3,021,827	-1,759,539	-1,547,842
Bond interest expense	-7,416,358	-8,416,355	-3,528,154	-4,485,143
Other interest costs	-263,862	-267,140	-149,664	-160,579
Amortization of loan agreement complementary costs	-105,443	-141,329	-68,113	-123,717
<b>Financial costs</b>	<b>-13,632,830</b>	<b>-13,993,068</b>	<b>-6,769,520</b>	<b>-7,388,725</b>
Interest income	3,027,270	2,465,722	1,425,628	1,260,523
Gain on redemption & extinction of debt	749,333	526,121	437,676	300,684
<b>Financial income</b>	<b>3,776,603</b>	<b>2,991,843</b>	<b>1,863,304</b>	<b>1,561,207</b>

## Note 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 (Statement of Financial Situation) as of June 30, 2016

<b>30-06-2016</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>Th\$</b>	<b>Th\$</b>	<b>Th\$</b>	<b>Th\$</b>	<b>Th\$</b>
Aguas Cordillera S.A.	17,077,913	255,128,954	22,186,922	50,887,657	199,132,288
Aguas Manquehue S.A.	3,764,332	74,915,258	2,284,201	23,525,573	52,869,816
Inversiones Iberaguas Ltda.	19,639	64,884,577	8,164	0	64,896,052
Empresa de Servicios Sanitarios de Los Lagos S.A.	13,987,709	143,950,246	13,937,065	69,161,942	74,838,948
Ecoriles S.A.	4,081,416	387,382	1,585,939	450	2,882,409
Gestión y Servicios S.A.	6,077,893	223,303	1,865,574	38,015	4,397,607
Análisis Ambientales S.A.	2,114,297	5,470,234	3,327,132	0	4,257,399
Aguas del Maipo S.A.	433,955	8,404,448	62,994	69,486	8,705,923

### Statement of comprehensive results of subsidiaries (Statement of Comprehensive Revenues) as of June 30, 2016



<b>30-06-2016</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>Th\$</b>	<b>Th\$</b>	<b>Th\$</b>	<b>Th\$</b>
Aguas Cordillera S.A.	8,943,804	27,671,617	-17,568,219	-1,159,594
Aguas Manquehue S.A.	1,244,925	5,820,329	-3,981,089	-594,315
Inversiones Iberaguas Ltda.	3,277,529	0	-9,530	3,287,059
Empresa de Servicios Sanitarios de Los Lagos S.A.	6,455,954	26,501,527	-16,141,321	-3,904,252
Ecoriles S.A.	940,097	6,336,597	-5,129,626	-266,874
Gestión y Servicios S.A.	198,678	4,108,330	-3,908,913	-739
Análisis Ambientales S.A.	319,577	3,545,841	-3,078,937	-147,327
Aguas del Maipo S.A.	-378,732	-246,664	-261,743	129,675

**Summary of Financial Position of Subsidiaries (Statement of Financial Situation) through December 31, 2015**

<b>31-12-2015</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>Th\$</b>	<b>Th\$</b>	<b>Th\$</b>	<b>Th\$</b>	<b>Th\$</b>
Aguas Cordillera S.A.	19,525,493	254,713,113	20,666,580	53,916,903	199,655,123
Aguas Manquehue S.A.	3,319,920	75,175,718	3,498,084	21,813,263	53,184,291
Inversiones Iberaguas Ltda.	1,886,358	65,824,145	23,443	0	67,687,060
Empresa de Servicios Sanitarios de Los Lagos S.A.	15,105,269	140,585,974	16,343,042	62,666,962	76,681,239
Ecoriles S.A.	4,666,622	384,060	2,217,789	0	2,832,893
Gestión y Servicios S.A.	6,085,890	286,174	1,821,756	36,577	4,513,731
Análisis Ambientales S.A.	2,339,638	5,492,895	4,235,959	0	3,596,574
Aguas del Maipo S.A.	1,435,830	8,461,121	498,671	57,196	9,341,084



## Statement of Comprehensive Results of Subsidiaries (Statement of Comprehensive Revenues) as of June 30, 2015

30-06-2015 Subsidiaries	Result for the period Th\$	Ordinary revenue Th\$	Operating expenses (-) Th\$	Other net expenses (-) / revenue (+) Th\$
Aguas Cordillera S.A.	10,476,630	27,207,510	-16,765,656	34,776
Aguas Manquehue S.A.	2,507,692	6,253,520	-3,158,640	-587,188
Inversiones Iberaguas Ltda.	2,888,638	0	-2,784	2,891,422
Empresa de Servicios Sanitarios de Los Lagos S.A.	5,673,877	24,674,549	-15,528,720	-3,471,952
Ecoriles S.A.	1,013,605	6,214,858	-4,940,686	-260,567
Gestión y Servicios S.A.	225,293	4,275,549	-4,006,111	-44,145
Análisis Ambientales S.A.	566,837	3,405,567	-2,734,542	-104,188
Aguas del Maipo S.A.	472,899	380,197	-222,433	315,135

### 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.
Chilean Tax ID	96.809.310-k	89.221.000-4	96.579.800-5
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	46.86%	8.53%	41.59%
Property, plant and equipment	7.89%	4.10%	10.91%
Net income for the period	10.50%	1.74%	3.24%



## Note 7. CASH AND CASH EQUIVALENTS

The composition is as follows:

Cash & cash equivalents	30-06-2016 Th\$	31-12-2015 Th\$
Banks	2,056,335	2,398,261
Term deposits (see note 8.6)	11,654,042	30,555,268
Mutual Funds (see note 8.6)	3,875,000	0
<b>Total</b>	<b>17,585,377</b>	<b>32,953,529</b>

Cash equivalents relate to financial assets of deposits in-time and mutual funds with maturities of less than 90 days from the date of the originating 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.

No legal restrictions exist that impede the immediate availability of the accounts of cash and cash equivalents utilized by the Group.

## Note 8. FINANCIAL INSTRUMENTS

### 8.1 Capital risk management

The Group manages its capital to ensure that Group entities will continue as a business 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, and 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 Note 2 Letters H, L and M to these interim consolidated financial statements.

## **8.3 Classes of financial instruments**

Below is presented a summary of the financial instruments through June 30, 2016 and December 31, 2015:



Classes of financial instruments	Currency	Note	30-06-2016 Th\$	31-12-2015 Th\$
<b>Financial assets</b>				
<b>Total trade debtors and other accounts receivable, current</b>			<b>85,270,131</b>	<b>99,965,706</b>
Trade debtors and other accounts receivable	CLP	8.5	85,213,854	99,873,291
Trade debtors and other accounts receivable	USD	8.5	4,855	38,609
Trade debtors and other accounts receivable	EUR	8.5	51,422	53,806
<b>Information of related entities, current</b>			<b>2,860,012</b>	<b>5,224,620</b>
Accounts receivable to related entities	CLP	9	2,860,012	5,224,620
<b>Total current financial assets</b>			<b>88,130,143</b>	<b>105,190,326</b>
Rights receivable	CLP	8.5	2,208,387	2,184,457
Other financial assets	CLP	8.9	7,591,679	7,559,679
<b>Total financial assets, non-current</b>			<b>9,800,066</b>	<b>9,744,136</b>
<b>Financial liabilities</b>				
<b>Other financial liabilities, current</b>			<b>52,251,549</b>	<b>75,672,328</b>
Bank loans	CLP	8.4	14,291,879	12,239,349
Bonds	CLP	8.4	17,998,803	53,648,065
Reimbursable financial contributions (AFR)	CLP	8.4	19,960,867	9,784,914
<b>Other financial liabilities, non-current</b>			<b>809,365,989</b>	<b>722,132,796</b>
Bank loans	CLP	8.4	94,019,210	87,519,209
Bonds	CLP	8.4	544,596,804	464,344,024
Reimbursable financial contributions (AFR)	CLP	8.4	170,749,975	170,269,563
<b>Trade accounts and other payable accounts</b>			<b>51,512,361</b>	<b>92,538,326</b>
Trade accounts and other payable accounts	CLP	8.7	50,870,831	92,408,737
Trade accounts and other payable accounts	USD	8.7	558,594	99,358
Trade accounts and other payable accounts	EUR	8.7	82,936	30,231
<b>Information on related entities, current</b>			<b>14,086,650</b>	<b>44,168,351</b>
Accounts receivable to related entities	CLP	9	14,086,650	44,168,351
<b>Total current financial liabilities</b>			<b>65,599,011</b>	<b>136,706,677</b>
Other payable accounts	CLP	8.7	1,839,780	1,829,986
<b>Total non-current financial liabilities</b>			<b>1,839,780</b>	<b>1,829,986</b>





## 8.4 Information to disclose on financial liabilities

### Other financial liabilities

Other financial liabilities include bank loans, public obligations (bonds) and Reimbursable Financial Contributions (AFRs), which are valued at amortized cost, as explained below:

### Reimbursable financial contributions (AFRs)

In accordance with article 42-A of MINECON decree N° 453 of 1989, "The 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 details of reimbursable financial contributions as of June 30, 2016 and December 31, 2015 are as follows:

### Reimbursable Financial Contributions, current portion

Registration No. or Identification of the Instrument	Currency indexation unit	Residual UF	Book value		Contract real interest rate	Effective rate	Placement in Chile or abroad	Issuing company	Issuer tax ID	Type of repayment	Secured (Yes/No)
			30-06-2016	31-12-2015							
			Th\$	Th\$							
AFR	UF	398,147	10,606,610	4,930,519	4.45%	3.93%	Chile	AguasAndinas S.A.	61.808.000-5	At maturity	No
AFR	UF	335,228	8,987,765	4,787,277	5.30%	5.15%	Chile	AguasCordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	13,801	366,492	67,118	4.29%	4.20%	Chile	AguasManquehue S.A.	89.221.000-4	At maturity	No
<b>Total</b>		<b>747,175</b>	<b>19,960,867</b>	<b>9,784,914</b>							



## Reimbursable Financial Contributions, non-current portion

Registration No. or Identificati	Currency indexati	Residual UF	Book value		Maturity Date	Contract real interest	Effective rate	Issuing company	Issuer tax ID	Type of repayment	Secured (Yes/No)
			30-06-2016	31-12-2015							
			ThC\$	Th\$							
AFR	UF	4,629,265	121,665,255	120,888,266	24-06-2031	3.54%	3.40%	AguasAndinas S.A.	61.808.000-5	At maturity	No
AFR	UF	933,906	24,558,654	27,098,726	23-06-2031	3.51%	3.42%	AguasCordillera S.A.	96.809.310-k	At maturity	No
AFR	UF	623,565	16,380,923	14,570,067	21-06-2031	3.33%	3.25%	Aguas Manquehue S.A.	89.221.000-4	At maturity	No
AFR	UF	309,814	8,145,143	7,712,504	07-03-2031	3.68%	3.68%	Essal S.A	96.579.800-5	At maturity	No
<b>Total</b>		<b>6,496,550</b>	<b>170,749,975</b>	<b>170,269,563</b>							



The detail of bank loans as of June 30, 2016 and December 31, 2015 is as follows:

**Total bank loans, current period**

Debtor tax no.	61808.000-5	61808.000-5	61808.000-5	96.809.310-K	96579800-5	96579800-5	96579800-5	96579800-5	
Debtor name	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Cordillera S.A.	Essal S.A.	Essal S.A.	Essal S.A.	Essal S.A.	
Debtor country	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	
Creditor tax ID	97.032.000-8	97.004.000-5	97.006.000-6	97.032.000-8	97.004.000-7	97.004.000-7	97.004.000-7	97.006.000-6	
Bank or financial institution	Banco BBVA	Banco de Chile	Banco BCI	Banco BBVA	Banco de Chile	Banco de Chile	Banco de Chile	BCI	
Currency or indexation unit	CLP	CLP	CLP	CLP	CLP	CLP	CLP	CLP	
Repayment method	Semi-annual	Semi-annual	At maturity	At maturity	At maturity	At maturity	At maturity	At maturity	
Effective rate	4.90%	5.12%	4.87%	4.95%	5.04%	4.75%	4.03%	4.38%	
Nominal rate	4.90%	5.12%	4.87%	4.95%	5.04%	4.75%	4.03%	4.38%	
Nominal value									
To 1 year	9,539,491	1,032,092	328,462	338,250	22,496	39,445	2,043,150	948,493	14,291,879
To 90 days	0	11	0	338,250	0	0	0	0	338,261
Over 90 days to 1 year	9,539,491	1,032,081	328,462	0	22,496	39,445	2,043,150	948,493	13,953,618
Over 1 to 3 years	0	6,283,345	0	20,000,000	4,000,000	6,500,000	0	0	36,783,345
Over 2 to 3 years	0	6,283,345	0	20,000,000	4,000,000	6,500,000	0	0	36,783,345
Over 3 years to 5 years	0	21,947,457	19,270,304	0	0	0	0	0	41,217,761
Over 3 to 4 years	0	13,805,658	19,270,304	0	0	0	0	0	33,075,962
Over 4 to 5 years	0	8,141,799	0	0	0	0	0	0	8,141,799
Over 5 years	0	16,018,104	0	0	0	0	0	0	16,018,104
Over 5 years	0	16,018,104	0	0	0	0	0	0	16,018,104
Total nominal values	9,539,491	45,280,998	19,598,766	20,338,250	4,022,496	6,539,445	2,043,150	948,493	108,311,089
Book value									
Current bank loans	9,539,491	1,032,092	328,462	338,250	22,496	39,445	2,043,150	948,493	14,291,879
To 90 days	0	11	0	338,250	0	0	0	0	338,261
Over 90 days to 1 year	9,539,491	1,032,081	328,462	0	22,496	39,445	2,043,150	948,493	13,953,618
Non-current bank loans	0	44,248,906	19,270,304	20,000,000	4,000,000	6,500,000	0	0	94,019,210
Over 1 and under 3 years	0	6,283,345	0	20,000,000	4,000,000	6,500,000	0	0	36,783,345
2 to 3 years	0	6,283,345	0	20,000,000	4,000,000	6,500,000	0	0	36,783,345
Over 3 years	0	21,947,457	19,270,304	0			0	0	41,217,761
3 to 4 years	0	13,805,658	19,270,304	0	0	0	0	0	33,075,962
4 to 5 years	0	8,141,799	0	0	0	0	0	0	8,141,799
Over 5 years	0	16,018,104	0	0			0	0	16,018,104
Over 5 years	0	16,018,104	0	0	0	0	0	0	16,018,104
Total bank loans	9,539,491	45,280,998	19,598,766	20,338,250	4,022,496	6,539,445	2,043,150	948,493	108,311,089

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



## Balances of bank loans, previous period

Debtor tax no.	61808.000-5	61808.000-5	61808.000-5	96.809.310-K	96579800-5	
Debtor name	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Andinas S.A.	Aguas Cordillera S.A.	Essal S.A.	
Debtor country	Chile	Chile	Chile	Chile	Chile	
Creditor tax ID	97.032.000-8	97.004.000-5	97.006.000-6	97.032.000-8	97.004.000-7	
Bank or financial institution	Banco BBVA	Banco de Chile	Banco BCI	Banco BBVA	Banco de Chile	
Currency or indexation unit	CLP	CLP	CLP	CLP	CLP	
Repayment method	Semi-annual	Semi-annual	At maturity	Semi-annual	At maturity	
Effective rate	4.24%	4.15%	4.18%	4.29%	4.28%	
Nominal rate	4.24%	4.15%	4.18%	4.29%	4.28%	
Nominal value						
To 1 year	10,777,972	851,864	286,400	297,917	25,196	12,239,349
To 90 days	1,395,560	851,864	286,400	297,917	0	2,831,741
Over 90 days to 1year	9,382,412	0	0		25,196	9,407,608
Over 1 to 3 years	0	6,283,344	0	0	4,000,000	10,283,344
Over 2 to 3 years	0	6,283,344	0	0	4,000,000	10,283,344
Over 3 years to 5 years	0	37,965,561	19,270,304	20,000,000	0	77,235,865
Over 3 to 4 years	0	13,805,658	0	0	0	13,805,658
Over 4 to 5 years	0	8,141,799	19,270,304	20,000,000	0	47,412,103
Over 5 years	0	16,018,104	0	0	0	16,018,104
Total nominal values	10,777,972	45,100,769	19,556,704	20,297,917	4,025,196	99,758,558
Book value						
Current bank loans	10,777,972	851,864	286,400	297,917	25,196	12,239,349
To 90 days	1,395,560	851,864	286,400	297,917	0	2,831,741
Over 90 days to 1year	9,382,412	0	0	0	25,196	9,407,608
Non-current bank loans	0	44,248,905	19,270,304	20,000,000	4,000,000	87,519,209
Over 1 and under 3 years	0	6,283,344	0	0	4,000,000	10,283,344
2 to 3 years	0	6,283,344	0	0	4,000,000	10,283,344
Over 3 years	0	37,965,561	19,270,304	20,000,000	0	77,235,865
3 to 4 years	0	13,805,658	0	0	0	13,805,658
4 to 5 years	0	8,141,799	19,270,304	20,000,000	0	47,412,103
Over 5 years	0	16,018,104	0	0	0	16,018,104
Total bank loans	10,777,972	45,100,769	19,556,704	20,297,917	4,025,196	99,758,558

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 bonds outstanding as of June 30, 2016 and December 31, 2015 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	61.808.000-5	96.579.800-5	
Debtor name	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	Essal S.A.	
Debtor country	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	
Registration number	580	629	630	655	655	712	713	713	778	778	806	777	806	284	
Series	BAGUA-J	BAGUA-K	BAGUA-M	BAGUA-P	BAGUA-Q	BAGUA-R	BAGUA-S	BAGUA-U	BAGUA-V	BAGUA-W	BAGUA-X	BAGUA-Z	BAGUA-AA	Besal-B	
Final maturity	01-12-2018	01-10-2016	01-04-2031	01-10-2033	01-06-2032	01-04-2019	01-04-2035	01-04-2036	01-04-2037	01-06-2037	01-02-2038	15-01-2023	15-01-2040	01-06-2028	
Currency or indexation unit	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	
Repayment period	At maturity	Semi-annual	At maturity	At maturity	At maturity	Semi-annual	At maturity	At maturity	At maturity	At maturity	At maturity	Semi-annual	Semi-annual	Semi-annual	
Effective rate	4.15%	3.07%	4.15%	3.81%	3.94%	3.59%	3.94%	3.81%	3.50%	3.15%	3.17%	2.15%	3.29%	6.63%	
Nominal rate	4.00%	2.90%	4.20%	3.86%	4.00%	3.30%	3.90%	3.80%	3.50%	3.30%	3.00%	2.40%	3.20%	6.00%	
Nominal value															
To 1 year	85,989	4,723,126	473,783	373,528	141,882	5,931,472	578,615	490,378	451,977	163,441	517,186	284,877	758,176	3,194,911	18,169,341
To 90 days	0	0	0	0	0	0	0	0	0	0	517,186	284,877	758,176		1,560,239
Over 90 days to 1 year	85,989	4,723,126	473,783	373,528	141,882	5,931,472	578,615	490,378	451,977	163,441	0	0	0	3,194,911	16,609,102
Over 1 to 3 years	26,052,070	0	0	0	0	11,578,698	0	0	0	0	0	0	0	6,033,108	43,663,876
Over 1 to 2 years	0	0	0	0	0	5,789,349	0	0	0	0	0	0	0	3,016,554	8,805,903
Over 2 to 3 years	26,052,070	0	0	0	0	5,789,349	0	0	0	0	0	0	0	3,016,554	34,857,973
Over 3 years to 5 years	0	0	45,591,123	39,078,105	42,985,916	0	59,919,761	52,104,140	52,104,140	59,919,761	41,683,312	26,052,071	52,104,140	30,767,555	502,310,024
Over 3 to 4 years	0	0	0	0	0	0	0	0	0	0	0	6,513,018	0	3,016,554	9,529,572
Over 4 to 5 years	0	0	0	0	0	0	0	0	0	0	0	6,513,018	0	3,016,554	9,529,572
Over 5 years	0	0	45,591,123	39,078,105	42,985,916	0	59,919,761	52,104,140	52,104,140	59,919,761	41,683,312	13,026,035	52,104,140	24,734,447	483,250,880
Total nominal values	26,138,059	4,723,126	46,064,906	39,451,633	43,127,798	17,510,170	60,498,376	52,594,518	52,556,117	60,083,202	42,200,498	26,336,948	52,862,316	39,995,574	564,143,241
Book value															
Current bank loans	48,365	4,721,321	485,432	382,412	154,119	5,878,254	571,173	487,739	451,977	195,756	482,820	285,977	755,976	3,097,482	17,998,803
To 90 days	0	0	0	0	0	0	0	0	0	0	482,820	285,977	755,976	0	1,524,773
Over 90 days to 1 year	48,365	4,721,321	485,432	382,412	154,119	5,878,254	571,173	487,739	451,977	195,756	0	0	0	3,097,482	16,474,030
Non-current bank loans	25,996,421	0	45,810,141	39,280,557	43,246,290	11,557,436	59,737,750	52,013,842	52,104,140	60,926,735	40,667,903	26,139,344	50,934,069	36,182,176	544,596,804
Over 1 and under 3 years	25,996,421	0	0	0	0	11,557,436	0	0	0	0	0	0	0	5,920,658	43,474,515
1 to 2 years	0	0	0	0	0	5,778,718	0	0	0	0	0	0	0	2,960,329	8,739,047
2 to 3 years	25,996,421	0	0	0	0	5,778,718	0	0	0	0	0	0	0	2,960,329	34,735,468
Over 3 years	0	0	45,810,141	39,280,557	43,246,290	0	59,737,750	52,013,842	52,104,140	60,926,735	40,667,903	26,139,344	50,934,069	30,261,518	501,122,289
3 to 4 years	0	0	0	0	0	0	0	0	0	0	0	6,534,836	0	2,960,329	9,495,165
4 to 5 years	0	0	0	0	0	0	0	0	0	0	0	6,534,836	0	2,960,329	9,495,165
Over 5 years	0	0	45,810,141	39,280,557	43,246,290	0	59,737,750	52,013,842	52,104,140	60,926,735	40,667,903	13,069,672	50,934,069	24,340,860	482,131,959
Total bank loans	26,044,786	4,721,321	46,295,573	39,662,969	43,400,409	17,435,690	60,308,923	52,501,581	52,556,117	61,122,491	41,150,723	26,425,321	51,690,045	39,279,658	562,595,607



## 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	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	AguasAndinas S.A.	Essal S.A.	
Debtor country	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	
Registration number	580	629	630	654	655	655	712	713	713	778	778	806	284	
Series	BAGUA-J	BAGUA-K	BAGUA-M	BAGUA-N	BAGUA-P	BAGUA-Q	BAGUA-R	BAGUA-S	BAGUA-U	BAGUA-V	BAGUA-W	BAGUA-X	Besal-B	
Final maturity	01-12-2018	01-10-2016	01-04-2031	01-04-2016	01-10-2033	01-06-2032	01-04-2019	01-04-2035	01-04-2036	01-04-2037	01-06-2037	01-02-2038	01-06-2028	
Currency or indexation unit	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	UF	
Repayment period	At maturity	Semi-annual	At maturity	At maturity	At maturity	At maturity	Semi-annual	At maturity	At maturity	At maturity	At maturity	At maturity	Semi-annual	
Effective rate	4.16%	3.06%	4.15%	3.26%	3.82%	3.94%	3.61%	3.93%	3.81%	3.50%	3.18%	3.23%	6.63%	
Nominal rate	4.00%	2.90%	4.20%	3.17%	3.86%	4.00%	3.30%	3.90%	3.80%	3.50%	3.30%	3.00%	6.00%	
Nominal value														
To 1 year	84,593	9,292,885	466,091	32,288,265	367,463	139,579	5,858,471	569,221	482,416	444,639	160,788	508,789	2,967,578	53,630,778
To 90 days	84,593	66,413	466,091	251,902	367,463	139,579	163,118	569,221	482,416	444,639	160,788	508,789	0	3,705,012
Over 90 daysto 1year	0	9,226,472	0	32,036,363	0	0	5,695,353	0	0	0	0	0	2,967,578	49,925,766
Over 1 to 3 years	25,629,090	0	0	0	0	0	11,390,706	0	0	0	0	0	5,935,156	42,954,952
1to2years	0	0	0	0	0	0	5,695,353	0	0	0	0	0	2,967,578	8,662,931
2to3years	25,629,090	0	0	0	0	0	5,695,353	0	0	0	0	0	2,967,578	34,292,021
Over 3 years	0	0	44,850,908	0	38,443,635	42,287,999	2,847,677	58,946,907	51,258,180	51,258,180	58,946,907	41,006,544	31,962,383	421,809,320
3to4years	0	0	0	0	0	0	2,847,677	0	0	0	0	0	2,967,578	5,815,255
4to5years	0	0	0	0	0	0	0	0	0	0	0	0	2,967,578	2,967,578
Over 5 years	0	0	44,850,908	0	38,443,635	42,287,999	0	58,946,907	51,258,180	51,258,180	58,946,907	41,006,544	26,027,227	413,026,487
Total nominal values	25,713,683	9,292,885	45,316,999	32,288,265	38,811,098	42,427,578	20,096,854	59,516,128	51,740,596	51,702,819	59,107,695	41,515,333	40,865,117	518,395,050
Book value														
Current public obligations	47,477	9,303,656	477,506	32,274,465	376,183	152,093	5,809,662	561,921	479,777	444,639	195,542	474,978	3,050,166	53,648,065
To 90 days	47,477	77,185	477,506	238,102	376,183	152,093	114,309	561,921	479,777	444,639	195,542	474,978	0	3,639,712
Over 90 daysto 1year	0	9,226,471	0	32,036,363	0	0	5,695,353	0	0	0	0	0	3,050,166	50,008,353
Non-current public obligatio	25,554,748	0	45,075,809	0	38,650,570	42,554,239	14,186,402	58,761,139	51,167,882	51,258,180	59,936,076	39,973,666	37,225,313	464,344,024
Over 1 to 3 years	25,554,748	0	0	0	0	0	11,356,052	0	0	0	0	0	5,818,248	42,729,048
1to2years	0	0	0	0	0	0	5,678,026	0	0	0	0	0	2,909,124	8,587,150
2to3years	25,554,748	0	0	0	0	0	5,678,026	0	0	0	0	0	2,909,124	34,141,898
Over 3 years	0	0	45,075,809	0	38,650,570	42,554,239	2,830,350	58,761,139	51,167,882	51,258,180	59,936,076	39,973,666	31,407,065	421,614,976
3to4years	0	0	0	0	0	0	2,830,350	0	0	0	0	0	2,909,124	5,739,474
4to5years	0	0	0	0	0	0	0	0	0	0	0	0	2,909,124	2,909,124
Over 5 years	0	0	45,075,809	0	38,650,570	42,554,239	0	58,761,139	51,167,882	51,258,180	59,936,076	39,973,666	25,588,817	412,966,378
Total public obligations	25,602,225	9,303,656	45,553,315	32,274,465	39,026,753	42,706,332	19,996,064	59,323,060	51,647,659	51,702,819	60,131,618	40,448,644	40,275,479	517,992,089



## 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. To achieve the objectives, financial risk management is 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 Company's 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 cut the service. The method for analysis is based on historic data on customer accounts receivable and other debtors.

<b>Credit risk</b>	<b>30-06-2016 Th\$</b>	<b>31-12-2015 Th\$</b>
Gross exposure per balance sheet for risks of accounts receivable	123,007,119	134,850,893
Gross exposure per estimates of risks of accounts receivable	-35,528,601	-32,700,730
<b>Net exposure, risk concentration</b>	<b>87,478,518</b>	<b>102,150,163</b>
<b>Movement of credit risk, accounts receivable</b>	<b>30-06-2016 Th\$</b>	<b>31-12-2015 Th\$</b>
<b>Initial balance as of 01-01-2016</b>	<b>-32,700,730</b>	<b>-36,915,040</b>
Increase in existing provisions	-2,855,093	-2,896,739
Reductions	27,222	7,111,049
<b>Changes, total</b>	<b>-2,827,871</b>	<b>4,214,310</b>
<b>Closing balance as of 30-06-2016</b>	<b>-35,528,601</b>	<b>-32,700,730</b>



The following shows the composition of gross debt by age:

<b>Ageing of debt</b>	<b>30-06-2016 Th\$</b>	<b>31-12-2015 Th\$</b>
Less than three months	83,620,226	98,562,275
Three to six months	1,602,213	1,451,053
Six to eight months	775,556	643,501
More than eight months	37,009,124	34,194,064
<b>Total</b>	<b>123,007,119</b>	<b>134,850,893</b>

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

<b>Past-due debt</b>	<b>30-06-2016 Th\$</b>	<b>31-12-2015 Th\$</b>
Less than three months	9,775,692	10,440,702
Three to six months	1,357,147	1,156,948
Six to eight months	703,921	562,643
<b>Total</b>	<b>11,836,760</b>	<b>12,160,293</b>

Past-due net debt comprises all those sums in which the counterpart stopped making a payment when contractually should do. Balances with ageing less than 8 months, according to Company policies, does not provisioned.

## 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, such as long-term investments and working capital needs at reasonable market prices.

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

Preventive measures taken to manage liquidity risk include the following:

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





## Maturity structure (non-discounted flows)

Maturity structure	Up to 90 days		91 days to 1 year		13 months to 3 years		3 to 5 years		More than 5 years	
	Th\$	Contract interest rate	Th\$	Contract interest rate	Th\$	Contract interest rate	Th\$	Contract interest rate	Th\$	Contract interest rate
Bank loans	11,797,081	4.34%	1,771,155	5.01%	46,053,818	4.95%	45,933,057	5.06%	12,175,425	5.12%
Bonds	1,758,499	3.64%	30,681,581	3.92%	78,993,434	3.87%	52,134,071	3.95%	710,211,577	3.77%
AFR	4,199,837	5.00%	15,873,516	4.79%	36,811,735	3.85%	22,235,133	3.55%	152,300,178	3.41%
Trade accounts and other payable accounts	4,152,048	-	9,991,880	-	1,098,905	-	170,995	-	569,880	-
<b>Total</b>	<b>59,275,898</b>		<b>58,318,132</b>		<b>162,957,892</b>		<b>120,473,256</b>		<b>875,257,060</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	12.57%
Bonds	Fixed	65.30%
AFR	Fixed	22.13%
<b>Total</b>		<b>100.00%</b>

## Interest rate sensitivity analysis

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

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

Company	Nominal amount of debt Th\$	Variable rate	Points (+/-)	Impact on result Th\$ (+/-)
Aguas Andinas Consolidated	108,311,089	TAB 180 days	-29	-310,862



For loans based on 180-day TAB, the positive or negative change in nominal TAB of -29 basis points, calculated annually, would have an impact on results of +/- M \$310,862.

## 8.6 Cash equivalents

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

Company	Instruments	30-06-2016 Th\$	31-12-2015 Th\$
Aguas Andinas S.A.	Term deposit	7,752,300	18,074,577
Aguas Andinas S.A.	Mutual funds	2,470,000	0
Aguas Cordillera S.A.	Term deposit	2,001,440	8,074,280
Aguas Cordillera S.A.	Mutual funds	315,000	0
Aguas Manquehue S.A.	Term deposit	1,400,252	400,040
Aguas del Maipo S.A.	Term deposit	0	1,000,103
Aguas del Maipo S.A.	Mutual funds	200,000	0
Gestión y Servicios S.A.	Term deposit	500,050	430,043
Gestión y Servicios S.A.	Mutual funds	520,000	0
Eco-Riles S.A.	Term deposit	0	1,250,225
Eco-Riles S.A.	Mutual funds	370,000	0
Essal S.A.	Term deposit	0	1,326,000
<b>Total</b>		<b>15,529,042</b>	<b>30,555,268</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 accounts and other current and noncurrent accounts payable

The principal concepts included in this account are the following:

Trade creditors & other accounts payable, current	Currency or indexation unit	30-06-2016 Th\$	31-12-2015 Th\$
Dividends	CLP	126,060	22,048,535
Suppliers for investments in progress (investment)	CLP	13,927,704	31,670,805
Personnel	CLP	2,825,479	2,913,315
Suppliers (expense)	CLP	13,815,008	13,776,639
Suppliers (expense)	USD	558,594	99,358
Suppliers (expense)	EUR	82,936	30,231
Suppliers (investment)	CLP	6,681,250	6,346,511
Accrued services	CLP	11,872,339	14,209,541
AFR (expense)	CLP	765,729	706,829
Others (expense)	CLP	857,262	735,915
Others (investment)	CLP	0	647
<b>Sub-total current</b>		<b>51,512,361</b>	<b>92,538,326</b>
AFR water	CLP	719,983	703,187
Suppliers for investments in progress	CLP	1,049,402	1,056,404
Sundry creditors	CLP	70,395	70,395
<b>Sub total non-current</b>		<b>1,839,780</b>	<b>1,829,986</b>
<b>Total current &amp; non-current</b>		<b>53,352,141</b>	<b>94,368,312</b>



Information regarding the trade accounts according to maturity date is provided below:

## Trade Accounts

### Current Period

Current trade accounts according to term	30-06-2016			
	Goods	Services	Other	Total
To 30 days	2,840,804	7,889,592	70,822	10,801,218
From 31 to 60 days	189,394	78,581	0	267,975
From 121 to 365 days		18,883		18,883
<b>Total</b>	<b>3,030,198</b>	<b>7,987,056</b>	<b>70,822</b>	<b>11,088,076</b>

Overdue trade accounts according to term	30-06-2016			
	Goods	Services	Other	Total
To 30 days	13,393	163,403	3281	180,077
From 31 to 60 days	487,765	554,777	3,243	1,045,785
From 61 to 90 days	103,134	67,359	32	170,525
From 91 to 120 days	3,034	89,289	-604	91,719
From 121 to 365 days	9,233	189,866	573	199,672
More than 365 days	52,975	49,105	100	102,180
<b>Total</b>	<b>669,534</b>	<b>1,113,799</b>	<b>6,625</b>	<b>1,789,958</b>

### Previous Period

Current trade accounts according to term	31-12-2015			
	Goods	Services	Other	Total
To 30 days	2,809,208	8,202,770	55,699	11,067,677
From 31 to 60 days	235,353	36,490	0	271,843
From 61 to 90 days	45	275	0	320
From 91 to 120 days	0	18,073	0	18,073
<b>Total</b>	<b>3,044,606</b>	<b>8,257,608</b>	<b>55,699</b>	<b>11,357,913</b>

Overdue trade accounts according to term	31-12-2015			
	Goods	Services	Other	Total
To 30 days	118,874	260,582	108	379,564
From 31 to 60 days	1,389,843	186,844	5,995	1,582,682
From 61 to 90 days	141,142	47,134	21	188,297
From 91 to 120 days	12,106	8,664	0	20,770
From 121 to 365 days	24,104	86,260	553	110,917
More than 365 days	12,956	37,380	100	50,436
<b>Total</b>	<b>1,699,025</b>	<b>626,864</b>	<b>6,777</b>	<b>2,332,666</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 consolidated statement of financial position:

	30-06-2016	
	Amortized cost Th\$	Fair value Th\$
<b>Cash &amp; cash equivalents</b>		
<b>Investments booked at fair value</b>	<b>15,529,042</b>	<b>15,529,042</b>
Term deposits, level 1	11,654,042	11,654,042
Mutual funds, level 1	3,875,000	3,875,000
<b>Other financial liabilities</b>		
<b>Financial liabilities booked at amortized cost</b>	<b>861,617,538</b>	<b>905,539,977</b>
Bank debt, level 2	108,311,089	109,152,383
Bonds, level 1	562,595,607	605,676,753
AFR, level 3	190,710,842	190,710,842

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

The fair values of financial assets and liabilities were determined using the following methodology:

- The amortized cost of deposits is a good approximation of fair value as they are very short-term operations.
- 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 N° 70).
- 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.
- 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 Information Statements



- Level 1 relates to fair-value measurement methodologies by market quotes (without adjustments) in active markets and considering the same assets and liabilities valued.
- Level 2 relates to fair-value measurement methodologies 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, that are not based on observable market data.

### **8.9 Other noncurrent financial assets**

These mainly relate to the acquisition of shares in Sociedad Eléctrica Puntilla S.A. (EPSA) for a total amount of M \$7,395,680 as of June 30, 2016 and December 31, 2015 (see Note 2.2, letter h, ii), over which the Group has no control or significant influence. The balance as of June 30, 2016 amounted to Th\$195,999 and Th\$163,999 respectively, relates to other financial investments.

Related to this acquisition is an obligation with the Asociación Sociedad de Canalistas del Maipo not to move the location of current water rights, for Th\$7,294,709 as of June 30, 2016 and December 31, 2015.



## Note 9. INFORMATION ON RELATED ENTITIES

### Balances and transactions with related entities

Transactions between the Company 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

Accounts receivable from related entities are originated in Chile, the currency of the transactions is pesos, and the maturity dates are 30 days.

Tax ID related party	Name of related party	Relationship	Nature of transaction with related parties	Security	30-06-2016 Th\$	31-12-2015 Th\$
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	Laboratory analysis and sampling services	Unsecured	12,997	3,993
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	Collector cleaning contract	Unsecured	0	631
76.148.998-4	Suez Medio ambiente Chile S.A.	Related to the controller	Basis proposed in tenders	Unsecured	66	
76.148.998-4	Suez Medio ambiente Chile S.A.	Related to the controller	Laboratory analysis and sampling services	Unsecured	59,223	12,447
76.148.998-4	Suez Medio ambiente Chile S.A.	Related to the controller	Counseling realized by support for technical inspection of Effluents Treatment Plants in CMPC Santa Fe	Unsecured	37,762	0
59.066.560-6	Suez International	Related to the controller	Supply of equipment, mounting and launch of second phase of Mapocho Wastewater Treatment Plant, module 4	Security full compliance with contract for UF218.320	2,712,209	5,101,953
76.432.328-9	Gestion Hidrica Minera Ltda.	Related to the controller	Collector cleaning contract	Unsecured	0	1,285
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the controller	Sale of materials	Unsecured	34,487	104,311
59.066.560-6	Suez International	Related to the controller	Sale of materials	Unsecured	2,600	0
59.066.560-6	Suez International	Related to the controller	Laboratory analysis and sampling services	Unsecured	668	0
<b>Total</b>					<b>2,860,012</b>	<b>5,224,620</b>



## Accounts payable to related entities

Accounts receivable to related entities are originated in Chile and the currency of the transactions is pesos.

Tax ID related party	Name of related party	Relationship	Nature of transaction with related parties	Period	Security	30-06-2016 Th\$	31-12-2015 Th\$
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the controller	Hydraulic efficiency project	30 days	Guaranteed fulfillment of contract for UF: 14,992	949,701	2,098,422
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the controller	Ice-Pigging network cleaning service contract	30 days	Guaranteed fulfillment of contract for ThCh\$26,600	30,221	125,398
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the controller	Construction and expansion of sludge line La Union	30 days	Guaranteed fulfillment of contract for ThCh\$47,110	23,359	33,157
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the controller	Update service of the operation and security of dam Pudeto and Gamboa	30 days	Guaranteed fulfillment of contract for ThCh\$705	14,729	109,157
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the controller	SCADA Platform	30 days	Unsecured	19,293	0
76.148.998-4	Suez Medioambiente Chile S.A.	Relacionada al Controlador	Arsenic Plant San Antonio	30 días	Guaranteed fulfillment of contract for ThCh\$24,264,05	660,830	0
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the controller	Cocule Plant	30 days	Unsecured	9,798	0
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the controller	Modeling odor panels	30 days	Unsecured	10,568	46,367
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the controller	Purchase of materials	30 days	Guaranteed fulfillment of contract for ThCh\$279,298	711,176	413,111
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the controller	Implementation of geographic information system Essal S.A.	30 days	Guaranteed fulfillment of contract for UF887	55,991	33,077
76.080.553-K	Aqualogy Solutions Chile Ltda.	Related to the controller	Potable water meters supply contract	30 days	Guaranteed fulfillment of contract for Th\$61,629	293,349	154,951
76.046.628-K	Asterión S.A.	Related to the controller	Process re-engineering service contract and implementation of new customer service information systems	30 days	Guaranteed fulfillment of contract for ThCh\$845,149	151,253	404,277
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	La Farfana Wastewater Treatment Plant operation and maintenance services	30 days	Bail strict compliance with the obligations from the contract, Amount UF194,249,62	3,092,085	3,068,251
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	El Trebal Wastewater Treatment Plant services of operation and maintenance and construction, operation and maintenance Mapocho Wastewater Treatment Plant	90 days	Guaranteed fulfillment of contract for UF357,863	2,242,019	2,246,174
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	Related to the controller	Biogas plant operation services	30 days	Unsecured	49,234	152,930
No Tax ID	Aqua Development Network S.A.	Related to the controller	Integrated talent management contract	30 days	Unsecured	7,890	11,705
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	Dividends payable	30 days	Unsecured	0	20,324,047
96.817.230-1	EPSA Electrica Puntilla S.A.	Common board member	Recalculation of energy supply	30 days	Unsecured	6,661	18,182
70.009.410-3	Asociación canalistas sociedad del canal del Maipo	Common board member	Exceptional transfer of water	30 days	Unsecured	0	32,901
59.066.560-6	Suez International	Related to the controller	Supply of equipment, mounting and launch of second phase of Mapocho Wastewater Treatment Plant, module 4	30 days	Security full compliance with contract for UF218,320	5,758,493	14,896,242
<b>Total</b>						<b>14,086,650</b>	<b>44,168,351</b>





## Transactions with related entities

Transactions with related entities are originated in Chile and the currency of the transactions is pesos.

Tax ID Related party	Name of related party	Relationship	Nature of transaction with related parties	30-06-2016		30-06-2015		01-04-2016 30-06-2016		01-04-2015 30-06-2015	
				Th\$		Th\$		Th\$		Th\$	
				Amount	Effect on results (Charge)/ Credit	Amount	Effect on results (Charge)/ Credit	Amount	Effect on results (Charge)/ Credit	Amount	Effect on results (Charge)/ Credit
79.046.628-K	Asterión S.A.	Related to the controller	Process re-engineering service contract and implementation of new customer service information systems	192,237	-192,237	466,163	-458,940	177,266	-177,266	228,540	-228,540
No Tax ID	Aqua Development Network	Related to the controller	Integrated talent management contract	528,008	-528,008	151,324	-151,324	688,507	-688,507	-88,540	-62,784
76.080.553-K	Aqualogy Solutions Chile Ltda	Related to the controller	Purchase of materials	1,131,160	-845,030	1,116,899	-1,116,899	750,046	-532,481	602,483	-602,483
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the controller	Ice-Pigging network cleaning service contract	25,396	-25,396	99,398	-99,398	-17,585	17,585	56,417	-56,417
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the controller	Lo Pinto proyect	0	0	590,577	-3,914	0	0	576,591	-3,914
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the controller	Hydraulic efficiency project	172,384	-172,384	0	0	-530,017	530,017	0	0
76.148.998-4	Suez Medioambiente Chile S.A.	Related to the controller	Arsenic Plant San Antonio	683,273	-46,363	0	0	683,273	-46,363	0	0
76.080.553-K	Aqualogy Solutions Chile Ltda	Related to the controller	Implementation of geographic information system Essal S.A.	349,340	0	95,724	0	32,011	0	-6,967	0
59.066.560-6	Suez International	Related to the controller	Supply of equipment, mounting and launch of second phase of Mapocho Wastewater Treatment Plant, module 4	13,237,100	0	5,359,239	0	6,144,368	0	0	0
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	El Trebal Wastewater Treatment Plant services of operation and maintenance and construction, operation and maintenance Mapocho Wastewater Treatment Plant	5,922,195	-5,320,516	5,780,953	-5,134,517	2,960,475	-2,696,701	2,989,831	-2,662,850
76.078.231-9	Empresa Depuradora de Aguas Servidas Mapocho El Trebal	Related to the controller	La Farfana Wastewater Treatment Plant operation and maintenance services	8,374,323	-6,672,355	7,992,361	-6,372,486	3,364,799	-3,356,252	4,055,769	-3,236,513
96.817.230-1	EPSA Electrica Puntilla S.A.	Common board member	Compensation for lower flow	92,051	-92,051	0	0	22,328	-22,328	0	0
77.274.820-5	Inversiones Aguas Metropolitanas S.A.	Controller	Dividends paid	64,636,011	0	59,833,216	0	44,311,964	0	59,833,216	0

The criteria of materiality for reporting transactions with related entities are accumulated amounts of over Th\$25,000.



**Remuneration paid to the board members of Aguas Andinas S.A. and subsidiaries, and to the board members committee**

	30-06-2016	30-06-2015	01-04-2016 30-06-2016	01-04-2015 30-06-2015
	Th\$	Th\$	Th\$	Th\$
Directors	197,761	175,717	117,150	80,119
Directors' committee	14,309	10,614	9,688	4,469
<b>Total</b>	<b>212,069</b>	<b>186,331</b>	<b>126,838</b>	<b>84,588</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 Board Members and Executives.**

The Company's management is unaware of any transactions between related parties and directors and/or executives, other than their fees and compensation.

#### **Note 10. INVENTORIES**

The detail by class of inventories through June 30, 2016 and December 31, 2015 is the following:

<b>Inventory class</b>	<b>30-06-2016 Th\$</b>	<b>31-12-2015 Th\$</b>
Spares & meters	2,546,397	2,853,623
Supplies for production	720,524	676,780
Others	130,424	113,297
<b>Total</b>	<b>3,397,345</b>	<b>3,643,700</b>

The cost of the inventories shown as an expense in the statement of results during June 30, 2016 and 2015 amounts to Th\$5,187,833 and Th\$4,926,321 respectively.

#### **Note 11. INTANGIBLE ASSETS OTHER THAN GOODWILL**

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

	<b>30-06-2016 Th\$</b>	<b>31-12-2015 Th\$</b>
<b>Intangible assets, net</b>	<b>229,915,058</b>	<b>230,527,689</b>
Trademarks, net	13,000	13,000
Computer programs, net	11,191,888	11,875,731
Other intangible assets, net*	218,710,170	218,638,958
<b>Intangible assets, gross</b>	<b>275,223,062</b>	<b>272,921,827</b>
Trademarks, gross	13,000	13,000
Computer programs, gross	44,026,192	41,889,777
Other intangible assets, gross	231,183,870	231,019,050
<b>Intangible assets, accumulated amortization</b>	<b>45,308,004</b>	<b>42,394,138</b>
Trademarks, accumulated amortization	0	0
Computer programs, accumulated amortization	32,834,304	30,014,046
Other intangible assets, accumulated amortization	12,473,700	12,380,092



\*Corresponds to water rights, easements and others.

### Movement of intangible assets as of June 30, 2016

Intangible assets movements	Trademarks, net Th\$	Computer programs, net Th\$	Other intangible assets, net Th\$	Total Th\$
<b>Initial balance as of 01-01-2016</b>	<b>13,000</b>	<b>11,875,731</b>	<b>218,638,958</b>	<b>230,527,689</b>
Amortization	0	-2,820,258	-93,608	-2,913,866
Increases (reductions) for transfers	0	838,100	-36,626	801,474
Increases (reductions) for other changes	0	1,298,315	210,040	1,508,355
Disposals and withdrawals from service	0	0	-8,594	-8,594
<b>Changes, total</b>	<b>0</b>	<b>-683,843</b>	<b>71,212</b>	<b>-612,631</b>
<b>Closing balance as of 30-06-2016</b>	<b>13,000</b>	<b>11,191,888</b>	<b>218,710,170</b>	<b>229,915,058</b>

### Movement of intangible assets as of December 31, 2015

Intangible assets movements	Trademarks, net Th\$	Computer programs, net Th\$	Other intangible assets, net Th\$	Total Th\$
<b>Initial balance as of 01-01-2015</b>	<b>13,000</b>	<b>15,439,243</b>	<b>216,722,507</b>	<b>232,174,750</b>
Amortization	0	-6,650,309	-187,215	-6,837,524
Increases (reductions) for transfers	0	885,153	-32,591	852,562
Increases (reductions) for other changes	0	2,201,644	2,137,636	4,339,280
Disposals and withdrawals from service	0	0	-1,379	-1,379
<b>Changes, total</b>	<b>0</b>	<b>-3,563,512</b>	<b>1,916,451</b>	<b>-1,647,061</b>
<b>Closing balance as of 31-12-2015</b>	<b>13,000</b>	<b>11,875,731</b>	<b>218,638,958</b>	<b>230,527,689</b>

### Disclosure information on intangible assets (gross value)

#### Current Period 30-06-2016

Intangible assets movements	Trademarks, gross Th\$	Computer programs, gross Th\$	Other intangible assets, gross Th\$	Total Th\$
<b>Initial balance as of 01-01-2016</b>	<b>13,000</b>	<b>41,889,777</b>	<b>231,019,050</b>	<b>272,921,827</b>
Increases (reductions) for transfers	0	838,100	-36,626	801,474
Increases (reductions) for other changes	0	1,298,315	210,040	1,508,355
Disposals and withdrawals from service	0	0	-8,594	-8,594
<b>Changes, total</b>	<b>0</b>	<b>2,136,415</b>	<b>164,820</b>	<b>2,301,235</b>
<b>Closing balance as of 30-06-2016</b>	<b>13,000</b>	<b>44,026,192</b>	<b>231,183,870</b>	<b>275,223,062</b>



### Previous Period 31-12-2015

Intangible assets movements	Trademarks, gross	Computer programs, gross	Other intangible assets, gross	Total
	Th\$	Th\$	Th\$	Th\$
<b>Initial balance as of 01-01-2015</b>	<b>13,000</b>	<b>38,804,351</b>	<b>228,915,384</b>	<b>267,732,735</b>
Increases (reductions) for transfers	0	885,153	-32,591	<b>852,562</b>
Increases (reductions) for other changes	0	2,200,273	2,137,636	<b>4,337,909</b>
Disposals and withdrawals from service	0	0	-1,379	<b>-1,379</b>
<b>Changes, total</b>	<b>0</b>	<b>3,085,426</b>	<b>2,103,666</b>	<b>5,189,092</b>
<b>Closing balance as of 31-12-2015</b>	<b>13,000</b>	<b>41,889,777</b>	<b>231,019,050</b>	<b>272,921,827</b>

### Disclosure information on intangible assets (accumulated amortization)

#### Current Period 30-06-2016

Intangible assets movements	Trademarks, accumulated amortization	Computer programs, accumulated amortization	Other intangible assets, accumulated amortization	Total
	Th\$	Th\$	Th\$	Th\$
<b>Initial balance as of 01-01-2016</b>	<b>0</b>	<b>30,014,046</b>	<b>12,380,092</b>	<b>42,394,138</b>
Amortization	0	2,820,258	93,608	<b>2,913,866</b>
Increases (reductions) for transfers	0	0	0	<b>0</b>
Increases (reductions) for other changes	0	0	0	<b>0</b>
Disposals and withdrawals from service	0	0	0	<b>0</b>
<b>Changes, total</b>	<b>0</b>	<b>2,820,258</b>	<b>93,608</b>	<b>2,913,866</b>
<b>Closing balance as of 30-06-2016</b>	<b>0</b>	<b>32,834,304</b>	<b>12,473,700</b>	<b>45,308,004</b>

#### Previous period 31-12-2015

Intangible assets movements	Trademarks, accumulated amortization	Computer programs, accumulated amortization	Other intangible assets, accumulated amortization	Total
	Th\$	Th\$	Th\$	Th\$
<b>Initial balance as of 01-01-2015</b>	<b>0</b>	<b>23,365,108</b>	<b>12,192,877</b>	<b>35,557,985</b>
Amortization	0	6,650,309	187,215	<b>6,837,524</b>
Increases (reductions) for other changes	0	-1,371	0	<b>-1,371</b>
<b>Changes, total</b>	<b>0</b>	<b>6,648,938</b>	<b>187,215</b>	<b>6,836,153</b>
<b>Closing balance as of 31-12-2015</b>	<b>0</b>	<b>30,014,046</b>	<b>12,380,092</b>	<b>42,394,138</b>



### Detail of significant individual intangible assets (others):

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

Company	30-06-2016			31-12-2015		
	Water rights	Easements	Others	Water rights	Easements	Others
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Aguas Andinas S.A.	75,790,545	8,161,089	5,041,625	75,950,169	8,062,219	5,135,351
Aguas Cordillera S.A.	92,691,499	7,866,530	0	92,684,130	7,866,530	0
Aguas Manquehue S.A.	21,676,047	857,614	0	21,490,797	857,614	0
Essal S.A.	5,483,116	1,087,305	0	5,450,043	1,087,305	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>195,696,007</b>	<b>17,972,538</b>	<b>5,041,625</b>	<b>195,629,939</b>	<b>17,873,668</b>	<b>5,135,351</b>

### Intangible assets with undefined useful lives:

Both the water rights and easements are rights of the Company 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 2016 period relate to water rights, easements and computer programs necessary for the normal operation of the Group's companies, and in particular for new works under development or in preliminary study stages, plus the expansion of concession zones, shown as follows:

Company	Th\$
Aguas Andinas S.A.	1,473,216
Aguas Cordillera S.A.	33,209
Aguas Manquehue S.A.	
Essal S.A.	175,734
Análisis Ambientales S.A.	0
<b>Total</b>	<b>1,682,159</b>



## Note 12. GOODWILL

The detail of goodwill follows for the different Cash Generating Units (CGUs) or groups to which they are assigned, through June 30, 2016 and December 31, 2015:

<b>Tax ID</b>	<b>Company</b>	<b>30-06-2016 Th\$</b>	<b>31-12-2015 Th\$</b>
96.809.310-k	Aguas Cordillera S.A.	33,823,049	33,823,049
96.579.800-5	Empresa de Servicios Sanitarios de Los Lagos S.A.	343,332	343,332
96.897.320-7	Inversiones Iberaguas Ltda.	2,066,631	2,066,631
<b>Total</b>		<b>36,233,012</b>	<b>36,233,012</b>

## Note 13. PROPERTY, PLANT AND EQUIPMENT

	<b>30-06-2016 Th\$</b>	<b>31-12-2015 Th\$</b>
<b>Property, plant &amp; equipment, net</b>	<b>1,251,237,869</b>	<b>1,248,135,284</b>
Land	160,456,089	160,423,927
Buildings	73,791,202	74,367,058
Machinery	100,594,956	103,872,419
Transport vehicles	2,104,947	2,132,247
Fixed installations & accessories	654,751	683,380
Computer equipment	2,450,976	2,486,497
Improvements to leased assets	75,349	83,068
Construction in progress	151,662,533	144,232,818
Other property, plant & equipment *	759,447,066	759,853,870
<b>Property, plant &amp; equipment, gross</b>	<b>2,374,872,578</b>	<b>2,342,181,341</b>
Land	160,456,089	160,423,927
Buildings	101,936,679	101,522,741
Machinery	311,006,659	303,870,719
Transport vehicles	6,565,607	6,430,584
Fixed installations & accessories	5,156,772	5,133,162
Computer equipment	10,527,221	10,179,797
Improvements to leased assets	611,457	605,304
Construction in progress	151,662,533	144,232,818
Other property, plant & equipment	1,626,949,561	1,609,782,289
<b>Accumulated depreciation</b>	<b>1,123,634,709</b>	<b>1,094,046,057</b>
Buildings	28,145,477	27,155,683
Machinery	210,411,703	199,998,300
Transport vehicles	4,460,660	4,298,337
Fixed installations & accessories	4,502,021	4,449,782
Computer equipment	8,076,245	7,693,300
Improvements to leased assets	536,108	522,236
Other property, plant & equipment	867,502,495	849,928,419



\*Mainly relate to potable water and wastewater.

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

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





## Movements in property, plant and equipment through June 30, 2016

Concept	Initial balance	Depreciation	Increases (reductions) for transfers from construction in progress	Other increases (decreases)	Disposals & withdrawals from service	Total changes	Closing balance
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Land	160,423,927	0	36,625	3,498	-7,961	32,162	160,456,089
Buildings	74,367,058	-989,794	243,733	170,205	0	-575,856	73,791,202
Machinery	103,872,419	-10,488,255	9,983,373	-2,768,852	-3,729	-3,277,463	100,594,956
Transport vehicles	2,132,247	-266,818	42,075	208,800	-11,357	-27,300	2,104,947
Fixed installations & accessories	683,380	-58,155	8,393	21,135	-2	-28,629	654,751
Computer equipment	2,486,497	-621,483	169,136	416,826	0	-35,521	2,450,976
Improvements to leased assets	83,068	-13,872	1,356	4,797	0	-7,719	75,349
Construction in progress	144,232,818	0	-23,426,620	31,132,166	-275,831	7,429,715	151,662,533
Other property, plant & equipment	759,853,870	-17,866,944	12,140,454	5,454,212	-134,526	-406,804	759,447,066
<b>Total property, plant &amp; equipment, net</b>	<b>1,248,135,284</b>	<b>-30,305,321</b>	<b>-801,475</b>	<b>34,642,787</b>	<b>-433,406</b>	<b>3,102,585</b>	<b>1,251,237,869</b>

## Movements in property, plant and equipment through December 31, 2015

Concept	Initial balance	Depreciation	Increases (reductions) for transfers from construction in progress	Other increases (decreases)	Disposals & withdrawals from service	Total changes	Closing balance
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Land	158,072,457	0	42,834	2,346,709	-38,073	2,351,470	160,423,927
Buildings	74,015,778	-1,959,251	5,015,753	-968,061	-1,737,161	351,280	74,367,058
Machinery	112,453,483	-21,461,135	5,952,997	7,595,414	-668,340	-8,581,064	103,872,419
Transport vehicles	2,441,287	-512,296	326,337	-104,188	-18,893	-309,040	2,132,247
Fixed installations & accessories	591,523	-124,775	70,162	337,998	-191,528	91,857	683,380
Computer equipment	2,349,503	-1,290,812	562,101	866,244	-539	136,994	2,486,497
Improvements to leased assets	77,977	-26,693	1,940	29,844	0	5,091	83,068
Construction in progress	72,421,357	0	-24,476,822	96,326,853	-38,570	71,811,461	144,232,818
Other property, plant & equipment	765,978,703	-36,179,596	11,652,137	18,744,755	-342,129	-6,124,833	759,853,870
<b>Total property, plant &amp; equipment, net</b>	<b>1,188,402,068</b>	<b>-61,554,558</b>	<b>-852,561</b>	<b>125,175,568</b>	<b>-3,035,233</b>	<b>59,733,216</b>	<b>1,248,135,284</b>



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

### Current Period 30-06-2016

Concept	Initial balance	Increases (reductions) for transfers from Construction in progress	Other increases (decreases)	Disposals & withdrawals from service	Total changes	Closing balance
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Land	160,423,927	36,625	3,498	-7,961	32,162	160,456,089
Buildings	101,522,741	243,733	170,205	0	413,938	101,936,679
Machinery	303,870,719	9,983,373	-2,768,852	-78,581	7,135,940	311,006,659
Transport vehicles	6,430,584	42,075	208,800	-115,852	135,023	6,565,607
Fixed installations & accessories	5,133,162	8,393	21,135	-5,918	23,610	5,156,772
Computer equipment	10,179,797	169,136	416,826	-238,538	347,424	10,527,221
Improvements to leased assets	605,304	1,356	4,797	0	6,153	611,457
Construction in progress	144,232,818	-23,426,620	31,132,166	-275,831	7,429,715	151,662,533
Other property, plant & equipment	1,609,782,289	12,140,454	5,454,212	-427,394	17,167,272	1,626,949,561
<b>Total property, plant &amp; equipment, gross</b>	<b>2,342,181,341</b>	<b>-801,475</b>	<b>34,642,787</b>	<b>-1,150,075</b>	<b>32,691,237</b>	<b>2,374,872,578</b>

### Previous period 12-31-2015

Concept	Initial balance	Increases (reductions) for transfers from Construction in progress	Other increases (decreases)	Disposals & withdrawals from service	Total changes	Closing balance
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Land	158,072,457	42,834	2,346,709	-38,073	2,351,470	160,423,927
Buildings	99,239,758	5,015,753	-968,061	-1,764,709	2,282,983	101,522,741
Machinery	291,343,330	5,952,997	7,595,471	-1,021,079	12,527,389	303,870,719
Transport vehicles	6,291,303	326,337	-104,188	-82,868	139,281	6,430,584
Fixed installations & accessories	4,949,375	70,162	338,007	-224,382	183,787	5,133,162
Computer equipment	8,770,905	562,101	866,244	-19,453	1,408,892	10,179,797
Improvements to leased assets	573,520	1,940	29,844	0	31,784	605,304
Construction in progress	72,421,357	-24,476,822	96,326,853	-38,570	71,811,461	144,232,818
Other property, plant & equipment	1,580,451,881	11,652,137	18,744,690	-1,066,419	29,330,408	1,609,782,289
<b>Total property, plant &amp; equipment, gross</b>	<b>2,222,113,886</b>	<b>-852,561</b>	<b>125,175,569</b>	<b>-4,255,553</b>	<b>120,067,455</b>	<b>2,342,181,341</b>



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

### Current Period 30-06-2016

Concept	Initial balance	Depreciation	Other increases (decreases)	Disposals & withdrawals from service	Total changes	Closing balance
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Buildings	27,155,683	989,794	0	0	989,794	28,145,477
Machinery	199,998,300	10,488,255	0	-74,852	10,413,403	210,411,703
Transport vehicles	4,298,337	266,818	0	-104,495	162,323	4,460,660
Fixed installations & accessories	4,449,782	58,155	0	-5,916	52,239	4,502,021
Computer equipment	7,693,300	621,483	0	-238,538	382,945	8,076,245
Improvements to leased assets	522,236	13,872	0	0	13,872	536,108
Other property, plant & equipment	849,928,419	17,866,951	0	-292,875	17,574,076	867,502,495
<b>Total property, plant &amp; equipment, accumulated depreciation</b>	<b>1,094,046,057</b>	<b>30,305,328</b>	<b>0</b>	<b>-716,676</b>	<b>29,588,652</b>	<b>1,123,634,709</b>

### Previous Period 31-12-2015

Concept	Initial balance	Depreciation	Other increases (decreases)	Disposals & withdrawals from service	Total changes	Closing balance
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Buildings	25,223,980	1,959,251	0	-27,548	1,931,703	27,155,683
Machinery	178,889,847	21,461,135	57	-352,739	21,108,453	199,998,300
Transport vehicles	3,850,016	512,296	0	-63,975	448,321	4,298,337
Fixed installations & accessories	4,357,852	124,775	9	-32,854	91,930	4,449,782
Computer equipment	6,421,402	1,290,812	0	-18,914	1,271,898	7,693,300
Improvements to leased assets	495,543	26,693	0	0	26,693	522,236
Other property, plant & equipment	814,473,178	36,179,596	-65	-724,290	35,455,241	849,928,419
<b>Total property, plant &amp; equipment, accumulated depreciation</b>	<b>1,033,711,818</b>	<b>61,554,558</b>	<b>1</b>	<b>-1,220,320</b>	<b>60,334,239</b>	<b>1,094,046,057</b>



The detail of each consolidated Company of the Group, for the amount of future commitments for acquisitions of property, plant and equipment for the period 2016, is as follows:

Company	Th\$
Aguas Andinas S.A.	49,885,850
Aguas Cordillera S.A.	5,433,286
Aguas Manquehue S.A.	7,351,853
Essal S.A.	3,420,629
Ecoriles S.A.	84,690
Gestión y Servicios S.A.	61,633
Análisis Ambientales S.A.	136,739
<b>Total</b>	<b>66,374,680</b>

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

Company	Gross Value Th\$	Accumulated Depreciation Th\$	Net Value Th\$
Aguas Andinas S.A.	1,913,549	-1,828,448	<b>85,101</b>
Aguas Cordillera S.A.	274,332	-114,984	<b>159,348</b>
<b>Total</b>	<b>2,187,881</b>	<b>-1,943,432</b>	<b>244,449</b>

#### Note 14. IMPAIRMENT OF VALUE OF ASSETS

##### Disclosure information on asset impairment by cash generating unit:

Each company as a whole is defined as a Cash Generating Unit (CGU), 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 Company will evaluate, at the close of each financial position statement, whether there is any sign of impairment of value of any asset. If there is, the Company will estimate the amount recoverable for the asset. For assets with an indefinite useful life and for goodwill, the impairment test will at a minimum be made at the close of the period or when there are signs.

For intangible assets with indefinite useful life, e.g. water rights, a study was carried out to determine the values at market price, which are compared to the values assigned to them as costs at the date of adoption of the IFRS rules.



For lesser values, the calculation was made as to their useful value, considering the different companies as CGUs, using recent estimates of budgets over the medium term, determining the different parameters for according to models widely used in the market. The parameters are set via the current information for benchmark risk free rates in the market, the useful life for each company and growth rates for regular income of the companies, looking at growth in the population and changes in consumption through the years.

The Company and subsidiaries make annual impairment tests of their intangible assets of indefinite useful life, and lesser investment value.

The respective tests for impairment were made at the end of June 30, 2016 based on the Group's estimates and projections. These estimates indicated that the benefits attributable to the participations with lower associated values individually exceed their consolidated book values in all cases. Additionally, the intangible assets with indefinite useful lives were evaluated, resulting in a higher value registered on the books.

## Note 15. PROVISIONS AND CONTINGENT LIABILITIES

### A. Provisions

The detail of these as of June 30, 2016 and December 31, 2015 is as follows:

Classes of provisions	30-06-2016 Th\$	31-12-2015 Th\$
Provisions for legal claims	405,117	547,288
<b>Other provisions, current</b>	<b>405,117</b>	<b>547,288</b>
Other provisions, non-current	1,262,106	1,239,995
<b>Provisions, non-current</b>	<b>1,262,106</b>	<b>1,239,995</b>

The movement in current provisions for the periods was:

Legal claims	30-06-2016 Th\$	31-12-2015 Th\$
<b>Initial balance provisions</b>	<b>547,288</b>	<b>591,098</b>
Increase in existing provisions	223,918	252,620
Provision used	-366,089	-237,035
Other increases (decreases)	0	-59,395
<b>Changes in provisions, total</b>	<b>-142,171</b>	<b>-43,810</b>
<b>Total</b>	<b>405,117</b>	<b>547,288</b>



The provisions under this heading are described as follows:

## 1.- Legal claims

The Company 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 Company and subsidiaries.

The following are the provisions for legal claims that might affect the Company:

- a) Nature of class of provision:** The Superintendence of Sanitation Services (SISS) has levied fines against 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 Company. The total of the demands presented amount to Th\$ 499,540.-, of which Th\$ 347,952 were paid before the demand procedures began.

**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 Company did not commit the breach and therefore that its appeals will be accepted.

- b) Nature of class of provision:** The Superintendence of Sanitation Services initiated proceedings to sanction Aguas Andinas S.A. with respect to overflows of waste waters due to an obstruction of Aguas Andinas' 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.

- c) Nature of class of provision:** The Superintendence of Sanitation Services initiated two sanction proceedings against Aguas Andinas S.A. concerning alleged breaches of Law 18,902, article 11, letters a) b) & c), as a result of water cuts produced by ruptures in the water main in the districts of Macul.

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

**Uncertainties about the timing and amount of a class of provision:** The fine proceeding initiated against Aguas Andinas S.A. determines an amount of 101 UTA adjusted. The fine was paid prior to claim. A sentence was issued reducing the fine to 81 UTA, with both parties appealing the case,



which resolution is pending. In accordance to the status of the case, is not possible to estimate the result.

- d) Nature of class of provision:** The Metropolitan COREMA (regional environmental authority) applied a fine of 500 UTM through Resolution N° 177/2004 of May 28, 2004 for the alleged infringement of the Resolution of Environmental Qualification for the La Farfana Wastewater 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.

- e) Nature of class of provision:** CONAMA (formerly the national environmental authority) applied a fine of 300 UTM through Resolution N°069/2005 of February 17, 2005, for alleged infringement caused by foul odors originating from the La Farfana Wastewater Treatment Plant for the removal of sludge from the drying field.

**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. Currently, notification of the sentence in the first instance is pending, rejecting the appeal made by the company.

- f) 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 a challenge to the courts. A final sentence was given rejecting the challenge, and an appeal was made by Aguas Andinas which was fully accepted revoking the interposed fine. The claimed made an appeal, which was accepted, so the amount outstanding should now be determined.

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

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



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

## **2.- Other provisions, non-current**

These relate basically to a transaction on July 10, 2007, signed before the Notary of Mrs. María Gloria Acharan Toledo, between Aguas Cordillera S.A. and property developers by which, should Aguas Cordillera S.A. abandon and sell the land transferred to it in the future, 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, which claims that the Company breached the supply contract and the terms of the water production and distribution concession, by delivering bad quality water, not providing water and not informing them of supply cuts in a timely manner, on January 21 and 22, and on 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. Subsequently, on January 2, 2015, the trial court annulled the resolution that declared the appeal untimely, declaring it inadmissible. Aguas Andinas appealed in fact against this decision, which the Santiago Court of Appeals rejected and accepted the appeal of CONADECUS, declaring the application admissible and ordered the process to continue. Interlocutory judgment was delivered. The parties resolved and settlement is approved, finished trial.
- 2.- There is a demand for compensation for damages against Aguas Andinas S.A. with respect to bad odors from the El Trebal Wastewater Treatment Plant. The lawyer Bertolone, representing 314 residents of the district of El Trebal, which adjoins the sewage plant, alleges moral damages produced by odors coming from the plant, plus other environmental damages. The demands amount to a total of Th\$10,990,000, plus interest, adjustments and costs. The claim was rejected in its entirety by judgment of the trial court level, which the applicant appealed to the Santiago Court of Appeals. On appeal the judgment of the first sentence was confirmed, accrediting there was no existence of a harm that signifies Aguas Andinas is responsible, denying the action in its entirety. Sentence was given by Court of Appeals, which rejected the demand for compensation for damages because it were not possible estimate the existence of a harm alleged by the applicant, so El Trebal Wastewater Treatment Plant works according to the current legislation, adhering to the environmental, mitigation and reparation requirements. Appeal was rejected, finished trial pro Aguas Andinas S.A.
- 3.- 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 Th\$1,093,564-. The cause is received designating judge in investigation process. Judgment in probation stage.





4.- As of June 9, 2016 and product of a potable water Matrix break that affect Providencia district, Aguas Andinas S.A. is evaluating and compensating the damages. Among affected are Metro S.A. and Ilustre Municipalidad de Providencia, with whom talks are held to determine the economic impacts to both institutions. In response to the indicated emergency, the Company is in control process by the Superintendence of Sanitation Services to establish if offenders are liable to be sanctioned.

The Company 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 to other institutions, for Th\$34,498,354 as of June 30, 2016 and Th\$36,252,092 as of December 31, 2015 respectively.



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

Creditor of the guarantee	Debtor	Type of guarantee	30-06-2016 Th\$	31-12-2015 Th\$
Asociación de Canalistas Sociedad del Canal Maipo	Aguas Andinas S.A.	Performance bon	7,390,916	7,270,918
Superintendencia de Servicios Sanitarios	Aguas Andinas S.A.	Performance bon	6,646,194	6,906,937
Servicio de Vivienda y Urbanismo Metropolitano	Aguas Andinas S.A.	Performance bon	5,008,166	6,088,905
Dirección de Obras Hidráulica	Aguas Andinas S.A.	Performance bon	649,656	607,007
Municipalidad de La Florida	Aguas Andinas S.A.	Performance bon	436,294	432,510
Municipalidad de Providencia	Aguas Andinas S.A.	Performance bon	53,615	52,745
Municipalidad de Peñalolen	Aguas Andinas S.A.	Performance bon	42,304	41,617
Dirección Regional de Vialidad	Aguas Andinas S.A.	Performance bon	32,564	16,915
Tesorero Municipalidad de La Pintana	Aguas Andinas S.A.	Performance bon	31,440	31,440
Municipalidad de Santiago	Aguas Andinas S.A.	Performance bon	24,228	23,835
Municipalidad de La Pintana	Aguas Andinas S.A.	Performance bon	20,677	20,678
Constructora San Francisco	Aguas Andinas S.A.	Performance bon	15,631	15,377
Director de Obras	Aguas Andinas S.A.	Performance bon	11,101	0
Municipalidad de Las Condes	Aguas Andinas S.A.	Performance bon	10,000	10,000
Aguas del Valle S.A.	Aguas Andinas S.A.	Performance bon	0	51,258
Esval S.A.	Aguas Andinas S.A.	Performance bon	0	102,516
Municipalidad de Calera de Tango	Aguas Andinas S.A.	Performance bon	0	12,702
Municipalidad de Macul	Aguas Andinas S.A.	Performance bon	0	8,996
Municipalidad de San Joaquín	Aguas Andinas S.A.	Performance bon	0	9,534
Superintendencia de Servicios Sanitarios	Aguas Cordillera S.A.	Performance bon	2,342,810	2,304,773
Asociación de Canalistas Sociedad del Canal Maipo	Aguas Cordillera S.A.	Performance bon	899,564	884,960
Servicio de Vivienda y Urbanismo Metropolitano	Aguas Cordillera S.A.	Performance bon	560,119	845,760
Ministerio de Obras Publicas	Aguas Cordillera S.A.	Performance bon	387,706	0
Municipalidad de Las Condes	Aguas Cordillera S.A.	Performance bon	173,000	173,000
Municipalidad de Vitacura	Aguas Cordillera S.A.	Performance bon	52,104	51,258
Municipalidad Lo Barnechea	Aguas Cordillera S.A.	Performance bon	16,933	12,815
Ministerio de Obras Publicas - Dirección General de Aguas	Aguas Cordillera S.A.	Performance bon	0	381,412
Asociación de Canalistas Sociedad del Canal Maipo	Aguas Manquehue S.A.	Performance bon	1,180,036	1,160,877
Superintendencia de Servicios Sanitarios	Aguas Manquehue S.A.	Performance bon	1,017,645	1,075,063
Municipalidad de Vitacura	Aguas Manquehue S.A.	Performance bon	10,420	10,252
Servicio de Vivienda y Urbanismo	Gestión y Servicios S.A.	Performance bon	2,355,946	2,408,203
Municipalidad de Las Condes	Gestión y Servicios S.A.	Performance bon	19,539	33,222
Siderúrgica Huachipato	Anam S.A.	Performance bon	52,104	51,258
Corporación Nacional del Cobre	Anam S.A.	Performance bon	16,920	16,646
Empresa Servicios Sanitarios del BioBio S.A.	Anam S.A.	Performance bon	0	34,599
Compañía Minera Doña Inés de Collahuasi	Anam S.A.	Performance bon	0	14,598
Superintendencia de Servicios Sanitarios	Essal S.A.	Insurance policy	2,577,682	2,399,825
Director de Obras Hidráulicas	Essal S.A.	Performance bon	1,443,246	1,491,677
Gobierno Regional de la Región de Los Ríos	Essal S.A.	Performance bon	187,188	166,503
Servicio de Vivienda y Urbanismo	Essal S.A.	Performance bon	171,881	150,239
Director de Vialidad	Essal S.A.	Performance bon	15,631	80,845
Secretaria Regional	Essal S.A.	Performance bon	29,178	28,705
Director General del Territorio Marítimo y de Marina Mercante	Essal S.A.	Performance bon	11,397	11,281
<b>Total</b>			<b>33,913,165</b>	<b>35,491,661</b>



## **b) Bond issue restrictions**

### **i) Aguas Andinas S.A.**

The Company maintains restrictions and obligations related to bond issues made on the national market, as follows:

- 1.- Send a copy of the interim consolidated financial statements to the representative of the Bondholders, and send both the quarterly and the audited annual statements to the Company Subsidiaries registered with the SVS, , within the same time period that these have to be presented to the SVS, plus all public information reported to the SVS.
- 2.- Register in its accounting books the provisions arising from adverse contingencies which, in the opinion of the Company'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 company's kind.
- 4.- The Company is obligated 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 in the Issuer's Financial Statements, 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. For all, the aforementioned limit will be adjusted up to a maximum of 2 times.

For these purposes the Debt Ratio is defined as the ratio of Total Liabilities to Total Equity. Total Liabilities are defined as the sum of the Total Current Liabilities and Total Non-Current Liabilities in the Issuer's Financial Statements.

For purposes of determining the aforementioned index, Liabilities include the amount of all joint or several guarantees, simple or joint bonds, joint assumption of debt or other guarantees, personal or real, 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 sanitation 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 Issuer's Financial Statements.

As of June 30, 2016, the abovementioned accounts are as follows (Th\$):

Total current liabilities	133,176,208
Total non-current liabilities	875,200,430
<b>Total IFRS liabilities</b>	<b>1,008,376,638</b>
Third party guarantees (*)	92,440
<b>Total liabilities</b>	<b>1,008,469,078</b>
Total assets	1,663,206,556
Total current liabilities	-133,176,208
Total non-current liabilities	-875,200,430
<b>Total net equity</b>	<b>654,829,918</b>

The debt ratio was 1.54 times, as of June 30, 2016.

\* The amount of all joint or several guarantees, simple or joint bonds, joint assumption of debt or other guarantees, personal or real, 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 sanitation legislation and execution of works in public spaces.

The variation in the Debt Level as of June 30, 2016 was the following:

31-12-2009	30-06-2016	Accumulated inflation	Basis	Limit
90.28	112.13	24.20%	1.5	1.86

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 Companies.

The Company is in compliance with all the covenants established in the bond indentures as of June 30, 2016 and December 31, 2015.

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



The company has restrictions and obligations relating to bond issues made on the national 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.- Register in its accounting books the provisions arising from adverse contingencies which, in the opinion of the Company'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 Company'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 June 30, 2016, the debt ratio was 1.11:1.

- 6.- Maintain a ratio of Ebitda to Financial expenses of no less than 3.5:1. As of June 30, 2016, the ratio was 9.08:1.

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

The Company is in compliance with all obligations established in the bond indentures as of June 30, 2016 and December 31, 2015.

### **c) Bank loan restrictions**

#### **i) Aguas Andinas S.A.**

The Company has covenants and restrictions for obtaining loan agreements with various national banks, as follows:



- 1.- Maintain a debt ratio no higher than 1.5:1, measured on its consolidated and unconsolidated balance sheets. Notwithstanding the above, the previous limit shall be adjusted according to the ratio between the Consumer Price Index for the month in which the debt level and the consumer price index in December 2009 is calculated. In any case the limit shall be adjusted up to a maximum level of 2.0:1. As of June 30, 2016 the debt level amounted to 1.88 times. To this end, the level of indebtedness shall be defined as the ratio of total debt of assets. As of June 30, 2016 the level of indebtedness amounted to 1.54 times.
- 2.- Prohibition on the disposal or loss of title to essential assets, except for contributions or transfers of essential assets to Subsidiary Companies.
- 3.- Send a copy of the individual and interim consolidated financial statements and both the quarterly and the audited annual statements to the different banks with which the Company has loans, within no more than five days of their presentation to the SVS.
- 4.- Record in its accounting books the provisions arising from adverse contingencies which, in the opinion of the Company'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 Company's kind.
- 6.- Send a certificate signed by the Company'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 Company, 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.



## **ii) Aguas Cordillera S.A.**

The Company has covenants and restrictions for obtaining loan agreements with a national bank, as follows:

- 1.- Maintain a debt ratio no higher than 1.5:1, measured on its consolidated and consolidated balance sheets. Notwithstanding the above, the previous limit shall be adjusted according to the ratio between the Consumer Price Index for the month in which the debt level and the consumer price index in December 2009 is calculated. In any case the limit shall be adjusted up to a maximum level of 2.0:1. To this end, the level of indebtedness shall be defined as the ratio of total debt to assets. As of June 30, 2016 the debt level amounted to 0.49 times.
- 2.- Maintain a coverage ratio of financial expenses equal to or more than 3.0:1, measured on its annual consolidated balance sheet, defined as the ratio between operating income plus depreciation and amortization of intangibles divided by financial expenses. As of June 30, 2016, the coverage of financial expenses amounted to 16.68 times.
- 3.- Send the bank a copy of the debtor's annual interim consolidated financial statements, within no more than thirty days of their presentation to the Superintendence of Securities and Insurance.
- 4.- Send a certificate signed by the Company's Chief Executive Officer declaring compliance with the obligations under the loan agreement.
- 5.- Maintain in full force all rights, licenses, permits, trademarks, franchises, concessions or relevant parts thereof.
- 6.- Maintain insurance coverage 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 Company's kind.
- 7.- Undertake to ensure that its transactions with its subsidiary or other related parties are made on equitable conditions similar to those normally prevailing in the market.

## **iii) Essal S.A.**

The Subsidiary has obligations arising from the obtaining of a loan with a national bank, which does not have commitments of financial indices or associated restrictions.



As of June 30, 2016, the Company and its sanitation subsidiaries are in compliance with all requirements established in the loan agreements with accrediting Banks, as well as 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 June 30, 2016 and December 31, 2015, the Company has received documents in guarantee for Th\$58,128,877 and Th\$60.160.786 respectively, arising mainly from work 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 June 30, 2016 is summarized below:

Contractor or supplier	30-06-2016 Th\$	Final maturity
Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	13,516,962	30-07-2018
Suez International	6,388,040	01-03-2017
Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	5,060,605	31-12-2017
Empresa Depuradora de Aguas Servidas Mapocho El Trebal Ltda.	4,414,419	01-06-2017
Suez International	3,816,889	30-01-2017
Ingeniería y Construcción Sigdo Koppers S.A.	2,513,147	30-11-2016
Suez Medioambiente Chile S.A.	637,441	02-05-2017
Suez Medioambiente Chile S.A.	590,223	02-11-2016
Suez Medioambiente Chile S.A.	500,000	01-08-2016
Icafal Ingeniería y Construcción S.A.	500,000	08-08-2016
Constructora El Trebol Ltda.	482,953	29-01-2018
Sociedad Concesionaria Costanera Norte S.A.	390,781	02-11-2016
Suez Medioambiente Chile S.A.	390,573	01-09-2016
Inmobiliaria y Comercial Quilicura Ltda.	364,729	28-10-2020
Inmobiliaria La Reserva Ltda.	306,424	31-08-2016
Aqualogy Development Network S.A.	276,725	30-07-2016
Chilectra S.A.	260,521	14-07-2016
Chilectra S.A.	260,521	01-08-2016
Ingeniería y Construcción Sigdo Koppers S.A.	260,521	31-12-2016
Navarrete y Díaz Cumsille	250,000	16-08-2016
Ingeniería y Construcción M.S.T. S.A.	250,000	31-08-2016
Suez Medioambiente Chile S.A.	243,926	21-11-2016
Inmobiliaria Nueva Tarapacá S.A.	234,469	01-09-2016
Domus S.A.	234,469	31-01-2017
Constructora Pérez y Gómez Ltda.	220,974	30-04-2017
Inmobiliaria Monte Aconcagua S.A.	208,417	16-11-2016
Icafal Ingeniería y Construcción S.A.	207,233	21-12-2016
Ingeniería y Construcción Caiquen Ltda.	104,177	29-05-2017
<b>Total</b>	<b>42,885,139</b>	





## Note 17. ORDINARY REVENUE

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

Classes of ordinary revenue	30-06-2016 Th\$	30-06-2015 Th\$	01-04-2016 30-06-2016 Th\$	01-04-2015 30-06-2015 Th\$
<b>Ordinary revenue</b>				
Sales of goods	3,898,706	239,420,659	1,819,274	110,184,369
Provision of services	246,338,724	3,759,009	109,354,148	2,068,029
Insurance repayment	32,231	110,762	30,379	72,435
<b>Total</b>	<b>250,269,661</b>	<b>243,290,430</b>	<b>111,203,801</b>	<b>112,324,833</b>

## Note 18. LEASES

### Information to disclose about operational leases as lessor

Included under this heading are certain installations where mainly Commercial Agencies operate.

Future minimum non-cancellable lease receivables, lessees	30-06-2016 Th\$	31-12-2015 Th\$
Future minimum non-cancellable lease payments up to 1 year, lessees	1,735,543	2,024,359
Future minimum non-cancellable lease payments, 1 to 5 years, lessees	2,613,624	4,787,536
<b>Future minimum non-cancellable lease payments, lessees, total</b>	<b>4,349,167</b>	<b>6,811,895</b>
Minimum lease payments under operative leases	2,388,853	4,170,731
<b>Lease &amp; sub-lease installments booked in statement of results, total</b>	<b>2,388,853</b>	<b>4,170,731</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.

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

Agreements are automatically renewed for one year.



## Disclosures of operative leases as lessors:

The Company 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 Company has the power to terminate them in advance at any time.

<b>Future minimum non-cancellable lease receivables, lessors</b>	<b>30-06-2016 Th\$</b>	<b>31-12-2015 Th\$</b>
Future minimum non-cancellable lease receivables, up to 1 year, lessors	191,869	380,398
Amount of rentals booked in statement of results	375,848	656,448
<b>Total</b>	<b>567,717</b>	<b>1,036,846</b>

## Significant operative lease agreements of the lessor

Revenues from these sources is immaterial for the Company.

## Note 19. EMPLOYEE BENEFITS

The Company, at the consolidated level, has a workforce of 1,986 employees, of whom 78 are Managers and senior executives. Employees who are parties to collective agreements and individual work contracts with special indemnity clauses total 1,594 and 48 respectively, while 344 workers are covered by what is indicated in the Labor Code.

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

The collective agreement with the Professionals and Technicians Union No.3 was signed on September 24, 2015, and is in effect until July 31, 2018.

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 with Unions of the Essal S.A. subsidiary were signed on December 31, 2013 and expire on 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 interim consolidated financial statements, the actuarial valuation calculation is applied for years of service.

## 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 Essal S.A. subsidiary, 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.: 921, Aguas Cordillera S.A.: 97, Aguas Manquehue S.A.: 16, and Essal S.A. 317 and Gestión y Servicio S.A.:1.

**Mortality:** The RV-2009 mortality tables of the Superintendencia of Securities and Insurance are used.



**Employee turnover and disability rates and early retirements:** Based on the Group's statistical experience, the turnover rate used is 5.5% (five point five percent) for the periods 2016 and 2015, for the objective workers. Disabled workers and early retirements have not been considered due to their infrequent nature.

**Discount rate:** During periods 2016 and 2015, 4.7% (four point seven percent), corresponding to the risk-free rate, plus the estimate of expected long-term inflation.

**Inflation rate:** For making long-term estimates for both the 2016 and 2015 periods, the forecast long-term inflation rate reported by the Central Bank of Chile was used, which amounts to 3.0%.

**Wage increase rate:** The rate uses for the 2016 and 2015 periods was 6.0%.

### **General description of defined benefits plans**

The following benefits are in addition to those indicated in Note 2.2, letter 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 an employee who retires from the Company in accordance with numbers 2, 4 or 5 of article 159, number 1 letter a or number 6 of article 160 of the Labor Code, the employee will be paid as an indemnity the accumulated amount for this concept through 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. In terms of the non-sanitation companies, that is Gestión y Servicios S.A., Ecoriles S.A., Anam S.A. and Aguas del Maipo S.A., the provisions of the Labor Code are applied, except for when individual contracts indicate otherwise.

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

The following is the movement in actuarial provisions as of June 30, 2016 and December 31, 2015, which include movements in provisions:



Provisions for employee benefits	30-06-2016 Th\$	31-12-2015 Th\$
<b>Movement in actuarial provision</b>		
Initial balance	15,621,082	12,875,569
Cost of services	1,078,909	1,595,460
Interest cost	318,812	575,704
Actuarial gains or losses	0	1,985,360
Benefits paid	-1,442,887	-4,115,296
Provision termination benefits	169,058	2,704,285
<b>Sub-total</b>	<b>15,744,974</b>	<b>15,621,082</b>
Profit sharing & bonuses	2,029,672	3,821,537
<b>Total</b>	<b>17,774,646</b>	<b>19,442,619</b>

In the financial situation statement these balances can be found in the following areas:

Provisions for employee benefits	30-06-2016 Th\$	31-12-2015 Th\$
Provisions for employee benefits, current	2,694,825	5,484,815
Provisions for employee benefits, non-current	15,079,821	13,957,804
<b>Total</b>	<b>17,774,646</b>	<b>19,442,619</b>

### Expected payment flows

The collective Contract of Aguas Andinas S.A. indicates, in its 15th clause, that for workers who resign voluntarily to be entitled to retirement, they 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 paid to workers who resign voluntarily on reaching the legal retirement age.

In 2015 the Company began a program that incentivizes voluntary retirement of our employees that are approaching the legal retirement age.

According to the mentioned benefits plans, the following are the flows for the following periods:



Company	Number of employees	Expected payment flow Th\$	Year
A. Andinas S.A.	10	470,662	2016
ESSAL S.A.	3	19,814	2016
		<b>490,476</b>	

### Projected liabilities to December 31, 2016

To calculate the projected liabilities for indemnities at actuarial value to December 2016, as indicated in IAS 19, the actuarial assumptions at June 30, 2016 have been used, already commented in this note. Only the amount of the legal bonus has been increased, in line with the minimum wage established in January of this year.

The following is the summary by company:

Company	Number of employees	Cost of services Th\$	Interest costs Th\$
A. Andinas S.A.	921	1,666,232	298,632
A. Cordillera S.A.	97	199,469	33,463
A. Manquehue S.A.	16	32,175	5,153
ESSAL S.A.	317	49,766	9,702
Gestión y Servicios S.A.	1	679	87
		<b>1,948,321</b>	<b>347,037</b>

### Sensitivity of assumptions

The sensitivity of the main assumptions has been made based on the actuarial calculation as of June 30, 2016, determining the following impacts:

Concept	Base	More than 0.5% ThCh\$	Less than 0.5% ThCh\$
Discount rate	4.7%	-593,796	655,625
Turnover rate	5.5%	-1,195,897	1,405,196
Wage increase rate	6.0%	546,299	-496,677



## Disclosures on benefits on termination of the contractual relationship

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

## Profit sharing and bonuses

This relates to the Company's obligation with its personnel with respect to profit-sharing bonuses payable in February and March of 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 June 30, 2016 and December 31, 2015, the amounts are Th\$2,029,672 and Th\$3,821,537 respectively. In addition, advances are made against this bonus in the months of March, June, September and December of each calendar year.

The annual amount will depend on the earnings of each Company in the Group.

## Personnel expenses

Personnel expenses through June 30, 2016 and 2015 are as follows:

Personnel expenses	30-06-2016 Th\$	30-06-2015 Th\$	01-04-2016 30-06-2016 Th\$	01-04-2015 30-06-2015 Th\$
Wages & salaries	-15,781,223	-14,265,016	-8,431,161	-7,636,736
Defined benefits	-7,205,571	-6,544,242	-3,740,674	-3,510,369
Termination benefits	-1,610,114	-3,768,071	-805,896	-795,272
Other personnel expenses	-1,219,730	-1,031,883	-372,785	-502,816
<b>Total</b>	<b>-25,816,638</b>	<b>-25,609,212</b>	<b>-13,350,516</b>	<b>-12,445,193</b>



## Note 20. EFFECT OF EXCHANGE DIFFERENCES

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

Concept	Currency	30-06-2016 Th\$	30-06-2015 Th\$	01-04-2016 30-06-2016 Th\$	01-04-2015 30-06-2015 Th\$
Trade debtors and other accounts receivable	EUR	183	-682	62	422
Trade debtors and other accounts receivable	USD	-1,600	21	-946	-55
Other financial assets	USD	-308	0	-264	0
Other financial assets	EUR	-68	0	240	0
<b>Total variation assets</b>		<b>-1,793</b>	<b>-661</b>	<b>-908</b>	<b>367</b>
Trade accounts payable and other accounts payable	EUR	-3,783	11,945	-4,116	1,390
Trade accounts payable and other accounts payable	USD	12,395	-350	2,089	2,985
Accounts payable to related entities	USD	0	774	-1,496	774
<b>Total variation liabilities</b>		<b>8,612</b>	<b>12,369</b>	<b>-3,523</b>	<b>5,149</b>
<b>Gain (loss) from exchange differences</b>		<b>6,819</b>	<b>11,708</b>	<b>-4,431</b>	<b>5,516</b>

## Note 21. OTHER EXPENSES BY NATURE

Information concerning other expenses by nature is presented below:

Other expenses by nature	30-06-2016 Th\$	30-06-2015 Th\$	01-04-2016 30-06-2016 Th\$	01-04-2015 30-06-2015 Th\$
Treatment plant operation	-14,746,270	-14,295,309	-7,509,157	-7,255,647
Commercial services	-10,788,810	-8,917,592	-5,371,994	-4,300,505
Insurance, taxation, licenses & permits	-2,930,683	-2,756,538	-1,647,518	-1,477,772
Maintenance of networks, equipment and enclosures	-14,008,153	-12,427,372	-7,511,806	-6,939,353
Supplies & basic services	-6,990,181	-5,498,714	-3,660,008	-2,796,761
Other expenses	-6,143,014	-7,167,370	-3,264,930	-3,807,860
<b>Total</b>	<b>-55,607,111</b>	<b>-51,062,895</b>	<b>-28,965,413</b>	<b>-26,577,898</b>

## Note 22. CAPITALIZED FINANCING COSTS

The detail of capitalized financing costs to June 30, 2016 and December 31, 2015 is as follows:





## Disclosures on capitalized interest costs:

Capitalized interest costs, property, plant & equipment		30-06-2016	31-12-2015
Rate of capitalization of capitalized interest costs, property, plant & equipment	%	7.82	8.11
Amount of capitalized interest, property, plant & equipment	Th\$	2,946,955	2,828,843

## Note 23. INCOME TAXES AND DEFERRED TAXES

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

Statements of financial position	30-06-2016 Th\$	31-12-2015 Th\$
Deferred tax assets	19,431,138	17,111,377
Deferred tax liabilities	-39,383,027	-40,336,291
<b>Net deferred tax position</b>	<b>-19,951,889</b>	<b>-23,224,914</b>

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



## Disclosures on deferred tax assets

Deferred tax assets	30-06-2016 Th\$	31-12-2015 Th\$
Water rights (amortization)	451,130	429,019
Provision for doubtful accounts	9,274,479	8,497,249
Provision for vacations	452,667	503,849
Litigation	232,855	181,956
Termination benefits	3,445,368	3,375,320
Other provisions	167,033	308,623
Revenue received in advance	28,186	18,587
Variation monetary correction & depreciation assets	68,664,321	66,207,361
Deferred income	1,969,571	1,969,571
La Dehesa dam transaction	367,693	361,724
Amortization	0	50,552
Others	738,791	813,495
<b>Deferred tax assets</b>	<b>85,792,094</b>	<b>82,717,306</b>

## Disclosures on deferred tax liabilities

Deferred tax liabilities	30-06-2016 Th\$	31-12-2015 Th\$
Depreciation fixed assets	22,696,510	22,479,474
Amortization	666,238	448,077
Expense investment related companies	114,266	114,266
Revaluation of land	22,669,870	22,669,870
Revaluations of water rights	45,611,780	45,611,780
Fair value of assets on purchase Essal S.A.	13,937,361	14,569,528
Others	47,958	49,225
<b>Deferred tax liabilities</b>	<b>105,743,983</b>	<b>105,942,220</b>

On September 29, 2014 Law N° 20,780 was published, which establishes a permanent change to the 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.



## Movements in deferred tax

<b>Movement in deferred tax assets</b>	<b>30-06-2016 Th\$</b>	<b>31-12-2015 Th\$</b>
<b>Deferred tax assets, initial balance</b>	<b>82,717,306</b>	<b>76,749,524</b>
Increases (decreases) in deferred tax assets	-159,402	444,782
Increases (decreases) for variation in monetary correction and assets depreciation	2,456,960	6,270,852
Increases (decreases) for bad debt provision	777,230	-747,852
<b>Changes in deferred tax assets</b>	<b>3,074,788</b>	<b>5,967,782</b>
<b>Changes in deferred tax assets, total</b>	<b>85,792,094</b>	<b>82,717,306</b>

<b>Movement in deferred tax liabilities</b>	<b>30-06-2016 Th\$</b>	<b>31-12-2015 Th\$</b>
<b>Deferred tax liabilities, initial balance</b>	<b>105,942,220</b>	<b>106,981,608</b>
Increases (decreases) in deferred tax liabilities	433,930	145,927
Increases (decreases) in acquisitions through combinations of businesses	-632,167	-1,185,315
<b>Changes in deferred tax liabilities</b>	<b>-198,237</b>	<b>-1,039,388</b>
<b>Changes in deferred tax liabilities, total</b>	<b>105,743,983</b>	<b>105,942,220</b>

## Revenues tax expenses

<b>Revenues (charge) for income taxes by current &amp; deferred parts</b>	<b>30-06-2016 Th\$</b>	<b>30-06-2015 Th\$</b>	<b>01-04-2016 30-06-2016 Th\$</b>	<b>01-04-2015 30-06-2015 Th\$</b>
Charge for current taxes	-24,304,026	-22,532,495	-8,619,404	-8,523,544
Adjustment tax charge previous period	278,779	-37,679	278,779	-37,077
<b>Charge for current income tax</b>	<b>-24,025,247</b>	<b>-22,570,174</b>	<b>-8,340,625</b>	<b>-8,560,621</b>
Deferred income (expenses) for taxes related to creation & reversal of timing differences	3,273,581	3,192,317	1,969,387	3,496,361
Charge for sole tax (disallowed expenses)	-64,762	-40,751	-32,876	-26,580
<b>Earnings (charge) for other taxes</b>	<b>3,208,819</b>	<b>3,151,566</b>	<b>1,936,511</b>	<b>3,469,781</b>
<b>Charge for income tax</b>	<b>-20,816,428</b>	<b>-19,418,608</b>	<b>-6,404,114</b>	<b>-5,090,840</b>



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

	<b>30-06-2016</b> Th\$	<b>30-06-2015</b> Th\$	<b>01-04-2016</b> <b>30-06-2016</b> Th\$	<b>01-04-2015</b> <b>30-06-2015</b> Th\$
<b>Charge for taxes using the statutory rate</b>	<b>-23,125,891</b>	<b>-21,223,924</b>	<b>-7,745,250</b>	<b>-7,026,672</b>
Permanent difference for monetary correction tax equity	2,377,471	1,585,387	1,253,222	1,596,673
Permanent difference for rejected expenses	-64,762	-40,751	-32,876	-26,580
Permanent difference for previous years' income tax	278,779	-37,679	278,779	-37,077
Other permanent differences	-282,025	298,359	-157,989	402,816
<b>Adjustments to tax charge using the statutory rate</b>	<b>2,309,463</b>	<b>1,805,316</b>	<b>1,341,136</b>	<b>1,935,832</b>
<b>Tax charge using the effective rate</b>	<b>-20,816,428</b>	<b>-19,418,608</b>	<b>-6,404,114</b>	<b>-5,090,840</b>

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

	<b>30-06-2016</b>	<b>30-06-2015</b>
Statutory tax rate	24.00%	22.50%
Permanent difference for monetary correction tax equity	-2.47%	-1.68%
Permanent difference for rejected expenses	0.07%	0.04%
Permanent difference for previous years' income tax	-0.29%	0.04%
Other permanent differences	0.14%	-0.31%
<b>Effective tax rate</b>	<b>21.60%</b>	<b>20.59%</b>



## Note 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.

Earnings per share		30-06-2016	30-06-2015	01-04-2016 30-06-2016	01-04-2015 30-06-2015
Earnings attributable to shareholders in equity of the controller	Th\$	73,469,696	73,219,963	25,176,009	25,626,062
Results available to common shareholders, basic	Th\$	73,469,696	73,219,963	25,176,009	25,626,062
Weighted average number of shares, basic		6,118,965,160	6,118,965,160	6,118,965,160	6,118,965,160
<b>Earnings per share</b>	<b>\$</b>	<b>12.007</b>	<b>11.966</b>	<b>4.11</b>	<b>4.19</b>

## Information to report on diluted earnings (losses) per share

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

## Note 25. BUSINESS SEGMENTS

The Group discloses information by segment in accordance with IFRS N°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 making 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).

## Description of types of products and services that provide normal revenues of each segment reported.

The Water segment consists only of sanitation services that permit the provision of products and production services, water distribution, and sewage collection and treatment. 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 (Riles), comprehensive engineering services, plus the sale of products related to the sanitation services and energy



projects. The subsidiaries included are EcoRiles S.A., Anam S.A., Gestión y Servicios S.A. and Aguas del Maipo S.A.

### General information on results, assets, liabilities and equity.

General information on results	30-06-2016		30-06-2015	
	Water Th\$	Non-Water Th\$	Water Th\$	Non-Water Th\$
Revenues from ordinary activities with external customers	238,805,278	11,464,383	231,017,484	12,272,946
Revenues from ordinary activities between segments	375,061	1,918,706	655,054	1,847,328
Operating expenses	-89,385,203	-11,656,214	-86,266,522	-11,475,031
Depreciation & amortization	-32,871,054	-361,990	-33,633,952	-272,843
Other revenue & expenses	115,578	125	151,467	448
Financial income	3,650,280	192,124	2,573,092	468,407
Financial costs	-13,629,665	-68,967	-14,034,126	-8,599
Result of indexation & exchange differences	-12,201,009	10,441	-8,969,367	2,709
Income tax charge	-20,397,440	-418,988	-18,861,881	-556,729
<b>Earnings by segment</b>	<b>74,461,826</b>	<b>1,079,620</b>	<b>72,631,249</b>	<b>2,278,636</b>
<b>Earnings by segment attributable to owners of the controller</b>	<b>72,390,076</b>	<b>1,079,620</b>	<b>70,941,327</b>	<b>2,278,636</b>
Earnings (losses) by segment attributable to non-controller participations	2,071,750	0	1,689,922	0

Total assets, liabilities & equity	30-06-2016		31-12-2015	
	Water Th\$	Non-Water Th\$	Water Th\$	Non-Water Th\$
Current assets	106,664,099	12,419,259	139,417,111	14,460,517
Non-current assets	1,534,542,326	14,485,367	1,529,251,479	14,624,249
<b>Total assets</b>	<b>1,641,206,425</b>	<b>26,904,626</b>	<b>1,668,668,590</b>	<b>29,084,766</b>
Current liabilities	131,527,370	6,553,335	230,256,110	8,706,710
Non-current liabilities	875,092,479	107,951	787,106,298	93,772
Equity attributable to owners of the controller	581,979,421	20,243,340	596,911,692	20,284,284
Non-controller participations	52,607,155	0	54,394,490	0
<b>Total equity &amp; liabilities</b>	<b>1,641,206,425</b>	<b>26,904,626</b>	<b>1,668,668,590</b>	<b>29,084,766</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 relevant sums in relation to expenses for depreciation, personnel and other assorted expenses, including relevant expenditures from outsourced services.



## **Revenue**

The Company's Revenue is mainly generated by the regulated services relating to the production and distribution of water, 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 potable water and sewage water business, that is, income from the sale of water, excess consumption, variable charge, fixed charge, sewage service, sewer use and wastewater 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 N°70 of 1988.

The tariff levels are reviewed every five years and, during that period, are subject to additional adjustments linked to polynomial 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.

In 2015 the tariff negotiation processes ended for the 2015-2020 period; the decrees fixing the tariffs during the referenced five-year period for Aguas Andinas S.A., Aguas Cordillera S.A and Aguas Manquehue S.A, correspond to numbers 152-2015; 83-2015; and 139 2015 respectively. Additionally, N° 116 dated August 31, 2011 fixes the tariffs for Essal for the 2011-2016 period, meanwhile at this date, the tariff process is concluded for the period 2016 to 2021 through agreement between the company and the SISS, pending the publication of that decree.



## **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.

## **Details of significant expense items**

### **Water segment**

The significant expense items are mainly those related to compensation, energy, Wastewater Treatment Plant Operation, depreciation of real and personal property, interest expenses, and income tax payments.

### **Non-water segment**

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

## **Detailed explanation of measurement of results, assets, liabilities and equity of each segment**

The measurement applicable to these segments 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 nature 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, given that according to the standard, there are no accounting policies that show different criteria of assignment of costs or similar.

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



<b>Reconciliation of revenues from ordinary activities</b>	<b>30-06-2016 Th\$</b>	<b>30-06-2015 Th\$</b>
Revenues from ordinary activities of the segments	252,563,428	245,792,812
Elimination of ordinary activity revenues between segments	-2,293,767	-2,502,382
<b>Revenues from ordinary activities</b>	<b>250,269,661</b>	<b>243,290,430</b>

<b>Reconciliation of earnings</b>	<b>30-06-2016 Th\$</b>	<b>30-06-2015 Th\$</b>
Total consolidated earnings (loss) of segments	75,541,446	74,909,885
Consolidation of elimination of earnings (loss) between segments	-2,071,750	-1,689,922
<b>Consolidation of earnings (loss)</b>	<b>73,469,696</b>	<b>73,219,963</b>

<b>Reconciliations of segment assets, liabilities &amp; equity of segments</b>	<b>30-06-2016 Th\$</b>	<b>31-12-2015 Th\$</b>
<b>Reconciliation of assets</b>		
Consolidation total assets of segments	1,668,364,599	1,697,753,356
Elimination of accounts between segments	-5,158,043	-6,555,508
<b>Total assets</b>	<b>1,663,206,556</b>	<b>1,691,197,848</b>
<b>Reconciliation of liabilities</b>		
Consolidation total liabilities of segments	1,013,534,682	1,026,162,890
Elimination of accounts between segments	-5,158,044	-6,555,509
<b>Total liabilities</b>	<b>1,008,376,638</b>	<b>1,019,607,381</b>
<b>Reconciliation of equity</b>		
Consolidation total equities of segments	602,222,763	617,195,977
<b>Equity attributable to owners of the controller</b>	<b>602,222,763</b>	<b>617,195,977</b>

### Information on principal customers of the subsidiaries:

Main water segment customers:

- I. Municipalidad de Puente Alto
- I. Municipalidad de Santiago
- I. Municipalidad de La Florida
- Centro de Detención Preventiva Santiago 1
- I. Municipalidad de Peñalolen
- Universidad de Chile
- Ministerio de Obras Públicas
- Adm. Centro Comunitario Alto Las Condes S.A
- Embotelladoras Chilenas Unidas S.A.
- Cervecera CCU Chile Ltda.



Main non-water segment Customers:

- |                                       |                                  |
|---------------------------------------|----------------------------------|
| - CMPC Cordillera S.A.                | - Soprole S.A.                   |
| - Cobra Chile Servicios S.A.          | - Cervecera CCU Chile Ltda.      |
| - Inmobiliaria y Cont. Nueva Pacifico | - Constructora Pérez y Gómez     |
| - Cartulinas CMPC S.A.                | - Nestle Chile S.A.              |
| - Watt's S.A.                         | - Cooperativa Agrícola y Lechera |

### **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 treatment of excess organic loads (Ecoriles S.A. subsidiary).
- Physical, chemical and biological analysis of water, air and solids (Anam S.A. subsidiary).
- Comprehensive Engineering Services and sale of products including tubes, valves, taps and other related items (Gestión y Servicios S.A. subsidiary).
- Energy projects (Aguas del Maipo S.A. subsidiary).



## Note 26. ENVIRONMENT

### Information on disbursements related to the environment:

According to Circular N° 1901 of October 30, 2008 of the Superintendence of Securities and Insurance, information is revealed below concerning the disbursements related to the environment.

The details of the disbursements related to the environment are included below:

#### Aguas Andinas S.A.

Project Name	30-06-2016 Th\$	31-12-2015 Th\$
Expansion & improvements Greater Santiago WWTP	28,510,776	22,953,502
Expansion & improvements Isla de Maipo WWTP	0	341,476
Expansion & improvements Other Districts WWTP	0	4,515
Expansion & improvement Pomaire WWTP	18,237	11,152
Expansion & improvement San José de Maipo WWTP	24,040	4,500
Expansion & improvement Talagante WWTP	20,121	1,964
Expansion & improvements Valdivia de Paine WWTP	34,996	51,965
Farfana - Trebal interceptor	2,790	52,229
Improvement & renewal equipment & installations	448,809	1,207,737
<b>Total</b>	<b>29,059,769</b>	<b>24,629,040</b>

#### Aguas Manquehue S.A.

Project Name	30-06-2016 Th\$	31-12-2015 Th\$
Improvement & renewal equipment & installations	32,806	149,181
<b>Total</b>	<b>32,806</b>	<b>149,181</b>

#### Essal S.A.

Project Name	30-06-2016 Th\$	31-12-2015 Th\$
Improvement in disposal infrastructure	130,463	195,620
Improvement of EDAR system	246,785	295,762
Renewal of treatment & disposal equipment	6,053	33,655
<b>Total</b>	<b>383,301</b>	<b>525,037</b>



**Projected environmental investments for the 2016 period:**

Company	Th\$
Aguas Andinas S.A.	11,841,595
Aguas Manquehue S.A.	41,674
Essal S.A.	440,760
<b>Total</b>	<b>12,324,029</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 of 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 2016 year.

The Company 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.

**Note 27. EVENTS OCCURRING AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION**

At the date of issuance of these Interim Consolidated Financial Statements, the management of the Company and Subsidiaries are not aware of any other subsequent events that affect the financial position through June 30, 2016.

\* \* \* \* \*

